

# **BARFS** *in the* **NEW WORLD**

*(Business, Accounting and Financial Studies)*

## **Business Environment & Introduction to Management**

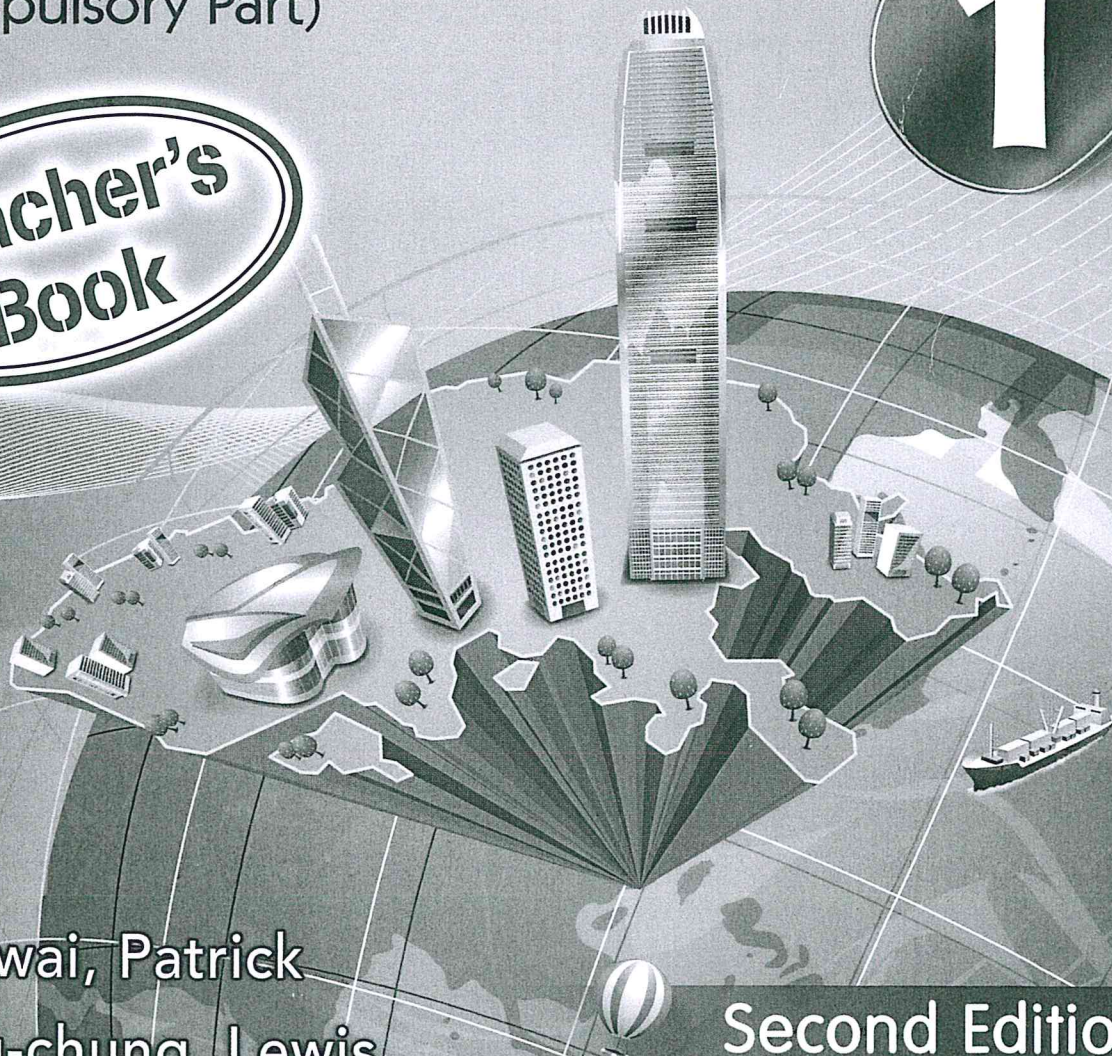
**(Compulsory Part)**

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**Teacher's  
Book**

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**Second Edition**





## Chapter 3 Business Ethics and Social Responsibility

### Business Aids 1

#### A Multinational Bank Started New Round of Job Cutbacks

After the financial tsunami broke out in 2008, many financial institutions had difficulty in surviving and had to take measures to save costs. A multinational bank announced that it would start its second round of job cutbacks.

Starting from 2011, the bank had laid off thousands of employees in the world in order to simplify organisational structure and save operational costs. The bank also sold or closed some of its financial businesses. In May 2013, the bank announced its three-year development plan and said that it would continue to lay off further 14,000 employees in the world.

The bank stressed that the Hong Kong office would not be affected by the new layoff plan. However, it had aroused employees' worries. An employee of the bank said that the Hong Kong office had been contributing profits to the bank. However, many employees of the Hong Kong office were laid off in the last layoff plan. Their morale was greatly hit. Some minority shareholders of the bank also doubted the layoff plan. They believed that laying off staff would damage the bank's image.

#### Questions:

1. (a) According to the above information, what will the impacts of layoff plan on employees and shareholders be?

Employees: The layoff plan raised employees' worries about their job security. It then stroke staff morale. Those employees who were laid off might have a difficulty in earning for living. Those who are not laid off may feel disappointed with the bank and resign.

Shareholders: The bank can save operating costs and boost profits in the short run. Shareholders can then enjoy better investment returns. However, the layoff plan damages the bank's image and loses the public's confidence in the bank. The long-term development of the bank will be affected.

- (b) Is the bank a responsible business? Why?

Yes. In the face of difficult times, the bank should first make sure that it can remain alive. If the bank goes bankrupt, more people will be affected. For example, shareholders would lose their investments and employees would lose their jobs.

Or

No. The bank has been making a profit and there is no reason for laying off employees. It only wants to maximise profits and fails to take up its responsibility to employees and society. If the bank does not provide reasonable compensation for employees being laid off, it will even be criticised by the public.

2. What conflict of interest among stakeholders is reflected in the above incident?

A business relies on employees to maintain daily operations and employees require reasonable remuneration from the business. From the business's viewpoint, employees' remuneration forms a large part of operational costs. When the business is in operational difficulty, directors and managers have to take measures to improve and respond to shareholders' concerns for investment returns. They may try to achieve such goals by laying off staff or reducing employees' benefits.

3. Besides laying off staff, how can the bank improve its performance? Discuss with your classmates.

Any reasonable answers.

## Business Aids 2

### Carbon Audit and Social Responsibility

In recent decades, global warming has become an important social issue all over the world. As business activities emit greenhouse gases which cause global warming, many businesses view "carbon audit" as a way to conserve the environment.

When conducting a carbon audit, a business calculates the amount of greenhouse gases to be emitted directly and indirectly in the course of operations, for example, the amount of greenhouse gases to be emitted in operating machines and vehicles. The amount of greenhouse gases involved in transporting raw materials will also be considered. A carbon audit can be conducted in the whole business or individual departments. The cost of each carbon audit ranges from several thousands to millions of dollars depending on the nature of industry and the unit to be examined.

Businesses can offset their carbon emissions by planting trees or purchasing a "carbon credit". A carbon credit is a transferrable permit issued by certified organisations and the holder has the right to emit a specific level of carbon dioxide or other greenhouse gases. The price of a carbon credit is subject to the market demand and supply.

**Questions:**

1. According to the above information, what is the relationship between carbon audit and social responsibility?

Business activities emit greenhouse gases which lead to global warming. By carrying out a carbon audit, a business can know the amount of greenhouse gases to be emitted in the course of operations. It then plants trees or buys a carbon credit to offset carbon emissions to protect the environment and fulfil social responsibility.

2. According to the above information and your knowledge, what is the use of a carbon credit?

The holder of a carbon credit has the right to emit a specific level of carbon dioxide or other greenhouse gases. As it involves a cost in acquiring a carbon credit, businesses will try to reduce emissions of greenhouse gases and minimise the impacts of business activities on the environment.

3. In addition to carbon audit, how can businesses minimise the impacts of business activities on the environment? Discuss with your classmates.

Any reasonable answers.

**Business Aids 3****Light Pollution in Hong Kong**

Light pollution means “the illumination of the night sky caused by excessive artificial light”. According to a survey conducted by a local university, the light pollution in Hong Kong was serious. Tsim Sha Tsui was over 1,000 times brighter than a normal dark sky.

In Hong Kong, many billboards on the streets keep on giving out light after business hours. This is believed to be one of the main sources of light pollution in Hong Kong. An environmental protection group found that a consumer electronics chain did not turn off the lighting in store after business hours. It criticised the chain for being environmental-unfriendly and causing light pollution. It also urged the store to fulfil social responsibility.

In response to the public’s concern for light pollution, the HKSAR government issued the Guidelines on Industry Best Practices for External Lighting Installations in 2012. The Guidelines suggested that businesses turn off external lighting after 23:00. The government has also been evaluating the feasibility of regulating external lighting. However, no consensus has been reached as this may provoke debate among various parties.

**Questions:**

1. (a) According to the above information and your knowledge, what are the impacts of light pollution on the public?

Outdoor lighting at night disturbs the residents nearby. It also obscures the night view. People's quality of life will then be affected.

- (b) According to the above information, what are the roles of the government in controlling the light pollution in Hong Kong?

The HKSAR government issued guidelines on the use of external lighting installations. The guidelines encouraged businesses to turn off external lighting after business hours. In addition, it has been studying the feasibility of regulating external lighting by setting up laws.

- (c) What benefits will businesses enjoy if they take the initiative to turn off billboard lighting at an earlier time?

If businesses take the initiative to limit the hours of turning on billboard lighting, they can save energy and fulfil social responsibility. Besides, the residents nearby and environmental protection groups will be less likely to complain about the businesses. The businesses can maintain good reputation.

2. If the HKSAR government restricts the use of external lighting installations, which groups of stakeholders will be involved besides environmental protection groups? What are their concerns?

Business owners/Shareholders. Some businesses are worried that the policy would reduce the effects of promotion and their profits would be decreased. Besides, they may have to switch to other promotional methods. The cost of promotion may then be increased. All these strike owners' interests.

The public. Some people may be concerned about whether the policy would cause inconvenience to them in daily lives, for example, some recreational activities at night may have to be suspended. In addition, if the government fails to execute the policy effectively, the public may feel dissatisfied with the government.

3. If you were the manager of a business, what would you do to respond to the public's concern of light pollution?

Any reasonable answers.

## Answers to Short Questions

17. Employees. (1)  
 Concerns: Salaries and fringe benefits, training, promotion opportunities, job security (*Any two*) (2)
- Investors. (1)  
 Concerns: Profitability and financial conditions of the business, long-term development of the business, corporate image (*Any two*) (2)
- Credit providers. (1)  
 Concerns: Repayment ability of the business, risks of lending loans, accuracy of financial information provided by the business (*Any two*) (2)
- Suppliers. (1)  
 Concerns: Terms of contract and payment ability of the business (2)
- Government. (1)  
 Concerns: Whether the business complies with laws and regulations, tax payments collected from businesses (2)
- Society/community. (1)  
 Concerns: Environmental protection, contribution to vulnerable groups, involvement in charitable work (*Any two*) (2)  
 (*Any two*) (2)

**(Total: 6 marks)**

18. Business ethics are moral rules which govern business activities and decisions. They help managers or employees distinguish between right and wrong in making business decisions. (1)
- Social responsibility emphasises that businesses should strike a balance between making profits and contributing to society. Businesses should consider whether business activities will bring any adverse effect on stakeholders. (1)
- In order to fulfil social responsibility and contribute to the society, businesses should consider beyond the law and business ethics. They should make sure that they act in a manner that cares about different stakeholders' concerns and supports social development. (1)
- Thus, business ethics are an element of social responsibility. If a business fulfils social responsibility, it should foster business ethics at the same time. (1)

**(Total: 4 marks)**

19. (a) Business ethics are moral rules which govern business activities and decisions. They help managers or employees distinguish between right and wrong in making business decisions. (1)

**(Total: 1 mark)**

- (b) They help build up positive corporate image and reputation for the business. (1)  
This will enhance investors' and owners' confidence in the business. It would be easier for the business to raise capital from investors in the future. (1)

They help attract customers. (1)

If a business provides high-quality goods and services to customers at a reasonable price and provides after-sale services, customers are more willing to buy the products and services. In this way, the business can develop a loyal customer base and increase sales. (1)

They promote harmonious employer-employee relationship. (1)

If a business is ethically responsible to employees and provides them with good working environment, reasonable salary, and training opportunities, employees' morale will be raised. Staff turnover will also be lower. All these increase the productivity of the business. (1)

*(Any two)*

**(Total: 4 marks)**

20. Businesses can emphasise the importance of business ethics in its mission statement. (1)  
A mission statement states the purposes of a business and objectives that the business hopes to achieve. After reading the business's mission statement, employees will be committed to business's values and appreciate the importance of business ethics. (1)

Businesses can distribute a code of ethics, setting out behavioural guidelines at work, to employees. (1)

By stressing the ethical standards of the business on the code of ethics, employees are reminded to maintain business ethics. (1)

Businesses should build corporate culture that stresses the importance of business ethics. (1)

Corporate culture affects how employees work and make decisions. For example, businesses can set good ethical qualities as selection criteria to ensure that employees maintain business ethics at work. (1)

Businesses can conduct training sessions to strengthen employees' commitment to business ethics. (1)

Through training, employees would be able to understand the business's ethical standards and maintain the same set of standard at work. (1)

*(Any three or other reasonable answers)*

**(Total: 6 marks)**



21. Employees of the factory will be affected. (1)  
 Pay employees reasonable severance and other compensation, assist employees in finding a new job (*Any one or other reasonable answers*) (1)
- The factory owners will also be affected. (1)  
 Disclose the details of the relocation, consult the owner before executing the plan (*Any one or other reasonable answers*) (1)
- Customers will be affected. (1)  
 Strengthen quality control, keep the price of products at reasonable level (*Any one or other reasonable answers*) (1)
- Creditors will be affected. (1)  
 Contact the creditors to let them evaluate the risk of providing loans again, reserve sufficient funds to repay the creditors after the relocation of factory (*Any one or other reasonable answers*) (1)  
 (*Any three*)

**(Total: 6 marks)**

22. No. Businesses cannot ignore their social responsibility. (1)  
 Stakeholders may be discontent with the business which refuses to shoulder social responsibility. They may take actions against the business. For example, employees may go on strike for cutting wages. Customers may boycott the products of the business if they are produced in unethical way. These negative consequences may in turn damage the business's profitability. (1)
- A business may be able to improve its profitability in the long run by fulfilling social responsibility. (1)  
 By fulfilling social responsibility, a business can build up goodwill and gain support from the public. This may attract more customers and investors and thus profitability of the business can be improved. (1)

**(Total: 4 marks)**

23. (a) Employees will be affected. (1)  
 They will lose their job and income when the firm goes bankrupt. Employees may also be owed wages, wages in lieu of notice and severance payment. Some of them may then have difficulty in working for a living. (1)
- Creditors will be affected. (1)  
 When the firm goes bankrupt, the amounts lent to the firm may become irrecoverable. Creditors may have to suffer a great loss. Even though creditors have the possibility of collecting the loan amounts, they may have to go through a number of legal procedures. It usually involves a long period of time. (1)

Mr. Kwong will be affected. (1)  
He will lose most or all the money invested in the firm. His reputation in the industry may be damaged. (1)  
(Any two)

**(Total: 4 marks)**

(b) No. Eagle Limited is a limited company. (1)  
As the shareholder of Eagle Limited, Mr. Kwong enjoys limited liability. When the company fails, Mr. Kwong's loss is limited to the amount invested in the company. He is not required to settle the debts of the company with his personal assets. (1)

**(Total: 2 marks)**

24. Conflict may break out between shareholders and managers. (1)  
Managers are usually concerned about the projects that they are responsible for and the profits in the short run. They may overlook the long-term development and profitability of the business. This may cause conflicts of interests between managers and shareholders. For example, managers may prefer participating in high-risk projects to generate more profits in the short run and get more bonus. Shareholders' interests may then be ignored. (1)

Conflict may break out between customers and employees. (1)  
Customers want to purchase high-quality goods at a low price while employees want to have better salary and benefits. Employees' salary is an important component of the cost of production. When employees' salaries are raised, production costs will be increased. Businesses may have to raise the selling prices of products and services. Customers need to buy products and services at a higher price. (1)

Conflict may break out between shareholders and environmental organisations. (1)  
Shareholders expect that the business can earn more profits while environmental organisations demand that businesses carry out measures to reduce the damage to the environment during production. However, environmental protection measures taken by a business, such as installing a sewage treatment system, will increase operational costs and reduce profits. (1)  
(Any two)

**(Total: 4 marks)**

25. Yes. Businesses can be socially responsible and make profit at the same time.

If a business tries to keep customers' information confidential, customers will be more confident about the business. (1)  
It is beneficial for a business to keep customers' information confidential as it involves low cost and helps the business build up a positive image. (1)

If a business takes up the responsibility to provide training and promotion opportunities to employees, a sense of belonging among employees will be developed. (1)  
This raises employees' productivity and the operational efficiency of the business. The profits of the business can be increased as a result. (1)

When a business applies for loans from financial institutions, it should give accurate information about the use of loans and financial status of the business. (1)

This can help the financial institutions evaluate the risk of providing loans. It is easier for the business to get loans with better terms. The business can improve its operations with the loans, and generate more profits. (1)

*(Any two)*

OR

No. Businesses cannot be socially responsible to stakeholders and make profit at the same time.

The installation of sewage treatment facilities reduces the damage to the environment that a business causes. (1)

However, the installation cost may be high. The cost of running the facilities may also increase operational costs and reduce the profits of the business. (1)

A business can help the needy by taking part in charitable activities. (1)

However, this increases operational costs and reduces the profits it can make. (1)

A business can fulfil its responsibility to its employees and increase productivity by offering them training opportunities. (1)

However, extra costs are incurred and the business's profits may be reduced in the short run. Employees may still leave for other companies after training. In this case, the business gets nothing from the extra training cost. (1)

*(Any two)*

**(Total: 4 marks)**

26. (a) Cheong Yick Company can build up its goodwill and attract more customers. (1)  
By using eco-friendly materials in production, the company can promote a green corporate image. This may attract customers who care about the environment. Some customers may also prefer to buy furniture from a well-famed company. (1)

Cheong Yick Company can cater for customers' needs. (1)

It introduces knock-down furniture, which facilitates the transportation and storage of furniture. It is convenient for users who have little space in the office. Since the products can cater for customers' need, it is obvious that more customers will be attracted to buy the products and the company can earn more profit. (1)

**(Total: 4 marks)**

- (b) It should ensure the design and materials of the equipment are up to required safety standards. (1)

It should sell the products at a reasonable price. (1)

It should provide customers with correct product information and specify the important issues when using the products. (1)

*(Any two)*

**(Total: 2 marks)**

- (c) The government can encourage businesses to take social responsibility by economic means. (1)

She can provide tax exemption to businesses which participate in charitable works. She can also provide discount on businesses' electricity fees if they can lower the usage at a certain level. (1)

The government can actively invite businesses to fulfil social responsibility. (1)

She can hold campaigns on charitable activities and invite businesses to sponsor so that businesses can fulfil social responsibility and promote its corporate image at the same time. (1)

The government can appreciate the businesses which actively fulfil social responsibility. (1)

She can cooperate with charities and organise variety shows which merit businesses' socially responsible acts. (1)

The government can lead by example to encourage businesses to fulfil social responsibility. (1)

She can enforce socially responsible practices in government departments, such as promoting family-friendly employment practices and eco-friendly workplace. (1)

*(Any two)*

**(Total: 4 marks)**

27. (a) Residents in the district. (1)

They concern their living environment. High density of buildings results in poor air quality and higher room temperature, which may damage residents' health. They will be dissatisfied with the real estate developer if more high-block buildings are constructed in the district. (1)

Government. (1)

She concerns the interest of general public. Owing to rising public concerns about wall effect, the government may impose restrictions on the design and density of new property development projects. (1)

Shareholders. (1)

They concern the return from investing in the company. The average cost of construction will rise if the number and height of buildings are restricted in each property development project. The profits of real estate developers may drop. Shareholders may not be able to enjoy satisfactory returns. (1)

*(Any two)*

**(Total: 4 marks)**

- (b) The real estate developer's new property development projects may face resistance from the stakeholders. (1)

Residents in the district and environmental protection groups may demonstrate against the constructions of high-block buildings. They may even file legal charges against the constructions. Such actions may hinder the progress of the construction works. This increases the cost of constructions. (1)

The government may impose more restrictions if the real estate developer continues to ignore other stakeholders' concerns. (1)

Residents and environmental protection groups may press the government to restrict the regulations on constructing high-block buildings. The government may try to settle the discontent of the stakeholders by imposing more stringent regulations. This increases the cost of construction in the future. (1)

**(Total: 4 marks)**

- (c) Managers of real estate developers can contact residents' association to collect information about residents' opinions towards the property development project. If there is opposition from residents, they should discuss with the residents to reach a consensus. (1)

Managers of real estate developers should study government documents to understand the government's restrictions on property development projects. If there are further inquiries, they should meet with government officials to obtain more information. (1)

Managers of real estate developers should state the development plans of the business to the shareholders clearly. It makes sure that the shareholders agree with the business's strategies and measures to tackle government's restrictions. It avoids shareholders' dissatisfaction with the business. (1)

*(Any two)*

**(Total: 2 marks)**

## Chapter 4 Management Functions I

### Business Aids 1

#### Centralisation and Decentralisation in a Business

Centralisation means that the power for making decisions is in the hands of the top management. Middle and first-line management can hardly participate in the process of decision-making. Decentralisation, on the other hand, allows middle and first-line management to get involved in decision-making.

In the early stage of development, businesses usually practise centralisation. However, when a business expands, the owners or managers may find it difficult to run the whole business by themselves. Businesses need to decide whether a centralised or decentralised organisational structure should be adopted. The businesses may decide to delegate part of the authority to other staff members. They may also try to attract external investors and employ professionals to manage the businesses.

Under the impacts of globalisation, businesses are facing intense competition from all over the world. This is the reason for the reform of the organisational structure in many businesses. A manager of a multinational computer manufacturer said that while the headquarters manages some of the tasks such as human resources and financial matters, the regional staff is in charge of marketing and sales activities. Yet, another manager of the manufacturer argued that this might cause confusion in different departments.

#### Questions:

1. According to the above information, what are the reasons for decentralisation in a business?

When a business is growing steadily, the owners or managers may find it difficult to run the whole business by themselves. They will give in part of the authority to other employees, i.e. the business is decentralised, to facilitate business growth.

2. According to the above information, what are the differences between the suggested organisational structure (suggested by the manager from the multinational computer manufacturer) and centralisation or decentralisation?

The organisational structure mentioned in the case above is neither centralisation nor decentralisation. The manager suggested the headquarters only managed human and financial resources. Regional staff would handle marketing and sales activities. Neither of the parties has full authority on the management of the business.

3. In your opinion, what are the advantages and disadvantages of centralisation and decentralisation? Discuss with your classmates.

Any reasonable answers.

## Business Aids 2

### The Art of Communication with Employees

In the old days, managers usually adopted autocratic leadership. Nowadays, managers advocate the idea of “being friends with subordinates”. Managers now stress the importance of employees and try to build a close relationship with them.

The owner of a game manufacturer mentioned that a harmonious relationship between the managers and subordinates could facilitate operations. In his business, the staff could communicate with the managers by email. Besides, the staff could ask him questions directly during the quarterly staff meeting. Some of the staff said that they had developed a close relationship with the managers as if they were in a family.

The owner of a drink retail business agreed that staff would work harder when they felt being respected. Therefore, he would listen to employees patiently to make them feel respected. Moreover, he suggested that businesses could arrange staff activities such as parties and outdoor activities to let employees and managers communicate with each other.

Although communication can be enhanced and operational efficiency can be raised by building a close relationship between managers and subordinates, managers should know about how to deal with the matters in building the relationship. Otherwise, negative outcomes may appear.

#### Questions:

1. Do you think that leadership style of “being friends with subordinates” is similar to democratic leadership? What are the advantages of this leadership style?

Yes. A democratic leader is employee-oriented. Under democratic leadership, managers respect and care about employees’ feelings and opinions. It is similar to the idea of respecting employees as suggested in the above information.

When employees feel that they are respected, they will be more likely to develop a sense of belonging to the business. They will become more willing to work and improve operational efficiency.

2. According to the above information and your knowledge, how can managers build a trusting relationship with subordinates?

Businesses could arrange staff activities such as parties and outdoor activities. Forums can also be established for employees to suggest improvement measures to businesses at any time. In addition, businesses can hold staff meeting regularly to let the staff express ideas and communicate with the top management.

3. What are the problems of the leadership style “being friends with subordinates”? Discuss with your classmates.

Any reasonable answers.

## Answers to Short Questions

18. (a) Management is the process of planning, organising, leading and controlling an organisation’s resources effectively and efficiently so that the organisation may achieve its goals and objectives. (1)

(Total: 1 mark)

- (b) A good management can lead the organisation to operate for its goals. (1)  
Managers perform planning and leading to bring the organisation to operate in line with its organisational goals. (1)  
Take a toy manufacturer as an example. If the manufacturer wants to shoulder social responsibility and earn a profit at the same time, the management should plan for the use of revenue in charitable works instead of sharing the revenue with owners. (1)

A good management is important for a business as it can promote a more effective utilisation of resources. (1)

Managers are responsible for supervising subordinates and managing other resources of the business. They have to ensure that the resources of the business function well to achieve business goals. If the resources of a business are not well managed, both the productivity and competitiveness will be affected. (1)

If a toy manufacturer fails to manage the raw materials, a waste of resources will be resulted and production cost will increase. This might reduce the productivity and competitiveness of the business. (1)

(Total: 6 marks)

19. (a) **Top management:**

Director (1)  
Chief executive officer (1)  
General manager (1)



Chief financial officer (1)  
(Any one)

**First-line management:**

Supervisor (1)

Assistant manager (1)

Team leader (1)

(Any one)

**(Total: 2 marks)**

(b) **Responsibilities of top management and first-line management:**

Top management is responsible for setting policies and long-term goals for the organisation. (1)

Top managers are usually not involved in the daily operations of the organisation.

First-line management is directly involved in the daily operations of the organisation.

First-line managers monitor front-line staff to carry out daily tasks so that the objectives set by the top and middle management can be met. (1)

**Types of plans made by top management and first-line management:**

Top management sets strategic plans for the organisation. (1)

Since the top management is responsible for setting long-term goals for the organisation, strategic plans usually last for a longer period. First-line management sets operational plans to meet the objectives set by top management and middle management. Operational plans are related to the daily operations of the organisation, and last for a shorter period of time. (1)

**(Total: 4 marks)**

20. A well set organisational goal must be specific to employees. (1)  
If the goal is ambiguous, employees may be confused. They may also have their own interpretations of the goal and the plan may get side-tracked. (1)

A well set goal is measurable if it is expressed in numbers. (1)

It enables managers and employees to evaluate whether the goal is achieved easily. They can thus compare the actual performance with the goal to check if the goal is met. (1)

A well set goal must be attainable, which means it is realistic, reasonable and achievable. (1)

If the goal is unrealistic, employees will not be motivated since they believe that they cannot achieve the goal. This adversely affects staff morale and operational efficiency. (1)

A well set goal should be relevant to the results that the organisation wishes to achieve. (1)

In other words, it should be in alignment with other organisational goals. (1)

- A well set goal must be time-specific. (1)  
There must be a completion date for employees to follow. Otherwise, employees may slack or even ignore the plan. (1)  
(Any two)

**(Total: 4 marks)**

21. Strategic plans outline the overall goals and objectives of an organisation. (1)  
They consider the allocation of resources and courses of action on a broad basis. They cover a longer period of time. (1)

Operational plans facilitate the daily operations of an organisation. (1)  
They involve in setting standards and work targets for units and teams in each department and division. They cover a shorter period of time. (1)

**(Total: 4 marks)**

22. Line authority is vertical in nature. It refers to the superior-subordinate relationship. The person at a higher position within an organisation possesses the authority to give instructions to those directly below him/her. (1)

Staff authority is horizontal in nature. It refers to the relationship between people at the same level or at the same rank. Employees with staff authority provide support and advice to line managers and departments. (1)

Using a marketing manager as an example, he/she has the authority to supervise employees working under him/her and line authority is exercised. (1)  
Also, a marketing manager needs support from human resources manager to recruit employees and staff authority is exercised. (1)

**(Total: 4 marks)**

23. (a) An organisational structure is a formal system of interaction and co-ordination of individuals and groups within an organisation. It links the tasks of individuals and groups to contribute to the organisational goals. (1)

**(Total: 1 mark)**

(b) An organisational structure defines the relationship between people in an organisation. (1)  
For example, superiors give instructions to subordinates. Subordinates work under a superior and receive instructions from the superior. Colleagues are people who are at the same level or at the same rank. (1)

An organisational structure helps managers assign tasks to each department and division. (1)

The plans set by top managers are broken down into a number of tasks to be completed by each department and division. (1)

An organisational structure helps delegate authority. (1)

To carry out job duties and specific tasks, employees must have a certain degree of authority to make decisions, perform and supervise activities, allocate resources and lead the work. An organisational structure shows the source of authority. (1)

An organisational structure shows how the information within an organisation flows from the top to the bottom, from the bottom to the top and between persons of the same rank. (1)

Employees can thus know how information is transmitted to the right person or department. (1)

*(Any two)*

**(Total: 4 marks)**

24. After forming departments by product, the management can grasp the information of particular product or service more easily. (1)

This helps the management make production and promotion decisions of a particular product. (1)

Under this method, the company can perform specialisation on particular products or services. (1)

The company can input more expertise and professionals to the department. More tailor-made marketing strategies can be formulated. (1)

**(Total: 4 marks)**

25. An organisation may not be able to identify whether the organisational goals are achieved. (1)

Controlling helps an organisation monitor its activities. Without the process of controlling, an organisation cannot find out if it achieves the pre-set goals, or if it deviates from the goals. (1)

An organisation may have an ineffective use of resources. (1)

If the organisation fails to exercise control on work on a timely basis, the organisation may not be able to identify the deviation of work on time. After the deviation has been identified, the organisation may have already spent time and resources on the deviated work. This will cause a waste of resources and affect the efficiency of the organisation. (1)

**(Total: 4 marks)**

26. (a) Tommy is drafting a long-term plan. (1)  
Long-term plans outline the strategic and long-term development of an organisation. (1)

**(Total: 2 marks)**

- (b) Tommy should set a clear direction when he draws up the plan. (1)  
A plan with clear goals can provide employees with a direction on their future work, which can motivate them to work towards the goals. In his five-year expansion plan, he should set clearly how large the scale of the expansion should be after five years. (1)

Tommy should predict the possible changes and potential challenges in his plan. (1)  
Managers and employees can prepare sufficient preventive measures if the plan can point out possible risks. The chance of failure can then be minimised. (1)

Tommy should provide standard of evaluating the performance in the plan. (1)  
Managers can use the standard to control the progress of the plan. Corrective actions can then be taken in the right time to ensure the successful execution of the plan. (1)  
(Any two)

**(Total: 4 marks)**

27. (a) Delicious Food Trading Co. forms departments by function. (1)

**(Total: 1 mark)**

- (b) Practising departmentalisation in organisations helps organisations better manage employees and work. (1)

Practising departmentalisation in organisations can increase efficiency. (1)

**(Total: 2 marks)**

- (c) **Advantage:**

Employing one assistant manager can help the organisation better supervise the performance of employees. (1)

With the help of an assistant manager, the span of control of the department can be lowered. Such arrangement facilitates better supervision over subordinates by managers. (1)

**Disadvantage:**

Employing one assistant manager decreases the efficiency of the process of decision-making. (1)

More levels of management are involved in making decisions if an assistant manager is employed. The process of decision-making is thus slower. (1)

**(Total: 4 marks)**

28. (a) Mrs. Ng adopts democratic leadership. (1)

**(Total: 1 mark)**

(b) Democratic leadership can enhance staff morale. (1)

A democratic leader is concerned about and respects subordinates' feelings and opinions. He/She will get subordinates involved in decision-making. Under democratic leadership, subordinates' morale can be boosted and work can be done smoothly. In this way, organisational goals can be achieved. (1)

Democratic leadership can develop subordinates' ability to work independently. (1)

Under democratic leadership, all subordinates can get involved in the process of decision-making. Subordinates can make decisions within a certain framework. This can train subordinates to work independently. When the superior cannot complete many tasks at one time, subordinates can handle some of the tasks so that the organisation can run smoothly. (1)

**(Total: 4 marks)**

29. (a) Customers' rating on dishes (1)

Speed of delivery (1)

Number of complaints received (1)

(Any two)

**(Total: 2 marks)**

(b) First, Macy should establish performance standards for Taste Italian to ensure that organisational goals are achieved. (1)

This can check whether the work deviates from the goals easily. For example, Macy can establish various performance standards like customers' rating on dishes and speed of delivery for Taste Italian. (1)

Second, Macy has to measure the actual performance of her employees. (1)

If Taste Italian sets its goal as delivering the dishes to the customers within 20 minutes, Macy should check the time needed for dishes delivery. (1)

Third, Macy should compare the actual performance with established performance standards and find out the deviation. (1)

She has to consider the size and direction of deviation and decide whether corrective actions are needed. If the time needed for delivery of Taste Italian is 30 minutes, Macy has to consider whether the time is acceptable and if any corrective actions should be taken. (1)

Lastly, Macy has to take corrective actions if the deviation is significant, no matter whether it is favourable or adverse. (1)

She should investigate the reasons behind and take corrective actions as soon as possible. If Macy thinks that 30 minutes is unacceptable for delivery time, she should take corrective actions to reduce the time needed. (1)

**(Total: 8 marks)**

(c) Macy can rearrange staff's working hours so as to ensure that sufficient staff is available during peak hours. (1)

Macy can establish an incentive scheme to reward staff who is praised by customers for providing good services. (1)

**(Total: 2 marks)**

30. Yes, no matter which management level a manager is at, he/she should carry out the four management functions, which are planning, organising, leading and controlling. (1)

Planning is important for managers in every management level. Top management is required to draw up strategic plans to set long-term goals for an organisation. First-line management should draw up operational plans to facilitate daily operations of an organisation. (1)

Every manager should carry out organisation in order to arrange resources effectively. Top management should work out the organisational structure in order to arrange the employees and resources of the company in macro level while first-line management should assign duties to suitable subordinates in daily operations. (1)

Leading is also one of the major duties of managers. While top management guides the staff from a higher position, first-line management guides the non-supervisory staff. (1)

Controlling is an essential function that all managers should perform to ensure that business activities go in line with the plan and organisational goals. Top management has to control the overall performance of the organisation. First-line management has to control the performance of its subordinates. (1)

**(Total: 5 marks)**