

**NOVEMBER 2016 PROFESSIONAL EXAMINATIONS
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (PAPER 1.2)
EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

EXAMINER'S GENERAL COMMENTS

The Business Management and Information Systems paper was of standard quality. The questions indicated how many points candidates were required to explain/discuss for the marks allocated. The question paper was very well spread across the syllabus.

PERFORMANCE OF CANDIDATES

The performance of candidates was fairly good. However, it compared unfavourably with the May 2016 performance. Out of 500 candidates who sat for the examination, 299 failed to obtain a pass. This represents 60% pass rate. This compares unfavourably with May 2016 result where the pass rate was 78%.

BUSINESS MANAGEMENT & INFORMATION SYSTEMS QUESTIONS

QUESTION ONE

- a) Both profit and non-profit making organizations operate in the economic development of every country. However they differ in their objectives and operations.

Show these differences with reference to the following:

- i) purpose of existence, **(2 marks)**
- ii) raising of funds, **(2marks)**
- iii) utilisation of surplus funds. **(2 marks)**

- b) Bisclothing manufactures clothing for the global market and has decided to segment the market to be able to serve its customers well. Your task is to:

- i) State **THREE** bases for segmenting the global clothing market of Bisclothing, **(6 marks)**
- ii) State **FOUR** conditions that Bisclothing can use to ensure a successful segmentation process for the company. **(8 marks)**

(Total: 20marks)

QUESTION TWO

- a) Your company has implemented a Total Quality Management approach (TQM), but this has been resisted by most of the employees. State **THREE** reasons that might have accounted for such resistance. **(6 marks)**

- b) The management of a medium- sized company has adopted the virtual organizational structure as a result of its expanded activities to different parts of the world.
State **FOUR** advantages and **THREE** disadvantages of the adoption of this decision **(14 marks)**

(Total: 20marks)

QUESTION THREE

At a recent board meeting of a multinational company there was a heated debate on whether the company should continue to invest resources in strategic planning processes. A section of the board members believed that it is worth to invest, whilst the other section opposed that decision because they considered such an activity as waste of resources.

Your task is to state:

- a) **FIVE** reasons why you think the company must continue to invest in the strategic planning process; **(10 marks)**
- b) **FIVE** reasons why it might not be necessary for the company to invest in the strategic planning process. **(10 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) State **FOUR** reasons that may influence a company or government to undertake a divestiture programme. **(8 marks)**
- b) The finance department in your company recently refused to allocate funds to the human resources department to cater for the health and safety needs of employees arguing that, it is waste of funds.

Suggest **FOUR** reasons to the finance department why it is necessary to allocate the funds.

(12 marks)

(Total: 20 marks)

QUESTION FIVE

- a) An organization's external environment is made up of those factors over which the organization has no degree of control.

Outline **SIX** of these factors. **(6 marks)**

- b) *SWOT analysis* is one of the most widely used strategy formulation techniques for businesses. Using your knowledge in Business Management, you are required to explain:

- (i) the concept of *SWOT analysis*, **(2 marks)**
- (ii) the elements in the *SWOT analysis* and provide **ONE** example to support each element. **(12 marks)**

(Total: 20 marks)

QUESTION SIX

- a) How can you help your boss who has no knowledge in information technology to differentiate between *Decision Support System (DSS)* and *Executive Information System (EIS)*? **(5 marks)**
- b) Your company has decided to implement a management information system package to enhance its operational efficiency.

Recommend to management **FIVE** factors to consider before the implementation. **(15 marks)**

(Total: 20 marks)

QUESTION SEVEN

- a) An organization's strategic decisions are categorized into entity/corporate level strategies and functional level strategies. Indicate how the two differ based on the following:
- i) key activity/function **(2marks)**
 - ii) risks associated with their decisions, **(2marks)**
 - iii) type of decisions. **(2marks)**
 - iv) duration of their decisions **(2marks)**
- b) Group development passes through several stages. Explain **FOUR** of these stages in a logical order. **(12marks)**

(Total: 20 marks)

BUSINESS MANAGEMENT & INFORMATION SYSTEMS SCHEME

QUESTION ONE

(a) FOR PROFIT AND NOT- FOR- PROFIT ORGANIZATIONS

- (i) **Purpose of existence.** For profit organizations have a basic purpose of operating for profit, whilst not-for-profit organizations purpose of existence is to pursue a particular social cause. **(2 marks)**
- (ii) **Raising of funds.** For-profit organizations raise funds from their shareholders, whilst not-for-profit organizations raise funds from their members or donations from the general public. **(2marks)**
- (iii) **Utilization of surplus funds.** For profit organizations may share surplus funds in the form of dividends to their shareholders, whilst not-for profit organizations will use the surplus funds to further achieve its purpose or mission **(2 marks)**

(b) MARKET SEGMENTATION

(i) BASES FOR SEGMENTATION

- **Geographic segmentation.** Bisclothing can segment the market based on the location, that is, the country or region where the consumers live, because the type of clothing used in Europe will differ from the type of clothing used in Africa.
- **Demographic segmentation.** Bisclothing can segment the market based on age range, sex, family life cycle and income of consumers.
- **Psychographic Segmentation.** Bisclothing can segment the clothing market based on such factors as lifestyle, attitudes and beliefs.
- **Behavioural segmentation.** Bisclothing can segment the market based on the loyalty status, usage rate, usage situation or payment methods of consumers.

Any 3 x 2 marks = 6 marks

(ii) CONDITIONS FOR SUCCESSFUL SEGMENTATION

- **Identifiable.** The clothing market must be capable of being identified as a separate market.
- **Substantial.** The segment must be large enough to guarantee the success of Bisclothings' activities.
- **Profitable.** The segment must be able to yield enough profits for Bisclothing.
- **Accessible.** The segment must be reachable by Bisclothing through the various communication platforms.
- **Sustainable.** The segment must be able to exist in the long term.

- **Measurable.** The segment must have the capabilities of being measured or assessed, so that the company will know whether it is achieving success or not.

Any 4 x2 marks = 8 marks

Grand total = 20 marks

EXAMINER'S COMMENT

Many candidates answered this question and about half of them obtained very good marks.

QUESTION TWO

(a) TOTAL QUALITY MANAGEMENT (TQM) RESISTANCE TO IMPLEMENTING TQM

- Lack of consistency of purpose for the implementation of the total quality management concept.
- If there is too much emphasis on short term benefits for implementing the total quality management concept.
- If management fails to prepare the employees through training before the implementation takes place.
- Lack of commitment on the part of top management.
- Poor allocation of resources to the implementation of the total quality management concept.
- Incurring of excessive costs may lead to resistance to the implementation of total quality management concept.

Any 3 x2 marks = 6 marks

(b) VIRTUAL ORGANIZATIONS

(a) ADVANTAGES OF VIRTUAL ORGANIZATIONS

- There will be lower administrative costs.
- The amount of salaries paid to employees will also reduce.
- Virtual organizations have the advantage of attracting specialists from all over the world.
- Virtual organizations have the advantage of instant communication.
- Employees will have job satisfaction because they can work from home.
- There is time savings.
- There is increased productivity for the organisation.

Any 4 x2 marks =8marks

DISADVANTAGES OF VIRTUAL ORGANIZATIONS

- It is difficult to control employees' working hours.
- There can be problems of service quality delivery.
- The electronic communication systems can break down, hence affecting the company's operations.
- Virtual organizational systems cannot be applied in every part of the world as a result of poor telecommunications infrastructure.
- There is increased operational complexity for the organization as a result of different cultural backgrounds of employees.
- Lack of cohesiveness among the employees can affect the morale of employees.

Any 3 x 2 marks = 6marks

Grand total = 8+6+6 = 20marks

EXAMINER'S COMMENT

Most of the few candidates who attempted this question performed very badly.

QUESTION THREE

(a) REASONS FOR CONTINUOUS INVESTMENT IN STRATEGIC PLANINING PROCESS

- **Risk reduction.** The continuous investment in the strategic planning process will help the company to reduce the risks associated with its operations by taking many factors into consideration.
- **Reduction of uncertainty.** The company will be able to reduce uncertainty because the personnel will be able to know the results expected of them.
- **Realistic targets.** The company will be able to set targets that can be achieved because it will consider its strengths and weaknesses before such targets are set.
- **Guide.** Investing in the strategic planning process will serve as a guide in the operations of the company.
- **Commitment.** The continuous investment in the strategic planning process will help the company to gain loyalty and commitment of employees because they will be involved in the planning process.
- **Better decisions.** The company will be able to make better decisions because managers will have a basis of measuring their performance.
- It will enhance the degree to which employees will accept change.
- The financial performance of the company will also increase.

Any 5 x2 marks = 10marks

(b) REASONS WHY IT MAY NOT BE NECESSARY TO INVEST IN THE STRATEGIC PLANNING PROCESS

- **Waste of time.** The company may consider the investment as waste of time due to the time involved in the planning process.
- **Fear of failure.** The company may not invest in the strategic planning process because they may fear that it will fail.
- **Lack of expertise.** The company may not invest in the strategic planning process just because they don't have the personnel with the expertise to undertake such activity.
- **Complacency.** The company may be satisfied with its current performance and may not see the need to plan.
- **Laziness.** The company's executives may refuse to plan strategically due to mere laziness.
- **Uncertainty.** The company may not invest in any strategic planning process because the future changes so fast that it will not be necessary to plan.

Any 5 x 2marks=10marks

Grand total = 20marks

EXAMINER'S COMMENT

Many candidates refrained from answering this question but the few who attempted scored very high marks.

QUESTION FOUR

(a) DIVESTITURE PROGRAMMES

- Divestiture programmes are undertaken to raise funds for the company or the government.
- Divestiture programmes are undertaken to enable the company to concentrate on its core activities.
- Divestiture programmes are undertaken as part of a company's bankruptcy process.
- Companies undertake divestiture programmes if there is no synergy between the divested assets and the company's core activities.
- Companies undertake divestiture programmes to be able to take advantage of better opportunities elsewhere.

Any 4 x 2 marks =8 marks

(b) REASONS WHY THE FINANCE DEPARTMENT SHOULD ALLOCATE RESOURCES FOR HEALTH AND SAFETY NEEDS OF EMPLOYEES

- **Legal obligations.** The finance department should allocate money for health and safety of employees because the company is legally obligated to cater for the health and safety needs of employees.
- **To reduce labour turnover.** The finance department must allocate money for health and safety needs to prevent employees from leaving the company.
- **Social responsibility.** The finance department should allocate money to cater for the health and safety needs as a way of fulfilling its social responsibility to employees.
- **Continued production.** When employees are not in good health it will affect the company's productivity and for this reason the finance department must allocate money to the human resource department for them to ensure that employees are always in good health.
- **Accident prevention.** Investing resources in the health and safety of employees will help prevent accidents because employees will be protected from any hazardous situations.
- **Talent attraction.** When prospective employees are looking for jobs, they will ensure that the company they intend to work with, cares for its staff and that will motivate them to join the company.

Any 4 x 3 marks = 12 marks
Grand total=20marks

EXAMINER'S COMMENT

This question was very well answered with many candidates scoring the maximum marks.

QUESTION FIVE

(a) EXTERNAL ENVIRONMENTAL FACTORS

- Political environment refers to the policies, procedures and practices of both national and international political institutions.
- Economic environment refers to the changes in the country's inflationary levels, interest rates, buying patterns as well as the income levels of the people in a country.
- Socio-cultural environment refers to the lifestyle and the way things are done by a particular group of people.

- Technological environment refers to the changes and improvement in the processes and technologies used to undertake the activities of the company.
- Ecological/ or the environment refers to the weather conditions, pollution, noise, natural disasters and its impact on the living conditions of human beings.
- Legal environment refers to the rules and regulations fabricated by a national and international political institutions

6x 1 mark = 6 marks

(b) SWOT ANALYSIS

- (i) SWOT is an acronym for strengths, weaknesses, opportunities and threats and it is an analytical tool used to create an overview of a company's strategic situation
(2 marks)

(ii) THE ELEMENTS OF SWOT ANALYSIS

- i. **Strengths.** These are the resource capabilities of the organization and which it can use to gain competitive advantage over its rivals **(2 marks)**

Examples: adequate financial resources, acknowledged market leader.

1 mark for each example: (3 marks)

- ii. **Weaknesses.** These are resource constraints that can put the organization in a competitive disadvantage position. **(2 marks)**

Examples: Obsolete technological infrastructure, poor customer service.

1mark for each example: (3 marks)

- iii. **Opportunities.** These are favourable openings or conditions in the external environment of the company and that the company can use its strengths to take advantage of. **(2 marks)**

Examples: Change in government policy, growing domestic economy.

1 mark for each example :(3 marks)

- iv. **Threats.** These are unfavourable factors in the external environment of the company that can erode all the gains made by the company.

Examples: decline in consumer demand, environmental hazards.

1 mark for each example :(3 marks)

Grand total=20marks

EXAMINER'S COMMENT

Many candidates answered this question and did fairly well.

QUESTION SIX

(a) DECISION SUPPORT SYSTEM AND EXECUTIVE INFORMATION SYSTEM

Decision support system (DSS) is an information designed to provide managers with alternative solutions to a problem they face. **(2 marks)**

Executive Information System (EIS). This is an interactive system that provides managers or executives with a flexible access to information for monitoring the performance of the organization as well as general business conditions. **(2 marks)**

Difference

Whilst decision support systems are specifically used for unstructured decisions, executive information system may provide information (mostly in graphical format) that can inform top management on trends in the organization. **(1 mark)**

Sub-total = 5 marks

(b) FACTORS TO CONSIDER IN IMPLEMENTING MANAGEMENT INFORMATION SYSTEMS

- Function of the organization. The function of the organization will determine the adoption and implementation of management information system.
- Cost. The company must also take into account the total cost involved in buying the necessary infrastructure for the management information system to be implemented.
- Scalability. Management must also consider how the system can be expanded to take care of additional operations in the future.
- Security. Management must also consider the necessary measures to secure the system
- Training of staff. Management must also allocate resources for the training of employees to equip with them with the skills to be able to work with the system.
- Management support. The top hierarchy of the company must be able to offer the necessary financial and non-financial support to facilitate the successful implementation of the system.
- Control structures. Management must also consider measures to control the successful implementation of the management information system.

Any 5 x3 marks = 15 marks

Grand total = 20 marks

EXAMINER'S COMMENT

Although most candidates attempted this question most of them scored very low marks.

QUESTION SEVEN

(a) ENTITY/CORPORATE LEVEL STRATEGIES AND FUNCTIONAL LEVEL STRATEGIES

- i. **Key function.** The key function of the corporate/entity level is to formulate decisions, whilst the key function or activity of the functional level is to implement the decisions formulated by the corporate/entity level.
- ii. **Risks associated with their decisions.** The risks associated with the decisions at the corporate/entity level is very high and any error can collapse the whole organization. On the other hand, the risks associated with the decisions at the functional level are quite low and their effect is only on the concerned department.
- iii. **Type of decisions.** The nature of decisions made at the corporate level affect the whole organization whilst the nature of decision at the functional level affects only the assigned department.
- iv. **Duration of decision.** The duration of the decisions taken at the corporate or entity level is mostly long term whilst the duration of the decisions taken at the functional level is mostly short term.

4 x 2 marks=8marks

(b) STAGES IN GROUP DEVELOPEMNT

- i. **Forming.** This is the stage where members are brought together. They establish the rules of their behaviour and interactions and identify ways of accomplishing their objectives.
- ii. **Storming.** At this stage, different opinions and styles emerge, with competing sub-groups and challenges for leadership.
- iii. **Norming.** At this stage members establish norms and attitudes and behaviour which are mutually acceptable for task performance and interaction.
- iv. **Performing.** At this stage the group has developed energy available for effective work performance and completing the tasks assigned to the group.
- v. **Adjourment.** This is the stage at which the group disengaged after the completion of the tasks assigned to them(not part of the compulsory answer)

4 x 3 mark 12marks

Grand total 20 marks

EXAMINER'S COMMENT

Many of the candidates attempted this question with a few of them scoring good marks. However, many did very badly.

CONCLUSION

We believe that the performance of candidates is partly due to the fact that some candidate did not concern themselves with some portions of the syllabus.