

Intermediate Level

Organisational Management

# 11

# IORG

22 May 2003

Thursday afternoon

## INSTRUCTIONS TO CANDIDATES

Read this page before you look at the questions

You are allowed three hours to answer this question paper.
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Answer the ONE question in section A (this has 10 sub-questions).
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Answer the TWO questions in section B.
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Answer TWO questions ONLY from section C.
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Write your examination number in the boxes provided on the front of the answer book.
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Write IORG on the line marked "Subject" on the front of the answer book.
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Write your examination number on the special answer sheet for section A which is on page 3 of this question paper booklet.
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Detach the sheet from the booklet and insert it into your answer book before you hand this in.
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Do NOT write your name or your student registration number anywhere on your answer book.
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Tick the appropriate boxes on the front of the answer book to indicate which questions you have answered.
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## SECTION A — 20 MARKS

### ANSWER ALL TEN SUB-QUESTIONS – 2 MARKS EACH

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Each of the sub-questions numbered from **1.1** to **1.10** inclusive, given below, has only ONE correct answer.

**REQUIRED:**

On the SPECIAL ANSWER SHEET opposite, place a circle "O" around the letter that gives the correct answer to each sub-question.

If you wish to change your mind about an answer, block out your first answer completely and then circle another letter. You will not receive marks if more than one letter is circled.

***You must detach the special answer sheet from the question paper and attach it to the inside front cover of your answer book before you hand it to the invigilators at the end of the examination.***

#### Question One

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

- A** authority.
  - B** empowerment.
  - C** accountability.
  - D** super ordination.
- 

**1.2** Which ONE of the following phrases explains "concentrated marketing"?

- A** The company produces one product for a number of different market segments.
  - B** The company introduces several versions of the product aimed at several market segments.
  - C** The company produces one product for a mass market.
  - D** The company produces one product for a single segment of the market place.
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**1.3** In a multi-divisional organisation producing a range of products for different markets, the business level strategy of each unit or division is primarily concerned with

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

- 1.4** When someone commences a new job, the process of familiarisation is known as
- A** management development.
  - B** recruitment.
  - C** appraisal.
  - D** induction.
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- 1.5** At what stage in Kurt Lewin's model of organisational change does the process of unfreezing take place?
- A** The termination stage.
  - B** The diagnostic stage.
  - C** The intervention stage.
  - D** The evaluation stage.
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- 1.6** When an organisation experiences sustained growth, this is often accompanied by
- A** less structural rigidity.
  - B** a decrease in formal controls.
  - C** higher debt.
  - D** an increase in formal rules and procedures.
- 

- 1.7** The division of an organisation into various departments such as purchasing, manufacturing, marketing, finance, research and development results in what kind of organisational structure?
- A** Network.
  - B** Functional.
  - C** Product.
  - D** Matrix.
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- 1.8** An effective appraisal system involves
- A** assessing the personality of the appraisee.
  - B** a one-sided process by the manager.
  - C** advising on the faults of the appraisee.
  - D** a participative, problem-solving process between the manager and appraisee.
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- 1.9** The external stakeholders of an organisation include
- A** pressure groups, government, community.
  - B** employees, Board of Directors, middle management.
  - C** government, Board of Directors, suppliers.
  - D** community, management, government.
- 

- 1.10** The motivating potential score, developed by Hackman and Oldham, is calculated to assess
- A** the knowledge of an individual.
  - B** the satisfaction with work.
  - C** the content of the job.
  - D** the quality of work performed.
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*(Total = 20 marks)*

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SECTION B – 40 MARKS

ANSWER BOTH QUESTIONS

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**Question Two**

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

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

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

***Required:***

(a) Explain

- (i) why formal control systems are increasingly necessary as an organisation grows and diversifies; and
- (ii) why the use of bureaucratic forms of control in S Company might limit creativity and innovation.

*(10 marks)*

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

*(10 marks)*

*(Total = 20 marks)*

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### Question Three

A year ago, T, the owner-manager of a taxi service, diversified into the business of fitting tyres. His strategy for the new enterprise emerged from his experience of using unbranded tyres on his fleet of ten taxis. Based on several years of use, he found that the unbranded tyres lasted almost as long as the branded tyres but had the advantage of being obtainable at half the price. The set-up costs of the tyre-fitting business were relatively modest and T initially fitted the tyres himself. Demand picked up quickly, however, and he was forced to employ an experienced fitter. A few months later, demand accelerated again and he has just advertised for another fitter but, unfortunately, without success.

The tyre-fitting business has produced additional challenges and T is finding it increasingly difficult to manage both the taxi service and the new business. He already employs one taxi receptionist / controller but has realised that he now needs another.

As if this were not enough, he is in the middle of extending his operations still further. Customers who buy tyres frequently request that he check the wheel alignment on their car following the fitting of new tyres. He has started to provide this service, but when done manually it is a slow process, so he has invested heavily in a new piece of electronic equipment. This new technology will speed the alignment operation considerably but neither he nor his tyre-fitter can operate the equipment.

Finally, to add to all these problems, two of his taxi drivers have resigned. This is not unexpected as he normally loses one or two of his ten drivers each year. Given the difficulties of staffing, he has realised that he needs to do some human resource planning. T has been advised by X, a consultant, on recruitment and selection, training and development.

#### ***Required:***

- (a) Produce a human resource plan for T's company and explain each aspect of your plan.  
(12 marks)
- (b) Discuss the important human resource activities, other than those on which X is advising, that T should pay attention to in order for him to obtain the maximum contribution from his workforce.

(8 marks)

(Total = 20 marks)

SECTION C – 40 MARKS  
ANSWER TWO QUESTIONS ONLY

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**Question Four**

Research into group behaviour suggests that the effectiveness of any work group / team depends on it having the right balance of group roles.

**Required:**

- (a) Explain why an understanding of group roles is important when forming an effective work group. Use any accepted classification of group roles to illustrate your answer. (10 marks)
- (b) Discuss factors other than group roles that contribute towards the development of an effective group. (10 marks)
- (Total = 20 marks)
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**Question Five**

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

- a change in structure in order to improve the focus of expertise on particular products and customers;
- tighter control of costs; and
- the introduction of a more entrepreneurial culture.

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

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

**Required:**

- (a) Describe the key mistakes made by the CEO in the way he went about introducing the proposed changes in B Company. (10 marks)
- (b) Given the situation on the CEO's return, advise him on what he should do in order to ensure that the changes can be successfully implemented. (10 marks)
- (Total = 20 marks)
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### Question Six

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

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

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

#### **Required:**

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

(12 marks)

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

(8 marks)

(Total = 20 marks)

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### Question Seven

The finance department of a rapidly-expanding multinational company consists of three categories of staff:

- Category A consists of long-serving members of 20 years or more, some of whom have kept up with the many changes in accounting theory and practice by continuing their professional development and many who have not.
- Category B consists of newly-qualified accountants who have recently been recruited to cope with the demands of the growing company.
- Category C consists of accountants with five to ten years' experience, some of whom have been recently promoted to demanding management roles in overseas divisions which will involve moving to foreign countries.

#### **Required:**

- (a) Describe briefly the activities you would undertake to produce a training and development plan for the finance department.

(8 marks)

- (b) Identify the main training and development needs of each category of staff. Recommend how you would meet each of these needs and justify your choice of methods.

(12 marks)

(Total = 20 marks)

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*End of paper*