Business Management

1st Year Examination

May 2014

Exam Paper, Solutions & Examiner's Comments

Professional Practical Proven

Accounting Technicians Ireland

1st Year Examination: Summer 2014

Paper: BUSINESS MANAGEMENT

Thursday 15th May 2014 – 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 are the marketing executive at the Irish Head Office of a major international telecommunications group that is a leading manufacturer and distributor of mobile / smart phones throughout Ireland and the world. As part of a review of its worldwide operations the group wishes to obtain a deeper understanding of the major changes that have taken place in its various markets in recent years. The PESTLE model has been chosen as the framework for engaging in this analysis.

You have been requested to undertake a PESTLE analysis of changes that have taken place in the <u>Irish Market</u> for these devices in recent years.

You are required to:

(a)   Prepare a short report for the Head of Marketing in the Irish subsidiary on the following matters:

   (i)   Describe <u>THREE</u> elements of the PESTLE model and outline <u>TWO</u> ways in which it differs from Porters Five forces model.

10 Marks

   (ii)   Using the PESTLE model, identify and describe <u>FOUR</u> macro environmental influences that have had a major impact on the market for mobile / smart phones in Ireland over the last five years, giving reasons in support of your answer.

10 Marks

(b)   "Developments in Mobile / Smart phone technology have much to offer the prospective marketer / advertiser".

   Do you agree? Give <u>TWO</u> reasons in support of your answer.

5 Marks
Total <u>25</u> Marks

SECTION B

Answer any THREE of the six questions in this Section

QUESTION 2

(a)   "Fiedler's theory suggests there is no one best style of leadership".

   Describe in detail Fiedler's Contingency Theory of Leadership.

10 Marks

(b)   Explain what is meant by a matrix form of organisational structure. Outline <u>TWO</u> benefits and <u>TWO</u> limitations of this form of structure.

10 Marks

(c)   "Plans are a prerequisite for control". Outline <u>TWO</u> tensions that may arise when trying to use plans as a basis for control.

5 Marks
Total <u>25</u> Marks

QUESTION 3

(a)   "Understanding what stage of the cycle a product or service is at means that an organisation can t[...]
        marketing strategy accordingly".

    (i)   Describe any <u>FOUR</u> stages of the product life cycle for a typical product.

6 Marks

    (ii)   Explain <u>TWO</u> ways in which knowledge of the product life cycle helps managers make important
        decisions in relation to marketing strategy. Use examples to support your answer.

7 Marks

(b)   "An understanding of a buyer's needs and wants is of paramount importance in strategic marketing
        design".

        Describe what is meant by market segmentation and explain the benefits of market segmentation as a
        strategy to a firm / brand. Use examples to support your answer.

12 Marks
Total <u>25</u> Marks

QUESTION 4

(a)   Explain the distinction between intrinsic and extrinsic motivational factors, giving examples in support of
        your answer. Suggest how the recent recession may have impacted on the relative importance of each
        category of motivational factor.

10 Marks

(b)   "Any situation at any time is not static but is subject to the interplay of a series of countervailing forces".

        Describe Lewin's Three Step Model of change management. Explain the relevance of the above
        statement in the context of Lewin's Three Step Model of change management.

10 Marks

(c)   Explain <u>TWO</u> ways in which Clayton Alderfer's ERG theory of motivation is deemed to be an
        improvement on Maslow's Hierarchy of Needs.

5 Marks
Total <u>25</u> Marks

QUESTION 5

(a)   Explain what is meant by consumer buyer behaviour analysis. Outline the stages consumers typically go
        through when purchasing high involvement products.

10 Marks

(b)   You work in the marketing department of a retail supermarket chain in Ireland. Your manager attended a
        conference recently where the speaker referred to Ansoff's product market matrix. She has requested you
        to prepare a short report on the concept.

        You are required to prepare a short report on the following matters:

    (i)   Describe Ansoff's product market matrix, including <u>each</u> of the following:

        - market penetration strategy
        - market development strategy
        - product development strategy
        - diversification.

10 Marks

    (ii)   Explain how any two of the components in Ansoff's matrix outlined in (b)(i) above might have
        been adopted as strategies by organisations operating in the retail supermarket sector in Ireland over
        the last five years.

5 Marks
Total <u>25</u> Marks

QUESTION 6

(a)   Explain what is meant by the following acronyms in relation to e-commerce: B2C; B2B; B2E
         Give examples in each case to illustrate your answer.

10 M

(b)   Give <u>THREE</u> examples of intentional threats to information systems and outline <u>FOUR</u> steps that could
         be undertaken to minimise threats of this nature.

10 Marks

(c)   Explain the main difference between "System Software" and "Application Software"? Use examples to
         illustrate your answer.

<u>5</u> Marks
Total <u>25</u> Marks

QUESTION 7

(a)   Describe how a system of budgetary control operates.

10 Marks

(b)   Give <u>TWO</u> advantages and <u>TWO</u> disadvantages of debentures as a source of finance

10 Marks

(c)   "Ratio analysis" provides an important early warning system for financial managers in organisations.
         Do you agree? Give <u>TWO</u> reasons in support of your answer.

<u>5</u> Marks
Total <u>25</u> Marks

1st Year Examination: May 2014

Business Management

Suggested Solutions
and
Examiner's Comments

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.

Statistical Analysis – By Question							
Question No.	1	2	3	4	5	6	7
Average Mark (%)	65%	43%	55%	56%	55%	60%	43%
Nos. Attempting	1064	283	967	454	249	849	332

Statistical Analysis - Overall	
Pass Rate	81%
Average Mark	56
Range of Marks	**Nos. of Students**
0-39	152
40-49	49
50-59	333
60-69	365
70 and over	167
Total No. Sitting Exam	**1066**
Total Absent	362
Total Approved Absent	48
Total No. Applied for Exam	1476

GENERAL COMMENTS ON THE PAPER AS A WHOLE

Overall the performance of students in this sitting showed improvement on recent years. Students demonstrated a good capacity to engage with the questions set and to draw on real examples to illustrate their answers.

The standard of presentation of answers was noticeably higher than previous years.

NOTE: Further to queries and comments in relation to Question 5, part B, students & tutors should refer to the specific comments for that question.

Examiner's Comments on Question 1

This question was exceptionally well answered. Students not only understood the PESTLE model but also demonstrated a strong capacity to apply the concept to the scenario set.

Students also clearly had a very well developed understanding of Porters five forces model and how it differs from PESTLE.

On this point there was a tendency to automatically associate PESTLE with the macro environment and outside the control of the industry / entity and Porter's forces with the micro environment and somewhat within the control of the industry / entity. Students should note that the relationships surrounding control and influence are somewhat more complicated in practice.

Students related to the scenario very well and were clearly very comfortable addressing matters pertaining to this industry. A small number of students interpreted A (ii) as relating solely to the factors falling under the Environmental heading of the PESTLE model.

Part B was particularly well answered by students.

Solution One *(COMPULSORY)*

PART A (i)

PESTLE analysis is a technique for analyzing the macro environment of an organization under the following headings – political, economic, socio-cultural, technological, legal and environmental considerations.

Analysis of the Political environment involves considering the impact of changes in Taxation requirements, Safety regulations, Consumer protection legislation, Parties in Government, EU Developments etc.

Consideration of the levels of demand within the economy, interest rates, foreign exchange rates, grants, inflation etc. are indicative of the economic variables to be monitored and considered.

The Socio-Cultural environment encompasses issues of a demographic nature, such as, changes in the structure of the population – age, gender, income distribution, emigration etc. and issues of a cultural nature, such as, language, customs, religion etc.

The Technological environment includes consideration of the threats and opportunities arising from IT and scientific developments in various areas.

Organisations must be aware of the legal parameters of their markets and operating environments including issues related to employment law, contract law etc.

Increasingly organizations are developing strategies to minimize the effects their operations have on the ecological systems etc.

Porters Five Forces is more specifically focused on assessing the structure of the competitive dynamic in the industry / sector in question.

Porter identified five forces that assist organisations in analysing the intensity of competition, profitability and attractiveness of an industry.

An understanding of these forces increases a manager's insight into the nature and dynamics of the market place thereby facilitating the development of appropriate business and marketing strategies. The five forces are: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, availability of substitutes and the competitive rivalry between firms.

Although Porter's model looks at environment influences it does so from a different and more perspective than the PESTLE model. Porter's model addresses specific competitive structures and in an industry and market more directly than the PESTLE model. (e.g. it assesses directly how various parties might be able to influence the industry – the capacity of buyers / suppliers / new entrants and manufacturers substitutes to influence prices and other competitive dynamics).

The PESTLE model uses a wider lens. It assesses how broader or more general developments in the Political, Economic, Socio-cultural, Legal, Technological and Environmental fields might impact the industry etc. PESTEL effects tend to be the same across all entities in the industry whereas Porter's model provides a more focused and tailored analysis of the specific effects of developments on the relative competitive position of major players within an industry.

Marks Allocated	
5 marks for description of three PESTLE elements	
4 marks – comparison with Porters five forces model	
1 mark for overall quality and presentation	*10 Marks*

PART A (ii)

Many environmental factors have influenced the development of the mobile / smart phone industry over the last five years. A number of these are set out below:

Political

Developments in the political field reflect the growing awareness of the increasing importance of this technology. Government is acutely aware of the importance of the sector for economic growth and is taking positive steps to increase network facilities and speeds and is encouraging companies to develop skills in this area as well as providing an increasing number of it own services through this medium.

Technology

Actual developments in the capacity of these devices and enhancement of the range of services they perform have greatly enhanced the consumer experience and indeed demand for these devices. The competitive nature of the business has lead to reductions in costs whilst an ever increasing array of features and applications are being added.   All these developments have significantly impacted consumers expectations and this has led to intense competition amongst players in the industry.

Economic

The recession has impacted most industries negatively but this is one industry that appears to have bucked the trend. Consumers are using these devices for a whole range of activities so much so that they are now almost an indispensable feature in their lives. The devices themselves are being used extensively by people in a variety of cost saving ways. (e.g. securing special pricing deals, booking airline tickets at off peak times, capitalising on vouchers etc.).

Socio Cultural factors

Socio cultural factors such as attitudes and perceptions and patterns of behaviour have changed as a result of the increased power people have at their finger tips. The younger generation are particularly heavy users of these devices. They make extensive use of them for social interaction – making arrangements / ongoing dialogue etc. These devices have become quite embedded in people's daily lives and provide a really important medium for interaction not only for social purposes but also for engaging in a wide range of other activities – work and leisure related.

Legislation

Legislation regarding freedom of information, data protection and invasion of privacy etc. are all playing catch up to the developments that are taking place in this environment. New laws and protocols are being developed to better regulate the sector on an on going basis.

Marks Allocated

2 marks for overall quality and presentation

PART B

Mobile / smart phones have a great deal to offer the prospective marketer and advertiser.

Instant access to the internet and various websites (You tube / face book etc.) allows the consumer direct access to the marketers and advertisers products on a 24/7:365 day basis.

It also allows the marketer and advertiser to contact consumers with greater ease and enables alternative modes of engagement all of which facilitate the development and implementation of highly targeted marketing strategies. Customer profiling allows for the tailoring of product and service offerings to segments of markets at a level of detail unforeseen a short number of years ago.

Marks Allocated	
2 marks per reason (Max of two reasons)	
1 mark for conclusion	*5 Marks*
	Total 25 Marks

Examiner's Comments on Question Two

Most students were able to describe the basic thrust of the contingency approach to leadership and many used the example of Winston Churchill to good effect. A substantial number of students were able to describe the least preferred co-worker (LPC) scale and its relevance within the context of the theory.

Answers to Part B were of a lower standard and students are encouraged to revise the matrix form of organisational structure and its related benefits and limitations. A number of candidates confused it with the standard "3 level hierarchical structure" of strategic, tactical and operational developed by Anthony.

Part C was answered well by most students.

Solution Two

PART A

Contingency Approach

Contingency theorists argue that the 'best' leadership style depends on the situation. Fiedler's contingency theory was the first to specify how situational factors interact with leader traits and behaviour to influence leadership.

For example, Fiedler assumes that leaders will be more effective when their leadership styles are matched to their particular 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 highly favourable situations, leaders find that their actions influence followers, but in highly unfavourable situations leaders have little or no success influencing the people they are trying to lead.

Fiedler developed an index called the least-preferred co-worker (LPC) scale. This scale asked a leader to think of all the persons with whom he/she has ever worked, and then describe the one person with whom he/she worked with least well. The person could be some one from the past or someone he/she is currently working with. Summarising and averaging the findings from the study Fiedler was able to assess whether respondents had a human relationship orientation or a task orientation.

Matching this information with variables about situation favourableness allowed Fiedler to propose that relationship-orientated leaders were better as leaders under moderately favourable conditions, while task-orientated leaders were better as leaders under highly favourable and highly unfavourable situations.

Marks Allocated	
2 marks per valid point (max 8 marks)	
2 marks for overall quality of description	*10 Marks*

PART B

This is a hybrid structure in which two or more forms of departmentalization are used together. The matrix structure evolved over time and it endeavours to integrate departments together in a horizontal way and facilitate co-ordination between such departments. This may be critical for firms who have multiple product portfolios in a variety of international markets.

	Sales	Production	Finance	HR	R&D
Area manager A					
Area manager B					

Benefits

The use of cross-functional project teams may lead to high innovation
Functional assistance is available to all projects
Good training ground for potential managers
Flexible pool of specialists

Limitations

Dual reporting responsibilities may lead to conflict over responsibilities
Power struggles may emerge between managers
Tracing accountability and authority may be problematic
It may slow up decision-making

Marks Allocated	
6 marks description	
2 marks for benefits and 2 marks for limitations	**10 Marks**

PART C

Planning incorporates defining the organisation's objectives, establishing an overall strategy, and developing a comprehensive hierarchy of plans to integrate and co-ordinate actions within a company. It is concerned with ends (what is to be done) and with means (how it is to be done).

Plans help provide overall strategic direction and alignment, provide a basis for co-ordination of activities and a basis for performance measurement and control.

There can be tension between the various roles planning fulfils. For example plans need to be relatively accurate to provide a meaningful basis for co-ordinating operations and determining resource requirements. Yet plans also need to include demanding targets that stretch employees.

Another tension arises in the area of control where plans may be used in a rigid and inflexible manner not taking into account the unusual / changed external circumstances that gave rise to variances. This in turn can de-motivate staff.

Plans may also be based on unrealistic targets that in turn de-motivate employees who are being held to account for targets they never felt committed to in the first instance.

Another tension surrounds the use of control information. If feedback is used in a punitive post-mortem manner (e.g. using a 'gotcha' mentality) this can not only de-motivate staff and undermine the legitimacy of the planning process but also promote a culture of gaming the next time plans are being prepared. (e.g. whereby people build in excessive amounts of slack into budgets etc.)

Marks Allocated	
2 marks per valid tension	
1 mar for overall quality of description	**5 Marks**

Examiner's Comments on Question 3

Answers to Part A (i) as would be expected were good. Most students supported their answers with graphical depictions of the product life cycle (PLC) and the use of relevant examples.

Answers to Part A (ii) were somewhat mixed. Students are encouraged to relate the PLC to marketing strategies in a meaningful manner.

Most candidates were able to explain the concept of market segmentation in Part B although some students would benefit from revising how it assists in strategy formulation. On a positive note there were a number of excellent answers here with candidates providing most interesting and relevant examples to illustrate their understanding of the relevance of the concept.

Solution Three

PART A (i)

All products have a life cycle - this model includes four stages through which individual products develop over time and extends from introduction to obsolescence. The pre-launch stage (as seen in the diagram below) refers to the marketing activities prior to the launch or commercialisation of a new product.
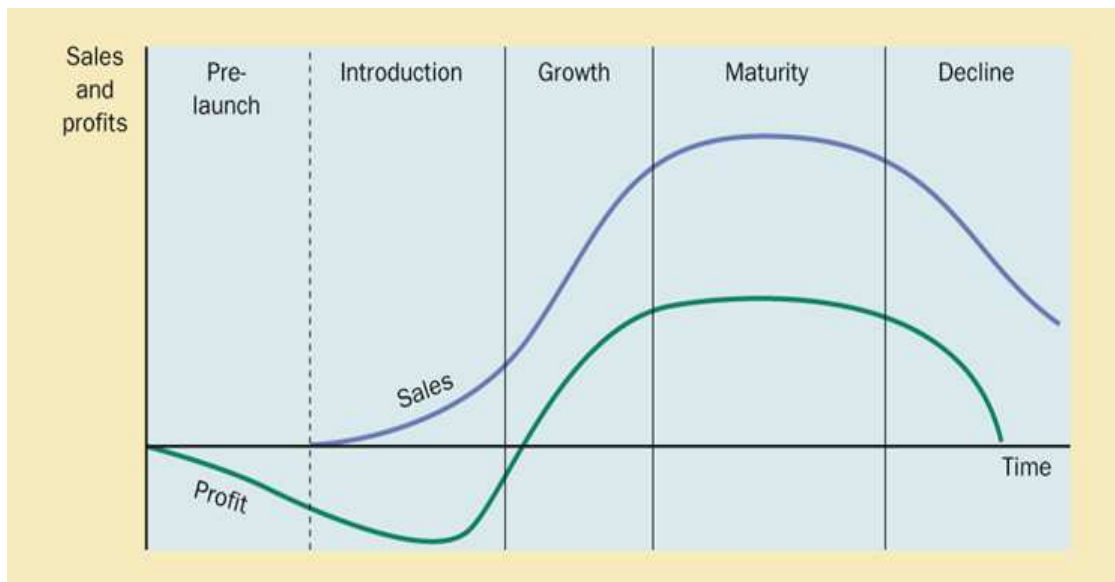
Introduction
- Low sales & high costs as the product is being introduced to the market
- Competition is limited
- Customer type is known as an innovator
- Core objective is to generate awareness among the target audience

Growth
- Rising sales, costs declining and profits being achieved
- Growing number of competitors entering the market
- Customer type is known as an early adopter

Solution Three *(Cont'd)*

- Core objective is to increase demand in order to increase market share

Maturity

- Sales & profits reach their peak, cost per customer is low
- Competition is intense
- Customer type is known as middle majority
- Core objective is to maximize profit and maintain market share

Decline

- Sales & profits decline
- Number of competitors have reduced
- Customer type is known as a laggard
- Core objective is to exploit the brand

Part A (ii)

The PLC concept helps interpret product and market dynamics and can be used for planning and control.

Not all products follow the standard product lifecycle. Some products are introduced and die off quickly; others stay in the mature stage for a long time. Some enter the decline stage and are then cycled back into the growth stage through strong promotion or repositioning.

Whilst the exact shape and length of a product's lifecycle may not be known in advance, the company's task is to recognise the lifecycle pattern of its offerings and to devise appropriate marketing strategies for its portfolio.

The PLC concept helps focus attention on the potential life span of a product and the distinct phases of this life span. Many products do exhibit distinctive life cycle patterns that allow marketers target / exploit the different phases (e.g. set prices and advertising to attract early adopters etc.).

However the model is subject to some common criticisms as follows :

1. Duration of the PLC stages is unpredictable
2. Difficult to tell which stage the product is in
3. Not marketing orientated
4. Misleading objective and strategy prescriptions
5. PLC pattern is the result of marketing strategies rather than an inevitable course that sales must follow
6. Not all products follow the classic PLC curve

Overall the concept is a useful analytical tool but like many models in the social sciences and business it has to be used with caution.

Marks Allocated	
1.5 marks per stage (max 6 marks)	
3 marks per decision and 1 mark overall quality of description (max 7 marks)	*13 Marks*

PART B

Marketing management deals with how the different elements of marketing are organised, pla[...] controlled. It is rare for a company to target a market in full; instead marketers concentrate on seg[...] markets, then select the best segments to better position products.

A three-step process is crucial in marketing management. This set of activities – Segmentation, Targeting and Positioning (or STP) – defines a pivotal managerial decision making process in an organisation's attempts to meet its objectives in competitive markets.

The process of segmentation, targeting and positioning enables the marketer to:-

- Select the most profitable and viable customers to serve.
- Reach them with an offering that has a competitive advantage
- To communicate a position that is clearly perceived

Market segmentation involves analysing the total market into segments that share common properties, such as consumers stage of life needs, purchasing power, geographical spread, buyer behaviour, attitudes to environmental issues etc. The ultimate in terms of market segmentation is "customised marketing" where sellers design a separate product for individual buyers. Typical segmentation variables include;

Age range – 18 to 30
Gender – male or female
Location – urban, rural, national or international
Family life cycle – single, married no children, married young children, etc.
Socio- economic status – professional, managerial, skilled workers, unskilled etc.

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.

In explaining the benefits of market segmentation as a strategy candidates were expected to outline how appropriate modes of segmentation facilitated the development of related targeting and positioning marketing strategies for a firm / brand.

For example for a company entering the online betting market in Ireland. segmentation would involve selecting appropriate demographic variables for the target segments – age, gender, stage of life cycle. Added to this will be relevant psychographic variables such as – activities (sports and entertainment), nature of interests (i.e. level of social interaction involved) and opinions. Also of relevance would be certain variables concerning the level of interaction between the customer and the product. (e.g. offering real time online betting odds as games are progressing etc.)

Segmentation would help with the development of more effective market targeting strategies. This would involve deciding whether the company wishes to target several market segments simultaneously and designing separate marketing mix strategies for each. It would involve decisions around the attractiveness (size, potential and scope for development) of the target market.

Segmentation would also facilitate the development of appropriate market positioning strategies. This would involve decisions around the perceptions the company wishes to create in consumers minds associated with its offerings. (e.g. 'best' company for racing bets etc.)

Segmentation has a significant role to play in the development of marketing strategies in a range of industries (e.g. insurance, airlines, retailing, cosmetics etc.)

Marks Allocated
Description of market segmentation – 1 mark per valid point (max 8 marks)
Explaining the benefits of segmentation as a strategy (max 4 marks)
12 Marks

Examiner's Comments on Question Four

A very high standard was displayed by candidates in answering Part A to this question with most clearly distinguishing between intrinsic and extrinsic motivational factors and providing interesting answers about the impact of the recession on the relative importance of each.

Rather like the product life cycle question most candidates could describe the stages in Lewin's three step model of change management but were less successful in relating it to the statement given in the question.

Most answers could clearly describe and explain the ERG theory of Alderfer. Students should also ensure that they understand how it may be seen as an improvement on Maslow's theory of motivation.

Solution Four

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 order 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".

Process theorists such as expectancy theorists propose that people are more complex, more pragmatic and more contemplative than 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.

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?"

It is generally regarded that people are motivated by intrinsic and extrinsic factors. The former tend to denote those that are internal to the individual such as responsibility and challenge in a job. The latter refers to those factors which are external and include pay, punishment and level of supervision.

Intrinsic motivators include:

- Freedom how to choose to do a job
- Recognition for work well done
- Increased responsibility
- The opportunity to demonstrate personal abilities
- Chances of promotion
- Variety in work
- Attention to ideas and suggestions for work improvements
- Praise

Solution Four *(Cont'd)*

Extrinsic factors can include the following:

- Physical working conditions
- Relations with colleagues
- Relations with the manager
- Rate of pay
- Climate of industrial relations
- Style of management
- Hours of work
- Perceived job security

It could be argued that in the present business climate the extrinsic factors underlying motivation come into sharper focus as employees experience tax hikes, pay reductions and job security concerns. (e. g. people may become more instrumental in their outlook now than heretofore). Likewise they be more concerned about parity issues with other professions or within their own organisations etc. On the other hand it could be argued that it may have less relevance as employees have draw on inner strength and other features of their work as they come to realise their employers may not be in a position to offer much in terms of immediate extrinsic rewards. (e.g. that many of these matters may be outside their control).

It is important also to realise that the two categories are not water tight compartments ; people might initially feel aggrieved by a decline in extrinsic motivational factors within their place of employment. But persistent long term exposure to such treatment might also negatively affect their intrinsic motivational beliefs.

Marks Allocated	
3 marks for the quality of the description of each element (max 6 marks)	
3 marks for relevance	
1 mark for overall quality	*10 Marks*

PART B

Lewin suggests a successful change management project, involves three stages or phases

1. Unfreezing
2. Moving
3. Refreezing

Unfreezing

This involves reducing those forces maintaining the organisation's behaviour at its present level. It is argued that this requires some form of confrontation meeting or re-education process for those involved, possibly through team building or management development. In this process the problem to be solved is analysed, or data is presented to show that a serious problem exists, in an effort to convince / persuade relevant parties of the need for change.

Moving

Moving equates with the action element. Moving involves acting on the results of the first step, having analysed the present situation, identified alternatives and selected the most desirable state of affairs. This requires developing norms, behaviours, values and attitudes through changes in organisational structure and processes, so that those involved do not revert back to the old way of doing things.

Refreezing

This phase seeks to stabilise the organisation at a new state of equilibrium in order to ensure that the new ways of working are relatively safe from regression, using support mechanisms that positively reinforce the new ways of working, including the alignment of matters pertaining to organisational culture, norms, policies and practices.

Lewin's three-step model has been subject to criticism, that it is not relevant to change in the nanose[...] of today's high tech environment. It has been criticised as being too simplistic and mechanistic fo[...] where organisational change is a continuous and open-ended process. It has also been suggested it [...] relevant to incremental and isolated change projects and not able to incorporate radical, transformat[...] change.

It is important to note that the depiction of the three-step model in textbooks is a highly reduced version of Lewin's overall work. A basic tool for the analysis of group life is the representation of the group and it's setting as a "social field". According to Lewin what happens in a field depends upon the distribution of forces throughout the field. Any situation at any given time is not static but is subject to the interplay of these counter-veiling forces. Some forces seek to drive change to a more stable state, others seek to restrain change. – Like a river whose form and velocity are determined by the balance of those forces that tend to make the water flow faster, and the friction that tends to make the water flow more slowly – the cultural pattern of groups of people at given times are maintained by a balancing of counteracting forces.

Consideration of these factors prior to undergoing a change process, and indeed the management of these forces as the process is being implemented is crucial to success.

According to Kurt Lewin unfreezing is getting the people affected by change to believe that the changes are needed. During the change intervention itself, workers and managers change their behaviour and work practices. Refreezing is supported by reinforcing the new changes so that they stick.

Given the choice between changing and not changing, most people would rather not change. Because resistance to change is natural and inevitable, managers need to unfreeze resistance to change to create successful change programmes. The following methods can be used to manage resistance to change; education, communication, participation, negotiation, top management support and coercion.

Knowing, what not to do maybe, just as important as knowing what to do when it comes to achieving successful organisational change. Two common errors tend to occur during the unfreezing phase. The first and potentially more serious error is not establishing a great enough sense of urgency. People will feel a greater sense of urgency if the leader in the company makes a public, candid assessment of the company's problems and weaknesses.

The second mistake is not creating a powerful enough coalition. Change often starts with one or two people but to build enough momentum to change an entire department, division or company, change has to be supported by a critical and growing group of people. It is recommended that key employees, managers, board members, customers and even union leaders be the members of a core change coalition which guides and support organisational change.

Four common errors tend to be made by managers during the change phase; lacking a vision for change, under-communicating, not removing obstacles to change and not systematically planning for short-term wins.

Lacking a vision for a change, is a significant error at this point.

A vision is a statement of the company's purpose or reason for existing. A vision for change makes clear where the company or department is headed and why the changes are occurring. Change efforts that lack vision tend to be confused, chaotic and contradictory. By contrast, change efforts guided by visions which are clear and easy to understand can be effectively explained in five minutes.

Under communicating the vision for change is another mistake in the change phase. Companies mistakenly hold just one meeting to announce the vision. The successful communication of the vision requires that top managers link everything the company does to the new vision and that they will "walk the talk" by behaving in ways consistent with the vision.

Thirdly, even companies that begin change with a clear vision sometimes make the mistake of not removing obstacles to the new vision. Many leave formidable barriers to change in place by failing to redesign jobs, pay plans, and technology to support the new way of doing things.

Another error at this stage is not systematically planning for and creating short term wins. Most people don't have the discipline and patience to wait two years to see if the new change effort works. Change is threatening and uncomfortable, so people need to see an immediate payoff if they are to continue to support it.

Solution Four *(Cont'd)*

The last two errors that managers tend to make occur during the refreezing phase when attempts are support and reinforce changes so that they "stick". Declaring victory too soon is a tempting mistake refreezing phase. Managers typically declare clear victory right after the first large-scale success in the chang process. The last mistake that managers make is not anchoring changes in the Corporation's culture. A organisation's culture is the set of key values, beliefs and attitudes shared by organisational members that determines the "accepted way of doing things" in a company.

With the fast changing business environment of today, change management is more important than ever before.

Marks Allocated	
6 marks for overall description of the model	
3 marks for relevance	
1 mark for overall quality and presentation	*10 Marks*

PART C

Alderfer's ERG theory of motivation builds on the work of Maslow. It proposes that needs are not necessarily hierarchical in the strict Maslow sense. ERG positions its elements as simultaneous needs and it is arguably more accurate. Needs are seen to be concurrent rather than layered. Existence refers to the physiological and safety needs (levels 1 and 2 of Maslow). Relatedness refers to social and esteem needs and Growth refers to internal esteem and self actualisation needs.

ERG is seen as an improvement on Maslow's theory of motivation as it does not see needs as being fulfilled in a strict hierarchical fashion. (e.g. needs for belonging may be perceived by an individual as important as physiological needs and consequently may not arise in, or be fulfilled in, Maslow's strict sequential order).

While ERG simplifies Maslow's theory, it may also be seen as overly simplistic. 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.

Similarly, there is no one universally accepted theory of motivation. Both of these theories, like most theoretical frameworks, do not necessarily hold for all people in all situations. People's needs vary from individual to individual, from culture to culture and there is a temporal dimension to motivation in that different needs will assume varying degrees of importance at different stages of peoples lives. No one theory of motivation covers all of the complexities of reality, but in appropriate conditions and circumstances, and in the present climate in particular, both of these theories have a significant part to play in the way motivation is conceptualised and understood.

Marks Allocated	
2 Marks for the quality of the description of each improvement	
1 Mark for overall quality and presentation	
	5 Marks
	Total 25 Marks

Examiner's Comments on Question Five

Answers to part A were of a good standard with most candidates appreciating the importance of understanding thought processes customers go through when purchasing high involvement products and it's relevance for the marketing of such products.

Answers to part B were mixed. A good proportion of candidates demonstrated an understanding of market penetration, market development, product development and diversification strategies and were able to relate them clearly to developments in the retail supermarket sector in Ireland over the last five years.

Specific note in relation to Part B

An issue arose with respect to the focus of question 5(b), which referred to Ansoff's product market matrix. It was intended that the recognisable context (i.e. the supermarket sector) and the inclusion of the components of the model (some of which were examined recently and which are covered in the textbook) would help steer students in answering this part of the question.

Nonetheless, it is acknowledged that the lack of a specific reference to the Ansoff model in the course textbook was a source of concern on the day.

Accordingly, the marking scheme was adjusted for part B in order to mitigate this concern. A detailed analysis of performance in this question indicates that this adjustment adequately compensated those who attempted this question and that no marginal student was adversely affected.

In addition, the Board of Examiners recognised that the issue may have restricted student choice somewhat and thus a global adjustment to student marks was also made.

Solution Five

PART A

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.

High involvement products are generally purchases where the risks for the consumer are high. (e.g buying a house or a car). In high involvement purchases the consumer is actively searching for information related to the product or service. The advantage for the marketers here is that it may be much easier to get the consumers attention if they are highly involved with the product / service category.

Solution Five *(Cont'd)*

CDMP Stage	High Involvement
1) Problem recognition	There will be a strong and conscious recognition of the 'problem'. For example the 'problem' of needing a new car.
2) Pre-purchase search	Consumers are likely to search many different information sources – friends, family, brands and Internet are all examples.
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.
4) Purchase behaviour	Factors influencing purchase behaviour include cost, timing and location of the purchase.
5) Post-purchase evaluation	Consumers will invest much thought into whether the purchase has proved satisfactory or not.

Marks Allocated	
2 marks for the quality and relevance of the points made at each stage	*10 Marks*

PART B (i)

Product market strategies combine the strategic marketing objectives of the firm with the product element of the marketing mix.

In general four fundamental product market strategies are open to a firm, as follows:

Market penetration; the strategy employed by a firm seeking to extend the market share of an existing product in an existing market. This is commonly the strategy of established brands. It is usually achieved by exploiting one or more variables in the marketing mix. (e.g. pricing, promotion etc.).

Product development; this strategy involves the introduction of new products into an existing market. The introduction of new brands of stout into the drinks market is an example.

Market development; refers to the introduction of existing products into new markets. The marketing of Ballygowan in the UK would be an example of this strategy.

Diversification; the introduction of wholly new or unrelated products into new markets, or the purchase of new firms in unrelated areas of business.

Marks Allocated	
2 marks for the quality and relevance of the points made for ANY TWO of the four areas listed	
2 marks for overall quality and presentation	
	10 Marks

PART B (ii)

Lidl and Aldi would be good examples of stores that devoted considerable effort to establishing a high market penetration in the retail supermarket sector in Ireland.

TESCO's entering the Home Insurance market, petrol and money markets would be a good example of these organizations attempting to diversify their service offerings.

TESCO's venture into the small grocery market would an example of market development as they strive to enhance their reach in the same product areas.

Most of the main stores have extended their range of products, moving in gardening, hardware, clothes etc. which is an example of product development.

Marks Allocated
2 marks for the quality and relevance of the points made at each strategy
1 mark for overall quality and presentation
5 Marks

Examiner's Comments on Question Six

Candidates did well in Part A to this question and were able to clearly explain the different modes of e-commerce and to support their answers with appropriate examples.

Candidates displayed a good understanding of the intentional threats to information systems and the steps that may be taken to minimise the nature of such threats.

Students are encouraged to revise this area to ensure they understand the distinction between systems software and application software.

Solution 6

PART A

B2C Business to Consumer

This is where a business offers products / services via some electronic means (usually online). For example, most airlines operate a B2C model by allowing passengers to book flights online. Other common examples of B2C are online banking facilities, and electronic storefronts. (sometimes called e-tailing, for electronic retailing).

B2B Business to Business

This is where two businesses engage in transactions using electronic means. In a sell-side model, transactions are conducted on the seller's website. A simple example of B2B e-commerce would be a supermarket placing orders with their wholesale supplier. The stages involved in a B2B transaction will generally be the same as B2C, however it is likely that there would be the addition of a 'negotiation' stage, which is less common in B2C.

B2E Business to Employee

This is where businesses offer employees certain services / information electronically. Examples might include a HR system that allows employees to apply for holidays or reserve spaces on training courses. Some companies may offer their products for sale with employee discounts, and even offer other products / services, such as travel offers etc.

Solution 6 (cont'd)

C2C Consumer to Consumer

This is where individual consumers buy and sell to each other. Web-sites that offer online auctions, such as e Bay and Done Deal are good examples of C2C e-commerce websites.

Marks Allocated	
2 marks for quality of explanation of each element	
2 mark for the overall quality and presentation	*10 Marks*

PART B

Intentional Threats

There are many ways in which computer systems can be attacked, especially when extensive use is made of eCommerce. Some of the more common threats include

- Hacking

- Viruses

- Worm

- Trojan

- Spyware

- Phishing

- Denial of service

- Trap door

Anything that causes a loss of data or a corruption of data can be considered a security threat. A number of steps can be taken within a single site, ranging from limiting physical access to sensitive areas and installing complex, encrypted codes to deny entry to data to unauthorised personnel etc. Other procedures one would expect are back up procedures, disaster recovery plans, effective virus protection and password procedures.

Computer security can be considered under two general headings 1) securing the physical assets (i.e. the machines and associated hardware) and 2) securing the data. Generally data is considered the most valuable asset, as it is the most difficult to replace and has the most potential value to competitors and fraudsters.

A control is a method or procedure aimed at ensuring that the company's assets are secure, including data and other such intangible assets.

Physical Controls

This category of control refers to any control that limits physical access to the system or physically monitors the system, such as:

- Security guards
- CCTV
- Keypads / swipe card to open doors
- Isolating computers from the network

Solution 6 (cont'd)

Access Controls

These are many means of restricting access to authorized users only (and not only through physical means). most common means are usernames and passwords; ID cards, and biometrics (e.g. fingerprints, facial recognition), although the latter is still expensive and not commonly used in business.

Good password practice requires a minimum password length (the longer the better) and regular changes. Also, passwords should not be easy to 'guess' or determine (i.e. don't use your dog's name, or something else anyone could easily find out).

Many companies apply strict password policies that force employees to use letters, numbers and other special characters (like $ or &). Also some companies will require employees to change their passwords periodically.

This can pose its own problems, and often leads to employees writing down their own passwords and increasing the risk that it will be discovered.

Firewalls are an access control used to prevent unauthorized users from accessing networks, usually through a combination of hardware and software. Any message entering your system would pass through the firewall, allowing it to be filtered (to check for possible threats). For example, some firewalls block / trap any email containing an attachment as these are often a means of spreading viruses.

Procedural controls

These are procedures put in place as rules/guidelines for users and are sometimes know as 'company standards'. Proper back-up procedures are essential to ensure data security. Usually data is backed up (software can be repurchased if necessary), and this is done on an incremental basis, with 'master' back-ups taken periodically. The incremental back-ups only contain what has changed since the last master-back-up, thus reducing storage requirements.

Organisational controls

These controls refer to the structures that are in place to ensure there is clear lines of responsibility. Other items that are relevant at this stage are user training and support. The importance of proper training cannot be over-emphasised, especially when one considers that user error is one of the most common forms of security breach.

Marks Allocated
3 marks for the description of threats
4 marks for the description of responses
3 marks for overall quality& presentation
10 Marks

PART C

Systems software refers to the operating system and all the networks It helps the computers to function. Microsoft windows is a good example. Application software is any software that allows the user to do something useful. MS Office and Tas books are good examples

Marks Allocated
2 marks for the quality of description of each system
1 mark for overall quality   *5 Marks*
Total 25 Marks

Examiner's Comments on Question Seven

Solution Seven

PART A

A budget is a quantitative plan of a future course of action. Most people, for example, 'budget' for their own household expenses even if it is only by making a rough comparison between next month's salary and next month's expenditure. Such a budget may not be very detailed but it contains all the main features of what accountants mean by a budget. These are as follows:

- Policies: a budget is based on policies needed to fulfil the objectives of the entity.
- Data: it is usually expressed in monetary terms.
- Documentation: it is usually written down.
- Period: it relates to a future period of time.

Most entities prepare a number of sub-budgets (e.g. Sales budget, Production budget, Administration budget) which are then combined into a master budget. (which is typically made up of a budgeted profit and loss account, balance sheet and cash flow statement).

Budgets are useful because they encourage managers to examine what they have done in relation to what they could do. However, the full benefits of a budgeting system only become apparent when it is used for control purposes. This involves making a constant comparison between the actual results and the budgeted results, and then taking any necessary corrective action. This procedure is called 'budgetary control'.

A system of budgetary control depends on the effective establishment of sound budgets and the monitoring of actual results in relation to these budgets as the year progresses.

The stages involved in the budgeting process are as follows:

1. Communicating details of the budget policy

   Top management must communicate the policy effects of the long-term plan to those responsible for preparing the current year's budgets.

2. Determining the key budget factor

   The key budget factor is that, which at a particular time or over a period will limit the activities of an undertaking and which is therefore taken into account in preparing budgets. In most cases it is market demand.

3. Preparation of the Sales Budget

   The importance of this activity stems from the fact that the entire budget will be based on Sales

Solution 7 (cont'd)

4. Preparation of Functional Budgets

5. Preparation of the Master Budget

    When functional budgets are completed, a projected Cash Flow Statement, Capital Expenditure, Projected P&L and Balance Sheet can be prepared.

6. Reviews/ Negotiations and Discussion

    This involves a series of meetings and discussions, which may result in some alterations

7. Subsequent Revisions

    Once a budget is approved it is rarely changed. This only tends to happen when major developments take place.

8. Monitoring Variances

    The preparation of timely feedback on actual versus budget performance as the year progresses.

The main features of a system of budgetary control are – clear definition of responsibilities, detailed plans of action with a sphere of responsibility, adherence to budgets once they have been approved, monitoring performance on a regular basis and taking effective corrective action if results differ significantly from budget.

A number of the common difficulties that can be encountered in the preparation of budgets and the operation of systems of budgetary control are set out below:

It is vitally important that the budgeting system is detailed enough to suit the size and nature of the organisation

If the budget is not prepared in a realistic manner, it can have a negative effect on the attitudes and performance of managers and staff

The problems of slack and padding can be difficult to eliminate. This occurs when managers overstate their expected expenses, so that having a larger than necessary budget, they will be unlikely to overspend their budget allowance

Because the detailed budget focuses on the short term, there is a temptation to make decisions which will benefit the company in the short term but result in lost profits in the medium/ long term

Budgets are often completed using estimates and opinions. There is therefore a degree of uncertainty involved e.g. rate of inflation, interest rates. Methods of dealing with these uncertainties must be employed particularly with the regard to the identification of the principal budget factor.

Marks Allocated
2 marks for the quality of description of elements of budgetary control (Max of four elements)
2 marks for overall quality and presentation
10 Marks

Solution 7 (cont'd)

PART B

Debentures:

A debenture is a written acknowledgement of indebtedness by a company. Interest is paid at a fixed normally at half-yearly intervals. Debentures are not part of the share capital of a company and deben holders are not members of the company. A debenture holder is a creditor of the company. His interest is debt of the company, payable irrespective of whether there are profits or not. Debenture interest is tax deductible.

Debentures may be redeemable or irredeemable. Redeemable debentures maybe an appropriate source of finance where a company's needs are temporary. Redeemable debentures must be redeemed by a fixed date or within a given time period. Irredeemable debentures are repayable only in the event of some specified contingency, such as the winding-up of a company or default in the payment of interest.

Debentures may be secured or unsecured. Most debentures are secured by a charge on the assets of the company. This charge may be fixed or floating. In the case of a fixed charge, the security relates specifically to a particular asset or group of assets. The company is not permitted to dispose of the asset or assets without providing equivalent security, or without the prior approval of the debenture holders.

The terms of the debenture and the rights and responsibilities of the parties involved are set out in the Debenture Trust Deed. Matters outlined in this deed must be complied with by the company. The Debenture Trust Deed will contain, amongst others, the following:-

(1) restrictions on additional lending
(2) matters pertaining to the disposal of assets on which the loan is secured
(3) insurance relating to the property on which the loan is secured
(4) provisions relating to the retention of title deeds of properties on which the loan is secured

In summary

Advantages

- Represents a good source of long term finance
- Providers of debenture capital have no direct involvement in the day to day running of the company (i.e. it does not affect the balance of power and control between existing shareholders).
- Interest is tax deductible

Disadvantages

- Debentures are normally secured on the fixed assets of the company
- Debentures may have restrictive loan covenant requirements built in to the loan agreement
- Debenture holders may force receivership / liquidation on the company in the event of non payment.

Marks Allocated
2 marks per advantage and disadvantage
2 marks for overall quality
10 Marks

Solution 7 (cont'd)

PART C

Ratios provide useful information to enable an organisation to monitor liquidity, profitability, asset utilisation and solvency. This information is important to internal and external users. Ratios provide useful warning lights but usually require further analysis and explanation. Ratio analysis is enhanced when the information in comparable (e.g. when we are comparing like with like). Ratio analysis is a good diagnostic tool to help assess the financial health of an organisation, thereby enabling managers and users to identify areas which might be seen as strengths, or on the other hand, areas that might be causes for concern. They allow managers to stand back from the details and zone in on key relationships that highlight financial strengths or possible sources of financial concern.

Marks Allocated	
2 marks for the quality of the reasons in support of the position taken	
1 mark for overall quality	*5 Marks*
	Total 25 Marks