Answers

1 **(a)** Any four of the following might be identified: political, economic, sociocultural, technological, ecological, legal, demographic.

(b) Answers will vary depending on which two factors candidates chose to explain more fully and also on the type of employing organisation and the examples used.

(i) Political – government policy affects the whole economy and governments are responsible for creating and maintaining a stable framework in which business can be done. The quality of government policy is important in providing physical, social and market infrastructures. Businesses operating internationally need to satisfy themselves that the political environment in any countries in which they may wish to operate is satisfactory. Other political factors include government stability, taxation policy, foreign trade polices and social welfare policies.

(ii) Economic – the economic environment is an important influence at local and national level. It will include overall growth or fall in gross domestic product which will have an impact on the demand for goods and services. An understanding of local trends e.g. types of industry in the area, office/factory rents, labour rate and house prices will be important for firms wishing to invest in an area or seeking to relocate their business. Inflation can have an impact on business decisions – often wage inflation compensates for price inflation. Interest rates determine how much it costs to borrow money – some businesses carry a high level of debt – or may wish to borrow funds in order to undertake a major investment. Other economic factors include: general business cycles, money supply, unemployment, and disposable income.

(iii) Sociocultural – this embraces a number of areas including demographics (see below) and also the implications of technology on working patterns. There is now a greater emphasis on work–life balance issues and this can impact on employment polices and approaches to managing work. The increased incidence of out of town supermarkets and retail centres in some countries has implications for town centre developments and transportation links. Other sociocultural factors include income distribution, social mobility, lifestyle changes, consumerism and levels of education.

(iv) Technological – technology enables new products and processes to be developed as well as affecting the ways in which some services can be provided e.g. companies selling easily transportable goods like books and CDs are having increasing success over the internet. Technology can also affect the way in which some firms are managed through better communication methods or by enabling home working. The education sector has been affected by the growing use of internet technology over the past few years – some course materials for students are now available electronically and some of these enable interaction with tutors and with other students; lectures can be delivered via video links to multiple audiences simultaneously. This has implications for the skills and resources required by organisations who are in the business of education and training. Other technological factors include government spending on research, speed of technology transfer and rates of product and process obsolescence.

(v) Ecological/Ethical – this is a growing area and will include approaches to waste disposal, pollution, energy consumption and corporate social responsibility (CSR) issues within the supply chain. New markets for products and services are opening up in this area and new industries are developing to serve these. This kind of development could be important for a company which manufactures and supplies traditional packaging products which may be required to modify their manufacturing processes or material used to ensure that the end products can be disposed of appropriately. Similarly, an organisation which undertakes manufacturing in a low labour cost country will need to satisfy itself that the employment conditions of the employees is satisfactory and does not contravene any legal requirements. With the increasing emphasis on the CSR agenda, this is becoming an important business issue for many organisations.

(vi) Legal – the legal environment is often included in a discussion of the political environment as it is within this environment that laws are made. However, for many organisations, the legal or regulatory framework within which they operate is so important that it is considered as a separate and distinct category. Legal factors include: the overall general legal framework which will determine the basic ways of doing business, ownership issues, right and responsibilities; health and safety, data protection issues, environmental considerations like pollution control, and waste disposal and specific laws surrounding tax payments or competition law dealing with cartels and price fixing. Some legal and regulatory factors will affect particular industries, particularly if the public interest is served – for example, in the UK there are specific regulations which influence price and market access in the areas of electricity, gas, telecommunications, water and rail transport.

(vii) Demographic – this is often included as part of the social environment, but for some organisations it is often a crucial issue and is worthy of separate consideration. Some important demographic factors are: growth (or decline) of national population, changes in the age distribution of the population, concentration of population into certain geographical areas, ethnicity, household and family structure, employment trends and increases or decreases in the overall standard of living. An example of the effect of a demographic factor would be an organisation which specialises in the provision of services to the elderly: in the UK, demographic shifts have led to an increasingly ageing population and this can have a major impact on the resources that the organisation might need to enable them to continue to offer an appropriate level of service to this group.

2 **(a)** Three main functions of management where management information can be useful are as follows:

(i) Planning: management needs to decide what the objectives of the company are and how they can be achieved. Management information is used to help management to plan the resources that a business will require and how they will be used.

(ii) Control: once management puts a plan of action into operation, there needs to be some control over the business's activities to make sure that they are carrying out the original plans.

(iii) Decision-making: management at all levels within an organisation takes decisions. Decision-making always involves a choice between alternatives. It is the role of the management accountant to provide information so that management can reach an informed decision.

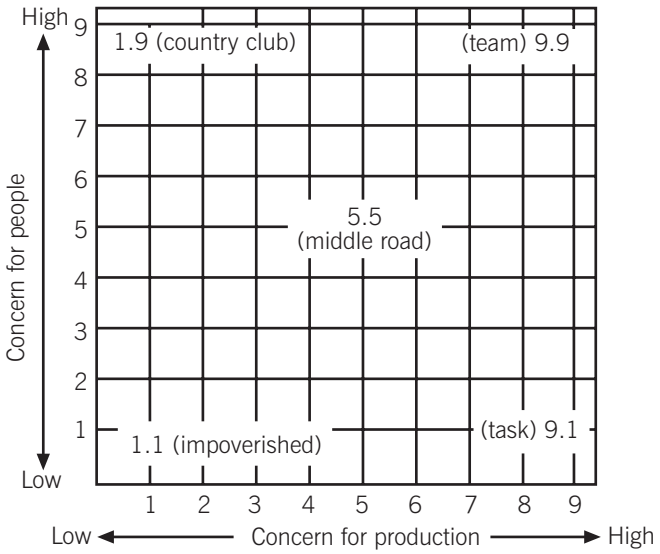
Management information is also needed for pricing, valuing stock, assessing profitability and deciding on the purchase of capital assets.

(b) Primary sources of management information include sales invoices and purchase invoices. These also provide information for the financial accounts of a company. In many organisations this information will be keyed into a computer system and will be coded so that information can be provided in the specific categories required. For example, if the organisation is divided into different business units, information about costs and income must be coded to the correct business unit. In a factory which makes different products, raw materials must be coded to the product which uses them. Errors in coding will lead to inaccurate information which may have an impact on management planning, control and decision-making. Other sources of information may include reports from various departments of the organisation including: timesheets, employee and wages and salary information from the human resources department; goods received notes and materials requisition notes from the warehouse; and price lists (in-house and also suppliers).

3 **(a)** Blake and Mouton carried out research into managerial behaviour and observed two basic dimensions of leadership: (1) concern for production (or task performance) and (2) concern for people. Along each of these two dimensions managers could be located at any point on a continuum from very low concern to a very high concern. Blake and Mouton observed that the two concerns did not seem to correlate either positively or negatively – for example a high concern in one dimension did not seem to imply a high or low concern in the other dimension. Individual managers could reflect varying degrees of concern for people or concern for task.

(b) The five styles of management can be seen on the grid which follows. This plots a manager's style in terms of concern for people and concern for production.

The managerial grid



(i) (9:9) – the 'team management style' this combines deep concern for people with a clear concern for production. This is a high performance manager who achieves high work achievements through 'leading' committed people who identify themselves with organisational aims.

(ii) (1:9) – the 'country club management style', this manager is too concerned with people and often gets very little work done. The manager is very attentive to staff needs and has developed satisfying relationships. However, little attention is paid to achieving results.

(iii) (9:1) – 'task management style', this is too concerned with production and creates an atmosphere of low morale. This approach shows almost total concentration on achieving results. People's needs are virtually ignored.

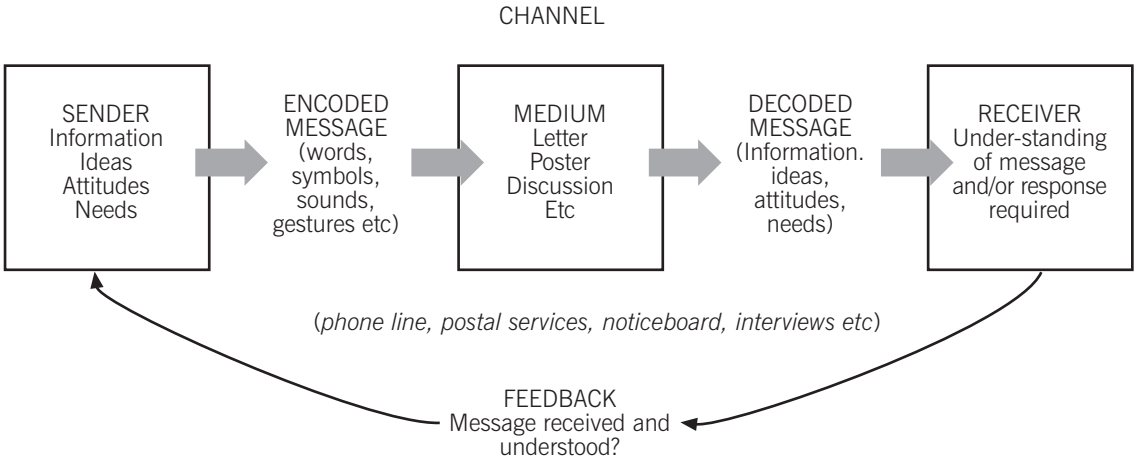
(iv) (1:1) – 'impoverished management style', – this has no concern for either people or output.

(v) (5:5) – 'middle-of–the-road management style', (sometimes also referred to as the dampened pendulum), this shows some concern for people and some concern for production. The manager adopting this style will achieve adequate performance through balancing the necessity to get results while maintaining the morale of people at a satisfactory level.

There are a number of practical applications of the managerial grid. These include:

(i) As a training aid
(ii) As a management development tool
(iii) As part of an appraisal
(iv) Enables managers to reflect on and assess the appropriateness of their own management style in different situations and circumstances.

4 **(a)** Communication is the transmission and exchange of information and is a two way process. Signals or messages are sent by the communicator and received by the other party who sends back some form of confirmation that the message has been received and understood. Encoding and decoding are important elements within the communication process/cycle; words are merely the symbols or 'stand-ins' for your ideas and intentions in communicating. In other situations, a gesture, pictures, symbols or numbers will be the most appropriate to use. Whatever codes are used, it is important that they are understood by both parties. Feedback is another important element in the communications cycle. It is the reaction of the receiver that indicates to the sender that the message has (or has not) been received and enables him or her to assess whether the message has been understood and correctly interpreted. Feedback can range from a smile or a nod to a blank look or a shrug of the shoulders. Feedback can also range from the desired action being taken to no action, or the wrong action, being taken. The communications process/cycle is often represented diagrammatically as follows:



(b) There can be many barriers to effective communication including the following

(i) Distortion – this is the term used for a process through which the meaning of a message is lost in the coding or decoding stages. Misunderstandings may arise from technical or ambiguous language, misinterpretation of symbols and tones of voice.

(ii) Noise – this refers to general interference in the environment of communication which prevents the message getting through clearly. This might be physical noise e.g. passing traffic or machinery operation, technical noise e.g. a bad internet connection or a poor telephone line, social noise e.g. differences in personalities, status or education or psychological noise e.g. anger, stress or prejudice which can distort what is heard.

(iii) Misunderstandings, due to lack of clarity or poor explanation.

(iv) Non-verbal signs e.g. gestures or facial expressions which contradict the verbal message.

(v) Failure to give feedback.

(vi) Overload – a person being given too much information to digest in the time available.

(vii) People only hearing what they want to hear- i.e. being selective in how they receive the message.

(viii) Differences in social, cultural or educational background.

(ix) Poor communication skills on the part of either the sender or the recipient or both.

(c) There are many ways in which the communication system in an organsation could be improved. Depending on the problem, some measures might be as follows:

(i) Encourage, facilitate and reward effective communication. Status and functional barriers can be minimised by improving opportunities for formal and informal networking and feedback. This means creating a culture where effective communication can take place.

(ii) Give training and guidance in basic communication skills, including consideration of recipients, listening and giving feedback.

(iii) Minimise the potential for misunderstanding. Make people aware of the differences in culture and perception and teach them to consider others' viewpoints.

(iv) Adapt technology systems and procedures to make communication easier; making it more effective through clear mobile phone reception for example or by making it faster by providing laptops for e-mailing instructions or decisions, making it more consistent through regular reporting routines and making it more efficient through reporting by exception.

(v) Manage conflict and politics in the organisation so that no basic unwillingness exists between business units or departments.

(vi) Establish communication channels and mechanisms in all directions; regular staff or briefing meetings, in-house newsletters or journals. Upward communicating should be particularly encouraged, using mechanisms such as internal meetings, suggestion schemes, open door access to managers and regular performance feedback sessions.

(vii) Communication is generally improved when interpersonal trust exists – especially between subordinates and superiors. This is achieved in a variety of ways and will depend very much on the management style of the manager, on the attitudes and personality of the individuals involved and on other environmental variables.

5 **(a)** There are many reasons why health and safety at work should be important to all organisations.

(i) Employees – as human beings – should be protected from needless pain and suffering.

(ii) Employees and employers often both have legal obligations to take reasonable measures to promote health and safe working.

(iii) Accidents, illness and other causes of employee absence and/or impaired performance cost the employer money.

(iv) A business's corporate image may suffer if its health and safety record is poor.

(v) A business's employer brand, i.e. its reputation as an employer may suffer if its health and safety record is not good. This may make it difficult to attract and keep qualified staff.

(b) In very general terms, everyone in the organisation is responsible for health and safety. As an individual, in order to contribute to a healthy, safe and secure environment there are a number of things that you may need to do:

(i) Be alert to potential hazards as you go about your work

(ii) Take responsibility for your own behaviour in the workplace, in order to protect yourself and others.

(iii) Co-operate with your employers' health and safety measures: read instructions, follow procedures, perform fire drills, etc.

(iv) Keep yourself informed about health and safety issues relevant to your workplace.

(v) Undertake regular training as necessary.

(vi) Warn people who may be at immediate risk as a result of hazardous conditions or behaviours.

(vii) Take steps to minimise hazards, for example by clearing your own work area of obstructions.

(viii) Take steps to mobilise appropriate response procedures for example by sounding alarms or calling a first aid officer in the event of an accident.

(ix) Inform appropriate people of identified hazards and the need for corrective action which might be beyond the scope of your own authority.

(c) Your organisation may have dedicated departments, managers or staff in charge of health and safety. These may include specialists such as, a first aid officer or a medical officer, an employee counsellor and/or health promotion officer, a fire prevention officer, security guards or a building manager with responsibly for a many different aspects of the work environment. The role of all of these people is to make and implement relevant polices and procedures, to listen to employee concerns and to respond to problems and emergencies.

In addition, a number of employee health and safety representatives may be appointed by the trade unions or staff associations in your workplace, by agreement with your employer. Their role is to listen to employees' concerns and to consult with the employer on their behalf.

Legislation can also impose general duties upon employers to make sure that all systems and work practices are safe, that the work environment is safe and healthy – i.e. well lit, warm, ventilated and hygienic and that all plant and equipment is kept up to the necessary standard. Organisations may be required to provide protective clothing, safety guards on machinery and appropriate training to enable employees to use machinery and equipment in a safe manner.

1	**(a)**	2 marks for each influence identified up to a maximum of 8 marks.	8 marks
	(b)	3 marks for each influence explained, up to a maximum of 6 marks, and a further 3 marks for appropriate use of examples in each explanation.	12 marks
			Total 20 marks

2	**(a)**	4 marks for each explanation up to a maximum of 12 marks.	12 marks
	(b)	2 marks for each source identified up to a maximum of 8 marks.	8 marks
			Total 20 marks

3	**(a)**	2 marks for each dimension identified.	4 marks
	(b)	5 marks for each style identified and explained.	10 marks
	(c)	3 marks for each practical application identified.	6 marks
			Total 20 marks

4	**(a)**	6 marks for a full explanation to include reference to encoding, decoding and feedback and 2 marks for a clearly labelled diagram.	8 marks
	(b)	1 mark for each barrier identified up to a maximum of 4 marks.	4 marks
	(c)	2 marks for each improvement suggested up to a maximum of 8 marks.	8 marks
			Total 20 marks

5	**(a)**	1 mark for each reason identified up to a maximum of 4 marks.	4 marks
	(b)	2 marks for each responsibility up to a maximum of 8 marks.	8 marks
	(c)	2 marks for each responsibility up to a maximum of 8 marks.	8 marks
			Total 20 marks