

Business Management

1st Year Examination

May 2012

Paper, Solutions & Examiner's Report



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Accounting Technicians Ireland
1st Year Examination: Summer 2012
Paper : BUSINESS MANAGEMENT

Wednesday 16th May 2012 – 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 a consultant to a Federation of long established taxi businesses based in major urban areas in Ireland. The federation has recently heard of the PESTLE model and have requested you to explain how the "PESTLE" model may be used as a framework to identify the major changes that have taken place in this market in recent years.

You are required to:

- (a)** Prepare a short briefing note for the Federation on the following matters:

(i) Describe each element of the "PESTLE" model.

10 Marks

(ii) Using the "PESTLE" model identify four major macro environmental influences that have had a major influence on the taxi market in Ireland over the last five years, giving reasons in support of your answer.

10 Marks

- (b)** Explain what is meant by "market positioning"? Why is it important?

5 Marks

Total 25 Marks

SECTION B

Answer any THREE of the six questions in this Section

QUESTION 2

"The ability to provide leadership is one of the most important skills a manager can possess"

(a) Describe any two of the following theories of leadership:

- (i) The Trait approach
- (ii) The Contingency approach
- (iii) The Behavioural approach
- (iv) The Situational approach
- (v) The Charismatic approach

10 Marks

(b) Outline four stages of team development and briefly describe what happens at each stage.

10 Marks

(c) Briefly explain two methods of employee performance appraisal.

5 Marks

Total 25 Marks

QUESTION 3

- (a) You are an assistant manager of a large insurance company. Your manager attended a conference recently where one of the managers stressed the importance of market segmentation. Following on from the conference your manager requested you to prepare a briefing note on the concept in which you address the following:

- (i) Explain what is meant by the term "market segmentation" and describe four key market segmentation variables, using examples where appropriate.

10 Marks

- (ii) Explain how the above variables may be used by an insurance company as a basis for segmenting its markets.

10 Marks

- (b) "Social networking sites will have an increasingly important role to play in business marketing". Do you agree? Give reasons in support of your answer.

5 Marks

Total 25 Marks

QUESTION 4

- (a) "Employees are recognised as a vital part of business and managers ought to be concerned with their levels of motivation"

Explain the equity theory of motivation and outline its main benefits and limitations as a theory of motivation.

10 Marks

- (b) Your organisation, a large service based Irish company, is striving to reposition its service offerings. As part of this strategic initiative it recently embarked on a programme of change, which involves merging the operations of two of its existing divisions.

Briefly explain how Lewin's three-step model of change management may assist in reducing the level of resistance that is likely to be encountered.

10 Marks

- (c) Briefly outline how organisational training should be evaluated.

5 Marks

Total 25 Marks

QUESTION 5

- (a) "Consumers are complex. Every year marketers and advertisers spend billions of euro on market research in order to understand the decisions and key motivation of consumers more effectively"

Describe each of the five stages of the consumer decision making process (CDMP).

10 Marks

- (b) Distinguish between high involvement and low involvement purchases. Briefly explain how the distinction impacts any three of the stages in the consumer decision making process (CDMP) referred to in (a) above.

10 Marks

- (c) Briefly explain how the product life cycle influences marketing strategy.

5 Marks

Total 25 Marks

QUESTION 6

- (a) Explain what is meant by "B2B", "B2C" and "B2E" in relation to e-commerce. Illustrate your answer with examples.

10 Marks

- (b) Broadly speaking IT systems may be acquired "off the shelf" or "custom built".

Briefly describe when each is likely to be the preferred approach to systems development / acquisition.

10 Marks

- (c) Explain briefly how Access controls may be used to enhance the security of an information system.

5 Marks

Total 25 Marks

QUESTION 7

- (a)** "Financial managers are an integral part of decision-making in organisations". Describe the role of the financial manager in organisations.

10 Marks

- (b)** "Cash is the lifeblood of organisations". Describe one major short term source of finance and one major long term source of finance available to businesses.

10 Marks

- (c)** "The use of ratios is very beneficial when evaluating the financial performance and position of a company". Distinguish between return on shareholders funds (ROSF) and the net profit margin.

5 Marks**Total 25 Marks**

1st Year Examination: May 2012

Business Management

Suggested Solutions

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

SOLUTIONS TO QUESTION 1 (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.

Marks Allocated	
1.5 marks per element	
1 mark for overall quality and presentation	10 Marks

Solution 1 (cont'd)**PART A (ii)**

Many factors have had an impact on the taxi industry over the last five years. A number of these are set out below:

Technology

Developments in technology have contributed to the industry in a positive way. The introduction and use of GPS systems has proven to be beneficial to both customers and drivers. Consumers can now access more taxi firms on line and via mobiles. This has provided greater choice to customers and increased competition amongst taxi firms.

Economic

The recession has impacted the industry significantly in the last three to four years. People find it difficult to afford taxis any more and many have reverted to making alternative arrangements (e.g. cycling, using public transport, nite link etc.). The taxi itself has become highly competitive, to the point where taxi drivers are finding it increasingly difficult to stay afloat.

Socio Cultural factors

Socio cultural factors such as attitudes and perceptions have changed towards the industry in recent times. It is now seen as an expensive mode of transport. Occasional publicity surrounding incidents such as overcharging, people double timing and working excessive hours etc. have not helped the image of the industry.

Legislation

New laws have been introduced to regulate the industry. These have had a major impact on the industry in recent years. Up to a few years ago taxi's were seen as a lucrative business. It was a difficult market to enter. Taxi plates cost thousands of euro / pounds and were not easily obtained. The deregulation of the industry has removed this barrier to entry. Regulations governing the industry have become more restrictive in recent years and are more visibly enforced.

Students were required to elaborate on the implications of the above for the industry as a whole

Marks Allocated	
2 marks per influence – max 4	
2 marks for overall quality and presentation	10 Marks

PART B

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

Solution 1 (*cont'd*)

A perceptual map may be used to identify key consumer criteria and where brands are positioned in relation to each other. Branding may form part of the drive to re-position or reinforce an existing position in the market place.

Marks Allocated	
3 marks for quality of explanation	5 Marks
2 marks for relevance / importance	
Total 25 Marks	

SOLUTIONS TO QUESTION 2**PART A****Trait Approach**

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

For some time it was thought that trait theory was wrong and that there are no consistent trait differences between leaders and non leaders, or between effective and ineffective leaders. However, more recent evidence shows that 'successful leaders are not like other people, that successful leaders are indeed different from the rest of us. More specifically leaders are different from non leaders in the following traits; drive, the desire to lead, honesty / integrity, self-confidence, emotional stability, cognitive ability, and knowledge of the business. There is much debate as to whether traits are biologically inherent in some people or whether people develop them over time and situations.

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

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

Contingency Approach

Contingency theorists argue that the 'best' leadership style depends on the situation.

For example, Fiedler assumes that leaders will be more effective when their leadership styles are matched to the proper situation. More specifically, Fiedler defined situation favourableness as the degree to which a particular situation either permits or denies the leader the chance to influence the behaviour of group members. In highly favourable

Solution 2 (*cont'd*)

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.

In general, the relationship-orientated leaders, are better leaders under moderately favourable conditions, while task-orientated leaders are better leaders in highly favourable and highly unfavourable situations.

The Behavioural Approach

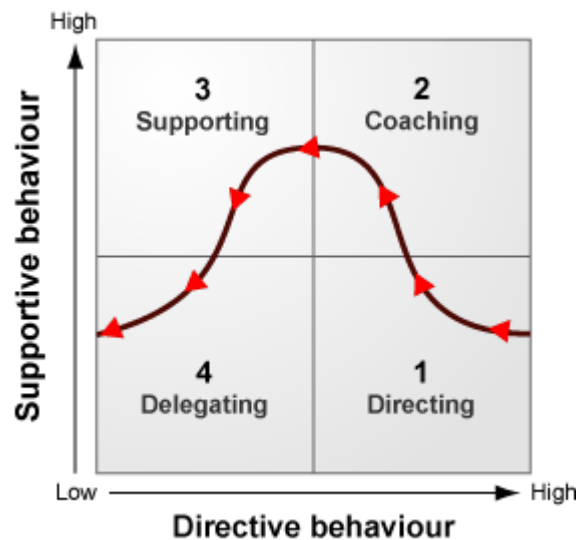
As a result of the dissatisfaction with the trait approach to leadership, the focus of leadership research moved away from leader traits to leader behaviours. The central assumption in this school of thought was that specific behaviours differentiate leaders from non-leaders. One of the most famous behavioural leadership studies took place at Ohio State University in the late 1940s. The study found that there are two principle dimensions to leading behaviour:

- Concerns for People - Leaders have a concern for developing mutual trust with subordinates.
- Concerns for the Task - Leaders are concerned with structuring their own and their subordinates' (or followers') tasks and goals. These people are highly directive and task-orientated.

The Michigan Leadership studies conducted in the 1950s propose three criteria for effective leaders:

- Task-Orientated Behaviour - Leaders spent time guiding employees in setting tasks that were challenging and rewarding.
- Relationship-Orientated Behaviour - Leaders were considerate, helpful and supportive of their subordinates.
- Participative Leadership - Effective leaders promote, foster and encourage collaboration across the board through teamwork and the generation of ideas.

The behavioural approach recognises the quality of leadership as a determining factor in management success. It focuses on group relationships and recognises the role of individual psychology and group behaviour in organisational effectiveness. It is therefore an improved version of the human relations approach.

Solution 2 (cont'd)**The Situational Approach**

(Source: <http://www.grad.ac.uk/grad/images/diagrams/behaviour.gif>)

A fifth theory was developed by Hersey and Blanchard. This model viewed leadership as dependent on the readiness of others. The idea that the situation plays an important part in leadership style provides a dynamic and flexible view of leadership rather than a static one, which suits the modern approach to management and corporate culture (Hannagan 2009). Hersey and Blanchard defined leadership in terms of direction and support that the leader provides to their subordinates. They found four styles:

- 1.) Directing - Roles and responsibilities are defined by the leader and monitored closely.
- 2.) Coaching - Roles and responsibilities are defined but with input and collaboration with followers.
- 3.) Supporting - The leader makes the decisions and delegates the processes but ultimately the control is with the follower.
- 4.) The leader is involved in decision-making but the follower decides when and how the leader will be involved.

Solution 2 (cont'd)**The Charismatic Approach**

Charisma is a very strong form of referent power possessed by relatively few individuals. It is based on an individuals' ability to influence others through their own inspirational qualities rather than through any formal position of power. It is directed at identifying behaviours that differentiate charismatic leaders from their non-charismatic counterparts. Studies indicate that charismatic leaders display specific traits:

Characteristics of Charismatic Leadership	
Strong needs for power.	Ability to portray self-sacrifice on behalf of the company.
Very self-confident.	Astute at scanning and 'reading' their environment.
Strong beliefs in their own ideas.	Often behave unconventionally.
They are visionaries and can communicate their vision effectively.	Good at cultivating a certain image (whether accurate or not).
Take innovative actions to achieve goals.	They are dominant and have a strong desire to influence others.

Marks Allocated	
5 marks for quality of description of each theory	10 Marks

PART B

Group / Team development is not random, but evolves over definitive stages. The five generic stages of development are forming, storming, norming, performing and adjourning.

Forming

This stage of team development is characterised by initial orientation and acquaintance. The team is formally introduced and given its task or brief. Team members typically start "testing the water" with other team members to understand; What exactly is required from them? What the other team members are like etc.? The first steps in "jockeying for position" emerge at this stage. The team leader should focus on the facilitation of social interaction and the clear statement of objectives and roles / requirements.

Storming

This is a stage of team development in which individual personalities and roles emerge, and the potential for conflict or misunderstanding of individual roles becomes an issue.

At this stage a team may break into factions if not properly managed, and this has a serious effect on the overall cohesiveness of the group. At this stage a team leader must ensure healthy participation by all members, to ensure that ideas are proposed, disagreements are minimised, and conflicts are dealt with appropriately.

Solution 2 (*cont'd*)

Norming

This is the stage of team development when many of the conflicts that emerged during the earlier stages are resolved and team harmony and unity evolves. (e.g. boundaries are clearly established). A team leader at this stage should focus on the team rather than individual performance and assist in the clarification of team roles, norms and values if any confusion or conflict still exists.

Performing

The focus moves from the assurance of team cohesion towards problem solving and the accomplishment of the task at hand, although the socio-emotional roles should not be discarded. The team at this stage is highly co-ordinated and focused on their individual roles. Team leader activity is heavily focused on the facilitation of high performance.

Adjourning

In this stage of team development members prepare for the teams disbandment. The brief of the team has been met and is "put to bed". Various emotions prevail at this stage from complete satisfaction / elation to depression. The team leader is focused on task accomplishment and reward where appropriate

Marks Allocated	
2 marks for the quality of the description of each stage	
2 marks for overall quality and presentation	10 Marks

PART C

Assessing the work of employees is a key function of human resource management, and indeed a central aspect of all managerial work. The objective is to achieve and sustain high performance standards in an attempt to ensure organisational success and survival. It fulfils a number of important roles. Firstly to determine the extent to which people are meeting their job requirements. Secondly they are used to determine developmental needs and thirdly they help identify candidates with potential to take on further responsibility and thus allocate rewards and develop motivation and commitment. It increasingly relevant in the present economic environment.

Common methods of appraisal include graphic rating scales, 360 degree feedback and self assessment.

360 Degree feedback

This is a method whereby feedback is collected from an employee's manager, peers and subordinates. It is an appraisal from various viewpoints. It offers a holistic view but is time-consuming to undertake.

Solution 2 (cont'd)

Self Assessment

This is where the employees analyse their own performance as the basis for discussion and feedback. It is potentially open to manipulation but at the same time it may help people identify their core strengths and weaknesses.

Marks Allocated	
2 marks for quality of explanation of each method	5 Marks
1 mark for overall quality and presentation	
Total 25 Marks	

SOLUTIONS TO QUESTION 3**PART A (i)**

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. However for smaller businesses it is not profitable to customise products at the individual level, so manufacturers identify classes of buyers who differ in their broad requirements or marketing responses. 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.

Psycho-graphic variables, this looks at the behaviour of the consumers lifestyle and divides the market on the basis of activities (sports and entertainment), interests (socializing) and opinions (political).

Marks Allocated	
2 marks for quality of explanation of concept	10 Marks
2 marks for quality of description of each variable	

PART A (ii)

Market segmentation would be important in segmenting the insurance market. A number of possibilities exist. Indeed the markets could be analysed in multiple ways using the foregoing information, as outlined below:

Demographic variables: dividing the insurance market on the basis of age, for instance, identifying what these groups need and serving them. For example, providing over 60s with incentives for careful driving over many years and giving them a reduced rate.

Geographical variable: this variable can be used to divide the insurance market depending on where individuals live. For example, you could choose to offer insurance in Dublin where there is a large population, however, you may not obtain customer loyalty.

Solution 3 (*cont'd*)

Or serve more rural areas with popular policies that attract customer loyalty and retention.

Psycho-graphic: here we might divide the market on activities people take (e.g. like frequent long distance drivers, or drivers who spend a lot of time on the road or those who drive abroad). This approach allows you to develop a more in-depth approach to insurance.

Behavioural variables: this approach allows you to target groups of interest to your portfolio of clients. It may facilitate you in distinguish between high and moderate risk groups.

Marks Allocated	
2 marks for the quality of the explanation of each variable	
2 marks for overall quality and presentation	10 Marks

PART B

There are hundreds of social networking sites available on the Internet. A social networking site can be described as a website that provides a virtual community in which people with a shared interest may communicate. Examples include Facebook, Bebo, Second Life and Twitter. These platforms offer huge benefits to marketers and advertisers alike.

To get an overview of what social networking sites offer marketers, consider Facebook, which has 1.75million users in Ireland in 2011 (RTE News)

Solution 3 (cont'd)

Marketing Strategy	Description
Profile page	All Facebook members get their own profile page when they sign up. Companies can set up company profiles full of product and service information.
Friend request	Members send and receive friend requests and build up contacts. Companies can utilise this by sending out requests that may have information links enclosed.
Groups	Groups may be created or joined for networking purposes. Businesses can set up or join groups in order to network with target customers.
Events	Corporate flyers with event details can be distributed among contacts. This is a cheap and direct method of communication and could be used for new product launches.
Contact importer	A very useful tool, this allows you to 'find friends on Facebook'. Companies can check and see if their contacts/customers use Facebook by uploading their contacts from Gmail and Outlook. Friend requests can then be sent.
Add-ons	These applications allow business people to customise profile pages and build virtual relationships with clients and customers.

Social networking sites have a lot to offer the prospective marketer and advertiser. The great advantage is that most of these applications are free and are often very efficient methods of maintaining contact with friends and customers you wish to build relationships with. In this regard, Internet Marketing and CRM are interlinked and have a symbiotic relationship. Interestingly, ethics can be considered here also. Spam and Internet 'junk mail' have been considered in the ethical area of late and marketers need to ensure that communication with clients and potential customers does not over-step the mark.

Marks Allocated
1 mark for conclusion (Conclusion offered)
2 marks for reasons (1mark each)
2 marks the overall quality of the answer (Engagement with theme /Conclusion well supported)
5 Marks
Total 25 Marks

SOLUTION TO QUESTION 4**PART A**

Equity theory says that people will be motivated at work, where they perceive that they are being treated fairly. In particular, equity theory stresses the importance of perceptions. So, regardless of the actual level of rewards people receive. They must also perceive that, relative to others, they are being treated fairly.

The basic components of equity theory are inputs, outcomes, and referents. Inputs are the contributions the employees make to the organisation. According to the equity theory process, employees compare their outcomes, the rewards they receive from the organisation, to their inputs and their contributions to the organisation. This comparison of outcomes to inputs is called the outcome /input ratio. When people perceive that their outcome /input ratio is different from their referents ratio, they conclude that they have been treated inequitably or unfairly.

People who perceive that they have been under-rewarded try to restore equity by decreasing or withholding their inputs. Another method of restoring equity is to rationalise or distort inputs or outcomes. Instead of decreasing inputs or increasing outcomes, employees may restore equity by making mental or emotional adjustments to their outcome / input ratios or to the outcome /input ratios of their referents. It is likely that these people would still be angry or frustrated with their position even though they have rationalised it. (e.g., I still have a job).

Managers can use equity theory to motivate workers by looking for and correcting major inequities, reducing employees' inputs, and emphasising procedural as well as distributive justice.

Benefits: helps managers identify if employees are satisfied or dissatisfied in job situations, managers can analyse inputs against outputs and so implement strategies to increase motivation and it helps classify the elements that lead to motivation.

Limitations: Model may be too simplistic in its application; does not consider cultural or socio-economic variables, may be hard to find the balance between inputs and outputs in practice.

Marks Allocated	
5 marks for quality of overall description	
2 marks per benefit	
2 marks per limitation	
1 mark for overall quality and presentation	10 Marks

PART B

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

1. Unfreezing
2. Moving
3. Refreezing

Solution 4 (*cont'd*)**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 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 nanosecond culture of today's high tech environment. It has been criticised as too simplistic and mechanistic for a world where organisational change is a continuous and open-ended process. It has also been suggested it is only relevant to incremental and isolated change projects and not able to incorporate radical, transformational 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 its 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, managing organisational change is a basic process of unfreezing, change intervention, and refreezing. 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.

Solution 4 (*cont'd*)

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.

The last two errors that managers tend to make occur during the refreezing phase when attempts are made to support and reinforce changes so that they "stick". Declaring victory too soon is a tempting mistake in the refreezing phase. Managers typically declare clear victory right after the first large-scale success in the change process. The last mistake that managers make is not anchoring changes in the Corporation's culture.

Solution 4 (*cont'd*)

An 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	
3 marks for overall description of the model	
2 marks per description of each phases contribution to reduction of resistance (3*2)	
1 mark for overall quality and presentation	10 Marks

PART C

There are a number of ways in which training may be evaluated in work environments, including methods that are training centered, reaction centered, learning centered, job focused, and organizationally centered.

Training centred evaluation aims to assess the inputs to training i.e. whether we are using the correct methods of training

Reaction centred evaluation, which is probably the most widely used approach, seeks to obtain and assess the reactions of trainees to the learning experiences they have been put through

Learning centred evaluation seeks to measure the degree of learning that has been achieved. This is usually undertaken by testing trainees following their training, as in a driving test for example.

Job related evaluation is aimed at assessing the degree of behaviour change, which has taken place on the job after returning from a period of training. It is a measure of learning, which has applied in the workplace.

Organisation changes can be brought about by training, and here the evaluation is linked to an organisation change programme. It attempts to assess the extent to which training has impacted the overall organisation.

Marks Allocated	
1 mark per valid point re: evaluation of training	5 Marks
Total 25 Marks	

SOLUTION TO QUESTION 5**PART A**

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

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

Stages

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

1. Problem / Need Recognition

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

2. Search Behaviour / Search for Information

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

3. Evaluation of alternatives

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

4. The Consumer Choice Process / Purchase

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

5. Post Purchase Evaluation

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

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

Marks Allocated	
2 marks for the quality of the description of each phase (2*5)	10 Marks

Solution 5 (*cont'd*)**PART B**

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

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

High Involvement Purchases:

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

Low Involvement Purchases:

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

There are a variety of factors that can influence a consumer's behaviour. The CDMP is a good model on which to analyse the various stages that consumers go through when considering, making and evaluating a purchase. However, marketers need to consider the relevance of a product or service to the consumer – this is referred to as involvement. Involvement has been defined by Zaichowsky (1985) as a person's perceived relevance of the object, based on the person's inherent needs, values and interests.

Solution 5 (cont'd)

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

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

Marks Allocated	
3 marks for the distinction between high and low involvement purchases	
2 marks for the description of each stage (3*2)	
1 mark for overall quality and presentation	10 Marks

PART C

The PLC concept helps focus attention on the potential life span of a product and the distinct phases of its life span. Many products do exhibit distinctive life cycle patterns that allow marketers to target and exploit the different phases (e.g. set prices and advertising to attract early adopters, capitalise on / harvest investments at the mature stage, disinvest those in the decline stage and / or re-launch new versions etc.).

Solution 5 (*cont'd*)

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

1. the duration of the PLC stages is unpredictable
2. it is challenging to map the location of products with certainty

Marks Allocated	
1 mark per valid point (4*1)	
1 mark for overall quality and presentation	5 Marks
	Total 25 Marks

SOLUTION TO QUESTION 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.

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, are good examples of C2C e-commerce websites.

Marks Allocated	
3 marks for quality of explanation of each element	10 Marks
1 mark for the overall quality and presentation	

PART B

Packages are available immediately to use whereas custom-built system may take months or years to develop.

Packages are generally well established and proven products, whereas custom-built systems must be extensively tested and inevitably have 'teething problems' when implemented.

Packages come complete with full documentation (user guides etc.) whereas such information must be specially prepared for each custom-built system.

Packages are generally the result of considerable investment of time, money and professional expertise by package developers.

Solution 6 (*cont'd*)

Training and support can be obtained from the package supplier rather than having to be provided from internal resources.

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

In cases where specialised or unique systems are required, a package won't be available. A company in this situation will need to take the 'Build' option. Broadly speaking, this is done in two ways:

- ✓ Build 'in-house'
- ✓ Engage a software company to custom-build a system to your requirements

Option 1 is generally only available in large organisations who would have the personnel with the skills needed to build a complex system (small applications are an exception. See end-user computing). For most small-to-medium enterprises, this isn't going to be possible.

Getting a software company to custom-build an application is, therefore, the most frequent choice if a package is unavailable. This has a number of problems:

- ✓ You have to communicate your requirements to someone else, and they might misunderstand.
- ✓ The developers may not be able to communicate technical problems properly to you.
- ✓ Custom building an application takes a long time.
- ✓ The final system you get should fit your requirements, but it often does not.
- ✓ Testing is never 100% thorough, so you will have problems with the system for some time (often as long as a year).
- ✓ You have to look after support and maintenance. The developers should be able to provide this to some extent, but usually at a cost to you.

Having said that, there are some benefits to choosing this route:

- ✓ Custom-built systems are more likely to match your requirements than packages.
- ✓ They are more likely to confer a competitive advantage, because your competitors will probably not have the same system. If you use a package you may be no different to anyone else.

Solution 6 (cont'd)**Buy Versus Build Summary**

Relatively cheap because many customers buy the same package	Expensive, as the system is unique
Available quickly	Takes time to develop
Usually tried-and-tested	Risky, because there may be many flaws
May not be a perfect fit to your needs	Should be built to meet your requirements
Vendor will produce new versions periodically and stop supporting the version you acquired	You need to drive upgrades and modifications yourself.
Packages only available for common business functions	Essential if your company requires something unique or highly specialised.

Marks Allocated

5 marks for the quality of the description of the circumstances when each approach is likely to be preferred

10 Marks

PART C**Access Controls**

These are any means of restricting access to authorized users only (and not only through physical means). The 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.

Solution 6 (cont'd)

Marks Allocated	
1 mark per valid point (max four)	
1 mark for overall quality and presentation	5 Marks
Total 25 Marks	

SOLUTION TO QUESTION 7**PART A**

Financial Management must not be confused with accounting. Financial management is a management activity whereas accounting is a service activity. As a service activity, accounting processes and interprets information either to those inside an organisation (management accounting) or outside an organisation (financial accounting). In contrast financial management, as its name suggests, deals with the management of an organisation's finances.

Financial Managers are part of the decision-making system within organisations. In the general decision/control context the information processed by financial managers includes:

- the cost of raising funds
- current exchange rates
- short-term interest rates on money markets
- information on new investment opportunities
- internal and external financial reports.

From the foregoing information the Financial Manager will produce:

- information about the interest rates at which the organisation will lend or borrow money
- advice on raising funds (whether by equity, new long-term debt, short-term debt, re-investment of internally generated funds or some combination of the foregoing)
- advice on risk management techniques
- forecasts about future cash needs of the organisation
- forecasts of economic aggregates and interpretations of their effects on the organisation
- internal management accounts
- external financial reports.

Financial control of activities is vital to all organisations. Many smaller firms, for a variety of reasons, such as lack of expertise or over-trading, opt for informal rather than formal systems of control. This can be catastrophic for the small firm as the true performance or profitability cannot be gauged.

Budgetary control requires that realistic profit and loss and cash flow forecasts are prepared at the beginning of the period and that they be updated normally on a quarterly basis as the year progresses. The financial manager is intimately involved in this process ensuring that due care and consideration is given to interpreting variances from budget to ensure managers are held accountable for all those matters that fall within their sphere of control

Monitoring profitability and liquidity in these difficult times is a particularly important function of the financial manager. In this regard he / she will be responsible for

Solution 7 (*cont'd*)

preparing cash flow forecasts to determine if company borrowing is required or if surplus funds are likely to be available for re-investment. Comparing actual performance against forecasted profit and loss account projections allows them to monitor margins on a regular basis and to take appropriate corrective action before deviations become too serious.

You will see from the above that there are many demands on the finance function some of which require economic analysis (e.g. interest rates, exchange rates, forecasts of economic aggregates and risk analysis) and others accounting related skills.

The key tasks undertaken by the finance function may be summarized as follows:

1. Raising capital by means of equity, long-term debt and short-term debt.
2. Preparation of reports and internal management accounts. Examples of these would include cashflow statements, profit and loss accounts and balance sheets.
3. Preparation of realistic budgets for the organization and the development of an effective costing strategy.
4. Monitoring and controlling the finances of the organisation.

Marks Allocated	
2 marks for quality of the description of each role (5*2)	10 Marks

PART B**Bank Borrowings**

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

Utilising bank facilities in a proper manner will ensure the maintenance of a flexible and comparatively cheap source of finance. Bank borrowings are flexible in that interest is only payable on the amount outstanding and not on a fixed advanced sum as is the case with the borrowings from other financial institutions. Bank borrowings are also comparatively cheaper than long-term loans due to the fact that the risk involved is smaller given that the lending period is shorter.

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

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

Ordinary Shares

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

Solution 7 (cont'd)

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

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

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

Marks Allocated	
5 marks for the quality of the description of each source (2*5)	10 Marks

PART C

Net Profit margin – is the relationship of net profit to sales. It calculated by

$\text{Net Profit} / \text{Sales} * 100.$

It is a measure of the profitability earned on each €/£ of sales.

ROSF

It is the return on shareholder funds.

$\text{Profit after Tax} / \text{Shareholders Funds}$

It reflects the return earned on shareholders capital.

Marks Allocated	
2 marks per ratio (calculation / formula and purpose / nature / usefulness)	5 Marks
1 mark for overall quality and presentation	
Total 25 Marks	

1st Year Examination: May 2012

Business Management

Examiner's Report

Statistical Analysis - By Question							
Question No.	1	2	3	4	5	6	7
Average Mark (%)	63%	53%	56%	45%	60.5%	53.5%	49%
Nos. Attempting	1000	467	659	256	454	678	475

Statistical Analysis - Overall	
Pass Rate	76%
Average Mark	55%
Range of Marks	Nos. of Students
0-39	172
40-49	71
50-59	253
60-69	299
70 and over	214
Total No. Sitting Exam	1009
Total Absent	300
Total Approved Absent	56
Total No. Applied for Exam	1365

GENERAL COMMENT

The overall performance of candidates in this sitting was satisfactory.

Question 1

- (a) (i) The vast majority of candidates were comfortable identifying the components of the PESTLE model. Most were able to explain each component and to support their answers with relevant real life examples. The better candidates provided most complete answers and made extensive use of examples.
- (ii) Most candidates were able to demonstrate how the model could be used to identify the major influences on the taxi industry in Ireland over the last five years. Whilst drawing on personal experience is of assistance it is important that candidates address how issues impact the industry as a whole. A number of

candidates displayed great confidence and analytical skill in this part as evidenced by the insightfulness and quality of their responses.

- (b) Answers to this part were good with most candidates enhancing their answers with illustrative and informative perceptual maps and real life examples.

Question 2

- (a) In general this was not well tackled. There was evidence of some confusion on the nature of the theories. A number of candidates resorted to broad generalisations on the nature of leadership rather than the specific characteristics of the theories in question.
- (b) Overall this question was well handled. Most candidates described Tuckman's model well. There was some evidence of labelling confusion in places (e.g. mislabelling stages or not labelling them at all). Some candidates were not familiar with the model and provided rather generic / commonsense descriptions of team development.
- (c) A sizeable number of candidates seemed to conflate 'appraisal' entirely with praising and rewarding. Otherwise answers were satisfactory, with perhaps only 50% giving the advantages and disadvantages of each method. By far the most commonly used examples were Self Appraisal and 360°.

Question 3

- (a) Generally well answered. Most people did very well in this part with many demonstrating a good understanding of the concept.
- (b) The better answers gave a wide range of examples in the first part and related the variables to different aspects of insurance in the second part.
- (c) Most candidates said whether they agreed or not. A surprising number did not attempt this part of the question, while for a small number this was the only part they did attempt. There were also a small number of outstanding answers, discussing a variety of sites and their pros and cons for business marketing. A small number predicted a serious decline in this use of social networking sites.

Question 4

- (a) Answers to this part were of a high standard, with almost all candidates correctly identifying the basic elements of the model. A significant number, however, failed to answer the final part of the question on the "...main benefits and limitations" of the model. It would appear students may have directed their immediate attention to describing the model rather than "reading" the question in full.
- (b) Once again well answered with high marks being obtained by most candidates

- (c) Answers somewhat disappointing with more focus on describing training than its evaluation.

Question 5

- (a) Most people did very well in this part with many demonstrating a good understanding of the concept. A number of candidates clearly had not studied the course fully and struggled with this area.
- (b) The vast majority displayed an understanding of the interrelationship but some answers were rather broad and general in nature.
- (c) Many simply explained the PLC but did not relate it to marketing strategy.

Question 6

- (a) Most candidates did very well in this part and gave very full answers with B2E being the least well answered part.
- (b) Most understood the distinction between both approaches but were not so clear on the conditions under which each was most appropriate.
- (c) Well answered by most candidates.

Question 7

- (a) Generally answered well by most candidates with almost all correctly identifying the wide role that a financial manager would have in an organisation.
- (b) Again a high level attained in most answers with some truly excellent discussions of the nature of factoring and debentures.
- (c) Given that ratios are such a fundamental feature of an accountant's lexicon it was disappointing that there were so many incorrect and confused answers to this part.