MNG 2601

EXAM REVISION PACK

Written byTWP 2015

Together We Pass

www.togetherwepass.co.za
info@togetherwepass.co.za
headtutor@togetherwepass.co.za

Tel: 021 591 0673



Welcome

If you are reading these notes you are studying MNG3701 with UNISA. These notes are being written in collaboration with all our Together We Pass MNG3701 group members this term, and will be built upon year on year to create the best set of study notes, with the most useful summaries, hints and tips we can possibly put together.

How this works:

1. Your tutor will assign each member a learning outcome to describe or summarise
2. Once you have completed it, you will be assigned another
3. We encourage you to work through as many as possible, and also read and comment on others explanations as this is the BEST way of learning.
4. We are creating COMPREHENSIVE notes so try to put everything that needs to be covered into your summary
5. Your tutors will compile this into this set of notes, drawing on other explanations, YouTube videos or resources they feel might be useful

Good luck this term, and we look forward to working with you!

Our contact details should you need help:



Together We Pass

PHONE 021 591 0673
EMAIL info@togetherwepass.co.za
headtutor@togetherwepass.co.za
WEB www.togetherwepass.co.za
FB www.facebook.com/togetherwepass
GGLE+ Together We Pass on Google Plus
TWITR @togetherwepass

© 2014 Together We Pass. All rights reserved.

1. Managers at all levels of the organisation need three management skills, but they need it in different proportions from level to level.

   Middle-level managers must have the ability to …….. top-level managers must have the ability to …….. and lower-level managers must have the ability to …….

a) perform jobs such as data entry in a computer
b) see things as a whole and the interrelationship of their parts
c) get employees to achieve organisational goals

1) b, a, c
2) b, c, a
3) a, b, c
4) c, b, a

2. The management process comprises four management functions, which managers perform in a specific sequence.

   Select an example of each management function and list it in the correct sequence.

a) conduct a job interview to fill a vacant position
b) determine how many units must be produced during a shift
c) praise an employee for reaching his sales target
d) adjust the budget to reflect an increase in wages

1) a, b, c, d
2) b, a, c, d
3) c, b, d a
4) d, c, b, a

Match each situation in column A with an appropriate management role in column B.

COLUMN A Situation		COLUMN B Management role	
a	discuss the organisation's offer on a wage increase with union representatives	e	decisional
b	read the Business Day first thing in the morning	f	interpersonal
c	develop new total quality management techniques	g	informational
d	have a mentoring session with an employee		

© 2014 Together We Pass. All rights reserved.

1. ae bf cg de
2. ef bg ce df
3. ag be cf dg
4. ef bg ce dg

Question 4 - 7

The following statements pertain to the evolution of management theory. Answer the questions that follow.

a) A famous series of studies, known as the Hawthorne studies, gave momentum to this perspective on management.
b) This researcher was a mechanical engineer and he studied the work of individual workers to discover exactly how they performed their tasks.
c) According to this approach, certain disabilities can cripple an organisation.
d) This perspective on management comprises management science and operations research.
e) This approach views an organisation as a group of interrelated parts with a single purpose: to remain in balance.
f) This famous researcher based his model on legal authority, which stems from rules and other controls that govern an organisation in its pursuit to achieve goals.
g) The basic premise of this approach is that the application of management principles depends on a particular situation that a manager faces at a given time.
h) Hammer and Champy are experts in this approach that entails a significant reassessment of a particular organisation.
i) This approach to management grew out of the need to find guidelines for managing complex organisations such as factories.

4. Statement …….. refers to the human relations movement, statement ……. refers to the learning organisation and statement……. refers to the administrative approach to management.

1. a, b, e
2. b, f, i
3. a, c, i
4. d, g, h

5. The three management theories that comprise the classical approach to management are described in statements

1. a, c, i

© 2014 Together We Pass. All rights reserved.

2. b, f, i
3. c, d, g
4. i, h, e

6. Statement ……. describes the contingency approach to management and statement …… describes the qualitative approach to management.

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

7. Statement ……. refers to Max Weber's approach to management, while statement ……. refers to …… Peter Senge's perspective.

1. a, b
2. b, g
3. f, c
4. f, b

8. The main difference between the behavioural approach to leadership and the contingency approach to leadership is that …….

1. one focuses on the characteristics of leaders, whilst the other one focuses on the situation
2. one focuses on what the leader does and the other one focuses on the fit between a leader's style and the situation
3. the one focuses on the task and the other on the relationship of the leader and follower
4. one focuses on initiating structure and the other on consideration

9. All managers have the right to insist that employees do their work and some leaders also have personal characteristics that make their subordinates want to follow them.

The two types of power referred to above are ……

1. legitimate and expert
2. reward and referent

© 2014 Together We Pass. All rights reserved.

3. legitimate and referent
4. referent and charismatic

10. Managers should provide the necessary direction and support to ensure that employees' goals are in line with those of the organisation. The researcher identified four leadership behaviours directive, supportive, participative and achievement-oriented, which managers can use in different situations.

The description above refers to …….. theory of leadership.

1 House's
2 Hersey and Blanchard's
3 Fiedler's
4 Blake and Mouton's

11. The main difference between transactional and transformational leadership is that ……

1. transactional leaders are charismatic, transformational leader are not
2 transformational leaders reward people for their efforts, transactional leaders inspire people to perform beyond what is expected of them
3 transactional leaders take organisations through periods of major change; transformational leaders inspire subordinates with a vision
4 transformational leaders function well in unstable environments, transactional leaders perform well in stable environments

12. Complete the following equation:

Motivation x ……. x …….. = Performance

1. ability; opportunity
2. opportunity; reward
3. reward; situation
4. ability; reward

13. Kurt and Nuzli are both first line managers in a production department. It is important for Kurt to perceive the relationship between the reward he receives and his performance. It is also important for Kurt to be able to perceive his own input-output ratio and that of Nuzli whom he regards as his equal.

© 2014 Together We Pass. All rights reserved.

This is an example of the …… theory of motivation, which can be categorised as a …….. theory

1. expectancy; content
2. equity; process
3. reinforcement; process
4. equity; content

14. Sally is working on a large programme for her organisation. As a manager she is responsible for a variety of projects, one of which must be completed in two weeks time. Sally is working hard to meet this deadline as she does not want to be reprimanded.

Sally's behaviour is characteristic of the …….. theory of motivation.

1. expectancy
2. equity
3. reinforcement
4. job characteristics

15. The motivation theory of Herzberg postulates that the factors responsible for job dissatisfaction are related to job ……

1. content
2. context
3. satisfaction
4. design

16. Which of the following control systems are used for controlling physical resources?

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

17. Productivity can be defined as the relationship between products and services and the resources needed to produce it. Productivity can be increased in five basic ways.

Which one of the following ways will not lead to an increase in productivity?

1. A greater output is made with fewer inputs.

© 2014 Together We Pass. All rights reserved.

2. A greater output is made with more inputs, but the increase in output is greater than the increase in inputs.
3. A greater output is made with more inputs, but the increase in inputs is greater than the increase in output.
4. A greater output is made with the same inputs.

18. The control process can be described in four steps.

Identify the correct sequence of steps in the process from the following:

a) Determine why the desired performance is different from the actual performance within a specified period.
b) This step involves the improvement of the actual performance, reviewing the strategy, or lowering performance standards.
c) Through planning and setting goals, the organisation's realistic aims in terms of profit, market share, productivity and personnel development can be determined.
d) Through the collection and reporting of raw data and the transformation thereof into information, an organisation can measure its actual performance within a given period of time.

1. a, b, c, d
2. b, c, d, e
3. d, a, b, c
4. c, d, a, b

19. At the level of ethical decision making a medical doctor facing an ethical dilemma may refer to her professions code of ethics for guidelines to make an ethical decision.

1. organisational
2. association
3. societal
4. international

20. Cliff is a manager at a large production plant and he is faced with an ethical dilemma, on which he must make a decision. He has studied the effects that his decision will have on his subordinates and has taken a decision that will benefit the majority of his subordinates to the greatest extent.

What approach to ethical decision making has Cliff adopted?

1. utilitarian approach
2. justice approach

© 2014 Together We Pass. All rights reserved.

3. human rights approach
4. moral rights approach

21. The ……. view holds that organisations owe society more than mere goods and services, and should at least be accountable for ecological, environmental and social costs resulting from their actions, while …… refers to actions such as supporting or opposing public issues and responding to the present and future needs of society by trying to fulfill them.

1. social obligation; social responsiveness
2. social reaction; social responsiveness
3. social responsiveness; social reaction
4. social obligation; social reaction

22. Which one of the following statements is incorrect?

1. Managers at all managerial levels are responsible for setting goals.
2. Problem solving can be defined as the process of taking corrective action that will solve the problem and that will realign the organisation with its goals.
3. Certain problems in an organisation cannot be solved.
4. Problem solving can be defined as the process of selecting an alternative course of action that will solve a problem.

23. If the decision maker has some certainty, the outcome of each alternative is not known in advance, and probability can be assigned to each alternative outcome, the decision is taken under conditions of

1. risk
2. certainty
3. uncertainty
4. near certainty

24. Which of the following are advantages of group decision making?

a) values can be transmitted and aligned
b) morale and motivation of employees will improve
c) groups are more likely to satisfice than individuals
d) better quality decisions will be made
e) group decision making may lead to conformity and groupthink

© 2014 Together We Pass. All rights reserved.

1. a, b
2. a, b, d
3. c, e
4. d, e

25. The financial manager of a large organisation needs to evaluate alternative investments. The net present value of each alternative investment is calculated.

This is an example of a decision taken under conditions of ……., using…… to make the decision.

1. risk; a break-even analysis
2. uncertainty; the simulation technique
3. uncertainty; the capital budgeting
4. certainty; linear programming

26. Internet access usually provides various capabilities to users.

The capability that enables users to move files and data from one computer to the other, download magazines, books, documents, software and much more, are referred to as ……..

1. electronic mail
2. file transfer protocol
3. world wide web
4. telnet

27. Software manages the operations of a computer.

1. Application
2. Procedural
3. System
4. None of the above

Questions 28 to 29:

Match the classification of the information system in Column A with the examples thereof the Column B.

Column A	Column 13

© 2014 Together We Pass. All rights reserved.

Classification of the information system		Example	
28.	Operations information system	1.	information reporting, decision support and executive information systems
29.	Management information system	2.	Expert, business function and process control systems
		3.	The Internet, e-commerce
		4.	Transaction processing, process control, office automation systems
		5.	Decision support, executive information, transaction processing systems

30. "A Coke within arms' reach" is an example of the Coca-Cola company's

1. vision
2. mission
3. strategic goal
4. functional goal

31. Which of the following are components of an organisations' philosophy?

1. social responsibility
2. distinctive competency
3. the organisation's concern for financial soundness
4. all the above

32. Organisations normally possess a hierarchy of resources or capabilities.

Which one of the following refers to resources that are necessary, but can easily be outsourced?

1. strategic resources
2. base resources
3. peripheral resources
4. competitive resources

33. ……. is a growth strategy that involves acquiring a business because it presents the most promising investment opportunity available. Neither the new markets nor the new products have to be technologically related to the products currently being offered by an organisation.

© 2014 Together We Pass. All rights reserved.

1. Concentric diversification
2. Conglomerate diversification
3. Horizontal integration
4. Backward vertical integration

34. Fill in the missing words in the following table.

Type of plan	Focus	Time-frame	Specificity
Strategic	Entire organisation	Long-term	(iii)
Tactical	(i)	(ii)	(iv)

1. (i) individual; (ii) short-term; (iii) broad; (iv) specific
2. (i) functional areas; (ii) medium-term; (iii) directional, broad; (iv) more specific
3. (i) strategic business units; (ii) medium- and short tern; (iii) specific; (iv) directional
4 functional areas; (ii) medium-term; (iii) specific; (iv) broad

35. Which of the following are examples of single-use plans in an organisation?

a) programmes
b) policies
c) budget
d) rules
e) standard procedures

36. Goals should meet certain requirements. ……. refers to the requirement that goals should indicate what they are related to, the time frame for accomplishing them, and the desired results; while …….. refers to the requirement that the attainment of one goal should not preclude the attainment of another.

1. Measurability; attainability
2. Specificity; attainability
3. Acceptability; flexibility
4. Specificity; congruency

37. Which one of the following indicates the process of Management by Objectives (MB0)?

© 2014 Together We Pass. All rights reserved.

1. job output ⇨ performance targets ⇨ discussion of goals ⇨ determination of checkpoints ⇨ evaluation and feedback
2. performance targets ⇨ 4 discussion of goals ⇨ determination of checkpoints ⇨ evaluation and feedback job output
3. determination of checkpoints ⇨ discussion of goals performance targets job output evaluation and feedback
4. job output ⇨ discussion of goals ⇨ performance targets ⇨ determination of checkpoints evaluation and feedback

Questions 38 to 40:

Match the organising principles in Column A with the description thereof in Column B.

Column A Organising principle		Column B Description	
38.	Responsibility	1.	The evaluation of how well individuals meet their responsibility
39.	Authority	2.	The right to make decisions, issue orders and use resources
40.	Accountability	3.	The obligation to achieve goals by performing required activities
		4.	The ability to influence the behaviour of others
		5.	The power to enforce compliance

41. …… gives management a way to delegate authority, push responsibility to lower levels and be more flexible and responsive in the competitive global environment.

1. The virtual network approach
2. Functional departmentalisation
3. Customer departmentalisation
4. The team approach

42. Which of the following statements are correct?

a) Management can delegate responsibility and accountability for a task.
b) Tasks of a repetitive nature can easily be delegated.

© 2014 Together We Pass. All rights reserved.

c) Managers should delegate tasks, but should keep control over the necessary resources to perform the task.
d) Quicker decision making takes place when delegation is applied properly.
e) Delegation is only effective if authority and accountability are clearly defined.

1. a, b
2. b, d, e
3. c, d, e
4. c, e

43. Nike Inc., one of the major organisations in the athletic footwear and sports apparel industries, design technologically advanced athletic shoes, apparel, and accessories. All Nike products are sold under the Nike name but are manufactured by other organisations.

This is an example of a …….

1. product departmentalisation
2. team approach
3. network organisation
4. new venture unit

Questions 44 to 45:

Since its founding in 1929, Edgars Consolidated Stores Ltd (Edcon) has established itself as one of the leaders in South Africa's clothing, footwear and textile retail arena. Edcon is organised in three divisions, namely the department store division (encompassing Boardmans, CNA, Edgars, Prato, Red Square and Temptations); the discount store division (encompassing Jet, Jet Mart, Jet Shoes and Legit) and the financial services division. The company boasts nine retail brands with over 900 stores in South Africa, Botswana, Namibia, Swaziland, and Lesotho. Edcon has eight pillars on which they focus their attention: culture, company reputation, work environment, learning, compensation, community, employee care and leadership. Their culture is one of inclusiveness, built on the organisation's values of people, integrity, performance and professionalism.

44. When the marketing manager of Edcon's department store division liaises with the financial manager of the same division, …… communication takes place.

1. lateral
2. horizontal
3. upward
4. informal

© 2014 Together We Pass. All rights reserved.

45. When the purchasing manager of the discount store division liaises with a Jet Mart store manager, …… communication takes place.

1. lateral
2. horizontal
3. informal
4. upward

46. Which one of the following statements is incorrect regarding the direction and frequency of communication?

1. People generally prefer to communicate with individuals of higher status.
2. People of higher status generally communicate more with one another than they do with people of lower status.
3. The wider the difference in status is, the greater is the likelihood that information will follow from people of lower to higher status than the other way around.
4. People with low status often attempt to gain the favour of those with higher status by displaying respect, offering praise and agreeing with their views.

Read the following Discovery case study to answer questions 51 to 65.

Discovery

Discovery comprises five companies operating in the international health and life insurance markets: Discovery Health, Discovery Vitality, Discovery Life. Destiny Health (US) and PruHealth (UK). The core purpose of the group is to make people healthier and to protect and enhance their lives. Its relative short history is characterised by continual innovation and a spirit of entrepreneurship. The organisation's various companies and products are all at different stages of their life cycles, which makes for an extremely dynamic and complex environment. Discovery serves more than 2 million people, most of who subscribe to more than one Discovery product.

Discovery's greatest plus is a business philosophy which believes that through an insightful understanding of socio-economic trends and innovative thinking, the group is able to provide solutions that have a profound effect on clients and, in turn, offer excellent business opportunities.

Discovery faces a highly regulated business environment. High demands on innovation place pressure on the company's people and systems to keep up with constant change.

© 2014 Together We Pass. All rights reserved.

When Discovery Health was established in 1993 it identified two trends in the private healthcare market: rising medical inflation and increasing consumerism. The medical savings account was launched as an antidote to rising medical inflation, leveraging the trend towards consumerism by placing money used to pay for these expenses directly into the hands of the consumer.

In 1997, Discovery identified the rapid development of preventative screening and an increasing focus on wellness, in particular on longevity. Discovery Vitality was an innovative solution — a rewarding mechanism to engage clients in the management of their health and well-being.

In 2000, Discovery Life was set up as a unique pure-risk life insurance company offering flexible life insurance products separating out investment products, focusing on risk benefits only - which had never been done before. In the same year, Destiny Health was initiated as the first of its kind providing consumer-driven healthcare cover for 60 000 lives in the USA. In late 2004, PruHealth was born and within a few months, gained the status as one of the top two providers of private healthcare in the UK.

Discovery's strategy is one that analyses social trends in order to identify opportunities to come up with something completely new, and make positive and significant impact on the people it serves. Discovery's culture is best described by a tan do, will do' attitude. Discovery places considerable emphasis on attracting, motivating, rewarding, liberating and inspiring the best people. It is not a unionised environment. The company has a comprehensive set of employee relations policies that have been formulated through a consultative process. Their remuneration and reward system is based on achieving a balance between a flexible approach that recognises differences in individual performance, value and contribution and a consistent framework that ensures equitable levels of pay and defensible pay decisions.

Exceptional reward and recognition programmes are in place to motivate and encourage people to go the extra mile.

Discovery is in the process of concluding an empowerment transaction. However, the company is already empowered in terms of the financial services sector charter scorecard (FSSC). According to the FSSC, if a company owns more than 25% of another, the empowerment credentials of the parent company flow proportionately through to the subsidiary. Hence, by virtue of the recent FirstRand BEE deal, Discovery has considerable empowerment status. Furthermore, they have contributed millions to research into the issue of enabling more cost-effective private healthcare for the millions of individuals who, even though employed, cannot afford access to private healthcare.

Study the following list of variables and answer questions 47 to 49,

a) Highly regulated business environment
b) Rising medical inflation
c) Increasing consumerism

© 2014 Together We Pass. All rights reserved.

d) Increasing focus of customers on wellness, in particular longevity
e) Changing social trends
f) Continual innovation and a spirit of entrepreneurship
g) Exceptional reward and recognition programmes.

47. Which of the variables Listed above originate from Discovery's internal environment?

1. a, c
2. d, f
3. f, g
4. g

48. Which of the variables listed above originate from Discovery's market environment?

1. a, c
2. b, c
3. d, e
4. c, d

49. Which of the variables listed above originate from Discovery's macro-environment?

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

50. "To make people healthier and to protect and enhance their lives" is an example of a ……..

1. mission
2. corporate strategy
3. vision
4. standing plan

51. Management at Discovery is using the information on socio-economic trends to provide unique solutions. They are fulfilling the role of …….

© 2014 Together We Pass. All rights reserved.

1. problem solver
2. entrepreneur
3. analyser
4. leader

52. Management at Discovery need to have ……. skills in order to view the operations of the organisation and its five companies holistically.

1. interpersonal
2. decision making
3. conceptual
4. technical

53. Discovery Health was established in 1993, launching the medical savings account. In 1997, they identified the rapid development of preventative screening and an increasing focus on wellness. Discovery Vitality was an innovative solution – a rewarding mechanism to engage clients in the management of their health and well-being.

Launching Discovery Vitality is an example of a strategy.

1. market development
2. product development
3. concentration growth
4. diversification

54. Discovery has a comprehensive set of employee relations policies that have been formulated through a consultative process.

This is an example of a …….

1. standing plan
2. single use plan
3. corporate culture
4. corporate philosophy

55. At Discovery, achievement is attained by workers who are motivated and pursue the goals of the organisation with goodwill.

© 2014 Together We Pass. All rights reserved.

Based on the leadership grid, the ideal leadership style at Discovery will be ……..

1. country-club management
2. team management
3. middle-of-the-road management
4. autocratic management

56. Employees at Discovery resolve their own problems and they have the ability to work together as a group.

Based on the leadership cycle model developed by Hersey and Blanchard, the most appropriate leadership style is in quadrant ……., namely …….

1. 1; directing
2. 2; coaching
3. 3; supporting
4. 4; delegating

Questions 57 to 59:

Discovery's remuneration system is based on achieving a balance between the following: (i) a flexible approach that recognises differences in individual performance, value and contribution and (ii) a consistent framework that ensures equitable levels of pay and defensive pay decisions. Exceptional reward and recognition programmes are in place to motivate and encourage people to go the extra mile.

57. According to …… theory of motivation, a recognition programme is an example of a ……. factor; whilst an employee's salary is an example of a …… factor

1. Maslows; hygiene; motivator
2. Herzberg's; hygiene; hygiene
3. Herzberg's; motivator; hygiene
4. McClelland; motivator; hygiene

58. According to …….. theory of motivation, an individual must be able to perceive a relationship between …… and …….

© 2014 Together We Pass. All rights reserved.

1. McClelland's achievement; the reward he or she receives; his or her performance
2. Herzberg's; his or her level of satisfaction; his or her pay and working conditions
3. Maslow's; his or her work efforts; certain performances and outcomes
4. the equity, the reward he or she receives, his or her performance

59. According to the ……. theory of motivation, behaviours followed by …….. will occur more frequently and that behaviours followed by …….

1. reinforcement; positive consequences; negative consequences
2. expectancy; positive consequences; negative consequences
3. equity; avoidance; punishment
4. reinforcement; extinction; positive reinforcement

Read the following Flight Centre Limited case study to answer questions 60 to 64.

Flight Centre Limited

Flight Centre Limited, and Australian-based company, established its South African operations in 1994. The company has opened branches in many of the country's major centres, its growth spurred but an innovative approach to selling value-for-money travel solution. Their ability to offer discounted international and domestic flights, accommodation and holiday packages, together with its unique "Price beat Guarantee", has ensured it a significant share of the South African market. Flight Centre intends to entrench its favourable position by consolidating its travel brands in the wholesale, leisure and corporate markets.

Flight Centres culture is one of empowering its people, providing them with the tools to become successful. To handle the challenges of the travel industry, employees need to be passionate and dynamic self starters who have a knack for instilling confidence and trust in their customers.

The company has a unique structure: each operation is make up of business teams of no more than seven people. These teams form families, which unite to form a village. In essence, a village comprises all families in one area. The spit of friendly 'competition' exists between teams and villages.

A career development programme provides each employee with a detailed needs analysis, based on the position they ultimately hope to achieve and the tools they need to get there.

Training and especially leadership training are priorities. Flight Centre does not recognize agreements with any trade unions. They rather prefer an open door policy and staff members usually resolve their own disagreements. The impressive earning

© 2014 Together We Pass. All rights reserved.

potential of Flight Centre contributes to the company's reputation as an excellent employer. Rewards and recognition is fine embedded in their culture.

Flight Centre does not have a dedicated corporate social investment policy in place at present. However, the company is excited about the upcoming launch of a new programme which will grant employees time off work in order to support a charity of their choice.

Flight Centre's ulitimate goal is to dominate all aspects of the South African travel market – wholesale, leisure and corporate. This will be done not only through business and organic growth, but also through growing Flight Centre's people. Specific future goals include taking advantage of technilogical advances and establishing an even greater presence. They reveal that 10 to 15 new stores will open within the next year, along with up to three new corporate travel outlets.

60. When Flight Centre established its operations in South Africa in 1994, they implemented a …….. strategy.

1. product development
2. market development
3. concentration growth
4. innovation

61. Part of Flight Centre's success is a detailed job design of employees.

Job design can be defined as ……..

1. the narrowing down of activities to simple repetitive routines
2. the process of making a job less specialised
3. developing the conceptual skills of employees
4. the process of combining the tasks that each employee is responsible for

62. Flight Centre does not recognise agreements with trade unions.

Trade unions are an example of a variable originating from an organisation's ……environment,

1. micro
2. macro
3. market
4. social

© 2014 Together We Pass. All rights reserved.

63. Flight Centre's employees need to instill trust in their customers in order to communicate effectively.

Trust can be classified as a(n) ……. factor causing a barrier to effective communication.

1. interpersonal
2. infra-personal
3. structural
4. technological

64. Flight Centre grants employees time off work in order to support a charity of their choice.

This is an example of …….

1. corporate governance
2. social obligation
3. social responsiveness
4. social reaction

Discovery

Discovery comprises five companies operating in the international health and life insurance markets: Discovery Health, Discovery Vitality, Discovery Life, Destiny Health (US) and PruHealth (UK).

The core purpose of the group is to make people healthier and to protect and enhance their lives. Its relative short history is characterised by continual innovation and a spirit of entrepreneurship. The organisation's various companies and products are all at different stages of their life cycles, which make
for an extremely dynamic and complex environment. Discovery serves more than 2 million people, most of who subscribe to more than one Discovery product.

Discovery's greatest plus is a business philosophy which believes that through an insightful understanding of socio-economic trends and innovative thinking, the group is able to provide solutions that have a profound effect on clients and, in turn, offer excellent business opportunities.

Discovery faces a highly regulated business environment. High demands on innovation place pressure on the company's people and systems to keep up with constant change.

When Discovery Health was established in 1993 it identified two trends in the private healthcare market: rising medical inflation and increasing consumerism. The medical

© 2014 Together We Pass. All rights reserved.

savings account was launched as an antidote to rising medical inflation, leveraging the trend towards consumerism by placing money used to pay for these expenses directly into the hands of the consumer.

In 1997, Discovery identified the rapid development of preventative screening and an increasing focus on wellness, in particular on longevity. Discovery Vitality was an innovative solution – a rewarding mechanism to engage clients in the management of their health and well-being.

In 2000, Discovery Life was set up as a unique pure-risk life insurance company offering flexible life insurance products separating out investment products, focusing on risk benefits only – which had never been done before. In the same year, Destiny Health was initiated as the first of its kind providing driven healthcare cover for 60 000 lives in the USA. In late 2004, PruHealth was born and within a few months, gained the status as one of the top two providers of private healthcare in the UK.

Discovery's strategy is one that analyses social trends in order to identify opportunities to come up with something completely new, and make positive and significant impact on the people it serves. Discovery's culture is best described by a 'can do, will do' attitude. Discovery places considerable emphasis on attracting, motivating, rewarding, liberating and inspiring the best people. It is not a unionised environment. The company has a comprehensive set of employee relations policies that have been formulated through a consultative process. Their remuneration and reward system is based on achieving a balance between a flexible approach that recognises differences in individual performance, value and contribution and a consistent framework that ensures equitable levels of pay and defensible pay decisions. Exceptional reward and recognition programmes are in place to motivate and encourage people to go the extra mile.

65. First-line management at Discovery is responsible for _____.

1 leading the organisation and has the final authority and responsibility for executing the management process
2 specific departments of the organisation and is primarily concerned with implementing policies, plans and strategies
3 the daily activities of their departments or sections
4 creating a favourable, objective image of the organisation

66. Discovery is able to provide solutions that have a profound effect on clients and, in turn, offer excellent business opportunities.

The ability to solve problems is a _____role of managers.

1 interpersonal

© 2014 Together We Pass. All rights reserved.

2 information
3 decision-making
4 monitor

Questions 67 to 69:

Study the following list of variables and answer questions 3 to 5.

a Highly regulated business environment
b Rising medical inflation
c Increasing consumerism
d Increasing focus of customers on wellness, in particular longevity
e Changing social trends
f Continual innovation and a spirit of entrepreneurship
g Exceptional reward and recognition programmes.

3. Which of the variables listed above originate from Discovery's micro-environment?

1 a c
2 d f
3 f g
4 g

67. Which of the variables listed above originate from Discovery's market environment?

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

68. Which of the variables listed above originate from Discovery's macro-environment?

1 a c
2 a b e
3 b e
4 f g

69. Managers at Discovery assume that people relish work and approach their work as an opportunity to develop their talents.

© 2014 Together We Pass. All rights reserved.

This view is consistent with _____ managers.

1 bureaucratic
2 task-orientated
3 Theory Y
4 democratic

70. According to the _____ approach to management, Discovery should maintain a balance between the various parts of the organisation as well as between the organisation and its environment.

1 process
2 systems
3 contingency
4 bureaucratic

71. If Discovery wants to improve their performance by defining and analysing opportunities, measuring performance, and controlling performance, they are implementing the _____ approach to management.

1 Six Sigma
2 process
3 systems
4 scientific

72. At Discovery, the whole of the organisation is greater than the sum of its parts.

In management terms, this is an example of _____.

1 entropy
2 an open system
3 synergy
4 interdependence

73. Indicate which of the following variables is can create opportunities for Discovery.

a Organisational culture
b The purchasing power and behaviour of consumers

© 2014 Together We Pass. All rights reserved.

c The mission and goals of the organisation
d People's lifestyles, habits and values
e Inflation, recessions and the monetary and fiscal policy of the government

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

74. The competition in Discovery's market environment is determined by the following forces:

The _____

a possibility of new entrants or departures
b bargaining power of consumers
c bargaining power of suppliers
d availability of substitute products or services
e number of existing competitors

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

75. "To make people healthier and to protect and enhance their lives" is an example of a _____.

1 mission
2 corporate strategy
3 vision
4 standing plan

76. Which of the following is not a characteristic of strategic planning at Discovery?

Strategic planning _____.

1 aims at integrating all management functions
2 is concerned with the organisation's vision, mission, long-term goals and strategies
3 formulates operational plans to achieve organisational goals

© 2014 Together We Pass. All rights reserved.

4 focuses on opportunities that may be exploited or threats that may be dealt with

77. Management at Discovery need to have _____ skills in order to view the operations of the organisation and its five companies holistically.

1 interpersonal
2 decision making
3 conceptual
4 technical

78. Discovery believes that through an understanding of socioeconomic trends, the group is able to provide solutions that have a profound effect on clients.

Socio-economic trends is an example of a variable originating from Discovery's _____ environment that should be analysed in order to identify _____ and _____.

1 internal; strengths; weaknesses
2 external; strengths; weaknesses
3 external; opportunities; threats
4 internal; opportunities; threats

79. Discovery launched the medical savings accounts as an antidote to rising medical inflation.

Discovery's management needed_____ skills in this situation.

1 communication
2 time-management
3 interpersonal
4 diagnostic

80. Discovery Health launched the medical savings account in 1993. In 1997, they identified the rapid development of preventative screening and an increasing focus on wellness. Discovery Vitality was an innovative solution – a rewarding mechanism to engage clients in the management of their health and well-being.

Launching Discovery Vitality is an example of a _____ strategy.

1 market development
2 product development

© 2014 Together We Pass. All rights reserved.

3 concentration growth
4 diversification

81. Launching the medical savings account is an example of a _____ decision taken under conditions of _____.

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

82. To identify strategic internal factors, Discovery's management can use the value chain approach.

Which of the following are primary activities according to the value chain approach?

a general administration
b operations
c research and development
d procurement
e after-sales service

1 a b c
2 b e
3 c d
14 c d e

83. During which step of the strategic management process can the management of Discovery use the Balanced Scorecard?

1 Identify strategic internal factors
2 Select sources of information
3 Develop an environmental profile
4 Translate the mission into long-term goals

84. If an organisation acquires a new business of which neither the new markets nor the new products are technologically related to their current business, it is an example of a _____ strategy.

1 concentric diversification

© 2014 Together We Pass. All rights reserved.

2 conglomerate diversification
3 horizontal integration
4 forward vertical integration

85. The portfolio approach is a visual way of identifying and evaluating alternative strategies for the allocation of corporate resources.

For this purpose Discovery uses _____, where each of the strategic business units is plotted according to their _____ and relative _____.

1 the Boston Consulting Group Growth/Share Matrix; market growth rate; competitive position
2 a strategy map; learning and growth; financial performance
3 generic strategy; financial performance; productivity
4 Management by Objectives; performance; expenses

86. Which of the following are benefits that Discovery can expect from proper planning?

a Planning reduces the impact of change in the socio-economic environment.
b Planning requires a substantial amount of time and energy from management.
c Planning promotes co-operation between managers and subordinates with diverse backgrounds.
d Planning is a prerequisite for control.
e Formal plans can replace management's intuition and creativity.

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

87. Discovery has a comprehensive employee relations policy which is formulated through a consultative process.

This is an example of a _____.

1 standing plan
2 single use plan
3 corporate culture
4 corporate philosophy

© 2014 Together We Pass. All rights reserved.

88. Discovery is following a generic strategy that distinguishes their products from those of their competitors.

This is an example of a _____ strategy.

1 innovation
2 differentiation
3 focus
4 conglomerate

89. At Discovery, each employee report to only one supervisor.

This is an example of _____.

1 unity of direction
2 chain of command
3 span of control
4 unity of command

90. At Discovery, _____ managers have the responsibility to advise and assist other personnel, using their _____ power.

1 line; expert
2 staff; referent
3 staff; expert
4 line; legitimate

91. The _____ goals of Discovery represent their private, unpublished goals.

1 medium-term
2 labour turnover
3 individual
4 operative

92. Which of the following decision-making tools are appropriate for Discovery under conditions of uncertainty?

a break-even analysis
b simulation
c capital budgeting
d probability analysis

© 2014 Together We Pass. All rights reserved.

e near programming

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

93. Which one of the following information technology applications is appropriate to assist Discovery in product development?

1 call centres
2 office systems
3 design automation
4 commission calculation

Read the following case study to answer questions 94 to 113.

LEISURENET

DEATH OF A BUSINESS

For a few weeks in September and October 2000, Peter Flack was interim chief executive officer of the ill-fated LeisureNet. He had been called in as a turnaround specialist. He found that the company had deteriorated so far and so fast that all that could be done for it was to close it.

LeisureNet was a large business, but the lessons Flack draws from the LeisureNet failure need to be learned by every entrepreneur and manager. This is his account of one of South Africa's most spectacular corporate failures.

Every organisation, whether it is a club, church, company or country, requires four basic ingredients for it to be successful.

They are leadership, a strategic plan, a management team capable of implementing the strategy, and an action plan which breaks the strategic plan down into measurable bits. This is the basis against which a business is measured.

LeisureNet, a successful and profitable company, invited one of the directors of Coronation FRM to sit on their board. A brief look at the results for the year to December 1999 showed a group which turned over in excess of R1bn and which made in excess of R100m after tax. As a rough rule of thumb, we have always said, "show us a company which produces after-tax profits equal to 10%
of gross revenue and we will show you a healthy business".

© 2014 Together We Pass. All rights reserved.

The company operated 85 Health & Racquet (H&R) Clubs in South Africa and employed some 4 500 people who provided an excellent service to nearly one million club members. In addition, the company had recently expanded offshore and had built 22 H&R Clubs in Australia, Britain, Germany and Spain, with a number in the process of construction. On the surface, LeisureNet was a company with strong leadership, a clear strategy and an obviously competent management team.

At the first board meeting that we attended, accusations were levelled at executive and non-executive directors alike and it appeared as if the board had become dysfunctional. The previous joint chief executive officer of LeisureNet had been transferred recently to Healthland International Limited (again as joint chief executive officer) and the young managing director of the South African operations had been approached to take the job as CEO of LeisureNet. However, he had not accepted the position and the terms of his appointment had not been finalised. So clearly there was a question of leadership. The previous leaders had sold almost all their interests in LeisureNet and had been awarded a
substantial and meaningful stake, free of charge, in Healthland International Limited.

Part of the conflict at board level was due to the fact the LeisureNet had been used to fund, staff and train employees of Healthland. The H&R Club business had been pillaged to establish Healthland's operations and all available cash had been invested in Healthland and little, if any, in the H&R Club business. Some
R370m of this available cash had come from selling shares. The result was a lack of maintenance and refurbishment at H&R Clubs.

On closer examination, there was no strategic plan. A strategy, which is not reduced to writing, is a hope, wish or prayer but not a plan. A strategic plan requires that its participants go through a procedure which identifies and analyses the various internal and external issues which affect the business.

The lack of a coherent strategic plan in LeisureNet can be seen from the fact that over the last five years the company has, in addition to the health and fitness business, embarked on a food business, golfing business, an education business, a casino bid, a gymnasium equipment supplier, a restaurant and the six member Imax theatre chain. Despite the fact that LeisureNet owned only half the equity of the Imax group, the company guaranteed 100% of the leases of the purpose built facilities housing the theatres and which extended over 13-20 years.

Structure follows strategy and the lack of strategy manifested itself in the composition of the board of directors of LeisureNet. Instead of the various disciplines inherent in a company being represented on the board of directors, for example finance, information systems, human resources and the line operations, the board consisted of two former joint chief executive officers, the MD of the
local operations and a host of non-executive directors.

Although the management information system was home grown and, in many instances, required a duplication of effort, the accounting system, sales system, marketing and human resources procedure were well thought out. In moving offshore, the business there had adopted the best of the local operating systems,

© 2014 Together We Pass. All rights reserved.

acquired a standard management information system and had recruited the most senior of the local managers. The glaring omission, however, related to the position of chief financial officer and the treasury and cash management functions for this massively cash hungry growth business in a state of rapid development. Ultimately, this gap in the management structure caused the downfall of Healthland. Finally, there was no action plan of any kind.

The group, with the notable exception of the H&R Club business, did not meet, let alone pass, any of the standards required by the four components for any successful business, namely leadership, strategic planning, management and action planning. There were two other glaring omissions in the field of corporate communications and corporate governance.

The group could have been saved had it been possible to raise sufficient money to complete the building of the Healthland clubs under construction, or if the sale of these offshore clubs could have been concluded in a way which would have released LeisureNet from its obligations to the Healthland group. In the end, both attempts failed. Both these failures can be traced back to fundamental flaws in the issues of leadership, strategy, and corporate communications.

Source: Adapted from Flack, P. 2001. Death of a Business. *Succeed Magazine*, June/July.

94. A lack of _____ skills among LeisureNet's board of directors can be singled out as the main cause for the company's failure.

1 interpersonal
2 decision making
3 technical
4 conceptual

95. LeisureNet's board of directors was responsible for:

a designing the organisation's broad organisational structure
b determining the organisation's vision, mission, goals and overall strategies
c implementing policies, plans and strategies
d organising the organisation's functional areas
e influencing the corporate culture

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

© 2014 Together We Pass. All rights reserved.

96. LeisureNet's lower levels of management were responsible for:

a medium-term planning
b applying policies, procedures and rules to achieve a high level of productivity
c organising functional areas
d providing technical assistance
e monitoring environmental influences that may have affected functional areas

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

97. The failure of LeisureNet affected nearly one million members of the H&R Clubs.

This is an example of a variable in the _____ environment that influences the _____ environment.

1 market; macro
2 micro; market
3 micro; macro
4 market; micro

98. When deciding to expand offshore, LeisureNet needed to plan the future allocation and utilisation of various resources with regard to different organisational activities over a given period.

This refers to the following planning tool:

1 forecasting
2 budgeting
3 scheduling
4 monitoring

99. LeisureNet's management needed to think about ways to carry the organisation into the future.

This is referred to as the _____ of an organisation.

1 vision

© 2014 Together We Pass. All rights reserved.

2 mission
3 strategy
4 action plan

100. Financial results for the year to December 1999 showed a group which turned over in excess of R1bn and which made a profit in excess of R100m after tax.

This can be considered a(n)____ for LeisureNet.

1 strength
2 opportunity
3 weakness
4 threat

101. When building 22 H&R Clubs in Australia, Britain, Germany and Spain, the company followed a(n) _____ strategy.

1 concentration growth
2 market development
3 horizontal integration
4 integration

102. In addition to the health and fitness business, LeisureNet started a food business, golfing business, an education business, a casino bid and so on.

This is an example of a _____ strategy.

1 product development
2 horizontal integration
3 conglomerate diversification
4 concentric diversification

103. The company operated 85 Health & Racquet Clubs in South Africa and employed some 4500 people who provided excellent service to its members. LeisureNet should have aimed to achieve the integration of individual and organisational goals.

One technique that can be used for this purpose is:

1 nominal group technique
2 forecasting

© 2014 Together We Pass. All rights reserved.

3 the Gantt chart
4 management by objectives

104. When the company decided to start a food business, golfing business, education business and so on, it was a _____ decision made under conditions of _____.

1 programmed; certainty
2 nonprogrammed; uncertainty
3 programmed; risk
4 onprogrammed; risk

105. A decision-making tool that the company could have used in the conditions described in question 11 is:

1 linear programming
2 queuing theory
3 simulation
4 scheduling

106. LeisureNet wanted to change the physical layout of their H&R Clubs in South Africa. They wanted to involve their club managers all over the country.

The most appropriate group decision-making technique that they could have used is:

1 the Nominal Group Technique
2 the Delphi technique
3 brainstorming
4 simulation

107. When making a high-risk decision, such as expanding offshore, managers should apply the _____ decision-making model, using _____, which means the decision maker should select the best possible solution.

1 bounded-rationality; satisficing
2 rational; optimising
3 rational; satisficing
4 bounded-rationality; optimising

© 2014 Together We Pass. All rights reserved.

108. For the year to December 1999, the group turned over in excess of R1bn.

This is an example of _____.

1 data
2 information
3 management information
4 none of the above

109. LeisureNet's board of directors lacked immediate and easy access to information on the company's critical success factors -- that is, the factors that are critical for the survival of the company.

Which one of the following information systems could have provided them with such information?

1 information reporting system
2 expert system
3 executive information system
4 decision support system

110. Indicate the form of interdependence present when the company decided to embark on a food business, golfing business, education business and so on.

1 sequential interdependence
2 reciprocal interdependence
3 pooled interdependence
4 none of the above

111. LeisureNet's failure can be traced back to fundamental flaws in the issues of leadership, strategy and corporate communications.

Which of the following are components of leadership?

a authority
b power
c influence
d delegation
e responsibility
f accountability

© 2014 Together We Pass. All rights reserved.

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

112. Poor communication was also identified as a reason for LeisureNet's failure.

Which of the following interpersonal factors might have been a barrier to effective communication in the company?

1 perception
2 trust
3 spatial constraints
4 status

113. The first and most important requirement to foster a culture of good ethics, which was not present at LeisureNet, is for the chief executive officer and senior managers to be openly and strongly committed to ethical conduct and to provide constant leadership in reinforcing ethical values in the organisation.

This is referred to as _____.

1 a code of ethics
2 ethical structures
3 leading by example
4 whistle blowing

Read the following case study to answer questions 114 to 123.

STITCHING AT THE SPEED OF LIGHT

Woolworths recently gave Monviso Knitwear a tall order: translate the latest fashion ideas off the catwalk into 300- 400 units of wearable items of clothing in just eight weeks for Woolworths' Cavendish branch.

The Epping factory, which employs about 1 000 workers, pulled it off. The sales were phenomenal. It would have taken a Chinese firm three to five months to achieve the same.

"What we were trying to do here is get the product to the market at the speed of lighting", says Monviso's managing director, Ian Steyn. "Before anyone thought of it we made speed our focus. We also built strong relationships with retailers.

© 2014 Together We Pass. All rights reserved.

Monviso sells 95% of its knitwear to Woolworths and replenishes Woolworths' stock every week. Its ability to respond to the retailer's ever-changing requirements is the key to the relationship's success.

"If an item is red and not selling, we can stop making red ones and make more green ones. If size16 items aren't selling, we can stop those and make more size 10 items," Steyn explains.

Monviso has even discovered a way to make a sought-after fabric – but not to colour it until a few weeks before it is needed so they can be flexible in their response to trends and retailers' needs.

Despite Monviso's apparent success, Steyn says the company is struggling. In May last year, Monviso's total turnover was R9m, on which it made a 6% profit. This year, it was just under R20m but the profit margin has probably shrunk to about 4%.

"Profit margins have been squeezed, partly because of price competition from the East. Year after year there are no price increases so we had to become faster and leaner."

For instance, Monviso makes 500 000 tank tops a year for Woolworths but there has been no price increase for about seven years. It used to make 80 tank tops an hour using eight people and was quite satisfied until it discovered the world benchmark was 160 units per hour using six people.

"It took us six months to reach that level by employing the best machinery and re-engineering the workplace," says Steyn. "Today we do 240 units per hour using six people. I don't think anyone in the world can beat that."

Monviso pays these machinists a high premium (close to R750 per week) on the minimum wage (R537 per week in the Cape metropolis). They have become multi-skilled so can substitute for other team members if anyone is absent. The company spends a great deal on training and empowering its workforce.

Steyn has just returned from China, where he visited state-of-theart clothing factories. "The technology in our plant is as advanced as anything I saw and we match them for speed," says Steyn. "But their wages are way below ours and they work eight to 10 hour days, six days a week.

Source: Bisseker, C. 2006. *Financial Mail,* June 23*:* 27.

114. Monviso Knitwear had the following goal: to produce 300 to 400 units of clothing in eight weeks.

This is an example of a _____ goal.

1 operational

© 2014 Together We Pass. All rights reserved.

2 tactical
3 strategic
4 functional

Questions 115 and 116:

The strategic planning process includes an analysis of the internal environment of an organisation.

Consider the table below and answer questions 22 and 23 by selecting appropriate options from column A and column B.

Column A (Steps in the internal environment analysis)	Column B (action)
A – identify strategic internal factors	A – comparing the organisation's performance in the past
B – develop input for the strategic process	B – using the value-chain approach
C – evaluate strategic internal factors	C – identifying the organisation's competitive edge
D – select critical environmental factors	D – using benchmarking

115. Monviso used to make 80 tank tops an hour, using eight people. They realised that they had to become more productive because they conducted an internal environmental analysis. While carrying out the second step of the analysis, which is to _____, by _____, they discovered that successful organisations elsewhere in the world produced 160 tank tops per hour, using six people.

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

116. The final step in the internal analysis is to _____, which involves _____. Managing Director Ian Steyn says:

"Before anyone thought of it we made speed our focus.

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

© 2014 Together We Pass. All rights reserved.

Questions 117 to 119:

Select words from the following list to answer questions 24 to 26.

a micro
b market
c macro
d strength
e weakness
f opportunity
g threat
h technological
i social
j international

117. Monviso Managing Director Ian Steyn says: “We also built relationships with retailers.”

The retailers that Mr Steyn refers to is a variable in the _____ environment of Monviso, while the strong relationship with them, refers to a _____ in the _____ environment of Monviso.

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

118. Monviso has discovered a way to make a sought-after fabric – but not to colour it until a few weeks before it is needed so they can be flexible in their response to trends and retailers’ needs.

The sub-environment in the macro environment of Monviso which is most strongly associated with change is the _____ environment, while the _____environment is associated with colour trends in the fashion industry.

1 i j
2 j b
3 h j
4 h b

© 2014 Together We Pass. All rights reserved.

119. “Profit margins have been squeezed, partly because of price competition from the East. Year after year there are no price increases so we had to become faster and leaner.”

Margins have been squeezed because of changes in the _____ environment, representing a _____ for Monviso, which they turned into a/n _____.

1 h e d
2 i g f
3 j g d
4 b e f

120. “It took us six months to reach that level by employing the best machinery and re-engineering the workplace,” says Steyn.

Re-engineering focuses on integrating four key drivers, namely people, processes, technology and _____.

1 strategy
2 goals
3 value to the customer
4 infrastructure

121. “Today we do 240 units per hour, using six people. I don’t think anyone in the world can beat that.” Monviso pays thesemachinists a high premium (close to R750 per week) on the minimum wage (R537 per week in the Cape metropolis).

The approach that Monviso use is to describe performance objectives quantitatively and they assume that money motivates. In terms of management theory, this refers to _____.

1 quantitative management theory
2 the scientific management school
3 the systems approach to management
4 the human relations movement

122. Monviso used to make 80 tank tops an hour using eight people. Today they do 240 units per hour using six people. *This represents an increase in the productivity ratio of _____.*

1 40:1
2 30:1

© 2014 Together We Pass. All rights reserved.

3 20:1
4 10:1

123. Management at Monviso evaluated the organisation's performance as a whole by focussing on its productivity.

This represents the _____ level of control.

1 strategic
2 operations
3 functional
4 post action

Read the following case study to answer questions 124 to 40.

WORKERS CENTRAL TO SUCCESS

Businessman Graham Choice, owner and founder of Prestige Clothing in Maitland, Cape Town, worked his way up through the ranks the hard way. He started as a packer and today heads one of the country's most successful clothing companies.

Founded in 1989, Prestige originally employed six people. It now employs 427 and five of the original six are still with the firm. In an industry that has shed 62 000 jobs in the past three years, Prestige hasn't yet had to retrench anyone.

It is also completely and voluntary un-unionised, though not through lack of trying of the unions.

"One of the main reasons for our success is our people," says Choice. "Many companies think success is based on technology, machinery and innovation, but in such a labour intensive industry where so many different cultures are represented, you've got to understand your workforce. I don't own Prestige; the 427 people who work here every day own the company and everyone who
works here believe that."

Prestige is run on democratic lines with a basic philosophy that everything, from knowledge and ideas to productivity gains, must be shared. They key to its success is a highly effective human resource strategy developed around the needs of workers.

"At the heart of the most clothing workers in the Western Cape is the desire to have their contribution acknowledged by management – and, then from time to time, for management to use the company's resources to take care of them because, in times of trouble, often the only one they can turn to is the company", says Choice.

© 2014 Together We Pass. All rights reserved.

Prestige has introduced a new employee benefit every year since its inception and it now offers 19 benefits, worth R100-R150/month per employee. The school fees and uniform costs of all workers' children are subsidised. Workers are also allowed to select a new item of furniture from a selected supplier and to pay it off through weekly wage deductions. Prestige pays the full amount to the store upfront so that workers avoid heavy interest charges.

The firm emphasises adult basic education: 12% of the workforce are attending programmes to upgrade their literacy, numeracy and language skills. Prestige also produces more than 90 learnerships a year. Currently, they are employing every graduate of the programme.

Teams responsible for their own performance have replaced lineplaced operational systems. Workers earn standard wages, in addition to which they receive a large part of productivity gains. "Last year, thanks to productivity gains, we were able to reduce prices to Foschini's intimate-wear division while still giving our workers in this division a rise," says Choice. "It created goodwill
between us and the retailer at a time when its division was struggling."

Source: Bisseker, C. 2006. *Financial Mail,* June *23:* 28.

124. "Founded in 1989, Prestige originally employed six people. It now employs 427 and five of the original six are still with the firm. In an industry that has shed 62 000 jobs in the past three years, Prestige hasn't yet had to retrench anyone."

Employees at Prestige enjoy more job security compared to employees in the rest of the industry. Job security is described as a _____ in _____ two-factor theory of motivation.

1 motivator; Herzberg's
2 lower-order need; Maslow's
3 hygiene factor; Herzberg's
4 job content factor; Herzberg's

125. "Prestige is run on democratic lines with a basic philosophy that everything, from knowledge and ideas to productivity gains, must be shared. They key to its success is a highly effective human resource strategy developed around the needs of workers."

According to McClelland, Prestige's workers have the needs for _____, _____ and _____.

1 power; achievement; affiliation
2 self-esteem; self-actualisation; belongingness
3 recognition; responsibility; growth

© 2014 Together We Pass. All rights reserved.

4 security; social interaction; self-esteem

126. "At the heart of the most clothing workers in the Western Cape is the desire to have their contribution acknowledged by management."

According to Herzberg, this statement refers to the job _____ of the workers at Prestige, where their needs for recognition are satisfied. The acknowledgement of their contributions serves as a _____.

1 content; motivator factor
2 context; motivator factor
3 content; hygiene factor
4 context; hygiene factor

Questions 127 to 130:

"Prestige offers 19 benefits, worth R100 to R150 per month per employee. The school fees and uniform costs of all workers' children are subsidised. The company allows workers to select a new item of furniture from a selected supplier and to pay it off through weekly salary deductions. Prestige pays the full amount to the store upfront so that workers avoid heavy interest charges."

127. Which motivation theory postulates that people will act according to their perceptions that their work will lead to certain performances and outcomes and by how much they value the outcomes?

1 reinforcement theory
2 equity theory
3 expectancy theory
4 achievement motivating theory

128. Who is the researcher associated with this theory?

1 Victor Vroom
2 Fred Luthans
3 David McClelland
4 R Tannenbaum

© 2014 Together We Pass. All rights reserved.

129. Motivation theories are categorised in terms of process, content and reinforcement theories.

The theory identified in the two previous questions is a _____ theory.

1 process
2 content
3 reinforcement
4 leadership theory and not a motivation

130. Prestige offers a "menu" of 19 benefits from which each worker can select the benefit he or she desires. The theory described in the previous three questions suggests that three elements determine an individual's work motivation is determined by three elements. One of these elements,
_____, refers to the value that a worker attaches to various work outcomes (rewards-personal goals-relationship).

1 expectancy
2 instrumentality
3 valence
4 equity

Questions 131 to 133:

"The firm emphasises adult basic education: 12% of the workforce are attending onsite programmes to upgrade their literacy, numeracy and language skills. Prestige also produces more than 90 learnerships a year and has so far employed every graduate of the programme."

131. According to Maslow's hierarchy of needs theory, Prestige is satisfying their worker's _____ needs by providing adult basic education.

1 affiliation
2 self-actualisation
3 esteem
4 achievement

132. The _____ theory or theories of motivation is built on the premise that behaviour is a function of its consequences. Applied to Prestige's workers, they are likely to keep on working as hard as they do in order to further their education sponsored by Prestige.

© 2014 Together We Pass. All rights reserved.

1 process
2 content
3 reinforcement
4 expectancy

133. Workers at Prestige earn standard wages, in addition to which they receive a large part of productivity gains.

Which one of the following statements is wrong?

According to Herzberg _____.

1 their wages and the 19 benefits do not motivate the workers at Prestige
2 workers at Prestige are motivated by a hygiene factor (money)
3 rewards (money) linked to performance is a job content factor
4 the standard wages represent a job context factor

Control is the final step in the management process and is an important link in the cycle of the process.

134. Discuss the importance of control. (10)

The importance of control is discussed on pages 387 to 388 of the prescribed text book.

135. Explain the steps to be followed in the control process. (10)

The steps in the control process are discussed on pages 388 to 391 of the prescribed text book.

Read the following case study to answer questions 136 to 145.

SABRE ON-LINE RESERVATIONS SYSTEM

© 2014 Together We Pass. All rights reserved.

SABRE is an on-line airline reservation system. American Airlines started working on the development of SABRE in the mid-50's, and it made its debut in 1963. At that time, SABRE processed data related to 85 000 phone calls, 40 000 reservations and 20 000 tickets per day. Today, the database holds 45 million air fares and 40 million changes are entered each month. During peak use, SABRE handles 2 000 messages per second and creates more than 300 000 passenger records per day.

When the system was originally envisioned, SABRE was an inventory control system, capable of keeping track of available seats and attaching passenger names to each seat. It listed American Airline flights as well as the flights of other airlines. In the mid-1970s SABRE was upgraded to generate flight plans, track
spare parts and schedule crews. All these applications supported internal operations. In 1976, the first SABRE terminal was placed in a travel agency; today SABRE has over 14 300 travel agency subscriber locations in 45 countries.

By the late 1970's, SABRE was enhanced significantly with the addition of new services. American Airlines joined resources with the Marriott and Hilton hotel groups and Budget Rent-A-Car companies to form a separate company called AMRIS, which provides a computerised reservation system and services
encompassing the airline, hotel and car rental business respectively. Equity positions are taken by all the participating companies.

SABRE has been repeatedly upgraded since its origin in the 50's. Today, it is a virtual electronic supermarket, a computerised middleman that links suppliers of travel services (for example Broadway shows, packaged tours and currency rates) with travel agents.

The development of the SABRE system influenced the whole travel industry. To win the business of travel agents and business travellers, smaller airlines without reservation systems were forced to list their flights on the reservations system of the major carriers. These smaller airlines are at an automatic disadvantage because the host carrier has access to information on their flights, fares and
bookings. In addition, the smaller airlines may be forced to pay the host airline a percentage of each flight booked on that airline’s reservation system.

SABRE’s yield-management system is a sub-system with the greatest competitive edge. It reviews historical booking patterns to determine the demand for flights up to a year in advance of their departure. The system monitors bookings at regular intervals, compares American Airline’s fares with competitors’ fares and determines the best price to charge for an airline seat to maximise
revenue at any given point in time. It also allows managerial endusers to receive responses to ad hoc requests for information posed as a series of “what if” questions. When using the system, managers are exploring possible options and receive tentative information based on different sets of assumptions. Important
decisions are then made by middle and lower levels of management. American Airlines spent years and millions of dollars developing its yield-management information system. Today it markets this software to its competitors.

© 2014 Together We Pass. All rights reserved.

136. The SABRE system supports the _____ role of the manager.

1 interpersonal
2 monitoring
3 negotiating
4 public relations

137. American Airlines upgraded the SABRE system repeatedly since its origin in the 50's to keep track of new developments in its environment.
With which one of the following management theories will you associate American Airlines?

1 Scientific management school
2 Systems approach to management
3 Learning organisation
4 Total quality management

138. The computer created an opportunity for American Airlines to develop the SABRE system.

This is an example of a factor in the ____ environment of the organisation.

1 market
2 micro-
3 economic
4 macro

139. For smaller airlines, the SABRE system created a(n) _____ originating in its _____ environment.

1 threat; market
2 opportunity; macro
3 opportunity; micro
4 threat; macro

140. “To increase market share by 10 percent by the end of 2008” is an example of a _____ for American Airlines.

1 mission
2 business purpose

© 2014 Together We Pass. All rights reserved.

3 tactical goal
4 strategic goal

141. The establishment of the company AMRIS is an example of a(n) _____ .

1 strategic alliance
2 merger
3 joint venture
4 acquisition

142. The yield-management system reviews historical booking patterns to determine the demand for flights up to a year in advance of their departure.

Managers can then make decisions based on _____.

1 certainty
2 objective probability
3 subjective probability
4 uncertainty

143. Which of the following quantitative tools can American Airlines make use of under the decision-making condition described in question 7 above?

a simulation
b decision tree
c pay-off matrix
d queuing theory
e linear programming

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

144. Information systems can be classified in various categories.

The yield-management system is an example of a(n)_____ system.

1 office automation
2 information reporting

© 2014 Together We Pass. All rights reserved.

3 decision support
4 executive information

145. Important decisions are made by middle and lower levels of management. This is called decentralised authority.

Which of the following are advantages associated with decentralised authority?

a More flexible and faster decision making
b Less intensive training is required
c Fosters a competitive climate
d Reduced workload for top management
e Increased control over operations

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

Read the following case study to answer questions 146 to 30.

SAA's Strategic Decision to “Perfect the Basics”

South African Airways (SAA) is currently a major player in the global village. One of the major thrusts of the airline's vision for the future is continued global expansion in conjunction with strategic airline partners. It understands that contemporary customers want a high level of customer service, not just on board but also regarding check-in and frequency of flights available to most major destinations.

To achieve this, the mission of South African Airways is to be Africa's leading airline, and the carrier of choice in the markets it serves. On 1 April 1999 South African Airways - formerly a division of Transnet - entered a new era of privatization and was renamed South African Airways (Pty) Ltd. The mission's critical aspects of transforming SAA into a world-class airline will be achieved by focusing on strategic decision-making areas which are part of SAA's strategy of "perfecting the basics" to improve the airline's profitability. The key areas of focus include: the fleet-renewal plan development of alliances, cost-cutting measures, and service improvements. According to its customers it has made major advances, but SAA believes that there is still room for improvement in order to reach its goals.

One of the first focus areas will be fleet renewal. SAA operates a fleet of 62 aircraft. As part of SAA's strategy to create a standard and efficient fleet, a major deal was concluded with Airbus to renew the entire fleet over a period of 10 years. In order to retain and regain premium passengers on key routes, SAA embarked on a

© 2014 Together We Pass. All rights reserved.

programme to upgrade its fleet of eight Boeing 747-400s with new seating and in-flight entertainment systems.

These aircraft will be operated until 2006, at which time it is the intention to replace them with additional A340-600s. SAA will then have the youngest, most technically advanced fleet in Africa.

The second focus area involves better planning and efficiency. There have been major improvements in several areas, including the development of alliances. Routes and markets were added at rates that astounded global industry experts. From serving 70 markets a few years ago, SAA, with strategic partners, currently serves more than 503 cities. Instead of a disjointed approach into other continents, SAA has moved towards using someone else's hub on someone else's continent with starbursts of destinations radiating from major centres.

An additional flight frequency to London and a new destination to Milan were recently added so SAA's routes. Expansion programmes into Africa are also being evaluated. The increase in tourism and the New Partnership for Africa's Development (NEPAD) should have a positive effect on earnings.

Concerning corporate governance, the third focus area, SAA's Board of Directors and management are committed to the highest levels of corporate governance and compliance with the provisions of the Public Finance Management Act. SAA also increased revenue by 26.1 per cent for the year 2001, despite continued difficult market conditions. The increase was mainly attributable to increased passenger revenue, cargo revenue, and third-party maintenance work performed. Furthermore, SAA is expanding its e-commerce activities. Whilst online booking levels were initially low, they have increased rapidly. These are highly efficient sales as administration and commission levels are reduced.

The fourth key focus area for transforming SAA into a world-class airline has been the emphasis placed on passenger services. From the moment the passengers enter the airport to the moment they leave their destination points, SAA's Global Passenger Services are there to ensure that their travel experience is as pleasurable and stress-free as possible. Historically, airlines paid scant attention to the negative physical and psychological impact on passengers of standing in long queues at check-in counters or experiencing similar frustrations when retrieving their luggage after flights. The focus is currently on managing these processes so that the entire travel experience is as relaxed, pleasant, and troublefree as possible.

One of SAA's challenges is to ensure that everything contributing to a customer's travel experience on the ground, be it check-in, aircraft handling from a baggage onload/offload point of view, or even apron services such as bussing, meets above-average standards. Central to this process has been SAA's multi-million rand investment in customer facilities at airports. SAA has therefore established a seamless and linear service for its premier customers, starting with check-in services prior to check-in – highvalue customers are contacted to check on special needs or meal preferences before coming to the airport. The entire process is managed seamlessly to minimize customer discomfort and to enhance the travel experience

© 2014 Together We Pass. All rights reserved.

from SAA's curb-side concierge check-in service, through dedicated immigration, to the First Class lounges, and, finally, onto the aircraft.

The same principle is being carried into SAA's Business Class, where business travellers require communication and information facilities such as phones, faxes, and Internet connectivity. Additionally, SAA's Business Class Lounges have been designed so that customers can experience these facilities without being separated from family members travelling with them. Customer lounges at OR Tambo International and Durban Airports have been developed over the past 18 months at a cost of R13 million. Five more domestic facilities have also been also upgraded, as has the ground-breaking SAA lounge facility at London's Heathrow Airport. With the lounges completed, the future strategy is to concentrate even more on service.

With the drive to revamp customer service, service-level agreements are being introduced and a Global Passenger Service Training Centre has been established, where approximately 710 candidates have undergone training to improve their skills and morale. Customer-service standards, known as "Touch Points", have been introduced to improve service levels of all staff – SAA views this as a major enhancement to complement the arrival of its new fleet.

Source: http://www.saa.co.za

146. Formulating SAA's vision and mission statements is the responsibility of _____ management, for which they mainly need ____ skills .

1 top; interpersonal
2 top; conceptual
3 middle; conceptual
4 strategic; technical

147. In formulating their vision, mission, goals and strategies, SAA tries to maintain a balance between the various parts of the organisation as well as between the organisation and its environment.

This is known as the _____ approach to management.

1 systems
2 quantitative
3 contingency
4 bureaucratic

148. SAA's mission is to be Africa's leading airline by focusing on strategic decision-making areas, which involves everyone and all activities in the organisation. They

© 2014 Together We Pass. All rights reserved.

want to meet customers' agreed requirements, at the lowest cost and manage quality effectively.

This is known as _____.

1 re-engineering
2 the learning organisation
3 total quality management
4 situational management

Study the following events pertaining to SAA to answer questions 149 to 151.

i An increase in tourism in South Africa
ii Development of the New Partnership for Africa's Development (NEPAD)
iii Good financial position with an increase in revenue of 26,1 percent in 2001
iv Efficient sales, administration and passenger services
v Provisions of the Public Finance Management Act
vi Difficult market conditions with strong competition
vii A deal with Airbus to renew SAA's entire fleet

149. Which of the events listed above are factors originating from SAA's micro-environment?

1 i and ii
2 ii and iii
3 iii and iv
4 iii and v

150. Which of the events listed above are factors originating from SAA's market environment?

1 i, iii and vi
2 i, vi and vii
3 ii and iv
4 iii, iv and vii

151. Which of the events listed above are factors originating from SAA's macro-environment?

1 ii and iv
2 ii and v
3 iii, iv and v
4 iv, v and vii

© 2014 Together We Pass. All rights reserved.

Study the following plans of SAA to answer questions 152 to 160.

i Renew the entire fleet of aircraft over a period of ten years.
ii Form strategic alliances to expand the market from serving 70 to more than 503 cities within five years.
iii Increase revenue by 12 percent within the next year.
iv Develop customer lounges at OR Tambo International and Durban Airports over the following 18 months with a cost of R13 million.
v Establish a Global Passenger Service Training Centre to train 170 candidates over the next 6 months to improve customer service.

152. Which of the plans listed above are examples of SAA's strategic plans?

1 i and ii
2 i, ii and iii
3 iii and v
4 iv and v

153. Which of the plans listed above are examples of SAA's tactical plans?

1 i and ii
2 ii and iii
3 iii and iv
4 iii, iv and v

154. Which of the plans listed above are examples of SAA's operational plans?

1 iii and iv
2 iii and v
3 iv and v
4 v

155. Which of the plans listed above are not specific and measurable?

1 i, ii and iii
2 ii, ii and v
3 iii and iv
4 All the plans are specific and measurable

© 2014 Together We Pass. All rights reserved.

156. According to the value-chain approach, which of the following are secondary activities of SAA?

i general administration
ii handling bookings
iii check passengers in
iv handling baggage
v research and development

1 i and iii
2 i and v
3 ii and v
4 iii, iv and v

157. SAA formed strategic alliances as a way of entering new markets.

A strategic alliance _____.
1 is formed when two or more companies lack a necessary component for success in a particular environment and join resources to form a separate company
2 may or may not involve equity participation and, in many cases, are synonymous with licensing agreements
3 involves the total pooling of resources by two or more organisations
4 occurs when an organisation agrees to sell a controlling interest to a dominant company

158. SAA served 70 markets a few years ago. Currently, with strategic partners, they serve more than 503 cities.

Which of the following are characteristics of a market development strategy?

i Increase the consumption rate of existing consumers
ii Sell new products in current markets
iii Sell existing products in new markets
iv Builds on existing strengths and skills of the organisation
v Modify existing products to increase market penetration
vi A relative low risk strategy to follow
vii A relative high risk strategy to follow

1 i, iv and vi
2 ii, iv and v
3 iii, iv and vi
4 iii, iv and vii

© 2014 Together We Pass. All rights reserved.

159. Should SAA enter the education business, this is an example of _____.

1 horizontal diversification
2 conglomerate diversification
3 joint venture
4 forward vertical integration

160. SAA is competing in a fast growing global market, where they have a relative large market share.

Plotted on the Boston Consulting Group Growth/Share Matrix, SAA is a _____.

1 cash cow
2 star
3 question mark
4 dog

Questions 161 to 162:

Match the step in the decision-making process in Column A with examples from SAA in Column B.

COLUMN A Step in decision-making process	COLUMN B Example from SAA
26. Define the problem or opportunity 3	1. Start a new marketing
27. Generate alternative courses of action 1	2. Get financial reports, flight frequencies and state of existing aircraft
28. Select the best option 5	3. Highly competitive industry, uncompetitive pricing and unprofitable routes
	4. Form joint ventures
	5. Focus on “perfecting basics”

161. SAA implemented a computer network that links them with their employees, suppliers, customers and other key stakeholders electronically.

This is called _____.

1 the Internet
2 the extranet
3 e-commerce

© 2014 Together We Pass. All rights reserved.

4 the intranet

162. When SAA needed to decide whether they should renew or replace their fleet of aircraft, they used electronic spreadsheets that allowed them to receive interactive responses to ad hoc requests for information posed as a series of “what-if” questions.

SAA used the following type of information system:

1 information-reporting system
2 decision support system
3 executive information system
4 expert system

Read the following case study to answer questions 163 to 174.

IBM

Introduction

In 1988, International Business Machines Corporation (IBM) was one of the world’s most profitable and best-managed companies. Five years later, in 1993, it was one of the biggest loss-makers in corporate history.

What went wrong?

When John Akers took over as chairman of IBM in 1985, it looked as if he had won the best job in the American business world. However, IBM’s fortunes took a turn for the worse and suddenly Mr Akers’ job was no longer so desirable! But what went wrong? And do Mr Akers and his top managers really deserve all the blame? With hindsight, the answers seem clear. Since the mid-1980s the economics of the computer industry have been transformed by the soaring power, declining prices and raging popularity of personal computers (PCs). In the early 1980s, IBM unwittingly helped to create this state of affairs, and then failed miserably to adjust to it.

IBM: The market leader in large mainframe computers

IBM’s prosperity had been built on its almost complete control over the market for large, mainframe computers. This was established in the late 1960s with a bold “bet-the-company” investment in a family of machines called the System 360. IBM, like most of its smaller rivals, built its machines to proprietary standards, so that they were incompatible with those of other makers.

Once committed, corporate customers had little reason, there was very little price competition, to scrap the millions invested in IBM hardware and customised software

© 2014 Together We Pass. All rights reserved.

and to switch to an unfamiliar supplier. Most big customers were committed to IBM, so IBM earned massive profits. For nearly two decades it dominated a computer industry that was lucrative, remarkably stable and growing quickly.

The arrival of the personal computer (PC)

Then disaster struck. The personal computer took the world by storm, leaving IBM out in the cold with its large mainframe computers. Most PCs are built with the same microprocessor chips, run the same off-the-shelf software, and are compatible with machines made by rivals. This standardisation of PCs opened up
the industry to thousands of new entrants, including suppliers of components, fully assembled computers, equipment such as printers, and packaged software. The result has been massive competition at every level.

Prices fell, demand soared and technology advanced at a breathless pace. Tens of millions of people who a decade ago would never even have seen a computer, now had one on their desks or in their briefcases. In the late 1980s, new chips made personal computers so capable, that they could be tied together in networks as a cheap alternative to minicomputers and mainframes.

When economies in America and Europe slowed in 1991, IBM, along with most other manufacturers of big machines such as *DEC, Bull* and *Siemens*, were battered. IBM was struggling to find its feet in an industry characterised by ruthless price competition, many specialised competitors and a huge variety of customers. Even companies which continued to purchase mainframes demanded that they operate to open standards and that they cost less.

IBM enables rivals to produce imitations of the IBM PC

When IBM decided to enter the PC market, it plunged into the market in a way that was later described as a historic blunder. At the time IBM was the world leader both in microprocessor chips and software. Yet, when they put their PC on the market in 1981, IBM decided to buy the key components of their machine from outside companies. They bought the chip from *Intel* and the operating-system software, which makes the chip work, from a then small, unknown company called *Microsoft*. Both *Intel* and *Microsoft* were free to supply their product to other manufacturers as well. What happened then? First dozens, then hundreds, of firms jumped into the market with imitations of IBM's PC, selling at
far lower prices!

Thousands of big companies, using mainframe computers, had been wary of the small new machines, but IBM's entry into personal computers gave them the confidence to buy the small machines. The market exploded, and IBM became the world's biggest PC maker. However, it had lost control in a highly competitive market. PC sales would eventually have grown anyway, as microprocessor chips became cheaper and more powerful, but if IBM had not set an easily imitated technical standard, PC sales never would have grown so fast, nor attracted so many competitors.

© 2014 Together We Pass. All rights reserved.

IBM lags behind its smaller, faster-moving rivals in developing new products

Neither IBM's colossal spending on research and development, nor did its gigantic marketing staff and sales force alert it to the technological and commercial trends reshaping the industry. IBM continually lagged behind its smaller, faster-moving rivals in introducing new types of machines such as workstations and laptop computers. It entirely missed out on the growing market for PC software and realised far too late the threat that PCs and workstations posed to its mainframe business.

In the early 1990s, when other computer companies were reporting hefty profit increases and rolling out innovative products, IBM announced traumatic cutbacks. In the period from 1985 to 1992, they experienced five major restructuring processes. They shed unprofitable and ill-fitting assets and slashed their workforce. IBM also reorganised its operations into 13 semi-autonomous units. In 1992, IBM made a net loss of about $4,8 billion for the year, the second largest in American corporate history.

IBM's corporate culture had been drastically altered by the radical changes to which the company had to adjust. After years of enjoying the comfort of lifetime employment, IBM workers now laboured under the threat of dismissal and the pressure of pay-for-performance. The company abandoned its no-layoffs policy, went through a new employee-evaluation process that graded workers according to internal goals, and fired those who didn't measure up. During this time, IBM also fell behind in computer chip technology and engaged in a self-destructive battle with software powerhouse *Microsoft* over the direction of desktop-computer programs. Even worse, they began losing money and some market share in two of their vital markets: mainframes and PCs. IBM remained the world leader in the market for mainframes, but the large systems were
fading fast in importance.

The new IBM

In 1993, Louis V Gerstner Jr. signed on for a job nobody else would take, namely chief executive officer of IBM. Since then, he has done things nobody thought could be done. Sceptics said he had no vision of how to turn around a technology company. Then they watched him add $20 billion in annual revenue to IBM, restore profits to record levels and lift the stock price more than 900%.

One thing, however, has eluded Gerstner's rebuilt IBM B robust growth. Despite a better balance sheet and a renaissance in the laboratories, IBM fell further behind every year. In *Unix* servers, the backbone of the Internet, IBM's sales rose 3% in 1998, but sales of their competitors soared, for example *Sun Microsystems* grew by 29%. In PCs, IBM slid 2,4% while the sales of their competitors soared, 53% at *Dell Computer* and 20% at *Hewlett- Packard*. IBM's software sales rose by 6,3% in 1998, while *Microsoft'*s grew by 23%.

Gerstner clearly needs a new source of wealth, and has embarked on a strategy that was unthinkable in the IBM of old: arming the enemy. He aims to kick-start by selling some of the world's best technology, tiny disk drives, speedy new chips, and many

© 2014 Together We Pass. All rights reserved.

more, to his fiercest rivals. Four deals could bring in almost $30 billion in sales over seven years. “Selling our products and services to competitors”, Gerstner says, “is going to drive a gigantic amount of new business.”

The idea of cooperating with your competitors is called “coopetition” by strategists. Gerstner is taking the concept to extraordinary and perhaps dangerous lengths, wilfully empowering the big competitors that most threaten IBM”s basic business.

If Gerstner”s new corporate strategy is successful, he will leave behind a larger and very different IBM, one whose most loyal customers are also long-time rivals. If the profits are there, IBM shareholders won’t mind the strange bedfellows.

Adapted from: Lyons, D. 1999. IBM=s giant gamble. *Forbes*164(8):90-96.McCarroll, T. 1992. How IBM was left behind. *Time* 140(26):26-29. The toughest job in American business. *Economist* 326(7794):23-25.

163. John Akers and Louis Gerstner were both _____ managers of IBM who mainly needed _____ skills to perform their managerial functions as productively as possible.

1 top; interpersonal
2 top; conceptual
3 middle; interpersonal
4 lower; technical

164. From the late 1960s until the mid-1980s, IBM dominated the world’s computer industry.

The main reason for IBM’s success during this time was the following:

1 The computer industry was unstable and IBM was the only company to survive this.
2 IBM was a familiar supplier to large companies, and they built their machines to proprietary standards so that they did not work with those of other makers.
3 There was strong price competition between computer manufacturers, and IBM had the lowest prices.
4 IBM was the only producer of mainframe computers.

165. The standardisation of PCs has opened the industry to thousands of new entrants, including suppliers of components, fully assembled computers, printers and software.

© 2014 Together We Pass. All rights reserved.

This is an example of variables in the _____ environment that are relevant to every organisation in a particular industry.

1 micro-
2 macro-
3 market
4 economic

166. Since the mid-1980s, IBM has lagged behind its smaller, faster-moving rivals in introducing new types of machines such as workstations and laptop computers.

The development of workstations and laptops is an example of a variable in the _____ environment that can create threats and opportunities.

1 economic
2 political
3 technological
4 institutional

167. In 1993, IBM was one of the biggest loss-makers in the American corporate history.

What was/were the main reason(s) for IBM's failure after the late-1980s?

a There was ruthless price competition in the computer industry.
b IBM lost control over the PC market.
c IBM enabled its rivals to make cheap copies of the IBM PC.
d IBM failed to see the opportunities in the market for new types of machines such as workstations and laptop computers.

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

168. In the early 1990s, IBM focused on eliminating inefficiencies in the organisation.

This is an example of a _____ strategy.

1 turnaround
2 liquidation

© 2014 Together We Pass. All rights reserved.

3 joint venture
4 harvesting

169. In the early 1990s, IBM reorganised its operations into 13 semi-autonomous units. Important decisions, which were previously made by top managers, now became the responsibility of middle and lower management.

This is an example of _____ .

1 coordination
2 decentralising authority
3 pooled interdependence
4 centralising authority

170. IBM used to have a policy of no-layoffs.

This is an example of a _____ of the organisation.

1 single-use plan
2 standard operating procedure
3 medium-term plan
4 standing plan

171. During the 1990s, IBM abandoned its no-layoffs policy and went through a new employee-evaluation process that graded workers according to internal goals and fired those who did not measure up.

The managerial activity which results in the reduction of the size of the organisation's workforce is known as_____ .

1 re-engineering
2 downsizing
3 restructuring
4 delayering

172. To implement the managerial activity in question 39 successfully, IBM=s management could empower employees.

Which of the following is/are benefit(s) of empowering employees?

1 Empowering eliminates costs in the form of salaries.

© 2014 Together We Pass. All rights reserved.

2 Empowering motivates employees.
3 Empowering leads to higher productivity.
4 1, 2 and 3

173. By firing employees who did not measure up, the job security of employees was affected.

According to Herzberg's two-factor motivation theory, job security is a(n) _____ .

1 motivator
2 hygiene factor
3 physiological factor
4 esteem need

174. IBM believes that the joint participation of subordinates and superiors in converting broad organisational goals into more specific individual goals can impact on employee motivation.

One particular technique that IBM can use to achieve the integration of individual and organisational goals is _____ .

1 management by crisis
2 management by objectives
3 rational decision making
4 brainstorming

Questions 175 to 176:

After abandoning its no-layoff policy, IBM's leaders were primarily concerned with careful supervision and control to ensure that subordinates do their work satisfactorily.

175. *According to Likert, what basic form of leadership behaviour was demonstrated by these leaders?*

1 country-club management
2 team management
3 autocratic management
4 task-oriented leader behaviour

176. *What leadership style did these leaders employ according to the leadership grid, which was developed by Blake and McCanse?*

© 2014 Together We Pass. All rights reserved.

1 task-oriented leader behaviour
2 autocratic management
3 transformational leadership
4 country-club management

177. IBM's new CEO since 1993, Louis Gerstner, decides on a strategy that was unthinkable in the IBM of old: arming the enemy. He aims to kick-start by selling IBM=s current products and technology to their fiercest rivals.

This is an example of a(n) _____ strategy.

1 horizontal integration
2 concentration growth
3 market development
4 innovation

178. By selling IBM's technology to its fiercest rivals, Gerstner's personal estimate is that this decision could bring in almost $30 billion in sales over seven years.

This is an example of a _____ decision, made under conditions of _____ .

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

179. In order to make the kind of decision explained in question 46, Gerstner needs immediate and easy access to information on the organisation's critical success factors.

Which one of the following information systems can provide him with this kind of information?

1 information-reporting system
2 expert system
3 executive information system
4 decision support system

© 2014 Together We Pass. All rights reserved.

180. “IBM wants to close four deals with rivals within seven years.”

This is an example of a _____ .

1 mission statement
2 strategic goal
3 tactical goal
4 corporate strategy

181. To close deals with rivals, Gerstner needs to play certain roles as a manager.

Which one of the following roles is the most important one for him to play in this situation?

1 figurehead
2 allocator of resources
3 monitor
4 negotiator

182. “IBM wants to increase their market share by 20 % over the next year.”

The focus of this organisational goal is _____ .

1 profitability
2 productivity
3 competitive position
4 social responsibility

ANSWERS

© 2014 Together We Pass. All rights reserved.

1.	4		22.	4		44.	2		66.	3	
2.	2		23.	1		45.	1		67.	3	
3.	2		24.	2		46.	3		68.	2	
4.	3		25.	3		47.	3		69.	3	
5.	2		26.	2		48.	4		70.	2	
6.	2		27.	3		49.	2		71.	1	
7.	3		28.			50.	3		72.	3	
8.	2		29.			51.	1		73.	3	
9.	3		30.	1		52.	3		74.	4	
10.	1		31.	4		53.	2		75.	3	
11.	4		32.	3		54.	1		76.	3	
12.	1		33.	2		55.	2		77.	3	
13.	2		34.	2		56.	4		78.	3	
14.	3		35.	A		57.	3		79.	4	
15.	2		36.	4		58.	4		80.	2	
16.	2		37.	1		59.	2		81.	3	
17.	3		38.	3		60.	2		82.	2	
18.	4		39.	2		61.	4		83.	4	
19.	2		40.	1		62.	3		84.	2	
20.	1		41.	2		63.	1		85.	1	
21.	2		42.	2		64.	4		86.	2	
			43.	3		65.	3		87.	1	

© 2014 Together We Pass. All rights reserved.

89. 4		**106. 2**		**123. 1**	**140. 4**	
90. 3		**107. 2**		**124. 3**	**141. 3**	
91. 1		**108. 1**		**125. 1**	**142. 2**	
92. 2		**109. 3**		**126. 1**	**143. 1**	
93. 3		**110. 3**		**127. 3**	**144. 2**	
94. 4		**111. 4**		**128. 1**	**145. 2**	
95. 2		**112. 2**		**129. 1**	**146. 2**	
96. 3		**113. 1**		**130. 3**	**147. 1**	
97. 2		**114. 1**		**131. 2**	**148. 3**	
98. 2		**115. 3**		**132. 3**	**149. 3**	
99. 1		**116. 2**		**133. 2**	**150. 2**	
100. 1		**117. 2**		**134**	**151. 2**	
101. 2		**118. 4**		**135.**	**152. 1**	
102. 3		**119. 3**		**136. 2**	**153. 3**	
103. 4		**120. 4**		**137. 2**	**154. 4**	
104. 2		**121. 2**		**138. 4**	**155. 4**	
105. 3		**122. 2**		**139. 1**	**156. 2**	

© 2014 Together We Pass. All rights reserved.

157. 2 **158. 3** **159. 2** **160. 2** **161. 2** **162. 2** **163. 2** **164. 2** **165. 3** **166. 3** **167. 4** **168. 4** **169. 2** **170. 4** **171. 2** **172. 4** **173. 2**		**174. 2** **175. 4** **176. 2** **177. 3** **178. 1** **179. 3** **180. 2** **181. 4** **182. 3**				

© 2014 Together We Pass. All rights reserved.

I hope you found these notes useful. We see it as a LIVING DOCUMENT, that will be continuously updated every term to add more and more insight into each subject. The best set of notes written collaboratively over the years.

If you would like further help with improving your marks please join us in our Together We Pass study groups which have other great ways of improving your marks.

These are some of the benefits of joining:

- Improve understand and great time management as tutors lead every group
- Never get stuck again – ask the group and your tutor for help when you are stuck
- Instant study support – we now have WhatsApp Support in our Premium Groups
- Access to the biggest library of notes, past papers and tutorial letters available to UNISA students ANYWHERE!
- Get awesome marks through our cheat-free Assignment Comparison App
- Ace those exams by using our Exam Revision App

I look forward joining you on this journey that is a UNISA degree and hope to see you in the groups soon.

Click here to create you free account with Together We Pass, and start adding your subjects in our shop to join the best UNISA study groups available anywhere.

Keep well



Tabitha Bailey
FOUNDER & CEO
PHONE 021 591 0673
EMAIL info@togetherwepass.co.za
WEB www.togetherwepass.co.za
FB www.facebook.com/togetherwepass
GOOGLE+ Together We Pass on Google Plus
TWITTER @togetherwepass

© 2014 Together We Pass. All rights reserved.