

UC
MyT



Management Functions

Name : _____

Class : _____ ()



Revision notes

What is management?

Management refers to the process of coordinating resources to meet organisational goals.

Importance of management

- 1 Managers decide the direction of the organisation and how to use its resources to accomplish goals.
- 2 In a well-managed organisation, production activities can be completed efficiently and effectively.
 - (i) Efficiency is 'doing the thing right'. An organisation is efficient when it can get the most output from the least amount of input.
 - (ii) Effectiveness is 'doing the right thing'. An organisation is effective when it can accomplish its goals.

Three levels of management

There are three levels of management

| Levels of management | Responsibilities |
|--|--|
| Top management | <ul style="list-style-type: none"> • Makes company-wide decisions • Determines the overall goals and direction of the company. |
| Middle management | Carries out company plans and decisions made by the top management. |
| First-line management (front-line management) | Supervises workers in the daily operation of the business |

Four management functions

Planning

- In planning, managers establish goals and objectives for an organisation and determine the best ways to achieve them.
- Planning is important because it
 - 1 Anticipates potential problems
 - 2 Establishes a goal and direction for employees
 - 3 Clarifies roles and responsibilities for the employees and facilitates the coordination of their activities.

Types of business plans

| Distinguished by | Types of plans | Characteristics |
|--------------------|------------------|--|
| Breadth | Strategic plan | <ul style="list-style-type: none"> Establishes the overall direction and goals of a company Has a longer time frame Covers the broader issues of the company |
| | Operational plan | <ul style="list-style-type: none"> Describes how the company goals are to be achieved Has a shorter time frame Focuses on the particular issues of the company |
| Time frame | Long-term plan | <ul style="list-style-type: none"> Lasts for five years or longer Covers strategic issues and shows only the direction of the company Minor adjustments can be made each year |
| | Mid-term plan | <ul style="list-style-type: none"> Lasts for one to five years Covers both strategic and operational matters Major changes can be made as needed each year |
| | Short-term plan | <ul style="list-style-type: none"> Lasts for one year or less Covers only operational matters and has specific details Changes are made regularly on a monthly basis |
| Specificity | Directional plan | <ul style="list-style-type: none"> Provides only a direction without specific goals Has only general guidelines Has flexibility and allows changes |
| | Specific plan | <ul style="list-style-type: none"> Has clearly-stated goals which are quantified Has specific details on courses of action Does not allow changes |

Setting goals effectively

- Goals are desired outcomes which give individuals or organisations the targets they should strive for. They are the foundation of planning.
- Characteristics of effective goals are explained in the table on the next page:

| Principles | Goals should..... |
|----------------------------|---|
| Specific | be stated explicitly regarding what is to be achieved |
| Time-based | have a time frame as guidelines for the employees to follow |
| Measurable | be quantified so that actual performance can be measured. |
| Challenging but attainable | be challenging and achievable with extra effort |
| Focused on performance | focus on key results which can affect company performance |

- All organisations have multiple goals. Making a profit is just one of them. A firm cannot be successful by just focusing on profits and ignoring other goals.

Organising

- Organising refers to setting up an organisational structure which specifies the responsibilities for each job position and their relationship.
- Organising determines what tasks are to be done and how the tasks are to be grouped in order to achieve the goals set in planning.

Characteristics of organisational structure

- (i) Levels: Tall structures have many levels which make communication within an organisation difficult. Flat structures are considered by many organisations as more efficient.
- (ii) Job relationships:
 - Superiors: persons who give instructions to others.
 - Subordinates: persons who work under others.
 - Colleagues: persons who are at the same level.
- (iii) Authority:
 - Line authority means that job positions at a higher level have the authority to give instructions to those directly below them.
 - Staff authority is given to positions that are created to support, assist and give advice to line managers or departments.
- (iv) Groupings: The groups may be called divisions, departments, committees or units.
- (v) Communication channels: The lines in an organisation chart are also the formal communication channels through which workers communicate with their superiors, colleagues and subordinates.

Forming departments

Common methods of forming departments are:

- (i) by function: This method is commonly used by small companies and companies with only a few products.

- (ii) by product: This method is often used by companies producing or selling many different types of products.
- (iii) by geographical location: This method is commonly used by multinational corporations which produce and sell goods around the world.
- (iv) by process: This method is commonly used by manufacturing companies.
- (v) by customer: This method is commonly used by companies in service industries such as banks and real estate agencies.

Leading

Leading is the process of guiding, directing, and motivating people to work towards achieving organisational goals.

Importance of leading

- In leading, managers help their subordinates to complete the tasks required. The subordinates can then work in a more effective and efficient manner.
- Managers also support subordinates in solving problems encountered in their jobs.

Leadership styles

| Leadership styles | Characteristics of leaders | Advantages and disadvantages |
|---------------------------------|---|---|
| Autocratic leadership | <ul style="list-style-type: none"> • retains as much power and decision-making authority as possible • does not involve subordinates in the decision-making process | <ul style="list-style-type: none"> • particularly effective in situations where quick decisions are required • has a negative impact on employee motivation |
| Participative leadership | <ul style="list-style-type: none"> • delegates authority • encourages subordinates to participate in the decision-making process. | <ul style="list-style-type: none"> • ideas and suggestions from different people may result in better decisions • likely to slow down the decision-making process |
| Laissez-faire leadership | <ul style="list-style-type: none"> • provides little or no direction to their subordinates • gives subordinates as much freedom as possible. | <ul style="list-style-type: none"> • gives workers a sense of challenge, commitment and satisfaction in their jobs • may lead to chaos when workers just focus on their own tasks and fail to cooperate with others |

Controlling

- Controlling is the process of monitoring activities. It is very important to an organisation as it ensures the organisational activities are completed in a goal-driven way.
- There are four steps in controlling:
 - 1 Setting performance standards: Managers must decide what activities are to be controlled and what standards are to be used for controlling those activities.
 - 2 Measuring actual performance: To control, managers must find out what and how activities have been carried out.
 - 3 Comparing actual performance with the performance standards set: In this step, managers determine whether the actual performance falls within the acceptable range of variation.
 - 4 Taking corrective actions to rectify the deviant performance: It aims to bring unacceptable performance back to the level desired by the manager.



Demo Question

Selina works as a general manager in the Marketing Consultancy Office (Rehabilitation), which is one of the units of the social welfare department in Hong Kong. One of the objectives of the office is to support the employment of people with disabilities. The office will set up a booth at the Hong Kong Brands and Products Expo (工展會) in the coming year. Selina will be held responsible for marketing the hand-made products produced by disabled people to raise fund.

The director, Matthew, has told Selina to coordinate resources to meet the organisational goals. Today, Selina calls Flora, who is the marketing manager and her subordinate, to discuss the issue.

- (a) Who are in the three levels of management in the Marketing Consultancy Office (Rehabilitation)? (3 marks)
- (b) State two specific jobs required of a top manager, a middle manager and a first-line manager in the office. (6 marks)
- (c) Selina delegates the duty to Flora. How should Flora perform the management function of organising to help the office participate at the exhibition? (4 marks)
- (d) Flora has decided to hire three temporary helpers to sell the products at the exhibition. List five ways in which Flora can lead the temporary helpers. (10 marks)



Troubleshooter

- 1 Question (a) requires students to identify the three levels of management in the case study. In fact, this question is very straightforward. Students can simply match the three levels of management with the titles as mentioned in the case.
- 2 In the examination, students are often required to expand their knowledge of the concepts in the textbook. Not every answer can be found in the textbook. Students should use their imagination to arrive at the answers. Question (b) requires students to think of jobs in a non-profit making organisation which operates on a commercial basis, with a company mission. Indeed, this is not a difficult question provided that students understand the concepts of the three levels of management well.
- 3 Exam questions are often designed to test the students' ability to apply concepts in the real world. Question (c) and (d) are typical examples. Students should have a thorough understanding of the two management functions, i.e., organising and leading. Moreover, they should learn how to apply the concept in a real life situation. When answering these types of questions, students must refer to the case study, rather than copying theories or giving a general answer.



Answers

- (a) Top management: Matthew (1 mark)
 Middle management: Selina (1 mark)
 First-line management: Flora (1 mark)
- (b) Top manager: • Determines the overall direction of the company
 • Sets performance targets
 • Plans to cooperate with other organisations
 • Plans to raise funds for the organisation
 (Any two of the above, 1 mark for each point)
- Middle manager: • Adjusts the level of human resources
 • Negotiates with other organisations (partners) to organise campaigns
 • Monitors the implementation of the campaign
 • Develops strategies to promote the image of the office
 (Any two of the above, 1 mark for each point)
- First-line manager: • Organises exhibition
 • Resolves conflicts among workers
 • Supervises and motivates frontline workers
 • Handles customer complaints
 (Any two of the above, 1 mark for each point)

- (c) • Organising determines what tasks need to be done and how the tasks are to be grouped. (2 marks)
- Flora should arrange for manpower to advertise, promote the event and handle sales transactions at the exhibition. Moreover, she should also hold her subordinates responsible for logistics arrangement, onsite setup and product display, etc. (2 marks)
- (d) To lead the temporary helpers, Flora should guide, direct and motivate them as follows:
- Set meaningful goals: Flora should set a sales target for the temporary helpers to achieve.
 - Give clear instructions: As temporary helpers are not permanent staff, they may not be familiar with the products and the office, Flora should provide clear guidelines for them.
 - Provide support and advice: Flora should listen to the concern of the temporary helpers and help them resolve problems which they encounter in their work.
 - Understand their needs: Flora should show concerns for the temporary workers. This helps Flora win support from them. They will be more committed to their job.
 - Communicate with them effectively: This helps foster a harmonious working relationship.
 - Recognise their contributions: Flora should praise the temporary helpers so that they will be motivated to do their job.
 - Give rewards for good performance: Flora can set up an attractive commission scheme to motivate the temporary helpers. Alternatively, Flora can give bonuses to temporary helpers if they achieve the sales targets.

(Any five of the above, 2 marks for each point)



Revision Exercises

Multiple Choice Questions

(2 marks for each question)

- 1 Mr Tsang is the CEO of a company. He is likely to devote most of his time to
- A. planning.
 - B. organising.
 - C. leading.
 - D. controlling.
-
- 2 Which of the following statements regarding management is true?
- (i) An organisation is effective when it can accomplish its goals.
 - (ii) Effectiveness means 'doing the thing right'.
 - (iii) Efficiency means 'doing the right thing'.
- A. (i) only
 - B. (i) and (ii) only
 - C. (ii) and (iii) only
 - D. All of the above
-
- 3 Which of the following statements concerning the levels of management is correct?
- (i) The vision and mission should be decided by top management.
 - (ii) Middle management is usually concerned about the ways to increase market share in a company.
 - (iii) Middle managers devote a lot of time to communication, since they are the bridge between top management and first-line management.
 - (iv) Supervisors and managers as the first-line management should possess strong technical skills.
- A. (i) and (ii)
 - B. (ii) and (iii)
 - C. (i), (iii) and (iv)
 - D. All of the above
-
- 4 _____ establishes goals and objectives for an organisation and determines the best ways to achieve them.
- A. Planning
 - B. Organising
 - C. Leading
 - D. Controlling
-

- 5 Which of the following is not a reason for making plans?
- A. Providing direction to employees
 - B. Creating rigidity for employees
 - C. Anticipating potential problems
 - D. Clarifying roles for employees
-
- 6 Which of the following plans covers specific details of operational issues?
- A. Long-term plan
 - B. Mid-term plan
 - C. Short-term plan
 - D. None of the above
-
- 7 A traditional television station plans to outperform a major competitor with its unique strength by 2012. What kind of business plan is this?
- A. A strategic plan
 - B. An operational plan
 - C. A specific plan
 - D. A business plan
-
- 8 A bank plans to be the preferred bank in the eyes of customers within the next 15 years. This is an example of a
- A. long-term plan.
 - B. mid-term plan.
 - C. short-term plan.
 - D. None of the above
-
- 9 'Complete transactions faster' is a better goal than "improve work performance" in a bank because it is
- (i) specific.
 - (ii) time-based.
 - (iii) attainable.
 - (iv) measurable.
- A. (i) and (ii)
 - B. (i) and (iv)
 - C. (ii) and (iii)
 - D. (iii) and (iv)
-

- 10 Mrs Wu set up a sales department, an accounting department and an administration department in her company. Which method of forming departments has been used in her company?
- A. By product
 - B. By geographical location
 - C. By function
 - D. By customer
-
- 11 What are the characteristics of an effective goal?
- (i) Easily achievable
 - (ii) Time-based
 - (iii) Clear and specific
 - (iv) Measurable
 - (v) Short-term
- A. (i) and (ii)
 - B. (ii) and (v)
 - C. (i), (iv) and (v)
 - D. (ii), (iii) and (iv)
-
- 12 Which of the following conditions is not suitable for the use of participative leadership?
- A. Workers are experienced and capable.
 - B. Workers are not willing to take up job responsibilities.
 - C. The decision cannot be carried out without support from workers.
 - D. Other workers possess more information needed for decision-making than the managers.
-
- 13 Autocratic leadership is not appropriate when
- A. workers are not willing to take up job responsibilities.
 - B. workers are experienced and capable.
 - C. the decision is likely to be resisted by the workers.
 - D. information needed for decision-making is available only to the managers.
-
- 14 Laissez-faire leadership is not appropriate when
- A. the tasks require a high level of creativity such as scientific research.
 - B. the workers are capable of working independently.
 - C. the workers are not motivated.
 - D. the tasks require freedom of expression, for example, painting and design.
-
- 15 The following are the performance standards of a marketing department except for
- A. market share.
 - B. sales growth rate.
 - C. staff turnover rate.
 - D. number of customer complaints.
-

16 _____ is given to managers to support, assist and give advice to line managers or department.

- A. Line authority
- B. Responsibility
- C. Delegation
- D. Staff authority

17 Organisations can form departments by

- (i) process
- (ii) size
- (iii) customer
- (iv) industry nature

- A. (i) and (ii)
- B. (i) and (iii)
- C. (ii) and (iv)
- D. All of the above

18 Which of the following is not a responsibility of a first-line manager?

- A. Creating mission and vision
- B. Handling customer enquiries and complaints
- C. Motivating subordinates
- D. Resolving conflicts among team members

19 With a view to saving on petroleum costs, an airline decides to replace all of its iron utensils with plastic utensils in order to make the plane lighter. Furthermore, the airline requests crew members to reduce the weight of their personal belongings. What kind of business plans has the airline made?

- (i) A strategic plan
- (ii) An operational plan
- (iii) A directional plan
- (iv) A specific plan

- A. (i) and (ii)
- B. (i) and (iv)
- C. (ii) and (iv)
- D. (iii) and (iv)

20 Which of the following are the performance standards of a training department?

- A. Number of training days per staff member
- B. Evaluation form of the training courses
- C. Cost of training per employee
- D. All of the above

- 21 Which of the following concerning autocratic leaders is correct?
- (i) They do not involve others in decision-making.
 - (ii) They keep all the power to themselves.
 - (iii) They may ask for subordinates' suggestions and ideas.
- A. (i) and (ii)
 - B. (i) and (iii)
 - C. (ii) and (iii)
 - D. All of the above
-
- 22 Which of the following conditions is appropriate for the use of participative leadership?
- (i) Workers will be affected by the decision.
 - (ii) Workers possess more information needed for decision-making than the managers.
 - (iii) The decision cannot be carried out without support from workers.
- A. (i) and (ii)
 - B. (i) and (iii)
 - C. (ii) and (iii)
 - D. All of the above
-
- 23 The following are ways of enhancing the efficiency of a sportswear manufacturing company except for
- A. automation.
 - B. sourcing materials with lower costs.
 - C. moving the plants to countries with lower labour costs.
 - D. increasing the selling prices of products.
-
- 24 Instead of asking workers to provide better customer service, a manager can set a goal based on the number of customer complaints received. The latter is a better goal because it is
- A. attainable.
 - B. measurable.
 - C. time-based.
 - D. focused on performance.
-
- 25 An electronic business company has its consumer products department divided into a television business group, a video business group, a digital imaging business group and an audio business group. What method has been used in forming different divisions for the consumer products department?
- A. By function
 - B. By geographical location
 - C. By product
 - D. By process
-

Short Questions

1 Which types of leadership style are most appropriate in the following situations?

(a) A fire captain leads a team of firefighters to put out a five-alarm fire. (1 mark)

(b) A marketing director wants to set up a marketing budget for the company in the next year. He invites the regional marketing managers in different countries to the meeting. (1 mark)

(c) An experienced software engineer for a game developing company leads a group of young technicians in developing a new online game. (1 mark)

2 Jason is the general manager at a fitness centre, ABC Fitness Club, in Hong Kong. Recently, the CEO of the fitness club announced a new plan to become the market leader in Hong Kong in five years.

(a) Identify the nature of the business plan as announced by the CEO in terms of breadth. (1 mark)

(b) The CEO has asked Jason to determine the best ways to achieve the organisational goal, i.e., to become a market leader in Hong Kong in five years. Which management function is Jason required to perform? (1 mark)

(c) With reference to your answer in (b), list three ways for Jason to perform this management function to help achieve the organisational goal. (6 marks)

3 (a) What is a performance standard? (2 marks)

- (b) A telephone survey company has set up a call centre to conduct questionnaires for its clients. Give three performance standards for the call centre. (3 marks)

- 4 (a) What is autocratic leadership? (2 marks)

- (b) What are the disadvantages of autocratic leadership? (2 marks)

- (c) Despite the disadvantages in (b), why is an autocratic leadership style commonly adopted in disciplinary forces (e.g., customs officers and police officers)? Give two reasons. (4 marks)

- 5 Sandy works at Gemini Insurance Company as a sales manager. She has just been promoted to general manager. Her new job involves overseeing regional and local sales managers and their staff. She has to direct, coordinate, and review sales activities. Moreover, she also has to monitor customer preferences to determine the focus of sales efforts.

The CEO of Gemini Insurance Company has just called Sandy to a meeting. Sandy was told to propose goals for Gemini Insurance Company for the coming year. Sandy quickly comes up with a goal, which is to increase sales by 20% within a year.

- (a) Sandy believes that her goal is very good and this is the only goal which the company should strive for. Suggest a reason why the CEO does not agree with her. (2 marks)

- (b) Help Sandy propose three more goals for Gemini Insurance Company. Explain why these goals are important for the company. (9 marks)

- 6 Health Magic Company Ltd is a public limited pharmaceutical company in Hong Kong, with its headquarters in the US. This year, the CEO, Alan, is planning to expand his product lines. He wants to diversify the company's drug products.

- (a) How should Alan plan for the product diversification? (8 marks)

- (b) List two problems Alan will face and suggest solutions for him. (4 marks)

- (c) What should Mr Chen do when he finds that the actual sales fall out of the acceptable range? (4 marks)

- (d) Mr Chen finds that in one of the months, actual sales are well above the standard. He thinks that it might be due to the increase in customers demand. Suggest two ways for Mr Chen to respond to the increase in customer demand. (2 marks)

8 William is a marketing manager at a bank.

- (a) Match William's jobs with the four management functions in the following table. (6 marks)

| Time | Tasks | Management Function |
|---------------|---|---------------------|
| 9:00 – 10:30 | Attend monthly meeting at the headquarters with the marketing director to discuss the marketing strategy for next year. | |
| 10:30 – 12:30 | Review customer complaints with the staff and identify follow-up issues. | |
| 12:30 – 2:00 | Have lunch with the marketing officers and marketing assistants, provide support and advices to them in their daily work. | |
| 2:00 – 3:00 | Review the job performance of individual employees in the marketing department and write an improvement plan. | |
| 3:00 – 4:30 | Meet with advertising agency to discuss the launch of a new advertising campaign next year. | |
| 4:30 – 6:00 | Meet with the branch managers to discuss how to allocate human resources for the coming credit card promotion. | |

(b) Elaborate on how the four management functions can help William achieve the bank's organisational goal. (8 marks)

Chapter 5 Management Functions

Multiple Choice Questions

(2 marks for each question)

- 1 A
- 2 A Efficiency means 'doing the thing right' while effectiveness means 'doing the right thing'.
- 3 D
- 4 A
- 5 B 'Creating rigidity for employees' is one of the major arguments against planning, instead of supporting planning.
- 6 C Only short-term plans cover details. Long-term plans and mid-term plans are related to strategic matters, with no specific details.
- 7 A
- 8 A Any plan with a time frame longer than 10 years should be considered as a long-term plan.
- 9 B
- 10 C
- 11 D
- 12 B Participative leadership is appropriate when the workers are willing, instead of not willing, to take up job responsibilities.
- 13 B
- 14 C
- 15 C The staff turnover rate is a performance standard of the human resources department, rather than the marketing department.
- 16 D
- 17 B
- 18 A
- 19 C
- 20 D
- 21 D Leaders may ask for subordinates' suggestion and ideas, but the input rarely changes their decisions.
- 22 D
- 23 D
- 24 B
- 25 C

Short Questions

- 1 (a) Autocratic leadership (1 mark)
- (b) Participative leadership or democratic leadership (1 mark)
- (c) Laissez-faire leadership (1 mark)
- 2 (a) Strategic plan (1 mark)
- (b) Planning (1 mark)
- (c) • Jason can devise a plan to develop new products and/or new services to increase ABC Fitness Club's market share. For example, he can develop new classes such as Thai boxing, yoga, etc.
- Jason can plan to open more branches in Hong Kong.
- Jason can plan to organise training for his subordinates so that they can provide better customer services.
- Jason can set a sales target for the sales staff. A sales strategy can be developed at the same time.
- (Any other reasonable answers)
- (Any three of the above, 2 marks for each point)
- 3 (a) Performance standards are standards which managers use to evaluate and determine whether an activity has been done properly. (2 marks)
- (b) • Number of questionnaires finished
- Time spent on each questionnaire
- Number of invalid questionnaires generated
- Average cost of finishing questionnaires
- (Any other reasonable answers)
- (Any three of the above, 1 mark for each point)
- 4 (a) Autocratic leadership means that the leader retains as much power and decision-making authority as possible and does not involve subordinates in the decision-making process. (2 marks)
- (b) Autocratic leadership has a negative impact on employee's motivation. Workers may become passive and unwilling to take initiative on the job. They often have lower job satisfaction and so are less committed to their work. (2 marks)
- (c) • As disciplinary forces often faces crises, quick decisions should be made. Autocratic leadership is particularly effective in situations where quick decisions are required.
- The information needed for decision-making in the disciplinary forces is often available only to the leaders.
- The decision made by the leader will most likely be resisted by the workers. So it is important for subordinates to have no choice but to obey the orders.
- (Any two of the above, 2 marks for each point)
- 5 (a) All organisations have multiple goals. Increasing sales may increase the profits of a company. However, making a profit is only one of the goals in a company. Gemini Insurance Company cannot be successful by focusing on increasing sales and ignoring other goals. For an insurance company, providing good customer services, maintaining a good image and publicity are also very important. (2 marks)

- (b) • Increase market share: Simply increasing sales is not enough. Gemini Insurance Company needs to surpass its competitors in sales. With an increase in the insurance company's market share, the image of the company would be enhanced. This facilitates the development of the company.
- Provide better customer services: With better customer services, Gemini Insurance Company can attract more customers and retain existing customers.
- Lower costs: After lowering costs, Gemini Insurance Company can spend the capital saved on expansion plans, such as by opening more branches and recruiting more salespeople.
- Promoting employee loyalty: Establishing a relationship with a salesperson makes customers feel more confident about the company's products. Changes in salespeople may adversely affect the customers. Gemini should promote employee loyalty to retain capable salespeople. Besides, loyal salespeople would be more motivated to work and thus productivity would be increased.

(Any other reasonable answers)

(Any three of the above, 1 mark for listing the point, and 2 marks for the elaboration of each point)

- 6 (a) • Alan should develop a long-term strategic plan which has a time frame of 10-20 years and covers the major issues of product diversification. He should carefully evaluate the possible effects of the diversification of products at Health Magic Company Ltd. It is also important for Alan to determine whether to change the organisational structure. He may plan to set up a product development department and plan to issue new shares to raise funds for the research and development of new products. (2 marks)
- The mid-term and short-term operational plan covers details on which areas to be developed, and when and how the development of new products should be accomplished. (2 marks)
 - In the mid-term plan, Alan may plan to develop five products in 2009, another five in 2010. Here, actions and dates are tentative only. (2 marks)
 - Finally, Alan should set up a short-term plan which contains budgets and action plans to be implemented within one year. He should state clearly in the plan who would be responsible for each task and what they should do. In order to minimise the risk of launching new products, Alan may plan for a detailed market study. This helps him find out the needs of the market before making his decision about the product diversification. (2 marks)

(b) Possible problems encountered by Alan would be:

- Lack of funding: Huge investment may be required for the development of new products. Alan can raise funds by issuing shares to the public. (2 marks)
- Lack of experts: It is important for the company to have adequate human resources to meet the need for the development of new products. Alan should recruit capable experts for the research and development of new products. (2 marks)

(Any other reasonable answers)

(c) *Step 1 Setting performance standards*

Alan must decide what activities are to be controlled and what standards are to be used for controlling those activities. Performance standards such as the costs of developing new products should be set up to evaluate and determine whether the diversification plan has been implemented properly. (2 marks)

Step 2 Measuring actual performance

Alan must find out what activities have been carried out to develop the new product. Alan needs to collect all the cost information related to the development of new products. (2 marks)

Step 3 Comparing actual performance with standards

After measuring the costs in Step 2, Alan can compare the actual performance with the standard set in Step 1. He should determine whether the actual performance falls within the acceptable range of variation. The actual performance is considered acceptable if it lies between the acceptable upper limit and the acceptable lower limit. When the actual performance falls out of the acceptable range of variation, it would be considered as a significant deviation. Alan should find out the causes of the deviation and decide what appropriate action should be taken. (2 marks)

Step 4 Taking corrective actions

If the actual performance is considered acceptable, nothing needs to be done. If the actual performance is considered unacceptable, Alan must take action to correct the problem. He should first investigate the problem thoroughly to find out the causes. After finding the causes, he should seek ways to solve the problem. (2 marks)

(Other performance standards such as the production costs of new products, progress of the diversification plan, quality of the new products, market share of the new products, etc. are also acceptable.)

- (d) Develop five anti-aging products in 2010, and five weight control products in 2011. (2 marks)
(Any other reasonable answers)

- 7 (a) Controlling (1 mark)

- (b) An effective control system ensures that all activities in the company are aimed at achieving organisational goals. When actual sales fall out of the acceptable range, Mr Chen should work out solutions and solve the problem as soon as possible. (2 marks)

- (c) • Mr Chen should investigate the problem to find out the causes. After finding the causes, he should seek way to solve the problems. (2 marks)

- He may organise training for his staff, use promotional tactics such as cutting prices, giving away free samples and holding lucky draws to increase sales. (2 marks)

- (d) • Mr Chen should purchase more products for sales. (1 mark)

- Mr Chen may increase the selling price of products. (1 mark)

- 8 (a)

| Time | Tasks | Management Function | |
|---------------|---|---------------------|----------|
| 9:00 – 10:30 | Attend monthly meeting at the headquarters with the marketing director to discuss the marketing strategy for next year. | Planning | (1 mark) |
| 10:30 – 12:30 | Review customer complaints with the staff and identify follow-up issues. | Controlling | (1 mark) |
| 12:30 – 2:00 | Have lunch with the marketing officers and marketing assistants, provide support and advices to them in their daily work. | Leading | (1 mark) |
| 2:00 – 3:00 | Review the job performance of individual employees in the marketing department and write an improvement plan. | Controlling | (1 mark) |

| Time | Tasks | Management Function | |
|-------------|--|---------------------|----------|
| 3:00 – 4:30 | Meet with advertising agency to discuss the launch of a new advertising campaign next year. | Planning | (1 mark) |
| 4:30 – 6:00 | Meet with the branch managers to discuss how to allocate human resources for the coming credit card promotion. | Organising | (1 mark) |

(b) The management functions performed by William are important as follows:

- **Planning:**
 - 1 Plans act as a blueprint in guiding management in the execution of a business strategy and in meeting goals.
 - 2 Plans can serve as clear directions for employees at the bank.
 - 3 The marketing strategy and the new advertising campaign can clarify the roles and responsibilities of each person at the bank and at the advertising agency. This can facilitate coordination of their activities. (2 marks)
- **Organising:** Organising helps the bank achieve its goals by coordinating the work done by different people. William discusses with the branch manager the allocation of human resources in credit card promotion. This helps clarify what tasks are to be done and specifies the responsibilities of each employee. (2 marks)
- **Leading:** Leading helps workers work effectively as a group. By providing support and advice to employees in their daily work, William can guide and motivate the employees. This also helps foster a harmonious working relationship among the workers. (2 marks)
- **Controlling:** An effective control system ensures that all activities in the company are aimed at achieving the company's goals. When customer complaints exceed the acceptable range, William should investigate the cause and work out solutions to the problem. Moreover, William should also write an improvement plan to improve the job performance of his employees. (2 marks)