CIMA Exam Practice Kit

Organisation Management and Information Systems
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Organisation
Management and
Information Systems

Jaspar Robertson
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About the Author

Jaspar Robertson, during his time with one of the country’s leading Financial Services providers, it became obvious to him that there was a need to improve management education and understanding. Determined to ensure that future managers are as professionally prepared as possible, Jaspar now runs his own company, S2C Ltd, delivering courses in both the national and international markets.

Jaspar lectures and examines for a range of professional qualifications, specialising in Business and Information Strategy, Human Resource Management and Marketing for CIMA, ACCA and CIM.
Introduction

Welcome to the new CIMA Exam Practice Kit which has been launched to coincide with a major change in the syllabus where new examinations will take place from May 2005.

This Kit has been designed with the needs of home study and distance education candidates in mind. It is also ideal for fully taught courses or for students resitting papers from the old syllabus.

These hints, question and answers have been produced by some of the best-known freelance tutors in the United Kingdom who have specialised in their respective papers. The questions and topics selected are relevant for the May 2005 and November 2005 examinations.

The exam practice kits will complement CIMA’s existing study manuals with the Q&A’s from May 2005 examination published in the next edition of the CIMA study manual and the Q&A’s from November 2005 examination published in the 2006 edition of the CIMA Exam Practice Kit.

Good luck with your studies.
Learning Outcomes, Syllabus Content and Examination Format

Paper P4 - Organisational Management and Information Systems

Syllabus outline

The syllabus comprises:

Topic and study weighting

- A Information Systems 20%
- B Change Management 10%
- C Operations Management 20%
- D Marketing 20%
- E Managing Human Capital 30%

Learning aims

Students should be able to:

- describe the various functional areas of an organisation and how they relate to one another;
- apply theories, tools and techniques appropriate to a functional area in support of the organisation’s strategy;
- prepare reports and plans for functional areas;
- evaluate the performance of functional areas.

Assessment strategy

There will be a written examination paper of 3 hours, with the following sections.

Section A – 50 marks

A variety of compulsory objective test questions, each worth between 2 and 4 marks. Mini-scenarios may be given, to which a group of questions relate.
Learning Outcomes, Syllabus Content and Examination Format

Section B – 30 marks
Six compulsory short answer questions, each worth 5 marks. A short scenario may be given, to which some or all questions relate.

Section C – 20 marks
One question, from a choice of two, worth 20 marks. Short scenarios may be given, to which all questions relate.

A - Information Systems - 20%

Learning outcomes

On completion of their studies students should be able to:

1. explain the features and operations of commonly used information technology (IT) hardware and software;
2. explain how commonly used technologies are used in the workplace;
3. identify opportunities for the use of IT in organisations, particularly in the implementation and running of the information system (IS);
4. evaluate, from a managerial perspective, new hardware and software and assess how new systems could benefit the organisation;
5. recommend strategies to minimise the disruption caused by introducing IS technologies;
6. explain how to supervise major IS projects and ensure their smooth implementation;
7. evaluate how IS fits into broader management operations.

Syllabus content

- Introduction to hardware and software in common use in organisations.
- Hardware and applications architectures (i.e. centralised, distributed, client server) and the IT required to run them (PCs, servers, networks and peripherals).
- General Systems Theory and its application to IT (i.e. system definition, system components, system behaviour, system classification, entropy, requisite variety, coupling and decoupling).
- Recording and documenting tools used during the analysis and design of systems (i.e. entity-relationship model, logical data structure, entity life history, dataflow diagram and decision table).
- Databases and database management systems. (Note: Knowledge of database structures will not be required.)
- The problems associated with the management of in-house and vendor solutions and how they can be avoided or solved.
- IT-enabled transformation (i.e. the use of information systems to assist in change management).
- System changeover methods (i.e. direct, parallel, pilot and phased).
- IS implementation (i.e. methods of implementation, avoiding problems of non-usage and resistance).
- The benefits of IT systems.
- IS evaluation, including the relationship of subsystems to each other and testing.
- IS outsourcing.
- Maintenance of systems (i.e. corrective, adaptive, preventative).
B - Change Management - 10%

Learning outcomes
On completion of their studies students should be able to:
1. explain the process of organisational development;
2. discuss how and why resistance to change develops within organisations;
3. evaluate various means of introducing change;
4. evaluate change processes within the organisation.

Syllabus content
- External and internal change triggers (e.g. environmental factors, mergers and acquisitions, re-organisation and rationalisation).
- The stages in the change process.
- Approaches to change management (e.g. Beer and Nohria, Kanter, Lewin and Peters, Senge et al.).
- The importance of managing critical periods of change through the life cycle of the firm.

C - Operations Management - 20%

Learning outcomes
On completion of their studies students should be able to:
1. evaluate the management of operations;
2. analyse problems associated with quality in organisations;
3. evaluate contemporary thinking in quality management;
4. explain the linkages between functional areas as an important aspect of quality management;
5. apply tools and concepts of quality management appropriately in an organisation;
6. construct a plan for the implementation of a quality programme;
7. recommend ways to negotiate and manage relationships with suppliers;
8. evaluate a supply network;
9. explain the concept of quality and how the quality of products and services can be assessed, measured and improved.

Syllabus content
- An overview of operations strategy and its importance to the firm.
- Design of products/services and processes and how this relates to operations and supply.
- Methods for managing inventory, including continuous inventory systems (e.g. Economic Order Quantity, EOQ), periodic inventory systems and the ABC system. (Note: ABC is not an acronym. A refers to high value, B to medium and C to low value inventory.)
- Strategies for balancing capacity and demand including level capacity, chase and demand management strategies.
- Methods of performance measurement and improvement, particularly the contrast between benchmarking and Business Process Re-engineering (BPR).
- Practices of continuous improvement (e.g. Quality circles, Kaizen, 5S, 6 Sigma).
- The use of benchmarking in quality measurement and improvement.
Learning Outcomes, Syllabus Content and Examination Format

• Different methods of quality measurement (i.e. operational, financial and customer measures).
• The characteristics of lean production: flexible workforce practices, high-commitment human resource policies and commitment to continuous improvement. Criticisms and limitations of lean production.
• Systems used in operations management: Manufacturing Resource Planning (MRP), Optimised Production Technologies (OPT), Just-in-Time (JIT) and Enterprise Resource Planning (ERP).
• Approaches to quality management, including Total Quality Management (TQM), various British Standard (BS) and European Union (EU) systems as well as statistical methods of quality control.
• External quality standards (e.g. the various ISO standards appropriate to products and organisations).
• Use of the Intranet in information management (e.g. meeting customer support needs).
• Contemporary developments in quality management.
• The role of the supply chain and supply networks in gaining competitive advantage, including the use of sourcing strategies (e.g. single, multiple, delegated and parallel).
• Supply chain management as a strategic process (e.g. Reck and Long’s strategic positioning tool, Cousins’ strategic supply wheel).
• Developing and maintaining relationships with suppliers.

D - Marketing - 20%

Learning outcomes

On completion of their studies students should be able to:

1 explain the marketing concept;
2 evaluate the marketing processes of an organisation;
3 apply tools within each area of the marketing mix;
4 describe the business contexts within which marketing principles can be applied (consumer marketing, business-to-business (B2B) marketing, services marketing, direct marketing, interactive marketing);
5 evaluate the role of technology in modern marketing;
6 produce a strategic marketing plan for the organisation.

Syllabus content

• Introduction to the marketing concept as a business philosophy.
• An overview of the marketing environment, including societal, economic, technological, physical and legal factors affecting marketing.
• Understanding consumer behaviour, such as factors affecting buying decisions, types of buying behaviour and stages in the buying process.
• Marketing research, including data gathering techniques and methods of analysis.
• Marketing Decision Support Systems (MDSS) and their relationship to market research.
• How business-to-business (B2B) marketing differs from business-to-consumer (B2C) marketing.
• Segmentation and targeting of markets, and positioning of products within markets.
• The differences and similarities in the marketing of products and services.
• Devising and implementing a pricing strategy.
• Marketing communications (i.e. mass, direct, interactive).
• Distribution channels and methods for marketing campaigns.
Learning Outcomes, Syllabus Content and Examination Format

- The role of marketing in the strategic plan of the organisation.
- Use of the Internet (e.g. in terms of data collection, marketing activity and providing enhanced value to customers and suppliers) and potential drawbacks (e.g. security issues).
- Market forecasting methods for estimating current (e.g. Total Market Potential, Area Market Potential, Industry Sales and Market Shares) and future (e.g. Survey of Buyers’ Intentions, Composite of Sales Force Opinions, Expert Opinion, Past-Sales Analysis and Market-Test Method) demand for products and services.
- Internal marketing as the process of training and motivating employees so as to support the firm’s external marketing activities.
- Social responsibility in a marketing context.

E - Managing Human Capital - 30%

Learning outcomes

On completion of their studies students should be able to:

1. explain the role of the human resource management (HRM) function and its relationship to other parts of the organisation;
2. produce and explain a HR plan and supporting practices;
3. evaluate the recruitment, selection, induction, appraisal, training and career planning activities of an organisation;
4. evaluate the role of incentives in staff development as well as individual and organisational performance;
5. identify features of a HR plan that vary depending on organisation type and employment model;
6. explain the importance of ethical behaviour in business in general and for the Chartered Management Accountant in particular.

Syllabus content

- The relationship of the employee to other elements of the business plan.
- Determinants and content of a HR plan (e.g. organisational growth rate, skills, training, development, strategy, technologies and natural wastage).
- Problems in implementing an HR plan and ways to manage this.
- The process of recruitment and selection of staff using different recruitment channels (i.e. interviews, assessment centres, intelligence tests, aptitude tests and psychometric tests).
- Issues relating to fair and legal employment practices (e.g. recruitment, dismissal, redundancy and ways of managing these).
- Issues in the design of reward systems (e.g. the role of incentives, the utility of performance-related pay, arrangements for knowledge workers and flexible work arrangements).
- The importance of negotiation during the offer and acceptance of a job.
- The process of induction and its importance.
- Theories of Human Resource Management (e.g. Taylor, Schein, McGregor, Maslow, Herzberg, Handy, Lawrence and Lorsch).
- High performance work arrangements.
- The distinction between development and training, and the tools available to develop and train staff.
- The importance of appraisals, their conduct and their relationship to the reward system.
- HR in different organisational forms (e.g. project-based firms, virtual or networked firms).
- Personal business ethics and the CIMA Ethical Guidelines.
Examination Techniques

Essay questions

Your essay should have a clear structure, that is, an introduction, a middle and an end. Think in terms of 1 mark for each relevant point made.

Numerical questions

It is essential to show workings in your answer. If you come up with the wrong answer and no workings, the examiner cannot award any marks. However, if you get the wrong answer but apply the correct technique then you will be given some marks.

Reports and memorandum

Where you are asked to produce an answer in a report type format, you will be given easy marks for style and presentation.

• A report is a document from an individual or group in one organisation sent to an individual or group in another.
• A memorandum is an informal report from one individual or group to another individual or group in the same organisation.

You should start a report as follows:

To: J. SMITH, CEO, ABC plc
From: M ACCOUNTANT
Date: 31st December 200X
Terms of Reference: Financial Strategy of ABC plc

Multiple choice questions managerial level

From May 2005 some multiple choice questions will be worth more than two marks. Even if you get answer wrong, you will still get some marks for technique. Therefore, show all workings on such questions.
Part 1

Information Systems
Information Systems

LEARNING OUTCOMES

On completion of their studies students should be able to:

• explain the features and operations of commonly used information technology (IT) hardware and software;
• explain how commonly used technologies are used in the workplace;
• identify opportunities for the use of IT in organisations, particularly in the implementation and running of the information system (IS);
• evaluate, from a managerial perspective, new hardware and software and assess how new systems could benefit the organisation;
• recommend strategies to minimise the disruption caused by introducing IS technologies;
• explain how to supervise major IS projects and ensure their smooth implementation;
• evaluate how IS fits into broader management operations.
Questions

1.1 Within a computer the control unit has three main functions. These are
   (i) 
   (ii) 
   (iii) 

1.2 What is the ALU and what does it do?

1.3 What is the major problem with RAM?

1.4 Identify 3 different input devices and state when you would use them?

1.5 Explain the difference between an operating system, utility programs and communications software.

1.6 Centralised processing means
   A All data is processed at a single specialised site
   B All data is processed in the centre of the building
   C All data entry screens are formatted to be centralised
   D All data related to the firms’ central heating system is held in one place

1.7 Which of the following statements is true?
   A A star network is one that connects all the high fliers in the company
   B A ring network is where each member phones the next person on the list
   C A tree network is one that has branches everywhere
   D A star network is one that has a single server as its hub

1.8 Define each of the following:
   (i) Internet
   (ii) Intranet
   (iii) Extranet

1.9 A DBMS can be defined as:
   A A Debenture Marketing Service
   B A Debt Measuring System
   C A Database Management System
   D A Directors Benevolent Service

1.10 The main advantage of a database is
   A Data ownership
   B Reduced data redundancy
   C Reduced risk of failure
   D Reduction in the volumes of paper records

1.11 What are the 4 key features of any system?
   (i) 
   (ii) 
   (iii) 
   (iv)
1.12 A feedback control loop is made up of the following components:

(i) 
(ii) 
(iii) 
(iv)

1.13 The purpose of an Invitation to Tender is

A To invite all possible suppliers to a meeting 
B To ask the selected supplier to provide a system 
C To inform approved suppliers of your requirements 
D To request from the customer how much they are prepared to spend

1.14 Name the four symbols used in a data flow diagram:

(i) 
(ii) 
(iii) 
(iv)

1.15 In Entity Relationship Modelling, which of the following is not a valid relationship?

A One-to-one 
B One-to-many 
C Many-to-many 
D Any-to-some

1.16 The process of using decision tables is known as:

A Normalising data 
B Simplifying data 
C Actioning data 
D Tabulating data

1.17 The formula for the number of columns in a decision table is

A $2^n$, where $n$ is the number of conditions in the quadrant
B $3^n$, where $n$ is the number of conditions in the quadrant
C $2^c$, where $c$ is the number of consultants employed 
D $3^c$, where $c$ is the number of consultants employed

1.18 There are 4 tests that must be carried out before a system goes live. These are

(i) 
(ii) 
(iii) 
(iv)

1.19 Changeover to a new system can be achieved by all of the following methods except:

A Parallel running 
B Direct changeover 
C Phased changeover 
D Linear programming
1.20 What are the three forms of maintenance?

(i) 
(ii) 
(iii) 

1.21 Various systems have been developed over recent years in the following categories:

(a) Transaction Processing Systems (TPS)
(b) Management Information Systems (MIS)
(c) Decision Support Systems
(d) Expert Systems

Requirement
Define and distinguish between each of these systems. Consider the level of the organisation served, type of information available, decision capabilities, applications served and database facilities for each system.

1.22 Information systems frequently rely upon large and complex databases.

Requirements

(a) Explain, briefly, what the term ‘database’ means? 

(b) Describe the components of a database management system (DBMS)?

(c) What is the difference between a relational and a hierarchical database?

(Total = 20 marks)
Answers

1.1 (i) To read and interpret program instructions.
(ii) To direct the operation of internal processor components.
(iii) To control the flow of programs and data in and out of memory.

1.2 The ALU executes the operations identified by the control unit.

1.3 The major problem with RAM is that it is volatile; when the electrical power is interrupted, data will be lost.

1.4 (i) Keyboard: useful for flexible and variable input by both skilled and unskilled operators. Likely to be used in conjunction with a pointing input tool.
(ii) Mouse/Trackball/Touchpad: point and click devices – useful for navigation and selection purposes. Unlikely to be used on its own, most likely to be used in conjunction with a keyboard.
(iii) Light pen and touch screen: another point and select tool, but when linked with suitable software they allow plain text input via handwriting recognition software and drawing and design specialisms.

1.5 The operating system: This is a set of computer programs that directs the operations of the entire computer system. The most common operating system is Windows.

Utility programs: These are designed into the operating system by the manufacturer, primarily as a support to programmers (and possibly users), to help when writing, storing and running their programs.

Communications software: This is primarily designed to support network computer systems.

1.6 A

1.7 D

1.8 (i) The Internet is a public and global communication network that provides direct connectivity to anyone over a LAN. An example of a virtual network is the Internet. Access to it is open to all, which may result in an unruly proliferation of information. Common Internet tools include e-mail, World Wide Web (www), newsgroups, chatting, telephony, electronic conferencing, FTP (file transfer protocol) and Telnet (for remote computer logging in).

(ii) An Intranet is an internal organisational network that is based on the Internet technologies, and can be accessed only by authorised employees. While the Internet has open access to the public, an Intranet is private and is protected by a ‘firewall’ (an access control system consisting of hardware and software that is placed between an organisation’s internal and external networks).

(iii) An Extranet refers to an extended Intranet of an organisation that links to its business partners (e.g. customers, suppliers or other trade organisations). Only authorised users can access to the Extranet. Data transmitted over the Extranet is usually secured. Conceptually, it is not dissimilar from subscription-based Internet sites that require password access.

1.9 C

1.10 B
1.11 (i) Inputs  
(ii) Processes  
(iii) Outputs  
(iv) Environment  

1.12 (i) Standard  
(ii) Sensor  
(iii) Comparator  
(iv) Effector  

1.13 C  

1.14 (i) Data flow  
(ii) External entity  
(iii) Data store  
(iv) Data process  

1.15 D  

1.16 A  

1.17 A  

1.18 (i) Realistic tests  
(ii) Contrived tests  
(iii) Volume tests  
(iv) User acceptance tests  

1.19 D  

1.20 What are the three forms of maintenance?  
(i) Corrective maintenance  
(ii) Perfective maintenance  
(iii) Adaptive maintenance  

1.21 (a) Transaction Processing Systems (TPS): A processing system that enables an organisation to run effectively and efficiently. Tasks are likely to be mundane and involve input, validation, process and output. Usual examples would be a sales processing system, recording sales and issuing invoices/receipts.  

Level of organisation served: Operational.  
Type of information available: Day-to-day operational information and summary reports.  
Decision capabilities: None.  
Database facilities: Simple database to allow validation of input.  
Applications served: TPSs are operational systems that can serve a range of applications from stock control, through invoicing to purchasing and payroll.  

(b) Management Information Systems (MIS): An integrated system designed to deliver information to enable the effective and efficient running of an organisation at all levels. The MIS may well include other subsystems – such as a TPS, as a data source.  

Level of organisation served: Middle and senior management.  
Type of information available: Predominantly reports to all levels of management, on demand and on a regular basis.
Decision capabilities: Structured and routine decision-making capabilities would be a requirement of a good MIS.

Database facilities: Likely to be a relational database since it needs to integrate data from a range of sources.

Applications served: Predominant use of an MIS would be resource allocation, planning and forecasting, as well as control functions.

(c) Decision Support Systems: Essentially a system that supports the decision-makers, frequently involving the capability of processing highly complex statistical and mathematical formulae. Frequently used in planning or investigative areas, exploring options and offering probabilities of success against each option.

Level of organisation served: Strategic.
Type of information available: Very specific decision-making information.
Decision capabilities: Non-routine decision-making.
Database facilities: Highly complex, relational and knowledge databases.
Applications served: Strategic planning decisions, forecasts both short and long term.

(d) Expert Systems: A system that looks at a small, routine programmable area, such that the system can then make a decision about the optimal pathway through a set of variables. Logical predictability is a pre-requisite.

Level of organisation served: Strategic but also at other levels.
Type of information available: Offers decisions centred upon a small and limited area of knowledge.
Decision capabilities: Complex decisions within a programmable environment.
Database facilities: Large knowledge base required, capable of continual expansion.
Applications served: Strategic planning and specific knowledge advice.

1.22 (a) A database is a collection of files and records, held in a central location, designed to enable different users to search and retrieve a variety of data, which they can subsequently process for their own purposes.

(b) A DBMS contains

Design tools to enable the database structure to be defined.
A data dictionary.
A data description language to enable data input and relationship establishment.
A query language to enable data to be viewed.
A report writing facility.

(c) A hierarchical database consists of a series of files in which each data item is related to another in a direct hierarchical relationship. This rigidity of structure means that they are difficult to use in anything but the manner in which they were designed.

A relational database is a much more complex structure and data is held in a less structured manner. Data is held in data tables, and relationships with other tables are noted and can be exploited. This approach offers a much more robust interrogation facility.
Medium length questions

Question 1

S is a manufacturing company which produces DVD players and other electronic consumer products. It is structured along conventional functional lines with departments of production, purchasing, finance, marketing and sales, research and development and packaging.

In recent years, it has faced an increasingly changing and unpredictable environment; as competition from overseas rivals has increased, late delivery of some components has led to production delays and new legislation has pushed up employee insurance and pension costs.

The introduction of new technology to try to improve efficiency in production has met with limited success as employees have found the new work processes excessively boring. This has led in turn to demands from the workforce for an increase in pay. Attempts to improve performance have not been helped by the constant battles between the head of production and the head of marketing over the design of some key products.

Requirements

(a) Describe the open systems approach to organisational analysis.

(10 marks)

(b) Explain how ‘S’ could apply the open systems approach to identify areas for improving its efficiency and competitiveness.

(10 marks)

(Total = 20 marks)
Medium length questions

Answer 1

(a) The basic idea of the open systems approach is that organisations possess mechanisms which take inputs from the environment and subject these inputs to various transformation processes that result in outputs. The term ‘open’ in this context is used to make clear that the boundaries of the organisation are open to accept inputs of various kinds, be this information or other resources.

Examiner’s Note:
A variety of models have been devised to illustrate the open systems approach. Any of these are acceptable inclusion, provided they contain the basic features described within this answer.

The open nature of the organisation as a system also implies that any change in the organisation’s environment, whether this is in the broader macro-environment or its more immediate industry environment, will have an impact on the organisation’s operations.

Furthermore, organisations are seen as being composed of interdependent parts, so that any changes that occur in one part of the organisational system will result in changes in other parts of the organisation.

The parts that make up the organisation as a system can be conceptualised in a variety of ways. One common description is in terms of a number of subsystems, such as task, technology, structure, people and management.

For example, one influential study of the coal-mining industry in the 1940s by Trist and Bamforth demonstrated the close links between the social and psychological needs of employees and the technical requirements of coal production. The introduction of new coal-cutting machinery was accompanied by the break-up of close-knit teams of miners. The outcome of this new arrangement was a decline in morale and productivity among the miners. Only when a new form of team working was restored ‘fit’ with the requirements of the new technology, were morale and productivity restored to former levels. This and later studies established what Trist and Bamforth came to call the ‘socio-technical systems approach’. This involves management in seeking to ensure that the needs of employees are taken into account whenever new technology is introduced so that the ‘technical’ subsystem and the ‘social’ subsystem are compatible.

But equally well, the subsystems might be regarded as functional departments that go to make up an organisation as a system, as in the scenario example. The important point is that organisations can be regarded as made up of many different parts that can be regarded as subsystems and that these parts must fit together in certain ways to ensure the optimum working of the whole organisation.

Finally, as open systems, organisations need to maintain favourable transactions of inputs and outputs with the environment in order to survive over time and this necessarily involves the organisation’s management retaining favourable relationships with key stakeholders such as customers, suppliers, government and the wider community.
Having outlined the nature of the organisation as an open system, we can now consider how this perspective can assist in the identification of areas for improvements in the competitiveness of a manufacturing organisation like the S Company.

Given the assumptions of the open systems approach, attention is directed to the relationships between the Company and its environment and to the relationships between the various parts and processes of the organisation.

The number of potential problems posed by the environment is considerable as threats may come not only from the competition as indicated in the brief scenario, but also from a range of relationships with other aspects of the macro-environment including the economic, political, social or technological and from those within the industry such as potential new entrants, suppliers, buyers and other external stakeholders.

In the case of the S Company, the threat has come from overseas competitors, from suppliers and from government legislation but the open systems perspective alerts the S Company to continually monitor other aspects of the environment for potential threats and for opportunities.

If we define the various functional departments as subsystems, then it follows that while the threat of overseas competition has implications for the S Company as a whole, the problem with suppliers has particular implications for the purchasing subsystem. The purchasing department, in particular, will have to respond to the threat by seeking alternative means of supply or some other way of dealing with the threat. New legislation on pensions and insurance will push up costs for the whole organisation but particular subsystems such as those that deal with human resources and finance will be most directly affected and thus expected to respond. This may mean tighter budgets for labour and a consequent slimming down of the workforce.

The open systems perspective also directs attention to the interdependent relationships between the various parts and processes within the organisation. In the case of the S Company, inefficiencies may lie in the nature of relationships between the functional departments. For example, there may be production delays because purchasing has failed to ensure supplies at the right time or in the right quantity.

The reference in the scenario to the conflict between subsystems of production and marketing can also be regarded as an example of the kind of dysfunctional relationship that an open systems approach would call attention to.

Alternatively, there may be a lack of ‘fit’ between the ‘social’ and ‘technical’ subsystems because insufficient attention has been given to aligning the requirements of employees for a humane working environment with the requirements of the new technology. This is suggested by the fact that employees find the new system to be boring and possibly by their demand for more pay which may be a symptom of their dissatisfaction with the new system of work.

In fact, there may be problems caused by poor co-ordination between any of the subsystems, within the S Company that need to be improved in order to promote greater efficiency within the organisation.
Part 2

Operations Management
Operations Management and Quality

Learning Outcomes

On completion of their studies students should be able to:

• evaluate the management of operations;
• analyse problems associated with quality in organisations;
• evaluate contemporary thinking in quality management;
• explain the linkages between functional areas as an important aspect of quality management;
• apply tools and concepts of quality management appropriately in an organisation;
• construct a plan for the implementation of a quality programme;
• recommend ways to negotiate and manage relationships with suppliers;
• evaluate a supply network;
• explain the concept of quality and how the quality of products and services can be assessed, measured and improved.
Questions

2.1 Mintzberg described organisations in terms of all of the following except:
   A Technostructure
   B Infrastructure
   C Strategic apex
   D Middle line

2.2 Porter stated that the value chain had four secondary activities. These included all except:
   A Technological development
   B Procurement
   C Support staff
   D Human resource management

2.3 Explain the link between JIT and management philosophy.

2.4 Reck and Long positioning tool described approaches to purchasing. It included all except:
   A Passive
   B Interactive
   C Independent
   D Integrative

2.5 The four main sourcing options for an organisation are
   (i)
   (ii)
   (iii)
   (iv)

2.6 The benefits of Manufacturing Resource Planning (MRP) include all of the following except:
   A Reduced stockholding
   B Increased customer service
   C Slower deliveries
   D Improved facilities utilisation

2.7 Define Total Productive Maintenance (TPM).

2.8 Quality can be defined as:
   A Fitness for purpose
   B Highest possible standard
   C Highest standard at acceptable cost
   D Something that exceeds customer specifications

2.9 TQM stands for:
   A Targeted Quality Measurement
   B Total Quality Measurement
   C Targeted Quality Management
   D Total Quality Management
2.10 Ouchi’s Theory Stated stated that all of the following principles were important except:

A Emphasis on dictatorial management approaches
B Emphasis on interpersonal skills
C Emphasis on participative management
D Emphasis on informal and democratic relationships

2.11 Who popularised the phrase ‘Zero Defects’?

A Edward Deeming
B Joseph Juran
C Philip Crosby
D Kuaro Ishikawa

2.12 The four C’s of Quality are

(i)
(ii)
(iii)
(iv)

2.13 What is the difference between Quality Control (QC) and Quality Assurance (QA)?

2.14 Name the four types of costs associated with quality.

(i)
(ii)
(iii)
(iv)

2.15 Define Quality Circles.

2.16 There are three different types of benchmarking. These are all of the following except:

A Internal
B Competitor
C Best Practice
D Engraving

2.17 Define Business Process Re-engineering (BPR).

2.18 Name the five processes or phases in BPR:

(i)
(ii)
(iii)
(iv)
(v)

2.19 Define Innovation and what it attempts to do?

2.20 What are the six criteria in Brown et al.’s test for ‘enlightened’ organisations wishing to measure performance?

(i)
(ii)
(iii)
(iv)
(v)
(vi)


Answers

2.1 B
2.2 C
2.3 Just-in-Time is a Japanese concept and deals with the manner in which an organisation will obtain stock from its suppliers *just before they need it*. This obviates the need for stockholding and, therefore allows the organisation to be more efficient. The link with management philosophy comes from the fact that such an approach can only be effective if both parties trust each other, and management respects the responsibility that they have to their customers to ensure supplies are delivered on time.

2.4 B
2.5 (i) Single  
   (ii) Multiple  
   (iii) Delegated  
   (iv) Parallel

2.6 C
2.7 Total Productive Maintenance (TPM) is a contemporary idea aimed at increasing the productivity of the organisation’s equipment. The fundamental objective of TPM is to prevent quality failures caused by equipment failure or degradation so TPM might usefully contribute a quality management programme. It involves identifying equipment in every division, including planning, manufacturing and maintenance, and then planning and implementing a maintenance programme that covers their entire useful life.

2.8 A
2.9 D
2.10 A
2.11 C
2.12 (i) Commitment  
   (ii) Competence  
   (iii) Communication  
   (iv) Continuous improvement

2.13 Quality Assurance attempts to create quality whilst Quality Control merely attempts to control an existing agreed level of quality. QC deals with validating an existing standard. QA seeks to innovate and improve.

2.14 (i) Prevention Costs  
   (ii) Appraisal Costs  
   (iii) Internal Failure Costs  
   (iv) External Failure Costs

2.15 A Quality Circle is a multidisciplinary group of staff whose brief is to identify, investigate and solve work-related problems. The concept of a circle is important for two reasons:

(i) The concept of a circle never ends, hence the constant search for improvement.
(ii) Within a quality circle there is no hierarchy. Rather like the Arthurian round table, all players are equal.
2.16 D

2.17 the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed. (Hammer and Champy 2001)

2.18 (i) Planning
(ii) Internal learning
(iii) External learning
(iv) Redesign
(v) Implementation

2.19 Innovation is the introduction of new and improved ways of doing things at work. Innovation involves deliberate attempts to bring about benefits from new changes; these include increases in productivity and improvements in the design and quality of products. Innovations may include technological changes such as new products, but may also include new production processes, the introduction of advanced manufacturing technology or the introduction of new computer support services within an organisation.

2.20 (i) Relevant
(ii) Integrated
(iii) Balanced
(iv) Strategic
(v) Improvement-orientated
(vi) Dynamic
**Medium length questions**

**Question 1**

The O Company, founded in the 1960s, manufactures electric pumps. Despite developments in globalisation, technology, methods of production, techniques of quality management and global sourcing of supplies, the O Company has retained its original approach to operations.

Unfortunately, this reluctance to adapt to the new operations environment has resulted in a decline in competitiveness, a consequent fall in market share, and an overall threat to the future viability of the O Company.

**Requirements**

(a) Describe the key activities in the operations function of an organisation such as the O Company.

(b) Explain how the O Company could take advantage of the opportunities offered by developments in technology, production methods, quality management and global sourcing to improve its competitiveness.

(Total = 20 marks)

**Question 2**

(a) X is a small, owner-managed, family restaurant business which employs 10 people.

Y is a university with 800 academic, 200 administrative and 100 ancillary staff. The academic staff teach a wide range of courses and conduct research. The administrative staff ensure that university policies and procedures are observed and provide administrative support for teaching and research functions. The ancillary staff provide other necessary services such as security, maintenance, catering and cleaning.

Z is a large manufacturing company which produces a wide range of products and employs 30,000 people in its various business divisions. Each of its eight divisions produces a different product and serves a different market. The business divisions enjoy a fair degree of autonomy but are expected to operate within the overall umbrella of the company’s corporate strategy.

**Requirement**

Using Mintzberg’s typology of organisational configurations, identify the most appropriate configuration for the X business, Y University and Z Company. Justify your choice in each case.

(b) Discuss the implications of increased environmental uncertainty for the design of organisational structures.

(Total = 20 marks)
Question 3

Company Y began manufacturing a single product. As the company grew, it adopted a typical functional structure. More recently, as a result of both internal development and a series of acquisitions, it has become a multi-product company serving diverse markets.

Requirements

(a) Explain the limitations of Company Y’s functional structure, given its recent development into a multi-product company.  
   (6 marks)

(b) In view of the growth of Company Y, identify the type of organisation structure that might be more appropriate, justifying your proposal.  
   (8 marks)

(c) Discuss the potential limitations of the proposed new structure.  
   (6 marks)  
   (Total = 20 marks)
Medium length questions

Answer 1

(a) The operations function is concerned with the conversion of resource inputs into outputs of goods and services. Operations cover a wide range of activities including purchasing, production, distribution and logistics. The term ‘operations’ has traditionally been associated with the manufacture of products but with the increasing importance of the service sector, the operations function is recognised as a vital function in this sector also.

In the case of a manufacturing company like the O Company, operations include the following activities:

*Purchasing* involves the sourcing and buying of raw materials, components and the tools and equipment necessary for the manufacture of electric pumps.

*Production* involves the conversion of raw materials and the assembly of components into finished items. In the case of the O Company, production might encompass the actual making of components as well as the assembly of bought-in components. For example, the O Company might cast some parts of its electric pumps in its foundry or it may produce some of the components by turning them on a lathe.

*Production* in the O Company will probably be the form of mass production rather than job, or batch production.

Associated with the conversion process of production are the various control mechanisms to ensure control of output and quality. In the case of the O Company, this would include some kind of production scheduling and some form of quality assurance.

Once the assembled electric pumps are ready to leave the factory, logistical considerations will become important. These will involve such things as where to hold the finished product, in what quantity and with what delivery schedule to customers.

*Transport* can also be considered part of operations and will include considerations to do with economic delivery quantity and mode of transport to be used.

*Distribution* will be concerned with whether to distribute the electric pumps directly to customers or through wholesalers and retailers.

(b) The more important developments in technology since the 1960s include the development of the microchip. This has enabled the development of computers, the Internet and information technology in general. It has enabled the development of computer-controlled machines and thus impacted on manufacturing methods.

As far as the production of electric pumps in the O Company is concerned, these developments open up the possibility of greater productivity and hence lower costs.

In the production area, computer-controlled machines allow for greater flexibility in the making of parts or different models of pumps. The saving here comes from reduced time in the setting up of machines.

The development of the Internet and Intranets also enhance the speed and reduce the cost of both external and internal communications and provide more efficient storage of data and access to that data.

Since the 1960s, there have also been developments in how goods like electric pumps are produced. Developments in electronics have in turn aided the automation of production in some areas via the development of robotics. These ‘intelligent’ machines are faster, more precise and more consistent than humans and so have replaced some of
the simpler more repetitive tasks previously carried out by manual labour. Not only are these machines more efficient but they have improved quality by virtue of their capacity to maintain consistent standards.

Some of the most important changes in the methods of production have been developed by Japanese companies and have since been copied worldwide. These methods include Just-in-Time (JIT) delivery and production. JIT involves a production system which is driven by demand for finished products, whereby each component on a production line is produced only when needed for the next stage. Similarly, the delivery of parts for production or assembly arrives just-in-time for production to take place. In an electric pump manufacturing business like the O Company, the savings will derive from the saving in inventory. The Company will be saved the expense of storage of components at the input end of the production process and of assembled electric pumps at the output end of the process.

Developments in quality assurance, also developed by the Japanese, can improve the product quality of the O Company’s electric pumps. Japanese companies have used total quality management (TQM) to great effect in improving the quality of their products. In order to reap similar benefits, the O Company needs to adopt TQM. This will involve adherence to the following principles – recognition of the importance of the customer, the need for employees in all functions to be involved in quality improvement and the adoption of the principle of continuous improvement. In order to put these principles into practice, there will be a need to invest in employee training and development, an encouragement to develop team working and especially cross-functional teams and the involvement of customers and suppliers in the process.

The improvements in transportation and communications have made the global sourcing of many materials and components a distinct possibility and thus reduce the costs of inputs to the production process. Just which materials and components the O Company might source from other countries is impossible to say without comparative cost information, but high value, low-weight components will be high on its list of priorities.

Answer 2

(a) The configuration that would best describe X Company in Mintzberg’s terms is the ‘simple structure’ because it is a small organisation with an owner/manager who can be regarded as constituting the strategic apex. He is also likely to wish to retain control over decision-making given that it is a family business; a characteristic described by Mintzberg as a pull to centralise. With only 10 employees, little of the behaviour in the organisation will be formalised. Most of the 10 employees can be regarded as part of the operating core, with very little in the way of the technostructure or support staff. Such division of labour as exists will probably be in terms of that between kitchen staff involved in food preparation and washing dishes and those waiting on table. In addition to the owner/manager, who will probably be involved in all managerial activities, there may be one or two employees who occupy what Mintzberg calls the middle line such as the chef and the supervisor of the table the waiting staff.

The most likely configuration for Y University will be the ‘professional bureaucracy’ because the tasks of teaching and research that characterise the core tasks of the University rely on a body of trained professionals to undertake them. The key feature
of this kind of configuration is that it has to rely on trained professionals in order to attain its objectives. This gives the professionals an unusual degree of power, and so a common problem for professional bureaucracies like Y University is how to ensure control of the professionals who constitute the operating core of this kind of organisation. The professional bureaucracy arises in circumstances in which the environment is stable, yet complex. The complexity of the task requires reliance on trained professionals, but the relatively stable demand for teaching and research enables the application of standardised skills. There is little need for a large technostructure since standardisation occurs as a result of training that takes place outside the organisation. Because the academics in Y University work independently, the operating core will be fairly large, but the middle line will be relatively small. The support staff in the way of administrative and ancillary staff, however, will be fairly large to provide support to the academic staff.

The most likely configuration for Z Company will be the ‘divisional structure’, because it has probably found that the easiest way to cope with producing a number of different products aimed at different markets is best achieved by a degree of specialisation. In this case, specialisation is enabled by a division of labour into eight different divisions each charged with producing a different product or set of products for a particular market.

According to Mintzberg, a key characteristic of the divisional structure is that the divisions exert a pull to balkanize. In the process of decentralising and giving autonomy to the divisions, the management that make up the strategic apex loses some of its control. In order to limit the autonomy of the divisions, types of control other than direct supervision become necessary. In most configurations of this kind, output controls are resorted to. In order to implement and maintain these performance control systems, a small technostructure is often required.

(b) The impact of environmental uncertainty on an organisation is an increase in the demands for responsiveness, flexibility and adaptability on the part of its organisational members. The increased uncertainty means that organisations and their members need to be on a heightened state of alert and to be ready to react quickly if the organisation is to survive and remain competitive. Changes in the behaviour of competitors, or sudden switches in tastes by customers often require the management of organisations to change their strategies and this requires employees to be flexible and adaptable enough to implement the new strategies. The outcome of a change in strategy often entails a change in an organisation’s structure.

The type of structure found to be best able to cope with environmental uncertainty is the organic structure. First conceived by Burns and Stalker in the late 1960s, the organic structure has the following characteristics:

- it has a flatter hierarchy than the traditional organisation;
- uses teams to cut across functional departments and hierarchical levels;
- has low formalisation;
- possesses a comprehensive information network (utilising lateral and upward communication as well as downward);
- it is a highly adaptive form that is loose and flexible; and
- actively involves all employees in decision-making.

Rather than having standardised jobs and regulations, the organic structure’s flexibility allows it to change rapidly as needs require. The organic form has division of labour,
but the jobs people do are not standardised. Employees are highly trained and empowered to make job-related decisions. An organic structure tends to rely heavily on teams. The net effect is that employees in this form require a minimal degree of formal rules and little direct supervision; their high skills, training, and the support provided by other team members tend to make high formalisation and tight managerial controls unnecessary. In Mintzberg’s typology, the nearest equivalent to the organic form is the configuration which he calls the ‘adhocracy’.

The distinctive nature of the organic structure becomes more evident when we compare it with the mechanistic organisation structure that Burns and Stalker typified as being best suited to relatively stable environmental conditions. The mechanistic organisation is a rigid and tightly controlled structure. It is characterised by high specialisation, extensive departmentalisation, narrow spans of control, high formalisation, a limited information network and little participation by low-level members in decision-making. In the mechanistic structure, work specialisation creates jobs that are simple, routine and standardised. Further specialisation through the use of departmentalisation increases impersonality and the need for multiple layers of management to co-ordinate the specialised departments. There is also strict adherence to the unity of command principle. This ensures the existence of a formal hierarchy of authority, with each person controlled and supervised by one superior. Narrow spans of control, especially at increasingly higher levels in the organisation, create tall, impersonal structures. In Mintzberg’s typology, the nearest equivalent is the ‘machine bureaucracy’.

Answer 3

(a) A functional structure divides the organisation up into its main activities or functions such as production, sales, accounting and so on, so that all similar specialist activities are grouped together into interdependent departments with a manager in charge of each function. These are then placed under the overall control of the owner or a senior manager.

This form of organisation has a number of potential advantages, but it also has a number of disadvantages, especially when the organisation develops into a multi-product company as in the case of Company Y.

In particular, a functional structure promotes a narrow focus on specialist interests with the result that co-ordination and scheduling can become difficult. Functional managers put their own interests before those of other functional departments, and so the interests of the organisation as a whole are less well served than they might be. At worst, inter-departmental conflicts arise and departments pull against each other rather than working with each other. There is also the problem of identifying profitable and unprofitable products, as costs for each different product become difficult to attribute.

When the organisation reaches a certain size, these problems are likely to be exacerbated, especially if the organisation has developed a wide range of products or services like Company Y.

(b) In view of the growth and diversification of Company Y, one type of structure that may be more appropriate is a product divisional structure. Product division structures tend to fit companies exhibiting wide diversification, because each individual business
unit is likely to face a different set of product, technology, market and customer requirements. Product divisions represent small, self-contained businesses within a company. Thus, managers and individuals assigned to a particular product division often become expert about that division’s products and markets. Each division reports to senior management. Each product division also contains its own functional specialists and resources that are usually organised into departments. These functional departments are designed to support the needs of various products within the division. Most product divisions are evaluated on the basis of their own financial performance and the competitive success of their products. Consequently, each product division has the opportunity to develop its own distinctive competence as sources of competitive advantage for its own products.

A big advantage of the product division is that it enables senior management to accurately locate and identify the costs, profits, and potential problem areas within each line of business. Product divisions also lend themselves well to fast response to environmental changes because managers in these divisions have more time to focus on factors affecting the market for the particular products or services they are responsible for.

Product divisions also help managers develop a cross-functional perspective that is important to achieving fast response. Since each product division has a self-contained set of functional departments, managers tend to learn fast and know what it takes to co-ordinate this functional department effectively to build competitive advantages.

Product division structures are also excellent mechanisms by which to train and develop future senior and general managers, since this type of structure holds divisional managers accountable for their own results. Thus, opportunity for advancement presents considerable incentive for divisional managers to learn how to manage their businesses effectively.

Organising along a product division format gives senior management considerable flexibility in rearranging the shape of the company’s portfolio of businesses. Management can decide to sell different parts of the company that are under performing or do not have attractive prospects for the future. Since product divisions are self-contained units that house their own functions and centres of expertise, senior management can more readily put divisions up for sale if they no longer fit to the company’s long-range strategy.

(c) There are several important limitations associated with product division structures and if Company Y adopts such a form it needs to be aware of these.

First is the potential for inefficient use of resources. If the products are actually quite similar in terms of development, production or marketing, numerous functional departments duplicate time and effort across divisions that are striving to accomplish the same objective.

Second, duplication of administrative, management, and staff functions occurs for each division. Since each product division by design is highly autonomous, there are high overhead costs associated with this structure. Each division is likely to possess its own administrative set up, including accounting and other staff functions.

Third, the emphasis on measuring individual divisional performance by way of quantitative financial measures could induce a significant bias towards short-term thinking. Since divisional managers must meet a certain level of financial return (return on investment, assets or sales), managers may be inclined to run the business
‘according to the numbers.’ In this situation, divisional managers are likely to delay important investment in new process technologies, R&D, or other ‘future’ sources of competitive advantages because of the daily short-term pressures to meet financial targets. Divisional managers may reinterpret ‘competitive advantage’ as current return on investment, as opposed to building and applying new skills or capabilities that may not come to full fruition until much later.

Thus, product division structures may instil a short-term orientation in divisional managers that, if uncontrolled, could lead to steady deterioration of overall corporate competitive advantage and development of distinctive competence.

Finally, product division structures may indirectly encourage an excess of internal competition between divisional managers. Product divisions within the same company are often highly autonomous and their financial performances are easily compared, one against the other, by senior management. So divisional managers may attempt to outdo each other in trying to beat some performance target or goal, particularly when the potential for future promotions is based on current divisional performance. This fact is especially true when divisional managers know that senior management has the power to sell off divisions of the company that appear to be under performing. In turn, this internal competition may strongly discourage managers from working together on joint investment activities or ‘mega projects’ that could help all divisions involved.
LEARNING OUTCOMES

Marketing accounts for 20% of the overall syllabus. The chapter introduces marketing as an important topic, and will help enable you to:

• explain the marketing concept;
• evaluate the marketing processes of an organisation;
• apply tools within each area of the marketing mix;
• describe the business contexts within which marketing principles can be applied;
• evaluate the role of technology in modern marketing;
• produce a strategic marketing plan for the organisation.
Questions

3.1 Marketing has been defined as:
A  The management process responsible for advertising.
B  The management process responsible for getting people to buy products they do not want.
C  The management process responsible for identifying, anticipating and satisfying customer requirements, profitably.
D  The management process responsible for dealing with customer complaints.

3.2 Name the four organisational philosophies:
(i)
(ii)
(iii)
(iv)

3.3 The four Ps of the Marketing Mix are
(i)
(ii)
(iii)
(iv)

3.4 The PLC stands for:
A  The Product Liability Chart
B  The Product’s Limited Character
C  The Product Life Cycle
D  The Product Life Chart

3.5 What does B2B mean and why is this an important concept?

3.6 Questions that would be addressed under Place in the marketing mix include all of the following except:
A  Where will the customer use the product?
B  Is the means of distribution appropriate?
C  Is the product available in the right quantities?
D  Is the place of purchase convenient to the customer?

3.7 Describe the difference between a pull and a push promotional campaign.

3.8 Name the three perspectives that Lancaster and Withey identified.
(i)
(ii)
(iii)

3.9 The extended marketing mix includes a further 3 Ps. These include all of the following except:
A  People
B  Physical evidence
C  Process
D  Procedures
3.10 What does B2C mean and why is this an important concept?

3.11 Define Market Segmentation.

3.12 Kotler’s three criteria for segmentation include all of the following except:
   A Measurable
   B Accessible
   C Homogenous
   D Substantial

3.13 What does FMCG mean?

3.14 List the five stages in a consumer decision process.
   (i)
   (ii)
   (iii)
   (iv)
   (v)

3.15 Define the difference between market research and marketing research.

3.16 Define an MkIS.

3.17 Setting a Strategic Marketing Plan involves four stages. These are
   (i)
   (ii)
   (iii)
   (iv)

3.18 What internal analysis needs to be undertaken before developing a marketing strategy?

3.19 What external analysis needs to be undertaken before developing a marketing strategy?

3.20 Explain, briefly, why marketing orientation is important to a modern organisation.
Answers

3.1 C

3.2 (i) Product Orientation
     (ii) Production Orientation
     (iii) Sales Orientation
     (iv) Marketing Orientation

3.3 (i) Product
     (ii) Price
     (iii) Promotion
     (iv) Place

3.4 C

3.5 B2B means Business-to-business marketing and refers to the relationship between an organisation marketing/selling to another organisation. It is an important concept because it enables one to differentiate between consumer and business customers who co-operate and respond differently. B2B will have a much more complex Decision Making Unit (DMU), however, once you have them as a customer they tend to remain much more loyal than individual consumers. B2B customers are usually driven by factors other than price, such as quality or guaranteed delivery.

3.6 A

3.7 The traditional ‘push’ marketing policy is concerned with transferring goods out to wholesalers and retailers who then have the task of selling them to ultimate final customers. The emphasis of a push policy is, therefore, on getting dealers to accept goods and then ‘push’ them to the final consumer.

A ‘pull’ policy by comparison is one influencing final consumer attitudes so that a consumer demand is created which dealers are obliged to satisfy. A ‘pull’ policy usually involves heavy expenditure on advertising, but holds the potential of stimulating a much higher demand, by getting the customers to pull the product through the distribution chain.

3.8 (i) The economic view
     (ii) The accounting view
     (iii) The marketing view

3.9 D

3.10 B2C stands for Business-to-customers marketing and describes the most commonly perceived relationship. Here the marketing message is directed specifically to both the user and the Decision Making Unit (DMU). Since these are usually one and the same person, it is a much more direct relationship. B2C tends to be a much more volatile market than B2B and is much more price sensitive.

3.11 Market segmentation involves the subdividing of a market into distinct subgroups of customers, where any subgroup can be selected as a target market to be met with a distinct marketing mix.

3.12 C

3.14 (i) Problems recognition  
(ii) Information searching  
(iii) Evaluation of alternatives  
(iv) Purchasing decision  
(v) Post-purchase evaluation

3.15 Market research is a concentration on one market alone.
Marketing research involves investigating all marketing activities – including an evaluation of the organisation’s past and current performance.

3.16 A Marketing Information System (MkIS) provides the interface between decision-makers and the external environment. Kotler defined it as:
A continuing and interacting structure of people, equipment and procedures to gather, sort, analyse, evaluate and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation and control.

3.17 (i) An investigation of the market and targeted segments.  
(ii) Development of a PEST analysis.  
(iii) Consideration of the organisation relative to PEST.  
(iv) Developing an appropriate mix to achieve corporate aspirations.

3.18 Internally you would need to analyse:  
(i) Corporate objectives  
(ii) Capabilities within the organisation  
(iii) Product/Service portfolio (BCG matrix perhaps)

3.19 Externally you would need to analyse:  
(i) Existing customers – What will their reaction be? Will it alienate any existing customers?  
(ii) Potential customers – How many could there be?  
(iii) The market – Can we segment the market? What is our position in the market? What is the position of other players?  
(iv) Competitors – Who are they? How will they react? What are their strengths and weaknesses?

3.20 All organisations now operate in a diverse and rapidly changing environment. If an organisation is not aware of its customers, their needs, wants and desires and how these change over time, then their competitors will. This knowledge and understanding will enable the competitors to erode the competitive advantage originally enjoyed by the first company.

The concept of marketing orientation means that everyone is responsible for contributing to the marketing function and recognises the importance of delivering what the customer wants, in a manner that keeps them satisfied.

Without such an awareness, organisations cannot hope to maintain their competitive advantage and consequent position within the market.
Medium length questions

Question 1

For an in-house marketing research training day with your team, you have been asked to produce a handout that

(a) Explains the difference between qualitative and quantitative methods of marketing research.
(b) Provides a list of clear examples of the different tools used to gather different types of marketing research.
(c) Gives advantages and disadvantages of each example listed in (b).
(d) Provides a clear illustrative example of how and why you would prefer a qualitative approach as opposed to a quantitative approach in conducting marketing research.

Question 2

In the last few decades, companies have moved increasingly towards the targeting of particular customer segments rather than seeking to sell a single product range to all customers.

Requirements

(a) Explain the advantages that a company might hope to gain by targeting particular segments of the market.

(10 marks)

(b) Describe three variables you think would be useful as a basis for segmenting the market for clothing sold by a large retail chain, and two variables for segmenting the market for paint sold to other businesses by a paint manufacturer.

Explain your reasons for the choice of all five variables.

(10 marks)

(Total = 20 marks)
Medium length questions

Answer 1 - Handout: Marketing research, tools and methods

This training session will focus on the two methods of marketing research. These are qualitative and quantitative.

(a) **Qualitative**: Qualitative methods are an approach to try to understand the attitudes and motivations behind an individual’s purchase decision. In order to do this, we have to see into their thought processes and understand their psychology. Qualitative methods allow the subject to offer their feelings, attitudes and preferences, rather than just an opinion without knowing why. Qualitative methods require interaction between the interviewee and the subject and are, therefore, very personal. Because of this the interviewer has to be extremely well trained and has to understand their role. They should not prompt or sway the subject but encourage them to feel relaxed and in control.

**Quantitative**: Quantitative methods of marketing research consist of a straight relationship between the subject and their opinion. We are not interested in the motivation/reasons behind the opinion. Due to this, the method is less personal and more straightforward. The questions are pre-determined and there is no room for expansion. The responses are normally either one-word answers or merely a tick in a box to indicate preference. The interviewer merely selects a candidate.

To help clarify the difference between qualitative and quantitative, I have listed the different tools that can be used to collect such data.

(b) **Qualitative**

- Questionnaires – semi-structured
  - unstructured
  Possibly telephone or face to face to allow and enable interaction
  Projective techniques – word association
  Focus groups (6 to 10)
  Depth interviews (1 to 1)

**Quantitative**

- Questionnaires – structured
  - semi-structured

  Probably electronic or postal
  Electronic meters – such as customer counter on shop doors
  Observation
  Electronic point of sale

(c) There are, however, advantages and disadvantages to each of the techniques that have been mentioned.

**Qualitative methods**

Questionnaires

*Advantages*: Can gain a lot of information about the reason why a purchase is made/not made. Insight into people’s motivations.

*Disadvantages*: May obtain a lot of irrelevant information. Answers can sometimes be difficult to code and therefore mistakes may happen.
Projective techniques

**Advantages:** These are highly psychological and can be more indicative of hidden feelings. Instead of being able to say what people think the interviewer might want to hear, they are asked to describe a picture, or react to a word. The subject does not really have time to think, therefore true meanings are revealed.

**Disadvantages:** Due to the nature of the information, a highly trained individual has to interpret the responses.

Focus groups

**Advantages:** Discussion is formal and a variety of opinions can be heard. With prompting from the interviewer, subjects can interact with each other, revealing deeper meanings.

**Disadvantages:** The interviewer needs to create a relaxed environment where people feel comfortable. If this is not done, conversation may be limited and may be a waste of time.

Depth interviews

**Advantages:** These are completed on a one-to-one basis and a lengthy discussion can be formulated gaining detailed knowledge.

**Disadvantages:** The interviewer needs to prompt but not control the situation and needs to make sure useless information is not collected.

**Quantitative methods**

Questionnaires

**Advantages:** They are easy to interpret, as all answers are pre-coded.

**Disadvantages:** Do not hear the subject’s motivations; have to make sure questions are correct to begin with. Non-response from postal surveys. Inaccurate decoding and analysis of results.

Electronic meters

**Advantages:** No room for error. Normally used for counting people going into shops or past a particular point.

**Disadvantages:** Of limited use.

Observation

**Advantages:** Interviewer has easy task of merely recording customers’ presence.

**Disadvantages:** Limited use, does not reveal motivations.

EPOS

**Advantages:** Can be used to gather data about customers’ buying habits. How often they purchase, what they purchase and with electronic point of sale, how they like to purchase. It can help decide relationships with buying patterns and be useful for sales/marketing team.

**Disadvantages:** Too much information may be gathered. A system needs to be installed in order to extract useful information and what to do with it.
(d) In summary I would like to confirm that my preferred method of collecting marketing research is the qualitative approach. This is because it is the events leading up to the purchase that marketers are interested in and which are the most complicated. Quantitative methods do not provide insight into the motivation of consumers, which is extremely important in formulating the marketing mix. As long as the interviewer is trained in their role and answers our analyses correctly, qualitative marketing research is extremely beneficial to the company. Quantitative techniques are extremely limited and only provide marketers with the obvious. Qualitative techniques provide insight to the buying process such as AWARENESS, EVALUATION, TRIAL, ADOPTION. It is these which encourage consumers to buy products and the quicker a customer is moved through these stages the quicker a product is purchased.

Answer 2

(a) Companies have a number of alternatives as to where they will focus their marketing effort. They can adopt an undifferentiated marketing stance in which they make a product offering to the market as a whole, they can seek to cater for the needs of each individual customer, a bespoke approach, or they can focus on particular segments of the market. The idea of dividing the market into segments is to identify groups of potential consumers who have similar needs and who will respond to a particular marketing mix in broadly similar ways.

The undifferentiated or mass-marketing approach is inefficient in many ways because much of the marketing effort is wasted on consumers who have no interest in purchasing the product or service and are unlikely to do so whatever the efforts of the marketing staff.

The alternative of targeting and of catering for the different needs of every individual customer is costly and impractical for most organisations. Resources in all organisations are limited and the task of dealing with each customer on a one-to-one basis is too costly for most companies to contemplate.

The advantage of market segmentation is that it allows a company to concentrate its resources on meeting the needs of consumers who have been identified by market research as those who are most likely to purchase the product or service. This is, of course, if the product or service is of an appropriate quality and is offered at the right price, in the right place and at the right time.

In addition to the advantage of being able to concentrate its resources in a way that will bring the greatest return, segmentation has other advantages. These include easier analysis of customers, a better understanding of the competition and more effective market planning.

Segmentation allows a company to gain a better understanding of customer needs, wants and other characteristics because of the sharper focus it allows on the personal, situational and behavioural factors that characterise customers in a particular segment of the market. This detailed knowledge allows marketeers to respond quickly to any changes in what target the customers want.

Competitor analysis is also assisted by knowledge of market segmentation because it enables a company to develop an understanding of the nature of the competition
they face. By focusing on particular segments, it is much easier for a company to identify whom its competitors are and at which segments it is targeting its products. If the company observes that competition is severe in a particular segment, it may be that this knowledge of market segments will allow the company to focus on a different segment and so avoid head-on and costly competition.

Finally, knowledge of market segments assists with marketing planning. Dividing markets up allows marketeers to develop plans that give special attention to the particular needs of customers in different segments. The timescale of such plans can also be facilitated because some segments change more rapidly than others and such changes need to be anticipated in any planning operation. The markets in ladies’ fashions and in recorded music are examples of rapidly changing markets and of the need to anticipate and to plan accordingly.

(b) In the segmentation of consumer markets, the availability of information on demographic, socio-economic and geographic location variables have made their usage popular with marketeers.

Demographic variables include age, sex, family, race and religion; socio-economic variables include income, occupation, education and social class; geographic location variables include country, region, type of urban area and type of housing. The use of lifestyle, motives and personality are also increasingly used for segmentation purposes.

There is no single best way of segmenting a market and few, if any, market segments can be regarded as timeless but experience tells us that a number of variables have been found useful as a basis for segmenting particular markets.

Some of the useful bases for segmenting the market for clothing include the following:

Differences in the clothing worn by males and females is so evident that it hardly needs to be mentioned, but males and females do wear different styles and items of clothing so it is necessary to design, promote, price and place male and female clothing according to the demands in each market segment.

A second useful variable is that of age. Common observation tells us that retailers segment the population according to age. So it is common in a retail department store to see not only men’s and women’s clothing displayed separately but also clothing for children, young teenagers, older teenagers and young adults to mature adults.

Another variable that may be used is that of occupation. Professional, managerial and administrative workers tend to wear business suits to the office while other occupational groups tend to wear more casual attire.

The clothing market can be segmented by other variables related to occupation, such as income. High-income earners can afford more exclusive and expensive clothing than middle-income earners who in turn can afford better quality clothing than low-income earners, but the above variables represent the more common bases for segmentation.

The segmenting of organisational or of industrial markets is less frequently carried out than segmentation in consumer markets but, nevertheless, companies find it increasingly useful.

Marketeers may segment organisational markets according to the personal characteristics of buyers, situational factors such as urgency and size of order, purchasing approach, technologies applied by buying organisations, and demographic aspects like location, industry and size.
An example of segmentation according to personal characteristics of buyers might be a paint manufacturer who segments potential customers into several different groups such as paint wholesalers, do-it-yourself retail outlets, housing developers, contracting decorators and vehicle manufacturers.

Segmenting according to situational factors such as order size can also be illustrated by the example of the paint manufacturer. The size of container and packaging of the paint will vary according to the user needs of the customer. Contracting decorators, for instance, may need large containers, but not be particularly concerned about packaging, while do-it-yourself outlets may require containers of various sizes with attractive decoration.
Question 1

You work for a bank, who have indicated that they would like to find out more about the possibility of exploiting new information and communication technologies within the company’s marketing mix. You have been asked to write a short report that outlines possibilities and explains in detail any benefits that could accrue both immediately and in the longer term.

(20 marks)
To: Marketing Director  
From: Accountant  
Date: xx/xx/xx  
Subject: Exploitation of new information and communication technologies  

The following report has been prepared in response to the above remit, using a bank as the main focus for the ICTs. There are several ICTs and it is proposed to consider each one in turn. The target audience is technophiles and aspiring technophiles, who between them make up approximately 50% of consumers.  

Internet  

A website could be developed for the bank that would include details of the full product range of the bank. The range might include mortgages, insurance, current and deposit accounts, currency exchange, cards. It could be updated with new products. Any person logging on to the site could be entered on the database and contacted later. The design of the site should be particularly focused on the above-mentioned groups.  

School and university students should be a particular focus group since the Government is committed to increase the number of computers in education and their ICTs. The reason being that once a customer has chosen a bank they tend to stay with the same one.  

Videoconferencing  

This is another ICT that could be used once the above reports had been circulated for a management meeting. The meeting could take place using videoconferencing. It would also enable more flexible working patterns. Time wasted in travelling to meetings, travelling abroad, would be minimalised by this technology. This could also be developed into virtual banking, as in virtual reality games. The customer does not need to physically enter a bank to obtain details of the services provided, or use the service. It could be carried out using virtual banking. A combination of menu choices, supported by videoconferencing, would enable any customer linked up to the system to carry out any banking task without moving from their computer.  

Smart cards (electronic purse)  

These cards allow purchase of items up to a predetermined limit – a value of credits. They are another step towards the cashless society. Some banks are already using them to pay for meals and refreshments within the bank. The cards would be of benefit to the bank’s customers as they would be supplying a service for paying for many purchases, such as shopping, parking, drinks, books, meals and so on. Many banks are supplying smart cards to university students to enhance the service to them.  

The benefits for banks from smart cards come from the replacement of cash and cheque transactions, and in the ability to put multiple applications on the same card. This would enable the cash dispensing service to be reduced, thus freeing staff to deal with specific customer enquiries.
CD-ROM

These can be used to store significant amounts of data, both text and multimedia. Sound, pictures and text can be transmitted using modems, phone lines and satellite links. This means that they could be used for marketing the services of the bank, for training the staff and so on.

Database marketing

With new software available, the possibilities of holding extensive information on the bank’s customers and using it intelligently are limitless. As a bank, detailed information on customers is already being stored; details such as address; earnings; where they purchase goods and services; when they pay them; how they pay their debts; their buying preferences. By using appropriate software, the market could be segmented more accurately, customers targeted specifically and products positioned accordingly. Gaps in the market could be identified and filled. Retaining existing customers, and extending the range of products sold to customers is the most profitable means of developing new business.

Home banking

Many banks are already offering with home banking. The service can be effected through a modem, phone and video-conferencing links, depending on the provider, but experience has demonstrated that broadband connectivity is required. Currently, home banking provides most of the services of the bank without the use of letters or the usual communication forms. Cheques can be issued; standing orders and direct debits set up; balance enquiries. This service allows more sophisticated targeting of the market and facilitates the opportunity to promote additional services (mortgages etc.) to the customer. Partly as a result of this the number of high street banks is declining, thus the savings are significant. The savings in paper, both for the bank and the customer are also worthwhile. Home banking also enables the bank to add value to the service provided to customers, by promoting other services which the customer has not yet requested.

Voice recognition computers

Security within the banking sector is a continual problem. The use of signatures and photographs to ensure security of the customer’s and bank’s information is of very low technology. The use of finger prints and possibly voice recognition would enhance the security of many bank transactions and be another value added product for the bank to sell on.

Mobile phones

A recent report on ICTs in the office environment highlighted the fact that mobile phones were equated with e-mail, local and wide area networks, and were seen as critical factors to the success of the surveyed companies. The advanced features now becoming available on mobile phones suggest that this is another ICT that the banking sector should not ignore. Displays are being incorporated into the mobile phone, which could be used by both bank staff and customers alike to exchange information.

EPOS, EFPTOS and EDI

These are also ICTs. Organisations such as retail stores and manufacturers have reaped significant benefits through EPOS, by being provided with more information about stock control and consumer behaviour. EFPTOS has facilitated the delivery of customer service and allows more flexible payment methods. EDI links with suppliers allow just-in-time stock replenishment and improved production planning by suppliers to take place through a phone line, ISDN or other communication medium.
Conclusion

There are significant benefits in using ICTs to the banking and other industries. Some of the benefits will be immediate and can be secured in the short term with minimal cost. Database management, modems, the Internet and mobile phones fall into this category.

Other benefits are long term, requiring considerable discussion in deciding whether to implement them or not. This is because they are very expensive and time-consuming to install and may soon become out of date and out of fashion. Home banking, videoconferencing and smart cards falls into this category.
Managing Human Capital

LEARNING OUTCOMES

This chapter contains detail on broader themes that underpin many areas of organisational management. It provides some background to issues of motivation, the relevance of ‘Taylorism’ and ethical considerations that are particularly relevant when dealing with people.

Completing this section should help you to:

- evaluate the role of incentives in staff development as well as individual and organisational performance;
- explain the importance of ethical behaviour in business in general and for the Chartered Management Accountant, in particular.
Human Resources

LEARNING OUTCOMES

This chapter concerns an organisation’s most unpredictable yet powerful resource: its human resource. The successful management of this, the most valuable of all assets, occupies the segment of the syllabus carrying the heaviest weighting (of 30%). By completing this chapter and the associated readings and questions, it should help you to:

• explain the role of the human resource management (HRM) function and its relationship to other parts of the organisation;
• produce and explain a HR plan and supporting practices;
• evaluate organisational recruitment, selection, induction, appraisal, training and career planning activities;
• identify features of a HR plan that vary depending on organisation type and employment model.
Questions

5.1 Define motivation.

5.2 Schein identified four categories of worker. These were
(i)
(ii)
(iii)
(iv)

5.3 McGregor’s Theory X and Theory Y stated:
(i) X Theory:
(ii) Y Theory:

5.4 Briefly describe Maslow’s hierarchy of needs.

5.5 What are the limitations of Maslow’s hierarchy of needs?

5.6 Which of the following would not contribute towards motivating a team:
A Job design
B Management style
C Groups and teamwork
D Punishing poor performance

5.7 When considering whether to change to PRP, an employer should consider all of the following except:
A Does it measure performance adequately?
B Does it encourage productivity?
C Does a competing company already offer its employees PRP?
D Is it controllable?

5.8 Which of the following do not produce a report on Ethics and corporate governance?
A Cadbury
B Sainsbury
C Greenbury
D Higgs

5.9 Define Human Resource Management (HRM).

5.10 Guest identified the six components linking HRM and strategy. These are
(i)
(ii)
(iii)
(iv)
(v)
(vi)

5.11 Describe five elements that make up Devanna et al.’s model of the HRM cycle.
5.12 Human resource planning should be undertaken for all of the following reasons except:

A It gives the HR manager something to do
B It helps to rationally plan recruitment
C It enables budgets to be established
D It enables succession planning

5.13 What will have the most significant impact upon an HR strategy?

A An increase in the cost of labour
B A change in labour legislation
C An increase in the productivity of the existing workforce
D A change in the corporate objectives of the organisation

5.14 Identify the HR cycle.

5.15 Define what an assessment centre is and explain why an organisation should consider utilising one?

5.16 Why is the appraisal process important?

5.17 What are the components of a good systematic training system?

5.18 Name four different types of appraisal.

5.19 The following are all problems associated with succession planning except:

A Retention
B Timing
C Pay
D Timing

5.20 Why has there been great interest in flexible employment patterns over recent years?
Answers

5.1 Motivation is the internal psychological process of initiating, energising, directing and maintaining goal-directed behaviours.

5.2 (i) Rational/Economic Man
(ii) Social Man
(iii) Self-actualising Man
(iv) Complex Man

5.3 Theory X: Work is inherently distasteful to most people. The average human being prefers to be directed, wishes to avoid responsibility and wants security above all else.

Theory Y: People want to contribute to meaningful goals they have helped to establish. The average human being learns under the right conditions not only to accept but to seek responsibility.

5.4 Abraham Maslow constructed his theory of motivation as a result of his experience as a clinical psychologist. The theory is found on three fundamental assumptions:

1. The individual is ‘a perpetually wanting animal’;
2. Only relatively unsatisfied needs are capable of motivating behaviour;
3. Five levels of needs, he identified, are arranged in a hierarchy of potency. This means that at any one time, the lowest level of relatively unsatisfied need will be the one that motivates current behaviour, and the less it is satisfied the more it will motivate. The individual will act primarily in order to satisfy that need, then move on to the next level, and so on.

The hierarchy of needs is as follows:

Higher-order needs
- Transcendence
- Self-actualisation
- Aesthetics
- Knowing and understanding
- Esteem
- Affiliation (social)
- Safety
- Physiological

Lower-order needs

As each need is satisfied, the individual moves up the hierarchy, with successive levels of need dominating behaviour. If conditions are favourable, the individual will progress towards self-actualisation, unless a lower-order need again becomes unsatisfied, in which case behaviour will revert to seeking satisfaction of this need.

5.5 Maslow’s hierarchy of needs does have some limitations. The main ones are

- It is very difficult to test empirically.
- It assumes that all individuals have the same needs organised in the same way.
- It is difficult to predict actual behaviour from the theory.

5.6 D
5.7 C
5.8 B
5.9 Bratton and Gold (1999) defined HRM as:

That part of the management process that specialises in the management of people in work organizations. HRM emphasises that employees are critical to achieving sustainable competitive advantage, that human resources practices need to be integrated with the corporate strategy, and that human resource specialists help organizational controllers to meet both efficiency and equity objectives.

5.10 (i) an HRM strategy
(ii) a set of HRM practices
(iii) a set of HRM outcomes
(iv) behavioural outcomes
(v) a number of performance outcomes
(vi) financial outcomes

5.11

The human resource cycle

These four HR activities aim to increase organisational performance. The model emphasised the coherence of internal HRM policies and the importance of matching internal HRM policies and practices to the organisation’s external business strategy. The cycle represents a simple model that serves as a useful framework for explaining the nature and significance of key HR practices and the interactions among the factors making up the complex field of HRM.

It is important to note that the overall performance of the organisation depends on efficient and effective operation of each of the four components and the co-ordination of each with the organisation’s strategy:

1 The selection process is important to ensure that the organisation obtains people with the right skills and/or the potential to develop such skills.
Appraisal is a pivotal process enabling managers to set targets for future performance, in line with an organisation’s strategic objectives. It also enables managers to assess the gap between the competences already possessed by staff and the skills and knowledge that the staff will require in order for the organisation to attain its strategic objectives.

Training and development are essential to ensure that staff can compete with the best in the industry in terms of their ability to develop key competences. It is in this sense that their skills are a key source of competitive advantage.

The reward system has to be such as to motivate people and to ensure that those key employees do not leave the organisation and join the competition.

This consist of:

- job analysis
- job description
- person specifications
- recruitment
- selection
- references
- induction
- review and evaluation.

An assessment centre involves ‘the assessment of a group of individuals by a team of judges using a comprehensive and interrelated series of techniques’.

An assessment centre does not necessarily mean a physical centre but is a particular approach and philosophy.

A typical assessment centre will involve applicants attending for 1 or 2 days and being subjected to a ‘battery’ of selection techniques. Trained assessors will observe candidates and at the end of the exercise will pool their judgements of the applicants based on their performance on the range of selection devices and an overall assessment of each individual’s suitability will then be reached.

Although assessment centres can be very accurate methods of selection, they are obviously expensive and can only be justified for certain types of jobs. However, the reason that organisations should consider utilising them is because research shows that ‘the probability of selecting an “above average performer” on a random basis was 15%, a figure that rose to 35% using appraisal and interview data and to 76% using assessment centre results.’

The appraisal process is important because it is a means by which both employer and employee can validate strengths and weaknesses and agree approaches to train and develop the individual to become more efficient and effective.

Appraisals are often perceived negatively by many members of staff – possibly as the result of a poor personal experience. The process should be open, fair and productive. The outcome should be an agreed programme to assist an individual improve their effectiveness and efficiency, thereby enabling the organisation to become more effective and efficient – a win/win situation.
5.17 It should include methods of ensuring the following:

- the determination of training needs;
- identification of training objectives;
- development of criteria against which to assess performance;
- development of methods to determine current levels of proficiency among potential trainees to enable the right people to be selected for training;
- arrangements for the location, type and duration of the training;
- methods for actually carrying out the training and encouraging effective learning;
- consideration of ways of monitoring the effectiveness of the training and comparing outcomes against criteria.

5.18

- Self-appraisal;
- Supervisor/appraisee;
- 180 degree;
- 360 degree.

5.19

5.20 The following reasons may explain why there is a great interest in flexible employment practices:

- lower labour costs through operating at lower manning levels;
- growing international competitiveness is said to have made flexibility a necessity;
- improved responsiveness to market changes;
- greater utilisation of equipment;
- higher quality output;
- possibility of lower batch sizes tailored to specific market segments;
- organisational flexibility to adapt, innovate, diversify and divest;
- greater control of labour processes and costs.
Medium length questions

Question 1

The T City Police Force has been subjected to considerable criticism in recent years. The first criticism is from some of the citizens of T City who claim racial harassment and slow response to emergency calls. The second is from a government audit which found that the T City Police Force had a poorer record on crime prevention and convictions for crime than any of the other nine urban forces in the country.

As well as a number of other measures, the T City Chief of Police has accepted a recommendation from the head of HR to implement a performance appraisal system linked to a performance-related payment (PRP) system. A spokesman for the Association of Police Officers has objected to the proposed appraisal and PRP systems on the grounds that limited government funding and the poor socio-economic conditions of T City district will make the system unworkable.

Requirements

(a) Explain the purpose of performance appraisal. Discuss how the T City Police Force could use the information from the performance appraisal system to improve the performance of its police officers.

(b) In the light of the comments made by the spokesman for the Association of Police Officers, discuss the potential problems associated with the introduction of the proposed performance appraisal system and PRP system.

Question 2

The L Company is a web-based provider of online information for clients in a specialised area of the financial services industry. It recently purchased a nineteenth-century building into which it has installed modern computing facilities.

Unfortunately, the building has certain limitations. The electrical wiring and water pipes have not been renewed for many years. Similarly, the ventilation system and lift system connecting the floors date back to the 1920s. As well as these problems, the electrical contractor who helped install the computer systems has left cables trailing across the office floors. Also, the management has still not provided adequate rest-room and toilet facilities despite frequent complaints by staff.

Due to a lack of any form of induction programme, the employees are relatively unaware of the hazards they face in their workplace.

Requirements

(a) Explain the potential health and safety problems confronting the L Company.
(b) Explain what the L Company needs to do to ensure that it meets its general responsibilities for health and safety at work.

(12 marks)

(Total = 20 marks)

**Question 3**

The Store Manager of the D Company, a pottery retailer, is primarily concerned with ensuring that she has sufficient employees with the right training to keep the store operating efficiently. The HR Manager accepts the need for training, but is also concerned to enhance the competitive advantage of the D Company by encouraging employee development. The ultimate aim of the HR Manager is to help the D Company to become ‘a learning organisation’.

Requirements

(a) Describe how the Store Manager’s idea of ‘training’ differs from the HR Manager’s notion of ‘employee development’.

(6 marks)

(b) Discuss the key features of a ‘learning organisation’. Explain how the HR Manager could assist the D Company to become a learning organisation.

(14 marks)

(Total = 20 marks)

**Question 4**

The B Company, a long-established food company with about 200 employees, is experiencing a number of problems including the need to implement new hygiene regulations, changes in consumer tastes, rising costs of materials, increasing competition and a demand for higher pay from its employees. But, rather than rising to the challenges as was the case in the past, the current staff seem unable to respond effectively. Morale is generally at a low level, departments are not co-operating and there have even been instances of conflict between quality control and operations. There also seems to be a lack of confidence in the management in general and a feeling that the company has lost direction.

A consultant called in to assist the B Company has recommended the use of techniques drawn from the field of organisational development as one means of tackling B’s problems.

Requirements

(a) Describe the overall approach of organisational development. Illustrate your answer with examples of how particular organisations have applied this approach.

(10 marks)

(b) Using your knowledge of organisational development, explain how you would use the methods/techniques of organisational development to deal with the problems in the B Company.

(10 marks)

(Total = 20 marks)
Question 5

In order to avoid the payment of the tariffs imposed on imports by a Western country, W, a Japanese automobile company, J, has decided to produce its cars within W. Company J intends to staff the car plant initially with its own Japanese managers and supervisors and to use Japanese working practices. Production-line and other employees will be recruited from the country in which it is located.

Requirements

(a) Explain the factors that can influence the culture of an organisation. Discuss why Company J’s new plant may develop a different culture to other Western car plants.

(10 marks)

(b) Describe the differences in expectations and resulting problems that might arise in Company J due to the cultural differences between the Japanese managers and the company’s Western employees. Recommend the actions that Company J could take to minimise the problems.

(10 marks)

(Total = 20 marks)

Question 6

The F Company is engaged in the insurance business, an area where technological change has driven reorganisation. Developments in information technology have produced a situation where clerical level employees, rather than professionals, can now adequately perform activities which once required many years of training and work experience.

One effect has been the replacement of many skills required by insurance professionals and sales personnel, which had traditionally formed two of the main career streams in F Company. On the sales side, the employment of a highly skilled sales force has been at least partly replaced by the greater use of self-employed commission-only sales personnel but the use of telephone call centres has also had a major impact in reducing the number of sales personnel required. The type of work in the call centres is by its very nature repetitive, routine and boring.

Among the insurance professionals, the increasing sophistication of the software in use has increasingly meant their replacement by part-time clerical employees, with general keyboard skills and much less extensive training specific to the company.

Requirements

(a) Explain the implications of the technological changes in F Company for succession and career planning.

(8 marks)

(b) Using any appropriate theory of motivation, assess the impact of the changes in F Company on the motivation of both trainee insurance professionals and company sales personnel. Recommend ways for motivating staff employed in the new telephone call centres.

(12 marks)

(Total = 20 marks)
Question 7

The discovery of heavily overstated profits in some of the largest US corporations in 2002 undermined investor confidence in company accounts and called into question the integrity of senior managers, their professional staff and the presumed independence of external auditors.

Requirements

(a) Describe the key influences on the ethical conduct of senior management of business corporations, their professional staff and those involved with auditing their accounts. (10 marks)

(b) Explain what both businesses and professional bodies can do to influence the ethical behaviour of their organisational members. (10 marks)

(Total = 20 marks)

Question 8

The T Textile Company is in a troubled state. The trade union representing the weavers has just negotiated a pay increase for its members, and this has led to a claim by the mechanics, who maintain the machinery, for a similar percentage pay increase so that the traditional differential with the weavers is maintained. The T Textile Company is seeking to resist the mechanics’ claim on the grounds that the weavers’ extra payment can be justified by increases in productivity, while the maintenance work carried out by the mechanics has not changed. The response of the mechanics has been to threaten industrial action.

The problems for the T Textile Company have been made worse by a dispute between the Weaving Department and the Cloth Inspection Department. All members of the Weaving Department, including the weaving shed managers and its supervisors, receive a bonus based on the productivity of the whole department. Employees in the Cloth Inspection Department are paid a fixed salary based on proven competence and experience.

The conflict between the departments developed, following the appointment of a new manager in the Cloth Inspection Department. The Works Manager has warned the new manager that the quality of output has to improve if the company is to remain competitive. This has resulted in a general tightening up of the standards enforced in the inspection process so that weaving machines are standing idle more frequently than in the past while faults detected during cloth inspection are investigated.

The sight of idle machines has resulted in intense frustration among management and employees in the Weaving Department as every idle machine means a reduction in their bonus payments. The weavers’ frustration is now being taken out on the Cloth Inspection Department by adopting a policy of not co-operating.

Requirements

(a) Explain the causes of the horizontal and vertical conflicts within the T Textile Company. (8 marks)
Question 9

B plc, a large manufacturing company, is currently facing major problems in how to motivate its workforce.

For years, the company used share incentives to motivate its otherwise low-paid employees. This method worked very well during the period of the company’s growth in the 1990s as the value of the shares offered to employees at a 20% discount increased in value year on year. Employees felt that their contribution was paying off for the company and for themselves and, as a result, tended to be highly motivated and loyal.

The start of the new century, however, has not been kind to the company. Increased competition has resulted in a decline in revenues and profits, and the share price of the company has been on a downward trend. This decline has significantly reduced the value of the individual portfolios which employees have amassed through the generous share incentive scheme. The company has noticed recently that the motivation and loyalty of employees have begun to decline.

The problems that B plc has experienced in its use of the share incentive scheme are quite common, but companies continue to make use of them.

Requirements

(a) Describe a theory of motivation on which such incentive schemes are based, and explain the merits and limitations of the theory you have described.

(12 marks)

(b) Explain the advantages and limitations of the share incentive schemes, and suggest ways in which financial rewards could be tied more closely to employee performance.

(8 marks)

(Total = 20 marks)

Question 10

Before taking up her position as Head of the Finance department of the SOFT Corporation, Joan Timmins had enjoyed a career in the Army where she had attained the rank of a major. The military style of command had suited Joan’s personality. She is by nature an assertive kind of individual, so giving orders is something that comes naturally to her.

The start of her new post as Head of Finance has not been easy. She has found that her previous style of management has not been well received by her new staff. Her enthusiasm for improving the way things are done in the department is not matched by that of her staff. In fact, if anything, an air of resentment seems to exist in the department. More generally, she is finding it difficult to adjust to the whole way of operating in the SOFT Corporation. In
her view, so much time seems to be spent in meetings and in consultation generally that she wonders how the organisation manages to compete in the marketplace as successfully as it does.

Requirements

(a) Using any appropriate theory of management style, explain why Joan Timmins is experiencing the difficulties described in her new post, and recommend the kind of management style which might be more appropriate.

(b) Discuss why Joan might have problems in adapting to the management style which you have recommended in your answer to (a) above, and suggest how these problems might be overcome.

Question 11

The DB Company operates in an expanding market. It has been unable to take advantage of its opportunities because of what appear to be problems of co-ordination within the company.

A representative of the DB Company has approached a firm of management consultants for advice on these problems and they have recommended the services of a specialist in Organisational Development (OD). The chief executive officer of the DB Company has never heard of OD and has asked for your advice.

Requirements

(a) Explain the nature of OD and describe how it might be used to assist the DB Company with the problems indicated in the scenario.

(b) Describe the knowledge, skills and attitudes that the OD specialist would require, to take on the task of helping the DB company with its problems.

Question 12

The performance appraisal process is now well established in large organisations.

Requirements

(a) Describe briefly the most common objectives of a performance appraisal system.

(b) Explain why appraisal systems are often less effective in practice than they might be, and advise what management can do to try to ensure their effectiveness.
Medium length questions

Answer 1

(a) The purpose of any performance appraisal system is primarily to improve the performance of individuals to whom it is applied, but this can be broken down in a number of subsidiary objectives. Appraisal can be used to identify current performance, provide feedback, increase motivation, identify training and development needs, assess the case for salary increases and indicate to employees what they need to do to improve their performance.

The information gathered from a formal and informal appraisal system about the performance of individual police officers can contribute to more efficient and effective processes of selection, development and reward systems in a way that will improve the collective performance of the whole T City Police Force.

In the case of selection, information from formal appraisal interviews and from informal appraisals by his or her superiors about the officer’s performance can assist in the selection of officers for promotion to higher ranks in the Force. To the extent that officers are promoted with the special competences to deal with the particular problems facing the force, then the performance of the T City Police Force should improve.

With regard to training and development, the appraisal process is most useful in providing information on the training and development needs of officers. Such needs can be determined by estimating the gap between the individual officer’s current skills and competences and the demands placed on officers by the new strategies and policies developed by senior officers to deal with residents’ complaints and the deficiencies identified by the government audit.

The information derived from appraisals can also assist in the determination of what performance-related payments (PRP) should be made to officers who meet their agreed objectives. This system of linking appraisal with financial rewards can be used to motivate police officers to greater efforts in meeting the targets set for them by superiors.

Given the way in which selection, training and development and rewards can be improved by information from the selection process, we can conclude that a performance appraisal system can play a pivotal role in improving organisational performance, in general, and that of the T City Police, in particular.

(b) Research and experience have both shown that the successful implementation of performance appraisal systems is a difficult task. Many of the problems of implementation can be attributed to the frailties of the people who implement them – the problems arising from the subjective nature of assessment of performance being one of the most difficult of these.

In the case of the T City Police Force, the problems that are likely to arise stem from the restricted government funds available to the T City Police Force, the difficulties in setting realistic objectives for its police officers and from the problems that typically arise in using the appraisal system as the main basis for determining the level of PRPs.

Taking first the likely effect of restricted government funds, this is going to make the implementation of the appraisal and PRP system difficult in financial terms. The cost of training of large numbers of senior officers in appraisal will be expensive in terms
of staff time. Once in place, the cost of conducting appraisals and the administration of the system all have to be accounted for. This time spent in these processes means that less time is available to be spent on law enforcement activity.

The second problem arising from the restrictions on government funding will occur when it comes to the point of allocating financial rewards to those who have met their appraisal objectives. If financial rewards in the form of PRP are relatively low or few in number, this will undermine their effectiveness as motivators and the police officers will lose confidence in the system.

Thirdly, one of the most frequently mentioned problems in the field of performance appraisal is that to do with the allocation of PRPs. The problem arises because of a tension which develops between the person conducting the appraisal and the person being appraised. During the appraisal, the manager, or in this case the senior police officer, is seeking to elicit full and frank disclosure from the person he is appraising with a view to offering assistance in training and development, or some other assistance. This problem of persuading individuals to admit their weakness during appraisal is difficult enough under ordinary circumstances but when the person doing the appraisal is also required to decide on levels of PRP, then the person being appraised becomes much less ready to admit to their weakness in case they spoil their chances of a merit increase. The whole basis of the appraisal is then under threat as the appraisal no longer provides the information required to meet the needs for which it was designed.

Finally, the problems entailed in the setting of objectives in police work can be formidable. In the case of the T City Police Force, the socio-economic conditions that generate crime are outside the control of individual officers. In these conditions, it does not make sense to set quantitative objectives because officers cannot fully determine their outcome. The problems involved in clearing up crimes vary enormously from one crime to another so it would be grossly unfair to allocate financial rewards on the basis of the number of crimes solved. The solving of many crimes also involves a great deal of teamwork and so any fair PRP system would have to develop a fair means of determining the contribution of individual officers. This would clearly be a very difficult task. It could be overcome by some kind of team-based PRP system but then the motivational effect for individuals would inevitably be reduced.

In these circumstances, other aspects of a police officer’s performance could be measured such as their readiness to respond to emergency calls and the way they treat residents irrespective of race or creed. Performance-related payments could then be based on these qualitative measures. That said, it has to be admitted that these qualitative measures are more difficult to judge than quantitative measures and so are open to the kind of subjectivity that can undermine the trust of subordinates in the impartiality of the system.

Answer 2

(a) A useful approach to this analysis is to have in mind the health and safety legislation that most modern industrial countries have enacted to safeguard their employees.

In most cases, this legislation includes maintenance of safe and risk-free plant and systems of work, safety in use, handling, storage and transport of articles and substances, provision of information, training, instruction and supervision, provision
and maintenance of a safe means of entry and exit, provision of adequate toilet and washing facilities, and regulations on the heating, lighting, ventilation, noise and first-aid requirements.

In the light of these legal requirements, it is relatively easy to identify the potential health and safety problems of the L Company. These include the following:

First the building in which the L Company is located is a nineteenth-century building with a ventilation, wiring, piping and lift systems that have not been renewed for many years. This means that they are unlikely to meet modern safety standards and likely to present potential hazards to all those employed in, or entering the building.

Poor ventilation can be the cause of respiratory problems, as recent cases of death through the transmission of legionnaires’ disease and other such diseases have demonstrated.

Poor electrical wiring may result in electric shock to employees or cause fires in the building.

Old piping may result in contamination of drinking water and lead to contraction of any number of different diseases. If the piping is of lead, then this could result in general lead poisoning if water through it is consumed for extended time periods.

Old lift systems may present dangers in entry to, and exit from the building especially to visitors who are not familiar with the building and its lift systems.

The trailing wires left by the electrical contractor may cause staff to trip and fall and/or to suffer electric shocks.

The lack of adequate restroom and toilet facilities may result in the development of contagious diseases, temporary exhaustion and possibly longer-term health damage.

Finally, the absence of any health and safety training means that employees are more likely to be involved in an accident or suffer health problems because of their lack of awareness of the dangers that the building and its many deficiencies present to them.

(b) In all advanced industrial countries, companies are required by law to ensure the health and safety of their employees. In the UK, the main provisions for health and safety of employees was laid down in the Health and Safety at Work Act, 1974 (HASAWA). This has been amended in minor ways over the years but a consideration of its key requirements enables us to identify ways in which health and safety problems can be avoided and the Company’s responsibilities to its employees can be met.

In accordance with the law, the L Company’s policy should specify a senior member of the organisation responsible for carrying out its health and safety policy.

Furthermore, employees should take reasonable care of themselves or others who may be affected by their behaviour. This includes keeping working areas tidy and safe, avoiding the creation of hazards, drawing to the management’s attention potential problems, and co-operating with their employer so far as is necessary to ensure that any duties legally imposed on the employer can be performed.

The UK law also stipulates that every manager in the L Company is responsible for the safety of their subordinates and is expected to take all reasonable measures to prevent accidents and injury to health. This means that the L Company managers will need training in health and safety and will also be given authority to take disciplinary action in case of any breach by employees.
In addition to the legal requirement for a written safety policy, employers must be willing to co-operate with safety representatives. Where trade unions exist, these safety representatives may be appointed by the trade unions, but where unions do not exist then employers like those at the L Company can arrange for the workforce to elect safety representatives. L Company senior managers should consult with these representatives about making and monitoring arrangements to ensure health and safety at work and check the effectiveness of such measures.

Another time when the organisation will need to be particularly careful is when strangers visit or come to work temporarily within the Company. Employers and contractors have a dual responsibility for safety. Such situations are potentially hazardous because the contractors, as ‘strangers’, are not aware of all the potential hazards in an unfamiliar situation and may themselves be introducing risks which are unfamiliar.

Managing safety also involves the L Company in ensuring that all employees have the safety-related training they need. All new staff must receive training which ensures their safety both in normal working circumstances and in cases of emergency. This means that they must be trained to carry out their work responsibly and to use the buildings and the site with care. They must be briefed on all safety rules and the disciplinary consequences of breaches of those rules. They must know where to obtain medical treatment, know the correct procedures in the event of fire or any emergency evacuation and the provisions for employee hygiene and health.

There is also a legal requirement to notify the authorities of any accident at work resulting in death or a major injury or more than 3 days off work and to keep detailed records of the event, and so the L Company must see that procedures are in place to see that this reporting is carried out.

Techniques that can assist safety at relatively minimal cost include the process of ‘safety sampling’ and the ‘critical incident approach’. Safety sampling involves trained observers following a prescribed route and identifying safety defects. This method has the advantage of identifying hazards before accidents occur.

The critical incident approach involves questioning employees to find cases where things almost went wrong. Again this allows steps to be taken to prevent accidents before they occur. A further technique involves studying accidents themselves. Cases may produce useful information both as to hazards and as to further training needs.

Finally prevention is always the best policy wherever possible. This involves taking all the previously mentioned measures in trying to foresee potential accidents and health hazards and taking steps to avoid them.

Answer 3

(a) The traditional idea of training involves the learning of specific skills. For example, the retail assistants in the D retail store must be capable of answering customers’ requests for information about such things as products, sizes and styles. Similarly the check-out assistants must have the skills necessary to work the tills efficiently and direct customer complaints or returns to the relevant persons within the store. The concern of the Store Manager is therefore with ensuring that employees have specific skills to
ensure that the objectives of her department can be fulfilled. In the case of simple tasks like packaging the pottery, it is probably relatively easy to learn the skills on-the-job itself, either by copying what others do and/or by watching a demonstration and listening to specific instructions before practising the task oneself.

By contrast, the HR Manager’s notion of employee development is not only concerned with the possession of skills to do the present job to a certain standard; but is also concerned with the preparation of staff members for future roles in the organisation and/or for doing existing tasks/jobs to a higher standard. So development is concerned with preparation for higher-level roles in the organisation. It is concerned with enabling individuals to grow in skills and experience. This growth might take place through deliberate efforts on the part of the organisation through a series of well-structured programmes or experiences or it may be through the efforts of the individual who deliberately seeks out development opportunities of an informal or formal kind, be these inside or outside their place of work.

(b) The concept of ‘a learning organisation’ is a step beyond the individual learning that training and development is generally concerned with. It really relates to a collective learning that encompasses not only the learning of individual employees but continually adds to the organisation’s reservoir of knowledge and competences.

The concept of the learning organisation encompasses a range of ideas drawn from a number of sources. Among these, the following are generally acknowledged as being important aspects.

First, the learning organisation is regarded as a process rather than a product. The emphasis is on continuous learning rather than a particular end-state of knowledge because rapid change demands new ways of doing things, and new skills and knowledge to enable the organisation to compete.

Second, the learning organisation does not come in turnkey form. In other words, it is not simply a matter of installing it like a piece of equipment, as it is a continuous process of learning that involves everyone in the organisation on an ongoing basis.

Third, it is different from simply the summation of the learning of individuals in an organisation. Though organisations do not have brains, they have cognitive systems and memories that preserve certain behaviours, mental maps, norms and values over time. Individuals may come and go but provided that their learning has been passed on to others in the organisation, the benefit of their learning to the organisation continues.

Fourth, only when individual learning has an impact on, and interrelates with others do organisation members learn together and gradually begin to change how things are done. This increases collective competence as well as individual competence.

Some writers also argue that the learning organisation involves ‘double-loop learning’. The process seeks to correct errors by going right back to the underlying policies and values in the decision-making process to establish whether the taken-for-granted rules under which the organisation operates are in fact appropriate for effective decisions. This contrasts with the more usual approach of single-loop learning whereby organisations simply seek to solve problems and correct errors by changing routine behaviour, rather than examining the assumptions and policies on which it is based.
The notion of organisational learning has been elaborated on by a number of writers, including Senge, Argyris and Schon and Pedlar.

Among these writers, the ideas of Senge have received most attention. Senge suggests that the evolution of learning organisations can be understood as a series of three waves. If Senge’s prescriptions are correct, then the HR Manager in the D Company can help it become a learning organisation by use of the following waves or phased activities.

The first wave is primarily concerned with frontline workers, and management’s task is to:

- champion continual improvement;
- remove bureaucratic barriers to improvement; and
- support initiatives such as benchmarking and quality training that drive process improvements.

The second wave is concerned with encouraging new ways of thinking about how organisational processes such as manufacturing and customer satisfaction interact with each other. During this stage the primary focus of change is on the managers themselves.

The third wave is one in which ‘learning becomes institutionalised as an inescapable way of life, for managers and workers’. By this, Senge is talking about how learning can be ingrained as a way of life for the workforce. Presumably such learning would need to be continually reinforced by all manner of means such as encouragement, training and development courses, on-the-job learning, the use of incentives and so on.

More particularly, the HR Manager could help the D Company to become a learning organisation by encouraging the following developments in the company which Senge argues are necessary for a learning organisation to fully evolve:

1. **Building a shared vision**: It is necessary to ensure that people are focused around a common set of values, rather than learning only when there is a crisis that brings everyone temporarily together.

2. **Personal mastery**: Senge grounds this idea in the familiar competencies and skills associated with management but it also includes spiritual growth – opening oneself up to a progressively deeper reality – and living life from a creative, rather than a reactive viewpoint. This discipline involves two underlying movements – continually learning how to see current reality more clearly, and understanding how the ensuing gap between vision and reality produces the creative tension from which learning arises.

3. **Working with mental models**: This is one way for people to recognise their unconscious assumptions, and to appreciate how alternative actions at work could create a different reality. For example, the Japanese development of JIT is an example of how alternative ways of doing things are possible.

4. **Team learning**: A learning organisation requires individuals to come together and act as a team, so that it can be practised when groups of people have to confront controversial issues and make difficult decisions.

5. **Systems thinking**: This emphasises the importance of understanding interrelationships, rather than breaking problems down into discrete parts. In practical terms, this can help managers spot repetitive patterns, such as the way certain kinds of problems persist, or the way systems have their own in-built limits to growth.
Pedlar and his co-authors take a different line and, rather than saying directly how to create a learning organisation, they seek to identify a series of characteristics which they argue are significant in creating the learning environment. The HR Manager, they would argue needs to:

- encourage a much wider debate on strategy and policy formation;
- create an environment where tensions are welcomed as they can precede creative solutions to problems that were previously seen as ‘win-lose’ resolutions of difficulties;
- ‘informat’, that is, use information technology to inform and empower for the many rather than for the few;
- encourage the exchange of information – getting closer to internal and external customers and suppliers;
- use the people who meet the external customers to bring back useful information about needs and opportunities;
- collaborate rather than compete and make use of internal and external best-practice comparisons;
- encourage self-development opportunities for everyone in the organisation;
- encourage individuals to take responsibility for their own learning and development.

Answer 4

(a) Organisational Development (OD) is an umbrella term used most frequently to describe methods or techniques for improving the health of the whole organisation. It emerged as a distinct approach in the 1960s and is usually associated with the work of a number of social scientists. Bennis defined the approach more precisely as:

a response to change, a complex educational strategy intended to change the beliefs, attitudes, values and structure of an organisation so that it can better adapt to new technologies, markets and challenges and the dizzying rate of change itself.

Given its origin in the United States, it is not surprising to find that the underlying values of OD are humanistic and democratic. People undertaking the task of OD tend to assume that the best way to tackle problems such as conflicts between individuals or between work groups is to confront them openly. Collaborative and participative processes and a spirit of inquiry are also seen as essential to the successful development of a healthy organisation.

The use of OD in organisations normally commences with a period of investigation in the form of some kind of survey or piece of action research before any one of a number of other separate interventions are undertaken to tackle the underlying problems. For example, some form of action research may be conducted to see what happens, if counselling some section of the workforce reduces tension in that part of the organisation. Such an effect may then encourage the wider use of counselling in other parts of the organisation. Since action research involves interventions as the research proceeds, it follows that developments may occur in an emergent less tidy manner than under a conventional planning approach which only implements changes when the research has been completed.
Examples of how OD has been used for organisational improvement can be found in large companies like British Telecom and British Airways (BA) and huge projects like the American Space programme.

In British Telecom, OD techniques that include regular climate surveys, team-building, objective-setting, skill development, inter-divisional problem-solving forums and communication and employee involvement programmes have been used to improve the quality of service to customers following the large-scale impact of privatisation, liberalisation and technological change in the telecoms industry.

Following deregulation and privatisation, BA also made use of OD techniques to move BA from a subsidised government-owned bureaucratic organisation to a privately owned entrepreneurial company that was then able to market itself as ‘The World’s Favourite Airline’.

Organisational Development techniques employed to facilitate these changes included experiential programmes that involved heavy doses of individual feedback to managers about their behaviour regarding management practices on the job. The overall purpose of such programmes was to identify the existing dysfunctional management style and to develop a new management style that would fit BA’s new competitive environment. Redefining BA as a service business rather than one simply of transportation also required a critical shift on the level of climate/interpersonal style because a service business needs an open climate and good interpersonal skills combined with good teamwork. This was achieved through off-site team-building and skill training sessions. Other OD techniques employed by BA included process consultation which involved the consultant examining BA’s patterns of communication. This was achieved through a combination of direct observation of staff meetings and by raising questions and making observations about communications between individuals. The overall intent was to expose hidden agendas and to create a more open and frank exchange between members of staff.

One of the most well-known and widespread uses of the approach arose in the aerospace industry in the USA. During this programme, specialists from variety of backgrounds often had difficulty in working together. In order to overcome this problem, OD consultants used T-groups (therapy groups) and confrontation meetings to help improve relationships. Essentially, these involved small unstructured groups within which participants were encouraged to explore their own feelings and relationships with others: successful groups would then move on to determine more effective ways of working together.

A key feature of OD is usually the involvement of an independent ‘third party’ as facilitator for the change. He or she will act as a catalyst for the process by acting as a change agent who helps members of the organisation to diagnose the underlying problems, resolve conflicts, and implement effective change. As part of the initial diagnosis, this third party will often carry out some initial survey of existing attitudes, which will be fed back to all parties involved in the change process.

In the early days of OD, the key techniques consisted of a limited number such as process consultation, survey feedback, conflict resolution and team development but as time has gone on, different consultants and writers have added their favourite techniques so that the list of possible techniques is now a long one.
As already indicated in answer to requirement (a), the list of possible methods and techniques that could be used to assist in the diagnosis and treatment of the B Company is now very broad and includes coaching and counselling, team-building, inter-group activities, training and development, role analysis, job redesign/job enrichment/enlargement, questionnaires, surveys, interviews, action research, group meetings, planning/objectives-setting/decision-making, process consultation and Business Process Re-engineering.

To determine which of the techniques are most useful for helping to overcome the B Company’s problems, it will help to begin with the problems described. Some of these problems are external to the B Company and are things that the Company will be forced to react to, rather than things that can be changed. This is particularly true of the new hygiene regulations, changes in consumer tastes, rising material costs and increasing competition. Pay demands from staff may be a manifestation of dissatisfaction amongst staff but could equally well be due to external factors like a cost of living increase.

What OD can assist with are the problems affecting staff including those of low morale, conflict between departments, lack of confidence in management and the feeling that the organisation has lost its direction.

One technique that may usefully be applied early on in the investigation of the B Company’s problems is the ‘survey feedback’ technique. In this, the results of an employee survey are fed back to managers and employees to help in identifying action that will improve organisational effectiveness. Surveys may include questions on leadership and management style, communications, motivation and morale and member satisfaction along with other aspects of the organisation.

These findings can then be used to encourage discussion about ways to resolve differences and solve the problems identified. The most popular approach for achieving this is through group discussions, be these task forces, working parties or project teams. Each of these may work on a particular set of themes or issues, or direct their attention to a particular section of the organisation. By this means, the underlying reasons for low morale and lack of confidence in the management in the B Company might well be revealed.

Allied to survey feedback and complementing it is the method of ‘process consultation’. This usually involves the hiring of an external consultant in an advisory role, to help individuals to improve their understanding of organisational problems, and to identify problem-solving actions. The role of the process consultant would be to help managers in the B Company to develop an insight into the reasons or causes of the problems they face. This requires a great deal of skill, sensitivity and tact and there are no standard procedures to follow. The critical skills for a process consultant are in diagnosis, and in forming a supportive, helping relationship. The diagnostic and problem-solving activities of the process consultant are, by definition, joint activities, carried out with the client or clients and not for the client. The focus is on process, which explains the label. Process consultation contrasts with the conventional view of the consultant as an ‘expert’, where the client is buying specific knowledge and expertise to cover gaps in the organisation and also to address and resolve a particular problem.

Given the potentially wide nature of the support offered by the process consultant, it follows that it is not easy to pick out specific problems experienced by the B Company. Any or all the internal problems mentioned could potentially gain from assistance given by the process consultant.
Moving from the investigatory stages of OD to tackling the problems themselves, we find a number of techniques that might aid the members of the B Company resolve their problems. First comes ‘sensitivity training’ – sometimes called T-group training. This is a situation in which the OD specialist sets up T-groups and then acts as facilitator in an educational process, that helps individuals to develop trust and confidence in each other as they learn to express their feelings and attitudes openly. In this way, interpersonal barriers to working together as an effective team may be substantially reduced. Training in team working may, of course, offer similar benefits depending on how this process is carried out.

In conflict resolution, the OD specialist’s strategy is to organise situations in which the conflicting parties are brought together in open confrontation. By such means, it is hoped to clarify misunderstanding and to provide a basis for collaboration in the future. Clearly this would be very useful if it could be employed successfully in the case of the B Company where we see that there is conflict between, at least, two departments.

The feeling amongst staff that the B Company has lost direction could be improved by joint exercises on planning/objective-setting in which managers and employees are involved in discussions about the future of the company and their particular role in contributing to this future. Having a clear idea of one’s objectives and of the means to achieve these is known to have motivational benefits and may also help lift morale in the Company.

**Answer 5**

(a) The origins of organisational culture derive from at least four major sources, for example:

1. The beliefs and values of the organisation’s founder can be a strong influence in the creation of organisational culture. During the early period of the founder’s tenure, these beliefs and values can become embedded in the organisation’s values, policies, programmes and informal statements. Modern examples of this include Anita Roddick’s influence on The Body Shop in the form of a commitment to the natural environment and fair dealing and Michael Dell and his influence on the Dell Corporation’s commitment to customer service.

2. The culture of the firm’s host country can also play a role in determining an organisation’s culture. The collectivist nature of Japanese organisational culture, for instance, is often cited as being a reflection of Japanese national culture that emphasises the importance of the group.

3. The nature of the marketplace in which an organisation has to survive is also influential in the way the company operates, and thus on what it values. State-controlled organisations operating with a monopolistic position in their market, for example, often develop a role culture along the lines proposed by Harrison, while companies operating in a highly competitive environment will find themselves required to adopt a task or enterprise culture.

4. The need for internal integration can also influence the formation of organisational culture. For example, setting rules for how things are to be done, the distribution of status, and the establishment of criteria for group and organisational membership require the development of norms and the acceptance of a set of values and beliefs.
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The organisation culture of Company J’s new plant in Western country, W, will be heavily influenced by the existing culture of the company. As J is a Japanese company we can expect that it will share many of the culture characteristics of other Japanese companies. The fact that managers and supervisors from the parent company in Japan will operate the plant will tend to reinforce the cultural differences between J and other organisations in Western country, W. On the other hand, the use of employees from J Company will mean that the culture of the organisation will have to be adapted to some extent to accommodate the values, attitudes and beliefs of its locally sourced employees.

(b) The differences between the organisational culture of Company J and that expected by its Western employees are likely to produce some difficulties. Aside from potential problems in communication, there are likely to be differences in the expectations of the Japanese managers on the one hand and the Western employees on the other. These differences have been the subject of considerable study by Hofstede, Ouchi and others and it has been noted that within Japanese companies there is an expectation that employees will share responsibility collectively, control will be implicit and informal, and relationships will be based on trust.

By contrast, in Western companies, decision-making is regarded as more the prerogative of the individual manager, control tends to be explicit and responsibility is assigned on an individual basis. Such differences in expectations will inevitably lead to misunderstandings and difficulties in relationships between managers and employees.

Appropriate processes of recruitment, selection, induction and training can reduce the difficulties arising from a clash of expectations between the managers and employees in the J manufacturing plant.

Managers and supervisors going over to staff the Western plant can be selected according to their suitability for Western operations and trained appropriately. For instance, it would be helpful if those chosen to work in Western country, W, had a working knowledge of the language and culture of the country they would be working in. Similarly, the selection criteria for workers to be employed in the new manufacturing plants could include that of adaptability as well as that of their skill competences.

Key workers could be given intensive induction and training in existing manufacturing plants within Japan, and these personnel could then train other Western employees for work in the plant in Western country, W.

Answer 6

(a) The implications for succession planning of the technological changes will be transformed from one that has concerned itself with grooming the trainee insurance professionals and sales personnel to fill posts left by retiring professionals, to one of training and developing and selecting a smaller number of able people to manage and administer what has become a more routine operation. With the fewer post-holders required for insurance professionals and more post-holders for the management of an increasing number of clerical level employees, F Company will need to adjust its succession plans to take account of the new senior positions within the company. Fewer senior insurance professionals will be required but possibly more managers of clerical and
administrative staff, though this will depend, of course, on the effect that the new technology will have on productivity within the company and on the setting up of telephone call centres.

For individuals planning a career in the insurance industry, the simplification of the work, the reduced number of professional positions, and the associated insecurity of employment in the field will cause ambitious individuals to rethink their career plans. For the very ambitious, the restricted opportunities will present a challenge and require more careful planning than in the past as a means of gaining one of the fewer top jobs. For others, the new situation will cause them to consider entering another profession or line of work.

(b) The impact on the motivation of trainee insurance professionals and sales personnel is likely to be profound. Employees who entered the industry with the prospect of gaining professional status will see the chances of gaining entry to well-paid, high-status jobs diminishing and the real possibility of being forced to undertake a routine telesales or clerical job with diminished security of tenure facing them.

In terms of needs-based theories of motivation like those put forward by Maslow and Herzberg, it is evident that both the higher-level needs of recognition and self-actualisation, or sense of achievement, are unlikely to be met in the reorganised F Company. Not only that, but even some lower-level needs like those for security are less likely to be met than before the changes in organisation and staffing. The use of self-employed sales personnel means that F Company is less dependent on its own sales staff and so this, in turn, means less job security for its full-time sales staff.

In terms of expectancy theories of motivation, it is also apparent that the new situation is unlikely to motivate existing trainees. Their expectations will have been shattered by the changes that the new technology has brought to the industry. Instead of being encouraged to train and to develop the skills to become a fully fledged insurance professional or sales person, the trainee will come to doubt if the effort is worthwhile as the prospects of obtaining a professional position diminish.

Telephone call centres, by their very nature, provide limited opportunities for promotion to senior positions since most of the work is of a routine nature and requires only a limited number of personnel to manage the operation. The problem of keeping people motivated in such situations is, therefore, challenging.

Clerical jobs in telephone call centres have a reputation for routine repetitive work which can be tedious and boring. Psychologists have commented on the consequences for motivation of such routine unchallenging work. Maslow and Herzberg, in particular, have pointed out the need to provide work which is challenging and thus able to satisfy the higher-level psychological needs of people.

The extent to which people are bored at work is not due only to the nature of work itself. People differ in their response to work. Individual differences exist among people in terms of things like intelligence levels and other attributes. The effect of these differences is that, for some people, the repetitive forms of work are challenging enough. They are happy to have a predictable self-contained task that requires no special effort. Some work is also so routine that it allows compensatory activities like daydreaming to be enjoyed. For many, however, the work in call centres is boring and monotonous and so there is a need to find ways of making the work tolerable and persuading those employed to give their best.
Many attempts have been made to redesign jobs to alleviate boredom and its more damaging consequences. These have included the rotation of jobs to introduce variety; for example job enrichment, which may involve the delegation of greater responsibilities to people, and the development of semi-autonomous groups/teams.

In the course of their efforts, researchers have found that the following characteristics of jobs appear to satisfy the social and psychological needs of employees:

- variety in tasks, and locations;
- autonomy in carrying out the task;
- a degree of responsibility for decisions about the job;
- a measure of challenge in the work, which leads to a sense of achievement on the completion of the job;
- the possibility for contact with others;
- task identity, which allows the recognition of work done and a sense of doing something worthwhile;
- clear objectives and feedback about performance to the jobholder.

To the extent that jobs in call centres can be organised in line with the above requirements, then motivation of staff should be assisted.

There are other ways to motivate personnel including the use of financial incentives, the use of an appropriate management style and ensuring fair and equal treatment for those employees who aspire to management positions within the organisation.

**Answer 7**

(a) We can classify the influences on ethical behaviour into those affecting the individual, those operating within the organisation and those influences in the organisation’s environment that condition the ethical behaviour of those responsible for its management.

Individual ethical behaviour is influenced by family, religious values, personal standards and personal needs of various kinds. Research suggests that the early socialisation process is particularly important as early training and development have a strong influence on character development. Managers and staff who lack a strong and consistent set of personal values will find that their decisions vary from situation to situation as they strive to maximise their self-interests. In the case of corporations like Enron in 2002, it is evident that the self-interest of some senior management and some professional staff over-rode their commitment to acceptable standards of honesty and integrity. By contrast, people who operate within a strong ethical framework of personal rules or strategies will be more consistent and confident since choices are made against a stable set of ethical standards.

The organisation in which an individual is employed is also an important influence on ethical behaviour. Senior managers in their role as organisation leaders set the moral tone of the organisation through their example and through the system of rewards and punishments available to them. Similarly, the expectations and reinforcement provided by peers and group norms are likely to have a similar impact. Formal policy statements and written rules are also important in establishing an ethical climate for the organisation as a whole. They support and reinforce the organisational culture, which can have a strong influence on members’ ethical behaviour.
Organisations operate in an environment composed of a wide variety of stakeholders including customers, suppliers, buyers, competitors, government, trades unions, political parties, pressure groups and local communities and are constrained by laws and regulations, and by social norms and values. These norms and values vary from society to society depending on historical and cultural heritage but, as countries become more integrated through the globalisation process, the business ethics acceptable in each country become more open to scrutiny and a convergence towards a common set of business ethics appears to be taking place.

The expectations of stakeholders play a key role in an organisation’s ethical behaviour because if expectations are violated, then this will have repercussions that can affect the organisation’s ability to operate. In the case of the US companies that violated the reporting standards expected of them, the companies were punished by legal penalties and by shareholders who sold their holdings.

(b) Formal codes of ethics are official written guidelines on how to behave in situations susceptible to the creation of ethical dilemmas. They have long been used in medicine, the law and other professions to regulate the ethical behaviour of their members and are now increasingly used in well-run organisations of all kinds.

These ethical codes try to ensure that individual behaviour is consistent with the values and shared norms of the profession or organisation. Codes of ethical conduct lay down guidelines on how to avoid illegal or unethical acts in the profession or job and on how employees should conduct themselves in relationships with clients and customers.

Areas frequently addressed include advice on bribes and kickbacks, political contributions, the honesty of records, customer–supplier relationships and the confidentiality of corporate information.

Useful though these codes are, they cannot cover all situations, and they cannot guarantee ethical conduct. The value of any formal code of ethics still rests on the underlying values of people recruited to the organisation, its managers and other employees. It is evident therefore that attention to recruitment and selection is important and that the criteria of selection should pay as much attention to the honesty and integrity of candidates as to their skills and abilities to perform the tasks and duties of the post they are recruited to.

Senior managers have the power to shape an organisation’s policies and set its moral tone. They can and should serve as models of appropriate ethical behaviour for the entire organisation. Not only must their day-to-day behaviour be the example of high ethical conduct, but top managers must also communicate similar expectations throughout the organisation and reinforce positive results. The same responsibility extends to all managers in a position to influence the ethical behaviour of the people who work for and with them. Every manager becomes an ethical role model, and care must be taken to do so in a positive and informed manner.

A number of organisations now include some ethics training in their induction programmes. This is especially the case for UK pension providers and those involved in the selling of financial services more generally. A scandal of mis-selling and subsequent severe fines for the companies concerned has made them especially careful of the behaviour of the agents they now employ to sell their products.
Ethics training, in the form of structured programmes to help participants understand the ethical aspects of decision-making, can help people incorporate high ethical standards into their behaviours. Most ethics training is designed to help people deal with ethical issues while under pressure and to avoid the rationalisations for unethical behaviour that people are prone to indulge in to convince themselves that their unethical actions are justified.

One particular technique used in ethics training is worthy of special mention. This is the so-called mirror test in which trainees are confronted with the consequences of their behaviour if it should become widely known to the public.

The term ‘whistle blowers’ refers to people who expose the misdeeds of others in organisations in order to preserve ethical standards and protect against harmful or illegal acts. While such behaviour does help to preserve ethical standards, it entails considerable risks for people who ‘blow the whistle’. In many cases, exposure of misdeeds has damaging financial consequences for the organisations involved and damage to the reputation and careers of the people involved in the unethical behaviour. In such cases, the ‘whistle blowers’ risk losing their present job and put their future career in jeopardy. It follows that if ‘whistle blowers’ are to be encouraged to speak out, then appropriate legal protection must be available to prevent them suffering penalties for what is, in many ways, a public service.

**Answer 8**

(a) The conflict in the T Textile Company encompasses both vertical and horizontal conflict.

Horizontal conflict happens between groups of staff or between departments at the same level in the hierarchy. The conflict between the Weaving Department and the Cloth Inspection Department could be classified as horizontal conflict. The cause of the conflict is due to the fact that the tightening of standards in the inspection process has had the knock-on effect of machines standing idle. This has affected the productivity of weavers and reduced their bonus payments. At a more fundamental level, there is a conflict in the goals of the Departments, the weavers are focused on producing cloth to maximise output and hence receive bonuses. On the other hand, the key objective of the Cloth Inspection Department is the quality standard of the material. The two groups are rewarded in different ways.

Vertical conflict occurs between individuals or groups who are at different levels in the hierarchy, and often arises because of status and power differences amongst groups. In the case of the T Textile Company, conflict has arisen between mechanics and management over status and pay. Mechanics want the same percentage pay increase as weavers but management argue weavers can justify the increase by increasing productivity, whereas the work carried out by mechanics has not changed. This has led to industrial unrest.

(b) The best approach to managing horizontal conflict in the T Textile Company would be collaboration where differences are confronted and jointly resolved. The desired outcome is win/win for both groups. This could be achieved by holding meetings between the two Departments, including the managers, weavers and inspection staff. Solutions to how quality standards could be maintained while minimising the down time of
machines could be discussed. Communications between the different Departments, sharing an understanding of each other’s goals and objectives should assist the process. Perhaps the organisation could look at some of the techniques associated with total quality management in resolving the problems.

The vertical conflict in the T Textile Company is an example of industrial relations conflict over pay claims. This type of conflict may be resolved through negotiation between management and representatives of the mechanics through collective bargaining. The representatives of the mechanics could present a proposal for consideration by management, followed by counter-proposals and concessions. The outcome will depend on the relative power held by the mechanics (e.g. withdraw labour, gain support from other workers and willingness to take industrial action) and the power of management (ability to replace mechanics, ability to switch production to other factories). A win/win situation is desirable but often industrial relations conflict is resolved through compromise.

A useful framework for classifying different ways of handling conflict has been produced by Thomas. It is based on two conflict-management dimensions. These consist of (a) the degree of assertiveness in pursuit of one’s interests and (b) the level of co-operation in attempting to satisfy others’ interests. The strength of each of these in a particular situation can be regarded as lying along two continuums respectively as illustrated in the Figure and so producing five conflict-handling strategies.

It is difficult to determine the degree of assertiveness and the level of co-operation that exist in the case of T Textile Company so we cannot come to a conclusion here and now but the framework does provide a useful means of considering alternatives if we can gather the necessary information.

The five conflict-handling strategies are

1. **Avoidance**: one or more parties in conflict may seek to avoid, to suppress or to ignore the conflict. This is not recommended as it does not resolve the conflict and may break out again when the parties meet in the future.
Accommodation: this involves one party putting the other’s interests first and suppressing their own interest in order to preserve some form of stability and to suppress the conflict. Again, if the causes of conflict are endemic or lasting, the accommodation strategy may not resolve the differences. Also, the accommodating party may well lose out as a result.

Compromise: often seen as the optimum solution. Each party gives something up and a deal somewhere between the two is accepted after negotiation and debate. However, in compromise, both parties lose something and there may be a better alternative. This approach could be used to resolve the conflict between mechanics and management.

Competition: this is a state where both or all parties do not co-operate, instead they seek to maximise their own interests and goals. It creates winners and losers. The resultant conflict can prove damaging to the organisation as well as to at least one of the parties. So, not recommended.

Collaboration: from the perspective of all parties, this is likely to be the optimum solution. Differences are confronted and jointly resolved, novel solutions are sought, and a win/win outcome is achieved. This is the proposed strategy to deal with the conflict between weavers and the cloth inspection staff.

Answer 9

(a) One theory of motivation often used to explain the adoption of financial incentive schemes like that operated by B plc is what Schein and others have called the ‘rational economic man theory’. This theory assumes that people are motivated by self-interest and that the opportunity to accumulate significant sums of money will influence people to make additional efforts. The outcome of such extra effort by individuals, it is assumed, will benefit the whole organisation because productivity per head will increase and thus provide higher sales revenue with lower costs and higher profits.

The merits of the theory include its simplicity and its wide applicability in that entrepreneurs are ready to take considerable risks and expend great effort to develop profitable businesses, sales staff make great efforts to increase sales and production workers often rush around at speed in their efforts to gain bonuses paid for production of additional units.

The main limitation of the rational economic man theory, however, is that it is incomplete. In particular, it does not take account of the fact that people are motivated by factors other than money. The psychological theories of Maslow and Herzberg, for example, make clear that although money does play a role in motivating people to make extra efforts to gain additional income to satisfy basic needs, it is not the only incentive. Content theories of motivation like those of Maslow and Herzberg stress that once basic needs are satisfied, people are motivated by things like opportunities to gain status, recognition, a sense of achievement, a feeling of power and self-actualisation.

Money and wealth can, of course, act as a measure and a source of some of these rewards for effort, but the point is that many of these things that satisfy deeply felt psychological and social needs can be attained without money as an incentive.

Note: Other theories of motivation may be applied provided they offer an explanation of how financial incentives help to enhance employee performance.
(b) The merits of share incentive schemes, like the one operated by B plc, is that they do offer the opportunity for individuals who work for the company, a chance to benefit not only from the wages or salaries which they receive in return for their labour, but as shareholders to benefit from dividend income paid to shareholders as well as any increase in market value of their shareholding.

The main limitation of such schemes, however, is that the link is tenuous between effort expended and the increase in profits that bring dividend income and increase in share values. In other words, it is often difficult for a production worker to see a direct link between their own efforts and any increase in profits for a company because there are so many other factors that can affect profitability over which the individual worker has no control. For instance, employees might increase output and quality of their product only to find that the product does not sell because a competitor has introduced a better product, or is able to produce the same product at a lower price because of its acquisition of new technology, or a cheaper source of raw material supply or some other reason.

When profits begin to decline, as in the case of B plc, it is often the case that even though workers find themselves to be working harder than ever, the value of their shareholding continues to fall. In these situations, it is easy to see why some workers might conclude that the extra effort is not worthwhile because they are fighting a losing battle through no fault of their own.

Financial rewards could be more closely tied to the performance of employees by ensuring that employees have a high degree of control over the things they are measured on. In factory production, where the output of workers depends on their physical effort, performance is easier to measure than in much administrative, managerial and professional work, but even in this work it is possible to agree on approximate measures of performance on which payment can be based.

So any performance-related payment system that allows a direct link between the actual performance of the employee and the reward for that performance is more likely to motivate employees than in the case of the share scheme outlined in the question.

Answer 10

(a) Theorists of management style tend to structure their ideas into some form of classification. One such common classification suggests that the styles adopted by different managers can be subsumed under the labels, authoritarian, democratic and laissez faire (lenient). More complex classifications exist, but many of them consist of some variant of this classification, so for the purpose of this answer, we will use this simple model.

From the brief scenario, it is apparent that the management style exhibited by Joan Timmins might usefully be described as of an authoritarian nature. In her new post, she has continued to conduct herself as she did in her former military post. She seeks to get things done by giving orders and assumes that, as in the military, her orders will be obeyed without question. In the military situation, this management style is appropriate, since it fits in with the demands of military discipline and is part of the traditional culture of military organisations throughout the world.

The resentment of her use of the authoritarian style in the Finance department of the SOFT Corporation is understandable, given that the management culture adopted by many professional groupings is a democratic one. Qualified staff in finance and
accounting expect a different style of leadership. Having spent many years in studying and acquiring the relevant practical experience, they expect to be consulted and given the opportunity to participate in decisions governing their work rather than simply receiving orders.

Most of the research on management style and leadership behaviour suggests that people give of their best if they are well treated. In a democratic society, people are used to taking responsibility for decisions that affects their lives and when they encounter situations in which they are denied this kind of freedom they tend to be resentful. In situations in which employees have specialist knowledge, such resentment can be damaging to the company concerned because such knowledge can be a source of power and this can be used to benefit an organisation or used to its detriment.

In these situations, a ‘Participative’ or ‘Democratic’ style of management has been found to be more effective. This involves consulting employees about problems and issues facing the department and providing some opportunities for participation in decision-making. We know, as a matter of general observation, that when people have a say in the decision-making process they are more positive when it comes to implementation than when not consulted, because they have some part-ownership for that decision. It is therefore recommended that Joan Timmins moves to a more democratic leadership style of management.

(b) It is possible, however, that Joan Timmins will experience some difficulty in moving to use this type of leadership, for a number of reasons.

First, she has come from working in an organisation in which an authoritarian type of leadership is the accepted norm and so it will take some time to adjust from behaving in a way that has been successful in the military situation to the new professional civilian mode of management.

Secondly, according to the scenario, she has an assertive character or personality that tends to reinforce authoritarian behaviour so she may find some difficulty in adjusting her style because of these inherent traits.

Finally, she has committed herself to a particular kind of behaviour in the Finance department of SOFT and she now has to attempt to change that behaviour without losing face among her staff and colleagues.

Changing her leadership style will be difficult, but a number of means are available that will assist Joan in this respect. These include attendance at training/development courses in management and leadership, the allocation of a senior manager to act as mentor to Joan and the use of a system of coaching by a superior. She can seek advice from her mentor whenever she is unsure about how to handle a situation and she can be helped by a system of coaching on a one-to-one basis by her superior. This could involve a number of sessions in which her immediate superior takes her through relevant scenarios involving management style issues.

**Answer 11**

(a) Organisational Development (OD) refers to the application of diagnostic and problem-solving skills by behavioural scientists to determine the nature of organisational problems and to a set of techniques to help overcome these.
Most OD specialists take a ‘systems’ view of organisations. In other words, they conceive of an organisation as being made up of inter-dependent parts. From an OD perspective, the key aspect of a systems view is that organisational effectiveness depends on the optimum integration of the various parts so that all activities/functions work in harmony to produce organisational effectiveness.

The use of OD is most commonly called upon when a company faces severe problems as in the case of DB, but large, progressive organisations often retain OD specialists on their permanent staff to monitor operations and so prevent problems from arising.

The diagnostic phase of an OD programme usually begins with a review of the company’s objectives and those of its sub-units. Particular attention will be given to the relationship between people; especially how well teams work together, the degree of collaboration between functional departments/divisions and leader – group relationships as well as the suitability of the organisation structure itself.

The techniques used in the diagnostic process are typically those of the questionnaire, interviews and observation. These are employed to build up a picture of staff attitudes and opinions as a means of identifying the basis of the company’s problems.

Once the key problems have been identified, it will be necessary for the OD specialist to discuss with management the action required to solve the problems. This is a very important stage because success depends upon complete commitment from the senior management team. Such action may involve a re-alignment or re-ordering in the priority of the company objectives; changes to the structure of the organisation in whole or in part; re-allocation of responsibilities to different personnel and programmes of training.

Some of these action plans will be to do with changing the behaviour of staff members. OD specialists employ a range of techniques for this purpose. These include coaching and counselling, team-building activities, inter-group activities, role analysis, job redesign, planning and objective-setting activities and process consultation. This last technique, process consultation, is one in which the third-party consultant helps clients to see and understand the human processes that are taking place around them; for example, leadership issues, power struggles, communication problems and so on.

(b) Experience with OD programmes suggests that a particular combination of knowledge, skills and attitudes is necessary to be a competent OD specialist. These can be summarised as follows:

- In terms of knowledge, it is necessary that he/she possesses the requisite behavioural science background, and is experienced in the application of the diagnostic and problem-solving techniques detailed in requirement (a) above.
- The skills required are not only confined to those associated with the application of behavioural science knowledge, but also more general skills are needed such as interviewing skills, listening skills, presentation skills and the ability to establish and maintain working relationships with a wide cross-section of people.
- Appropriate attitudes include a preference for interpersonal relations based on mutual trust and liking, for teamwork rather than competitiveness, and for conflict to be handled openly and constructively.
Answer 12

(a) The objectives of a formal performance appraisal system usually include the following:

- The assessment of an individual’s current level of job performance. This is useful as a base line against which performance can be measured in future. It is also useful as a means of deciding how the individual has improved since the last performance appraisal.
- The determination of potential performance. This is particularly important if the individual is being considered for promotion in the organisation. It is useful to have on record the potential of staff in readiness for when vacancies occur.
- The identification of the employees’ current strengths and weaknesses can be considered as a more detailed consideration of the first objective about the current level of job performance, but the identification of weaknesses helps in deciding training needs, while identification of strengths is useful if management needs to call upon these in other parts of the organisation.
- The identification of training and development needs can be seen to follow an evaluation of strengths and weaknesses, but the identification of training needs may arise for reasons other than the capabilities of individual employees. They may arise from any number of sources such as new demands made by changing legislation, new technology and so on.
- Assisting the motivation of individuals by providing feedback on performance. The formal performance appraisal interview represents an opportunity to provide positive feedback to employees on their performance and to set new targets and challenges for the coming period along with a reminder of possible rewards.
- As a means of collecting information for succession planning. This has already been noted, but it reminds us of the need for systematic consideration of the HR plan for the forthcoming time period and of the need to collect information on all personnel about their suitability for promotion or perhaps even for early retirement.

(b) The ineffectiveness of a formal performance appraisal system has its roots in the frailty of human judgement, inappropriate design and in poor implementation of the systems. Because assessments of this kind involve human judgement by some individuals of the performance of other individuals, problems of subjectivity necessarily arise. The lack of objective criteria in aspects of performance that are difficult to quantify leaves room for doubt on the part of the person appraised that they have been fairly judged and to possible disputes about any rewards that might be based on such judgements.

Performance appraisal systems are also often less effective than they might otherwise be because of inappropriate design. Some performance appraisal systems are ineffective because:

- they focus on aspects of the person rather than on the performance of the task;
- they are designed in such a way as to encourage the appraiser to opt for a middle category of performance rather than to consider the whole range of performance measures.
In addition, performance appraisal systems are often less effective than they might otherwise be because of poor implementation. Such poor implementation is based in turn on a variety of causes including the following:

- First, the lack of time and resources in many organisations for effective implementation. Performance appraisal is normally carried out by line managers who have many other pressing duties in addition to that of the formal appraisal of their staff. In many organisations the annual appraisal comes to be regarded as a necessary bind that interrupts the essential work of production.

- Associated with the lack of time and resources is lack of appropriate training. This may include not only lack of training in the actual process of conducting appraisal interviews in an appropriate manner, but also a lack of attitudinal training. The effect of this inadequate training is that many managers do not have the skills or the motivation to conduct the appraisal process in an effective manner. In fact, it is a common claim among managers that they appraise their subordinates on an ongoing informal manner throughout the year and so do not see the need for systematic formal performance appraisal systems.

In progressive organisations, these problems associated with performance appraisal have been recognised and steps taken to limit their detrimental effect.

As far as the problem of subjectivity is concerned, Human Resource Management departments have moved away from trait personality scales that seek to measure the personal qualities of individuals. This is because these are seen as more prone to subjective judgement than measurements of outcomes and behaviourally anchored observation scales (use of list of key job items against which are ranged a number of descriptors or just the use of two extreme statements of anticipated behaviour). The concentration on job outcomes or results is thus recommended rather than the focus on the person, as was often the case in early appraisal systems.

In recent years, the use of competency-based frameworks has been introduced. These focus on the performance of the person rather than on the qualities of the person but the whole issue of competence measurement itself is still the subject of considerable debate.

The problem of poor implementation depends upon the attitude of senior management. Only if management take performance appraisal seriously and commit the necessary resources for training and the time for the conduct of formal appraisal interviews can the appraisal system work effectively.

This commitment of senior management must also extend to providing resources for the follow-up to the appraisal interviews. In particular, a serious attempt to address training and development needs, identified during the interviews, must be made or those appraised are likely to lose faith in the whole process. In fact, the same point can be made about anything agreed between those conducting the appraisal and the individuals being appraised. Unless the jointly agreed decisions are followed up with action, the whole exercise comes to be seen as a form filling exercise that has to be endured on a periodic basis.
Change Management

LEARNING OUTCOMES

By completing this chapter, including the readings and questions you should be assisted to:

• explain the process of organisational development;
• discuss how and why resistance to change develops within organisations;
• evaluate various means of introducing change;
• evaluate change processes within an organisation.
Questions

6.1 The one thing that is known about change is that
   A It is hard to manage
   B It is always for the worse
   C It is always an improvement
   D It is ongoing and never ending

6.2 List each of Porter’s Five Forces?
   (i)
   (ii)
   (iii)
   (iv)
   (v)

6.3 What are the main objectives of Organisational Development (OD)?
   (i)
   (ii)
   (iii)
   (iv)

6.4 What is a change agent?
   A A close friend of James Bond
   B Someone who gathers information on the competition
   C A person (either internal or external) who instigates change
   D The person to blame when everything goes wrong

6.5 Explain the difference between planned and emergent change.

6.6 Daft stated that all of the following were needed for successful change except:
   A Ideas
   B Adoption
   C Resources
   D Results

6.7 What is the difference between:
   (i) Incremental change
   (ii) Step change
   (iii) Transformational change

6.8 Change may be met with all of the following responses:
   (i)
   (ii)
   (iii)
   (iv)
6.9 Kotter and Schlesinger identified six methods of dealing with resistance to change. These included all except:

A Education and communication
B Participation
C Negotiation
D Sack them

6.10 What barriers do managers create for themselves when considering change?

6.11 Kurt Lewin suggested the Three-Stage Change Procedure. This included all the following except:

A Refreeze
B Blanche
C Unfreeze
D Change

6.12 Peter Drucker identified five basic rules to consider if acquisition is to be Successful. These are:

(i)
(ii)
(iii)
(iv)
(v)

6.13 Draw and label Grainer's growth model.

6.14 What other alternative strategies might an organisation pursue other than growth?

6.15 Explain the meaning of:

(i) Unbundling
(ii) Downsizing
(iii) Rightsizing

6.16 What are the reasons Slatter identified for corporate decline?

6.17 Management can adopt a number of different approaches or styles when dealing with change. The four main ones are

(i)
(ii)
(iii)
(iv)

6.18 What did Senge define as a Learning Organisation?

6.19 What is Kanter’s prescription for encouraging organisational creativity?

6.20 What is the best-known model for monitoring changes in the external environment?
6.1 D

6.2 (i) Industrial rivalry  
(ii) Threat from new entrants  
(iii) Threat from substitutes  
(iv) Buyers bargaining power  
(v) Suppliers bargaining power

6.3 (i) Increased level of trust amongst organisational members  
(ii) Allowing problems to be addressed and solved  
(iii) Enhanced and open communication  
(iv) Increased individual and group problem-solving

6.4 C

6.5 Planned: Organisational change is seen as a process of moving from one fixed state to another via a series of pre-planned steps. Criticisms of this approach centre on issues of employee commitment and the rigidity of the approach.

The emergent approach is based on the view that change is seen as continuous, unpredictable and open-ended, a process of constant adjustments. Emergent change emphasises a bottom-up approach where managers need to facilitate rather than make the change, making sure employees are receptive to changes and suitably skilled. Emergent approaches assume that organisations operate in unstable and/or unpredictable environments over which they exercise very little control. Change is, therefore, open-ended and ongoing, and emphasises employee flexibility, creation of cultures and structural adaptation. It requires genuine consultation, good communication and high levels of co-operation. It also implies a loss of managerial power and more trust in the individual worker which will not be acceptable to all organisations.

6.6 D

6.7 Incremental change has often comprised changes in response to trends in the environment such as sales growth or more commonly technological improvements. Usually, incremental change attempts to match organisational performance with the external environment, and gap analysis feeds back to corrective action. Where this is not seen, a ‘blinded’ situation occurs which can lead to organisational decline.

‘Step change’ involves a situation where the trend line for a particular factor stops becoming smooth and there is a significant and unexpected jump in direction upwards or downwards.

Transformational change: Here radical change is involved and the organisation acts in a way that is currently outside of its existing paradigm (way of thinking). Clearly, this involves a huge cultural shift for this change to be brought about successfully.

6.8 (i) Enthusiastic co-operation and support  
(ii) Passive acceptance  
(iii) Passive resistance  
(iv) Active resistance
6.9 D

6.10 Daft identified the following common problems for managers:

- excessive focus on costs.
- failure to highlight benefits.
- lack of co-ordination and co-operation.
- uncertainty avoidance.
- fear of loss.

6.11 B

6.12 (i) Contribution: The acquiring company must identify exactly what contribution it can make to the acquired company and this must be more than just money.

(ii) Common core: The companies involved should have some common core of unity in markets, production operations or technology.

(iii) Value: The company making the acquisition should value the products, services and customers of the other company.

(iv) Management cover: It is important that there is some top management cover available in case key senior managers in the acquired company choose to, or are required to, leave after the acquisition.

(v) Linkage: Within a year of the acquisition, managers should have been promoted across the boundaries of the two previously separate companies.

6.13

6.14 The strategic alternatives to growth include

- Maintain a status quo and ignore growth potential.
- Specialisation of the business, and building a future on distinct organisational competences.
- Innovation of products and markets.
- Divestment strategies, whereby parts of the business are closed or sold, usually as part of an attempt to consolidate or re-position the business.
- Reduction in geographical scope and/or product range.
6.17 (i) The participative style: Extensive delegation of tasks to teams and groups this requires time, trust and support.
(ii) The interventionist style: Limited delegation of some aspects of the change whilst retaining overall direction.
(iii) The autocratic style: No delegation direction is centrally driven.
(iv) The educational style: Facts are presented to staff and a rationale made for the change before change gets underway (a ‘tell and sell’ approach).

6.18 Peter Senge has been one of the leading advocates of organisations developing the capacity and culture to become what he terms ‘learning organisations’; these are the ones that continually expand their ability to shape their future.
6.19 Kanter’s prescriptions for encouraging organisational creativity are

- Develop an acceptance of change.
- Encourage new ideas at all levels of the organisation.
- Permit more interaction between individuals and groups.
- Tolerate failure, as experimentation requires trying out new ideas, not all of which will work.
- Offer recognition and rewards for creative behaviour.

6.20 A PEST or STEP analysis ideally linked to a SWOT analysis.
Medium length questions

Question 1

K Company is experiencing rapid change. Increasing competition necessitates continual updating of its product offerings, its technology and its methods of working. Like other companies, today K Company has to be responsive to frequently changing customer requirements, the challenges posed by fast-moving competitors and many other threats from a changing world.

One of the ways in which K Company might seek to cope with the challenges of the rapidly changing environment is to become a ‘learning organisation’.

Requirements

(a) Advise K Company what would be involved in building a learning organisation.

(10 marks)

The changing environment has implications for K Company’s selection process and, given the limitations of interviews and selection tests that constitute the traditional methods of selection, the company has decided to make use of an Assessment Centre (AC) to improve its chances of obtaining people who fit the needs of the company.

(b) Describe the key features of an Assessment Centre and explain why it is considered to be more effective than traditional methods of selection.

(10 marks)

(Total = 20 marks)

Question 2

The recently appointed Chief Executive Officer (CEO) of the F Steel Company is intent on making the organisation more competitive. He has made it clear that costs are too high and productivity too low. The trade union that represents the steel workers in the F Steel Company is well-organised and has promised the workers that it will defend their wage levels and working conditions.

The exchange rate of the local currency has been rising in value over the last year, and the company has to compete internationally with subsidised state steel companies. Though domestic demand for steel is weak, the market for steel in the Pacific Rim economies is still growing.

The company is suffering from a number of problems at the operational level. Deliveries have been late on a number of occasions and some customers have complained that the steel they have received does not match the agreed specification. Despite these problems, some of the F Steel Company’s long-serving managers are complacent. They have seen the company come through many a business cycle and simply interpret the present situation as the trough of just another such cycle, which will pass. As a result, they see no need for any radical change.
Change Management

Requirements

(a) Analyse the forces for change and causes of resistance in the F Steel Company. Classify these according to whether they can be considered as deriving from internal or external sources.

(10 marks)

(b) Recommend how the newly appointed CEO in the F Steel Company might go about managing the process of change.

(10 marks)

(Total = 20 marks)

Question 3

S Company develops accountancy software for small to medium-sized businesses. S Company was established 15 years ago by a graduate in accounting. Despite an increasingly competitive environment, it has grown and diversified to become a global provider of specialised accountancy software.

In order to cope with the increasing size and diversity of the business, additional levels of management and control systems have been introduced, including additional policies, rules and procedures. Unfortunately, the increase in bureaucracy is having the effect of slowing down the decision-making processes and limiting ideas for new software development.

The CEO is aware of the conflict between the structural changes and the need for continuous creativity and innovation that are critical to new software development and the future success of the business, but is not sure how to overcome the problem.

Requirements

(a) Explain

(i) why formal control systems are increasingly necessary as an organisation grows and diversifies; and

(ii) why the use of bureaucratic forms of control in S Company might limit creativity and innovation.

(10 marks)

(b) Discuss how S Company could balance control with autonomy to assist continuous creativity and innovation.

(10 marks)

(Total = 20 marks)

Question 4

Following a benchmarking exercise, A, the CEO of B Company, a food manufacturer, decided that several changes were required in order to maintain competitiveness. These included

- a change in structure in order to improve the focus of expertise on particular products and customers;
- tighter control of costs; and
- the introduction of a more entrepreneurial culture.
Having decided that these changes were necessary, A e-mailed all heads of the departments indicating that during the following few months, the company would move from a functional structure to a divisional structure. Existing functional heads would be interviewed for senior posts in the newly created divisions in open competition with other applicants. The job specification for the new divisional heads included a requirement that the new heads would drive the changes, including a rapid transition to a more entrepreneurial culture and the implementation of new control mechanisms to contain costs. He put the change programme in the hands of the head of HR and went off on a 2-week overseas business trip asking that he be kept informed of progress.

When the CEO returned from his business trip, he found that no progress had been made towards the changes he had requested. The head of HR informed him that heads of departments were reluctant to discuss the intended changes and that some had even talked about resignation from the company.

Requirements

(a) Describe the key mistakes made by the CEO in the way he went about introducing the proposed changes in B Company.

(10 marks)

(b) Given the situation on the CEO’s return, advise him on what he should do in order to ensure that the changes could be successfully implemented.

(10 marks)

(Total = 20 marks)

Question 5

The Supreme Football Club (SFC), a profit-making company with directors and shareholders, has received a takeover bid from one of the satellite-broadcasting corporations. The club is currently assessing whether to accept the bid.

SFC is a multimillion dollar business. Its income consists of gate receipts, fees for TV rights, merchandising, sponsorship, conferencing and catering. The club is very successful; the team’s performance on the pitch has made it a very popular club and this success has been reflected in growth in turnover and profits in recent years. The advent of satellite TV has made football a worldwide spectator sport and the club has fans throughout the world.

The success of the club has not, however, prevented it from receiving some criticism. One of the issues causing continuing concern has been the constantly changing replica shirts as worn by the club’s football team. Parents of young fans have felt pressurised into spending large sums of money every year or so because the club has changed its shirt styles six times in as many years.

Another issue has been the increase in ticket prices over the past few years. These have risen far faster than inflation, and the fan club has made several representations to the board of SFC in protest at these increases.

The income from TV rights is much welcomed by the club, but matches have been rescheduled at short notice to suit satellite stations and their exclusive audiences. It is perhaps not surprising, therefore, that the bid to takeover the club by the satellite-broadcasting corporation has been met with hostility by the fans and others who see the club they have supported and the game they love as being treated like any other profit-making organisation.
Requirements

(a) Who are the stakeholder groups of the SFC? Describe the particular interest of each stakeholder group in the club.

(12 marks)

(b) Explain which stakeholder groups are likely to exert most influence on the decision to accept/reject the takeover bid, indicating their power and influence.

(8 marks)

(Total = 20 marks)

Question 6

The working practices of the Finance Department of the Smog retailing organisation are out of date. It operates as if developments in communications and information technology in management accounting techniques – the increasing concern with the environment – demands for better corporate governance and the impact of globalisation had never happened.

But things are changing. A new chief executive has just been appointed and she intends to see that the Finance Department, like the rest of the organisation, will operate as efficiently as any of Smog’s competitors. She has already seen to it that the department is re-equipped with the latest technology, and a new management information system (MIS) has been installed. Unfortunately, a lack of training has meant that as yet, the organisation has been unable to benefit fully from the investment in either the new technology or the new MIS.

Requirements

(a) Explain briefly how each of the developments noted in the first paragraph of the scenario has influenced the practice of management accounting in progressive organisations.

(10 marks)

(b) Assume that you have been charged with the development of HR in the Finance Department of Smog. Describe the various kinds of training and development programmes that would be required in order to make full use of the investment in the Finance Department and equip the staff to cope with the challenges of the modern era.

(10 marks)

(Total = 20 marks)
Medium length questions

Answer 1

(a) The notion of the learning organisation has been discussed by a number of writers including Senge, Argyris, Schon and Pedlar. According to the most famous advocate of organisational learning, Peter Senge, there are five core competences that K Company will need to develop to become a learning organisation. These are:

- the building of a shared vision
- personal mastery
- utilisation of mental models
- team learning and
- systems thinking.

Building a shared vision is necessary to ensure people are focused around a common sense of purpose. If there is no shared vision about the organisation, its purpose and values; then learning only occurs when there is a crisis that brings everyone temporarily together. Personal mastery of learning emphasises the need for continuous learning and self-development.

It is worth adding here, however, that for K Company to become a learning organisation, more than personal mastery is required. As Pedlar has emphasised, a learning organisation is different from simply the summation of the learning of individuals in an organisation. Though organisations do not have brains, they have cognitive systems and memories that preserve certain behaviours, mental maps, norms and values over time. Individuals may come and go, but if their learning has been passed on to others in the organisation, the benefit of their learning to the organisation continues. Working with mental models is one way for people to recognise their unconscious assumptions, and to appreciate how alternative actions at work could create a different reality.

A learning organisation requires individuals to come together and act as teams. Therefore, personal mastery of learning has to be accompanied by team learning so that it can be practised when groups of people have to confront controversial issues and make difficult decisions. Such team learning skills do not come naturally, and this probably explains the poor results of team working in some companies.

Systems thinking emphasises the importance of understanding interrelationships, rather than breaking problems down into discrete parts. It is a matter of coming to see how the various parts of the organisation fit together to form a whole functioning entity and how changes in one part of the organisation impact on other parts.

Senge also suggests that companies like K Company might find it useful to shift to a learning organisation in a series of stages. The first stage might be primarily concerned with frontline workers, and management’s task is to:

- champion continual improvement;
- remove bureaucratic barriers to improvement; and
- support initiatives such as benchmarking and quality training that drive process improvements.
The second stage might be concerned with encouraging new ways of thinking about how organisational processes (e.g. sales order entry, manufacturing and customer satisfaction) interact. During this stage, the primary focus of change is on the managers themselves.

The third stage is one in which learning becomes institutionalised as an inescapable way of life for managers and workers.

Other writers like Pedlar have emphasised that the learning organisation should be regarded as a process rather than a product. So for K Company the emphasis should be on continuous learning rather than a particular end-state of knowledge because rapid change demands new ways of doing things, and new skills and knowledge to enable the organisation to compete.

Finally, Pedlar notes that the learning organisation does not come in turnkey form. In other words, it is not simply a matter of installing it like a piece of equipment, but is a continuous process of learning that involves everyone in the organisation on an ongoing basis. K Company will need to be aware of this. Such a change will require a great deal of commitment and effort and it may be that K Company will require a cultural change.

(b) An Assessment Centre (AC) is defined as ‘the assessment of a group of individuals by a team of assessors using a comprehensive and interrelated set of techniques’. An AC does not necessarily mean a physical centre, but is a particular approach and philosophy. It is important to ensure that jobs have been analysed and the results classified to provide a list of criteria or competences around which the AC’s should be designed.

Assessment techniques such as role-play, simulations, ‘in-tray’ exercises, negotiations, presentations and tests are designed to ensure that there is a sufficient number of the right kind of assessment tools to measure all the relevant dimensions.

The superiority of the AC approach over traditional methods lies in the range of methods employed to assess candidates and the duration of the period of testing. AC testing often takes a number of days, whereas conventional interviews often last less than an hour. The AC approach also enables the assessors to observe the actual behaviour and performance of candidates in a whole range of situations, whereas interviewing, which is the most common method of selection, only allows observation in a single, highly artificial situation.

The available research to date suggests that ACs have a higher validity in terms of predicting future performance than the more commonly used methods of references, application forms and interviews.

Beaumont (1993) reports on research shows that ‘the probability of selecting an “above average performer” on a random basis was 15%, a figure that rose to 35% using appraisal and interview data and to 76% using assessment centre results.’ Thus, ACs have been shown to have good, predictive validity and this is significantly improved when more selection devices are used.

It should be noted, however, that while more effective, ACs are more expensive to set up and administer and this is one reason why smaller companies, in particular, do not make use of them.
Answer 2

(a) One framework which can be used to analyse the forces for change and the resistance to change is K Lewin’s ‘force field analysis’. The forces for change and the origin of each of these in terms of internal or external sources are as follows:

<table>
<thead>
<tr>
<th>Forces for change</th>
<th>Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive pressures from other steel companies,</td>
<td>*</td>
</tr>
<tr>
<td>particularly foreign-owned, state-subsidised companies</td>
<td></td>
</tr>
<tr>
<td>The exchange rate of the local currency that pushes up</td>
<td>*</td>
</tr>
<tr>
<td>the price of steel to buyers from other countries</td>
<td></td>
</tr>
<tr>
<td>Lack of domestic demand, which puts pressure on costs</td>
<td>*</td>
</tr>
<tr>
<td>and prices</td>
<td></td>
</tr>
<tr>
<td>Growing demand for steel in the Far East</td>
<td>*</td>
</tr>
<tr>
<td>Customer complaints about steel specification</td>
<td>*</td>
</tr>
<tr>
<td>Recently appointed CEO intent on making business</td>
<td>*</td>
</tr>
<tr>
<td>more competitive</td>
<td></td>
</tr>
<tr>
<td>Need for greater efficiency in organisation</td>
<td>*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Forces resisting change</th>
<th>Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>The attitude of the trade unions</td>
<td>*</td>
</tr>
<tr>
<td>Complacency of long-serving managers</td>
<td>*</td>
</tr>
</tbody>
</table>

(b) The most well used model in change management is probably that suggested by Lewin. (The use of other models, such as the Contingency model, is acceptable provided they are clearly described.) Lewin described his model as a form of ‘force field analysis’. This involves identifying both the forces for change and the forces resisting change and estimating their relative strengths.

Once this analysis has been completed, Lewin argued that we need to seek ways to bolster any force that promote change in the direction we wish to move things, and to reduce any sources of resistance that may stand in the way of changes to be made.

Lewin recognised that some forces, particularly external forces, may well be outside management’s control and so the concentration of management effort should be on internal forces for change and those factors or agents resisting them. Lewin’s simple formula for tackling change consisted of a three-step process as follows:

- ‘Unfreezing’ which involves reducing factors that maintain current behaviours and provide people with an understanding of why change needs to occur so that they can more easily accept it.
- Changing behaviour patterns in such a way that the new attitudes, values and behaviour are internalised as part of employees’ new ways of thinking.
- ‘Refreezing’ whereby supporting mechanisms are introduced to ensure that the new behaviour patterns are maintained such as reward systems and structures.
Applying this model to the situation faced by F Steel Company, we have to recognise that many of the forces acting upon the company are outside the control of the new CEO. There is little that can be done to manage these forces, except to join with other companies and lobby the government to assist the steel industry as a whole in some way. Such an effort may be directed to seeking to persuade the government to take action against imports of steel from state-subsidised, foreign steel companies and reducing the exchange rate of the country’s currency.

Such efforts, however, are unlikely to bring results in the short term and so the CEO will need to focus on the forces over which he has more direct influence. In order to make changes that will increase its efficiency and effectiveness, the CEO can use the threat of competition to persuade employees, trade unions and long-serving managers that, unless changes are made, the very survival of the company and, therefore, the jobs of employees are in jeopardy. This reference to the threat of competition, accompanied perhaps by some action such as the introduction of a first round of redundancies, can act to unfreeze current attitudes and assumptions.

The next step of changing behaviour patterns, attitudes and beliefs is more difficult and will require a range of methods to persuade both managers and employees that change is necessary. Such methods will include ensuring that what needs to be changed and how it is to be effectively communicated, that all employees are involved in the change process through regular meetings and discussions, and that appropriate incentives and penalties are available to drive the changes.

Ideally, change is best achieved through willing participation of all concerned, but experience has taught us that resistance to change is common when the interests of individuals and groups are threatened. It will probably be necessary, therefore, for the CEO and his management team to negotiate changes with the trade unions. The threats to the company are so great, however, that the management can probably gain the trade unions’ acceptance of the need for more efficient working practices and possibly a slimmer workforce.

Once these new working practices are in place, it is necessary according to Lewin’s model that the new levels of efficiency are sustained and that management maintains a pressure for constant improvement to raise levels of productivity, so as to ensure continued survival of the business through rewarding desired behaviours.

Answer 3

(i) For any organisation like S Company, the growth and diversification of the business poses an increasing problem of control. As the number of levels in the organisation is increased and the number of different kinds of tasks to be carried out multiplies, the division of labour becomes more complex. In this changing situation, it becomes increasingly difficult to ensure that members of an organisation are doing what they are supposed to be doing.

Without some attempt to control what people do in organisations, there is a danger of centrifugal tendencies developing – that is, people begin, intentionally or unintentionally, to do ‘their own thing’ by working towards their own personal goals and perceived self-interests. To counteract the tendencies created by the
processes of differentiation, and to ensure goal congruence, there is a need to create a ‘common focus’ in an organisation, which will control and integrate members’ diverse activities. This is why organisations introduce a variety of formal controls.

In small, simple organisations it is possible for the owner/manager or senior management to supervise subordinates’ activities personally and systematically. Often, in such organisations, it is possible to achieve control in an informal way by setting employees tasks and then checking that they have been carried out. Any deviations from the accepted standard of performance can be communicated directly by the owner/manager to particular employees and the necessary corrective action taken. In larger organisations, however, with a complex division of labour, and a taller hierarchy of responsibility, it is not physically possible to control people in such a simple manner. In such situations, formal policies, rules and procedures have to be put into place together with a system of rewards and punishments to ensure that the policies, rules and procedures are observed.

In such hierarchical organisations, policies and objectives are typically set, or at least confirmed, by occupants of higher-level positions and are then communicated to lower-level staff, who are then charged with the responsibility to carry out the necessary actions. It is up to the higher-level managers to determine whether or not the objectives have been met and, if not, to take the appropriate steps. This is the process of control.

It is important to note, however, that there are a number of different ways of exercising control in organisations and that the effectiveness of a particular type of control system depends on a number of factors including the organisation’s strategy, culture, structure, environment and the type of goods or services produced.

In the case of S Company, it chose to use bureaucratic (administrative) forms of control, but as the CEO realised, such a form of control is not conducive to creativity and innovation.

(ii) Creativity can be defined as ‘the generation of new ideas, and innovation, which is the transformation of creative ideas into tangible products or processes’ varies considerably between one organisation and another. Some organisations, like 3M, Hewlett Packard and Microsoft have a reputation for creativity and innovation while other organisations hardly ever seem to generate new products or new ways of doing things.

The generation of new ideas and their translation into commercial use is a particularly important issue for an organisation like S Company because its future depends on a continuous supply of innovative software products.

There are many factors influencing the rate of innovation in organisations, but research suggests that one reason has to do with how an organisation is structured and controlled. Studies by Rosabeth Moss Kanter and others have found that excessive bureaucracy with its allegiance to central control and to rules and procedures discourages creativity and innovation. The focus on rules and procedures and the accompanying sanctions designed to ensure compliance means that employees ‘play safe’ by sticking to the rules rather than risk trying out new ideas. As R K Merton pointed out, rules become ‘ends in themselves’.
The division of labour that often accompanies the growth of an organisation also affects creativity and innovation because it restricts the sharing of ideas between individuals and between different units, departments or divisions.

The case of S Company illustrates well the problems faced by all large organisations at some time in their development: that of balancing the need to ensure adequate direction and control of staff and yet allowing sufficient freedom and discretion of middle managers and other employees to contribute their particular knowledge and expertise to the organisation. Too little direction and control can result in wasted effort and inefficiencies as the departments and divisions into which an organisation is sub-divided pursue their own particular goals; too much central control can make lower-level staff frustrated by rules and procedures forced upon them from the higher level by those who are too far from the action to make informed decisions.

(b) The most important means to help balance control with autonomy and so encourage creativity and innovation is through the related processes of decentralisation, delegation and empowerment. Decentralisation involves specific delegation of authority for decision-making within certain limits to sub-units of S Company such as strategic business units, divisions or departments. Delegation refers to the conferring of specified authority to individuals by a higher authority and empowerment is similar to delegation in that it allows greater freedom, autonomy and self-control to teams and/or individuals, but responsibility is also devolved.

All these related processes have in common the idea that organisational sub-units and/or particular individual post-holders have discretion to make decisions and to act within the limits agreed by those higher in the organisation’s chain of command. The autonomy granted to units and individuals through these processes contributes to creativity and innovation because it allows people with specialised knowledge and skill the freedom to pursue their own ideas for improved products and processes.

The problem for the organisation is, as already noted, that of ensuring that employees keep within the bounds of their authority and use their time and other company resources in ways that contribute to the organisation’s overall objectives. This brings us back to the means by which organisational members can best be controlled.

Three main forms of internal organisational control have been identified: bureaucratic control, output control and cultural control. S Company appears to have adopted bureaucratic forms of control, but as we have seen, these are not conducive to an organisation that depends on a continuous flow of innovative new software for its survival.

The use of output forms of control may provide an answer to S Company’s problem if the output in terms of creativity and innovation could be measured. Output control strategy is aimed at facilitating the delegation of operational decision-making without the need for bureaucratic controls or close supervision. The problem for S Company, however, is likely to be that of setting measures for creativity and innovation.

Perhaps therefore a form of cultural control will be of more use. The basis of cultural control is the willing compliance of employees with management requirements. This, in turn, requires an acceptance of the values and beliefs or the organisation and its objectives. The implementation of cultural control would require a careful selection, socialisation and training of staff to ensure commitment to the objective of continuous
innovation. Once commitment to objectives has been achieved via these methods, semi-autonomous methods of working could be introduced with the use of self-managing teams with responsibility for completing particular software development projects. The use of financial incentives can also be used to support systems of cultural control.

Other means to assist innovation include ‘internal new venturing’, which is a form of entrepreneurship. The idea is to design organisations to encourage creativity and give new-venture managers the opportunity and resources to develop new products or markets. To provide a new-venture unit that gives managers the autonomy to experiment and take risks, the company sets up a new-venture division separate from other divisions and makes it a centre for new product or project development. Away from the day-to-day scrutiny of top management, divisional staff pursue the creation of new products as though they were external entrepreneurs. The division is operated by controls that reinforce the entrepreneurial spirit. Bureaucratic and output controls are seen as inappropriate because they can inhibit risk-taking. Instead, the company develops a culture for entrepreneurship in the new-venture division to provide a climate for innovation. Care must be taken, however, to institute some bureaucratic controls that put some limits on freedom of action. Otherwise, costly mistakes may be made, and resources wasted.

**Answer 4**

(a) The key mistakes made by the CEO in initiating the change programme in B Company were as follows:

- He did not involve the rest of the management team or other staff in discussion of the company’s problems and what needed to be done to resolve these. In other words, there was a complete lack of participation.
- Using e-mail to inform staff of such important changes is inappropriate for communicating a change programme of this magnitude for the company.
- Delegation of change management to the Head of HR is questionable. For such important developments, the CEO or perhaps some management consultant may have been more appropriate to drive the change programme.
- No specific plans were set out for how changes were to be implemented.
- No allocation of extra time and resources were provided to conduct the change.
- No sensitivity or awareness has been demonstrated as to how the changes would affect his staff.
- Rather naïve assumptions have been made about the problems of cultural change.
- Possibly conflicting objectives such as that between controlling costs and encouragement of an entrepreneurial culture.
- The CEO was not available to answer questions or respond to concerns that staff may have following the announcement.

(b) To ensure that the changes are successfully implemented, the CEO will need to start again. This will involve

- An early meeting with heads of departments to explain to them the results of the benchmarking exercise and the gap between the company’s performance and that of the key competitors. He will need to elaborate on his ideas for the changes that he has suggested and to ask for their ideas on these suggestions. This may involve a series of working parties to consider how best such changes could be accomplished.
As part of his initial briefing he would also need to reassure heads of functional departments, if possible, that their salaries would be protected in any event and that all of them would be given fair consideration in the re-structuring programme towards a divisional structure.

- Working with his subordinates on specific plans for undertaking the change.
- The CEO will need to agree with his senior staff, a set of priorities as to which part of the change programme should be undertaken first.
- He will also have to ensure that sufficient time and resources are available to put the changes into effect. The organisation will have to continue to function during the period when the changes are implemented.
- Such changes also have training and development implications, so provision will have to be made to ensure that people taking on new roles are adequately equipped to cope.
- The changes are so extensive that there will inevitably be knock-on effects on other systems and procedures. For instance, a change of organisation structure will probably require re-alignment of the management information and reporting system. In fact, a working party could usefully be convened to look into the wider implications of the changes being proposed.
- The CEO would be well advised to seek advice on introducing cultural change. Research has shown that this is a slow and difficult process, that it can take a considerable time and that it needs constant re-enforcement. Cultural change has implications for a range of organisational systems and policies.

**Answer 5**

(a) Stakeholders can be defined as any individual or grouping that has an interest in an organisation. Such stakeholders are commonly classified as either internal or external to the organisation. Although such a classification is not watertight, it is a useful way of expressing the relationship of stakeholders to the organisation.

In the case of the Supreme Football Club (SFC) the key stakeholders and their interests are as follows:

**Internal stakeholders**

- These include the club’s directors who are responsible for directing the affairs of the club and as major shareholders often have a financial interest in its success.
- The Club Manager and other executives concerned with the operational level of the club. This group will also have a financial interest because they receive salaries for their services, but they will also be interested in the club’s success because it provides them with a career or a stepping-stone in their career.
- The players are key stakeholders because, like the football manager, the club provides both a salary and a career. In the case of exceptional players, their membership may also provide an opportunity for national and international recognition.
- Other employees such as those employed in sales and marketing, the ground staff, finance, administration and so forth. Many such employees will have a financial and career interest in the club.
External stakeholders

- **The shareholders of the club**: They are the owners of the club and have a financial interest because the success of the club will determine the return from their investment in the form of dividends and value of their shareholding on the stock market.

- **The fans of the club**: Their interest in the club is as a source of leisure interest and pleasure. They support the club by purchasing tickets for matches and travelling around the country and even abroad to show their support.

- **Parents of younger fans**: They are stakeholders as a result of their children’s interest and buy the club’s merchandise to please these family members.

- **The TV companies that tender for rights to film the club’s matches**: These companies have a financial interest because football is a game of worldwide interest and attracts millions of viewers. For commercial TV stations that win the rights to televise matches, this provides direct income from the charges they can levy to view the game and indirect income from the additional advertising income that comes from having a wider TV audience.

- **Other companies or wealthy individuals who might have an interest in purchasing the club**.

- **The governing bodies in football** have an interest because they are required by their constitution to regulate the game.

- **The government at both national and local level** have an interest because receipts from the games provide a source of local and national taxation, but also they have a regulatory function in respect of health and safety. Agencies of national government may also have an interest as the authority regulating competition in the soccer industry.

(b) The stakeholders most likely to influence the outcome of the takeover bid for the club are those directly involved in the negotiations. In this case, the key stakeholders are the board of directors who represent the interests of the shareholders of the club and the satellite TV company. The board of directors has a great deal of influence because, as legal representatives of the shareholders, they have the power to make recommendations to shareholders as to whether or not to accept the bid. Ultimately, the shareholders themselves will determine whether or not the bid is to go ahead by voting in a secret ballot.

The satellite TV company is the other key player in the takeover bid because it is in a position to affect the outcome by the size of the offer it can afford to make for the club. The TV company making the bid may, of course, not be the only TV company, or even the only company, interested in taking over the club. There may be other companies waiting in the wings to make a better offer. If they did come forward with a better offer, then they too would become key stakeholders in the situation.

In some countries, the authorities regulating industry competition will also be key stakeholders. In some circumstances, it may be the case that the takeover bid would be forbidden on the grounds that it would threaten competition in the industry because the takeover would result in an over-concentration of ownership.

While the above are key stakeholders, this is not to say that other stakeholders will not seek to exert their influence. In recent takeover bids, the fans have sought to influence such decisions using the media to put their case for retention of local ownership.
Answer 6

(a) The role of the management accountant is changing because of changes in the business environment, associated changes in organisations and the development of new management accounting techniques.

According to a number of recent surveys, the key drivers of change in management accounting include communications and information technology, organisational restructuring, globalisation and internationalisation and quality and continuous improvement initiatives. Other changes include a trend towards the outsourcing of routine accounting transactions, the development of new management accounting techniques, developments in the education and training of accountants, and the spread of accounting knowledge amongst an increasing number of managers.

The major changes to the practice of the management accounting role arising from these pressures are as follows:

• First, there has been a reduction in the importance of the recording of transactions and ‘books of accounts’ as a result of developments in IT. The development of accounting software packages allows easier collection, storage, manipulation and accessing of financial data. This data is also now more accessible to managers who are now much better educated both in accounting matters and in the use of IT than in the past. The developments in IT have also made location of the management accounting function less important than in the past. The use of electronic means of data transmission means that accounting transactions can be carried out at remote and cheaper locations than in major cities. Indeed, some large companies have taken advantage of these developments and outsourced their routine transactions to either in-house or third-party service centres. Increasingly much of the routine accounting work is being carried out by what are referred to as ‘pseudo accountants’.

• Second, the importance of strategic financial planning has increased. The trend towards a more proactive strategic role in business decision-making is being driven by demands from chief executives for better advice in an increasingly turbulent and uncertain environment. The developments in the education and training of management accountants are providing the means to enable accountants to meet these demands.

• Third is the development of a number of new management accounting techniques such as ABC, benchmarking and the balanced scorecard. The advent of software packages that allow accountants to conduct ‘what if’ analysis has also improved the armoury of management accountants to carry out their analytical tasks more efficiently and to present relevant and timely information to managers.

• Fourth, environmental matters and the demands of corporate governance are increasing the requirement on management accountants to provide new kinds of information for a wider range of stakeholders. Environmental pressure groups representing the public are concerned about the treatment of waste and the safety procedures and safety records of companies. The extent to which management accountants will have responsibility for these matters is open to debate, but they are part of the information needs of management.

• Fifth, the globalisation of business means that accountants employed in global companies become more and more involved in reporting matters that affect
the corporation in other countries. Details of the basis of trading with foreign countries such as fluctuations in exchange rates, political payments at home and abroad, labour policies in the Third World and so on must be accounted for. So also must the influence of bodies like the World Bank and the World Trade Organisation as well as other countries’ policies on safety, health and green issues, pension schemes and other related issues.

(b) The training and development programmes required in the finance department of the Smog retailing organisation can usefully be divided into two kinds. First, those to enable the staff to make use of the investment in the new technology, and second, those designed to enable staff to cope effectively with the other changes that are affecting the work of personnel involved in Accounting and Finance.

Traditionally, it has been common to treat training and development as if they were separate processes with training usually conceived of as being concerned with vocational studies for non-managerial employees while ‘development’ has been the term used to talk about the education of managerial staff.

Recent thinking in HRM, however, has thrown this distinction into question. In a philosophy in which all employees are considered as valuable assets to the company, it is argued that all staff should be developed as well as trained. The trend today, therefore, is to see training and development as linked processes in which training is seen as part of and a precondition for development.

As far as training to use the new technology and information systems concerned, two types of programme are probably necessary. The first type would include in-house programmes to train personnel in the use of the company’s new management information system. Such programmes are usually best carried out on the actual system out of office hours. The advantage of such an in-house programme is that it avoids the transfer of training problems that off-the-job training often suffers from. These commonly occur because trainees do not get the opportunity to practise their newly acquired skills or to apply the principles they learned on the training course when they return to their place of work.

Depending on the complexity of the system involved, some off-the-job training might also be useful either before or after the in-house training, but this is something that can only be decided properly after a careful examination of the relative advantages and disadvantages of the two types of programme.

Training and development to cope with the other changes facing the staff in the Smog Finance department would probably be best conducted off-the-job over a longer time period. The development in management accounting techniques requires first that accountants become familiar with the techniques and then a period of practice to develop competence in their use. On-the-job training would only become relevant, once the department concerned had adopted the new techniques and it looks from the brief scenario as if staff would need some updating and familiarisation before such techniques could be introduced.

The demands for environmental reporting, responsiveness to the demands required by new models of corporate governance and the demands of a more global economy are probably best dealt with as part of a more general education programme conducted by specialists off-the-job with occasional training sessions in-house to discuss actual measures that the department needs to adopt to cope with these changes.
**Multiple choice questions**

**Question 1**

1.1 In the typical hierarchical organisation, the requirement of a lower-level manager to answer to a higher-level manager in the chain of command is referred to as

A Authority  
B Empowerment  
C Accountability  
D Super ordination

1.2 Which ONE of the following phrases explains ‘concentrated marketing’?

A The company produces one product for a number of different market segments  
B The company introduces several versions of the product aimed at several market segments  
C The company produces one product for a mass market  
D The company produces one product for a single segment of the marketplace

1.3 In a multi-divisional organisation producing a range of products for different markets, the business level strategy of each unit or division is primarily concerned with

A setting the direction for the organisation  
B the competitiveness of a particular division  
C the efficiency of production, marketing and other functions  
D alignment of strategy with other organisations

1.4 When someone commences a new job, the process of familiarisation is known as

A Management development  
B Recruitment  
C Appraisal  
D Induction

1.5 At what stage in Kurt Lewin’s model of organisational change does the process of unfreezing take place?

A The termination stage  
B The diagnostic stage  
C The intervention stage  
D The evaluation stage

1.6 When an organisation experiences sustained growth, this is often accompanied by

A Less structural rigidity  
B A decrease in formal controls  
C Higher debt  
D An increase in formal rules and procedures

1.7 The division of an organisation into various departments such as purchasing, manufacturing, marketing, finance, research and development results in what kind of organisational structure?

A Network  
B Functional  
C Product  
D Matrix
1.8 An effective appraisal system involves
   A assessing the personality of the appraisee
   B a one-sided process by the manager
   C advising on the faults of the appraisee
   D a participative, problem-solving process between the manager and appraisee

1.9 The external stakeholders of an organisation include
   A Pressure groups, government, community
   B Employees, Board of Directors, middle management
   C Government, Board of Directors, suppliers
   D Community, management, government

1.10 The motivating potential score, developed by Hackman and Oldham, is calculated to assess
   A The knowledge of an individual
   B The satisfaction with work
   C The content of the job
   D The quality of work performed

(Total = 20 marks)

Question 2

2.1 Which ONE of the following factors is most likely to lead to successful organisational change?
   A Imposed by external consultants
   B Maintaining existing policies and procedures
   C Autocratic leadership
   D Initiated and supported by top management

2.2 Recent developments towards greater employee involvement, flexible working and flatter organisational structures have placed greater emphasis on which ONE of the following styles of management?
   A Exploitative authoritative
   B Autocratic
   C Participative
   D Benevolent authoritative

2.3 Research on group effectiveness has concluded that the most consistently successful groups
   A Are those in which all members are innovative
   B Comprise a range of roles undertaken by various members
   C Are those in which all members are very intelligent
   D Comprise a range of roles all undertaken by few members of the group

2.4 Any claim that unethical behaviour is in an organisation’s best interest is an attempt to
   A Follow the principle of procedural justice
   B Do the right thing for society
   C Rationalise the unethical conduct
   D Look after the interests of oneself
2.5 Which ONE of the following is part of the recruitment, rather than the selection process?

A  Job analysis  
B  Interviewing  
C  Testing  
D  Assessment centres  

2.6 According to M A Devanna, which ONE of the following describes the components of the HR cycle?

A  Job design, selection, involvement, appraisal, rewards  
B  Selection, performance, appraisal, rewards, development  
C  Performance, job design, appraisal, involvement, development  
D  Appraisal, development, job design, involvement, rewards  

2.7 According to F W Taylor, which ONE of the following is a characteristic of scientific management?

A  Work specialisation  
B  Group working  
C  Socio-technical system  
D  The informal organisation  

2.8 The contingency view of management focuses attention on

A  The relationship between technical and social variables within the system  
B  The psychological and social needs of people at work  
C  The large number of variables, or situational factors, which influence organisational design and performance  
D  The formal structure, technical requirements of the organisation and general set of principles  

2.9 Planned organisational change is most commonly triggered by the need to respond to new threats or opportunities presented by

A  The organisation’s culture  
B  Developments in the external environment  
C  The internal environment  
D  Action by the organisation’s management  

2.10 When designing an organisational structure or reviewing the effectiveness of an existing structure, the \textit{first} thing that must be clarified is the

A  Nature of informal organisational relationships  
B  Purpose of the organisation  
C  Size of the organisation  
D  Division of labour  

(Total = 20 marks)
Question 3

3.1 Which ONE of the following is a function of a strong corporate culture?
   A  The encouragement of a laissez-faire set of attitudes between employees
   B  The provision of a sense of identity and shared values for employees
   C  The provision of ambiguity for the way people should behave
   D  The focus of employees on their own personal agendas

3.2 Which ONE of the following most accurately reflects one aspect of the goal approach?
   A  A full assessment of effectiveness should consider several goals simultaneously because high achievement on one goal can mean low achievement on another
   B  Priority setting means that only one goal at a time can be realised
   C  Subjective assessment of goal achievement in organisations is unacceptable
   D  The most common goals stated today by corporations are those to do with management development

3.3 Which ONE of the following most clearly describes an advantage of a divisional or product organisational structure?
   A  It assists integration and standardisation across product lines
   B  It results in the centralisation of decision-making
   C  It provides sufficient autonomy for business units to adapt to differences in clients and markets
   D  It fosters communication between specialists

3.4 Which ONE of the following statements regarding information is correct?
   A  Staff cannot have too much information whatever be the specific time period
   B  The structures should fit the information requirements of the organisation
   C  Information should flow vertically but not horizontally
   D  Information should flow horizontally but not vertically

3.5 In the process of HR planning, the first step is to
   A  assess the existing workforce
   B  forecast the potential supply of labour
   C  review the organisational mission, objectives and strategies
   D  forecast HR needs

3.6 An individual can be said to have reached a career plateau when
   A  Promotions cease
   B  Promotions decrease
   C  Demotion takes place
   D  Promotions increase

3.7 The conflict management strategy recommended as a means to benefit all parties in a dispute is
   A  Compromising
   B  Competing
   C  Collaborating
   D  Accommodating
3.8 Attempts to secretly influence others by offering only selective information is a means of dealing with resistance by
   A Participation
   B Force coercion
   C Facilitation
   D Manipulation and co-option

3.9 In Frederick Herzberg’s two-factor theory of motivation, base pay is considered to be what kind of factor?
   A Motivator
   B Hygiene
   C Equity
   D Valence

3.10 What type of power does a manager use when he or she promotes a member of staff on merit?
   A Referent
   B Autocratic
   C Coercive
   D Reward

(Total = 20 marks)
Multiple choice solutions

Answer 1

1.1 A B C D
1.2 A B C D
1.3 A B C D
1.4 A B C D
1.5 A B C D
1.6 A B C D
1.7 A B C D
1.8 A B C D
1.9 A B C D
1.10 A B C D

Answer 2

2.1 A B C D
2.2 A B C D
2.3 A B C D
2.4 A B C D
2.5 A B C D
2.6 A B C D
2.7 A B C D
2.8 A B C D
2.9 A B C D
2.10 A B C D

Answer 3

3.1 A B C D
3.2 A B C D
3.3 A B C D
3.4 A B C D
3.5 A B C D
3.6 A B C D
3.7 A B C D
3.8 A B C D
3.9 A B C D
3.10 A B C D
Long questions and answers

Scenario 1

Background
Total Learning Experience (TLE) is a training organisation set up 20 years ago by the current owners, Jack and Linda Grey. TLE provides a wide range of training courses both locally and nationally. These courses include professional tuition for trainee accountants, business management training (including presentation skills, communication techniques and negotiation skills) and specialist training courses (e.g. insurance, banking and law). It is a financially successful business and very highly regarded as a national training organisation.

For the last 8 years, TLE has held the ‘Quality Attainment’ certificate awarded by the professional accounting institute for which it provides accounting courses. This is awarded to training providers who demonstrate the attainment of high standards in teaching and course management. Since 1990, TLE has operated from a city centre premises with six training rooms, a student common room and three administrative offices (currently one for administration staff and tutors, one for accounts and one for the two owners).

The organisation

Teaching staff
Total Learning Experience employs 10 full-time tutors. TLE also uses eight freelance tutors who are hired mainly to undertake the specialist training courses. Seven of the 10 full-time tutors and all the freelance tutors are based at home, and only come into the offices for teaching, or to pick up timetables or course materials. Most of the tutors have their own computers at home.

Administration and accounting staff
All administration staff are based permanently in the TLE offices. This includes the office manager, Wendy White, who has been with TLE since 1990. She is responsible for course management, timetabling and course materials management (including responsibility for the management of examination papers). Wendy has an administration assistant to help in the day-to-day running of the administrative functions, including management of course bookings. Course bookings refers to all activities relating to students/clients enrolling on their chosen training course (see Course booking system on page xxx).

Also based in the offices is the finance manager, John Brown. He started working for TLE 3 years ago and is responsible for all financial and management accounting activities and general IT issues. There is also an accounts clerk who is responsible for data entry to the accounting system used by TLE. This includes invoicing, payments and payroll.

Information technology position, 1995–2000
Before moving to the city centre offices, Jack and Linda kept all business records (including the accounts) and course materials manually. When Wendy White joined TLE in 1990, she took responsibility for the manual system and she believed that computers were ‘totally unnecessary’. Between 1990 and 1995, she redesigned many of the filing systems and handwritten records kept by TLE and developed her own very well-organised manual record-keeping system. However, as the number and range of courses developed and the business grew, it became clear to Jack and Linda that this system was no longer sufficient.
A number of billing errors had occurred, timetables were sometimes incorrect and both business clients and students had complained about poor/late course information. In 1995, TLE invested in an IBM minicomputer to be used for all administrative functions carried out by Wendy and a standalone desktop PC for use by the tutors (there were five tutors in 1995) to prepare course materials. In addition, a black-and-white ink-jet printer was purchased and shared between the two computers. Both the minicomputer and the PC were equipped with a basic applications software package, including word processing, spreadsheet and desktop publishing facilities. Wendy transferred all of her manual student records to a ‘student file’, the business client data to a ‘client file’ and course data to a ‘courses file’. (Note: All of these were separate word processing documents.) Wendy transferred the timetabling information to a number of spreadsheet files.

Information technology position 2000–2003

On his arrival in June 2000, John Brown’s first task was to upgrade the existing computers. The most up-to-date operating system was installed and the latest versions of the application packages were also purchased. John also purchased three additional PCs: one for the administration assistant, one for the accounts clerk and one for his own use. He also introduced an off-the-shelf accounting package, which was installed onto the accounts PC, to carry out the basic accounting and financial reporting functions. An off-the-shelf database software package was also installed on all of the computers, but it is rarely used as the staff have not been trained in how to use it. Additional purchases included one fax machine and one photocopier. All of the computers were standalone.

The three office-based tutors share the use of the original office PC bought in 1995 to prepare course material but often complain about the lack of computer availability. They often resort to using the administration and accounts computers early in the morning or at the end of the teaching day. There are no password systems currently in use on any of the administrative or accounts computers. Both accounts and administration information is backed up on CD at the end of every month. These discs are then stored in Jack and Linda’s office.

Timetable management

All of the professional accounting courses are delivered in the six TLE training rooms. The usage of the rooms is planned and timetabled several months in advance by Wendy. This information is kept on a large whiteboard in Wendy’s office and highlights the rooms in use, by which course, at what time and by which tutor. Wendy uses this information to produce a weekly usage forecast spreadsheet for each room, which is produced each Friday and pasted on the door of each room on Monday morning. (Note: A timetabling software package is available, but Wendy considers that her own whiteboard system and spreadsheets are perfectly sufficient.)

Timetabling of staff is done by means of a diary system. Each tutor has his or her own diary which is kept by the administration assistant. She is responsible for filling in the diary for each tutor and then sending this monthly (1 month in advance, so the teaching diary for January is sent out in December) to each home-based tutor by post or fax. It is the responsibility of all tutors to let the administration assistant know which days they are unavailable (such as holiday commitments), at least 6 weeks in advance. Ideally, the administration assistant should call all tutors at least once a week, but often (due to pressures of time) she does not achieve this. When an off-site course enquiry for business management training is received, the administration assistant provisionally books out the appropriate day in the tutor’s diary and then informs the tutor the month before the course is due to be delivered.
Course booking system

Professional courses

Six weeks prior to the start of a professional course, standard pre-printed booking forms (produced by a local firm of printers) are sent to all students currently listed on the student file held by Wendy. Other booking forms are sent as and when requested (by phone or by a posted tear-off slip included in local newspaper advertisements or leaflets posted to all registered students in the local area).

On receipt of completed booking forms, new and updated student details are entered in the student file which is then used to update the course file and produce the course register. The administration assistant prints and copies the updated student file and passes it to the accounts clerk who enters the details into the accounts customer file to provide information for billing.

When students arrive on the first day of the course, they are required to bring with them a cheque for payment of the course fees. These cheques are put into a safety deposit box in the main administration office and collected at the end of each week before they are put into the bank. There is no current security code or lock on any of the office doors.

Business management skills and specialist courses

Business management training courses are normally delivered at the specific request of the client organisation. Many of these courses are repeat work for large companies and much work is generated by word-of-mouth recommendations, due to the high standards of course delivery. Course details are discussed between the client organisation and TLE, using the tutor diaries kept by the administration assistant to check tutor availability. On agreement, tutor diaries are updated, client files are updated and the information is passed to the accounts clerk for invoicing.

During the weeks when the training rooms are not being used by professional accounting courses, TLE utilises the time by offering a range of specialist training courses. These are timetabled and agreed with the freelance tutors some months in advance of delivery. They are advertised in specialist journals and magazines, in the local and national press and by advertising mail shots sent to organisations such as banks, solicitors, consultants and insurance companies. Booking forms are issued when a client rings the advertised telephone number or returns a tear-off slip from the mail shot.

Recent problems

Although TLE has maintained a strong reputation for high-quality course delivery, in the last year there have been a number of problems.

- A presentation skills course due to be delivered to a new client at their premises had to be cancelled at short notice because of double booking of the tutor. The client has refused to use TLE again.
- A number of mock examination papers went missing as the filing cabinet in which they were kept (in the administration office) was left unlocked one lunchtime. The professional body has expressed its dissatisfaction with this lack of care and intends to review TLE’s quality accreditation status.
- A number of past students were sent invoices for courses which they did not attend. Their details were entered in the sales ledger incorrectly after the student file was copied by the administration assistant to the accounts clerk. There have been a number of billing queries, mainly due to the difference in the information held by accounts and administration about clients and students.
Staff meeting – March 2003

Jack and Linda held a staff meeting for all tutors and office staff, in order to review the current position and to suggest ways to improve. They also wished to discuss with the team the news that a national training organisation had just opened nearby. This organisation is promoting its courses heavily and has its own website (something which TLE does not currently have) offering online booking facilities. During the meeting the staff raised a number of issues which included the following:

Administration staff issues:
- difficulties in managing tutor diaries;
- inefficiencies in course bookings;
- too much paperwork and time spent copying and printing files;
- open access to administration offices.

Tutor issues:
- lack of facilities for material preparation;
- poor communication between office and home;
- difficulties in contacting the office if teaching off-site;
- duplication of materials on different courses.

Accounting issues:
- duplication of records kept in accounting and administration systems;
- security of both cash and computerised information.

John Brown suggested that many of the problems raised during the meeting could be solved by introducing a more appropriate information system. He particularly emphasised the need for the introduction of an office network and a facility to allow online booking procedures. Jack and Linda admit to knowing little about information systems or how to proceed with such a project. John himself does not think that he has the necessary skills and experience to manage such a project and suggests that an outside firm of consultants should be used.

You are a project manager, working for a local firm of consultants. You recently received a phone call from John Brown asking for your organisation’s assistance in the project.
Question 1

John Brown of TLE has asked for some advice on the development of TLE’s information systems. You have visited the premises and talked to the staff of TLE.

Requirements

(a) Write an internal memorandum to all TLE staff evaluating the main weaknesses of the current information system. This should include an evaluation of

(i) the current hardware facilities
(ii) the current software facilities
(iii) the current course booking system
(iv) the current timetable management system.

(16 marks)

(b) Prepare a report for the two owners, explaining your outline recommendations for an updated information system for TLE. This should include the following:

(i) the hardware required (including peripheral devices and any non-office based equipment)
(ii) the software required
(iii) a diagram of an appropriate systems architecture
(iv) any additional support which would be required from the consultants over the next 12 months.

(18 marks)

(Total = 34 marks)

Question 2

As a result of the recent theft of examination papers, the professional accounting body has informed TLE that it intends to review its quality accreditation status. This problem has highlighted Jack and Linda the need to review their current security arrangements throughout the whole of TLE.

Jack and Linda have asked you to prepare an internal memorandum to all of the staff to highlight the current security problems of TLE and to emphasise the importance of quality accreditation.

Requirements

(a) Prepare the first part of the memorandum requested by Jack and Linda. This should include

(i) an evaluation of current office security and two recommendations for improvement;
(ii) an evaluation of current data security (both physical and electronic data) and two recommendations for improvement.

(12 marks)

(b) Prepare the second part of the memorandum. This should explain the importance of the quality assurance certificate to TLE.

(6 marks)

(Total = 18 marks)
MEMORANDUM

To: All staff of TLE
From: Project Manager, Consultants
Date:

Evaluation of the current information system’s weaknesses

Having spent a number of days analysing the information system of the organisation, and following discussions with yourselves, the main weaknesses of the current information system of TLE are outlined below.

Please read the following points and contact me with any further issues which you think may need to be considered.

(i) Hardware

• Currently, there are insufficient facilities for on-site tutors to prepare and store course material. Having to wait to use the office PC is unproductive and a risk to material quality. It is likely that this lack of computer resources for course tutors is affecting the quality of the course material and delivery, which could have a long-term effect on TLE’s market position and also quality attainment certificate.

• Use of the administration PCs is a risk to security as there are currently no password systems; and information held on the administration PCs could be inadvertently changed or deleted.

• No portable computer facilities are currently provided for home-based staff. Some have their own home computers, but there is currently no standard to ensure compatibility. Offering no hardware or software to aid two-way communication between office and home increases time spent in communication and may cause errors to be made (in particular, in diary management).

• Off-site tutors (that is those working on client premises) also find communication to the office difficult, due to lack of mobile phones or portable facilities. Off-site courses are likely to demand high-quality presentation, which could be enhanced by better facilities such as portable overhead projectors linked to laptop computers. High-quality delivery is a must for external business clients and if this is not provided, they are likely to go elsewhere.

• No network means that information cannot be shared and, therefore data entry is duplicated. This is obviously inefficient and is causing errors in billing and course management. In the medium to long term, this could have a serious impact on the reputation of the company.

• Currently, the peripheral devices (such as printers and overhead projectors) are insufficient. Colour printers for course materials and marketing information are necessary. Again, the external reputation of TLE could be adversely affected by poor quality materials.

• Back-up of information needs to be improved and formalised. Monthly back-up is likely to be insufficient and storing the discs on the premises is a risk.

(ii) Software

• One of the main problems of the current information system is the lack of integration between the various information sources and files held by TLE. A database package is available for use, but staff have not been trained on
how to use it. This has resulted in invoicing errors and timetabling errors. Duplicated or incorrect information is a risk to the organisation in that clients may be lost and reputation affected. A relational database package such as Microsoft Access could be used to improve the integrity of the data and reduce duplication. However, training is critical.

- There are no facilities to enable communication between the office and home-based staff. No e-mail or diary management facilities are being used, resulting in slow communication and the potential for errors in diary bookings. In addition, due to there being no facility to transmit information between home and the office, home-based tutors have to come to the office to pick up materials. This wastes valuable time which could be better spent in material and course preparation, and is also a cost to TLE. If facilities to transmit electronically existed, then information could be sent directly to the tutor by e-mail, reducing time and costs for both individuals and TLE.
- There are no password facilities, something which is critical if the organisation is to operate an integrated database. As the current physical office security is inadequate (such as no locked doors or physical barriers), password software for computer facilities is critical.
- Currently, there are no timetabling or diary management systems. The current method of timetabling and management of tutor diaries is very inefficient and complex. Both waste valuable time and are prone to errors.

(iii) Course booking
- The variety of methods used by customers could make the booking process confusing and inefficient. There is too much paperwork involved, which is costly and time-consuming for the administration staff. Tear-off slips could be lost. Posting and phoning is time-consuming for customers and may put people off, if other suppliers offer quicker alternatives.
- Delays in answering phones or sending out leaflets may lose business.
- The current diary management method may cause errors in course booking. The off-site courses rely on the effective management of diaries and errors will lose business and may result in a loss of reputation. This may already be happening, as business has already been lost to such an error in diary management.
- A lack of integration between course booking and invoicing creates a potential for the delay in cashflow and invoicing errors (as has already occurred).

(iv) Course timetable management
- The current use of a whiteboard to plan courses for many subjects and many tutors over a number of months is likely to be highly error prone. This has already occurred and has resulted in lost business of a new and potentially lucrative business client.
- Use of both a computerised and manual timetabling system is also inefficient and time-consuming.
- There is currently no online facility to check timetables and course lists. Tutors currently have to pick them up from the office or have them posted. Again this is slow and inefficient and gives the tutors little time to query timetables.

Summary

If you have any further comments and suggestions regarding the weaknesses of the current information system, or if you have any suggestions for improvement, please contact me as soon as possible.
Recommendation for an updated information system for TLE

To: Jack and Linda Grey  
From: Project Manager, Consultants  
Date: 

Introduction

The following report outlines the recommendations for an updated information system for TLE, based upon the findings of research into the existing system. The report will suggest suitable hardware and software facilities and will also present a recommended systems architecture for the proposed system. Additional support requirements will also be highlighted.

(i) Hardware facilities required

The following is an outline of the recommended hardware for the proposed system, which should address the difficulties being encountered with current hardware facilities.

- The existing minicomputer may need to be upgraded to ensure that it is sufficiently powerful to act as the file server for the PCs in the office network. As the current minicomputer is over 7 years old, it is suggested that as new servers are relatively inexpensive, it should be replaced with a new file server.
- Two more PCs for those tutors based in the office. Each new PC and the existing computers need to be installed with a network card. In addition, all PCs must have sufficient processing speed and disc capacity to operate the latest operating system and to be able to run the database software. PCs may also have to be purchased for home-based tutors currently without computer facilities.
- Modems and network facilities need to be installed in the existing computers of home-based tutors, if they are not already available.
- Network cables and a network hub will be needed to link all of the equipment in a local area network.
- Two portable computers and portable overhead projectors for use by those tutors delivering courses at clients’ premises. These PCs will need CD or DVD drives so that tutors can use a variety of training software and material.
- A colour printer/scanner needs to be purchased. The scanner could be used to store some of the archived paper-based examinations and materials more efficiently.
- Two additional PCs need to be purchased to act as communication servers (to control communication between the office and external tutors) and as a print server.
- Two or three mobile phones could be purchased for tutors working off-site.

(ii) Software facilities required

The software outlined below will assist the organisation in managing its current operations more effectively and should assist in improving the future business potential.

- An integrated database system which allows the integration and management of the accounting information, course bookings and diary management. This is likely to be based upon a relational database structure. A database management system will also be required to manage the interface of the applications and the database information.
• A common operating system for all office- and home-based computers needs to be installed on all computers.
• Network operating software is needed.
• E-mail software for both office-based and home-based computers. In addition, File Transfer Protocol (FTP) software also could be installed in order to allow for the transfer of examination papers to home-based tutors.
• Modem software needs to be installed on all home-based computers.
• Virus software and firewall software need to be purchased and installed on each PC and the main file server and communication server.
• Timetabling software needs to be installed on the PC used by the administrators only, but which can be accessed as read only by tutors.
• One of the administration PCs needs to have Web-design software in order to create and update a TLE website.

(iii) Systems architecture

The diagram represented opposite demonstrates the proposed structure for the hardware and software as presented above.

Systems architecture

![Diagram of systems architecture]
### (iv) Additional support

In addition to the hardware and software support, it is suggested that additional support is offered to ensure that the system is implemented correctly and is managed and maintained effectively in the future. This could include:

- Training in Web design and development and training on Internet facilities.
- Ongoing support and advice for website development and potential e-commerce opportunities.
- Initial assistance in data transfer to the new system and system set up.
- Training on software and facilities use.
- Ongoing maintenance (for the next 2–3 years).
- If bespoke software is used, then an operations manual would be required and some helpline support.

#### Summary

If TLE is to maintain a strong reputation for both course delivery and management, then the current information system must be reviewed and updated. The suggested hardware and software outlined above will assist in ensuring that vital business information is stored and managed more effectively, and the introduction of a network facility will improve communication and data integrity, thus improving productivity. Overall, an updated information system will enhance business reputation and help to ensure the high standards of quality.

### Answer 2

(a)

**MEMORANDUM**

To: All staff of TLE  
From: Project Manager, Consultants  
Date:  

(i) Evaluation of current office security

Currently, there are no locks on the internal office doors. This is obviously a risk to both physical property and data security. It could also be a risk to staffs themselves if there are no outside locks or security codes and if people are able to enter the offices from the street.

Cheques for payment of course fees are left in an unsecured place, which could result in theft. Although this is unlikely to result in any material loss, it is a risk to other personal items which could be stolen should the offices remain unsecured.

Recommendations for improvement (any two of the following):

1. A door code entry system could be installed relatively cheaply. This could be issued to all staff for entry into the administration offices. Registered students could be issued with a security code for entry to the building.
2. Alternatively, an intercom system could be used for students wishing to enter the building. However, this could be difficult to administer at peak times and lunchtimes.
3. Cheques should be placed in a safety deposit box and banked at the end of each day.
(ii) Evaluation of current data security

Examination papers have also been left in an unlocked cabinet which has resulted in theft. This is clearly a serious risk to the continuance of the quality approval certificate as the professional body is rightly concerned about this serious breach of security.

There are no password systems in place on any of the administration computers. This is clearly a risk to data security, particularly when there is currently open access to the areas where the computers are located. Confidential client information or accounting data could be accessible to unauthorised staff and students. Data could be inadvertently destroyed or altered by tutors using the administration machines to prepare course materials.

There is also a fire risk due to the amount of paper stored and archived within the building. As there is currently little or no electronic archiving or back-up systems, this could result in the loss of critical past course material and records.

Recommendations for improvement (any two of the following)

- Password systems must be used within all applications. These need to be administered and controlled carefully to ensure that all staff use them correctly.
- Examination papers should not be kept on-site for long periods of time prior to an examination. If examination papers are kept on-site, they must be securely locked away at all times. If possible, if the examinations are written by external parties they should be delivered to the premises only when they are required to be used.
- Archive past papers and course material using the scanner. Secure on disc in multiple copies kept off-site.
- Back-up of financial and customer details off-site.

(b) The importance to TLE of the quality accreditation certificate

- The system of quality accreditation sets the standards that students and employers expect for professional tuition. This demonstrates a commitment to students and their professional tuition needs.
- It is often used by organisations as a valuable marketing tool, as it is an indicator to customers that TLE has achieved an ‘approved supplier’ status.
- It is an important factor in attracting and retaining training contracts for large employers in a highly competitive marketplace. High quality in training and the subsequent pass rates is an important factor for both students and employers.
- It attracts high-quality companies and, therefore a high-quality student which should help to maintain pass rates and maintain competitive advantage.
- It focuses upon the achievement and continual improvements in teaching standards and results. Therefore, it focuses staff upon the need to attain the highest standards of performance.
- It helps to attract high-calibre staff. The quality of the staff is a key determinant of student success and the improvement in quality standards, therefore quality accreditation should assist in attracting staff to TLE.
Scenario 2

You are a management accountant working for B plc, a company which is based in northern Europe and which manufactures and sells a range of eye and dental care products.

In 1998, B plc established a $25 million joint venture manufacturing plant in Asiana, a country in northern Asia. The objective was to produce a range of high-quality eye care and optical merchandise in Asiana, and to sell the products in Asiana and its neighbouring countries. The joint venture partner, C Corporation, was a leading and highly reputable eye-care institute, with a worldwide reputation for research and development in optical products.

The Board of Directors of B plc considered the Asiana market particularly as an opportunity to service the needs of a large and increasingly affluent population. Asiana has a total population of over 500 million people. In recent years, the central government of Asiana reduced import duties imposed on imported materials in order to attract foreign investment.

The project scope
Approved in August 1998, the project to construct the new manufacturing plant began with the selection and formation of a multi-national project team. For the project objectives to be met, production of eye-care products needed to start in October 2000 and total project costs needed to be within $25 million. All manufacturing and design processes must meet ISO 9001 (1994) quality standards. The project team selected an Asiana architectural and engineering firm, V, a long-established and highly reputable firm, to prepare detailed construction drawings and performance specifications from B plc’s concept designs.

Project background
It was necessary to overcome major obstacles to complete the manufacturing plant, including highly bureaucratic paperwork, different management styles, lack of available basic utilities such as electricity, water and sewage and limited communication networks. B plc’s style of management is democratic and participatory, with a strong emphasis on teamwork. This contrasted with the more autocratic style of management practised in Asiana.

Project team management
The main project team was divided into sub-teams, each responsible for a product line. Reporting of cost, schedule and technical performance occurred on a weekly basis, by each product line manager to the Project Manager.

The Project Manager, an experienced senior manager from B plc, selected the team members on the basis of their expertise, flexibility, and ability to work under pressure within a team environment. The team included members from various departments of B plc (see below). The team members were mainly based at the European HQ (with the exception of the product line managers, who were based on-site in Asiana).

The project team also contained staff from C Corporation who were based on the Asiana site. The on-site manager in Asiana was responsible for all activities on-site, and reported directly to the Project Manager.
The project team structure is shown in the diagram below.

Cost management
The project had its own system for controlling and monitoring project costs and achievements. The budget was set at $25 million at the start of the project, and was formulated using a bottom-up approach. Costs were divided into numerous work breakdown packages for each phase of construction, and then subsequently split into budgets for each product line.

At the first project team meeting, held in late August 1998, the basic facility parameters were established, including all utility requirements (i.e. water, sewage and electricity), space requirements and production workflow. B plc used feedback from other multi-national firms and from their own previous project experience in order to ensure all aspects of the project were considered.

Quality management
It was essential to import high-precision, special-purpose technology from Europe and America. A key part of the project was specifying manufacturing and design procedures so that manufacturing processes would produce consistent products in accordance with ISO 9001(1994). Six government inspections are required annually for the plant once it is fully operational. All project team members and staff working on the joint venture site had to undertake a 6-week quality training programme.

Prior to production, each process was validated and each product subjected to internal product quality testing to ensure that perfect standards were met. Once these internal validations were completed, an external compliance audit was conducted, and approval
then given from the Corporate Quality Assurance department at B plc HQ to begin production. Quarterly internal production and process quality audits are to be carried out every year.

Risk management
The risks of managing and controlling such a complex multi-national project were recognised by B plc as falling into two key categories – internal and external. Internal risks were monitored and controlled by means of regular financial reporting, clear project structure, clearly defined project roles and clear levels of authority and reporting responsibilities. External risks included changes in government regulations (fluctuating duty tariffs, import restrictions), unavailability of basic resources, lack of skilled manpower and bureaucratic slowness. B plc considered that these were out of the control of the project team and therefore only needed to be monitored.

Information management
Communication to and from the site was difficult, and each product line manager had to spend at least 1 day each week at C Corporation offices, using the e-mail or telephone facilities. This, together with the very structured reporting procedures set up by B plc, meant that management of information flow in the project was often complex and lengthy. For example, when the product line manager for each product line was required to present his weekly cost reports (called Form 1) to the Chief Engineer, these then had to be collated by the Chief Engineer for presentation to the Project Manager into another Form (called Form 2). Form 2 included the cost data from Form 1 plus additional commentary and graphics. The process was as represented in the Data Flow Diagram (DFD) in Appendix 1 (see page 7). The whole process shown in the DFD normally took in excess of 10 days. This kind of information and reporting procedure was common elsewhere in the project.

Project outcome
The Asiana plant began production on 1 November 2000, 26 months after project approval. The project was only 2 weeks late, completed only marginally over budget ($70,000) and met all of the original quality deliverables. The Board of Directors of B plc considered the project to be a complete success. However, it has been agreed that within the next 6 months, a detailed post-completion review must be carried out to evaluate the real impact of this project and the future developments required.

You have been asked to continue working with the joint venture team until November 2002.
**Question 3**

*During* the project, the site manager from C Corporation had discussions with you regarding the lengthy procedures required to send basic project cost reports between site and HQ. He requested some details about information management techniques.

You were asked by the Financial Controller to prepare a set of briefing notes for the site manager which provides an explanation of the reporting procedures represented in the Data Flow Diagram (DFD), clearly identifying the weaknesses.

*(25 marks)*
Answer 3

Briefing notes

Analysis of the DFD

It is possible to split the project cost reporting procedure into three parts;

1. Obtaining of cost information;
2. Analysis of cost information;
3. Preparation of commentary.

1. Obtaining cost information: Copies of ‘Form 1’ are currently e-mailed by the Chief Engineer in the UK to the site manager at the C Corporation offices. These are printed off and a copy passed to each of the product line managers on-site. Each product line manager analyses their own product line weekly costs, using the cost information held in the standard project management software package used by all three product line managers. From these files, they then use the information to complete the Form 1. They, each, file their own report and return a copy to the site manager. It is suggested that each product line manager discuss his/her cost report with the site manager who then agrees and signs the Form 1.

2. Analysis of cost information: The site manager (on return to the C Corporation offices) returns the Form 1 back to the Chief Engineer in the UK. The Chief Engineer, then, has to produce a summarised report – ‘Form 2’, with supporting commentary, graphs and Gantt charts for each product line which is to be sent to the Project Manager for presentation to the Board.

3. Preparation of commentary: This Form 2 is again sent to each product line manager, who then prepares a commentary of the major aspects of the project activities in that week. The product line manager again uses the project management software files to create weekly Gantt charts and graphs of project progress. On agreement of the commentaries, ‘Form 2’ is signed by the product line manager and the site manager, and then faxed back to the Chief Engineer. Each product line manager retains a separate copy of their Form 2 in a separate file called ‘Product line Reports’.

Weaknesses in the process

First, the main problem in the process is that the chain of communication is too long. All forms, due to the nature of the poor communication facilities to site, need to be sent via the site manager, which obviously delays the process and hinders direct communication between the home and on-site based engineers. Also, the product line managers at no time discuss their cost reports with the finance department at HQ, which obviously would improve the consistency of information reported and probably reduce later queries in the process. At present, there is no reconciliation between the on-site cost database and the costs reported by the Finance department.

A further weakness is the need to produce two reports for the same cost reporting procedure, which lengthens the process considerably. If Form 1 and Form 2 were combined into one process, the time taken to report weekly costs could be reduced considerably.

Clearly, this process has not been adapted for the communication difficulties currently encountered in the project. The need to travel, between site and C Corporation offices to use e-mail and telephone facilities, results in considerable delay and this is compounded by having to do this for two separate reports for the same cost data. It would appear necessary to adapt the rigid reporting procedures of B plc to accommodate the difficulties encountered in transmitting project information on this particular long distance project.
Scenario 3

Background
KC Components (KCC) is a company with approximately 60 employees. It manufactures a range of electronic products using modern manufacturing technology. Production involves three shifts per day over a 5-day week. Despite a good order book, KCC has made a loss in each of the last 2 years.

KCC was bought in May 2003 by a large international company. It immediately appointed a new General Manager to KCC. His main objective, as directed by the parent company, was to introduce a Total Quality Management (TQM) programme. He had a strong interest in quality management, but no past experience of TQM implementation. Over the next 2 months, he appointed a new Finance Director and a new Manufacturing Director who were both supportive of TQM. However, this replacement of the two directors caused some dissatisfaction in the organisation.

Organisation structure – July 2003
The workforce consists of a core of permanent staff and several casual staff. Many of the core employees have worked for KCC for a number of years, and, in the past, there has been a general reluctance to change current procedures and practices. In addition, there has, in the past, been some degree of hostility between the manufacturing function and the finance function. The new General Manager hopes this will be overcome by the two new directorial appointments. The structure of KCC in July 2003 is shown below.

A quality focus
In July 2003, the new General Manager ran a 3-day workshop for all departmental managers and directors. This workshop focused upon the need for change, and to introduce the concept of TQM. The local Business Economic Development Unit also sponsored
KCC to use 100 hours of one of its Quality Consultant’s time in order to help implement the TQM programme. (The Quality Consultant will assist in managing the programme until July 2004.)

During the workshop, team-building exercises were carried out in order to develop managerial co-operation and to develop a team attitude towards TQM. It was evident from this workshop that the Production Department Manager, who had worked for KCC for 18 years, was hostile towards the project. He felt that production had been blamed in the recent past for falling profits, and he was particularly hostile towards the Purchasing Department Manager, who he blamed for purchasing poor materials. During the meeting, an initial TQM project structure was drawn up as shown in the Figure below:

The Finance Department Manager, who had joined KCC 2 weeks previously, was assigned as Project Leader (he will be assisted by the Quality Consultant initially). The project team was chosen to include members from most areas of the business. However, the Production Department Manager continued to show little enthusiasm for the exercise. He felt that he was too senior to be part of the project team.

At the end of the workshop, following lengthy discussions, the most important areas of quality management were agreed. Each member of the project team would lead a quality circle to address one of the areas. Each area was considered by the directors and managers at the initial 3-day workshop to be critical for quality improvement:

<table>
<thead>
<tr>
<th>Quality circle</th>
<th>Team Leader</th>
<th>Issues to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material management</td>
<td>Production Department Manager</td>
<td>Material wastage and supplier management</td>
</tr>
<tr>
<td>Communication systems</td>
<td>Accountant</td>
<td>Use of technology in communication (internal and external)</td>
</tr>
<tr>
<td>Customer management</td>
<td>Purchasing Department Manager</td>
<td>Customer feedback systems</td>
</tr>
<tr>
<td>Product design</td>
<td>Engineer</td>
<td>Design and engineering quality</td>
</tr>
</tbody>
</table>

**Stage 1 – Initial awareness training**

In July 2003, a memo was sent to all staff from the Project Leader, informing them of the TQM programme about to be undertaken. The Quality Consultant carried out a 2-day TQM philosophy and techniques awareness course for quality circle Team Leaders in
August and a 1-day TQM awareness course for all employees in early September. The Quality Consultant advised the General Manager that in order to gain user acceptance, it would be more appropriate if the General Manager undertook a series of briefings prior to the 1-day training.

One of the key presentation slides the General Manager used in his briefing presentations demonstrated the importance of a quality system to KCC. This is shown in Figure below. The main message that the General Manager wished to present to the staff was the importance of good communication if TQM was to succeed: ‘It is vital that we encourage the involvement of all parties in the production system, both internal and external. Effective communication both internally and externally is critical to the acceptance of this TQM approach.’

![Diagram of Quality System Components]

**Stage 2 – Quality circles first meeting**

Material management quality circle

In October, the first quality circle meeting took place. The Production Department Manager called the meeting after work, which resulted in some degree of resentment and a number of absences. The team was made up of 10 staff from all departments (only 6 turned up for the first meeting). No agenda was sent prior to the meeting. At this first meeting, the Production Department Manager highlighted a number of control problems:

- holding stocks which were unused;
- ordering of wrong materials (all orders are placed via a phone or fax order);
- defective/rejected output;
- re-work of outputs due to poor material.

KCC has used one reliable main local supplier (Z Ltd) for many years, and building a number of key supplier relationships has not been a priority in the past. The Production Department Manager instructed the team that the focus of this quality circle was to be upon the process of improved material purchasing, with a view to improving production output. One of the team members from the purchasing department disagreed with the control problems highlighted by the Team Leader and with the focus of the meeting. There was a great degree of hostility. At the end of the first meeting, the Team Leader forgot to assign each member of the team a task to undertake, nor did he set a date for the next meeting.
Customer management quality circle

One week prior to the meeting in October, the Purchasing Department Manager sent out an agenda to all of her quality circle team. In addition, she telephoned all team members to arrange an appropriate time that would suit the majority of members. She also asked the Project Leader and Quality Consultant to the meeting. All team members attended. At the start of the meeting, the Purchasing Department Manager set out the key problems of control leading up to the need to focus upon customer management:

• in the last year, KCC has lost two local customers as a result of missed deliveries;
• there is currently no formalised system of collecting customer feedback (KCC does not have a company website or e-mail address for customers to access);
• customers have complained that staff have not dealt with complaints quickly or effectively.

All team members then brainstormed the major changes needed to improve customer management. Each team member was then assigned a specific task, and deadlines were set for completion. A date for the next meeting was set for 2 weeks later, and the Team Leader concluded the meeting by summarising all of the key points.

First TQM progress review meeting – November 2003

The Project Leader called the first team meeting in early November, when all of the team members presented the current activities of their quality circle teams. You are an internal auditor working for the parent company of KCC, and you have been invited to attend this meeting. A summary of the main issues presented by each Team Leader is shown below:

<table>
<thead>
<tr>
<th>Quality circle</th>
<th>Main findings of initial team meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material management</td>
<td>• No supplier evaluation or review</td>
</tr>
<tr>
<td></td>
<td>• Excessive levels of re-working and material wastage</td>
</tr>
<tr>
<td>Communication systems</td>
<td>• Manual material order records leading to inaccurate/lost raw material orders</td>
</tr>
<tr>
<td></td>
<td>• Poor internal decisions being made due to wrong/mistimed information</td>
</tr>
<tr>
<td>Customer management</td>
<td>• Weak customer management system</td>
</tr>
<tr>
<td></td>
<td>• Complaints procedures limited (no on-line feedback)</td>
</tr>
<tr>
<td>Product design</td>
<td>• Infrequent design reviews</td>
</tr>
<tr>
<td></td>
<td>• Frequent changes to engineering/design in production</td>
</tr>
</tbody>
</table>

You have been assigned the task of providing feedback to the managers and staff of KCC on the progress of the TQM project. You are to report back to both the Board of the parent company and to the General Manager and Directors of KCC.
Question 4

You have asked all of the quality circle Team Leaders to send you the minutes from the first quality circle meeting, in order to review the initial progress of the TQM programme. The General Manager has asked you to review the two meetings in the scenario.

Requirements

Prepare a report to the project steering committee of KCC which will

(a) briefly explain the importance of undertaking a series of quality circle meetings. Evaluate the methods used by the two quality circle Team Leaders highlighted in the scenario, in both organising and managing the quality circle meetings which took place in October;

(b) recommend FOUR actions which could be undertaken by the steering committee to ensure that the team management problems encountered in the material management quality circle do not occur again.

(Total = 20 marks)

Question 5

The General Manager has identified that effective communication, both internal and external, is one of the key criteria for the success of the TQM project. You have been asked by the General Manager to prepare an internal memorandum to all staff.

Requirements

(a) Using the definitions employed by general systems theory, explain the General Manager’s key presentation slide (see p. xxx).

(b) Explain the concepts of ‘feedback’ and ‘feedforward’ control. For each of these control mechanisms, describe one way in which they could be used by KCC to improve quality management.

(c) Explain how IT could be used to improve communication by KCC, both internally and externally. (You are to assume that IT is currently not used widely to communicate either internally or externally.)

(Total = 36 marks)

Question 6

Analyse the issues likely to be encountered by a small organisation when undertaking a complex and long-term project, such as TQM. Your answer should provide an analysis of the following areas:

(i) communication and leadership;
(ii) resource management (that is, finance and staff);
(iii) time management;
(iv) change management.

(20 marks)
Answer 4

REPORT

To: KCC Project Steering Committee
From: Internal Auditor
Date: 20 November 2003
Subject: Quality Circle Team Meetings: Preliminary Findings and Recommendations

(a)

Introduction

The following report will explain why it is important to undertake quality circle team meetings in a TQM programme such as the one currently being undertaken by KCC. Two of the initial team meetings will be analysed and compared in order to identify best practice for conducting future team meetings. In addition, a number of recommendations will be made as to how KCC should ensure that quality circle team meetings are carried out successfully in the future.

The importance of TQM

For the last 2 years the company has made a financial loss, despite a good order book. It is clear that the company cannot continue as it has before and TQM is a methodology which can be used to address our current weaknesses and build upon our strengths. The company desires to involve all staff in this improvement strategy and this can be achieved through TQM.

Importance of undertaking quality circle meetings

Quality circles are the essential first step towards identifying required improvements and to allow individual teams the authority to address and solve these issues. Quality circles are small teams of staff, often multidisciplinary, which analyse, investigate and solve work-related quality problems. Importantly, each member of staff will have a different perspective on the problem, and this will allow experience and enthusiasm to be shared across departmental boundaries. The quality circle meetings should help staff within KCC to understand the different areas of business and the roles they play. Quality circle meetings should be a way of improving communication and inter-departmental relationships. The overall aim of such meeting should be to foster a commitment to TQM by meeting regularly, face to face, to discuss quality issues.

Materials management quality circle

Organising

The production department manager did not adequately organise the timing of the first meeting, which resulted in poor attendance. A meeting after work hours is unlikely to create a positive feeling towards the first meeting. In addition, no agenda was produced prior to the meeting, which would have resulted in attendees turning up to the meeting unprepared and therefore unable to participate effectively. In addition, neither the project manager nor quality consultant were invited to attend the meeting.
Management

During the meeting, the production manager appeared to limit the group discussion and restrict the focus of the meeting to one process he believed needed improvement. This clearly is not in the spirit of TQM quality circles, where active participation by all should be encouraged. The manager appears to have poor personal management, as he stimulated confrontation within the meeting through what would appear to be personal bias against the purchasing department. Team management should encourage active debate, but the manager should avoid such open hostility, as this is likely to lead to future confrontation and lack of willingness to participate. Participation of staff is a critical success factor for a TQM programme.

The manager did not provide any final conclusions or summary of activities. Again, this will not encourage future interest in the quality circle team members and will lead to lack of interest.

Customer management quality circle

Organising

The purchasing department manager prepared an agenda prior to the meeting and arranged a time via consensus. This is likely to encourage interest and good attendance and to lead to participation and debate. She also invited the project leader to attend which should encourage commitment and allow the team to see the importance of this quality work. For TQM to succeed, it must be supported by senior management, and the attendance of the project manager at the meeting would have reinforced this.

Management

The purchasing manager pre-prepared a list of discussion points for open discussion within the quality circle. She encouraged debate which should promote group focus, commitment and a real understanding of the issues. The action points agreed upon at the end of the meeting should make team members want to participate. She also ensured that the meeting was summarised so that all participants were sure as to their own actions before the next meeting. All of the above will assist the TQM process in that this quality circle team will want to look for solutions and will be encouraged to actively work together as a quality team.

Evaluation

The outcomes of the first customer management team have 100% attendance, full team participation, good team morale and positive action points for all team members. None of these is apparent from the materials management team meeting.

(b)

Recommendations for improvement in meeting management

1 It is important that the steering committee ensures that the quality circle team leaders chosen have the required attitude and range of skills to be a team leader. The production manager should be trained more effectively in TQM philosophy and in team leadership prior to the meetings being undertaken. This may mean one-to-one sessions with the quality consultant, who could provide valuable assistance in this area. If counselling and training fail to achieve an improvement in attitude, then the steering committee could consider replacing him as the team leader.
2 All quality circle team leaders need to be trained in how to conduct an effective meeting. This should include training in skills such as preparation of agendas, managing team members, negotiation skills, time management and creating action points.

3 Team leaders must be trained in people skills such as conflict management and the skills necessary to manage possible inter-departmental hostility and confrontation.

4 The project leader needs to take an active role in quality circle meetings and in monitoring meeting progress. He needs to communicate with the team leaders on a regular basis to review progress and to monitor problems.

Conclusions

The above report has highlighted the importance of effective quality circle team meetings and has used two of the initial meetings carried out by KCC to highlight the difference in approach being used to manage these meetings. In addition, a number of recommendations have been made to ensure that quality circle meetings are effective in the future.

**Answer 5**

**INTERNAL MEMO**

To: All KCC Staff

From: Internal Auditor

Date: 20 November 2003

Subject: Systems Theory and Communications in a TQM project

(a) Effective communication is required to make the TQM project successful. During the project, you will need to understand the meaning of the following words.

A definition of a system

A system is a set of related activities co-ordinated to accomplish a set of goals (such as, to manufacture a product for an end-customer). Any task which involves the handling or manipulation of several different resources (human, financial, physical or information) may be communicated in the form of a system.

In a TQM project, each component of a system is examined to see whether the way it is operating can be improved.

**The key components of a system**

Environment

The environment is everything outside of the boundary. The environment contains people and resources that can have a direct or indirect influence on the processes of our organisation. For example, Z Ltd, the supplier used by KCC, is an external entity providing material inputs. The customers of KCC are within the external environment, receiving the finished electronic products and providing feedback.

Inputs

These generally take the form of people, raw materials, equipment, finance, and can originate from a number of sources.
For KCC, inputs are split into two categories:

1. **Internal inputs:**
   - KCC staff, KCC policies and rules, Machinery used (production and non-production), Leadership.

2. **External inputs:**
   - Supplier of raw materials;
   - External knowledge (the law and other regulatory knowledge and bodies, such as the electronics industry and related associations);
   - External services (facilities such as power and utilities).

**Process**

This relates to some form of activity being carried out as a result of receiving inputs. The aim is for the organisation to add value to the inputs during the processing activities in order to produce an output. The processes identified by the presentation slide include:

- **Production processes**
  - The production of the design of new/updated products by KCC engineers. Also the manufacture of the product using materials from suppliers, production manpower and production machinery.

- **Administration activities**
  - The production of business reports such as accounts, marketing reports, business activity reports.

- **Communication activities**
  - The production of information and communication on key business events. For example, the activities relating to the communication of new products to customers, the communication with suppliers and employees.

**Outputs**

Once processing is complete, the final product or service is passed out to the environment. This normally means to the customer (which could be both internal and external).

- **Internal outputs**
  - Business results retained profits. Internal activity reports passed between departments for information or action.

- **External outputs**
  - Finished goods which are passed to satisfied customers.
  - Shareholder returns and profits.

It is critical that we focus upon customer satisfaction as this will result in increased company success. TQM should help us to achieve this focus upon customer satisfaction. Feedback from our customers must be sought, in addition to learning from business results. These results can then be used to adapt our resources, processes and policies to continuously improve KCC success.

**Comparator**

This involves the comparison of results (e.g. costs, revenues, productivity) against a pre-determined standard or plan. This could be the comparison of actual turnover and profit against budget or could involve the comparison of actual number of units rejected versus a pre-determined target. It could also be the comparison of production targets against pre-set productivity and activity rates.

**Standard**

This is a pre-set budget or plan, which acts as a target or a mechanism for control. A budget and possibly an external quality conformance standard are examples of often-used standards.
Open system

KCC is an open system. That is, it interacts with its environment, taking in inputs from its suppliers and giving out outputs to its customers.

(b) Feedback control

Feedback control gathers information on past performance from the output of the system or production process, compares it against a pre-determined standard and then uses any deviation to adjust future performance on the input side of the system. This form of control is sometimes referred to as single loop feedback.

An example of this for KCC could be the comparison of stock reject rates versus a pre-set reject rate. This information could be used to provide information back to the supplier on material quality issues and possible improvements in materials provided. It could also be provided to the engineers as they may wish to reassess the design of the products to accommodate material issues.

Feedforward control

Feedforward control reacts to potential future changes by making adjustments to the system in advance, in order to attempt to cope with the problem before it happens. Feedforward control is often more difficult to achieve than feedback control as it relies on a constant review of the environment and the ability to react to changes quickly and effectively. Feedforward control actively seeks new knowledge from suppliers and customers to add competitive advantage to a company. The concept also applies to feeding forward information to our internal customers within the organisation.

An example of this for KCC could be setting up customer focus groups to discuss quality and product design issues. KCC could set up a system, whereby key customers are involved in pre-production design monitoring so that any potential problems in design could be amended prior to production.

(c) Information technology and internal communication

- KCC could make use of e-mail to communicate more effectively internally. E-mail could be used to set up TQM e-mail groups.
- An Intranet bulletin board is an inexpensive way to use IT to communicate a variety of information to internal staff, such as TQM progress, minutes of meetings, action lists, phone books and contact details.
- Basic application software to improve report generation such as word processing and desktop publishing could improve both the internal and external image of KCC.
- Computer-aided design technology could be used to improve quality in the design process and to control design reviews and changes.
- Computerised stock management system could be used to control stock ordering and issues to production and could result in less stockholding and material wastage.
- Databases could be used for technical, customer and marketing information for easy retrieval and analysis.
- Manufacturing resource planning software could be used for more accurate calculations of material requirement and planning.
- Analytical spreadsheets measuring output from production machinery in order to measure and control quality and productivity.
Answer 6

(i) Communication and leadership

Small organisations are likely to have only one or two leaders. This is often good for driving projects forward, as long as that leader is committed to the project (as in the case of KCC, where the new General Manager is enthusiastic for TQM). However, in small organisations, the leaders may have to work more closely together and, therefore, may be more likely to encounter personal disagreement. This may hinder a project like TQM introduction which relies upon engendering team spirit and co-operation throughout the whole organisation. Similarly, if there is any disagreement on a project, it is much more difficult to avoid confrontation by separation, as is possible in larger organisations.

Total quality management must be led from the top. In small organisations, it is easier to see whether the leaders are committed to a programme such as TQM as they work more closely with the rest of the staff. In larger organisations, the leaders are more removed from the workers and therefore their commitment is not as easy to determine. Therefore, the leaders in a small organisation must constantly re-enforce their commitment to TQM and must genuinely show their belief in it. In addition, the owners/leaders of smaller organisations can be less willing to delegate decision-making to staff. This could inhibit the success of a TQM approach.

Communication channels in smaller organisations are likely to be less formal. Again, this could be seen as an advantage for TQM as it relies upon innovation and breaking down of traditional organisational barriers. However, informal or less sophisticated communication methods could lead to misdirected communication or misunderstanding. The TQM philosophy relies upon everyone understanding its aims, which could be lost if not communicated regularly and effectively.

A smaller organisation could find the introduction of TQM easier due to less bureaucracy and having the ability to be more flexible to change processes more quickly.

(ii) Resource management (that is, finance and staff)

Finance

Many organisations, both large and small, may lose business if they do not have proof of quality standards. Therefore, a decision to not undertake TQM may necessitate a change of direction or result in a loss of business. TQM clearly will have a financial cost, in both setting up the quality systems and training, and then maintaining and monitoring them in the future. This financial burden may be too much for some small companies.

Staff

Total quality management training and education will be required if it is to be accepted and implemented correctly. This in itself will have a financial cost both in the short and long term. There may be more reluctance to change the way of doing things in small organisations, as staff may be less used to constant change (as is often the case in very large organisations). However, the converse could be said that small organisations have the ability and willingness to be more flexible to change and take on new ideas than larger more bureaucratic structures.
Staff will need cover while on training or TQM exercises – therefore cover will be required. This may be difficult for a small organisation.

(iii) Time management

Total quality management requires investment in time and is not a one-off event. It needs to be maintained and continually reviewed. TQM may be difficult to maintain in the long term for smaller organisations as it is unlikely that members of staff can dedicate adequate time in the long term to TQM review and maintenance. Momentum may be lost in the long term.

Finding time for quality circle meetings and out-of-hours events may be more cumbersome for smaller organisations as it is more difficult to provide staff cover and continued customer service levels.

(iv) Change management

Having proper control procedures and quality review procedures may be difficult to set up for smaller organisations as they may have no existing example systems to work from.

Ensuring all staff are communicated with effectively and that all are aware of TQM programme and activities may be difficult in the long term. It is likely that one member of staff will be responsible for the TQM project, in addition to undertaking his/her own duties within the organisation. Therefore, ensuring effective TQM changeover may be prolonged due to the inability to dedicate sufficient time to the process. A TQM consultant is needed to bring in fresh ideas from outside and facilitate change, but may not be affordable.

Maintaining momentum of TQM change requires long-term focus and regular review. Smaller organisations tend to have a shorter-term focus and may lose sight of the ultimate aim of TQM as a result of short-term business activities and economic events. Short-term survival for many small businesses is likely to have precedence over long-term quality issues.
Pilot Paper
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MANAGERIAL LEVEL
BUSINESS MANAGEMENT PILLAR
PAPER P4 – ORGANISATIONAL MANAGEMENT AND INFORMATION SYSTEMS

This is a Pilot Paper and is intended to be an indicative guide for tutors and students of the style and type of questions that are likely to appear in future examinations. It does not seek to cover the full range of the syllabus learning outcomes for this subject.

Organisational Management and Information Systems will be a three hour paper with two compulsory sections (50 marks and 30 marks, respectively) and one section with a choice of questions for 20 marks.

CONTENTS

Pilot Question Paper

Section A: Twenty objective test questions
Section B: Six short answer questions
Section C: Two scenario questions
Solutions to Pilot Paper
SECTION A – 50 MARKS
ANSWER ALL SUB-QUESTIONS

Questions 1.1 to 1.15 are worth 2 marks each (30 marks in total)
Questions 1.16 to 1.20 are worth 4 marks each (20 marks in total)
Each of the sub-questions numbered from 1.1 to 1.15 inclusive, given below, has only ONE correct answer. Each sub-question is worth 2 marks.

Requirements
On the indicative ANSWER SHEET, enter either your answer in space provided where the sub-question requires a written response, or place a circle ‘O’ around the letter that gives the correct answer to the sub-question where a list of distractors has been provided.
If you wish to change your mind about an answer to such a sub-question, block out your first answer completely and then circle another letter. You will not receive marks if more than one letter is circled.
Space has been provided on the four-page answer sheet for workings. If you require further space, please use the last page of your answer book and clearly indicate which question(s) these workings refer to.
You must detach the answer sheet from the question paper and attach it to the front cover of your answer book before you hand it to the invigilators at the end of the examination.
### Organisational Management and Information Systems

**INDICATIVE ANSWER SHEET FOR SECTION A**

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You must detach the answer sheet from the question paper and attach it to the front cover of your answer book before you hand it in to the invigilators at the end of the examination.
Space for workings for Section A
Question One

1.1 Bar code readers, scanners and keyboards are examples of
   (A) hardware input devices.
   (B) software input devices.
   (C) systems processing devices.
   (D) hardware processing devices.

1.2 Local area networking is used for
   (A) communication between computers within a limited geographical area.
   (B) structuring an organisation within a division or business unit.
   (C) exchange of information through a trade association or region.
   (D) managing a complex operational issue by global interface with trade associations and professional bodies.

1.3 When someone commences a new job, the process of familiarisation is known as
   (A) probationary period.
   (B) recruitment.
   (C) appraisal.
   (D) induction.

1.4 An effective appraisal system involves
   (A) assessing the personality of the appraisee.
   (B) a process initiated by the manager who needs an update from the appraisee.
   (C) advising on the faults of the appraisee.
   (D) a participative, problem-solving process between the manager and appraisee.

1.5 The motivating potential score, developed by Hackman and Oldham, is calculated to assess
   (A) the knowledge of an individual.
   (B) the satisfaction with work.
   (C) the content of the job.
   (D) the quality of work performed.

1.6 Quality management thinker J.M. Juran once suggested that 85% of an organisation’s quality problems are
   (A) a result of ineffective control by supervisors and managers.
   (B) a result of ineffective systems.
   (C) a result of ineffective workers.
   (D) result of ineffective incentive bonus schemes.
1.7 Job rotation involves
   (A) a redesign of a person’s post based upon job analysis.
   (B) the movement of an individual to another post in order to gain experience.
   (C) the expansion and enrichment of a person’s job content.
   (D) the relocation of a post holder in order to benefit from the experience of a number of potential mentors.

1.8 A grievance procedure is established by an organisation in order that
   (A) there is a standing process to deal with the arbitration of disputes.
   (B) the organisation can fairly discipline members of the workforce for wrongdoing.
   (C) the workforce might formally raise issues where ill treatment has occurred.
   (D) collective bargaining between the employer’s side and the workforce might proceed smoothly.

1.9 Entropy is a term used to describe
   (A) the tendency of a system to break down due to randomness.
   (B) the tendency of a system to develop over time leading to randomness.
   (C) a means of testing candidates in an interview to overcome randomness.
   (D) a means of developing open learning using computers.

1.10 Many large organisations have established a computer intranet for the purpose of
   (A) providing quick, effective and improved communication amongst staff using chat rooms.
   (B) providing quick, effective and improved communication to staff.
   (C) providing quick, effective and improved communication to customers.
   (D) providing quick, effective and improved ordering procedures in real time.

1.11 The main advantages of a database management system include
   (A) the development of separate data sources.
   (B) unlimited access and open communication.
   (C) end user flexibility and a devolution of responsibility.
   (D) data integrity and elimination of duplication.

1.12 An expert system describes
   (A) a database built upon past knowledge and experience.
   (B) a powerful off the shelf software solution.
   (C) an on-line library of operating advice and handy hints.
   (D) an electronic version of working papers assembled by the Research and Development department.

1.13 The five S (5-S) practice is a technique aimed at achieving
   (A) effective investment of resources in training and recruitment.
   (B) standardised procedures to improve the physical and thinking organisational environments.
   (C) excellence in strategy, style, skills, staff and structure.
   (D) diversity of activity and independence of thought in order to achieve closeness to the customer.
1.14 An ‘assessment centre’ approach is used
(A) as part of an appraisal process.
(B) as part of a process of training and development.
(C) as part of a selection process.
(D) as part of an exit interview process.

1.15 Selection tests that fail to produce similar results over time when taken by the same candidate are
(A) contradictory.
(B) unreliable.
(C) too general.
(D) unstable.

(Total for these sub-questions = 30 marks)

Requirements
Each of the sub-questions numbered 1.16 to 1.20 below require a brief written response. Each sub-question is worth 4 marks.
This response should be in note form and should not exceed 50 words. Use the spaces provided on the second page (page 4) of the answer sheet.

1.16 Explain the relationship between a (Just-in-Time) JIT system and cash flow management. (4 marks)

1.17 Explain how computer software can assist in achieving quality in a manufacturing organisation. (4 marks)

1.18 Distinguish quality control from quality circles. (4 marks)

1.19 Explain why a phased system change-over for a computer development might help employees cope better with technological change. (4 marks)

1.20 Describe the main benefits of in-house developed information systems. (4 marks)

(Total for these sub-questions = 20 marks)
(Total for Section A = 50 marks)

SECTION B – 30 MARKS

ANSWER ALL PARTS OF THIS QUESTION

Question Two
Hubbles, a national high-street clothing retailer has recently appointed a new Chief Executive. The company is well established and relatively financially secure. It has a reputation for stability and traditional, quality clothing at an affordable price. Lately, however, it has suffered from intense competition leading to a loss of market share and an erosion of customer loyalty.
Hubbles has all the major business functions provided by ‘in-house’ departments, including finance, human resources, purchasing, strategy and marketing. The Strategy and Marketing Department has identified a need for a comprehensive review of the company's effectiveness. In response, the new Chief Executive has commissioned a review by management consultants.

Their initial findings include the following:

- Hubbles has never moved from being sales-oriented to being marketing-oriented and this is why it has lost touch with its customers;
- Hubbles now needs to get closer to its customers and operate a more effective marketing mix;
- Additional investment in its purchasing department can add significantly to improving Hubbles' competitive position.

The Chief Executive feels that a presentation of interim findings to senior managers would be helpful at this point. You are a member of the management consultancy team and have been asked to draft a slide presentation of some of the key points. The Chief Executive has identified six such points.

**Requirements**

Prepare a slide outline, and brief accompanying notes of two to three sentences, for each of the Chief Executive's key points identified below. Use a separate page of your answer book for each key point (meaning that your responses are contained on no more than six pages in total).

(a) Describe the difference between a company that concentrates on ‘selling’ its products and one that has adopted a marketing approach. (5 marks)

(b) Explain how Hubbles might develop itself into an organisation that is driven by customer needs. (5 marks)

(c) Explain what is meant by the ‘marketing mix’. (5 marks)

(d) Identify examples of ways in which the management of Hubbles could make use of the marketing mix to help regain its competitive position. (5 marks)

(e) Describe the main areas in which Hubbles’ Human Resources Department might reasonably contribute to assist the Purchasing Department. (5 marks)

(f) Explain how an efficient Purchasing Department might contribute to effective organisational performance. (5 marks)

(Total marks = 30)
Section C - 20 Marks
Answer One Question Only

Question Three

A year ago, the owner-manager of a taxi service also moved into a new business area of fitting tyres. This came about as a result of the experience of using unbranded tyres on the fleet of ten taxis. Based on several years of use, the owner-manager found that the unbranded tyres lasted almost as long as the branded tyres, but had the advantage of being obtainable at half the price. The set-up costs of the tyre-fitting business were relatively modest and the owner-manager initially fitted the tyres himself. Demand picked up quickly, however, and he was forced to employ an experienced fitter. A few months later, demand accelerated again and he has just advertised for another fitter but, unfortunately, without success.

The tyre-fitting business has produced additional challenges and the owner-manager is finding it increasingly difficult to manage both the taxi service and the new business where he seems to be spending more and more of his time. He already employs one receptionist/taxi controller, but has realised that he now needs another.

As if this were not enough, he is in the middle of extending his operations still further. Customers who buy tyres frequently request that he check the wheel alignment on their car following the fitting of new tyres. He has started to provide this service, but when done manually it is a slow process, so he has invested heavily in a new piece of electronic equipment. This new technology will speed the alignment operation considerably, but neither he nor his tyre-fitter can operate the equipment. The owner feels that tyre fitters should be able to operate the equipment, and an additional member of staff is not required just to operate it.

To add to all these problems, two of his taxi drivers have resigned unexpectedly. Past patterns suggest that of the ten drivers, normally one or two leave each year, generally in the summer months, though now it is winter.

Given all these staffing difficulties, the owner-manager has made use of a relative who happens to have some HR expertise. She has advised the owner-manager on recruitment and selection, training and development. The relative also suggests that the business needs a well thought out human resource plan.

Requirements

(a) Prepare an outline human resource plan for the business and explain each aspect of your plan. (12 marks)
(b) Discuss the important human resource activities to which attention should be paid in order to obtain the maximum contribution from the workforce.

Important: For requirement (b), exclude those areas upon which the relative has already provided advice to the owner-manager (recruitment and selection, training and development). (8 marks)

(Total marks = 20)
Question Four

Requirements
(a) Using prescriptive, planned change theory, as outlined by Lewin and others, describe how any major new organisational initiative can be successfully implemented. (10 marks)

Zed Bank operates in a fiercely competitive market and has decided to implement a number of important initiatives, including:

- enhancing its current services to customers by providing them with on-line internet and telephone banking services; and
- reducing costs by closing many of its rural and smaller branches (outlets).

In an attempt to pacify the employee representatives (the Banking Trade Union) and to reduce expected protests by the communities affected by branch closure, a senior Bank spokesperson has announced that the changes will be ‘incremental’ in nature.

In particular, she has stressed that:

- the change will be implemented over a lengthy time period;
- there will be no compulsory redundancies;
- banking staff ready to take on new roles and opportunities in the on-line operations will be retrained and offered generous relocation expenses.

For customers, the Bank has promised that automatic cash dispensing machines will be available in all the localities where branches (outlets) close. Customers will also be provided with the software needed for Internet banking and other assistance necessary to give them quick and easy access to banking services.

The leader of the Banking Trade Union is ‘appalled’ at the initiatives announced. He has argued that the so-called ‘incremental’ change is in fact the start of a ‘transformational’ change that will have serious repercussions, not only for the Union’s members but also for many of the Bank’s customers.

(b) Distinguish incremental change from transformational change. Explain why the Bank spokesperson and the trade union leader disagree over their description of the change. (10 marks) (Total marks = 20)
Solutions to Pilot Paper

Section A

1.1   A   B   C   D
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1.14  A   B   C   D
1.15  A   B   C   D

1.16 Just-in-Time (JIT) systems involve the purchase and production of goods only when needed and aim to eliminate unnecessary stocks of materials and parts. As much less money is tied up in stock, this should improve organisational cash flow.

1.17 Software such as computer aided design (CAD) and manufacturing (CAM) provide the necessary flexibility in manufacturing to meet customer requirements more
closely and help eliminate mistakes and material wastage. These advances can contribute towards world class manufacturing performance.

1.18 Quality control is a traditionally Western approach to production involving inspection of work by a third party.

Quality circles are part of a quality programme that involves work groups meeting to share ideas and discuss ways in which to improve quality and solve problems.

1.19 A phased system changeover

- allows employees time to adjust.
- helps reduce resistance as it does not appear too extreme.
- allows time for retraining and employee displacement issues to be addressed.

1.20 The main benefits of in-house development are that

- the information system is likely to match the needs of the users more closely, meaning staff acceptance and involvement.
- the development team is normally local and available if required. Possible greater focus on progress and success.
- the development team are likely to gain user acceptance more quickly.

Section B

Solution Two

Requirement (a)

Slide 1
Features of sales-oriented organisations:

- Aggressive selling, advertising and sales promotion.
- A concentration on selling not marketing.
- A strong sales department.

Marketing is about:

- Supplying what the customer wants.
- An organisation-wide philosophy.

Notes to Slide 1 The claim that Hubbles concentrates on ‘selling’ implies that it is not focussed on customer needs. Instead of finding out what the customer wants, it is trying to sell whatever items it happens to have in stock.

Requirement (b)

Slide 2
Adopting the marketing concept:

- focus on potential customer needs (and how these can be satisfied);
- greatest opportunity = meeting needs (gaps) not currently met;
- implies market research, competitor product research;
- possible future benchmarking;
NOT a change to the Marketing Department: a new way of organisational thinking;
- training for all staff?
- management to help by providing the right products & resources.

Notes to Slide 2 
Reorientation means Hubbles needs to change the way it defines and investigates its markets, prices, products and communication with its customers. The critical people are the front line staff who customers come into direct contact with. This customer-led focus should permeate every department so that the needs of the customer are kept in view at all times.

Requirement (c)

Slide 3
Components of marketing mix:
- Product. Customers’ product wants and desired characteristics;
- (Place) distribution. Desired quantity available right place and time;
- Promotion. Increasing awareness of products; inform about product features; keep interest;
- Price. Is critical and can be used as a competitive tool.

Plus sometimes added for service organisations:
- People. Staff decisions, image & actions central to the other marketing mix components.

Notes to Slide 3 
After Hubbles has identified its target market, it will be in a position to develop its marketing mix. Components are decision variables that can be changed and Hubbles must decide how to create and maintain a marketing mix that satisfies consumers’ needs.

Requirement (d)

Slide 4
- Product – Develop new products, modify/enhance existing ones and eliminate others.
- Place – Improve inventory, transport and storage to serve market. Well-sited premises redesigned to reflect brand, and so on.
- Promotion – Rebranding, advertising campaigns, using different media to target groups.
- Price – Revise pricing structure to convey value, or price below competitors.
- People – Can influence buyer behaviour. Training programmes, monitoring systems and ongoing support.

Notes to Slide 4 
Must develop a marketing mix that precisely matches the needs of potential customers in the target market. First research the market for data about the age, income, sex and educational level of target market, preferences for product features and attitudes to competitors’ products.

Requirement (e)

Slide 5
HR contribution
Helping Purchasing to function to maximum effectiveness, including:
- Resourcing – Getting the right staff in the right position with clear responsibilities.
- Training and Development – Improved performance: training needs analysis and programme design.
Exam Practice Kit: Organisation Management and Information Systems

- Relations – Agreement on necessary action to bring about improvement.
- Rewards – Ensuring sufficient incentives to achieve improvement.

**Notes to Slide 5**  Purchasing includes procurement of range of materials and finished products for sale, supplier identification and selection, negotiating prices, liaising with stores over needs and stock levels and so on.

HR issues include consideration of staff level, numbers, mix, attitudes, expertise and skills and supporting/leading initiatives required.

**Requirement (f)**

**Slide 6**

Purchasing Department: contribution to effective organisational performance

- Quantity, Just-in-Time (JIT) and electronic data interchange (EDI) automatic ordering and stock replenishment. Leads to: improved efficiency and reduced stock-outs.
- Quality supplies helps improve quality of the end product (fewer rejects/returns).
- Good price (bulk discounts to reduce cost of end product).
- Delivery of the supplies on time crucial to avoid lost sales.

**Notes to Slide 6**  Critical role to the smooth running of the company and its overall performance in creation of value and supply chain management. Purchasing policies and purchasing mix (quantity, quality, price and delivery) will contribute to organisational performance.

**Section C**

✓ **Solution Three**

**Requirement (a)**

Draft Human Resource Plan

The human resource plan should include:

**Strategic review**

- Maintain taxi service at current level;
- Continue expansion of tyre fitting service by continuing to offer unbranded low price tyres and develop electronic wheel alignment service as an additional optional service.

**Audit of existing HR Staff**

- Owner-manager  1
- Taxi drivers  8
- Reception/taxi co-ordinator  1
- Tyre fitter  1

**Demand for additional staff due to change in strategy and labour turnover**

- Replacement of taxi drivers  2 (possibly 2 more in the summer)
- Appointment of co-ordinator  1
- Appointment of tyre fitter  1
Action plans to reconcile gap between demand and supply

- Recruitment and selection of two taxi drivers;
- Recruitment and selection of a tyre fitter or of a person capable of training to be a tyre fitter;
- Training of taxi drivers;
- Training of tyre fitters in use of electronic wheel alignment equipment;
- Justification of each aspect of the human resource plan.

It is necessary to review the strategy of the organisation because changes in strategic direction usually have implications for human resources. In this case, we have an emergent strategy that is proving very successful in that it is resulting in the rapid expansion of a tyre fitting business. The expansion is affecting not only the tyre fitting side of the operation, but is also impacting on the human resources of the organisation as a whole. The owner manager can no longer cope with the demands on his time as a manager/operator and so it is necessary for the company to employ additional staff to cope with the co-ordination of the taxi service and reception work.

The audit of the existing staff is necessary to provide a kind of stock-take of what the organisation already has in terms of human resources. In this case, the numbers are small and we can work out mentally what the current human resource situation is.

The demand for additional staff is once again easy to estimate for the company because small numbers are involved and requirements are for a limited range of skills. The principle involved, however, is just the same as if we were looking at the additional demand for workers of many different skills working in a very large and complex organisation. We need to know about any extra numbers demanded because of a change in strategy, or some other reason for extra demand or alternatively for a contraction in demand. It is also necessary to take into account numbers lost through labour turnover during the planning period, so that extra employees with the required skills can be recruited to compensate.

When we have the figures of existing employees, we can use these as a basis to calculate the gap between what we have and what we need by estimating what the expansion, caused by the change in strategy, entails. This figure plus an adjustment for labour turnover will provide us with the number of employees we need to recruit.

The activities to reconcile demand with supply follow simply from our calculation. It may, as in this case, be difficult to recruit people with specific skills we want and so it may be necessary to recruit unskilled people and provide them with the necessary training (for example the use of wheel alignment equipment).

Requirement (b)

In addition to training and development and recruitment and selection, the company will need to ensure that other aspects of human resource management are carried out so that the performance of the workforce is maximised.

Two of the most important human resource activities that are necessary in order to ensure good performance of employees are:

- first, a system of performance appraisal, so that each worker’s performance can be evaluated; and
- second, a system of rewards and benefits that will both compensate workers fairly and motivate them to perform to an appropriate standard.
Performance appraisal is a systematic process of evaluating each employee's contribution, his or her strengths and weaknesses and ways of determining how to improve performance. Such an evaluation may provide the basis for the allocation of merit payments that can be used to motivate workers. The information gained can also be used to move staff either between jobs by way of promotion or even out of the company because of under-performance. It can also be used as a means of identifying training and development needs and it provides an opportunity to provide feedback to employees on their past and present performance and to set targets for future performance.

The reward system is also important; first to compensate workers for their efforts. This is the function of base payments. The company might also make use of incentive payments of various kinds in order to motivate employees to work harder. Taxi drivers, for example, might be rewarded on the basis of their overall takings per week, tyre fitters on the number of extra services they sell, such as number of customers who are persuaded to have wheel alignments carried out.

There are, of course, other important human resource activities that need to be covered such as health and safety provision, which is very important when working with heavy equipment.

Solution Four

Requirement (a)

In order to facilitate the implementation of a planned change such as that envisaged in the scenario, the following action steps have been found to be useful:

The first step in any change process is to diagnose the current situation to identify the source of problems (or opportunities for improvement). In a large organisation, this frequently leads to a rethinking of strategy, and a redefinition of the organisation's task or work.

Unfreeze

The second step is to identify or create dissatisfaction with the current state. As long as people are satisfied with the current state, they will not be motivated to change. Kurt Lewin, and later Warren Bennis, pointed out that people need to be 'unfrozen' out of their inertia in order to be receptive to change.

But while creating dissatisfaction with the present state is important, it is also necessary to offer an attractive future state that organisational members will wish to achieve. A critical requirement for managing the transition state, therefore, is to develop and communicate a clear vision of the future.

It is, of course, essential to communicate the plan so that all stakeholders can see what the benefits are and what has been done to achieve these. Communication can be accomplished in a variety of ways, ranging from written communications to small group meetings, large briefing sessions, videotaped presentations and so on.

Movement

The third step is to build in participation in the change. Participation in the change can help to reduce resistance, build ownerships of the change, and thus motivate people to make the change work. Participation also facilitates the communication of information about what the change will be and why it has come about.
For a change to occur successfully, sufficient support needs to be put together to push through the change. Those groups that may oppose the change, such as some employees and some customers, have to be persuaded to change their minds. Other groups more positive to the change have to be included in the planning of the change so that their participation will motivate them. Still others, like the trade union may have to be dealt with by bargaining or negotiations. This represents the fourth step in the process.

Refreeze
A fifth step for managing the transition involves the use of a range of rewards to influence the behaviour of individuals, including the need to build in rewards for the behaviour that is desired, both during the transitional state and in the future state. The expectancy theory of motivation and behaviour in organisations suggests that people will tend to be motivated to behave in ways that they perceive as leading to desired outcomes. This implies that both formal and informal rewards must be identified and tied to the behaviour that is needed, both for the transition and for the future state. The most frequent problem is that organisations expect individuals to behave in certain ways while rewarding them for other conflicting behaviours.

Resources for the transition such as personnel, training expertise, consultative expertise, and so on must also be available to the management responsible for implementing change.

Sixth, in order to measure and control performance, the management's plan requires benchmarks, standards of performance and a specification of the responsibilities of key individuals and groups.

The final action step for implementation involves developing feedback mechanisms to provide managers with information on the effectiveness of the change and to provide data on areas that require additional attention or action. Devices such as surveys, focus groups, consultant interviews and so on, as well as informal communication channels, need to be developed and used during this period.

Once the change has been completed it is, of course, necessary to ensure that mechanisms are in place to maintain the new strategies, practices and processes – that is, in Lewin's terminology, to re-freeze the changes.

Requirement (b)
The term 'incremental change' refers to relatively small changes. When these occur over an extended period of time such changes are sometimes referred to as 'evolutionary'. One way of defining incremental change within an organisation is to confine its use to those changes that can be accommodated without a change to the organisation's structure and culture.

In the case scenario, Zed Bank's spokeswoman is using the term 'incremental change' in this sense. More particularly, she is arguing that the Bank is not doing anything radically new, except to use available internet and telecommunications technology to improve customer service and to reduce the Bank's costs. The term 'incremental change' implies that the change envisaged by the Bank can be easily accommodated within the Bank's existing organisational structure and culture and that such minor changes as will occur will be beneficial both for bank employees and customers. In arguing the case for the changes in this way, she is seeking to reassure the Bank's staff and customers that the changes will be to their advantage.

In order to distinguish bigger and more radical changes from the many small changes that affect organisations, the term, 'transformational change' is often employed. In the organisational context, this is defined as a change that cannot be accommodated by the
existing structure and culture of the organisation. Such changes require a major restructuring of the organisation and significant cultural changes.

Such transformational changes, it is argued, have widespread effects. The privatisation of the railways in the UK for instance might be considered one example in which the structure and culture of the organisations that make up the industry have undergone dramatic change. Similarly, one could cite the way in which new technology facilitated the transformation of particular organisations in the printing industry in the 1980's.

In the scenario, the trade union representative is using the term ‘transformational change’, to argue that the changes being undertaken by Zed Bank are just the prelude to a revolutionary change in banking, which may mean the disappearance of retail banks from the high street and their replacement by Internet Banks. He hopes he can persuade bank employees that the nature of their work will change radically and that they will come to understand that some of them may ultimately face redundancy.

Similarly, he hopes, by using the term ‘transformational change’, to bring to the notice of Zed Bank's customers, the possibility that the use of Internet Banking will result in the disappearance of branch banking – a form of banking which many of them value. His overall intention will be to reinforce support for his view that the changes proposed by Zed Bank are dramatic and will affect Bank employees and customers in a way that is disadvantageous to all.