

Q1. What is meant by the term 'management by objectives'?

- a) A system of giving the authority to carry out certain jobs by those lower down the management hierarchy.
- b) The system of management that is based on bringing together experts into a team.
- c) The setting of objectives to bring about the achievement of the corporate goals.
- d) The control of the organisation by those in the 'head office'.

**The setting of objectives to bring about the achievement of the corporate goals.**

Remember when thinking about 'management by objectives' think about how targets can be used to monitor performance and objectives need to be reviewed and updated regularly, else they will become out of date.

Q2. A manager may delegate any of the following except

- a) authority.
- b) workload.
- c) responsibility.
- d) attendance at meetings to represent the department.

### **Responsibility**

The MD of a business is responsible for everything that goes on in the company. Who may be taken to court after an accident - the driver, the manager of the train company and even its MD. They are all responsible for their negligence.

Q3. Workforce planning involves all of the following except

- (a) organising the training of staff.
- (b) forecasting future personnel requirements.
- (c) examining production plans in a factory.
- (d) preparing and maintaining personnel records.

**examining production plans in a factory.**

Q4. Maslow, in his triangle of human needs, showed that

- (a) having challenging new tasks is a basic human need.
- (b) money always motivates workers.
- (c) safety and security is a low order human need.
- (d) workers will not give of their best unless they have good social events provided by the firm.

**safety and security is a low order human need.**

Q5. Piecework is a payment system where the worker is

- (a) paid overtime for any hours worked beyond 25 per week.
- (b) rewarded for good conduct.
- (c) is paid a minimum of £4.20 per hour.
- (d) is paid for what he or she achieves.

**is paid for what he or she achieves.**

Q6. Which of the following will NOT result following the introduction of a more decentralised system of management?

- (a) Increased motivation amongst those empowered to make decisions.
- (b) Greater consistency in the decisions made.
- (c) The development of skills amongst the junior members of the management team.
- (d) An increase in the speed at which essential decisions are made.

**Greater consistency in the decisions made.**

When learning / revising decentralised management systems always think; motivation, empowerment, skills development, quicker decision-making and the need to keep those lower down the hierarchy well-informed, else they will not make decisions from a position of strength.

Q7. An advantage of recruitment from outside the company is

- (a) that it is cheaper than internal recruitment.
- (b) that there is no need to advertise the vacancy.
- (c) that it brings in new experience and skills to the firm.
- (d) that it avoids jealousy within the firm.

**that it brings in new experience and skills to the firm.**

A most important benefit for this type of recruitment. It may be vital, sometimes, to a firm's long-term survival.

Q8. When designing his hierarchy of needs triangle Maslow did NOT include one of these. Was it?

- (a) Good wages and salaries and working conditions.
- (b) The need to feel secure at work with adequate financial rewards such as pensions to assist one later in life.
- (c) The need to build a career path .
- (d) Opportunities for teamworking and social events that allow a sense of belonging to emerge.

**The need to build a career path .**

This is not strictly speaking part of Maslow's hierarchy. However, it gets quite close to esteem or even self-actualisation.

Q9. When deciding on objectives for management it is advised that companies should aim to achieve 'SMART' within these. Which of the following is NOT part of the SMART scheme?

- (a) The need to be Specific in the choice of objectives.

- (b) The need to make objectives Tangible.
- (c) All objectives must be Measurable.
- (d) For personnel to feel capable of reaching objectives they must be Achievable.

**The need to make objectives Tangible.**

The need to be Specific in the choice of objectives. It forms the S and requires positive support from senior management.

Remember that the SMART process centres on Specific, Measurable, Achievable, Relevant and bound by a specific Time.

Q10. Which of the following is a reason for introducing a matrix management system?

- (a) Because it allows for an easily understood functional responsibility chart to be designed.
- (b) The management can increase the use of delegation within the organisation.
- (c) The senior management wants to develop a clearly defined set of responsibilities.
- (d) A more centralised system of control is required.

**The management can increase the use of delegation within the organisation.**

Decision making is more decentralised under a matrix system. When thinking about matrix systems you need to remember: experts are brought together to work on a specific project, a project leader has overall responsibility for keeping to operational targets, the decision-making is more decentralised and delegation is increased. Don't forget that success will depend on how well the system is organized.

Q11. What is meant by the term functional management?

- (a) A system of business organisation that is based on an individual having a wide range of skills needed to administer a business..
- (b) A type of management that is based more on personality.
- (c) A system that groups together various jobs and is organised by departments, sections or functions.
- (d) A system that supports a flat form of command chain.

**A system that groups together various jobs and is organised by departments, sections or functions.**

Remember we are dealing with a system that is characterised by: clearly defined channels of communication and hierarchy, clearly defined roles and more centralised decision-making.

Q12. What is meant by the term delegation?

- (a) A system of management that relies on consulting employees before making decisions.
- (b) The process of using goals as the best way of motivating managers to achieve corporate targets/objectives.
- (c) The giving of tasks by a manager to a subordinate.
- (d) A style of management supported by FW Taylor.

**The giving of tasks by a manager to a subordinate.**

The subordinate is given certain tasks and the authority to make the necessary decisions to implement these decisions. However, the manager remains responsible for the delivery of the tasks. When thinking about delegation always remember that to be effective: you must have the right person for the job, they must be trained and that they must be given interesting as well as the more mundane tasks. Also no system of delegation will succeed if senior management fails to provide the support mechanisms.

Q13. Which of the following is a reason for supporting a wider span of control within an organisation?

- (a) The management wants to reduce the opportunities for delegation.
- (b) There is a need for tighter control within the business.
- (c) The business accepts that within its management there will be increased contact between managers and employees.
- (d) Management wishes to introduce a process of de-layering.

**Management wishes to introduce a process of de-layering.**

We would normally expect a wider span of control to reduce contact between managers and their employees. When thinking about wider spans of control always remember: opportunities for delegation, looser supervision, reduced distances between top and bottom of the organisation, less contact between managers and reportees and de-layering.

Q14. Which of the following is NOT a characteristic of a narrow span of control?

- (a) There is less opportunity to delegate.
- (b) This form of span of control creates a smaller hierarchy within the business.
- (c) Supervision and control are tighter.
- (d) The distance between the top and bottom of the organisation is greater.

**This form of span of control creates a smaller hierarchy within the business.**

When thinking about narrow spans of control always remember: less delegation, tighter control, shorter distances between top and bottom of firm, more contact between managers and employees, greater opportunities for promotion.

Q15. The effectiveness of wide spans of control will depend on

- (a) The ability of the chosen manager to control effectively those under their control.
- (b) Designing a complex set of tasks for less senior personnel to perform.
- (c) Employees being treated in a more Theory X way (McGregor) and not left to supervise their own working environment.
- (d) The senior management wishing to encourage promotion from within its current staff.

**The ability of the chosen manager to control effectively those under their control.**

The company needs to promote high levels of self motivation within its workforce if wider spans of control are to be effective. Remember that effective wider spans of control rely on: expertise of managers, an ability to control larger

number of employees, the ability to enthuse high levels of motivation within the workforce and the complexity of the tasks under supervision.

Q16. Which of the following is the best definition of a centralised management system?

- (a) A system that encourages empowerment of workers.
- (b) A management structure that concentrates on developing the skills of junior personnel.
- (c) A system that involves authority and responsibility for decision-making being in the hands of senior managers.
- (d) A system that encourages faster decision-making.

**A system that involves authority and responsibility for decision-making being in the hands of senior managers.**

When addressing the characteristics of centralised management always remember to think about consistency and the economies of scale that may arise from having just one set of decision makers.

Q17. Most management teams use 'appraisal' but what is meant by this term?

- (a) A system used to improve the performance of personnel.
- (b) The main way in which an employees wages are determined.
- (c) A system of reward points offered by retailers to attract customer loyalty.
- (d) The evaluation of an individual employee's performance over a given period of time.

**The evaluation of an individual employee's performance over a given period of time.**

Appraisal is just this and in most cases it is based on a series of observations or in some cases tests. These mean that most appraisals are partly judgmental in content. Think about developing the employee. Most systems concentrate on either what appears in four above or use an approach that looks to identify training gaps and see if the employee potential necessitates these being addressed.

Q18. In recent years autonomous working groups have come to play an important part in many businesses. What are their essential features?

- (a) The group reports directly to the senior management above them in the hierarchy of the firm.
- (b) The creation of teams which have a high level of autonomy and control over their immediate working environment.
- (c) The bringing together of various individuals who have a common interest in solving certain problems.
- (d) A group of experts brought into research new ways of producing a product.

**The creation of teams which have a high level of autonomy and control over their immediate working environment.**

You need to remember that these groups are given flexibility to decide on schedules, resource allocation and task allocation. If they work then management should see improvements in productivity. Training and preparation are essential if they are to work.

Q19. Authoritarian leadership is a term often seen in textbooks. What does it mean?

- (a) A style of leadership where the leader keeps a very tight control on all information and decision-making processes.
- (b) A system of leadership that allows maximum participation by all employees.
- (c) A chain of command that is flat and allows considerable personal freedom to make decisions.
- (d) The selling of debts to an agency, who take responsibility for their collection.

**A style of leadership where the leader keeps a very tight control on all information and decision-making processes.**

Remember that it's a style of leadership that is based on strict objectives and control resting on one individual. You need to remember that this is a style of leadership that is personality based, offers quick decisions, involves a one-way communication process and seldom promotes delegation.

Q20. Ineffective planning of workforce would be highlighted by

- (a) Recruitment and selection problems.
- (b) The need to out source some of the production.
- (c) A need to offer retraining to current employees.
- (d) An opportunity to increase the use of mechanisation.

#### **Recruitment and selection problems.**

Ineffective workforce planning would mean not having the right people at the right time to do the right work. Which of these says that? When learning/revising this part of your specification think about: poorly trained employees, low morale, high stress levels, high and increasing labour turnover, rising levels of absenteeism, redundancies, rising costs and reaction or crisis management.

The need to out source some of the production would probably be more the sign of supply shortages and maybe some logistical problems.

Q21. Which of the following is one of the factors that might influence the style of leadership used by a firm?

- (a) Accepting that employees who agree are favoured.
- (b) Workers should be left to be more in control of their own working environment.
- (c) Offering profit sharing as part of employees remuneration package.
- (d) The skills expected from each employee.

#### **The skills expected from each employee.**

The style of leadership/management used by a company is influenced by: the corporate culture, nature of the task, the personality of the leadership ; the corporate culture, nature of the task, the skills of the workforce, the personality of the leadership, the structure of the company, market conditions.

Workers should be left to be more in control of their own working environment this is part of the democratic system and is taken from McGregor's Theory Y.

Q22. Which of the following will influence the style of management used by a company?

- (a) The desire by the owner to have the workforce treat him in a fatherly way.
- (b) The need to focus discussions on policy as a joint process between employees and employer / manager.
- (c) The culture of the company, the nature of its work and the preferences of the individual managers.
- (d) The use of distinct penalties for poor performance.

**The culture of the company, the nature of its work and the preferences of the individual managers.**

When considering what influences the style of management used remember to think about: the situation, the task, the market in which the company operates and how the organisation has put together its values and visions.

Q23. What is meant by the term empowerment?

- (a) A process of giving employees greater autonomy and decision-making powers.
- (b) A system that encourages workers to move more freely within the workforce.
- (c) The opportunity to share in the company's profits.
- (d) A formal system of leadership that relies greatly on control.

**A process of giving employees greater autonomy and decision-making powers.**

When studying empowerment remember that it should aid flexibility, quality and is part of the process of adding value within an organisation.

Q24. Which of the following will influence the method of recruitment and selection used by a company?

- (a) The state of the economy.
- (b) The size of the organisation.
- (c) The type of training programmes used by the company.
- (d) The possible expansion of UK business in Europe.

**The size of the organisation.**

Some other factors that might influence recruitment might include: the nature of the job needing to be filled, its location, costs, what type of labour is available, management attitudes and other external factors, such as competitors terms and conditions.

Q25. Which of the following is an accurate definition of recruitment?

- (a) The process of attempting to fill gaps that exist in the skills of the current labour force.
- (b) The system of following someone around and noting how they perform their duties.
- (c) The process by which companies fill the need to find new employees.
- (d) A statement that enshrines the fundamental objectives of the company.

**The process by which companies fill the need to find new employees.**

Recruitment is all about employing staff - which of these says that best?

Think about job descriptions, alternative ways of attracting new staff, personal qualities of the needed person, where to place the advert. the method of selection to be used, the legal procedures needed. Then you have revised most of recruitment.

Q26. Which of the following is NOT normally a sign of poor morale amongst a workforce?

- (a) High levels of absenteeism.
- (b) High levels of turnover.
- (c) Increased levels of personal productivity.
- (d) A poor external image and difficulties attracting good recruits.

**Increased levels of personal productivity.**

Morale tends to be low when there are signs of: absenteeism, labour turnover, rising costs, poor external image, low productivity and the loss of any competitive advantage.

Q27. Which of the following IS one of Herzberg's 'motivational factors'?

- (a) Opportunities to achieve some personal advancement within the organisation.
- (b) The application of respected supervision of employees by those responsible for this role within the organisation.
- (c) Within organisations it is the workings of groups that influence codes of behaviour.
- (d) People are primarily motivated by money and little else.

**Opportunities to achieve some personal advancement within the organisation.**

When thinking about Herzberg and motivators remember recognition, some responsibility, the nature of the work itself, achievement, improvements in these will increase motivation. Make sure you learn the differences between the motivators and hygiene factors.

People are primarily motivated by money and little else is part of the work of FW Taylor.

Q28. Which of the following is one of Herzberg's 'hygiene factors'?

- (a) Recognition in the workplace.
- (b) A reasonable salary.
- (c) An opportunity to take some responsibility in ones place of work.
- (d) Developing a sense of achievement in the working environmen

**A reasonable salary.**

When studying Herzberg and his hygiene factors remember that improvements to them might remove some dissatisfaction but will not increase satisfaction and personal motivation. When studying Herzberg and his Hygiene factors remember; salary, security, supervision, working conditions, company policy and that improvements to these might remove some dissatisfaction but they will not increase satisfaction and personal motivation.

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### **External Influences: Test 3**

Q1. Which of the following might cause a downturn in the economy?

- (a) The demand for a product is exceeding its supply.
- (b) A total fall in output and expenditure.
- (c) Distinct signs of growing business confidence.
- (d) Stocks are starting to exceed demand.



**Stocks are starting to exceed demand.**

Downturns are often about to happen when: inflation starts to rise quite quickly, government acts to control inflationary pressures and business confidence begins to fall month on month.

A total fall in output and expenditure is a sign of a forthcoming recession

Q2. If the pound increased in value against the dollar what would happen to the price of exports?

- (a) Imports will become more expensive and exports will be less expensive.
- (b) An increase in the exchange rate means dearer exports but cheaper imports.
- (c) The exchange is influenced by government action in order to prevent it changing to an undesirable level.
- (d) The government will buy the currency in order to support its value.

**An increase in the exchange rate means dearer exports but cheaper imports.**

When thinking about exchange rates remember to revise the types i.e. fixed, floating and managed. Also if a currency increases in value then exports become more expensive and imports less costly. If the currency falls against others then imports become more expensive and exports cheaper.

Q3. Rising interest rates can have all but one of the following implications for an economy. Which one is it?

- (a) Credit sales will fall.
- (b) Investment may start to fall as business loses confidence.
- (c) Potential exporters will see the UK market as one worth selling to.
- (d) As the cost of maintaining working capital rises so stocks will need to be reduced.

**Potential exporters will see the UK market as one worth selling to.**

You should now be thinking about the consequences for business of increases in interest rates. Also think about the impact on savings versus consumption, the drop in mortgage holders income and the impact on those on low or fixed incomes.

As the cost of maintaining working capital rises so stocks will need to be reduced we would predict this to possibly be the case for business as it adjusts to increases in interest rates.

Q4. Which of the following is an accurate definition of interest rates?

- (a) The cost of borrowing money.
- (b) The price of one currency expressed in terms of another.
- (c) The level of unemployment that is normally apparent in an economy as some people are in between jobs or searching for a new one.
- (d) The setting of the exchange rate by the forces of the market for currency.

**The cost of borrowing money.**

Always make certain you understand how increases and decreases in REAL interest rates can influence business behaviour and confidence. Interest rates represent the cost of borrowing money and so are a key cost to a firm if they are borrowing for expansion of investment.

The setting of the exchange rate by the forces of the market for currency is a freely floating exchange rate

Q5. Which of the following would probably NOT be the result of a period of relatively high inflation?

- (a) Lower sales within the economy.
- (b) A loss in international competitiveness.
- (c) An increase in the trade surplus of the country.
- (d) Workers demand higher wages.

**An increase in the trade surplus of the country.**

Remember to always think who will be effected by inflation and why. Also think about what government might do to try and reduce inflationary pressures. These can have an adverse affect on some parts of the community. Workers demand higher wages would be a likely outcome of a period of sustained inflation.

Q6. Which of the following is NOT a primary cause of inflation in an economy?

- (a) Large increases in consumer demand that cannot be adequately meet by current supply.
- (b) Increases in costs, wages, imported goods / components/ raw materials and other expenses.
- (c) A belief amongst many in the population that prices will be rising in the future.
- (d) Falls in the amount of money in circulation beneath the growth rates being recorded by the economy.

**Falls in the amount of money in circulation beneath the growth rates being recorded by the economy.**

Most of these ARE causes. Look for the one that won't lead to higher demand or higher costs for firms that they have to pass on to consumers in higher prices. Always think about how any or all of these might affect a business and an economy. Think falls in demand, increases in cost, loss of competitiveness and increases in unemployment. Most of the options give ARE causes, falling money supply growth will have the opposite effect. Large increases in consumer demand that cannot be adequately meet by current supply is known as demand pull inflation. It normally needs high levels of employment are relatively cheap sources of credit to exist.

Q7. Which of the following is an accurate definition of price inflation.

- (a) An increase in prices.
- (b) A persistent increase in the general level of prices.
- (c) Decreases in the general level of prices.
- (d) The index that measures monthly movements in prices.

**A persistent increase in the general level of prices**

Make certain you know what is meant by inflation and how and why it affects certain groups more than others.

Q8. Which of the following is a clear sign that an economy is heading for recession?

- (a) A rise in the demand for consumer goods.
- (b) Companies start to post growing amounts of bad debts.
- (c) The capacity within the economy is being fully used.
- (d) Potential bottlenecks start to appear within the economy.

**Companies start to post growing amounts of bad debts**

Corporate debts become higher as sales fall at a time of recession. Think about falls in output, bankruptcies, increasing unemployment, falling investment and a loss of business confidence.

Q9. Which of the following might cause cyclical unemployment?

- (a) A downturn in world export trade.
- (b) The replacement of coal by gas in many of the UK power stations.
- (c) A fall in the competitiveness of UK clothing products.
- (d) Some workers in the hotel trade being laid off in late October.

**A downturn in world export trade**

Cyclical unemployment is unemployment that happens with a downturn in the trade cycle. Which of these might cause that? When working on cyclical unemployment always remember to focus on: the market for the product under consideration, luxuries versus necessities, the level of profit being earned by the product, how quickly falls in business confidence will affect the industry.

The replacement of coal by gas in many of the UK power stations is normally a cause of structural unemployment.

Q1. A firm will have monopoly power if

- (a) it is the sole producer of its product.
- (b) it has a market share of at least 25%.
- (c) it can set its price.
- (d) it is making high profits.

**it has a market share of at least 25%.**

Monopoly is the least competitive type of market. Firm controls the market. But can a firm exert control on a market if there are other suppliers?

Any firm can set its price. The market decides if it sells or not.

Q2. All of the following are examples of unfair competition, except

- (a) restricting supply to retailers who agree to take a complete range of items.
- (b) a monopoly charging excessive prices because of lack of competition.
- (c) market sharing; where a group of firms agree to share a market and fix prices in their favour.
- (d) a firm taking out a patent for a drug it has invented.

**a firm taking out a patent for a drug it has invented**

It is not the taking of a patent that might be unfair, its how it is used. What is unfair competition? It is the earning of excessive profits, well above the amount that could reasonable be expected. Note that the words 'excessive' and 'reasonable' are subjective.

Q3. The dominant firm in a market is operating at near full capacity, and the other firms can do little to significantly increase their supply to the market. This will lead to all of the following, except

- (a) rising prices as demand begins to outstrip supply.
- (b) high and rising profit margins.
- (c) increased levels of marketing, especially advertising.
- (d) new firms considering entering the market.

**increased levels of marketing, especially advertising.**

Think of supply and demand. Demand will exceed supply, prices will rise, but not costs. High profits will attract new entrants, though that may not find it easy to do.

Q4. A rise in interest rates, followed by a rise in the exchange rate, will result in all of the following effects, except

- (a) The price of imported raw materials will rise.
- (b) The price of imported raw materials will fall.
- (c) The price of exported goods will rise..
- (d) Domestic producers will find it harder to compete against imported goods.

**The price of imported raw materials will rise.**

Q5. The business cycle is the regular pattern of upturns and relative downturns in output and demand within an economy. All of the following can cause this, except

- (a) Government policies which effectively achieve steady, sustainable growth.
- (b) changes in business confidence, leading to more of less capital investment.
- (c) stockbuilding, followed by destocking.
- (d) Irregular buying of consumer durables such as cars and household appliances

**Government policies which effectively achieve steady, sustainable growth.** Think about what will cause a company to increase or decrease its production.

## External Influences: Test 1

Q1. An increase in the rate of interest may reduce the profits of a company because

- (a) the customers will have more money to spend.
- (b) exports will become easier and cheaper.
- (c) costs will increase since overdrafts and loans will be more expensive.
- (d) it will become more rewarding to invest in new products and projects.

**costs will increase since overdrafts and loans will be more expensive.**

Note the link between interest rates and the exchange rate for sterling.

It will become more rewarding (and less risky (to leave the money in the bank.

Q2. All of the following are examples of external stakeholders of a company except

- (a) shareholders.
- (b) suppliers.
- (c) customers.
- (d) local government.

### **shareholders**

Stakeholders are any group, individuals or firms which have an interest in the survival and operation of a business. Internal stakeholders are shareholders, directors, managers and workers. All the rest are external. Suppliers are outside the firm but depend on it.

Q3. Structural unemployment can be caused by all of the following, except

- (a) a collapse in the demand for coal, leading to pit closures in South Wales.
- (b) a slowing of the economy.
- (c) growth of the textile industry in India, leading to the failure of the industry in Lancashire.
- (d) collapse of the market for valves after the invention of transistors.

**slowing of the economy** will cause cyclical unemployment. Cyclical unemployment is unemployment resulting at the downturn in the trade cycle, so this is not structural.

Q4. A market is said to be oligopolistic when

- (a) it is dominated by a single supplier of a product.
- (b) a few significant suppliers dominate the market for a product.
- (c) there are many small firms supplying the same product.
- (d) there are many branded varieties of the product on the market.

**a few significant suppliers dominate the market for a product**

oligopoly means 'run by the few'.

Q5. All of the following are examples of unfair competition, except

- (a) two firms agreeing to fix their prices.
- (b) three companies agreeing to share a market between them.
- (c) a monopolist charging excess prices for its product.

(d) exploiting a patent that the firm has on a product it has developed itself..

**Exploiting a patent that the firm has on a product it has developed itself.** It is an asset that it has developed itself. It has a fair competitive advantage.

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