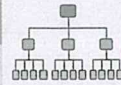


## Chapter 2 Introduction to Management

### Case Questions



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

1. **D**  
By definition, in the manufacturing sector, a company is regarded as an SME if it employs no more than 100 workers. As ABC Ltd employs a total of 140 workers, the condition is not fulfilled.  
A is incorrect. A limited company may not necessarily be an SME. For instance, in the non-manufacturing sector, MTR Corporation Limited is not an SME as it employs over 50 workers.  
B is incorrect. There are actually 140 workers in ABC Ltd.  
C is incorrect. Having a marketing department does not necessarily imply that the company is not an SME. Whether a company is an SME or not depends on the number of workers employed by the company.
2. **B**  
(1) is incorrect. Forecasting demand is the work of a marketing manager. Yet, an operations manager determines the quantity of products to be produced using the information given by the marketing manager.  
(2) is correct. Scheduling work is the work of an operations manager.  
(3) is incorrect. The determination of the types of products is the work of a marketing manager. An operations manager follows plans formulated by the marketing manager and determines the best production scale to cope with the planned production need.
3. **B**  
B is correct. Middle management is responsible for resolving operational problems and improving the company's performance, while top management determines the organisational goals of the company, with front-line management supervising workers in the daily operations of the business. Last but not least, front-line management is equal to first-line management.
4. **C**  
Different business functions are interdependent and interrelated. As a result, a business function can only be carried out effectively with the support from other business functions.  
A is incorrect. Even if one is more experienced than the others, it does not necessarily imply that others should cooperate well with him. There is hardly any correlation between them.  
B is incorrect. The share of contribution does not affect whether one should cooperate well with others.  
D is incorrect. The accuracy of market information does not rely on the cooperation between the two departments, but the scale of market research. Operations managers do not provide any assistance to increase the reliability of market information gathered; so, even Jasmine cooperates with the marketing manager well, information can still be inaccurate.
5. **A**  
(1) is correct. Jasmine should never delegate authority and responsibility if her subordinates lack the ability to finish the assigned tasks or are irresponsible. Otherwise, the assigned tasks may not be completed successfully.

- (2) is incorrect. Jasmine has the right to delegate the tasks to her subordinates by herself. Prior permission from Mr. Yu is not required.
- (3) is incorrect. Authority and responsibility should go hand in hand. Jasmine should delegate a sufficient amount of authority to subordinates to let them fulfil their responsibilities.
6. **B**  
It is the duty of a manager to oversee and monitor the tasks carried out by subordinates. The mistakes made by subordinates reflect Jasmine's inability to supervise her subordinates. Therefore, Jasmine should be held accountable for the mistake.  
A is incorrect. Whether Jasmine is more capable or not does not determine her accountability for the mistake.  
C is incorrect. Whether the mistake is made by Jasmine or her subordinates does not affect Jasmine's accountability for the mistake.  
D is incorrect. The fact that Jasmine has delegated her responsibility to her subordinates is not the reason explaining why Jasmine should be held accountable. It is Jasmine's inability to supervise her subordinates that makes Jasmine accountable for the mistake.
7. **A**  
(1) is correct. Planning helps identify and anticipate potential problems and hence enables managers to take precautionary measures beforehand.  
(2) is correct. Business plans serve as a direction for employees to follow.  
(3) is incorrect. Allocating resources to different tasks belongs to the function of organising.
8. **C**  
In the case, all workers receive and follow the instructions from Kelvin directly, which reveals that the company has a flat organisational structure.  
(1) is incorrect. Under the flat organisational structure, there are fewer managers, implying a wider span of control for each manager. Hence, Kelvin has to manage many subordinates by himself, resulting in a heavy workload.  
(2) is correct. As the company has a flat organisational structure, messages pass through fewer levels. Thus, messages can go up and down more quickly under a flat organisational structure. In such a case, feedback and comments can be given and received in a faster manner, speeding up decision-making.  
(3) is correct. Under a flat organisational structure, workers enjoy higher autonomy and therefore have a higher motivation.
9. **D**  
Under laissez-faire leadership, Kelvin provides few or no instructions and directions to subordinates and gives them as much freedom as possible. This can also create a relaxing work environment to inspire their creativity. Besides, there is not a type of leadership style called 'centralised leadership'.
10. **A**  
The process of controlling is as follows:  
Step 1: setting performance standards  
Step 2: measuring actual performance  
Step 3: comparing actual performance with the standard  
Step 4: taking corrective action  
The order of the four steps of controlling in answer A matches the order mentioned above.

11. **C**  
Specialisation, also known as division of labour, allows employees to specialise in doing certain tasks. In this case, Mr. and Mrs. Mak focus on different fields of work, so specialisation is used.
12. **B**  
(1) is incorrect. It is an advantage of unity of direction.  
(2) is correct. One staff member only focuses on one or very few process(es) of production. Only training regarding those specific process(es) is needed, lowering the training costs.  
(3) is incorrect. It is an advantage of unity of command.
13. **A**  
The boutique of Mr. Mak is an SME as the number of workers is fewer than 50, and it is in the non-manufacturing sector.  
(1) is correct. Having limited resources and capital is a characteristic of SMEs. In the case, the capital of the boutique is limited to its owners' personal savings and the money borrowed from the owners' relatives.  
(2) is correct. The boutique merely focuses on selling baby clothes. The market is narrow compared to the one for teens and adults.  
(3) is incorrect. The case does not mention the form of business ownership of Mr. Mak's boutique. Whether the set-up procedures are complex or not depends on the form of business ownership of the boutique. If the boutique exists in the form of a limited company, its set-up procedures are more complicated than that of sole proprietorship and partnership.
14. **B**  
(1) is incorrect. In the case, the owners, Mr. Mak and Mrs. Mak, are also the only workers of the boutique. They do not employ other workers, so no employment opportunities are offered.  
(2) is incorrect. Generally, SMEs are responsive to market changes due to their simple organisational structures. Yet, it is a characteristic but not a contribution to the economy.  
(3) is correct. The boutique provides limited time offers of baby clothes of stylistic themes. These baby clothes are innovative products.
15. **C**  
The boutique has a flat organisational structure. There are only two managers, Mr. Mak and Mrs. Mak, in the shop and they are also workers. Therefore, they can make decisions promptly.  
A is incorrect. Large companies can also be prestigious. Therefore, whether Mr. Mak's boutique is prestigious or not does not constitute an advantage over large companies.  
B is incorrect. The boutique is of a small business scale with a narrow and limited source of capital, resulting in a low credibility. As a result, it cannot obtain bank loans with favourable terms easily.  
D is incorrect. The case does not mention the form of business ownership of the boutique. If the shop is a limited company, either private or public, its profits tax rate is 16.5%, which is higher than that of a sole proprietorship or partnership (15%). Therefore, the boutique does not necessarily enjoy a lower profits tax rate.