
Business Management

1st Year Examination

August 2013

Paper, Solutions & Examiner's Report



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Accounting Technicians Ireland

1st Year Examination: Autumn 2013

Paper : BUSINESS MANAGEMENT

Wednesday 22nd August 2013 – 9.30 a.m. to 12.30 p.m.

INSTRUCTIONS TO CANDIDATES

Answer FOUR questions in total. QUESTION 1 IN SECTION A IS COMPULSORY AND MUST BE ANSWERED. Answer ANY THREE questions in Section B. If more than the required number of questions is answered, then only that number, in the order filed, will be corrected.

Candidates should allocate their time carefully.

Answers should be illustrated with examples, where appropriate.

Question 1 begins on page 2 overleaf.

SECTION A**Answer QUESTION 1 (Compulsory) in this Section****QUESTION 1 (Compulsory)**

You work in a medium sized hotel in Ireland. At a conference on service marketing you attended recently, one of the speakers mentioned that services have the following characteristics that separate them from manufacturing; Intangibility, Inseparability, Perishability and Heterogeneity/ Variability.

At the conference, another speaker explained how the traditional marketing mix (the 4Ps) had been expanded into what is known as the extended marketing mix (the 7Ps).

Following on from the conference, your manager asked you to prepare a short briefing note on the following matters:

You are required to:

- (a) Describe each of the four characteristics of services mentioned above from the perspective of a medium sized hotel. **10 marks**
- (b) (i) Describe each of the extra three elements of the extended marketing mix model. (i.e. the additional 3Ps), using examples from hotels in your sector to illustrate your answer. **6 Marks**
- (ii) In broad terms, briefly outline how the current recession is likely to have impacted the relative importance of the traditional and extended marketing mix variables for hotels in your sector. **4 Marks**
- (c) "Branding has little relevance in these difficult recessionary times".

Explain what is meant by "branding" in a marketing context. Do you agree with the assertion? Give two reasons in support of your answer.

5 Marks
Total 25 Marks

SECTION B

Answer any **THREE** of the six questions in this Section

QUESTION 2

- (a) “Managers fulfill a wide variety of roles in organisations”. Write an explanatory paragraph on the following roles of a manager:

- (i) Interpersonal roles,
- (ii) Informational roles,
- (iii) Decisional roles.

10 Marks

- (b) Differentiate between “Strategic Planning” and “Operational Planning” and comment on the challenges associated with doing both effectively.

10 Marks

- (c) “Leaders are born not made.” Do you agree? Give two reasons in support of your answer.

5 Marks

Total 25 Marks

QUESTION 3

- (a) You work in the marketing department of a large motor distributor based in a major urban area in Ireland. The company is a subsidiary of a large international corporation and distributes a range of motor vehicles (non-commercial) through a dealer network of garages spread across the country. Your organization has responsibility for marketing the brand nationwide. At a recent meeting, it was suggested the distinction between high involvement and low involvement purchases may be important to understanding the buying behaviour patterns of your company’s customers.

Following on from the meeting you were requested to undertake the following:

- (i) Describe the five stages consumers typically go through when purchasing high involvement products.

10 Marks

- (ii) Comment on the relevance of the high and low involvement purchases distinction in the scenario presented, that is, to facilitate understanding of the behavior of consumers when purchasing new motor vehicles.

10 Marks

- (b) “Marketing is of little relevance to not-for-profit organisations”. Do you agree? Give two reasons in support of your answer.

5 Marks

Total 25 Marks

QUESTION 4

- (a) “Motivational theories may be classified into two groups: content and process theories”. Explain the distinction between both sets of theories and briefly describe one content theory of motivation. **10 Marks**
- (b) “Power in organisations comes from many different sources”. Describe four common sources of power in organisations. **10 Marks**
- (c) “Control is something that applies at the end of a process.” Do you agree? Give two reasons in support of your answer. **5 Marks**
- Total 25 Marks**

QUESTION 5

- (a) Explain the term “Market Positioning”? Briefly outline how the concept might apply in the retail sector. **10 Marks**
- (b) Distinguish between undifferentiated, differentiated and concentrated market targeting strategies. Suggest how they might apply to a company selling “foreign sun holidays” to customers living throughout Ireland. **10 Marks**
- (c) Briefly explain what is meant by “Corporate Social Responsibility”. **5 Marks**
- Total 25 Marks**

QUESTION 6

- (a) Explain three general ways in which organisations are deploying Information Systems (IS) to attain greater competitive advantage. **10 Marks**
- (b) Briefly describe the criteria you would apply in evaluating off-shelf software packages to meet your application needs. **10 Marks**
- (c) What is meant by “Contingency Planning” in the context of an IS system? **5 Marks**
- Total 25 Marks**

QUESTION 7

(a) “Budgets fulfill many objectives in organizations”. Describe four major roles of budgeting in organisations.

10 Marks

(b) “The financial crisis has had a negative impact on funding sources available to organisations”. Describe one major short term source of finance and one major long term source of finance available to businesses.

10 Marks

(c) Describe the role of the Management Accountant in the area of costing in organisations.

5 Marks

Total 25 Marks

1st Year Examination: August 2013

Business Management

Suggested Solutions

Students please note: These are suggested solutions only; alternative answers may also be deemed to be correct and will be marked on their own merits.

SOLUTION 1

PART A

Services have various characteristics that separate them from manufacturing.

Intangibility

Services are intangible: Unlike physical products they cannot be seen or touched before they are bought. Services are difficult to describe, to demonstrate to the buying public, or to illustrate in communications and promotional material. An organisations reputation and that of its sales people are essential to service marketing. Many factors influence the experience of a service. This is particularly true of hotels where the ambiance and décor and overall quality of the surroundings and service levels influence the consumers perceptions and their interpretation of the experience.

Inseparability

Services are purchased and consumed simultaneously. Buyer provider interaction is a special feature of services marketing. Services cannot be separated from their providers. Customers and service providers participate in and affect the transaction. It is a once off experience. The impressions created by hotel staff cannot be inspected like the products at the end of an assembly line.

Perishibility

Services cannot be stores or inventoried. The perishibility of services is generally not a problem when demand is steady. When demand fluctuates service firms may experience problems. It is difficult to synchronise supply and demand. Hotels have to strive to ensure they recognise service experiences are one-off and damage done at one point in time may be difficult to rectify later.

SOLUTION 1 (Cont'd)**Heterogeneity / Variability**

Because services depend on who provides them, (as well as when and where they are provided), service quality is highly variable. Many services cannot be provided by machines and therefore the human factor is of great importance in the maintenance of service quality.

There can be a great deal of variability in the output of a services organisation. This arises, as it is more difficult to establish standards for output and even harder to ensure standards are being met each time the service is being delivered. For example, hotel employees reactions to customers may vary with their levels of tiredness and fatigue.

Marks Allocated	
<i>2 marks for the quality and description of each characteristic in the context of the scenario presented</i>	
<i>2 marks for overall quality and presentation</i>	10 Marks

PART B (i)

Most organisations' define Consumer Benefits Packages within the parameters of the 4P's, of price, product, place and promotion. The Services Revolution has added a further three more elements to the marketing mix, namely, participants, physical evidence and process.

Participants

This refers to the people who actually deliver the service at the point of customer contact. In essence, the other 6P's only play a support role to participants in a service environment. Whether it be on a one-to-one basis, over the phone, or via the Internet, the professionalism, politeness and credibility of these participants is critical. Participants in general require training in personal selling, human interaction skills and customer problem resolution.

Physical Evidence

This relates to how facilities are designed and managed. Take for example, a cinema, a supermarket or a restaurant. The design of the interior and the exterior of these establishments are critical in the eyes of the consumer, as is the appearance and hygiene of the reception, service and recreational areas and facilities etc.

Process

This refers to the efficiency and effectiveness of the service process involved in delivering the product / service mix. Most successful service providers develop detailed standards of performance for the facility, process, equipment and the jobs that deliver the consumer benefits package.

Marks Allocated	
<i>2 marks for the quality and description of each element in the context of the scenario presented</i>	6 Marks

PART B (ii)

Many factors influence the experience of a service. To reduce uncertainty buyers will look for signs or evidence of service quality. They will draw inferences about quality from matters such as place, equipment, communication material, symbols and the prices they see.

In the case of medium sized hotels these perceptions and judgements are likely to be quite discerning. Buyer provider interaction is a special feature of services marketing. Services cannot be separated from their providers.

SOLUTION 1 (Cont'd)

Customers participate in and affect the transaction. The impressions created cannot be re-inspected. The little touches that give a distinctive feel are also vital.

For example, The quality of the food is likely to be of utmost importance as indeed is the ambience and atmosphere that is created. The depth and breath of the menu, the efficiency of service and friendliness of staff and the perceived value for money are likely to be highly influential. The quality of service in a medium sized hotels may be assessed and monitored in a number of ways:

- by direct supervision – high presence of managers in monitoring service
- testing the quality of food – taking samples from various dishes on a regular basis
- reviewing customers satisfaction levels – this may be done by direct discussion as service is being provided or by follow up discussions, phone calls or surveys
- by using expert panels (or mystery diners) - who observe the experience and report back to management
- by monitoring complaints – close attention should be given to ensuring the underlying reasons for verbal and written complaints are addressed
- by registering with relevant external quality mark agencies and seeking to improve the rating they award to your hotel.

The economic downturn is likely to have increased the pressures on hotels to achieve high standards across all 6Ps but to do so at an increasingly competitive price. So standards are expected to be very high but they have to be attained at very keen prices. Customers are very discerning and in many cases are looking for luxury at very competitive prices. This is proving to be a major challenge for the medium sized hotel sector.

<i>Marks Allocated</i>	
<i>4 marks for the quality of the discussion</i>	<i>4 Marks</i>

PART C

A brand is defined as a name, symbol or design that identifies the goods or services of one seller and distinguishes them from those of competitors. Organisations with very strong brand names include Ballygowan, Heinz, Coke-Cola, Guinness, Microsoft and Apple.

It can be a letter, a word, a group of words or a symbol. (e.g. Nike). A product / brand manager co-ordinates all the efforts for a particular product (or product line) or brand. An important part of the brand image of a product is the packaging that is utilised.

Branding

- Makes goods easily identifiable and gives them a distinctive appearance
- If the quality of goods is maintained, it gives the consumer reassurance that they know what they are buying
- It facilitates advertising, promotion and new product development

It is important in recessionary times not to allow the cutbacks to damage the promotion of the long term brand image of the company. It is possibly true that in these challenging recessionary times that we are witnessing a fall off in the sales of traditional brands as customers strive to make ends meet with their reduced levels of disposable income. However it is still important for organizations to differentiate their products in customers eyes. So notwithstanding this pressure branding will continue to be very important as organizations strive to highlight and promote the unique features of their products even if they cost a little more than other brands on the market.

<i>Marks Allocated</i>	
<i>2 marks for explanation, 1 mark for conclusion (if conclusion is offered)</i>	
<i>2 marks for reasons given (1 mark each)</i>	<i>5 Marks</i>

SOLUTION 2**PART A**

Mintzberg suggested, that rather than look at the functions of the manager; it is more beneficial to view the key roles they play. He isolated ten roles common to most day to day work of managers, and grouped them under the following broad categories; Interpersonal, Informational and Decisional.

Roles of a broad Interpersonal Nature

Managers need to interact with individuals and teams. As “figureheads”, the managers handle ceremonial and symbolic activities for the organisation. As “liaison officers” they develop information sources both inside and outside the organisation. As “leaders” they provide direction to the organisation and build relationships with staff, instilling confidence and winning their support and commitment to formulated visions.

Roles of a broad Informational Nature

Information is the lifeblood of organisations. A key role of the manager is to develop and maintain an information network. Managers may spend a significant proportion of their day communicating with others to maintain this network. The “monitor role” involves seeking / acquiring information from a variety of sources, whereas the “disseminator” and “spokesperson roles” refer to the transmission of information to others who require it. With the growing importance of staff in organisations, the informational role becomes much more important.

Roles of a broad Decisional Nature

Managers need to balance competing interests and choose among alternatives. Through decisional roles, strategies are formulated and implemented. Both conceptual and human skills are important in this instance. The “entrepreneur role” involves the initiation of change, thinking about the future and devising ways to deal with current and future problems. The “disturbance handler role” involves the resolution of conflicts between individuals and teams. The “resource allocator role” involves making decisions on how to allocate resources to meet stated objectives. The negotiator role refers to the formal negotiation and bargaining activity to attain outcomes for the manager’s area of responsibility.

<i>Marks Allocated</i>	
<i>3 marks for the quality and explanation of each role</i>	
<i>1 mark for overall quality and presentation</i>	<i>10 Marks</i>

SOLUTION 2 (Cont'd)**PART B**

Strategic planning is the process of determining the major goals of the organisation, and of crafting the appropriate strategies for obtaining and using resources to achieve those goals. Senior management generally initiates it, but lower levels of management will be involved in information gathering and decision-making. The final product of this process is a Long Range (Strategic) Plan, which will stretch 3 to 5 years into the future.

Typically there are five stages in developing a strategic plan

- Developing a concept of the business and forming a vision of where the organisation needs to be headed, or giving it a mission.
- Translating the mission into specific long-range and short-range performance objectives.
- Crafting a strategy that fits the organisation's situation and that should produce the targeted performance.
- Implementing and executing the chosen strategy efficiently and effectively
- Evaluating performance and making adjustments to the objectives or strategy, or their implementation, in the light of changing conditions or new opportunities.

Effective strategic planning has to be based on a solid understanding of the causal relationships underpinning success in the markets the business is operating in and the factors underlying competitive success in those markets. Information on the nature of the industry, changes / developments taking place therein, the nature of the competitive forces at play, the position of the company in relation to these factors all underpin the process of strategic planning. Assessing these forces can be particularly challenging in the present recessionary environment.

Operational plans are short-range plans that translate tactical plans into specific goals and actions for small units of the company. Their time frame is usually up to one year in advance. Operational plans identify key factors that could affect the desired results and specify different actions to take if factors change within the environment. Typically supervisors engage in operational planning.

Budgets form a significant component of operational plans. Normally when most of the key operational decisions that affect the year ahead are being made, a budget forecast is prepared to assess the financial implications of such actions. This is generally followed by challenging negotiations between various strategic business units and / or departments as they finalise the budgets and operational plans for the forthcoming year. These negotiations are particularly challenging in difficult recessionary times as they invariably involve deciding where cutbacks have to be made or where efficiencies have to be found and this may involve complex negotiations with unions etc.

<i>Marks Allocated</i>
<i>5 marks for the quality of the description of each mode of planning and the challenges each presents</i>
<i>10 Marks</i>

PART C

Trait theory is one way to describe who leaders are. Trait theory suggests that effective leaders possess a similar set of traits or characteristics. Traits are relatively stable characteristics, such as abilities, psychological motives, or consistent patterns of behaviour. Trait theory is also known as the 'great person' theory because early versions of the theory stated that leaders are born not made.

For some time it was thought that trait theory was wrong and that there are no consistent trait differences between leaders and non leaders, or between effective and ineffective leaders. However, more recent evidence shows that 'successful leaders are not like other people,' that successful leaders are indeed different from the

rest of us. More specifically leaders are different from non leaders in the following traits; drive, the ability to lead, honesty / integrity, self-confidence, emotional stability, cognitive ability, and knowledge of the business.

Traits alone aren't enough for successful leadership. Leaders who have these traits (or many of them) must also behave in ways that encourage people to achieve group or organizational goals. Two key leader behaviours are initiating structure, which improves subordinate performance, and consideration, which improves subordinate satisfaction. There is no 'best' combination of these behaviors. The 'best' leadership style depends on the situation.

For example, Fiedler assumes that leaders will be more effective when their leadership styles are matched to the proper situation. More specifically, Fiedler defined situation favourableness as the degree to which a particular situation either permits or denies the leader the chance to influence the behaviour of group members. In general, relationship-orientated leaders are better leaders under moderately favourable conditions, while task-orientated leaders are better leaders in highly favourable and highly unfavourable situations.

Traits alone are aren't enough for successful leadership but people who have the appropriate traits must strive to ensure they use them productively in encouraging others to achieve overall organizational goals.

<i>Marks Allocated</i>	
<i>1 mark for conclusion (if conclusion is offered)</i>	
<i>2 marks for reasons (1 mark each)</i>	
<i>2 marks for the overall quality of the answer (Engagement with theme / Conclusion well supported)</i>	
	<i>5 marks</i>

SOLUTION 3

PART A (i)

Every business must have an understanding of the end consumer of their products. Each consumer goes through a decision-making process in terms of recognising a need, searching for information, evaluating alternative products, deciding on a purchase, and evaluating their purchase after the event. The firm has some influence through its marketing mix on various stages of this decision making process, but this influence is far outweighed by outside influences relating to the personality of the consumer and the way in which they purchase goods. The following psychological, socio-cultural and situational influences are all factors in the decision-making process

- Psychological influences, such as perception, attitude, learning and motivation
- Socio-cultural influences, such as reference groups, family, social class, culture
- Situational influences, such as type of purchase, social surrounding, physical surrounding and previous experience

Stages

The consumer decision making process identifies five stages through which consumers move when making decisions.

1. Problem / Need Recognition

This stage emerges within a consumer senses a gap between his/ her actual and desired state. It may be stimulated by internal or external factors or events.

2. Search Behaviour / Search for Information

This refers to the actions taken to identify and obtain information to solve a common problem. It will be influenced by internal memories or experiences and relevant external information on the matter (e.g. commercial sources, personal networks etc.)

3. Evaluation of alternatives

During this phase people compare options and choose between brands on the basis of price, location, reliability and other features.

4. The Consumer Choice Process / Purchase

Having chosen a brand the consumer then makes other decisions on issues such as quantity, timing, payment method etc.

5. Post Purchase Evaluation

Consumer satisfaction is the overall attitude consumers have towards a good or service after they have acquired and used it. Outcomes may be grouped

- it will have met their expectations and they will be satisfied
- it will have exceeded their expectations and they will be delighted
- it falls short of their expectations and they will be dissatisfied.

<i>Marks Allocated</i>	
<i>2 marks for the quality of the description of each stage</i>	<i>10 Marks</i>

PART A (ii)

Students would be expected to indicate how the decision making process relates to the purchase of different degrees of involvement. Each of the stages should be explored and related to the context. (e.g. How problem and need recognition emerges, what search behaviour is likely to be undertaken, what features are likely to come into play in the evaluation, what criteria will influence choice and what sort of post evaluation activity is likely to be undertaken).

There is an important distinction to be made between purchases that are termed 'high involvement' and purchases that are deemed 'low involvement'. Consider the following:

High Involvement Purchases:

These are purchases where the risk for the consumer is high. Examples include purchasing a house or car. In high involvement cases, the consumer is actively searching for information related to the product or service. So, for example, a person wishing to purchase a new car will most likely actively search the Internet and auto trade magazines for information. The advantage for marketers here is that it may be much easier to get the consumers attention if they are highly involved with the product/service category.

Low Involvement Purchases:

Low involvement purchases are those where the risk is relatively low for consumers. Examples include fast moving consumer goods (FMCGs) such as milk, bread and confectionery. In these cases, the consumer is less likely to be actively scanning the retail environment for information on these products or services. This presents a problem for marketers wishing to draw attention to their wares. When consumers are in the low involvement category, techniques such as celebrity endorsement, recommendations from friends and humorous advertising are known to be effective tools to create awareness under low involvement conditions.

There are a variety of factors that can influence a consumer's behaviour. The CDMP is a good model on which to analyse the various stages that consumers go through when considering, making and evaluating a purchase. However, marketers need to consider the relevance of a product or service to the consumer – this is referred to as involvement. Involvement has been defined as a person's perceived relevance of the object, based on the person's inherent needs, values and interests.

SOLUTION 3 (Cont'd)

The CDMP will, therefore, be different under conditions of high and low involvement as the table below outlines:

CDMP Under Different Involvement Levels		
CDMP Stage	High Involvement	Low Involvement
1) Problem recognition	There will be a strong and conscious recognition of the 'problem'. For example the 'problem' of needing a new car.	Often the 'problem' will be less conscious. A person will physiologically recognise the need to eat, for example but not necessarily put a lot of thought into the 'problem'.
2) Pre-purchase search	Consumers are likely to search many different information sources – friends, family, brands and Internet are all examples.	Less information sources are needed here. Often the consumer will rely solely on memory and experience to make a rapid choice.
3) Evaluation of alternatives	Consumers are likely to evaluate many different choices here. For example, when buying a car, five or more models may be closely scrutinised and considered. Criteria will include; perceived value for money, technical specifications, style, comfort, additional features, brand image and perceived reliability.	The consumer is less likely to consider many alternatives here. Often a quick evaluation may be made on a much smaller set of alternatives. Often no evaluation is done and the first brand seen is bought.
4) Purchase behaviour	Factors influencing purchase behaviour include cost, timing and location of the purchase.	Fewer factors will influence the purchase. Cost, timing and location are secondary and consumers don't invest much time considering such factors.
5) Post-purchase evaluation	Consumers will invest much thought into whether the purchase has proved satisfactory or not.	Consumers invest a lot less thought into whether satisfaction has occurred or not.

<i>Marks Allocated</i>	
<i>2 marks for the quality and relevance of the points made at each stage</i>	<i>10 Marks</i>

PART B

The principles underlying marketing have wide applicability in the not-for-profit sector as well as in the for-profit sector.

All organisations provide services or goods to meet the needs of consumers or users. Both for profit and not-for-profit organisations have to focus on customer needs, values and satisfaction.

It has been acknowledged however that there are certain types of not for profit organisations where the principles do not transfer without adaptation. For example, it is quite unconvincing to refer to prisoners as customers – in

almost all cases, they do not want to be there. It is better to acknowledge these people are best understood as citizens with universal rights.

So while both sectors share common values such as the need for economy, efficiency and meeting customers needs, each has to also to approach these tasks within different institutional contexts which impose distinct expectations and indeed legal requirements. (e.g. requirement for equity and due process in organisations in receipt of public funds etc.)

<i>Marks Allocated</i>
<i>1 mark for conclusion (if conclusion is offered)</i>
<i>2 marks for reasons (1 mark each)</i>
<i>2 marks for the overall quality of the answer (Engagement with theme / Conclusion well supported)</i>
<i>5 marks</i>

SOLUTION 4

PART A

Motivation is a complex concept. There are a variety of factors which influence the meanings people give to a situation and which prompt them to act in particular ways. Some writers make an important distinction between the motivation of other people and motivating oneself.

“Motivating other people is about getting them to move in a direction you want them to go in to achieve a result”.

“Motivating yourself is about setting the direction independently and then taking a course of action which will ensure that you get there”.

There is no one universally accepted theory of motivation. Broadly speaking the theories, may be categorised into two groups, content and process theories of motivation.

Content theories of motivation assume that needs are the most important determinant of an individual’s level of motivation. These theories focus on the following question;

“What initiates or stimulates behaviour?”

There are four main content theories of motivation – Maslow’s hierarchy of needs, Alderfer’s ERG theory, McClelland’s Achievement theory and Herzberg’s two factor theory.

Process theorists propose that people are more complex, more pragmatic and more contemplative than the need theorists suggest. They seek to establish not only what people want from their work situations, but how they believe they can actually achieve it and what influences the process. These theories focus on the dynamic of how people decide as individuals what motivates them. Emphasis is placed on the cognitive processes.

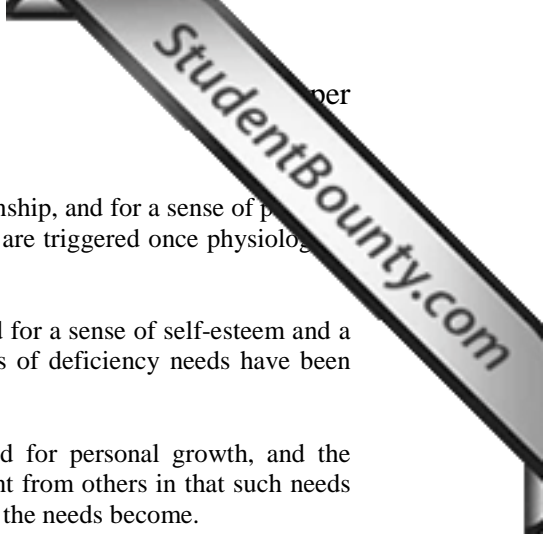
There are three main process theories – Mc Gregor’s Theory X and Theory Y, Vroom’s expectancy theory and Adam’s equity theory.

One popular content theory of motivation is Maslow’s Hierarchy of Needs. This theory states that human motivation is dependent on the desire to satisfy various levels of needs and that the type of behaviour results from the nature of the particular need to be fulfilled at a given time. According to Maslow, five basic needs exist in a hierarchy from lower level deficiency needs to higher growth level needs. The five basic needs are;

Physiological needs: These needs relate to the basic survival needs which allow for continued existence, such as food, water and adequate shelter.

Safety needs: These needs relate to physical and psychological safety from external threats to our well being, such as the need for security and protection. These needs take effect when physiological needs have been met.

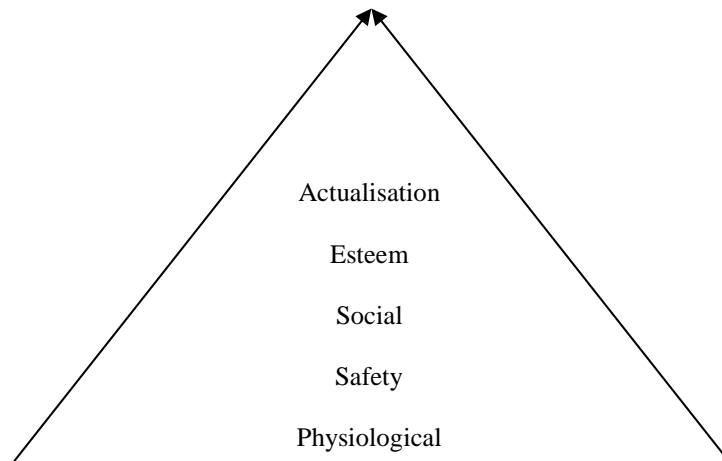
SOLUTION 4 (Cont’d)



Social needs: This level of need relates to the need for company and companionship, and for a sense of belonging. These needs for personal contact and interaction with other people are triggered once physiological and safety needs have been met.

Esteem needs: This is the first level of growth needs, which relates to the need for a sense of self-esteem and a feeling of personal self-worth. They become salient once the first three levels of deficiency needs have been satisfied.

Self-actualisation needs: The final level in the hierarchy refers to the need for personal growth, and the development of one's full potential and capabilities. This need level is different from others in that such needs can rarely be fully satisfied or fulfilled. The more they are satisfied the stronger the needs become.



Maslow's theory is a general theory not specifically designed for organizations. However it has relevance to understanding people's motives within organizational settings.

The theory is universalistic in nature. It assumes that people move from one level to the next. However in reality people may have a number of unfulfilled needs at a number of levels concurrently.

The theory does not reflect how the motivational process is played out. Different people may construct or perceive their needs differently. It does not reflect how expectancy and equity interact with peoples needs and it makes no mention of the impact of peoples perceptions of power differentials.

In summary the model has the following merits and limitations

Benefits of the model	Limitations of the model
<ul style="list-style-type: none"> • Allows managers to identify the motivations of employees • Allows for the classification of biogenic versus hedonic needs – i.e. separates physical and emotional needs • Allows the self actualization concept to be applied in workplace scenarios through career and personal placement 	<ul style="list-style-type: none"> • The model is quite simplistic and generalized • The model looks at basic needs but does not consider in great depth how other facets of human experience evolve (i.e. aesthetics) • Model makes no direct reference to cultural issues • Model is overly sequentialised (i.e. one must satisfy one level before progressing to the next).

Notwithstanding its limitations the model has wide application and most people can identify with its suppositions. It is valuable to managers in that it helps them to gain a deeper understanding of the variable motivational play with different people in their organizations.

It is likely to have greater relevance in the present climate where the recession has resulted in significant falls in people's income and wealth. As a result basic physiological and safety needs are now likely to have greater prominence in people's lives as they struggle to cope with the impact of the recession.

<i>Marks Allocated</i>	
<i>2 marks for the quality of the distinction made of each category of theoretical grouping</i>	
<i>5 marks for the description of content theory</i>	
<i>1 mark for the overall quality and presentation</i>	<i>10 marks</i>

PART B

Power is generally described as the capacity or ability to influence a person. Power comes from many different sources. In many cases we legitimise positions of power collectively – like through an election process. In other instances power may be held against people's will as in the case of autocratic regimes.

It is recognised that power may be derived from a number of sources:

Legitimate sources

In organisational terms legitimate power is based on the structure of an organisation. It is defined by the organisation chart.

Reward power

This is a form of power derived from perceptions of the capacity of the person or institution to allocate or distribute rewards. (e.g. ability of managers to award or withhold monetary rewards to employees).

Expert power

This is based on the specialist knowledge of a subject area and is increased to the extent that others need or depend on the knowledge held by the individual.

Referent power

This power derives from others wishing to be like the manager. It is visible through the actions of those who admire the manager. For example, they may talk, dress and act like the manager.

Coercive Power

This is the power to administer penalties either by giving something that is not desired by an employee (e.g. a negative review of their work) or the withholding of something that is desired by them (for example, a promotion).

<i>Marks Allocated</i>	
<i>2 marks for the quality of the description of each source</i>	
<i>2 marks for the overall quality and presentation</i>	<i>10 marks</i>

SOLUTION 4 (Cont'd)**PART C**

Control systems in organisations vary by level from strategic down to operational levels. Notwithstanding the differences in scope, breadth, depth of analysis associated with control systems at each level within organisations, it is possible to discern certain features that are common to controls; expectations / standards, action orientation, target setting, monitoring, timely interventions etc.

To suggest that control occurs only at the end of a process reduces control to just the monitoring phase mentioned above and to some extent devalues all of the remaining phases in the control process. Control is an important function of management and it is important to realise that control is not something that just takes place at the end of a process. It is interesting to explain this point using the Total Quality Management (TQM) framework.

The TQM philosophy argues that preventing mistakes is far less costly than correcting them later in terms of lost or returns of sales. The aim in TQM is to get things right first time. Quality has to be managed throughout the whole process– it will not just happen.

The 'T' in Total Quality Management (TQM), for example, stands for 'total' which implies the involvement of everyone in the organisation in the process. The 'Q' stands for 'quality' which is about meeting customer requirements and expectations. The 'M' stands for 'management' which must be fully committed and that quality can and must be managed to get the full commitment of staff while encouraging everyone to be quality aware.

Marks Allocated*1 mark for conclusion (if conclusion is offered)**2 marks for reasons (1 mark each)**2 marks for the overall quality of the answer (Engagement with theme / Conclusion well supported)***5 marks****SOLUTION 5****PART A**

Market positioning considers the perceptions of the consumer about the product or service, relative to other products and services in the market. The marketer seeks to position the product so it is perceived to possess the key variables considered important by customers. Re-positioning involves moving the product away from its current position to a point that improves its market appeal. Lucozade is a product that was re-positioned from a drink for people who were feeling unwell to a sports drink.

Positioning, therefore, examines the associations an organisation wants potential customers to infer about its product or service. For example, we associate Ryan with low cost flights. All products and services will have a position in the mind of the consumer (and this can be positive or negative). An interesting way of seeing this is to consider a perceptual diagram which maps the brand on an axis according to certain criteria. It is used to locate or situate the brand in relation to its competitors.

For example it may be used to situate where various brands within the retail market positions themselves in terms of quality and price . (Lidl, Aldi, M&S, House of Frazer).

To the extent that a company can position itself as providing superior value, it gains a competitive advantage. For example, Apple Inc. continually strives to position its products as superior to its competitors on various criteria.

The full positioning of a brand is called the brand's value proposition. That is, the full mix of benefits which the brand is positioned. Many organisations in the retail sector are striving to differentiate their offer from their competitors on the basis of price and quality. (e.g. Luxury /special features at an affordable price).

<i>Marks Allocated</i>	
<i>5 marks for the quality of the description of the concept</i>	
<i>4 marks for its application</i>	
<i>1 mark for the overall quality and presentation</i>	<i>10 marks</i>

PART B

Market targeting follows market segmentation. It involves evaluating the various segments identified during the segmentation process and deciding how many and which segments it can serve best.

Undifferentiated Marketing

This is a full market coverage strategy, in which the firm serves all customer groups with products they might need. It is a market coverage strategy in which the firm decides to ignore market segment differences. It relies on mass distribution and advertising and it may provide cost efficiencies. (e.g. Fruit and Coca-Cola are products which advertise to a mass market).

Differentiated Marketing

This is a market coverage strategy in which the firm decides to target several market segments and designs a separate marketing mix for each. By offering product variations and marketing, the company hopes for higher sales and a stronger position in a market segment. (e.g. VHI, Laya and Bupa are health insurers that target several segments of a market).

Concentrated Marketing

This is a market coverage strategy in which a firm goes after a large share of one or a few submarkets. It pursues a niche or micro market strategy. (e.g. Rolex watches are targeted at a particular niche audience).

Mass marketing would be adopted by providers who were targeting all customer groups with – holidays in the Sun or last minute deals. Differentiated marketing would be adopted by providers who target a selection of distinct market segments – retired couples, young families and / or singletons. Concentrated marketing would focus on marketing to select niche groups – those interested in eco-tourism, deep sea fishing, scuba diving or honeymoon couples who want holidays in exotic islands in the Indian ocean.

<i>Marks Allocated</i>	
<i>2 marks for the quality of the description of each strategy</i>	
<i>3 marks for the discussion of its application in the context presented</i>	
<i>1 mark for the overall quality and presentation</i>	<i>10 marks</i>

PART C

Corporate Social Responsibility (CSR) refers to the voluntary actions that businesses may undertake over and above compliance with the minimum legal requirements to address both its competitive interests and the interests of the wider community. It can be characterised as the concept whereby companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders on a voluntary basis.

A firms' obligation to its publics is seen to extend beyond the legal responsibility to comply with legislation. Instead firms voluntarily take further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

Firms' should engage in CSR to ensure they gain social acceptance through ethically responsible behaviour. Not engaging sufficiently with CSR is not only potentially damaging to the firm's reputation but also to the sustainability of long term growth and development for the organisation, industry and society at large.

<i>Marks Allocated</i>	
<i>4 marks for the quality of the explanation</i>	
<i>1 mark for the overall quality and presentation</i>	<i>5 marks</i>

SOLUTION 6**PART A**

The information systems strategy has been defined as the long-term directional plan for IS in an organisation. It is seen to be business led and demand driven, and is concerned with exploiting IT either to support business strategies or create new strategic options. An IS strategy therefore deals with the integration of an organisations information requirements and information systems planning, with its long term overall goals.

Three common ways in which a company might deploy Information Systems to attempt to gain competitive advantage include:

- Knowledge Management
- Data Warehousing and Data Mining
- Better Integration / Internal co-ordination

Knowledge Management

Knowledge management is a coordinated attempt by the organisation to retain its corporate 'knowledge' over time and produce the learning organisation. It includes greater use of corporate databases, communication tools and incentives to share best practice. Databases may be used to retain key documents relevant to the work of the entity - reports, research and case studies. Communication tools may be used to allow workers to share knowledge quickly and over long distances, which helps to generate and spread best practice.

Data Warehousing and Data Mining

Data Warehousing is the process of designing, building and maintaining a data warehouse system. A data warehouse is a large database system that collects data for analysis (data mining) to help in management decision making. This complex analysis technique known as "Data Mining" might identify patterns, trends and / or possible market gaps for the company to exploit.

Very large supermarket chains move all their collected data from the store shelves and cash registers to these large data warehouses in real time. They then carry out analysis on this data using data mining techniques to help identify customer trends in purchasing, marketing information on potential customers, complimentary purchasing trends using loyalty voucher giveaways.

Better Integration / Internal co-ordination

By deploying Enterprise Resource Systems (EPR) effectively, a company can see significant improvements in internal co-ordination of departments and resources. For example, if a customer places an order, then (a) the Stock can be immediately checked for sufficient supply, (b) the production / manufacturing and /or purchasing department can commence buying replacements or raw materials, (c) Outbound logistics ('Deliveries') can be informed of the size of the order and the required date of delivery, allowing them to plan delivery routes and determine what vehicles are needed, and (d) the Accounts department will know to prepare invoices.

This can all be achieved speedily, and without having to rely on e-mail communication. This means a more efficient / low cost process, but also a better customer experience. Both can help generate a competitive advantage.

<i>Marks Allocated</i>	
<i>3 marks for the quality of the explanation of each mode of deployment</i>	
<i>1 mark for the overall quality and presentation</i>	<i>10 marks</i>

PART B

The decision to build or buy IT systems involves a number of considerations:

The package option is feasible only when the application software required is of a “standard” variety – the type of common system likely to be required by a large number of companies.

In the case of specialised systems uniquely required by a single organisation, a package will not be available and the development of a custom-built system becomes the only option.

Packages are available immediately to use whereas custom-built systems may take months or years to develop. Packages are generally well established and are proven products, whereas custom-built systems must be extensively tested and inevitably have ‘teething problems’ when implemented. Packages come complete with full documentation (user guides etc.) whereas such information must be specially prepared for each custom-built system.

Packages are generally the result of considerable investment of time, money and professional expertise by package developers. Training and support can be obtained from the package supplier rather than having to be provided from internal resources.

The better packages undergo continuous enhancement and improvement by their developers and the purchaser has access to a sequence of “upgrades” over the life of the package.

Factors to consider include

Functionality

- Does the system do everything that is needed to be done? If it is not exactly what is needed, can it be modified? If not, how close to ‘perfect’ is it?

Cost

- In most cases it will be necessary to trade-off ‘perfect’ functionality against the reality of the available budget. Or can the additional spend be justified because of the benefits that are expected to be gained?

Speed / Efficiency

- This will involve assessing hardware and software compatibility and network down load speeds.

Robustness

- If the system is robust, then it is unlikely to ‘crash’ too often. This may be critical to operations and customer confidence in trading electronically with your organisation.

Support

- How much after sales support will the vendor provide? There will usually be a period of free support, but once this runs out service will have to be paid for. It is important to know the likely cost involved, as well as how reliable the vendor is.

Vendor Viability

- A small software house may offer an excellent package at a very competitive price, but there are no guarantees how long they will stay in business. On the other hand, well-established vendors will be more expensive but are more reliable from a business perspective.

Marks Allocated	
2 marks for the quality and description of criteria	10 Marks

PART C

Contingency planning (also called “Disaster Recovery Planning” and sometimes “Business Continuity Planning”) focuses on plans for the restoration of communication and computing services after they have been disrupted (e.g. after a fire or major security breach).

These plans are necessary as we recognize that no security system is going to be 100% fool proof. A UPS system, for example, is an Uninterruptible Power Supply that acts as a backup should there be a power cut. Essentially a very large battery, the UPS would have a certain amount of power and should provide enough time to properly power-down the system so that data is not lost. Other elements of a contingency plan would include:

- The importance of proper back ups
- Alternate work spaces (or “hot sites”, with spare IT equipment)
- Contact lines (phone numbers, e-mail lists, etc.)
- A proper and well practiced evacuation plan

<i>Marks Allocated</i>	
<i>4 marks for the quality of the explanation</i>	
<i>1 mark for the overall quality and presentation</i>	<i>5 marks</i>

SOLUTION 7**PART A**

A budget is a financial or quantitative plan of operations prepared, negotiated and approved prior to a defined period of time. Budgets fulfill a number of objectives:

Planning: Budgets allow managers to anticipate problems before they arise thus giving sufficient time to find a remedy for those problems

Control: through the use of regular feedback, actual results are compared to budget and attention is directed to possible problem areas

Motivation: Budgets if properly developed can provide incentives to employees and managers at all levels

Performance Evaluation: from a control and motivation perspective budgets provide an important yardstick against which to compare actual performance on a regular basis

Communication and Co-ordination: the final agreed budget provides an unequivocal record of expected performance by all units in the organization. In this way misunderstandings can be minimized.

<i>Marks Allocated</i>	
<i>2 marks for the quality of the explanation of each role</i>	
<i>2 marks for the overall quality and presentation</i>	<i>10 marks</i>

PART B**Bank Borrowings**

Commercial banks extend short-term facilities mainly in the form of overdraft arrangements. Generally commercial banks reserve the right to cancel overdraft facilities at short notice. In practice it is probably not to the banks advantage to pursue this policy to the letter, as they might needlessly force the borrower into financial difficulties.

Utilising bank facilities in a proper manner will ensure the maintenance of a flexible and comparatively cheap source of finance. Bank borrowings are flexible in that interest is only payable on the amount outstanding and not on a fixed advanced sum as is the case with the borrowings from other financial institutions. Bank

borrowings are also comparatively cheaper than long-term loans due to the fact that the risk involved is lower given that the lending period is shorter.

The security required by banks differs depending on the risks involved. They might require personal guarantees in the case of a private company or, alternatively, floating or fixed charges on the assets of the company, or indeed, both.

Bank lending rates are normally set one to two percent above the bank rate. Bank lending rates can therefore fluctuate upwards or downwards during the period in which the monies are advanced. This can be an advantage or a disadvantage depending on the direction of the change when compared to other forms of advances made by financial institutions at fixed interest rates.

Ordinary Shares

Ordinary shareholders are members of the company holding voting rights. They own a share of the company's assets and a share of any profits earned after all prior claims have been met.

Ordinary shares or Equity, as they are termed, are a permanent source of finance. Ordinary shareholders provide seed capital to allow the business to develop and grow. There are no fixed repayment or interest charges to be paid in the case of equity. Equity also provides the owners with authority to influence policy and direction.

Equity may be raised through offers for sale, public issues, placing, tender or rights issues.

Equity is generally regarded as an expensive source of finance when compared to loan finance, as the dividends to equity holders unlike loan interest are not tax deductible. Another disadvantage of equity is the potential for change in the balance of control between existing and new shareholders.

<i>Marks Allocated</i>	
<i>5 marks for the quality of the explanation of each source</i>	<i>10 marks</i>

PART C

The role of the management accountant in the area of costing involves:

- continuously reviewing expenditure levels on products and operations
- calculating the cost of each production unit
- highlighting sources of waste and variations from expected levels of performance
- providing periodic profit and loss accounts and balance sheets
- revealing sources of economies in production
- assessing performance of individual units, managers and machines

<i>Marks Allocated</i>	
<i>4 marks for the quality of the description</i>	
<i>1 mark for overall quality and presentation</i>	<i>5 marks</i>

1st Year Examination: August 2013

Business Management

Examiner's Report

Statistical Analysis – By Question							
Question No.	1	2	3	4	5	6	7
Average Mark (%)	44%	47%	52%	42%	46%	40%	44%
Nos. Attempting	146	90	79	45	90	58	86

Statistical Analysis - Overall	
Pass Rate	49%
Average Mark	44
Range of Marks	Nos. of Students
0-39	67
40-49	11
50-59	43
60-69	16
70 and over	17
Total No. Sitting Exam	154
Total Absent	53
Total Approved Absent	5
Total No. Applied for Exam	212

General Comment:

Overall performance was disappointing in this autumn sitting.

	Autumn 2013	Autumn 2012	Autumn 2011
Number of candidates	153	174	198
% obtaining 50 or more	49%	79%	75%
Average marks	44	55	54

Question 1

This was a compulsory question and attempted by practically all candidates.

Part (a) Answers to this part in general were disappointing. Whilst some candidates clearly understood the characteristics of services and were able to describe them fully and relate them to the scenario presented, many had a superficial understanding of the concepts and resorted to guesswork and conjecture. This was surprising as the characteristics that separate the services sector from the manufacturing sector were spelt in the body of the question.

Part (b) (i) Answers in a number of cases were very good. However, the application of the concept to the scenario could have been developed more comprehensively in a number of instances.

Part (b) (i) Those who answered (b) (i) correctly were in a position to develop good answers to this part. Other candidates, however, just simply discussed the traditional marketing mix variables.

Part (b) Answers here in general were good with many candidates supporting their position on the assertion with well developed answers.

Question 2

Part (a) A wide range of answers were provided to this part. A number of candidates did not appear to recognise the connection between the roles specified and the work of Mintzberg.

Part (b) was quite well answered with most students providing clear answers on the distinction between “Strategic” and “Operational” planning. However, a number of candidates failed to address the challenges associated with doing both effectively.

Part (c) Answers to this part in general were very good.

Question 3

Part (a) Candidates displayed a good understanding of the five stages consumers typically go through when purchasing high involvement products.

Part (b) Answers here were mixed with a number of candidates not appreciating the relevance of the distinction to marketing in the scenario presented.

Part (c) Answers to this part were good in general. However, some candidates did not appear to appreciate the relevance of marketing in not-for-profit environments.

Question 4

Part (a) Answers here were a little disappointing with a number of candidates not appreciating the distinction between content and process theories of motivation.

Part (b) Answers to this part were generally good. Some candidates, however, confused the concept with Porters five forces model.

Part (c) Most answers to this part were good.

Question 5

A popular question

Part (a) was well answered. The concept was well understood and related well to the scenario presented. Regrettably, a small number of candidates confuse market positioning with the location of items on shelves in retail outlets.

Part (b) most candidates did well here but some struggled to relate the concept to the scenario presented in a clear manner.

Part (c) Candidates did well in this part.

Question 6

Part (a) Answers were generally good with many candidates providing good relevant examples to illustrate their understanding

Part (b) Answers to this part were good with most candidates providing comprehensive answers on the issues involved.

Part (c) Most candidates did well here. A small number still confuse this concept with strategic planning.

Question 7

Part (a) Answers to this part were somewhat poor with a number of candidates confusing the role of budgeting with the stages in the budgeting process .

Part (b) Answers to this part were disappointing. Students need to realise they must provide comprehensive answers to questions.

Part (c) There were a number of excellent answers here.