MAY 2019 PROFESSIONAL EXAMINATIONS
BUSINESS MANAGEMENT & INFO SYSTEMS (PAPER 1.2)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

EXAMINER'S GENERAL COMMENTS

The overall performance of candidates was generally not impressive. Most of the candidates did not seem to have prepared well for the examinations.

STANDARD OF THE PAPER & PERFORMANCE OF CANDIDATES

The Business Management and Information Systems paper was of standard quality. The questions were fairly spread across the syllabus.

The performance of candidates was generally not good even though it is a marginal improvement upon that of May 2018. This can largely be attributed to inadequate preparation on the part of candidates. There appears to be a disconnection between the private study centres and the Institute regarding the preparations required of candidates.

QUESTION ONE

Outline **FIVE (5)** characteristics each of the following:
a) Organisation
b) Public Sector
c) Strategic Plans
d) Management Information Systems

(20 marks)

QUESTION TWO

TestCo Company Ltd (TCL) introduced a product, YZ Sap, into the North East Region market and the patronage was very encouraging. In a conversation with a friend, the Managing Director of TCL, Asembibeba, made a strong case for taking risks without necessarily planning for the outcome. In his opinion, introducing YZ Sap into the North East Region without a formal planning process and its positive outcome suggests that planning is not necessary when entering a new untapped market.

Required:
a) Write a note to Asembibeba explaining clearly **FIVE (5)** reasons why there is the need for planning before embarking on a business venture. **(10 marks)**

b) Write a second note to Asembibeba explaining **FIVE (5)** advantages of a formal system of strategic planning when embarking on a business venture. **(10 marks)**

(Total: 20 marks)

QUESTION THREE

a) Working as a team is always encouraged. Teams combine the skills of different individuals and avoid complex communication between different business functions. Every member of the team can be a powerful motivator and team loyalty can be used to control the performance and behaviour of individuals. In fact, teams make fewer, but better-evaluated, decisions than individuals.

Required:
Despite all the advantages that are associated with working as a team, state **FIVE (5)** potential drawbacks in working as a team. **(10 marks)**

b) Quality Management is a prerequisite for every industrial concern. Producing high quality products as opposed to poor quality products is a preferred option when it comes to determining demand for goods and services. However some argue that producing higher quality output increases costs, as more expensive resources are likely to be required to achieve a higher standard. Others argue that poor quality output will lead to customer dissatisfaction, which generates costs associated with complaint resolution and loss of revenue as customers move to competitors.

Required:
In reference to the **FOUR (4)** types of quality cost, explain the costs associated with producing quality products. **(10 marks)**

(Total: 20 marks)

QUESTION FOUR

Brand Marketing Concepts Ltd (BMC) has for five years employed traditional methods of advertising and promotional messages to directly increase sales. The Accounts Officer in his year-end financial report has observed that sales revenue for two of the four products marketed by BMC have seen neither increase nor decrease for the past two years.

Required:
a) What roles can *relationship marketing, customer care* and *customer service* play in increasing sales revenue for the two products marketed by BMC? **(15 marks)**

b) State **FIVE (5)** basic principles to be applied to develop customer relationship. **(5 marks)**
(Total: 20 marks)

QUESTION FIVE

The budget for Health and Safety of Be Careful Enterprise presented by the Finance Officer has doubled within two years. The owner of the business is considering cutting the budget for the next year by 50% to make way for an increase in the budget for Sales Promotion. He reasoned that health and safety measures are not critical to the financial fortunes of the business.

Required:
a) Outline **FOUR (4)** reasons why health and safety measures are important. **(6 marks)**

b) Outline **SIX (6)** employer responsibilities when it comes to health and safety. **(9 marks)**

c) Outline **FIVE (5)** employee responsibilities when it comes to health and safety. **(5 marks)**

(20 marks)

QUESTION SIX

a) In a sophisticated business environment, computer systems are exposed to security risks that threaten the security and integrity of both the system and the data held in it. The risks associated with hackers, eavesdroppers and viruses can be minimised through a variety of controls that provide network and communication security.

Required:
Identify **FIVE (5)** controls that can provide network and communication security and comment on each one of them. **(10 marks)**

b) Traditionally, products go through a four-stage cycle. As a product goes through the phases, the priorities for performance objectives change.

Required:
Outline and comment on the phases of a product life cycle. **(10 marks)**

(Total: 20 marks)

QUESTION SEVEN

a) Apatrapa is a successful international telecommunication company with over 100,000 employees and a headquarters in its base country's capital city, Accra. A recent report concluded that Apatrapa has been successful because it has seized the opportunities of globalisation through a series of initiatives including using virtual work teams spread across continents, cultures and time zones. These initiatives helped to improve staff productivity and maximised Apatrapa's use of technology. Key features of Apatrapa's operation include:
- Achieving fast communication and saving some travel costs through email, videoconferencing technology and VoIP (voice over internet protocol) combined with webcam equipment;
- Working hard to improve communication through its own social networking sites with blogs, wikis, podcasts, RSS feeds and the use of instant messaging software;
- Offering a scheme of flexible working practices and home-working to its headquarters staff (10,000 employees have opted to work from home including accountants, Information Systems (IS) and Human Resource (HR) staff). Those switching to home working 'give back' 50% of the time they previously spent commuting in the form of extra working hours. (Apatrapa estimates that home-workers get 20% more work done than those based in the headquarters building and have comparatively lower absence and staff turnover levels.)

Required:
Explain **FOUR (4)** ways in which managers with responsibility for teams might meet the challenges of teams being geographically dispersed. **(12 marks)**

b) A balanced scorecard is a module of strategic planning and management implemented by an organization. It is basically a tool used to measure if the executions are in sync with the vision, policy and strategy of the company. This tool can be used by different organizations. Though the balanced scorecard method proves to be productive in attaining a balanced review, it still has some disadvantages.

Required:
Explain **FOUR (4)** disadvantages of balanced scorecard. **(8 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS
QUESTION ONE

a) **Characteristics of Organisations**
- Organisations are preoccupied with performance, and meeting or improving their standards.
- Organisations contain formal, documented systems and procedures which enable them to control what they do.
- Different people do different things, or specialise in one activity.
- They pursue a variety of objectives and goals.
- Most organisations obtain inputs (eg materials), and process them into outputs (eg for others to buy).

(5 points for 5 marks)

b) **Characteristics of Public Sector**
- Accountability, ultimately to Parliament.
- Funding. The public sector can obtain funds in three main ways.
  - Raising taxes
  - Making charges (e.g. for prescriptions)
  - Borrowing
- Demand for services. There is a relationship between the price charged for something and the 'demand'. In the public sector demand for many services is practically limitless.
- Limited resources. Despite the potentially huge demand for public services, constraints on government expenditure mean that resources are limited and that demand cannot always be met.
- Public interest. Governments once believed the public interest was best served if the state run certain services.

(5 points for 5 marks)

c) **Characteristics of Strategic plans**
- They are written down.
- They are circulated to interested parties in the organisation.
- They specify the outcomes (eg where the business wishes to be in five years' time).
- They specify how the outcomes are going to be achieved.
- They trigger the production of operational plans lower down the hierarchy.

(5 points for 5 marks)

d) **Characteristics of Management Information Systems**
- Support structured decisions at operational and management control levels
- Designed to report on existing operations
- Have little analytical capability
- Relatively inflexible
- Have an internal focus

(5 points for 5 marks)
(Total: 20 marks)

QUESTION TWO

a) **The need for planning before embarking on a business venture**
- It helps the organisation to take a long view and avoid short-termism, while at the same time providing a sensible approach to the uncertainty of the future.
- It guides the allocation of resources.
- It co-ordinates the activities of the various parts of the organisation, ensuring the integration of operational management decisions into the higher strategy, the wider organisational context and longer-term goals.
- It sets a standard by which the actual performance of the organisation is measured and controlled.
- It comforts providers of finance in particular, and encourages suppliers and employees to think in terms of a long-term relationship.
- The process of forming strategy requires wide and complex input, so it can have a beneficial effect on managers' personal development and awareness, and can assist with management succession planning.

(5 points @ 2 marks each = 10 marks)

b) Advantages of formal system of Strategic planning in Business Venture
- Identifies risks. Strategic planning helps identify and manage risks.
- Forces managers to think. Strategic planning can encourage creativity and initiative by tapping the ideas of the management team.
- Forces decision making. Companies cannot remain static – they have to cope with changes in the environment. A strategic plan draws attention to the need to change and adapt, not just to 'stand still' and survive.
- Better control. Management control can be better exercised if targets are explicit.
- Enforces consistency at all levels. Long-term, medium-term and short-term objectives, plans and controls can be made consistent with one another. Otherwise, strategies can be rendered ineffective by budgeting systems and performance measures that have no strategic content.

(5 points @ 2 marks each = 10 marks)

(Total: 20 marks)

QUESTION THREE

a) **Potential drawbacks of working as a team**
- Team working is not suitable for all jobs – although some managers do not like to admit this.
- Teamwork should be introduced because it leads to better performance, not because people feel better or more secure.
- Team processes (especially seeking consensus) can delay decision-making. The team may also produce the compromise decision, not the right decision.
- Social relationships might be maintained at the expense of other aspects of performance.
- Group norms may restrict individual personality and flair.
- 'Group think' (*Janis*): team consensus and cohesion may prevent consideration of alternatives or constructive criticism, leading the team to make risky, ill-considered decisions.
- Personality clashes and political behaviour within a team can get in the way of effective performance.

(5 points @ 2 marks each = 10 marks)

b) There are four types of quality cost – prevention, appraisal/inspection, internal and external failure. Prevention and appraisal costs are known as conformance costs, internal failure and external failure costs are known as non-conformance costs.

- **Prevention cost -**
  The cost of building quality into the product design or service design, the cost of training staff in quality improvement and error prevention and the cost of prevention devices (e.g. fail-safe features)

- **Appraisal cost or inspection cost -**
  The cost of inspecting finished goods or services, and other checking devices such as supplier vetting. Customer or client feedback forms (although these may be a way of keeping service staff 'on their toes')

- **Internal failure cost -**
  Cost of materials scrapped due to inefficiencies in stockholding procedures. Cost of materials and components lost during production or service delivery Cost of output rejected during the inspection process.

  Cost of re-working faulty output cost of reviewing product and service specifications after failures or customer dissatisfaction.

  Losses due to selling faulty output cheaply, and
  Not charging for a service so as to pacify dissatisfied and angry customers or clients.

- **External failure cost**

  Cost of product liability claims from customers or clients.

  Cost of repairing products returned by customers, including those forming part of service.

  Cost of replacing sub-standard products including those included with a service.

  Delivery costs of returned units or items.

  Cost of the customer services section and its operations.

  Loss of customer goodwill and loss of future sales.

  (4 points @ 2.5 marks each = 10 marks)

  (Total: 20 marks)

QUESTION FOUR

a) Role of relationship marketing, customer care and customer service in increasing sales
Relationship marketing
- The aim of **relationship marketing** is to maximise customer retention and satisfaction through two-way communication, rather than to directly increase sales through traditional promotion messages and advertising.
- Relationship marketing recognises the long-term value of building customer relationships through dialogue.

(2 points @ 2.5 marks each = 5 marks)

Customer care
- **Customer care** is concerned with winning and retaining customers and considers customers and customer satisfaction key to success, and the ultimate aim of all activities.
- Open communication with customers is considered vital. This ensures customers are kept informed and encourages customers to raise any issues they have. All involved in the organisation, including 'back-office' staff, work towards achieving customer satisfaction.

(2 points @ 2.5 marks each = 5 marks)

Customer service
- **Customer service** is a narrower concept than customer care. Customer service focuses on how the organisation interacts with clients. This is most apparent in sales and post-sales service.
- Customer service is an important element of an organisation's offering for both products and services. High quality customer service before, during and following a sale helps to create customer loyalty. Therefore, customer service is part of customer care.

(2 points @ 2.5 marks each = 5 marks)

b) Some basic principles to be applied in customer relationship are:
- Make the most out of every customer interaction
- Ensure offers and promotions are relevant to customers
- Value customers and treat them with respect
- Listen to customer comments and complaints
- Act on customer comments and complaints
- Reward customers for loyalty

(5 points for 5 marks)

(Total: 20 marks)

QUESTION FIVE

a) **Reasons for health and safety measures**
- Employees should, as human beings, be protected from needless pain and suffering.
- Employers and employees have legal obligations to take reasonable measures to promote healthy and safe working.
- Accidents, illness and other causes of absence and impaired performance cost the organisation money.
- A business' corporate image and reputation as an employer (its employer brand) may suffer if its health and safety record is bad: this might alienate customers and potential employees.

(4 points @ 1.5 marks each = 6 marks)

b) **Employer Responsibilities of health and safety**
- To provide safe systems (work practices)
- To provide a safe and healthy work environment (well-lit, warm, ventilated, hygienic and so on)
- To maintain all plant and equipment to a necessary standard of safety
- To support safe working practices with information, instruction, training and supervision
- To consult with safety representatives appointed by a recognised trade union
- To appoint a safety committee to monitor safety policy, if asked to do so
- To communicate safety policy and measures to all staff, clearly and in writing
- To identify employees who are especially at risk (legislation often cites pregnant women, young workers, shift-workers and part-time workers)
- To provide appropriate training in safety matters
- To provide information to employees (including temporary workers) about health and safety
- To employ competent safety and health advisors

(6 points @ 1.5 marks each = 9 marks)

c) **Employee responsibilities of health and safety measures**
- Taking reasonable care of themselves and others affected by their acts or omissions at work.
- Co-operating with the employer in carrying out their duties (including enforcing safety rules).
- Not interfering intentionally or recklessly with any machinery or equipment provided in the interests of health and safety
- To inform the employer of any situation that may pose a danger to themselves or others.
- To provide information to employees (including temporary workers) about health and safety.

(5 points for 5 marks)
(Total: 20 marks)

QUESTION SIX

a) **Controls that can provide network and communication security**
- **Anti-virus software**
  Anti-virus software, such as McAfee or Norton, search systems for viruses and remove them. Anti-virus programs include an auto-update feature that downloads profiles of new viruses, enabling the software to check for all known or existing viruses. Very new viruses may go undetected by anti-virus software (until the anti-virus software vendor updates their package – and the organisation installs the update).

- **A firewall**
  External email links can be protected by way of a firewall that may be configured to virus check all messages, and may also prevent files of a certain type being sent via email (eg .exe files, as these are the most common means of transporting a virus). Firewalls can be implemented in both hardware and software, or a combination of both. A firewall disables part of the telecoms technology to prevent unauthorised intrusions.

- **Encryption**
  Data that is transmitted across telecommunications links is exposed to the risk of being intercepted or read during transmission (known as 'eavesdropping'). Encryption is used to reduce this risk and involves scrambling the data at one end of the line, transmitting the scrambled data, and unscrambling it at the receiver's end of the line. A person intercepting the scrambled data is unable to make sense of it.

- **Electronic signatures**
  One way of providing electronic signatures is to make use of what is known as public key (or asymmetric) cryptography signatures. Public key cryptography uses two keys – public and private. The private key is only known to its owner and is used to scramble the data contained in a file. The received 'scrambled' data is checked against the original file using the public key of the person who signed it.

- **Authentication**
  Authentication is a technique of making sure that a message has come from an authorised sender. Authentication involves adding extra data in a form previously agreed between sender and recipient.

- **Dial-back security**
  Dial-back security operates by requiring the person wanting access to dial into the network and identify themselves first. The system then dials the person back on their authorised number before allowing access.

(5 points well explained @ 2 marks each =10 marks)

b) **The phases of a product life cycle**
- **Introduction stage.** The product or service offers something new to customers. There are unlikely to be any competing products, but heavy advertising costs may be incurred to raise customer awareness. Design changes may be required as customer needs become better understood. A business needs to establish an operational capability that allows it to be flexible and capable of adapting and changing.

- **Growth stage.** The volume of demand for the product increases, and there are likely to be more competitors in the market. Product features may become important between different suppliers. The main objective for the operations function could be to keep up with the growing demand. Speed of response to customer orders and reliability of supply could also be significant. Quality standards will have to be maintained or improved in response to the growing competition, and cost and price are likely to be much more significant.

- **Market maturity.** Demand levels off. Some early competitors are likely to have left the market, which might now be shared by a small number of organisations. Product design will be largely standardised, although organisations might try to develop new varieties of the product to extend its life cycle. Organisations in the market are likely to compete on price and/or on value for money (product differentiation). To remain competitive, it will be important to achieve low costs through productivity improvements, while still providing reliability of supply.

- **Decline stage.** Total demand declines and competitors will start to withdraw from the market. There will nevertheless be excess capacity in the industry, and the remaining organisations will compete on price. Cost targets will remain the key operational objective. The company may also decide to stop making and selling the product, and to focus its energies instead on another developing/growing product.

(4 points well explained @ 2.5 marks each = 10 marks)

(Total: 20 marks)

QUESTION SEVEN

a) There are a number of ways in which managers of teams in companies like APATRAPA, that have team members spread across the world, can meet the challenges this brings.

- **Use of technology to communicate and to tie the team together**
  Team members spread around the world often find it difficult to visualise and identify with the wider team they are part of. APATRAPA is already utilising technology to improve communication. It could extend this to the use of shared resources held on a central server, for example an intranet.

  Communication is key to managing any team as it allows information to flow and for relationships to be built. Geographically dispersed teams are no different – it is just the type of communication which is different (being more often electronic rather than face-to-face).

  The team manager must be creative in their use of technology and willingness to use it. They should identify the types of communication which work best for their team and use them wherever possible.

- **Consistent induction and training processes**
  It is important that all team members work in a similar way and all have the same understanding and knowledge. This can be difficult to achieve with team members based in different locations. A single, consistent induction and training programme can help ensure a consistent levels of expectation, knowledge and performance across the whole team.

- **Clear lines of authority and role responsibility**
  A person's authority and responsibility is often communicated in part by their personality and 'in person' interactions with others. With geographically dispersed teams, relying upon electronic communication, these clues and informal discussions to establish responsibility are often absent.

  It is essential therefore that all team members are aware of the team structure, roles and responsibilities – these must be clear and available for all to see. For example, in global organisations, it is essential people know who is responsible for a particular customer or contract that operates in different regions.

- **Be aware of possible cultural differences**
  Employees who live in different locations and cultures may have different personal goals. For example, some cultures are more work focused than others, with the achievement of promotion and status a key motivator.

A manager of a geographically dispersed team should be aware of differences between goals of individuals within their team and to try to ensure all act in a way that helps achieve the organisation's goals. This may require devoting more time managing and mentoring employees than if they were in one central location.

- **Build team spirit**
  Building a sense of team spirit and cooperation can be more difficult when team members are spread around the world. Employees who only communicate by email or other electronic means do not share the spirit of collaboration to the same degree and communications become more pressured in tone and demands. For example an employee may only hear from another when their work is late or something has gone wrong.

  A manager of a dispersed team should encourage collaboration between employees. This may be achieved through face-to-face team building events but could also be achieved through giving employees projects to achieve as a team.
  (4 points well explained @ 3 marks each = 12 marks)

b) **Disadvantages of using balanced scorecard**
- **Conflicting measures**
  Some measures in the scorecard such as research funding and cost reduction may naturally conflict. It is often difficult to determine the balance which will achieve the best results.

- **Selecting measures**
  Not only do appropriate measures have to be devised but the number of measures used must be agreed. Care must be taken that the impact of the results is not lost in a sea of information.

- **Interpretation**
  Even a financially-trained manager may have difficulty in putting the figures into an overall perspective.

- **Management commitment**
  The scorecard can only be effective if senior managers commit to it. If they revert to focusing solely on the financial measures they are used to, then the value of introducing additional measures will be reduced.

- **Does Not Provide Recommendations**
  Balanced scorecard gives you an extensive overview of the company. It will give you facts about your company's execution and performance. But it will not give you recommendations on how to amend strategies and policies to overcome

discrepancies. Therefore, for attainment of a complete analysis of a company's performance, a more magnanimous strategy will be required.

- **Resistance from Employees**
  Resistance towards balanced scorecard can be from either a top management officer or even from other officers. This is because a few of them might take the implementation of this system as an indicator that their performances are not appreciated. It could also be taken as an additional burden of administrative work. Therefore, it is very important that the implementation of this method in a company should be announced to everyone effectively.

- **Not Fully Efficient**
  Balanced scorecard system proves to be completely efficient if integrated with an accounting system. However, if you are relying on balanced scorecard method for complete evaluation of your company's performance, it will not be completely efficient.

- **Takes Time**
  It takes time to adapt to balanced scorecard strategic system. So this will require a lot of motivation from the management to be able to successfully complete the process.

- **High Implementation Costs**
  The initial cost of the implementation of the balanced scorecard could be high. Considering you would have already some automation to create a database of the financial transactions, to implement balanced scorecard you will have to give in additional funds and also spend some time and money in training your employees about the metrics of the tool.

(4 points @ 2 marks each = 8 marks)

(Total: 20 marks)

CONCLUSION
We believe that the unimpressive performance of candidates was largely due to the fact that most candidates did not take time to prepare for the examinations.

We would repeat our appeal for close collaboration between the Institute and the private tuition providers in order to guide them and candidates in their studies towards the examinations. It is our hope that the new Study Texts would be made available to candidates early enough to enable them have adequate preparation before the next examinations.