

QUESTIONS

NUMBER ONE

- (a) Define span of management. (4 marks)
- (b) What factors determine the optimum span of management and the number of levels of management in an organization? (16 marks)

(Total: 20 marks)

NUMBER TWO

The production process is one by which goods and services are brought into existence. Write a brief account of the planning and operating decisions and activities, which the production manager is likely to encounter. (20 marks)

NUMBER THREE

Explain why the formulation of strategy in a non-profit organization may be different from a profit making organization. (Total: 20 marks)

NUMBER FOUR

- (a) Explain the concept of product life cycle (6 marks)
- (b) What is the importance of the product life cycle for business planning and budgeting? (14 marks)

(Total: 20 marks)

NUMBER FIVE

Informal groups exist in organisations to cater for interests and needs of workers. State and explain the merits and demerits of informal groups to a business organization? (Total: 20 marks)

NUMBER SIX

Evaluation of managers is fundamental to assess whether they are performing as expected.

a) Describe the five major methods of evaluating managers. (10 marks)

b) What are the critical guidelines for effective manager evaluation? (10 marks)

(Total 20 marks)

NUMBER SEVEN

What is meant by the term culture? How does an organization's culture manifest itself? How can organizational cultures be differentiated from each other?

(Total: 20 marks)

NUMBER EIGHT

Planning is an important and persuasive activity in many organizations. Identify and distinguish between various types of plans, which are likely to be found in an organization which invests substantial resources in the planning process.

(Total: 20 marks)

ANSWERS - MOCKS

NUMBER ONE

Span of control refers to the number of subordinates over whom a supervisor has direct control. In an organization, a manager is limited by time as well as by personal skills and cannot supervise an infinite number of persons.

Optimum span of control that which is neither too narrow nor broad. Organizations should aim at having an optimum number of subordinates to be supervised by one person. An ideal or optimum span of control is one which leads to efficient utilization of managers and effective performance of their subordinates. Too wide a span may mean that managers are receiving too little guidance or control. Too narrow may mean managers are under utilized. The number of subordinates a manager can supervise will depend on a number of factors and cannot be identified in advance.

Factors determining choice of span of control:

1. Similarities of functions being supervised i.e. the degree to which the functions or subordinates task for which the manager is responsible are alike or different.
 - Similar tasks – Wide span of control
 - Different tasks – Narrow span of control
2. Complexity of functions i.e. the nature of the functions or task for which a manager is responsible.
 - Less complex – Wide span of control
 - More complex – Narrow span of control
3. Direction and control needed by subordinates i.e. the degree of supervision that subordinates require.
 - Unskilled workers would require close supervision hence narrow span of control.
 - Skilled and professional workers require less direction and control hence wide span of control.

4. Coordination required of the supervision is the degree to which the manager must try to integrate functions or tasks within the subordinates or between the subordinates and other parts of the organization. More coordination requires narrow span of control while less coordination requires broad span of control.
5. Planning required of the supervisor i.e. the degree to which the manager must try to program and review the activities of his subordinates.
6. Organizational assistance received by the supervisor i.e. how much help in terms of assistants and other support personnel a manager can rely on. The more organizational assistants in terms of personnel and other resources the wider the span of control. Less organizational assistants require narrow span of control.
7. Control standards:
 - When control standards are clear and can be quantified – Wide span of control
 - When control standards are not clear – Narrow span of control.
8. Geographical dispersion of functions i.e. how closely the functions are located to managers.
 - Greater geographical dispersion – Narrow span of control
 - Lesser geographical dispersion – Broad span of control.

Other guidelines to choice of span of control

The following factors relating to the work situation, subordinates and the managers should be considered. The appropriate span of control can be relatively broad to the extent that:

- i. The work is fairly routine.
- ii. Operations are fairly stable.
- iii. The work of subordinate is similar.
- iv. Subordinates can generally work independently of each other.
- v. Procedures and methods are well established and formalized.
- vi. The work does not need high degree of control.
- vii. Subordinates are relatively well trained for the work.

- viii. Subordinates prefer to work without close supervision.
- ix. Managers are well trained and experienced
 - x. Managers receive assistance in performing supervisory role.
- xi. The manager doesn't have many additional non-supervisory activities to perform.
- xii. He prefers fairly loose than tight supervisory style.

NUMBER TWO

The production management is concerned with the effective management of resources used to provide goods and services. This manager will therefore make decisions that will affect the management as follows:

- **Planning decisions**

- a) Product: The production manager is concerned with the design, quality, quantity, reliability, selection, forecast, selling price and delivery of the product to the target market and will take decisions and activities such as
 - Planning and designing new products
 - Planning the network of the production department to determine the level of production processes in future.
 - Determine the expected product demand.
 - Draw up production specifications which includes operations that are to be performed in producing the products so as to fulfill the expected demand.
 - Identify the resources that will be required i.e. plant facilities, labour, time, materials and how the work is to be assigned to different machines or departments in advance.
 - The manager must decide on the appropriate stock levels to be maintained so as to ensure no shortages while at the same time minimizing costs.
 - He must also make decisions regarding the expected quality levels to be maintained in the organization.
- b) Plant: The manager will also make decisions regarding the location of the plant and other capital expenditure plans such as expansion or modernization of facilities. He will also make decisions regarding the utilization of the plant capacity to meet forecasted sales demand.
- c) Other decisions will be made regarding staff in the production department, when to hire additional staff and their training.

- Operating decisions are concerned with the actual work of the department and include putting the plans into effect as well as control decisions. Some of the decisions the production manager will make include:
 - a) Product: He will decide on when production will be undertaken. During the production process, he will monitor and ensure that nothing goes wrong e.g. if there is a breakdown in machines, he must decide on repairs and ensure production continues.
 - b) Plant: the manager makes decisions on the maintenance of machines - when they are to be undertaken, purchases of spare parts etc.
 - c) Technology: this is the actual process used to transform raw materials to finished goods. Will it be labour or capital intensive?
 - d) People: the manager will decide who to promote, replacement of employees, overtime, recruit etc.
 - e) Other operational decisions include investigating variances from plans and instituting corrective action.

NUMBER THREE

- Managing activities internal to the firm are only part of the modern executives responsibilities. The executive must also respond to changes posed by the external environment as well. To deal effectively with everything that affects the growth of a firm, executives employ management processes that will position the firm optimally in its competitive environment. They strive to maximize the anticipation of environmental changes and of unexpected internal and competitive demands. They place emphasis on external forecasting and external considerations in the formulation and implementation of plans.

This all encompassing approach is known as strategic management which may be defined as “The set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives” or “The development, implementation and control of agreed strategies.”

Strategic management comprises the following activities:

- Strategic Analysis
 - (i) Formulate the company’s mission, including its purpose and philosophy. The goals and objectives of the company must also be developed.

- (ii) Assess the external environment to identify opportunities and threats. This assessment covers both the competitive environment and the general environmental factors.
- (iii) Development of a company profile that reflects its internal capabilities, resources and weaknesses. This is internal analysis.
- (iv) Analysis of the company's options by matching its internal resources with the threats and opportunities in the external environment. This corporate appraisal should bear in mind the objectives to be achieved by the company as defined in step (i).

- Strategic formulation and choice

Development of a range of alternative options/alternatives that the company can undertake.

- (v) Identify the most desirable option by evaluating the various options in light of the mission statement.

- Strategic implementation

- (vi) Implement the selected strategy by means of budgeted resource allocations, operational plans paying attention to the organization culture, structure and developing appropriate functional strategies.

- Strategic control

- (vii) Review and control the strategy implementation process by assessing actual performance against plans.

- Strategy formulation in a profit making and a non-profit making organization follow the same procedures as above. The only difference that arises is that a non-profit making organization does not have competitors in the strict sense of the word. Thus assessment of the external environment will not be done in the same way as in a profit making organization. A non-profit making organization will be concerned with attracting funds and utilizing these funds well. The mission will also be different since a non profit organisation aims at providing a public good.

NUMBER FOUR

The concept of the product cycle has been developed from studies of life cycles of individual products. These studies suggest that any product has a life cycle and will pass through a number of distinct stages which are as follows:

- **Product Introduction:** Production costs are high, partly as a result of development costs; price is also high; competitors are few, if any, but sales and profits are low at this stage.
- **Growth:** Sales rise rapidly; prices ease; unit costs decline and profits are at their peak.
- **Maturity:** Sales continue to rise, but less rapidly; competition is fierce and prices ease further; profits begin to level off.
- **Saturation:** Sales stagnate; prices become very competitive and profits begin to shrink; mass market begins to evaporate.
- **Decline:** Sales take a permanent down turn; profits low or non-existent; product is eventually withdrawn.

The Implications for business Planning and budgeting. (combine the explanation for each stage with the implications)

- At the introductory stage, pricing can be geared at least to the recovery of costs, and possibly to what the market will bear.
- From the budgeting point of view, target for sales and profits shouldn't be set too high at the introductory stage. But there is need to set a demanding level for the subsequent stage of growth. There should be a large budget for advertising and promotion.
- At the growth stage, production needs to be planned at peak levels to meet increasing sales. Distribution needs to be geared up to moving goods to the point of sale. From the planning point of view, this is the period of peak activity to ensure that the product realizes the benefits of maximum competition.
- As sales increase and competition begins to appear, it is time to take advantage of flexibility of pricing by reducing prices just when competitors are beginning to bear their own development costs.
- During maturity, competition is at its highest, a lot of advertising and further price reductions are necessary. Budgets for both sales and profits will also need to be put at a lower level.

- At saturation stage, as sales begin to stagnate, efforts can be directed towards a variety of sales promotion activities to demoralize competitors. Earnings from the growth period can be used to support some of the costs incurred in subsidizing sales. Profit targets should be set but at a minimal level. Production resources should be curtailed considerably in the face of slow-down sales.
- As the decline stage approaches, budget costs should be set at the lowest possible levels, as the whole product cycle begins to wind down for good. Replacement goods should be underway and another cycle about to begin.

NUMBER FIVE

An organization can be described as a group of people working towards a common goal. Within any organization there exists two groups - formal and informal.

The informal groups are those that arise spontaneously from the interaction of people and are not controlled or prescribed by the formal structure.

- **Characteristics of informal groups:**

- Have their own goals.
- Members are often pressurized to conform to the group norms.
- They have an informal leader.
- They often depend on the grapevine for communication.
- The group provides a certain status to its members.

- **Merits of informal groups.**

- They provide a means of developing friendships and being accepted by fellow workers providing social satisfaction to the employees. This means that the social needs of employees are met.
- The group can supplement the formal structure by generating ideas that are flexible and spontaneous.
- They can point to the flaws in the formal communication system.
- Once accepted, a new staff member can be taught how to work and perform tasks by this informal group.

- **Demerits of informal groups**

- Many have their own objectives that differ from those of the organization.
- They encourage conformity to group norms and discourage creativity.

- Social costs may be incurred.
- The grapevine can sometimes be misused to spread destructive and inaccurate information.
- They tend to resist change that threatens them.

NUMBER SIX

- a) **Evaluation:** This refers to the process of reviewing performance over the past period and identifying any deficiencies and improving them in future. Evaluation ensures that individuals in an organization are performing to their best ability while at the same time developing their potential.

Evaluations serve three main purposes:

- Planning and following up training and development programs.
- Planning career development and succession.
- Reviewing the individual's rewards.

b) Methods of Evaluation

- Results evaluation:** It assesses the employee in terms of what he actually accomplished over a period of time. It deals with quantifiable achievements e.g. units produced, volume sold, waste and turnover of manager's employees. This method gets to the heart of managing since it evaluates managers on the basis of results or objectives achieved.
- Trait or attribute evaluation:** It is a formal method of manager evaluation because it is carried out in a planned manner. Trait evaluation judges managers in terms of personal characteristics e.g. the degree to which he is loyal, initiative, ambition, fairness, dedication, decisiveness, ability to handle stress etc. It may also include judging the individual on work related qualities such as knowledge of the job, ability to plan and follow through on work assignments. Most trait evaluation systems give the evaluation alternative ratings for each characteristic considered important e.g. excellent, good, fair, poor. Trait evaluation may also ask the reviewer to answer several open-ended questions.
- Behaviour evaluation:** These are concerned with actual job behaviour. These instruments identify the key aspects of managers, the manager's job and describe a range of highly effective to very ineffective ways of performing various activities. The evaluator can note which description of behaviour is closest to the manager's actual performance. The behaviour evaluation instruments emphasize the manager's development since it deals directly with what is needed to help a manager improve future performance.

- iv. **Functional evaluation:** Here managers are evaluated in terms of their ability to perform basic management functions of planning, organizing, staffing, directing and controlling. Some argue that this is the best method since it utilizes the basic concepts and principles of management as a standard.
- v. **Informal evaluation:** This doesn't use formal instruments but is an ongoing and structured way of evaluating managerial performance. Informal evaluation is mostly used in small organizations where a superior can usually tell by observations - which employees are performing satisfactorily and which ones aren't. In medium sized firms, informal evaluation is also used especially in those firms with relatively unsophisticated senior managers who may not know the various appraisal tools. Informal evaluation is an ongoing unstructured way of appraising a manager's performance i.e. it employs no structure or design.

Critical guidelines to effective manager evaluation

- Keep the system simple.
- Avoid personal bias and subjectivity.
- Encourage frank and fair evaluation.
- Advise personnel on the methods and purpose of evaluation.
- Make evaluation to be a continuous process.
- Use results of evaluation constructively.
- Should be relevant.
- There should commitment to the system.
- It should be a participative activity.
- Efficiency i.e. benefits should outweigh the costs.

NUMBER SEVEN

Corporate culture is the system of shared values, beliefs and habits within an organization that interacts with formal structure to produce behavioural norms. Culture gives people a sense of how to behave and what they ought to be doing. Organization culture is composed of such factors as friendliness, supportiveness and risk taking. Such perceptions are gradually formed for each individual over a period of time as the person performs assigned activities under the general guidance of a superior and a set of organizational policies.

Culture has an impact on the employees' degree of satisfaction with the job, as well as the level and quality of their performance. The assessment of how good or poor the culture is may differ for each employee. One person may perceive the environment as good while another may see it as bad. An employee may leave an organization with the hope of finding a more compatible culture.

- Ways through which culture can manifest itself includes:
 - Extent of the formalization of the structure.
 - Decision making by committees or individuals.
 - Communication.
 - Degree of freedom given to subordinates.
 - Kind of people employed.
 - Symbols and legends in the organization.
 - Management style.
 - Commitment to quality.
 - Attitude to technology.

Charles Handy has suggested that organizations can have any one of four different cultures as follows:

- The power culture - power and culture stem from a central source, often the owner of the company. There are not many rules and procedures.
- The role or bureaucratic culture - there is a formal structure and well-established rules and procedures.
- The task or matrix culture - the main aim of such an organization is to get the job done. Individuals are valued for their contribution to team effort.
- The existential or person culture - the organization is formed to serve the interests of a person or the individuals within it.

NUMBER EIGHT

Definition of Planning:

Koontz says planning involves selection from among alternative future courses of action for the firm as a whole and for every department or section within it. Planning can therefore be looked at as the process of developing plans.

A **plan** is a blueprint or framework used to describe how the organization expects to achieve its goals. Planning then is simply the process of determining which path among several the organization wishes to follow.

Planning is the process of determining which is the best way to approach a particular goal.

Described by different levels of scope we have strategic, tactical and operational plans.

Strategic plans are broad plans developed by top manager to guide the general direction of the firm.

Tactical plans are concerned with how to implement the strategic plans.

Operational plans are developed to handle recurring and relatively routine situations.

Types of plans

- **Mission:** This plan defines the company's reason for existent or 'raison d'être'. It answers two basic questions, "what business are we in? Why are we in business?" It also identifies the company's strategy, its values and behaviour standards. A mission statement should include a clear definition of current and future expected business scope in terms of products and services, markets and geographical coverage: a selection of a way to pursue a position of either cost leadership or sustainable competitive advantage and a short description of how goals might be attained.
- **Objectives:** These are the desired end results of any activity. They serve to translate the mission statement into specific ways of achieving it and provide a means of understanding the mission of the company. The SMART mnemonic is used to describe good objectives i.e. they should be Specific, Measurable, Attainable, Relevant and Time bound.
- **Strategies:** These are broad based plans that involve the determination of basic long-term objectives. A strategy is the game plan that management designs for positioning the firm in its chosen market are, competing successfully, pleasing customers and achieving good business performance. The aim of strategies is the gaining of a competitive edge.
- **Policies:** These are general statements or understandings that guide decision-making and they address recurring situations. Policies are long term decisions formulated in the context of objectives. Policy formulation is a function of all managers in an organization but higher-level managers play a more important role in policy making. Policies give benefits such as quick decision-making, better decentralization, effective coordination and simplified control.
- **Procedures:** These are plans that establish the required method of handling future activities. They are a chronological sequence of steps undertaken to enforce a policy and attain an objective.

The importance and advantage of procedures

- Can save time and other resources
- Help in training new employees
- Help in handling emergencies
- Relieves managers of the detail of directing subordinates

- Ensures uniformity of action by laying down a well thought of course of action etc.
- **Rules:** These are rigid and definite plans that specify what is to be done and not done in a given situation. They leave no room for discretion.
- **Programmes:** Are a coordinated group of plans designed to implement policies and accomplish objectives. They are complex and include goals, procedures, rules, task assignment, policies and other elements necessary to carry out a given course of action.
- **Budgets:** These are statements of expected results expressed in numerical terms for a definite period of time in the future. It may be referred to as a numbered plan.

