

**DP04**

# **Principles of Management**

**11 OCTOBER 2001**

1. Time allowed : Three (3) hours
2. Total number of questions : Six (6) questions
3. Number of questions to be answered : Four (4) questions [25 marks each]
4. Begin each answer to a new question on a fresh page.
5. Answer **all** questions in **English**.
6. Blank pages are provided at the end of the question paper for rough work.

## ANSWER FOUR (4) QUESTIONS ONLY

1. (a) What are the factors that influence the amount of centralisation and decentralisation in an organisation? [17]
- (b) In view of the year 2003 and the Asean Free Trade Area (AFTA), should banks in Malaysia become more centralised or more decentralised? Argue your case critically. [8]  
(Total:25 marks)
2. (a) Describe in detail, giving examples, the characteristics of effective teams. [15]
- (b) Some people argue that group decision making takes too long; others argue that group decision making is better in the long run.
- What is your opinion on the above? State the reasons for your answer. [10]  
(Total:25 marks)
3. (a) John French and Bertram Raven identified **five** sources of power.
- Describe in detail, these **five** sources of power. [15]
- (b) Why is it important for managers and leaders to make careful and sensible use of these sources of power, without too much emphasis on any **one** of these sources of power? [10]  
(Total:25 marks)
4. (a) Describe the **three** types of control that organisations use to ensure that things are on track. [9]
- (b) It has been argued that feedforward control is probably the most desirable type of control.
- Would you agree with this statement? State the reasons for your answer. [8]
- (c) How does "Management by Walking Around" aid or hinder the control process? [8]  
(Total:25 marks)
5. (a) Describe in detail, the decision-making process. [17]
- (b) What are some of the organisational barriers that hinder good decision making and solution implementation? [8]  
(Total:25 marks)
6. (a) Describe in detail, Victor Vroom's Expectancy Theory. [17]
- (b) It has been suggested that money has only a limited use in the overall scheme of motivation, i.e. the positive motivating effect of money is short-lived and small.
- Would you agree with this statement? State the reasons for your answer. [8]  
(Total:25 marks)

- END OF QUESTION PAPER -

## **OUTLINE ANSWERS**

### **Question 1**

This question on centralisation and decentralisation was not well answered. Candidates answered in an 'either/or' manner rather than in a 'multiple option' manner when asked for their opinion on banks' move to be more centralised or decentralised in view of the year 2003 and the Asean Free Trade Area (AFTA).

1. (a) Factors for greater centralisation include:
- environment stability;
  - capability of managers;
  - decisions to be made are significant in terms of impact to organisation;
  - crisis situation; and
  - large company.

Factors for greater decentralisation include:

- complex environment;
- lower level managers are capable, experienced and willing to make decisions;
- decisions are relatively minor; and
- open corporate culture.

- (b) The student should be able to argue that there should be some aspects of both, that branches should be able to be allowed to make some degree of decisions on their own.

### **Question 2**

- Candidates answered well when asked to list the characteristics of an effective team.
- The question on group decision making required more critical thinking, which was not demonstrated by most candidates. Candidates who argued on both sides received more marks.

2. (a) The characteristics of effective teams are:
- clear goals;
  - relevant skills;
  - negotiating skills;
  - internal and external support;
  - appropriate leadership;
  - mutual trust;
  - good communication; and
  - unified commitment.

Students will need to explain in detail each of these characteristics.

- (b) Group decision making has advantages and disadvantages.

Advantages include:

- more complete information;
- increased acceptance of a solution; and
- increased legitimacy.

Disadvantages include:

- time consuming;
- minority dominance;
- pressure to conform; and
- ambiguous responsibility.

The student will be required to argue his/her point out stating that in some situations group decision making may be good or may be bad.

### **Question 3**

This question was well answered as both parts of this question on sources of power were straightforward.

3. (a) The five sources of power are:
- Legitimate Power (because of his position in an organisation);
  - Coercive power (power that rests on the ability to inflict undesirable outcomes if conformity is not demonstrated);
  - Reward power (power that produces positive benefits or rewards);
  - Expert power (power that results from skills or expertise); and
  - Referent power (power that arises from identification with a person who has desirable resources or personal traits).

The student will be expected to describe the five sources in depth.

- (b) The manager should have judicious use of all five sources of power and not just an over dependence on one. The student will be expected to demonstrate for instance, when a leader uses only reward power, over time such reward power may actually wane as subordinates become less enamored to rewards. His/her hold on this power source might diminish in a recessionary period. The student should be able to argue that the wise use of all the sources of power will help the leader to keep on leading and motivating his/her people.

### **Question 4**

The parts on types of control and feedforward control were generally well answered by candidates, though some lacked critical thinking in arguing on whether feedforward control is the best type of control.

4. (a) Three types of control:
- Feedforward (anticipates problems);
  - Concurrent (corrects problems as they happen); and
  - Feedback (corrects problems after they occur).
- (b) If a student agrees, it would be probably because it helps managers prevent problems. This section requires some critical thinking.
- (c) MBWA helps in the control process by making sure that problems are spotted before they happen. Students will need to expand on this by means of illustrations.

### **Question 5**

Part (a) on detailed description of the decision-making process was answered better compared to Part (b) on organisational barriers that hinder good decision making.

5. (a) The eight steps are:
- Identification of problem;

- Identification of decision criteria;
  - Allocation of weights to criteria;
  - Development of alternatives;
  - Analysis of alternatives;
  - Selection of alternative;
  - Implementation; and
  - Evaluating.
- (b) Some of the barriers students will be expected to expand on are:
- Personal agendas;
  - Lack of competence; and
  - Inability to implement due to unwillingness to appear to be the executor of bad news.

**Question 6**

- The straightforward question for details of the Expectancy Theory was well answered.
- Some candidates mistook the hygiene factors for motivation when asked their opinion on the short-lived positive motivating effect of money.

6. (a) Individual effort → Individual performance → Organisational Rewards → Individual goals.  
Sometimes expressed as  $M = V \times I \times E$   
where M = motivation; V = valency; I = instrumentality; E = Expectancy.

The student must be able to explain and discuss the effort-performance-reward-behavior linkage.

- (b) Money indeed has only a limited influence as a motivator. In fact, it quickly becomes a hygiene factor. But, Herzberg is not in question here, it is still Vroom. Here, money is looked at from the valency point of view and the student is expected to argue that over time, things that were once perceived as valuable would actually lose their value perception.