

DEPARTMENT OF MANAGEMENT AND ORGANISATION

Examiner: Dr. Aino Salimäki

Leadership (2291)

Exam 16.10.2010 (4 hours)

Max 40p

Please read the questions carefully to make sure you answer all parts of the questions! You are welcome to respond to the questions both *in English and Swedish*. GOOD LUCK!

- (1) Explain the following concepts in **1-2 sentences** (max 2p/each = 16p)
 - a. Scientific management (so called Taylorism)
 - b. LMX
 - c. Organizational politics
 - d. SMART
 - e. Glass escalator
 - f. Groupthink
 - g. Fundamental attribution error
 - h. Hygiene factors
- (2) How is transactional leadership style different from transformational style? Discuss the strengths and weaknesses of transformational leadership theory (max 8p)
- (3) What is set-up-to-fail syndrome? Discuss why we should care about it and how to prevent it as managers (max 8p)
- (4) Read the case below and discuss Joe's options from leadership ethics perspective: According to teleological theories, how would you assess the moral conduct portrayed in these options? (max 8p)

Joe Woodman bought a small, struggling computer company. After several difficult years, revenues started to grow, and according to the financial statements it seemed that profits were growing as well. But in reality, the business did not have enough cash. The company's key stakeholders, such as the bank, vendors, and investors, were applying pressure on Joe to improve earnings and cash flow. They threatened to take over the business if major changes were not made. About the same time, making matters worse, Joe was notified that several contracts, constituting about 25% of his top-line revenues, would be lost to competition. Joe responded by laying off employees, freezing wages, and closing several marginal operations, but these efforts were not enough. Joe was still badly in need of more cash and professional management. To remain viable, he had three options.

(Case continues on next page)

- (1) *He could negotiate a "capital for control" type exchange with the investor and the banks. If he did this, the banks could help recruit new talent and offer interim financing to support the company while restructuring occurred. On the downside, with this option his status in the organization would change significantly; instead of being the owner, Joe would become more of a senior manager.*
- (2) *Joe could maintain control and hire turn-around management, explaining to them that the company was in a critical turn-around phase and that the organization's future depended on the new managers' ability to generate credibility and positive performance within a year. He would have to disclose the wage freezes of the past 2 years and explain that he could not initially offer competitive salaries. If he took this option, Joe would have difficulty in recruiting skilled managers because they would not want to come into a situation with failing operations, no operating cash, and the prospects of a dramatically dwindling revenue base. If it succeeds, this option would allow Joe to keep control and save his reputation.*
- (3) *Joe could remain in control and hire turn-around management without fully explaining the serious situation. He might say that the company is one of the fastest-growing companies in the industry, that it just completed an operational turn-around, had regained profitability, and was upgrading staff to take the company to the next level. He could support this positive picture by representing pro forma financial information as though it were actual. This approach probably would be successful initially in gaining new qualified staff, but the new managers might join only to leave soon afterward. They would probably not develop into loyal, long-term employees because of Joe's breach of trust. This option would give Joe the opportunity to maintain control and keep his workers employed.*

Final notes.

In order to pass the course, you need to get 50% out of all subparts. In terms of exam, 20p is required. Remember also that you need to get min 10p/20p for each written assignment and min 10p/20p in form of class participation to pass. There have been 5 seminars and for each of those seminars max 4 points awarded: 2 for being present and 2 for active participation. **If you have been absent more than 1 time, make sure that you hand in extra assignment/s by 22.10.2010 (4pm).** The points you receive for the sub-parts are valid for one academic year. Remember that I will go through this exam 5.11.2010 at 10.15 a.m. in auditorium 210 (2 extra points for participation!). Students who have completed min. 25% of the exam are welcome to participate. I will grade the exam as soon as I can. It is likely that the grades will be on the course website already 21.10.10.

Please give me feedback: What you liked about the course? Do you have any suggestions for improvement? Your feedback is greatly appreciated!

Thank you!