

KOLEJ UNIVERSITI TUNKU ABDUL RAHMAN
FACULTY OF ACCOUNTANCY, FINANCE AND BUSINESS

ACADEMIC YEAR 2017/2018

APRIL/MAY EXAMINATION

BBDM3233 INTEGRATED MANAGEMENT

FRIDAY, 27 APRIL 2018

TIME: 9.00 AM – 12.00 NOON
(3 HOURS)

BACHELOR OF ACCOUNTING (HONOURS)

Instructions to Candidates:

This paper is divided into TWO (2) sections:

SECTION A: Answer **ONE (1)** compulsory case study question. (40 marks)

SECTION B: Answer **THREE (3)** out of four (4) questions. (60 marks)

BBDM3233 INTEGRATED MANAGEMENT**SECTION A (40 marks)**

Answer ONE (1) compulsory case study question.

Question 1**Introduction of Formal Project Management at Hyten Corporation**

Wilbur Donley convinced upper management to examine the idea of expanding the Business Development group and giving them responsibility for formal project management. Donley talked to Frank Harrel, manager of quality and reliability, and George Hub, manager of manufacturing engineering, about their problems and what they thought of project management.

Frank Harrel: "The usual material movement problems we always have. We monitor all incoming materials in samples and production quantities, as well as in-process checking of production and finished goods on a sampling basis. We then move to 100 percent inspection if any discrepancies are found. Marketing and Manufacturing people don't realise how much time is required to inspect for either internal or customer deviations. Our current manpower requires that schedules be juggled to accommodate 100 percent inspection levels on 'hot items.' We seem to be getting more and more items at the last minute that must be done on overtime."

George Hub: "Frankly, if it improves communication between departments, I'm all in favour of the change. Under our present system, I am asked to make estimates of cost and lead times to implement a new product. When the project begins, the Product Design group starts making changes that require new cost figures and lead times. These changes result in cost overruns and in not meeting schedule dates. Typically, these changes continue right up to the production start date. Manufacturing appears to be the bad guy for not meeting the scheduled start date. We need someone to coordinate the work of various departments to prevent this continuous redoing of various jobs. We will at least have a chance at meeting the schedule, reducing cost, and improving the attitude of my people."

Personnel department's view of project management

A discussion was held between Sue Lyons, director of personnel, and Jason Finney, assistant director of personnel. The discussion was about changing the organisation structure from informal project management to formal project management.

Jason Finney: "I think we should stop going to outside sources for competent people to manage new projects that are established within Business Development. There are several competent people at Hyten who have MBA's in Systems/Project Management. With that background and their familiarity with company operations, it would be to the company's advantage if we selected personnel from within our organisation."

Sue Lyons: "Problems will develop whether we choose someone from inside the company or from an outside source. Whoever is chosen to be a project manager must have qualifications that will get the job done. He or she should not only know the technical aspect behind the project, but should also be able to work with people and understand their needs. Project managers have to show concern for team members and provide them with work challenge. Project managers must work in a dynamic environment. This often requires the implementation of change. Project managers must be able to live with change and provide necessary leadership to implement the change. It is the project manager's responsibility to develop an atmosphere to allow people to adapt to the changing work environment. They must feel they are being given a square deal, especially in the evaluation procedure. Who will do the evaluation? Will the functional manager be solely responsible for the evaluation when, in fact, he or she might never see the functional employee for the duration of a project? A functional manager cannot possibly keep tabs on all the functional employees who are working on different projects."

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Question 1 (Continued)

Sue Lyons: "I can see how that could result in many unwanted situations. To begin with, say the project manager and the functional manager don't see eye to eye on things. Granted, both should be at the same grade level and neither one has authority over the other, but let's say there is a situation where the two of them disagree as to either direction or quality of work. That puts the functional employee in an awkward position. Any employee will have the tendency of bending toward the individual who signs his or her promotion and evaluation form. This can influence the project manager into recommending an evaluation below par regardless of how the functional employee performs. There is also the situation where the employee is on the project for only a couple of weeks, and spends most of his or her time working alone, never getting a chance to know the project manager. The project manager will probably give the functional employee an average rating, even though the employee has done an excellent job. This results from very little contact. Then what do you do when the project manager allows personal feelings to influence his or her evaluation of a functional employee? A project manager who knows the functional employee personally might be tempted to give a strong or weak recommendation, regardless of performance."

Jason Finney: "How will you handle evaluation of employees who work on several projects at the same time? This could be a problem if employees are really enthusiastic about one project over another. They could do a terrific job on the project they are interested in and slack off on other projects. You could also have functional people working on departmental jobs but charging their time to the project overhead. Don't we have exempt and non-exempt people charging to projects?"

Project management as seen by the various departments

The general manager arranged through the personnel department to interview various managers on a confidential basis. The purpose of the interview was to evaluate the overall acceptance of the concept of formal project management. The answers to the question, "How will project management affect your department?" were as follows:

Fred Kuncl, plant engineering

I've thought about the trade-offs involved in implementing formal project management at Hyten and feel that plant engineering cannot live with them. Our departmental activities are centered around highly unpredictable circumstances, which sometimes involve rapidly changing priorities related to the production function. We in plant engineering must be able to respond quickly and appropriately to maintenance activities directly related to manufacturing activities. Plant engineering is also responsible for carrying out critical preventive maintenance and plant construction projects. Project management would hinder our activities because project management responsibilities would burden our manpower with additional tasks. I am against project management because I feel that it is not in the best interest of Hyten. Project management would weaken our department's functional specialisation because it would require cross-utilisation of resources, manpower, and negotiation for the services critical to plant engineering.

Stanley Grant, controller

In my opinion, formal project management can be profitably applied in our organisation. Management should not, however, expect that project management would gain instant acceptance by the functional managers and functional employees, including the finance department personnel. The implementation of formal project management in our organisation would have an impact on our cost control system and internal control system, as well. I'm all in favour of formal project management, provided management would allocate more resources to our department so we could maintain the personnel necessary to perform the added duties, responsibilities, and expertise required.

Source: Adapted and modified from Kerzner, H 2006, *Project management – Case studies*, 3rd edn, John Wiley & Sons, USA, pp. 25- 33.

BBDM3233 INTEGRATED MANAGEMENT**Question 1 (Continued)****Required:**

- (a) Discuss **FOUR (4)** drawbacks of the matrix structure that might affect Hyten Corporation. (8 marks)
- (b) Identify and explain the role and responsibilities of the project manager if formal project management was implemented in Hyten Corporation. Support your answer with relevant examples. (10 marks)
- (c) Discuss **SIX (6)** problems that might hinder the effectiveness of the project teams in Hyten Corporation. Illustrate how the problems might be resolved. (12 marks)
- (d) Identify and explain **FIVE (5)** conflict handling strategies that could be used in resolving the conflict among the departments in Hyten Corporation. Support your answer with relevant examples from the case above. (10 marks)

[Total: 40 marks]

BBDM3233 INTEGRATED MANAGEMENT**SECTION B (60 marks)**

Answer **THREE (3)** out of four (4) questions.

Question 2

Melia Shoes, established 20 years ago, is in the business of designing, manufacturing and retailing training shoes. Although these licences are potentially highly profitable, the company is currently facing difficult trading times as a result of the economic downturn and rises in manufacturing costs. Its manufacturing overheads are escalating out of control. The managing director is trying to work through some difficult business decisions about the future strategic development of the company. He is reflecting on whether it would make business sense to outsource all manufacturing activities and focus its efforts on design and retail. He is now considering the possibility of outsourcing all manufacturing activities to a developing country, where costs are significantly lower.

Required:

- (a) Discuss, with reference to transaction cost theory, the factors the managing director will need to consider in making his decision to outsource the manufacturing activity. (10 marks)
- (b) Examine the disadvantages associated with outsourcing the manufacturing activity. (10 marks)
- [Total: 20 marks]

Question 3

Royal Travel is a specialist travel company which offers adventure holidays for the independently-minded traveller. Royal Travel was originally a subsidiary of a larger tour operator which Karen bought over the business six years ago. Karen has been able to make the business into a profit making concern by taking advantage of a growing trend amongst older clients who have the disposable income to seek adventure holidays. The company has also benefited from predicting the increase in the number of young people taking a gap-year prior to going to university, and who want to book adventure holidays as part of their gap-year experience.

The company's success so far has been a result of its positioning approach to strategy and in particular its ability to differentiate itself from rival companies. However, Karen is aware that this market has become very competitive. She is concerned about the longer term sustainability of the competitive advantage the company has built up and she has also begun to question the positioning approach to strategy formulation.

Required:

- (a) Explain the characteristics of the positioning approach to achieving competitive advantage with reference to Royal Travel. (12 marks)
- (b) Explain **FOUR (4)** potential problems Royal Travel could face in continuing to rely on the positioning approach. (8 marks)
- [Total: 20 marks]

BDDM3233 INTEGRATED MANAGEMENT**Question 4**

Mario Consultants has been appointed to investigate the issues underlying the poor performance and low staff morale of the Finance Department in Chelsea Hospital.

The consultants have access to various sources of information such as the recent staff satisfaction survey which shows that staff morale in the department is low. In addition, statistics from the Human Resource Department reveals that both absenteeism and staff turnover are exceptionally high in the Finance Department. There have also been many complaints from other areas of the hospital about both the management and staff working in the Finance Department. However, staff enjoy competitive salaries and other excellent working conditions such as free car parking, a subsidised canteen and access to sports facilities.

The consultants have run some focus groups with members of staff working in the Finance Department to try to gather more information to help them better understand the causes of poor performance and low staff morale. The findings suggest that there appears to be very much a "them and us" culture between management and staff, with the managers in the department exerting power based on their position and status. Staff say that they are only allowed to undertake the specific activities included in their narrow job descriptions and feel unable to fully contribute as a result of the chain of command in the Finance Department. Staff also say that they are not involved in decisions regarding the department's activities, and many say they have not had any training. They mentioned that there are very few career progression opportunities because of this. They feel their contributions are not recognised by management and that they never receive feedback on their performance. Staff characterise the leadership and management of the department as task-focused, with tight controls and close supervision.

Having undertaken the review, the consultants are preparing the recommendations on how to improve the poor performance and low staff morale.

Required:

- (a) Discuss the recommendations Mario Consultants could suggest using Herzberg's two factor theory to improve performance and staff morale in Chelsea Hospital. (12 marks)
- (b) Propose a suitable leadership style which may be adopted by the Finance Department managers to be more effective in their roles. (8 marks)

[Total: 20 marks]

BBDM3233 INTEGRATED MANAGEMENT**Question 5**

Brown Construction has been awarded the contract for the refurbishment of a local hotel. The overall timescale for the project has been agreed at 30 weeks (which is a very fast completion for this sort of project). The timescale is not flexible as the hotel needs to re-open to host the wedding of a very famous film star. In order to meet this deadline the project has no contingency. All other information about the project is vague as the hotel only produced a brief document outlining the requirements of the project. No definite specification was included in the document.

Ben has been assigned as project manager and has focused on selecting the project team which has meant that no detailed plan has yet been produced. When one of the project team members asked about the tools and techniques to be used on the project, Ben seemed unsure about which ones would be most beneficial and suggested that he was going to rely on project management software. The project team is concerned about the lack of control on the project as there appear to be no project milestones.

Due to the amount of other project work in Brown Construction's order book, some of the core staff have had to be released from the hotel refurbishment project. This has meant that phase one of the project is now two weeks late and the first stage payment from the hotel is therefore also delayed. It has been brought to Ben's attention that the hotel would like to add additional activities to the original project specification and wants a meeting to discuss the implications of the changes to the overall project progression. Ben has asked about the project initiation document which he feels should form the basis for the discussion of the changes. Ben has been told that the 'brief document' compiled by the hotel is the only document available.

Required:

- (a) Explain to Brown Construction the purpose of a project initiation document and what should be included in the document for the hotel refurbishment project. (10 marks)
- (b) Identify **FIVE (5)** problems that are threatening the success of the hotel refurbishment project and propose methods in which Ben may minimise the threats. (10 marks)

[Total: 20 marks]