2015 VCE Business Management examination report

General comments

The majority of students attempted all questions on the 2015 Business Management examination, and it was clear that they had spent time revising as their knowledge of content was good.

It is important that students use reading time wisely. Students should read questions carefully, with particular focus on the task descriptors used. The task descriptor provides guidance to the student as to how the question should be answered. For example, if the question is, 'Describe and justify a management structure…' (Question 2d.), then the response should describe the selected management structure and then go on to justify why this management structure would be appropriate for the scenario provided in the question.

Students should also be aware that questions may have multiple elements; for example, Question 4, 'Analyse how **two** factors of the internal environment and **two** factors of the external environment …'. Students are expected to address all parts of a question in their response.

Finally, there is often a mix between theory and application required in many questions. Students are expected to apply their knowledge to the specific scenario within the examination question. Where a more general, theoretical response is given, without application to the scenario, full marks cannot be awarded. Similarly, if the response provides a 'story' about the organisation studied during the year and does not apply knowledge to the scenario, full marks cannot be awarded.

Specific information

Note: Student responses reproduced in this report have not been corrected for grammar, spelling or factual information.
This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

The statistics in this report may be subject to rounding resulting in a total more or less than 100 per cent.

Question 1
1a.

Marks	0	1	Average
%	34	66	0.7

The question asked students to outline the purpose of a policy. High-scoring students either answered the question directly or incorporated the purpose in their definition of a policy. Many simply provided a definition of a policy without reference to its purpose, which did not address the question.

The following is an example of a high-scoring response.

> *A policy is a written statement that outlines the organisation's stance on and approach to particular issues, that contains a procedure that defines how it will be implemented. Policies are designed to clearly define what needs to be done in regards to issues that arise in the day to day activities of an LSO such as Occupational Health and Safety or sexual harassment.*

1b.

Marks	0	1	2	3	4	Average
%	3	10	33	32	21	2.6

The most common responses focused on employees and shareholders, although other stakeholders included:

- management
- suppliers (of food, fuel, etc.)
- suppliers (of technology)
- competitors
- the airport.

High-scoring responses described the stakeholder and their interest clearly and then went on to fully explain how they had been affected by the breakdown. Many students simply defined the stakeholders or didn't link the effect to the breakdown. It was also noted that many students defined the term 'stakeholders' when this was not required, and so wrote less on the effects. Students are reminded that writing definitions for key terms in a question is not always the starting point and that they should focus on answering the question asked.

The following is an example of a high-scoring response.

> *A stakeholder is an individual or group that interacts with the organisation and has a vested interest in its activities. One key stakeholder is the employees who work for the organisation who would have been significantly affected by the technology breakdown. Dealing with 'very unhappy customers' would have caused significant stress while customers being 'unable to board flights' would mean they could not do their jobs. As a result it is likely that morale and motivation will be very low, thus limiting their ability to be productive and satisfied at work.*
>
> *Another stakeholder is the shareholders, that is, those who own shares of Swanston Airlines. The customer dissatisfaction and likely bad press caused by the technology breakdown could make the organisation less profitable, resulting in smaller dividends. This will be very frustrating and disappointing and could result in them selling shares or demanding that the organisation take immediate action to become profitable again.*

1c.

Marks	0	1	2	3	4	Average
%	9	13	35	32	12	2.3

High-scoring responses provided a clear explanation of one management style and its features, and then justified how this style was appropriate when implementing the new policy. Many responses did not clearly link the management style to implementing the policy, while others referred to developing a new policy, rather than the scenario.

Some students were unable to clearly articulate a management style. Five styles are stated in the study design, and students must know and use this terminology specifically. Some students justified a style by stating why other styles were not appropriate. This was not an acceptable approach.

The following is an example of a high-scoring response.

An autocratic management style would be appropriate. This is where the manager makes decisions without staff input and informs staff of those decisions so that they can be enacted. This involves one-way communication and centralised authority and would be best as it is very time efficient, with no time spent gathering feedback or suggestions from stakeholders. It also leads to less confusion about what needs to be done as the policy being implemented will be clearly outlined and communicated to the staff. While the autocratic style can result in low morale, a quick, effective response is needed so that the policy can be implemented efficiently to avoid poor customer relations. Furthermore customers will want to see immediate, decisive action taken and so a time efficient and firm approach will help them see that Swanston Airlines is taking the issue seriously and will work to fix it promptly and without confusion about what should be done.

1d.

Marks	0	1	2	3	4	Average
%	22	11	24	25	19	**2.1**

High-scoring students adopted a logical approach, breaking down their response into:

- identification of the strategy
- description of the strategy and why it was low-risk (or high-risk)
- a link to the implementation of the new policy.

Many students defined the terms 'low-risk' and 'high-risk', but this was not required. These students then defined the strategy provided but did not link it to the policy implementation. Students are reminded that prepared responses on key terms, such as 'low-risk', that do not address the question will not be awarded full marks. A number of responses referred to the strategies in terms of change rather than the more specific implementation of a new policy to a specific situation.

The following is an example of a high-scoring response.

One low-risk strategy Swanston Airlines could use is training, that is, developing the skills of employees so that they can perform their jobs as efficiently and effectively as possible. Showing the employees how to implement the policy and providing them with the skills they will need to do so will overcome any fears they have about the changes while preventing confusion from spreading. While more long term, low-risk strategies are considered more ethical. A high-risk strategy that could be used is threats, that is, telling employees that there will be some form of punishment if they do not go along with the change, for example that they will be dismissed if they do not implement the policy. While it is effective in the short term, high-risk strategies can cause disharmony and resentment among employees, and it may become less effective in the future.

1e.

Marks	0	1	2	3	4	5	6	Average
%	34	6	10	19	18	9	3	**2.3**

Students who answered this question well were able to clearly explain each level of planning by giving the title of the planning level (for example, strategic), the time period of each planning level (for example, 3–5 years) and the personnel responsible for conducting each level of planning (for example, senior management). Students were also required to clearly articulate how each level could be used to improve customer relations.

Low-scoring responses were unable to clearly articulate the different levels of planning or presented them in a different order and in a confused manner. Many were not able to provide specific responses as to how each level could be used to improve customer relations.

The following is an example of a high-scoring response.

Strategic planning is the long term planning, usually over 3 – 5 years. It is done by senior management team. This could be used to improve customer relations as one of their responsibilities is the vision and

mission statement. For example, Swanston Airlines could change their vision statement to improve customer relations so that the whole organisation knows to improve on it and work on it.

Tactical planning is the flexible, adaptable medium term planning over 1 – 2 years. It helps to implement the strategic plan. This could be used to improve customer relations by having the responsibility to improve the ticketing system and overall technology at Swanston Airlines. This could improve customer relations through them having an easier and better experience when purchasing tickets from the airline. Operational planning is the short term, day to day planning that ensures the strategic and tactical plans are successful. This could be used by recruiting the right employees who have good communication skills and have what the organisation requires in terms of the new policy. In doing so they will have better interactions with customers, improving customer relations.

Question 2
2a.

Marks	0	1	2	3	4	Average
%	28	33	24	11	4	1.3

Many students struggled with this question, mainly because of a lack of understanding of job analysis and job design. High-scoring responses explained that a job analysis is a systematic process of gathering information relating to a job being performed.

Job analysis creates the source material to allow the business to prepare a job description, job specification and job design.

Job design involves the creation of a new job or the restructuring of a job, determining what tasks should be completed, the time involved in completing those tasks and who the person reports to.

Low-scoring responses confused the terms job analysis and job design, or simply stated that a job analysis was where a job was analysed, whereas job design was where it was designed.

The following is an example of a high-scoring response.

Job analysis refers to the evaluation of what a certain job requires from employees, the work environment and conditions of employment, made up of a job description (outline of what a job entails in terms of the employees duties, responsibilities and expectations) as well as a job specification (an overview of the type of person Bourke Books is looking for in terms of personal qualities, education, work experience and skills) to give an overview of a position that can be used to advertise a vacancy during recruitment or as a benchmark for evaluating employee performance, such as a bookseller working to operate the cash register and help customers find books, requiring at least one year experience and a bubbly, friendly personality. On the other hand, a job design refers to the process of creating a new job position within an organisation and evaluating where it will fit, what it will entail, and what it requires such as creating a new job at Bourke Books of a social media manager marketing e-books specifically.

2b.

Marks	0	1	2	3	4	5	6	7	8	Average
%	14	10	15	20	19	13	6	2	1	3

Many students seemed to find this question difficult, and many thought they needed to discuss both theories. The question, however, clearly stated, 'either Maslow's or Herzberg's theory'. To gain full marks students needed to explain the theory, discuss how it would assist the Human Resource Manager to motivate employees, and select and justify a theory that would be appropriate for the organisation at that time.

Low-scoring responses did not explain the theory fully and often did not include the benefits/limitations as a 'discuss' question requires. Often explaining both theories did not allow the student enough time to provide sufficient detail in order to receive full marks. If a student explained both theories, only the first theory was assessed.

The following is an example of a high-scoring response.

Motivation is the desire or drive to do well or achieve a common set of goals or objectives and the continual, consistent determination to achieve these. At Bourke Books, the most suitable motivational theory is Maslow's Hierarchy of 5 needs. Maslow theorised that there was a hierarchy of 5 needs, each level would act as a motivator until it had been met, once it had been met it would no longer motivate staff. Each level needs to be achieved in order. From bottom to the top of the hierarchy, the levels include physiological, safety, social, esteem and self-actualisation. Maslow's theory is advantageous and will assist the manager to motivate the employees by providing/meeting each level of the hierarchy. It is advantageous as Maslow believed that both extrinsic and intrinsic factors motivate staff; both the lower levels on the hierarchy and the higher levels will act as motivators. However, it is disadvantageous as every employee at Bourke Books may be at a different level on the hierarchy, making it difficult to not only identify which level they are at, yet also difficult to implement an appropriate strategy to help motivate them. Currently at Bourke Books, staff are likely to be unmotivated as their safety needs are not being met due to the prospects of potentially being made redundant. As a result, the employees will fear their degree of job security and will therefore be less motivated to work. Maslow's theory will address this by meeting the safety level of the hierarchy, for example, by providing long term contracts to make employees feel more secure in their jobs. Once this level has been fulfilled, higher levels should then be met by providing Bourke Books employees with social fulfillment eg. Friday night drinks and then esteem through rewards and providing additional development to enhance their skills, eg. how to work in different areas of the book store or promotion to a managerial role and finally self-actualisation which will be met by providing the employees with a more challenging role. Maslow's theory will be most suitable at Bourke Books as it will allow for a range of different strategies to be implemented at each level ensuring that all employees remain motivated and that their motivational requirements and needs are being met, ensuring that at Bourke Books, employees remain motivated through the changes and the restructuring process.

2c.

Marks	0	1	2	3	4	Average
%	23	27	34	9	7	**1.5**

This question required students to provide an explanation of two ethical and socially responsible processes that could be implemented when terminating staff. High-scoring responses suggested assisting staff in finding new positions and providing guidance with résumé writing.

Many students referred to legal obligations when responding to this question. However, this was not an appropriate response to a question that specifically referred to ethical and socially responsible processes. It is a legal obligation to provide a remuneration package when retrenching employees, and there are legal requirements about the amount of notice that must be given. Therefore, these are not ethical and socially responsible issues. Many students also did not focus on the termination phase of the employment cycle.

Students should not suggest processes such as giving more notice than that legally required or paying more than that legally required. It is also unlikely that an organisation will make an employee redundant and then continue to pay them until they find another position elsewhere.

The following is an example of a high-scoring response.

One process is outplacement services. These include CV writing and interview skills workshops that will assist the employees in finding a new job. These services are not legally required and the costs should be borne by the organisation so that the employee feels supported throughout the entire terminations process.

Another ethical and socially responsible process is transition services. These assist employees in organizing their finances during their transition into being unemployed. Counseling and financial assistance, provided and paid for by the organisation, will help the employee cope with their change in lifestyle.

2d.

Marks	0	1	2	3	4	5	Average
%	39	11	17	18	11	4	**1.7**

Students who answered this question well were able to address both elements of the question being asked. They provided a comprehensive description of a management structure, such as divisional or functional, and then provided a good justification of why it was appropriate for Bourke Books. The latter included a thoughtful explanation of information provided in the stimulus material.

It appeared that many students had prepared an answer for this type of question. This led to many students selecting an option that was difficult to justify in the appropriate amount of depth. Students who selected a divisional structure with three divisions – one for new books, one for second-hand books and a third for ebooks – were usually able to provide an appropriate justification.

The following is an example of a high-scoring response.

A management structure that would be appropriate for Bourke Books would be the divisional structure. This structure involves separating offices based on geography, customer, product or process needs. A divisional management structure, where employees are grouped together into different divisions according to the types of books being sold – new, second-hand or ebook, would be appropriate for Bourke Books during its staff restructuring in order to place more emphasis in the company on ebooks (given the steady rise in sales of 10% annually) and less emphasis (but still some!) on new and second-hand books. This allows for specialising how the management of each type of book is conducted to appeal to particular markets such as younger audience for ebooks via social media and older audience for new/second-hand books via radio advertising. This is the best structure for the firm due to its flexibility in adapting to change such as the restructuring, allowing it to increase sales by developing its ebooks industry in terms of marketing, finance, operations, etc due to a team of specialists from each functional area working together to sell ebooks, and encouraging cross-functional communication and teamwork of differently-skilled experts, to ultimately increase sales, profitability and customer satisfaction at Bourke Books. This management structure is more appropriate than functional, which is too rigid to specialise in different book types, or matrix which is good for short-term projects and may blur communication lines due to two managers, which would be problematic during employee termination.

2e.

Marks	0	1	2	3	4	Average
%	18	16	38	21	7	**1.9**

Most students had learned Kotter's theory and were able to provide two appropriate steps. However, their ability to relate the two steps to the introduction of a new staffing structure was poor. For example, when a structure has been created and is to be implemented, selecting Kotter's third step of creating a vision is not directly relevant to what was being asked in the question.

The following is an example of a high-scoring response.

Kotter's theory of change management sets out a systematic process of 8 steps that can help an organisation to undertake change. During the establishment of urgency phase, whereby the need for change is emphasised due to incoming threats or possible opportunities, employees at Bourke Books may be able to identify exactly why the new staffing structure is happening (due to the ebooks) making them more likely to understand the rationale behind this decision and helping them to accept the introduction of this structure.

Another step that could be used would the communication of the vision phase, whereby employees can provide direct feedback to management, in response to their vision for this staffing structure. Through this, employee doubts and likely to be cleared up and any rumours regarding the change would also be dispelled, making the issue clearer for employees and decreasing their resistance of this new structure.

Question 3
3a.

Marks	0	1	2	3	Average
%	46	18	24	12	**1.1**

This question asked students to describe an appropriate facilities, design and layout strategy that would be appropriate 'after the importation of parts', and this aspect of the question needed to be addressed. To respond well, students needed to incorporate information from the case material in their answer, clearly stating why the layout they selected was appropriate for the production of solar panels now that some of the parts are imported.

Low-scoring responses simply described a layout or confused characteristics of both a product and a process layout. Some students wrote about the method of production rather than describing the type of layout that would allow it to occur.

The following is an example of a high-scoring response.

Facilities design and layout is the way in which parts of an organisation is physically set up. For the production of solar panels at S&J Solar, the most appropriate layout will be a product layout. This is when equipment performs a single, set function and all of the products will move allow (generally a conveyor belt) through each stage, getting value added to it. The layout is commonly used for massed production as the solar panels would be produced and it will allow them to be produced quickly and efficiently with a consistent quantity and quality of solar panels. It will be applicable with the new importation of parts as these parts will simply fit into the assembly line. Fewer steps in the line will exist now as the importation of parts will simplify the production process. This layout will be the most appropriate as it will allow for a low cost per unit and a high quality output of solar panels.

3b.

Marks	0	1	2	Average
%	36	35	29	**0.9**

To be able to fully answer this question, students needed to explain the relationship between the two terms. Simply providing two definitions did not address the question. High-scoring students clearly showed an understanding of what productivity means. They were then able to explain how increased productivity gives a cost or time advantage to a business, leading to increased competitiveness.

Many students confused productivity with production, while others provided only definitions. Some students wrote that productivity leads to competitiveness, without stating how this occurs.

The following is an example of a high-scoring response.

Productivity is a measure of efficiency, that is, the amount of outputs produced compared to the amount of input needed. A productive organisation does not waste time or resources and this is more profitable, allowing it to invest in improving the quality of its outputs, thus allowing it to match or better its rivals. Furthermore, if an organisation runs on time and is a reliable source of goods and services, customers are drawn to it, allowing it to increase its market share and compete with rivals.

3c.

Marks	0	1	2	3	4	Average
%	32	19	22	19	8	**1.5**

This question required students to explain a quality strategy that could be used by S&J Solar Panels to improve its operations. Students needed to link the described strategy to the business and, specifically, to its operations.

The highest-scoring students provided a clear explanation of one quality strategy and were then able to link it to improving the solar panels quality issues that were outlined in the case material. They then explained how this strategy would improve the operations at S&J Solar Panels.

Low-scoring students could not clearly explain the quality strategy selected. Some students who selected total quality management were unable to explain the strategy. Some students wrote about more than one quality strategy, which was not required. Many students also failed to make the link to S&J Solar Panels' operations.

The following is an extract from a high-scoring response.

One quality management strategy that could be used is Total Quality Management or TQM. This is an organisation-wide commitment to quality where every function or employee in operations is heavily focused on the quality of their output and ensuring that the product or service is in the condition required by the person next in line, referred to in TQM as the customer. This strategy is focused on setting higher and higher standards and is considered reliable because the quality of the item is checked at every stage, from the receiving of inputs to the packaging or distributing of outputs. While it is time consuming, it ensures that no faults can slip through thus assuring the final customer will have their expectations met. If a product is not fit for purpose at any stage it will not continue through transformation until it is fixed and will be of a high standard for the next customer. TQM makes quality an organisational focus.

3d.

Marks	0	1	2	Average
%	40	24	36	1

This question required students to outline one form of training and link it to ensuring that employees have the required skills. It was not necessary to refer to S&J Solar Panels in the response, but many students did so and this was also acceptable.

High-scoring students were able to clearly outline a form of training (for example, on-the-job training where an experienced staff member demonstrates the required skills and teaches other employees how to replicate them), then state how the training form could ensure that employees have the required skills.

Some students simply wrote about testing, which would identify if training is required, rather than outlining a form of training. Some students named a form of training but did not outline it.

The following is an example of a high-scoring response.

Off-the-job training involves attending seminars, workshops or demonstrations to improve the skills of an employee so that they can perform their job as effectively and efficiently as possible. An external source of information and variety in the way the employee is trained encourages the information to stick with them so that they feel more adaptable and capable when performing tasks.

Question 4

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	8	7	11	16	18	15	11	8	4	2	1	4

Students were required to analyse how two factors of the internal environment and two factors of the external environment may act as sources of change. In addition, the response needed to refer to a significant change issue studied during the year.

Many students confused the change issue with the organisation they had studied in Unit 4, Area of Study 2, focusing on the organisation in their response and not referring to the change issue. Examples of significant change issues are listed in the study design. Teachers also have the ability to choose 'any other significant issue' that may affect a large-scale organisation.

The task descriptor 'analyse' required students to apply higher-order thinking to examine in detail how the selected factors acted as sources of change. Many responses focused on how the change issue affected the factors, but this was not appropriate.

Students are expected to be able to correctly identify factors from both the internal and external environment. For example, customers belong to the external operating environment, not the internal operating environment as many responses incorrectly stated.

Some students were able to incorporate a large-scale organisation as part of the analysis and this was acceptable, although many students only described a change at a large-scale organisation, which did not address the question.

The following is an example of a high-scoring response.

Change is considered dynamic because the sources of change are dynamic, and LSOs must adapt to changes from internal and external environments in order to stay competitive.

External sources for change are those that LSOs have little to no control over. When Linfox underwent organisational change to become more socially responsible, a major external source of change was political factors. Legislation can force or encourage LSOs to adapt certain policies or change their operations. At Linfox, the Rudd Government's introduction of the Carbon Tax encourages Linfox to reduce its carbon emissions in order to prevent costs associated with high emissions. In this way political forces were driving forces for change as LSOs must consider the consequences of not following legislation. Another external factor is social attitudes, that is, opinions and sentiments held by the public regarding current issues. At Linfox, the release of Al Gore's documentary 'An Inconvenient Truth' raised public awareness about climate change and led to interest groups and individuals putting pressure on LSOs to minimise their impact on the environment. Linfox chose to act according to social attitudes and become more responsible for its impact on the environment. The public and influence change by choosing whose products and services they purchase based on the organisation's reputation for being ethical and socially responsible, and negative press surrounding an organisation's response to social issues can vastly impact their profits, this these social forces are critical sources of organisational change.

This push for change can also be found inside the organisation, for example, management can act as a driving source for change. The productivity and profitability of an LSO is critical to managers and so if they believe a change will help them reach their objectives they will take action to promote it. In Linfox's change to become socially responsible the CEO was pivotal in introducing and encouraging the change by implementing policies and recruiting in line with the valued he wanted Linfox to uphold. By rewarding employees who embrace the change through their 'Greenfox' status and communicating the change in a way that all employees understand, management can be a source for change if they believe it is in the organisation's best interests. A second internal factor is the employees who play a vital role in implementing the change. If employees see that a change is necessary they will embrace and promote it. For example, if they are concerned about unsafe practices at work they are likely to demand change to occupational health and safety policies and thus become the source for change. At Linfox, employees were seen to embrace change and implement it by nominating themselves as 'Greenfoxes' who act as leaders for the change. Thus, employees themselves can drive organisational change.