
THE NATURE OF MANAGEMENT



Multiple choice

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|----|---|-----|---|-----|---|
| 1. | A | 6. | B | 11. | A |
| 2. | D | 7. | B | 12. | C |
| 3. | C | 8. | C | 13. | D |
| 4. | D | 9. | D | 14. | A |
| 5. | C | 10. | D | 15. | B |

Short answer questions

Question 1

- (a) Effective management refers to the ability of management to achieve agreed business objectives. One of the difficulties of management is to inspire and motivate workers towards these objectives, even though workers may have different desires. A bonus paid to workers will better align workers' interests with the objectives management wants to achieve, and the objectives that would make them and the business successful.
- (b) (i) Employees may become angry and disillusioned feeling that they instead should be reaping the financial benefits of their work.
- (ii) Shareholders will hope that the bonus motivates the CEO to further success and increases the alignment of the CEO's interests with theirs.
- (iii) Senior Managers may either be discouraged like workers or may be encouraged to work harder to secure further promotions and bonuses for themselves.
- (iv) Purchasers of the business's products should feel little impact from the bonus unless it altered the cost structure of the business which had an adverse affect on prices – but this is unlikely.

Question 2

- (a) EITHER
Informational – involving the receipt, collection and dissemination of information. Management must ensure that these allegations do not adversely impact on the business's image by disseminating information to the public which explains or contradicts the allegations. This ensures the business is not adversely damaged.

OR

Decisional – involving the solving of problems and the execution of key decision processes. Management would have to negotiate with current customers to ensure they did not leave the business, and with unions to ensure that other workers do not strike or that the business does not become involved in any costly legal battles.

- (b) (i) People skills: Management would have to communicate with the press, customers and unions and gain their trust. Successful people skills would allow management to convince these stakeholders that the company did act ethically, or if they did not, that the company is taking new measures to ensure the problems are fixed, ensuring that clients did not take their business elsewhere and that workers did not take industrial action.
- (ii) Flexibility and adaptability to change: Management must ensure that ethical work practices are implemented in a way that does not disturb the business's core operations. Flexibility and adaptability allow change to occur without negative impacts on all the business's operations.
- (iii) Teamwork: Management will have to work hard to convince existing employees that a culture of bullying or unethical work practices does not exist. If current employees believe they are working in an unfair or harsh work environment they may leave, further damaging the business.
- (iv) Ethical and high personal standards: Management must be open with its stakeholders about how they are solving the issues and not cover them up and pretend they do not exist. If the business has made mistakes management should disclose this to the relevant stakeholders and then create new systems that would remove the possibility of unethical behaviour.

Question 3

- (a) (i) Group A = shareholders. They are owners of the company and share in its financial gains and losses.
- (ii) Group B = regulatory authorities (eg ASIC). Regulators such as ASIC have a duty to protect consumers by ensuring management comply with legislation that protects consumers and shareholders.
- (iii) Group C = local council. They have an interest to ensure that the company complies with all local zoning and safety regulations and that any company infrastructure blends in with the rest of the council and does not cause a disturbance to the area.
- (iv) Group D = Unions. Unions have an interest as they represent the rights of workers. They do this by lobbying management to ensure workers are given a safe, fair and productive work environment.
- (v) Group E = Environmental lobby groups. These lobby groups aim to protect the environment and thus have an interest in ensuring that the company's operations do not damage the environment and are as environmentally friendly as possible.
- (b) Shareholders – the price of the company's stock will increase as the market will expect the find to lead to increased revenues and profits. Shareholders will benefit from this capital gain and also the likely increase in dividends that will result from increased profits.

Regulatory authorities – apart from ensuring that no unethical stock trading practices occur, regulatory authorities will want to ensure that the company complies with all disclosure rules regarding the find and that they comply with all mining regulations.

Local council – local council may not be happy for the company to mine the local farmland and thus may pursue legal action to stop the company from drilling for oil which could disturb the surrounding community.

Unions – as the company is making more money, unions will likely lobby for increased benefits or wages for workers. Additionally, unions will lobby to ensure that proper safety measures are put in place for all mining operations.

Environmental lobby groups – most likely they will try to stop the company drilling for oil as it would damage the local environment. In the least, they will lobby the company and the government to put in place measures to ensure that the company returns the land to its natural state after drilling.

Question 4

- (a) Decisional – which involves solving problems and deciding how best to allocate the business's resources.
- (b) Unlike workers, the decisions made by managers will often involve issues that cross between numerous levels of the business's operations. Complex problem solving skills are essential for effective

management as managers must be able to see how issues and resolutions will affect a complex web of business areas, stakeholders and functions all at the one time. Managers must ensure that solutions which benefit one area of the organisation do not damage other sections in an unacceptable way.

- (c) INTERNAL – Workers - Management must decide how many workers they will need to retain and most importantly, which workers they will retain. They must also be careful how the loss of co-workers will affect the morale of those workers that remain.

EXTERNAL – Competitors - Will the downsize leave a gap in the market that will allow a new competitor to start up, or allow a current competitor to grow stronger? This could further damage the business areas and markets that business held onto.