

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE BUSINESS MANAGEMENT

Unit 3 examination 2017

SUGGESTED RESPONSES AND MARKING SCHEME

Section A

Question 1 (1 mark)

Define the term 'operations system'.

- 1 mark for an accurate definition of 'operations system'

Sample Answer: *An operations system refers to the transformation of inputs, including materials, capital equipment, labour, information and time, into output, or goods and services, that satisfy the demands of customers.*

Question 2 (2 marks)

Identify one similarity and one difference between private limited companies and public listed companies.

Similarity

- 1 mark for identifying a similarity between private limited companies and public listed companies

Sample answer: *Both private limited companies and public listed companies are owned by shareholders (the people, companies or other institutions who own shares in a company).*

Other accepted similarities: both have been incorporated, both have limited liability

Difference

- 1 mark for identifying a difference between private limited companies and public listed companies

Sample answer: *Many shareholders own a public listed company (a minimum of five shareholders, with no maximum number) whereas a private limited company is owned by a minimum of two and a maximum of 50 shareholders.*

Other accepted differences: private limited companies are not required to disclose financial information to the public whereas public listed companies must make information available to shareholders and the public; a private limited company's shares can only be sold to people approved by the business whereas a public listed company's shares are traded on the Australian Securities Exchange (ASX); a private limited company has the words 'Proprietary Limited' abbreviated to 'Pty Ltd' after its name whereas a public listed company has the word 'Limited' or 'Ltd' after its name.

Question 3 (7 marks)

Aussie Postal and the Communication Workers Union have been negotiating a new enterprise agreement for the last twelve months. Some time ago, workers took strike action after several attempts to resolve the dispute failed. After extensive negotiations, the union finally reached settlement with the management of Aussie Postal for a new Aussie Postal Agreement. The enterprise agreement was supported by a majority of workers voting in a ballot. More recently, the application for approval of the agreement was lodged with the Fair Work Commission (FWC). The FWC did not approve the enterprise agreement.

a. With reference to the dispute between Aussie Postal and the Communication Workers Union, outline two possible reasons why the Fair Work Commission did not approve the enterprise agreement. 3 marks

- 1 mark for outlining a reason why the FWC will not approve an enterprise agreement
- Repeat for a second reason
- 1 mark for referring to the dispute between Aussie Postal and the Communication Workers Union

***Sample Answer:** One possible reason why the Fair Work Commission did not approve the enterprise agreement is that it may not have passed the better off overall test (BOOT). While the agreement appears to have been genuinely agreed to by Aussie Postal employees, it is possible that some of the employees to be covered by the agreement are not better off overall than under the relevant modern award*

Another possible reason why the enterprise agreement was not approved is that it may not be consistent with the National Employment Standards (NES). While negotiating the agreement, Aussie Postal and the Communication Workers Union may have included terms in the agreement that exclude or have the effect of excluding the NES or a provision of the NES.

Other accepted reasons why the FWC will not approve an enterprise agreement: unlawful terms may have been used, the agreement doesn't include a dispute settlement procedure, the agreement does not specify a nominal expiry date, the agreement does not include a flexibility clause and/or a consultation clause

b. Identify and explain two dispute resolution methods that may be included in a dispute resolution clause within an enterprise agreement. 4 marks

- 1 mark for identifying a dispute resolution method that may be included in a dispute resolution clause within an enterprise agreement
- 1 mark for explaining the dispute resolution method
- Repeat for a second dispute resolution method

***Sample Answer:** One dispute resolution method that may be included in a dispute resolution clause within an enterprise agreement is mediation. This involves an independent third party assisting the parties who are in dispute to work towards their own agreement. The third party will usually not offer suggestions or solutions, preferring to allow the parties to develop the agreement in their own terms.*

Another dispute resolution method that may be included in a dispute resolution clause within an enterprise agreement is arbitration. If a resolution cannot be reached following the FWC making use of mediation, conciliation, expressing an opinion or making a recommendation, the FWC may resort

to arbitration. This involves the commission hearing both arguments in the dispute in a more formal court-like setting and making a determination that is binding on the parties.

Other accepted dispute resolution methods: grievance procedures, negotiation, conciliation.

Question 4 (17 marks)

My Yum is a medium-sized restaurant chain operating in several Melbourne suburbs and regional areas in Victoria. My Yum’s mission statement is “to sell the freshest and most remarkable food and drinks at the highest standards of quality and service.” Its slogan is “where Victorians dine”.

My Yum’s management believes that the business needs a more positive corporate culture. The owner has asked an external consultant to scrutinize the business and deliver a report. In the report, the consultant makes the following observations:

- **staff serve customers with a smile, but don’t create a great experience for them**
- **some staff were rude to customers in response to complaints**
- **several restaurant managers berated staff in front of the customers**

a. Explain business objectives in relation to

4 marks

● **managing employees**

- 1 mark for demonstrating an understanding of what business objectives are and what the management of employees involves
- 1 mark for explaining the relationship between business objectives and managing employees

Sample answer: *Business objectives are the desired goals, outcomes or specific results that a business intends to achieve. The management of employees (often referred to as human resources) makes an important contribution to the achievement of objectives such as profit, increasing market share, and providing a return to investors. A particular focus of this area of management is on positive work relationships, assisting employee motivation and labour productivity, and ultimately supporting the attainment of these objectives. Well-designed strategies related to the management of employees, including training and performance management, help to ensure that ‘human input’, as a factor of production, contributes most effectively to the achievement of business objectives.*

● **operations management**

- 1 mark for demonstrating an understanding of what business objectives are and what operations management involves
- 1 mark for explaining the relationship between business objectives and operations management

Sample answer: *Without an operations area of management, a business would have no product and therefore would not be able to achieve its objectives (the desired goals, outcomes or specific results that a business intends to achieve). Through the use of strategies such as quality management, customer service, productivity, technological development, management of materials, waste minimisation and speed of delivery, the operations management area influences the cost, quality and availability of the business’s product. This supports the attainment of objectives including increasing profit, increasing market share, providing a return for investors and contributing to social needs.*

b. Distinguish between official and real corporate culture using My Yum as an example.
3 marks

- 1 mark for demonstrating an understanding of official and real corporate culture
- 1 mark for establishing a clear point of difference
- 1 mark for making use of My Yum as an example

Sample answer: *Official corporate culture refers to the shared values, ideas, expectations and beliefs of a business that are revealed officially in its policies, objectives or slogans. For example, My Yum's official corporate culture of fresh, remarkable and quality food and service can be seen in its mission statement and slogan. In contrast, real corporate culture is seen in the unwritten or informal rules that guide how people in the business behave, such as the language staff at My Yum use, the way that the staff treat customers and the relationship between management and staff. The key difference between the two types of corporate culture relates to the way in which it is revealed: official corporate culture is seen in the business's official documentation whereas real corporate culture is revealed in what actually occurs in the workplace.*

c. Describe and justify two management strategies for developing a positive corporate culture.
4 marks

- 1 mark for describing a strategy for developing a positive corporate culture
- 1 mark for justifying the strategy
- Repeat for a second description and justification

Sample answer: *One method for developing a positive corporate culture is through establishing appropriate rituals, rites and celebrations. This might involve the introduction of routine patterns of behaviour to the business's everyday life such as observing safety and working in teams, as well as social events and gatherings. This is an appropriate method for positively developing a business's corporate culture as it is likely that it will lead to employees feeling valued as they will have a sense of belonging to the business and be able to connect with its expected behaviours. Another method for developing a positive corporate culture is through training. Employees may need to be taught appropriate ways in which to reflect the values of the business. Management might provide training to employees, for example, that focuses on respect for all employees and managers or what it means to work with integrity. This is an appropriate method for positively developing a business's corporate culture because employees who are trained in appropriate values and beliefs will be equipped to behave in those ways and model those values and beliefs.*

Other accepted methods: making use of symbols, promotion, performance appraisal, external recruitment, promotion or support of heroes, different management style, objectives altered, style of dress and language.

d. The owner of My Yum wants to use an autocratic management style to introduce the changes to the business.

Analyse the use of two management skills that the owner of My Yum will use as an autocratic manager in implementing a positive corporate culture at the business.

6 marks

- 1 mark for making a link between the management skill, the autocratic management style and corporate culture
- 1 mark for outlining the strengths of the skill
- 1 mark for outlining the weaknesses of the skill
- Repeat for a second management skill

Sample answer: *One management skill that could be used by the owner of My Yum in implementing a positive corporate culture at the business is communicating. As an autocratic manager, the owner will tell employees about the values and beliefs that the business stands for and the correct way to behave. The transfer of information about values, beliefs and expected behaviour will be one-way. The owner might use verbal communication, such as memos or briefings, or non-verbal communication, such as body language, to provide directives on these values, beliefs and expected behaviours.*

In this way, the owner's message and expectations will be very clear and unambiguous. There will be little uncertainty amongst staff about the values, beliefs and behaviours that they are required to adhere to. However, a disadvantage of the use of communicating in this context is that employees may use communication to agree or disagree with each other and with the owner. Employees may not necessarily agree with the values, beliefs and expected behaviours communicated by the owner. This can lead to resentment and tension, with the possible outcome of tasks not being completed or the culture not changing at all.

Another management skill that could be used is leading. As an autocratic manager, the owner of My Yum could influence or motivate employees to act or behave in the correct manner by modelling particular values, beliefs and behaviours or by providing staff with rewards in return for their compliance and acceptance of the desired values, beliefs and behaviours. Incentives such as pay rises or promotions could be offered depending on whether or not performance goals are met. As an autocratic manager, the owner would expect compliance and obedience with their leadership.

Employees who are motivated with a clear sense of direction about what the expected values, beliefs and behaviours are will tend to work towards implementing that culture. Financial incentives may motivate employees to support the expected values and beliefs in the short term. However, in the longer term, the effectiveness of such leadership may decline. Furthermore, the owner may become so busy at using the leading skill to develop a positive corporate culture that there will be no time for contributing to productive activities, such as meeting with managers, customers or making sales. Clashes could occur between the autocratic leader and employees and an 'us versus them' mentality may develop if staff feel that they cannot relate to the owner.

Other skills: planning, decision-making.

Question 5 (4 marks)

Explain the importance of the following areas of management responsibility.

- **Finance**

- 1 mark for demonstrating an understanding of finance (this does not need to be an explicit definition)
- 1 mark for an explanation of why finance is important

Sample answer: *The finance area of management responsibility deals with the financial aspects of the business. This can include developing financial policies, raising finance, budgeting, accounting and reporting, and cash control. The strategies used by the finance area will relate to accounting and financial management. This area of management responsibility is important because without good accounting and financial control, the business will not achieve its objectives. Accounting, for example, involves the recording and analysis of all the business's financial transactions. Without this knowledge the business will not know its financial performance or position. Financial management is concerned with how a business funds its activities. It is very important that the business is able to manage all of its borrowings and to use the types of borrowing that best meet its needs.*

- **Sales and marketing**

- 1 mark for demonstrating an understanding of sales and marketing (this does not need to be an explicit definition)
- 1 mark for an explanation of why sales and marketing is important

Sample answer: *The sales and marketing area of management responsibility deals with relationships with individual customers and the marketing mix, often referred to as the 7 Ps (product, price, place, promotion, people, physical evidence and process). Sales and marketing strategies undertaken by the sales and marketing area include developing the product, pricing, promoting and distributing products to current and potential customers. This area of management responsibility is important because without the idea for a product, without any promotion of the product and without any relationships being developed with customers, the business will not be able to achieve its objectives. Sales and marketing work towards beginning and developing long-term relationships with customers that will ensure the business continues to make sales, increase market share and ultimately, improve profit.*

Question 6 (9 marks)

Training can be used to motivate employees and improve work performance in the business. Performance management aims to improve both business and individual performance by relating the business's performance objectives to the employee's performance objectives

a. Identify and describe two training options.

4 marks

- 1 mark for identifying a training option
- 1 mark for a description of the training option
- Repeat for a second training options

***Sample answer:** One training option is on-the-job training. This occurs when employees learn a specific set of skills to perform particular tasks within the workplace. It may occur while the employee is performing their regular duties, at their regular workstation, or it may occur in a special setting, such as a training room or conference room. An experienced staff member will usually demonstrate the required skills and teach other employees how to replicate them.*

A second training option is off-the-job training. This involves the conduct of training away from the workplace. Individual employees or groups of employees may be sent to a particular specialised training institution, such as a university, a TAFE college or a specialist provider to improve their skills so that they can perform their job more effectively and efficiently.

b. Evaluate the use of either appraisals or employee observation as a performance management strategy for effectively managing employees.

5 marks

- 2 marks for arguments related to the benefits or strengths of the use of appraisals or employee observation
- 2 marks for arguments related to the limitations or weaknesses of the use of appraisals or employee observation
- 1 mark for an overall conclusion regarding the worth of appraisals or employee observation as a performance management strategy for effectively managing employees

Note 1: A definition of the selected performance management strategy is not required for full marks.

Note 2: In the case of a student evaluating both strategies, only the first strategy should be assessed.

***Sample answer:** Employee observation involves the business seeking a variety of opinions on the performance of an employee. The use of an employee observation approach such as '360 degree feedback' allows the business and the employee to gain feedback from a range of different parties in order to arrive at a more comprehensive picture of past and current performance. Employees can determine their strengths and weaknesses in order to develop their future performance. In addition, employee observation is very useful for evaluating skills in leadership, team work and interpersonal. A limitation of using employee observation relates to its deficiencies in assessing technical skills or the achievement of business objectives. These may not always be fully understood by every participant in the process. Furthermore, the process could be damaging if one of the participants has a personal vendetta against the employee. It can also be time-consuming to gather all the feedback using the employee observation strategy.*

Overall, employee observation is a worthwhile performance management strategy that can be used to effectively managing employees. Despite some limitations, it allows the business and the

employee to gather useful feedback from a variety of colleagues in the business whom, it would be expected, would have good knowledge of the employee's performance.

Accepted benefits or strengths of appraisals: builds relationships between employees and managers, feedback can help the employee to improve work performance, improvements in performance can be linked to promotion and pay rises, performance can be linked to training and development needs, can easily be links to business objectives

Accepted limitations or weaknesses of appraisals: time-consuming, can create a very stressful environment for both management and employees, can be seen as a 'tick the box' exercise, can be very backward looking rather than focusing on future performance.

Question 7 (10 marks)

Exclusive Rugs specialises in custom-made rugs and carpets for both domestic and commercial use. The business has endured a recent increase in resignations. Most employees departing the business have complained about problems such as poor relationships with management, inadequate support and a lack of feedback. Management is investigating how to improve motivation at the business.

Compare Locke and Latham's theory of motivation with Lawrence and Nohria's theory of motivation.

Discuss the key aspects of both of these theories of motivation. Recommend and justify the theory that you believe Exclusive Rugs should adopt.

The response to this question should be marked globally. However, below is a breakdown of how the marks could roughly be applied when assessing this answer:

- Explaining the similarities between the two motivation theories (2 marks)
- Explaining the differences between the two motivation theories (2 marks)
- Discussion of the benefits and weaknesses of Locke and Latham's motivation theory (2 marks)
- Discussion of the benefits and weaknesses of Lawrence and Nohria's motivation theory (2 marks)
- A recommendation and justification regarding which theory should be adopted by Exclusive Rugs (2 marks)

Note 1: Answers must be coherent and flow. Responses should be written in paragraphs that should clearly consider all parts of the question, and bring everything together.

Note 2: Students can recommend either theory, as long as they can justify the selected theory.

Sample Answer: *Locke and Latham's Goal Setting Theory and Lawrence and Nohria's Four Drive Theory are similar theories of motivation in that Lawrence and Nohria's 'drive to acquire' (which involves the desire to own material goods, achieve results, as well as the desire for status power and influence) is very similar to Locke and Latham's belief that employees can be motivated by trying to achieve specific goals, and can be rewarded for achieving those goals. Lawrence and Nohria's 'drive to learn' (which involves our desire to satisfy our curiosity to comprehend information and to explore the world around us) is also very similar to Locke and Latham's notion that goals should be challenging in order to extend employees.*

On the other hand, Locke and Latham's and Lawrence and Nohria's theories of motivation do have differences. Locke and Latham's theory focuses on the attainment of goals that are clear and specific, challenging but not overwhelming, and stresses the importance of feedback, whereas

Lawrence and Nohria's theory identifies four drives that shape the way in which all humans think and behave. Locke and Latham's theory is generally based on the idea that one person will pursue one goal at a time, whereas Lawrence and Nohria suggest that people can be motivated by all four drives at the same time.

Locke and Latham's motivation theory has a range of benefits and weaknesses. Setting goals that are clear and specific, challenging but not overwhelming will motivate employees and improve their performance, thereby contributing to the business objectives. Staff will perform at a higher standard due to their clear and specific goals, leading to a higher rate of productivity. Better relationships between management and employees will occur as managers work with each employee to collaboratively set goals and provide feedback.

However, a weakness of Locke and Latham's theory is that the goals that individual employees set may clash with each other, or even with business objectives, or may not support the attainment of business objectives. Furthermore, Goal Setting Theory only focuses on the setting of goals to improve performance. There are other factors that can contribute to improved performance.

Lawrence and Nohria's motivation theory also has a range of benefits and weaknesses. The four drives work independently, allowing managers and employees to be flexible in the behaviours or strategies that they select or implement. The theory is very adaptable to complicated or intricate environments or situations. All four drives can be converted into effort by employees that will be directed at improving the way they think and behave. It is this motivation that can be used to improve business performance and achieve objectives.

However, a weakness of Four Drive Theory is that some of the workplace applications involve competition between employees, and this competition can have detrimental effects on employees. For example, the workplace may suffer from a lack of co-operation or a lack of information sharing. Additionally, it is worth noting that there are other drives besides the four outlined by Lawrence and Nohria – the four drives do not necessarily explain all the individual characteristics that may motivate a person.

Exclusive Rugs should adopt Locke and Latham's Goal Setting Theory because working towards goals that are clear and specific, challenging but not overwhelming, will provide employees with the motivation to reach those goals, thus improving performance. The use of this theory will have the added benefit of improving relationships in the business, which may resolve the complaints that many employees departing the business have made. Feedback to employees will also be provided according to Locke and Latham's theory, which will also alleviate many of the complaints.

Other accepted benefits of Locke and Latham's motivation theory: many studies support the notion that challenging and specific goals together with commitment and feedback will motivate employees, employee goals will align with and support the attainment of business objectives. Other accepted weaknesses of Locke and Latham's motivation theory: setting goals that are too vague can lead to poor performance, goals that are not challenging (or are overwhelming) can become demotivating, employees may focus so intently on their goals that they ignore other aspects of their job, failing to meet a goal could be detrimental to an employee's confidence.

Section B – Case Study

Case Study

MaxaFruit International is a food and ingredients manufacturer that produces a wide range of products from fruits and vegetables such as juices and concentrates, dried fruits, pulps and purees. The business was established twenty years ago following the explosion at the turn of the century in 'good for you', healthy-type products such as juices and smoothies. It employs more than 100 employees at its factory in the north-eastern suburbs of Melbourne.

Most of MaxaFruit's products are manufactured from local ingredients, though some ingredients do need to be imported to maintain supply. The company claims that its products deliver many benefits to consumers including high nutritional value. It is very proud of the fact that it makes use of no artificial flavours and colours.

Members of the public recently reported seeing yellow-coloured water with a strong citrus odour in a drain near MaxaFruit's manufacturing facility. It is believed that it originates from the company's factory. Facing legal action and a backlash from the community, MaxaFruit is preparing for the introduction of new technology that is hoped will eliminate the errors which have caused the problem.

The business has decided that it will make greater use of automated production lines and computer-aided manufacturing. As well as reducing waste and the potential for pollution, the new automated production line will also improve productivity and reduce operating costs.

Unfortunately, the new technology will result in the loss of work for 25 staff. Rather than making these employees immediately redundant, the human resources manager would like to explore other termination options.

In addition to the issues related to environmental damage, the introduction of new technology and the management of redundancies, the CEO of MaxaFruit is also concerned about declining sales and profit. The CEO would like the company to become more competitive.

Question 1 (4 marks)

Using examples, describe two differences between the operations of service businesses and the operations of manufacturing businesses, such as MaxaFruit.

- 1 mark for a clear difference between the operations of service businesses and manufacturing businesses
- 1 mark for a relevant example
- Repeat for a second difference

Note: The descriptions provided must clearly represent differences between the operations of both types of business. In other words, they should 'match' or go together.

Sample Answer: *One key difference between the operations of service businesses and the operations of manufacturing businesses is seen in the nature of the product that both types of businesses produce. A service business transforms inputs into services, or intangibles, which means that they cannot be touched or stored. By contrast, MaxaFruit is a manufacturing business that transforms inputs into physical goods, or tangibles, that can be handled and stored before they are sold to the consumer. MaxaFruit's food and ingredients products can be stored and handled before being eaten or used in food preparation.*

Another difference is the level of customer interaction. Service businesses will have high levels of customer interaction as consumption usually occurs while the service is being produced. On the other hand, for manufacturing businesses like MaxaFruit, there is little to no consumer interaction as consumption of its food and ingredients products occurs after production. Customers will purchase its food and ingredients products after they have gone through the production line.

Other accepted differences: service businesses tend to produce services that are differentiated or tailored to individual customers whereas manufacturing businesses tend to produce standardised products, production and consumption occur simultaneously in service businesses whereas they occur separately in the operations of manufacturing businesses.

Question 2 (4 marks)

Describe one advantage and one disadvantage associated with MaxaFruit's decision to adopt automated production lines and computer-aided manufacturing.

- 1 mark for a description of an advantage associated with automated production lines
- 1 mark for a description of a disadvantage associated with automated production lines
- Repeat for computer-aided manufacturing

Note 1: Students may discuss the use of automated production lines and computer-aided manufacturing as a technology strategy in general, which is acceptable. Such responses should refer to both technology strategies and should cover more than one advantage and more than one disadvantage.

Note 2: Some application will need to be made to MaxaFruit for full marks.

Sample Answer: *One advantage of implementing an automated production line is the potential reduction in human error throughout MaxaFruit's operations system. Technologies used on the production line, such as robotics, will allow MaxaFruit to manufacture its food and ingredients products with a high degree of precision and accuracy that human employees cannot match. In this way, the errors causing the pollution of the local environment should be corrected. One disadvantage of implementing an automated production line is the very high financial cost. This technology is expensive to introduce but will also be expensive for MaxaFruit to maintain.*

Implementing computer-aided manufacturing can be advantageous for MaxaFruit's operations. The software will allow the manufacturing process to be designed and controlled by computer, resulting in more efficient operations. This technology will not take sick days, initiate industrial action, or require breaks or holidays enabling MaxaFruit to respond to customer and community requirements. However, a disadvantage of implementing computer-aided manufacturing is the fact that employees are likely to be made redundant because their role has been taken over by technological applications. This may lead to other employees at MaxaFruit becoming concerned about their job security and have negative effects on morale and productivity.

Question 3 (4 marks)

Explain one quality strategy and one waste minimisation strategy that could be used to resolve the problems at MaxaFruit.

- 1 mark for an explanation of a quality strategy
- 1 mark for an explanation of how the quality strategy will resolve the problems at MaxaFruit
- Repeat for a waste minimisation strategy

Sample Answer: *One quality strategy that could be used to resolve the problems at MaxaFruit is quality control. This involves the use of inspections at various points in the production process to check for problems and defects. Specifications or benchmarks are set before the physical checks are completed. Minimising errors will reduce waste and costs, and will make the business more*

competitive. The business is also likely to reduce pollution using this strategy. In this way, Maxafruit will become more profitable as it reduces costs and becomes more competitive.

One waste minimisation strategy that could be used to resolve the problems at MaxaFruit is lean management. This involves an all systems approach that aims to improve the efficiency and effectiveness of operations by eliminating waste and improving quality. A business that makes use of this approach would carefully analyse each stage of the operations system and remove any inefficiencies that do not add value to the product. For example, MaxaFruit may work towards eliminating waste by reducing defects or errors or by avoiding excess motion (reducing unnecessary movement of workers and products within the operations process). In this way, Maxafruit should be able to reduce pollution, reduce costs and ultimately, become more profitable.

Question 4 (4 marks)

MaxaFruit will offer voluntary redundancy to employees, but is also aiming to terminate staff through retirements and resignations.

Identify and describe one entitlement issue and one transition issue that will need to be provided by MaxaFruit as it reduces its staff.

- 1 mark for identifying an entitlement issue
- 1 mark for a description of the entitlement issue
- Repeat for a transition issue

Sample Answer: One entitlement issue that will need to be provided by MaxaFruit as it reduces staff is redundancy packages/payments. A redundancy payment is compensation that becomes necessary as an employee's job disappears. The amount of pay within a redundancy package will depend on the amount of continuous service that the employee has had with MaxaFruit.

A transition issue that will need to be provided by MaxaFruit is assisting staff to find new positions through outplacement services. This may include offering employees who have been made redundant, or who have resigned, advice on job seeking, additional training, résumé writing and interview preparation. MaxaFruit could provide outplacement services to reduce the stress that employees experience when departing the workplace and to improve the morale of employees remaining in the workplace.

Other accepted entitlement issues: notice of termination, employment termination payment, fair/lawful dismissal

Other accepted transition issues: provision of advice and assistance for those employees who are retiring or resigning, retirement mentoring program, superannuation, pensions.

Question 5 (3 marks)

Explain how the potential conflict between two stakeholders might create challenges for MaxaFruit.

- 2 marks for an explanation of the nature of the conflict between two different stakeholders
- 1 mark for an outline of how the conflict might create challenges for MaxaFruit

Sample Answer: One stakeholder is shareholders. Shareholders want the company to be profitable because they receive a proportion of the profits made (referred to as dividends). A profitable company is likely to see an increase in its share price, which is also good for shareholders as it means they make a capital gain. This demand for profit can conflict with the interests of members of the community who increasingly expect businesses to show concern for the environment. Some might be worried about the way in which MaxaFruit disposes of its waste or the environmental pollution that it has caused. MaxaFruit's financial performance may suffer if members

of the community decide to protest against the business or stop purchasing its products. This may create a challenge for the business, as shareholders will also be dissatisfied with the business if there is a downturn in profit.

Question 6 (6 marks)

Describe the positive and negative aspects of two corporate social responsibility considerations being faced by MaxaFruit International.

- 1 mark for briefly outlining a corporate social responsibility consideration being faced by MaxaFruit International
- 1 mark for a description of the positive aspects of the corporate social responsibility consideration
- 1 mark for a description of the negative aspects of the corporate social responsibility consideration
- Repeat for a second corporate social responsibility consideration

Sample Answer: *One corporate social responsibility consideration being faced by MaxaFruit International is how to deal with waste appropriately in a manner that respects the interests of society and the environment. MaxaFruit's operations should not make use of inputs that will harm the environment or create waste that will damage the environment. A positive aspect of this issue is the opportunity for MaxaFruit to reduce its waste or to dispose of its waste in an appropriate manner. It is possible that, if MaxaFruit is able to improve its waste management, customers and the general population may discover that the business is acting in a socially responsible manner and the company's reputation may improve as a result. A negative aspect of this consideration is the negative publicity that MaxaFruit has received or is about to receive, which is likely to reduce the company's sales, and therefore profit. Customers consider corporate social responsibility when they purchase products, and they are less likely to purchase goods from a business that has harmed the environment.*

Another corporate social responsibility consideration being faced by MaxaFruit International is the welfare of employees who may be made redundant. MaxaFruit provides employment for members of the community and will need to carefully consider the impact that redundancies will have on society. Management will need to work with affected employees in a sensitive manner and support these staff in finding new jobs. A positive aspect related to this issue is the reduction in waste, the improvement in productivity and reduction in operating costs resulting from the new technology. This is likely to lead to MaxaFruit becoming more competitive and profitable in the long-term. A negative aspect of this consideration is the concern or anxiety that members of the community may feel for their own personal welfare (if they work at MaxaFruit) or that of other employees who are losing their jobs at the business. Members of the community who believe that MaxaFruit is not being socially responsible in the way it is treating employees may seek to purchase the products of another business, leading to a decline in sales and profit.

Other accepted corporate social responsibility considerations: making use of local and overseas inputs, global sourcing of inputs, use of artificial flavours and colours.