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MNG2602
SECOND PAPER / TWEDE VRAESTEL
(492197)
MAY/JUNE 2018
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CONTEMPORARY MANAGEMENT ISSUES
HEDENDAAGSE BESTUURSKWESSIES

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MNG2602 (492197)
SECOND PAPER

May/June 2018

Contemporary Management Issues

Duration 2 Hours

70 Marks

EXAMINERSFIRST
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This fill-in examination paper consists of **23 pages**, excluding the cover page, including one "additional space" page (p 22), and one page for rough work (p 23)

This is a fill-in examination paper. The completed paper as well as the mark-reading sheet must be submitted at the end of the examination session.

INSTRUCTIONS

This examination paper consists of **two sections**

Section A: 40 multiple-choice questions, worth 1 mark each, which you must answer on the mark-reading sheet

Section B: Six written questions worth 30 marks in total, which you must answer in the space provided in this fill-in examination paper

Please ensure that you have filled in the following information on the mark-reading sheet:

- your student number
- the module code **MNG2602 (unique number 492197)**

[TURN OVER]

SECTION A: MULTIPLE-CHOICE QUESTIONS**[40 MARKS]**

Answer the following multiple-choice questions on the mark-reading sheet provided
Copy your answers to these questions into the table on page 14 to ensure that there is a record of your answers, should the mark-reading sheet get lost

- 1 _____ **capital** can be defined as the combined skills and knowledge of the organisation
- 1 Intellectual
 - 2 Structural
 - 3 Customer
 - 4 Human
- 2 Select the option that best defends the following statement "**Bureaucracy** fails to provide in the needs of modern organisations".
- 1 Organisations operating in turbulent environments have to respond to increased competition, requiring them to be more flexible
 - 2 The development of total quality management parallels the quest for specialisation in a bureaucracy
 - 3 New information technology changes the information channels in organisations, turning the traditional chain of command into a strength for organisations
 - 4 International competition and expanding global markets demand that the organisation analyses its environment in terms of its country of origin
- 3 The **bureaucracy** is still widely used in many organisations, especially where _____
- 1 products are customised per customer requests
 - 2 large amounts of standardised information have to be processed
 - 3 quality initiatives depend on cooperation between departments
 - 4 the needs of the customer are unknown

- 4 **Decision-making** in traditional organisations followed a/an _____ approach, while the **workforce** of the “new” organisation is more _____
- 1 information-driven, participative
 - 2 knowledge-driven, heterogeneous
 - 3 top-down, diverse
 - 4 bottom-up, homogenous

Questions 5 to 10

Read the Delta Airlines case study and then answer the questions that follow

DELTA AIRLINES: A TURNAROUND

Soaring fuel costs, escalating wages, tightened security and the great recession – all of these issues profoundly affect every air carrier in the world today. Perhaps no industry has experienced such tumultuous change so quickly and dramatically as the airline industry since the terrorist attacks of 9/11 (11 September 2001). Delta Airlines is no exception. Bombarded with external pressures, the airline also struggled with organisational and management problems. Pilots threatened to strike, passengers' luggage was routinely lost and huge planes were committed to wrong routes and arrived at destinations with empty seats, draining profits. In short, skyrocketing costs nearly broke Delta. Wall Street analysts whispered liquidation, suggesting Delta might be better off going under for good.

But Delta's management had other ideas. CEO Gerald Grinstein made some hard decisions and took the company into turnaround, hoping his firm could emerge leaner, more profitable and better able to compete. US Airways had already declared bankruptcy twice, United Airlines had been in bankruptcy for three years and North West was getting ready to take the same plunge. “The general experience in bankruptcies was not good,” Grinstein recalls.

But Grinstein and his management team approached bankruptcy differently with speed. They understood that the faster they could pilot Delta through the process the better off the firm would be in the long run.

“We knew that the longer you stay in bankruptcy, the harder it is to adapt to the environment once you come out,” says Grinstein. So his team, including chief financial officer Ed Bastain, and Delta's lawyers, set a target date for the firm to re-emerge in less than two years. To meet the goal, Grinstein's team had to avoid long and costly litigation. “The bankruptcy process is usually like a bunch of pit bulls fighting with each other,” he explains with distaste. “We did not want to get into that.”

So the firm dealt with creditors directly, avoiding formal claims. “We said, ‘We want anyone with an issue to call,’” explains Marshall Heuberner, Delta's lead outside attorney.

Meanwhile, Delta was almost forced to shut down completely by pilots who threatened to strike over proposed wage cuts. Delta's pilots were initially under the impression that their salaries had to be cut to accommodate pressure for an increase from flight attendants. After an intense argument with management, Delta's pilots decided to take pay cuts in exchange for future incentives once the company was restructured.

Adapted from Bateman, TS & Snell SA 2009 Management 8th international edition New York McGraw-Hill

5. Escalating wages can be categorised as a(n) _____ **force for change** at Delta
- 1 internal
 - 2 external
 - 3 technological
 - 4 social
6. The great recession can be categorised as a(n) _____ **force for change** at Delta
- 1 political
 - 2 international
 - 3 ecological
 - 4 social
7. The **scope** of the changes in the airline industry, resulting from the 9/11 attacks, can be categorised as _____
- 1 punctuated
 - 2 revolutionary
 - 3 reactive
 - 4 top-down
8. The **process** of change at Delta owing to the bankruptcy reorganisation can be categorised as _____
- 1 incremental
 - 2 continuous
 - 3 top-down
 - 4 planned

- 9 The possible strike action by Delta pilots is an example of a(n) _____ **barrier** to **change resulting** from a _____
- 1 external, lack of trust
 - 2 human, high level of self-interest
 - 3 organisational, low tolerance for change
 - 4 internal, perceived threat to group interests
- 10 The pilots at Delta were striking to show their dissatisfaction with the proposed changes at the airline. Which of the following **techniques** would have been appropriate for Delta's management to use when addressing the pilots' **resistance to change**?
- 1 Participation and involvement
 - 2 Facilitation and support
 - 3 Negotiation and agreement
 - 4 Manipulation and co-optation
- 11 Delta's CEO, Richard Anderson, has _____ **power** stemming from his position in the company
- 1 personal
 - 2 legitimate
 - 3 referent
 - 4 coercive
- 12 In organisations, **individuals** use their _____ to **defend** their _____
- 1 authority, power
 - 2 power, interest
 - 3 interest, authority
 - 4 interest, power

- 13 Delta's CEO, Richard Anderson, used the **influence tactic** of _____ when he reminded workers "that after the merger the carrier agreed to provide 15% of pre-tax profits and 15% of its stock to employees. Additionally, although the carrier lost billions of dollars in 2007 and 2008, it offered raises in both years "
- 1 coalition
 - 2 ingratiating
 - 3 rational persuasion
 - 4 inspirational appeals
- 14 Step 3 of the **negotiation phase** of the negotiation process is to _____
- 1 make sense of the other party's needs
 - 2 research the other party
 - 3 allow the other party to make the first offer
 - 4 develop options and trade-offs

Questions 15 and 16

Consider the following excerpt from the Delta Airlines case study and answer the questions that follow

"Delta was almost forced to shut down completely because its pilots threatened to strike to show their dissatisfaction with Delta's proposed wage cuts. Delta's pilots were under the impression that they had to accept salary cuts because the company adhered to pressure from the flight attendants to increase their salaries. After a heated argument with management, Delta's pilots decided to accept salary cuts in exchange for lucrative incentives once the company was restructured "

- 15 The excerpt describes _____ **conflict** resulting from _____
- 1 interpersonal, goal differences
 - 2 intergroup, the competition for scarce resources
 - 3 interpersonal, environmental stressors
 - 4 intergroup, a breakdown in communication

- 16 The **conflict management strategy** described in the excerpt is _____.
- 1 accommodation
 - 2 compromise
 - 3 competition
 - 4 collaboration
- 17 _____ is a **secondary dimension** of diversity.
- 1 Age
 - 2 Race
 - 3 Gender
 - 4 Income
- 18 Which one of the following is **not** a reason for the current strong focus on the management of workforce diversity in South Africa?
- 1 The changing composition of the labour force
 - 2 Legislation on affirmative action
 - 3 The growing middle class
 - 4 Globalisation
- 19 The _____ **argument** is **not** an argument in favour of managing diversity
- 1 marketing
 - 2 cost
 - 3 supply chain
 - 4 resource acquisition
- 20 According to the _____ **approach** to managing diversity, it is best to treat everyone in the same way "Treat others as you want to be treated "
- 1 golden rule
 - 2 "right the wrongs"
 - 3 "value of differences"
 - 4 platinum rule

- 21 The _____ **diversity paradigm** increases the organisation's effectiveness in capturing niche markets
- 1 discrimination – fairness
 - 2 access – legitimacy
 - 3 learning – effectiveness
 - 4 growth – efficiency
- 22 The _____ is a **measurement of organisational performance** in four equally important areas, namely financial performance, customer service, internal business performance and learning and growth performance
- 1 balanced scorecard
 - 2 business portfolio analysis
 - 3 cash flow statement
 - 4 product portfolio matrix
- 23 The organisational culture should **align** with the strategy of the organisation during the _____ **phase** of the strategic management process
- 1 analysis
 - 2 formulation
 - 3 implementation
 - 4 control
- 24 Project management as a **management philosophy** greatly facilitates the _____ of work
- 1 decomposition
 - 2 unification
 - 3 diversification
 - 4 amalgamation

- 25 A _____ consists of related _____ to achieve a common goal
- 1 project, portfolios
 - 2 portfolio, projects
 - 3 programme, projects
 - 4 project, programmes
- 26 The "**triple constraint**" in project management has been extended to include _____
- 1 time and cost
 - 2 quality and risk
 - 3 cost and requirements
 - 4 time and requirements
- 27 Projects with a(n) _____ **perspective** improve the quality of life of the society in which an organisation operates
- 1 external
 - 2 internal
 - 3 community
 - 4 sustainability
- 28 The **project sponsor** is the person who _____ the project
- 1 controls the finances of
 - 2 is in control of the maintenance of
 - 3 translates the strategic goals of
 - 4 removes obstacles encountered in
- 29 The project _____ is responsible for overall project quality in the organisation
- 1 director
 - 2 manager
 - 3 team
 - 4 office

- 30 **Sustainable competitive advantage** is the ability to _____, and can be achieved by _____
- 1 create value in the minds of customers, charging a customer a lower price for products or services than your competitors
 - 2 create inimitable value in the minds of customers, producing a product or service at a lower cost than your competitors
 - 3 outprice competitors, selling a quality product or service at a lower price than your competitors
 - 4 create the impression of fairness of exchange, having a biannual end-of-season sale
- 31 _____ stems from the **unique** way an organisation organises and performs discrete activities, of which _____ is an important contributing factor **Michael Porter** developed the term _____ to describe the interconnectedness and interrelatedness of these internal functions and activities
- 1 Competitive advantage, value, value chain
 - 2 Price advantage, product price; cost relatedness
 - 3 Fairness of exchange, product price, price chain
 - 4 Sustainable competitive advantage, cost of raw material, cost relatedness
- 32 Porter distinguishes between **primary activities** and support activities. He grouped primary activities into _____ main areas, namely _____
- 1 four, procurement, technology development (including R&D), human resource management and infrastructure
 - 2 five, inbound logistics, operations, outbound logistics, procurement and service infrastructure
 - 3 five, inbound logistics, operations, outbound logistics, marketing and sales, and service
 - 4 four; inbound logistics, infrastructure, outbound logistics and procurement

- 33 The organisation and its **internal** _____ are embedded into a wider stream of activities, namely the organisational _____
- 1 cost relatedness, value chain
 - 2 value chain, supply chain
 - 3 price chain, supply chain
 - 4 price chain, value chain
- 34 _____ is the **online selling component** of a website, while _____ is the **integration** of a company's activities, including products, procedures and services, with the internet
- 1 A virtual shop, e-commerce
 - 2 E-commerce; e-business
 - 3 A virtual shop, e-business
 - 4 E-business, e-commerce

Questions 35 and 36

Consider the following table and answer the following questions about groups and teams in the organisation

Classification		Characteristics of the group/work group or work team	
a	a work group	c	complementary skills
b	a work team	d	evaluated in terms of their combined effort
		e	random skills
		f	members are rewarded in terms of their own performance
		g	synergy

- 35 Mr Matthews is a captain on Delta Airline flights to South Africa. Before each flight he convenes a short meeting with the crew members and briefs them on his flight plan, passengers who may cause problems and the number of elderly or sick people and children on the flight. This enables the entire crew to work together to complete the flight to South Africa successfully.

The crew members on a flight from New York to Johannesburg **work** as _____ with the following **characteristics** _____.

- 1 b, c, d and g
- 2 a, e and f
- 3 a, c, d and g
- 4 b, e and f

- 36 Mr Brown is a senior manager at Delta Airlines. Delta seconded him to head a project aimed at improving employee wellness at the organisation. Mr Brown formed a committee comprising members from each of the departments at Delta headquarters to investigate the issue and to compile recommendations for the airline to implement.

The **committee** formed a _____ with the following **characteristics** _____.

- 1 b, c, d and g
- 2 a, e and f
- 3 a, c, d and g
- 4 b, e and f

- 37 Group development goes through five stages of development. The _____ **stage** of group development is characterised by a low performance level and the _____ **stage** by a well-functioning and mature group.

- 1 forming, functioning
- 2 forming; storming
- 3 norming, performing
- 4 storming, functioning

Questions 38 and 39

Match the **type of team** in Column A to the **appropriate characteristic** of the team in Column B

Column A Type of team	Column B Characteristics
38. Cross-functional teams	1 Focus on the improvement of quality, efficiency and work environment
39 Self-managed teams	2 Function autonomously
	3 Members are usually from the same organisation, but can include members from another organisation
	4 Communicate and accomplish tasks by mostly using telecommunications and information technology

40 Which one of the following is a **characteristic** of the 'plant' team role?

- 1 Intellectually dominant
- 2 Turns ideas into manageable tasks
- 3 Glue that keeps the team together
- 4 Worries about due dates

SUB-TOTAL SECTION A: 40 MARKS

Copy your answers from the mark-reading sheet into the table below so that we can mark it if the mark-reading sheet is lost

Write down **ONLY** the number in the answer column

For example

Question	Answer
1.	3

IMPORTANT: You must still fill in the mark-reading sheet, as the table will only be considered in the event that the mark-reading sheet is lost.

Question	Answer	Question	Answer
1.		21.	
2.		22.	
3.		23.	
4.		24.	
5.		25.	
6.		26.	
7.		27.	
8.		28.	
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13.		33.	
14.		34.	
15.		35.	
16.		36.	
17.		37.	
18.		38.	
19.		39.	
20.		40.	

SECTION B: WRITTEN QUESTIONS**[30 MARKS]**

- Answer the written questions in the space provided in this answer script.
- Plan your answers carefully, while considering the allocated space for your answer.
- Write clearly and legibly.
- No marks will be awarded for the listing of facts (theory) only, as the questions require you to apply the theory.

Questions 1 to 3

Read the following scenario and answer questions 1 to 3

DELTA AIRLINES: 'NO' TO THE UNIONS

In 2006 the National Safety Council named Delta as that year's Occupational Industry Leader – the first airline recognised for this prestigious award. In addition, the *JD Power Customer Satisfaction Survey* ranked Delta second overall of all the network carriers for its excellent customer service. *Business Traveller* readers selected the company as the best performer in the following categories "Best Frequent Flyer Programme", "Best Airline Web Site" and "Best Airport Lounge". These awards are proudly displayed in the foyer of the Delta head office.

In 2008 one of the airline industry's biggest mergers took place when Delta acquired Northwest Airlines. Delta's chief executive officer (CEO), Richard Anderson, in an address to a group of Atlanta business executives, assured them that "The culture of Delta Airlines Inc. will survive the carrier's merger with Northwest Airlines". According to Anderson, the company's commitment to its employees and customers was evident as illustrated by its decision to offer employees profit sharing, the best compensation in the industry, and the company's emphasis on customer service.

Although Anderson is no longer the CEO of Delta, people remember him as a committed change agent, with a colourful, multifaceted personality. Some of the employees at Delta who worked with him still identify with his respect for people and his active involvement in community engagement. Every year on 16 November, the International Day for Tolerance, employees at Delta participate in a community project with a tolerance theme. The company's strong identification with human rights is evident in, for example, the names of the conference room (Roosevelt Room) and the cafeteria (The Havel).

According to *The Atlanta Journal*, Delta employees attempted to unionise three times in eight years, however, according to *Associated Press*, Delta is "the only big US airline that is mostly non-union". According to *TheStreet.com*, Delta's CEO Richard Anderson, reminded workers that "after the merger the carrier agreed to provide 15% of pre-tax profits and 15% of its stock to employees. In addition, although the carrier lost billions of dollars in 2007 and 2008, it offered raises to employees in both years". The publication quotes Anderson as saying "There's a moral obligation to make this a good place to work". *The New York Times* reported

Questions 4 to 6

Read the following scenario and answer questions 4 to 6.

DELTA AIRLINES' STRATEGIES

In 2013, Delta Airlines reported a profit for the fourth consecutive year and its best in six years. The Delta CEO, Richard Anderson, took the helm in 2007 after Delta exited its bankruptcy protection, but before the dramatic increase in fuel prices and the beginning of the recession. Anderson is reluctant to claim credit for the airline's excellent performance, saying, "The senior management team hunts as a pack." The "hunt" has led to opportunities in some key markets. In the New York area, for example, Delta has raised its passenger count by 10% during the past three years and is challenging the dominant competitor in that area, United Airlines, for market share. In addition, Delta's partnership with Virgin Atlantic will ensure that it gets a bigger share of the world's busiest route between New York and London. The "pack" also ventured into uncharted territory by taking the unusual step of buying an oil refinery in an effort to exert some control over the price of jet fuel. At \$12 billion, fuel is Delta's biggest annual expense.

The airline industry recognises the extensive flight service and brand legacy of Delta Airlines as being unique. Delta Air Lines strives to provide in the needs of its passengers, for example, for its first and business classes, the airline is installing new seats on all its major aircraft. The new Recaro seats have built-in massage features, and for international flights, the airline is introducing a new sleeper suite product. Delta is also revamping the economy class seats by adding a half-moon design and a staggered formation of the chairs to allow more privacy, and increasing the legroom by two inches to provide more comfort.

Adapted from Freed, J. 2013. Management "pack" revives Delta Airlines. Available at <http://bigstory.ap.org/article/how-management-pack-revived-delta-air-lines> (accessed on 19 September 2013)

Question 4

Discuss all Porter's **generic strategies**. **Identify** which strategy Delta is following and provide a quotation from the scenario to support your answer.

No marks will be given for only listing the strategies

(8 marks)

Question 6

Name and explain the strategy Delta implemented when it bought an oil refinery, in an effort to exert some control over the price of jet fuel

(3 marks)

SUB-TOTAL SECTION B: 30 MARKS
GRAND TOTAL: 70 MARKS

