



UNIVERSITY OF SWAZILAND

RE- SIT / SUPPLEMENTARY EXAMINATION PAPER

AEM 104

PROGRAMME: BSC in Agricultural Economics and Management 2

TITLE OF PAPER: PRINCIPLES OF MANAGEMENT

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS:

1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)
2. SECTION (A) IS COMPULSORY
3. ANSWER ANY TWO (2) QUESTIONS FROM SECTION B
4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION.

DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN GRANTED BY THE CHIEF INVIGILATOR

SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

FRAUNCO'S IMMACULATE CONFECTION

How did Franco Harris, the former Pittsburgh Steeler football star create a \$10 million donut bakery with just 10 people? It was no piece of cake. The institutional baked goods industry is highly competitive, and fragmented and offers little opportunity for growth. In fact, overall sales in the industry have been declining for over the past decade. And yet, Super Bakery®, has been quietly gaining market share since the early 1990s and continues to post annual revenue increases with strong profits.

What makes Super Bakery so interesting is how the company is organized. Formed in 1990, the company has achieved national presence by operating as a virtual corporation. Instead of creating a large, sprawling, multifunctional organization to administer the business, Super Bakery focused on the key drivers of customer value and developed skills and competencies in these areas alone and has outsourced the rest.

Super Bakery handles strategic planning, marketing, R&D, and finance/accounting internally. However, Super Bakery does not manufacture its own product. A network of outside bakers does that. And yet, because Super Bakery formulates its own recipes, purchases its ingredients, and produces its own bakery fortifier, Nutri Dough®, it maintains firm control over product quality. Franco Harris even hired a master baker to develop new products. The contracted bakeries simply follow Super Bakery's standard operating procedures for manufacturing each item.

Beyond product considerations, Super Bakery also analyzed which service elements were most important to customers before deciding to contract out certain functions. It turns out that managing orders effectively has one of the biggest influences on customer satisfaction. So while selling, production, warehousing, and shipping activities have been contracted, Super Bakery management has retained control over the planning and tracking of these activities in the order management process.

Super Bakery's major challenge has been to coordinate and control the various functional activities performed outside the company by brokers and contractors. Outside brokers, manufacturers, and trucking companies can make or break Super Bakery because they stand between the company and its customers. Many of their concerns can be addressed by clarifying performance

standards with contractors in painstaking detail. In addition, the company has developed a performance reporting system that provides a balance of non-financial and financial measures. The non-financial measures track customer satisfaction and the financial measures track the cost of filling orders and serving customers. To keep track of these measures, Super Bakery created a relational database that stores and processes the information. The technology infrastructure helps to provide a constant stream of feedback between Super Bakery and its partners.

Sources: T. R. V. Davis and B. L. Darling, "Update on Superl Inc.," *Organization Dynamics*, Autumn 1996, pp. 86-87; T. and B. L. Darling, "How Virtual Corporations Manage the 1 of Contractors: The Super Bakery Case," *Organization Dyn* Summer 1995, pp. 70-75; and T. R. V. Davis and B. L. Da in a Virtual Corporation," *Management Accounting*, October 1 pp. 18-26.

QUESTION 1

- a) Identify and explain the type of organizational structure used by Super Bakery and why?
(10 MARKS)
- b) What type of controls is Super Bakery using and how will they benefit the organisation and its partners?
(15 MARKS)

SECTION B (ANSWER ANY THREE QUESTIONS)

QUESTION 2

Describe with examples, the different skills managers must possess in order to effectively perform their duties. (25 MARKS)

QUESTION 3

Discuss the methods for behaviour modification identified by the Reinforcement theory of motivation, giving examples. (25 MARKS)

QUESTION 4

Identify and explain Fayol's 14 principles of management. (25 MARKS)

QUESTION 5

Leadership involves followers and a leader. It also involves the unequal distribution of power. Describe the different sources of power. (25 MARKS)