

UNIVERSITI SAINS MALAYSIA

Final Examination
Semester I, Academic Session 94/95

October/November 1994

AOU653 - LEADERSHIP

Time: [3 hours]

Instructions

Please make sure that this examination paper consists of THREE printed pages before you begin.

Answer question in Section A and FOUR questions from Section B.

Section A

Q1. Read the Northstar case and answer the questions that follow:

Northstar Corporation

Northstar is a medium-sized company that makes a line of specialized products used by military and civilian customers. The chief executive of Northstar is Henry Miles, an engineer who started the company twenty years earlier and invented some of its initial products. For many years the company dominated the market for its primary products, due to patent protection and the absence of strong competitors. Sales continued strong, and the company enjoyed a slow but steady rate of growth. However, in recent years new advances in technology have made it possible for other companies to develop competing products. Sales have been declining for three years, and last year the firm had the first loss in its history. This year the loss is expected to be much larger. In response to a request made by the board of directors, Henry employed a management consultant to help determine the reasons for the decline in sales and profits. The consultant studied the company and discovered a number of problems.

First, although the quality of Northstar's products has remained fairly high over the years, the company has become complacent about it. In the past the demand for the company's product was so strong that customers were willing to overlook occasional quality defects, but this is no longer true. Competitors have worked to steadily improve quality, and they now have fewer product defects than Northstar.

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Second, Northstar's sales force is quite small, because top management believes its products are so good they practically sell themselves. Northstar's major competitor has a larger, better trained, and more aggressive sales force. The competitor has been winning over some former customers of Northstar.

Northstar has maintained a policy of high wages, lavish employee benefits, and guaranteed employment. Over the years, the company has become bloated with highly paid managers and administrative staff who are not needed. These excess employees increase costs and make it difficult for Northstar to keep the price of its products competitive.

The consultant reported these findings to Henry and the board of directors. Henry is scheduled to meet with the board to present a plan for turning around the company.

Questions

- a) In the short term what specific types of actions by top management are needed to revitalize this company?

[10 marks]

- b) How likely is it that Henry will try to make drastic changes in the strategy and culture of the organization? Why? How?

[20 marks]

- c) If an effort is made to change the strategy and culture of the organization, what difficulties and obstacles are likely to be encountered?

[10 marks]

Section B (Answer FOUR questions)

- Q2. Are "leaders" different from "managers"? How? Illustrate your answer.

[15 marks]

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- Q3. What criteria would you suggest for measuring leadership effectiveness? Why?
[15 marks]
- Q4. Briefly explain and evaluate Kerr and Jermier's leadership substitute theory.
[15 marks]
- Q5. Evaluate the multiple linkage model of Yukl and discuss its contribution to leadership theory.
[15 marks]
- Q6. What skills and traits are important for the following, and why?
(a) transformational leaders.
(b) charismatic leaders.
[15 marks]
- Q7. What is meant by "the dark side of charismatic leadership"? What should leaders do about it?
[15 marks]

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