



STRATHMORE BUSINESS SCHOOL
BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS
MANAGEMENT
END OF SEMESTER EXAMINATION
SCM 1101: PRINCIPLES OF BUSINESS MANAGEMENT

DATE: Mon, 22nd July 2024

TIME: 10:30 – 12:30

INSTRUCTIONS:

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE

(30 MARKS)

Craig Technology Ltd (CTL) was founded by James Angeso jointly with individuals with the same vision and objectives. CTL is a private company famous for its innovative information technology products in the pharmaceutical industry.

James, the managing director of CTL, worked with Global Ltd initially. James felt frustrated by the bureaucratic management styles practiced at Global Ltd. He noted that bureaucracy stifled innovation and creativity and vowed to avoid limiting hierarchical systems. He, therefore, replaced the traditional chain of command with a system in which any member of staff could communicate at CTL an idea or complaint to another colleague regardless of the position held. This 'Unconventional organizational culture' in CTL has resulted to innovation and development of many new products which have remarkably revolutionized the pharmaceutical industry. The employees are also very motivated to come to work every day, and many of them have come up with their own initiatives. They have been allocated budgets their initiatives.

Jobs at CTL are relatively fluid, and positions and functions do not have fancy titles. Each of the 350 employees is referred to as 'an associate.' James Andeso accepts the title managing director purely for external official purposes and legal reasons. There are no perks, such as

large offices or executive parking lots, and parking slots are allocated on a first-come, first-served basis.

Instead of managers, MTL has Leaders. The leaders guide teams in all functional units and staff departments. These leaders must share the power to hire, discipline, or fire associates in consultation with peer committees' human resources specialists and sponsors.

As part of performance management, groups of associates meet every six months to rank their peers regarding contributions. Leaders do not give orders. Instead, they seek commitments from associates. For example, when Paul Koskei commenced the development of an integrity check in the PIS system (Pharmaceutical information system), he did not compel anyone to work on this project. Instead, he only encouraged a few associates to participate in the project. Initially some employees resisted the project and felt that Paul Koskei was wasting the company's resources for a project that would not be successful. They even lobbied the board to put a stop to the project. An open-door policy practiced by the CEO helped to address the concerns, and thereafter, other associates became interested and joined in. The project team grew until it had over a dozen members. The product, which was launched into the market in 2016, recorded remarkable sales in mid-2017. Paul Koskei earned the role of leader of his unit.

CTL policies and practices created problems dealing with the rest of the business world. For instance, associates found it difficult to secure appointments with decision-makers in other organizations and were, at times, not taken seriously in the market because they did not have fancy titles. James Andeso, therefore, suggested that associates be allowed to use appropriate titles when dealing with external parties in order to secure appointments with other business organizations. The associates' business cards could also bear these titles.

The organization culture adopted by CTL has worked well despite recent legal challenges to some of the key patents. The company has sales in excess of SH 750 million a year and is expected to rank in the top ten IT Pharmaceutical companies in terms of returns on assets and equity. Sales have tripled since 2015 and are expected to top KSh 1 billion by the year 2017.

Required;

- a) **“James felt frustrated by the bureaucratic management styles practiced at Global Ltd.”** Explain **five** characteristics of the Bureaucratic form of management as suggested by Max Weber. **(10 marks)**
- b) Discuss the essential managerial roles recommended by Henry Mintzberg for CTL's success, explaining how these roles are apparent within the organization. **(10 Marks)**
- c) Suggest **three** skills of a manager that seem to be evident in the management of CTL. **(6 marks)**
- d) Suggest **two** policies that CTL can adopt for effective operations of their business. **(4 marks)**

QUESTION TWO**(20 MARKS)**

Axion Ltd is a medium company based in Nairobi that sells equipment to different target consumer markets. The company has 200 employees and has experienced tremendous growth recently. However, with this growth, the employees feel that they don't know anymore the expectations from the management. A consultant has suggested that it's high time that the company adopted a management-by-objective approach. The company has adopted a functional organizational structure and has classified its products in the following categories:

A category dealing with the sales of agricultural equipment such as tractors and combine harvesters targeted at farmers.

B Category dealing with the sale of construction equipment such as bulldozers and excavators targeted at building contractors.

C Category dealing with the sale of household equipment such as lawnmowers and hoovers targeted at household consumers

Category D deals with providing credit finance to purchase the company's equipment.

Required:

- a) Explain to the management of Axion **three** disadvantages of having a functional structure. **(6 marks)**
- b) Suggest to the management **two** advantages of adopting a management-by-objective approach. **(4 marks)**
- c) Describe to the management an alternative organizational structure that would result in the efficiency of operations at Axion and its merits and demerits.

(10 Marks)**QUESTION THREE****(20 MARKS)**

Alex and Chris, two first-year students of Bachelor of Supply Chain Management, were having a discussion about planning in modern organizations one afternoon shortly after the COVID-19 Pandemic period. Alex felt that there is no need for too much planning because most organizations' strategic plans have had to be redone to survive the COVID-19 period. Chris, however, argued that a Pandemic is not the norm, and while emergent strategies are important, those firms that fail to plan actually plan to fail. They, however, were not clear about the SWOT analysis tool used in the strategic planning approach.

Required;

- a) Explain **five** importance of planning in modern organizations. **(10 marks)**
- b) Explain the SWOT analysis tool used in the strategic management approach.

(10 marks)

QUESTION FOUR**(20 MARKS)**

The management environment plays a pivotal role in the success and sustainability of firms across industries. Therefore, it is important for managers to assess the influence of their environment on strategic decisions.

Required;

- a) Identify and elaborate on **four** key internal resources that organizations rely on to achieve their objectives. **(8 marks)**

- b) Explain the factors affecting the macro environment of the firm. **(12 marks)**

QUESTION FIVE**(20 MARKS)**

Mr. Hamilton is the new CEO appointed in a private hospital located in Kikope in the country of Aboria. The previous hospital CEO was forced to resign after an audit of the hospital revealed that the control systems were weak and the strategic plan was hardly realized. The hospital had lost millions worth of ICU equipment and was gearing for the worst financial performance that year. The procurement department is headed by Mr Wanyoike, who believes in doing all the work himself to ensure procedures are followed. As a result, he is, most times, overwhelmed, and the said procedures are never followed.

Required;

- a) Suggest to the CEO and his team **five** types of concurrent controls that the hospital needs to establish to support the strategic plan. **(10 Marks)**
- b) Explain to the CEO **two** important characteristics shared by all control measures. **(4 marks)**
- c) Suggest to Mr. Wanyoike three importance of delegation of authority to his team. **(6 marks)**