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BUSINESS MANAGEMENT (GENERAL) 201

Duration : 2 Hours

70 Marks

EXAMINERS :**FIRST :**

PROF T BREVIS

SECOND :

MR R WORDSWORTH

THE USE OF A POCKET CALCULATOR IS NOT PERMISSIBLE.

This paper consists of 22 pages plus instructions for the completion of a mark-reading sheet.

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INSTRUCTIONS:

This paper consists of **70 multiple-choice questions**. Answer **all** the questions on the mark-reading sheet. The questions are worth **one** mark each. Questions are not marked negatively.

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

- your student number
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Please complete the attendance register on the back page, tear it off and hand it to the invigilator.

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1. The marketing manager at Iscor introduces a new product idea to the board of directors.

The marketing manager is fulfilling the _____ role.

- 1 interpersonal
- 2 decision-making
- 3 information
- 4 technical

2. **Tactical** planning of the business functions or departments in an organisation is the responsibility of _____ management.

- 1 top
- 2 middle
- 3 operational
- 4 lower

3. First-line managers perform the following **functions** of management:

- a planning
- b organising
- c leading
- d control

- 1 a b c
- 2 b c d
- 3 a b c d
- 4 a c d

4. Top managers utilise a high level of _____ **skills** and less _____ and _____ **skills**.

- 1 interpersonal, technical, conceptual
- 2 technical, conceptual, interpersonal
- 3 technical, interpersonal, conceptual
- 4 conceptual, interpersonal, technical

[TURN OVER]

5. "There are five basic functions of administration, namely planning, organising, commanding, coordinating and control".

This is the conclusion drawn by _____ when developing the _____ approach to management.

- 1 FW Taylor; scientific
- 2 Henri Fayol; process
- 3 Max Weber; bureaucratic
- 4 McGregor; theory X

Questions 6 to 7:

Match the **management approach** in Column A with a **description** thereof in Column B.

COLUMN A Management approach	COLUMN B Description
6. Total quality management	1 A theory that stresses the need for a strictly defined hierarchy, governed by clearly defined regulations and authority.
7. Bureaucratic approach	2 A theory based on the principle that there is only one best way to perform a certain task.
	3 A management science that deals with the development of mathematical models to assist managers in decision making.
	4 The application of management principles depends on the particular situation that management faces at a given point in time.
	5 A philosophy of management that is driven by competition and customer needs and expectations.

[TURN OVER]

8. Which of the following events are examples of variables in the **micro-environment** of an organisation?
- a A decrease in the gross domestic product of a country.
 - b A change in the marketing strategy of an organisation.
 - c An increase in the rand/dollar exchange rate.
 - d An increase in the capital requirements of an organisation.
- 1 a c
 - 2 a d
 - 3 b d
 - 4 c d
9. Providers of capital and labour to an organisation are part of the organisation's _____ **environment**.
- 1 micro-
 - 2 economic
 - 3 market
 - 4 ecological
10. Which **one** of the following statements describes the influence that the **market** environment can exert on the **micro-environment**?
- 1 The elimination of bracket creep in personal income tax.
 - 2 The relaxation of exchange controls.
 - 3 The dumping of chemical waste in a river by a paper manufacturer.
 - 4 An increase in the spendable income of consumers.
11. Which **one** of the following is **not** a characteristic of the management environment?
- 1 The environment is increasingly unstable.
 - 2 The environment is uncertain.
 - 3 Environmental variables are unrelated.
 - 4 The environment is complex.
12. Which **one** of the following is an example of a **nonprogrammed** decision?
- 1 What to deduct for taxes from gross salaries.
 - 2 A change in the work-flow procedures of a production plant.
 - 3 When to mail cheques to creditors.
 - 4 Whether an employee is entitled to two or three weeks' leave.

[TURN OVER]

13. Which **one** of the following decision-making tools can **lower level managers** use under conditions of certainty?
- 1 decision tree
 - 2 pay-off matrix
 - 3 linear programming
 - 4 simulation
14. _____ is a **decision-making tool** that _____ management can use for imitating a set of real conditions so that the likely outcomes of various courses of action can be compared.
- 1 Probability analysis; middle
 - 2 Decision tree; middle
 - 3 Break-even analysis; top
 - 4 Simulation; top
15. Which **one** of the following systems can be categorised as a **management information system**?
- a information reporting system
 - b transaction processing system
 - c process control system
 - d decision support system
 - e executive information system
- 1 a c d
 - 2 a d e
 - 3 b c d
 - 4 c d e
16. A(n) _____ **system** provides managerial end-users with the information they need for making decisions, by accessing databases on internal operations containing information previously processed by transaction-processing systems.
- 1 process control
 - 2 transaction-processing
 - 3 information-reporting
 - 4 executive information

[TURN OVER]

17. The management of Toyota SA must make a complex decision on the possible expansion of their Rosslyn plant. They would like to model the effect of expanding capacity by ten percent, fifteen percent and twenty percent.

Which one of the following aids would be the most applicable to this end?

- 1 a process control system
- 2 an information reporting system
- 3 a decision support system
- 4 an executive information system

18. The nature of organisational goals can be differentiated in terms of their degree of openness.

The degree of openness depends on whether the goals _____.

- 1 are set by top, middle or lower levels of management
- 2 focus on factors such as finances, the environment or survival
- 3 are official or operative
- 4 are derived directly from the mission statement

19. Which of the following objectives comply with the **goal setting specifications** of specificity and measurability?

- a To obtain an increase in sales over a six month period.
- b To increase profit to 11.5% by the end of June 2004.
- c To decrease customer complaints.
- d To increase production output by fifteen units per week for the next ten weeks.

- 1 a b
- 2 b c
- 3 b d
- 4 a d

20. _____ is a popular technique for **integrating individual and organisational goals**.

- 1 Total Quality Management (TQM)
- 2 Management By Objectives (MBO)
- 3 The nominal group technique
- 4 Brainstorming

[TURN OVER]

21. When an employee at Sasol wants to go on leave, the following steps must be followed: (1) the employee must complete the official leave application document; (2) the relevant supervisor must approve the leave application; (3) the application must be submitted to the Human Resources Department.

This is an example of a _____.

- 1 policy
- 2 rule
- 3 programme
- 4 procedure

22. The production manager at Harmony Gold Secunda, together with his team, set a goal to reduce production waste by 10% by the end of 2004.

This is an example of a/an _____ goal.

- 1 operational
- 2 tactical
- 3 corporate
- 4 strategic

23. Sol Kersner stated that when recruiting labour for the development of Sun City, foreman should first consider the local black people from the Pilansburg area.

This is an example of a _____ which is a _____ plan.

- 1 procedure; single-use
- 2 rule; single-use
- 3 policy; standing
- 4 rule; standing

24. Management at Capital Alliance are busy with a planning exercise.

During which step of the planning process will management make certain assumptions regarding the external environment?

- 1 When comparing alternative courses of action.
- 2 During the process of selecting the best alternative course of action.
- 3 When considering the purpose, vision and mission of the organisation.
- 4 When considering the planning premises.

[TURN OVER]

Questions 25 to 27:

Match the **corporate strategy** in column A with the **appropriate example** in column B.

COLUMN A Corporate strategy	COLUMN B Example
25. Concentration growth	1 A farmer buys the green grocer he normally supplies in order to gain greater control over the distribution of his products.
26. Market development	2 Coca Cola (Coke) in over fifty years has never changed how they make Coke, rather they have followed a strategy of "sticking to the knitting".
27. Forward vertical integration	3 A green grocer buys the farm of his supplier, in order to gain greater control over the supply of fresh produce to his shop.
	4 South African Breweries has decided to sell Castle lager in European countries such as Belgium and Austria.
	5 South African Breweries recently introduced a new beer known as Sterling Light Lager.

28. In the **Boston Consulting Group (BCG) growth-share matrix**, _____ are businesses with a high market share and a relatively low market growth rate.

- 1 cash cows
- 2 dogs
- 3 stars
- 4 question marks

[TURN OVER]

29. **Departmentalisation** according to _____ is used when an organisation concentrates on a particular segment of the market.

- 1 customer
- 2 location
- 3 product
- 4 function

Questions 30 to 31:

Match the **key concept** in column A with the correct **explanation** in column B.

COLUMN A Key concept	COLUMN B Explanation
30. Organising	1 refers to the number of subordinates working under a particular manager.
31. Unity of command	2 is the process of creating a structure for the organisation that will enable its people to work together effectively towards its objectives.
	3 is the process of developing uniform practices that employees are to follow in doing their jobs.
	4 implies that each employee should report to only one supervisor.
	5 means assigning a portion of a manager's total workload to others.

32. Which of the following are **advantages** associated with **decentralised authority**?

- a more flexible and faster decision making
 - b less intensive training
 - c fosters a competitive climate
 - d reduced workload for top management
 - e increased control over operations
- 1 a b d
 - 2 a c d
 - 3 b c d
 - 4 c d e

[TURN OVER]

33. When an accountant assists an employee to complete a budget for the **operations** department, he/she is exercising _____ authority.
- 1 functional
 - 2 line
 - 3 staff
 - 4 centralised
34. Authority in the **vertical** structure of an organisation is explained by _____, while _____ explains the **horizontal** structure.
- 1 the span of control; the chain of command
 - 2 the chain of command; the span of control
 - 3 staff authority; line authority
 - 4 line authority; the chain of command
35. Former President Mr Nelson Mandela was, and still is, admired by his followers and people. His subordinates **respected him and identified** with his gentle and forgiving nature.
- Mr Mandela possessed a great deal of _____ power.*
- 1 legitimate
 - 2 expert
 - 3 referent
 - 4 coercive
36. The **leadership cycle model** of _____ plots the leadership roles of delegating, supporting, coaching and directing in four quadrants depending on the level of maturity of subordinates.
- 1 Vroom-Yetton-Jago
 - 2 Hersey and Blanchard
 - 3 Fiedler
 - 4 Maslow

[TURN OVER]

37. The performance of employees at Thulani's Traders has increased dramatically. This increase is largely due to the ability of their management to **motivate employees to do more than what is normally expected of them**.

What type of leadership is exhibited by Thulani's management?

- 1 Charismatic leadership
- 2 Transactional leadership
- 3 Transformational leadership
- 4 Dynamic engagement

38. _____ is based on the assumption that successful leadership depends on the **match between the leader, subordinate and the situation**.

- 1 The Vroom-Yetton-Jago model
- 2 The Path-Goal theory
- 3 Fiedler's contingency theory of leadership
- 4 The Hersey and Blanchard model

39. According to Herzberg's **two-factor theory of motivation** an employee's basic salary is considered as a _____ which _____.

- 1 motivator; creates job satisfaction
- 2 hygiene factor; prevents job dissatisfaction
- 3 motivator; prevents job dissatisfaction
- 4 hygiene factor; leads to greater job satisfaction

40. Vusi is very keen to get a promotion. He is motivated because it is his perception that if he puts in an intense effort, his performance will be outstanding thereby enabling him to get a promotion.

Vusi's behaviour is predicted by the _____ theory of motivation.

- 1 equity
- 2 expectancy
- 3 reinforcement
- 4 achievement motivation

[TURN OVER]

41. Thami works at a factory which produces pencils. The production of these pencils takes place in 4 steps. Thami used to be responsible for the first step in the production process, which he completed 100 times a day. Management at his organisation decided to redesign his job so that he now does all four steps of the production process, which means that he produces 25 completed pencils per day.

What measure did management implement to ensure that Thami is motivated by his work?

- 1 Vertical work loading
 - 2 Job enrichment
 - 3 Job enlargement
 - 4 The application of the job characteristics model
42. An individual must be able to perceive a relationship between the reward he/she receives and his/her performance. The relationship the individual perceives is based on a comparison of the input-output ratio between himself/herself and someone else whom he/she regards as his/her equal.

This statement refers to the _____ theory of motivation.

- 1 equity
 - 2 expectancy
 - 3 reinforcement
 - 4 Herzberg's
43. Which **one** of the following statements regarding **communication** is **correct**?
- 1 A manager should ignore the grapevine.
 - 2 Communication is not affected by perception.
 - 3 Lateral communication occurs outside the chain of command.
 - 4 Feedback is the channel through which the message of the sender reaches the receiver.

[TURN OVER]

44. Which of the following are steps in the **preparation phase** of the negotiation process?

- a Establish standards of performance
- b Measure actual performance
- c Set objectives
- d Analyse the situation
- e Identify the issues

1 a b c

2 b c e

3 c d e

4 b d e

45. Samcor Ltd. submits its financial statements to the South African Revenue Services at the end of every year.

By doing this, Samcor is making use of _____ communication.

- 1 interpersonal
- 2 informal
- 3 organisational
- 4 intrapersonal

46. Which of the following control systems are used for controlling the **physical resources** of an organisation?

- 1 the operational and financial budgets
- 2 labour turnover and performance measurement
- 3 quality control, inventory control and operational control
- 4 PERT, break-even analysis and linear programming

47. Which **one** of the following are studied when **strategic control** is exercised?

- 1 labour turnover and the composition of labour force
- 2 effectiveness, productivity and management effectiveness
- 3 definition of quality objectives, measuring quality and rectifying deviations
- 4 profit standards, market share standards and productivity standards

[TURN OVER]

48. According to the _____ approach to ethical decision making a manager's decision on how to share the profits/costs generated in his/her organisation must be based on equity, fairness and impartiality.

- 1 moral rights
- 2 social justice
- 3 utilitarian
- 4 human rights

49. Dr Mabena is a plastic surgeon and his business has been growing at a rapid rate. Due to the number of patients he has to see, he is very often pushed for time, which results in him not following the correct procedures when treating patients. This is in contravention with the Code of Ethics for Plastic Surgeons.

At what level of ethical decision making did Dr Mabena decide to go against the Code of Ethics?

- 1 individual
- 2 organisational
- 3 association
- 4 societal

50. In the year 2001 Sasol spent over R75 million on various social initiatives, the bulk of which was on education and bursaries.

These actions of Sasol are an example of social _____.

- 1 responsiveness
- 2 reaction
- 3 obligation
- 4 auditing

Read the following success stories of General Electric, Microsoft and Italtile and answer the multiple-choice questions that follow.

General Electric

In his best selling book, *Jack*, Jack Welch describes how, in 1995, his financial team came up with an analysis to show what General Electric (GE) had to do to become a \$100 billion company with \$10 billion in profits by the end of the 20th century. At the time GE's sales were \$60 billion with \$4.5 billion after tax profit.

For nearly 15 years, Welch had been hammering away on the need to be number one or two in every market GE served. Now the class at Crotonville (GE's corporate university), have recommended a mindset change. All the current markets had to be redefined so that no business would have to have more than a 10% market share. They were telling him that one of his most fundamental ideas was holding GE back. Welch comments: "Having a high share of a narrowly defined market may have felt good and looked great on a chart, but the class was right. We were getting boxed in with the existing strategy."

Welch asked each of his businesses to redefine its markets and to do some fresh thinking. The wider vision of the markets changed GE's growth rates. It reinforced the company's resolve to aggressively expand into services. GE went from a market definition of about \$115 billion in 1981 to well over \$1 trillion today, providing plenty of room for growth. The consequence was that GE went from \$70 billion in revenue in 1995 to \$130 billion in 2000.

Microsoft

Ask a hundred people what they think about working at Microsoft and you will get a hundred unique responses. Small wonder. This is an extraordinary diverse workforce that works on an extraordinary diverse set of challenges. But you will notice a few common themes. For instance, everyone loves having the latest tools and techniques at their fingertips. They like being with other smart people and learning from some of the most accomplished people in the industry. You will find that the people at Microsoft like having the opportunity, resources and support they need to explore their best ideas. Underscoring everything, is the intense satisfaction everyone gets from having a hand in the technology that is making such a positive difference in so many lives.

Microsoft launched a new program, COMP2000, which re-aligned the salary structure, raised the base-pay level, and significantly raised salaries throughout the company. "In this economic climate, with stiff competition in the high-tech industry, we have had to get more creative and more radical to attract and attain talent. Microsoft's bottom line is all about people: attracting the best talent, keeping them there and helping to ensure they stay engaged, focussed and committed to building, marketing, selling and supporting the world's best software" says Steve Lindemann, Human Resources Director of Compensation and Benefits at Microsoft.

[TURN OVER]

At the head of the company is Bill Gates, who publicly changes his mind and the course of the company. He redirected Microsoft from a company totally focussed on dominating the desktop to one that accepted that the Internet was the next big technological wave. In his so-called "Pearl Harbour speech" of December 1995, he posed the new question of the desktop versus the Internet, answered it and directed the enterprise to pursue the new goal.

Italtile

Italtile has been growing at more than 35% year on year in an industry where many are complaining about conditions. For example, it grew from a turnover of R400 million four years ago to over R1 billion last year. The results just published show that this growth performance has been emulated and the company is now heading for a turnover of almost R1,5 billion per annum. The remarkable success is ascribed, inter alia, to franchising as well as the buoyant performance of the home improvement market.

Franchising means that the owner has a personal stake in the business and every time a store is opened, a local market for refurbishment is created, seemingly out of nothing. And thus turnover keeps increasing organically although the recorded activity does not reflect a strongly growing market and definitely cannot explain the double digit growth experienced. The firm's move into the sanitaryware and tap market was also positive. Significantly, Italtile said it had been attracted by increased opportunities in this market. South Africans are extremely house proud; home ownership is exceptionally high in world terms (close to 90%) and lifestyle changes (e.g. prevalence of crime) have dictated that more time is spent at home. With the pressure on the currency, many people have also decided that overseas travel can wait and more time is spent at home. The remarkable performance of the secondary housing market also indicates that South Africans have increasing confidence in the future in spite of the difficulties and are prepared to risk in long term investment with property becoming a preferred avenue.

Sources:

www.microsoft.com

Adapted from Lewis, L. 2003. Redefining an industry: breaking the silo paradigm. *Management Today*, 19(3):47-50.

[TURN OVER]

Questions 51 to 54 are based on the GE case study.

51. When Jack Welch act as a spokesperson for the whole organisation, he is fulfilling a(n) _____ role.

- 1 interpersonal
- 2 information
- 3 decision-making
- 4 technical

52. "GE wants to become a \$100 billion company with \$10 billion in profits by the end of the 20th century".

In 1995, this was an example of a _____ of GE.

- 1 corporate strategy
- 2 strategic goal
- 3 strategic plan
- 4 mission statement

53. GE went from \$70 billion in revenue in 1995 to \$130 billion in 2000.

This is an example of _____.

- 1 data
- 2 information
- 3 management information
- 4 management by objectives

54. Indicate the sequence of the **steps in the strategic planning process** that GE should have followed before they could decide on a grand strategy such as to aggressively expand into services.

- a analyse the internal environment
- b formulate a mission statement
- c formulate a vision
- d analyse the external environment
- e formulate long-term goals
- f formulate functional strategies

- 1 c b a d e f
- 2 c d a b e
- 3 b c d a f
- 4 a d c b e

[TURN OVER]

Questions 55 to 63 are based on the Microsoft case study.

55. "And underscoring everything, is the intense satisfaction everyone gets from having a hand in the technology that is making such a positive difference in so many lives."

*The satisfaction that the workers get from their work refers to the **need** for _____, identified by _____ theory of motivation.*

- 1 esteem; Maslow's
- 2 power; McClelland's
- 3 affiliation; Herzberg's
- 4 self-actualisation; Maslow's

56. The employees at Microsoft are motivated by _____ factors, called **motivators** by Herzberg.

- 1 job content
- 2 job context
- 3 job enlargement
- 4 job satisfaction

57. According to the **content** theories of motivation, the employees at Microsoft are **highly motivated** because _____.

- 1 their power and expectancy needs are satisfied
- 2 desired behaviour is rewarded positively
- 3 their achievement needs are satisfied
- 4 the employees behave according to their perception that their behaviour will lead to a certain desired outcome

58. According to the **reinforcement theory** of motivation, the employees at Microsoft are highly motivated because _____.

- 1 their power, achievement and affiliation needs are satisfied
- 2 desired behaviour is rewarded positively
- 3 they are satisfying their esteem and self-actualisation needs
- 4 the employees behave according to their perception that their behaviour will lead to a certain desired outcome

[TURN OVER]

59. Bill Gates created a progressive company such as Microsoft, functioning in a dynamic environment.

Bill Gates displays the characteristics of a _____ leader, who is distinguished by the ability to bring about innovation and change.

- 1 charismatic
- 2 transformational
- 3 transactional
- 4 interactive

60. Bill Gates made his so-called "Pearl Harbour" speech in December 1995.

Where will you put his leadership behaviour on Tannenbaum and Schmidt's continuum of leadership behaviour?

- 1 Manager makes decision and announces it.
- 2 Manager allows subordinates to make decisions within limits.
- 3 Manager puts forward ideas and invites questions.
- 4 Manager presents a tentative decision subject to change.

61. Bill Gates redirected Microsoft from a company totally focussed on dominating the desktop to one that accepted that the Internet was the next big technological wave.

Bill Gates made a _____ decision, under conditions of _____.

- 1 programmed; certainty
- 2 non-programmed; certainty
- 3 programmed; risk
- 4 non-programmed; uncertainty

62. Bill Gates has _____ power based on his knowledge and expertise.

- 1 referent
- 2 legitimate
- 3 coercive
- 4 expert

[TURN OVER]

63. The **Internet** can be described as _____.
- 1 a wide area network that links an organisation's employees, suppliers, customers and other key stakeholders electronically
 - 2 a semi-private network where access is limited to an organisation's employees
 - 3 a loosely configured, rapidly growing web of thousands of corporate, educational and research computer networks around the world
 - 4 the process of buying and selling goods and services electronically by means of computerised business transactions

Questions 64 to 70 are based on the Italtile case study.

64. Italtile's remarkable success is ascribed, inter alia, to franchising as well as the buoyant performance of the home improvement market.

Selling franchises is an example of a _____ strategy.

- 1 product development
 - 2 market development
 - 3 backward vertical integration
 - 4 concentric diversification
65. Italtile's movement into the sanitaryware and tap market was also positive.

This is an example of a _____ strategy.

- 1 horizontal integration
- 2 forward vertical integration
- 3 conglomerate diversification
- 4 product development

Study the following variables that affect the performance of Italtile:

- a Home ownership in South Africa is extremely high in world terms.
- b High crime rates cause people to spend more time at home.
- c There is pressure on the rand/dollar exchange rate.
- d Italtile's remarkable success is ascribed, inter alia, to franchising, which cause turnover to increase organically.

[TURN OVER]

66. Which one of the variables listed above is an example of a factor in the **micro-environment** of Italtile affecting its performance?

- 1 a
- 2 b
- 3 c
- 4 d

67. Which of the variables listed above is/are example(s) of factors in the **market environment** of Italtile affecting its performance?

- 1 a
- 2 a b
- 3 b d
- 4 c e

68. Which of the variables listed above is/are example(s) of factors in the **macro-environment** of Italtile affecting its performance?

- 1 a c
- 2 a d
- 3 b c
- 4 c d

69. Italtile needs to exercise financial control.

Financial control concerns the control of resources as they flow into the organisation, such as _____, financial resources that are held by the organisation, such as _____, and financial resources flowing out of the organisation, such as _____.

- 1 working capital and cash; revenue and return on investments; salaries and expenses
- 2 revenue and return on investments; working capital and cash; salaries and expenses
- 3 salaries and expenses; revenue and return on investments; working capital and cash
- 4 revenues and cash; return on investments and working capital; salaries and expenses

[TURN OVER]

70. When the owner of Italtile communicates with franchisees, there could be certain barriers to effective communication. These barriers may be placed in four categories.

Which of the following are examples of barriers pertaining to the structural barrier category?

- a perception
- b credibility
- c status
- d group size
- e spatial constraints
- f information overload

- 1 a c d
- 2 b c d
- 3 b e f
- 4 c d e