



# Business Management 2018 Assessment Guide

VCAA Key  
Knowledge

Question

Answer guide

A study conducted in 2017 found that “despite a positive [corporate] culture being in the top three strategic priorities for companies, only 20% of senior management reported spending the time required to manage and improve it”.

Source: ‘Culture eats strategy for breakfast. So what’s for lunch?’, Andrew Cave, Forbes.

*Corporate culture both official and real, and strategies for its development.*

*Define, describe and apply relevant business management concepts and terms.*

**Question 1a** (1 mark)

Define the term ‘corporate culture’.

**Answer:**

- *The shared values, beliefs and traditions that create a collective identity in a business. This can be both official (i.e. written) or real (i.e. actual culture).*

**Marking protocol:**

One mark for a clear and accurate definition of corporate culture. Students should refrain from using the word ‘culture’ when defining this key term.

*Corporate culture both official and real, and strategies for its development.*

**Question 1b** (4 marks)

Explain how a failure to manage and improve corporate culture can impact on **one** financial and **one** non-financial key performance indicator.

**Answer:**

*Key performance indicators that can be directly impacted by a poor corporate culture include (but are not limited to):*

• *Financial indicators:*

- *Net profit figures (example below)*
- *Rate of productivity growth*
- *Number of sales*

• *Non-financial indicators:*

- *Rate of staff absenteeism*
- *Rate of staff turnover (example below)*
- *Results of staff satisfaction survey*
- *Number of customer complaints*

• *Failure to improve corporate culture can lead to negative values and beliefs in a business, which can negatively impact on the non-financial indicator 'rate of staff turnover' (number of staff leaving a business who need to be replaced). A negative corporate culture can reduce employee motivation to remain with the business due to dissatisfaction (e.g. drive to bond with each other not satisfied), which may increase the rate of staff turnover.*

• *A poor corporate culture can also have a negative impact on the financial indicator 'net profit figures' (revenue minus expenses). Unmotivated and dissatisfied staff may leave, creating extra costs for the business in replacing them. Also, negative values and beliefs may impact on customer service, leading to more complaints and potentially lower sales, also impacting negatively on profits.*

**Marking protocol:**

Two marks each for a clear and accurate explanation of how a failure to manage and improve corporate culture can impact (most likely negatively) on **one** financial and **one** non-financial key performance indicator.

**Note:**

- If you refer to two financial (or two non-financial) key performance indicators, the maximum score is 2.
- No marks are awarded for a definition of key performance indicators as this is not asked for in the question.
- When identifying specific key performance indicators, students should use "level of", "rate of", etc. For example, 'profit' is not an accepted key performance indicator (i.e. must say 'net profit').

*Corporate culture both official and real, and strategies for its development.*

*Propose and justify management strategies for developing corporate culture.*

**Question 1c (4 marks)**

Describe and justify **two** strategies that may assist in developing a more positive corporate culture in a business.

**Answer:**

*Strategies that can assist in the development of a more positive corporate culture include:*

- *Changing of management style or bringing in a new manager (example below)*
- *Introducing new policies (example below)*
- *Introducing new symbols/rituals*
- *Training staff to build new skills*
- *Introducing a new uniform or dress code*
- *Writing a new vision or mission statement expressing new values for the business*
  
- *A more positive corporate culture can be developed by introducing new policies (written guidelines that direct employee behaviour and decision-making).*
- *Introducing new policies (e.g. an anti-discrimination policy) can promote more positive interactions between staff, which can improve corporate culture.*
- *A change in management style – the approach taken by management to make decisions, communicate with and motivate people – can also assist in developing a more positive corporate culture.*
- *If management use a strict, autocratic approach, this can decrease morale as staff feel less valued. Changing to a more consultative culture can help staff feel more appreciated as their ideas are being heard, helping to improve corporate culture.*

**Marking protocol:**

Two marks for a description of two strategies that can assist in developing a more positive corporate culture.

Two marks for justifying how each strategy can support a more positive corporate culture.

**Note:**

- No marks are awarded for a definition of corporate culture. You must describe the strategies identified.

**Question 2** (4 marks)

Compare an Award and an Agreement as methods of determining wages and conditions of work.

**Answer:**

- *An Award is a set of legally binding conditions set out by the Fair Work Commission which provides all employees in a given industry or occupation the same minimum pay rates and entitlements.*
- *This is different to an Agreement, as Agreements are determined through direct negotiations between the employee (or union representative) and employer.*
- *Another difference is that where Awards apply across an entire industry, wages and conditions decided in an Agreement only apply at the workplace or individual level.*
- *Both an Award and an Agreement are similar as they are methods used to determine wages and conditions (e.g. leave entitlements).*
- *All Agreements must satisfy Award conditions as a minimum standard and may go above these, which is a difference between the two.*

**Marking protocol:**

One mark for each point of similarity and difference to a maximum of four marks (i.e. you should provide four separate points).

**Note:**

- The task word 'compare' requires you to detail the points of similarity and difference between two ideas.
- In a question like this, you can use three points of similarity and one point of difference (or vice versa), or two points of similarity and difference.

*Low-risk strategies to overcome employee resistance, including communication, empowerment, support and incentives.*

*High-risk strategies to overcome employee resistance, including manipulation and threat.*

*Evaluate the advantages and disadvantages of various strategies in implementing change in a business.*

**Question 3 (6 marks)**

“Getting businesses to change is no longer the problem – resistance to change from employees is”

Source: Torben Rick, 2013. ‘Change Management’

Evaluate the use of high-risk and low-risk strategies for implementing change. In your answer, refer to a business example from the past four years that you are familiar with.

**Answer:**

*Low-risk strategies are less likely to cause negative outcomes when overcoming resistance to change, including:*

- *Communication*
- *Support (example below)*
- *Empowerment*
- *Incentives*

*High-risk strategies are more likely to cause negative outcomes when overcoming resistance to change, including:*

- *Threats (example below)*
- *Manipulation*
- *Co-optation*
- *Use of an autocratic management style*

- *A low-risk strategy is support (e.g. providing training to employees to help them adjust to the change). This was introduced at Amazon (the Career Choice program) to support underperforming employees.*
- *When implementing change, a benefit of supporting employees is that they may feel more included in the change and therefore less likely to resist it. Employees may also feel more skilful and confident in performing their new role/responsibility, which can increase their motivation.*
- *However, a disadvantage of using support to overcome resistance to change is that it can slow the change process down. Also, in the case of Amazon, some support programs can be seen as a negative for employees who are in them as programs can be seen to single out low performing employees.*
- *A high-risk strategy is threats (e.g. threat of job loss) to force employees to accept change.*
- *A benefit of using threats is that it can act quickly to reduce resistance, which can be important if the business is faced with a crisis.*
- *However, a disadvantage of using threats is that it can lead to distrust and resentment of management. Jeff Bezos, CEO of Amazon, is an autocratic manager and has had several complaints against him. Also, motivation through fear usually only works in the short-term.*
- *Overall, when managing resistance to change at Amazon, low-risk strategies are more effective in the long-term as relationships are maintained and staff feel involved and valued.*

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**Marking protocol:**

This question is marked globally (i.e. on the whole). The following criteria could be used to assess your response:

5-6 High	<ul style="list-style-type: none"><li>• All elements of the question addressed.</li><li>• A very high level evaluation of both high-risk and low-risk strategies which shows in-depth understanding of concepts.</li><li>• Response makes consistent reference to a business example from past four years.</li></ul>
3-4 Medium	<ul style="list-style-type: none"><li>• Some elements of the question addressed, which shows a good understanding of concepts.</li><li>• Evaluation of benefits and limitations is good, but may lack clear links to a business example from past four years.</li></ul>
1-2 Low	<ul style="list-style-type: none"><li>• Few elements of the question addressed, which shows only basic understanding of concepts.</li><li>• Little to no evaluation of either high-risk or low-risk strategies, or lists basic ideas in relation to this, without linking to a business example from past four years.</li></ul>
0 No score	<ul style="list-style-type: none"><li>• Response does not demonstrate any understanding of either concept.</li></ul>

Strategies to improve the efficiency and effectiveness of operations related to technological developments, including the use of automated production lines, computer-aided design, computer-aided manufacturing techniques and website development

Strategies to improve the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just In Time

Strategies to improve the efficiency and effectiveness of operations related to quality, including quality control, quality assurance and Total Quality Management

Strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including the principles of lean management.

Corporate social responsibility considerations in an operations

#### Question 4 (8 marks)

Management strategies to improve the efficiency and effectiveness of operations can include:

- Technological development
- Materials management
- Quality management
- Waste minimisation (including lean management).

Select **two** operations management strategies from the list above.

Discuss the impact of each strategy on the efficiency or effectiveness of operations, and a business' pursuit of corporate social responsibility.

#### Answer:

The operations management strategies listed in the study design include:

- *Technological development* (example 1 below)
- *Materials management* (example 2 below)
- *Quality management* (example 2 below)
- *Waste minimisation* (example 1 below)

Example 1:

- **Technological development** is a strategy that involves introducing or adapting new tools or automated processes to support the production and/or selling of goods/services.
- Introducing automated robotics can support a business in improving its efficiency (how well resources are used to create a good/service). This is because robotics can carry out processes more quickly, allowing the business to mass produce. However, introducing robotics can also slow down production due to breakdowns and maintenance, which can have a negative impact on efficiency.
- Introducing robotics can have a positive impact on a business' pursuit of corporate social responsibility – CSR (actions to go beyond legal requirements and limit the negative impact of operations on other stakeholders). Specifically, using robotics can help a business to minimise its waste, which can have a positive effect on the environment. However, introducing robotics can lead to replacing labour (employees), which can cause job loss in the local economy.
- **Waste minimisation** is a strategy that involves reducing (usually through lean management) the level of waste (e.g. excess materials, waiting, over-production, defects, etc.) generated in operations.
- Lean management can support improved efficiency by making sure the business focuses on producing only what the customer wants and maximising process flows. This can help reduce operating costs, improving productivity. However, waste minimisation is usually a significant business-wide pursuit – this would require a large investment in training staff. Also, additional processes to check and detect defects can reduce efficiency.
- Businesses introduce waste minimisation strategies such as recycling and reusing materials to benefit the environment. Therefore, this strategy would support a business' pursuit of CSR. However, these systems usually require more advanced operations technology, which can create environmental damage and lead to job loss locally.

Example 2

- **Materials management** is a strategy that involves managing the movement, storage and use of raw material inputs to ensure the right quantity of materials is available in the operations system when required.
- Businesses may use a 'just-in-time' (JIT) approach to managing materials inventory – where materials are not kept on-site and arrive 'just in time' for production to begin. This can improve efficiency of operations (how well resources are used to create a good/service).

system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs.

*This is because materials waste and unnecessary storage/ handling costs can be minimised as only the correct number of materials are ordered. However, JIT relies heavily on suppliers, and if delays in supply occur, operations can be shut down, creating inefficiency.*

- *Using JIT can have a positive impact on a business' pursuit of corporate social responsibility – CSR (actions to go beyond legal requirements and limit the negative impact of operations on other stakeholders). Specifically, reducing materials waste in operations can lead to less environmental damage. It can also encourage the use of local suppliers, which can require a shorter supply-chain to meet more frequent supply schedules, creating job opportunities in the Australian economy.*
- ***Quality management** is a strategy that involves introducing processes (e.g. quality control) to improve the durability and fitness for purpose of the business' goods/services.*
- *Introducing quality control processes (testing and inspecting goods as they are produced and comparing to benchmarks) can improve effectiveness of the business' outputs by reducing the number of defective units that are sold to customers. However, quality testing does not in itself guarantee that the operations system will produce quality outputs – it requires a business-wide commitment to quality.*
- *This can also be beneficial for CSR as less waste is produced, which is good for the environment and the end consumer.*
- *However, some waste may still be generated if the quality issue is identified after it has occurred. This can be harmful for the environment if not disposed correctly.*

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**Marking protocol:**

This question is marked globally (i.e. on the whole). The following criteria could be used to assess your response:

7-8 Very High	<ul style="list-style-type: none"><li>• All elements of the question addressed.</li><li>• Shows an in-depth understanding of key terms and concepts.</li><li>• A very high level discussion of the two strategies chosen which shows in-depth understanding of the strengths and weaknesses of operations strategies.</li><li>• Specific and detailed discussion of both strategies relates to either efficiency <b>or</b> effectiveness and corporate social responsibility.</li></ul>
5-6 Medium	<ul style="list-style-type: none"><li>• Most elements of the question addressed.</li><li>• Shows a good understanding of most of the key terms and concepts.</li><li>• Thorough discussion of the two strategies chosen which shows a good understanding of the strengths and weaknesses of operations strategies.</li><li>• May be missing either a discussion of each strategy in relation to one of efficiency <b>or</b> effectiveness, or corporate social responsibility.</li></ul>
3-4 Low	<ul style="list-style-type: none"><li>• Some elements of the question addressed.</li><li>• Shows only a basic understanding of the key terms and concepts. A simple explanation of the operations strategies.</li><li>• Little to no reference in discussion to efficiency <b>or</b> effectiveness, and corporate social responsibility.</li></ul>
1-2 Very Low	<ul style="list-style-type: none"><li>• Limited explanation of the operations strategies chosen, or lists general ideas about operations strategies.</li></ul>
0 No score	<ul style="list-style-type: none"><li>• Response does not demonstrate any understanding of operations strategies.</li></ul>

Laura Anderson has just been appointed the new Human Resource Manager at Fashionably Late, a women's clothing, footwear and accessories retail store operating in Melbourne, Sydney and Perth. In a recent staff survey, results indicated that while staff were satisfied with their pay, they could not see any clear opportunities to progress their career at Fashionably Late. Laura has been informed by the CEO that if issues related to staff motivation and performance are not addressed soon, the business could be forced to downsize, leading to the involuntary redundancy of some of its 350 staff.

*Motivation strategies including performance related pay, career advancement, investment in training, support and sanction.*

**Question 5a (2 marks)**

Justify an appropriate motivation strategy that Laura could use to address the current situation.

**Answer:**

*Motivation strategies include:*

- *Performance-related pay*
- *Investment in training*
- *Career advancement (example 1 below)*
- *Support*
- *Sanction (example 2 below)*

**Example 1**

- *Career advancement involves providing employees with opportunities to be promoted to positions that include more responsibility, experiences or authority.*
- *This strategy would benefit Laura as current staff do not see a clear career path for themselves. She could offer career advancement opportunities to high performing staff to reward them for their work, which could help improve motivation and performance.*

**Example 2**

- *A sanction involves some form of consequence or punishment for failing to follow correct/accepted business practices or policies. This could include a verbal or written warning from management, demotion, or even dismissal.*
- *Laura could provide underperforming staff with a formal written warning as a way to force employees to improve their performance. This could motivate staff in the short-term to address performance issues and avoid the business needing to downsize.*

**Marking protocol:**

One mark for outlining an appropriate motivation strategy.

One mark for justifying (i.e. giving a reason) why this strategy is appropriate for the current situation at Fashionably Late.

**Note:**

- It would be very difficult to be awarded marks if performance-related pay is chosen. The case study specifically refers to staff being satisfied with their pay, therefore this would not be an appropriate strategy for the current situation at Fashionably Late.

Key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria).

**Question 5b**

(6 marks)

Laura has done some research on a range of motivation theories and has decided Lawrence and Nohria’s Four Drive Theory will be most appropriate to address motivation issues among staff at Fashionably Late.

Outline the key features of the Four Drive Theory and discuss how this theory could assist Laura in addressing issues with staff motivation at Fashionably Late.

**Answer:**

- *The Four Drive theory argues people have four needs – the drive to acquire (e.g. money, power, status), bond (e.g. feel connected to peers/colleagues), comprehend (e.g. learn and develop); and defend (e.g. protect safety and security of themselves and their job).*
- *Another feature of this theory is that three of the ‘drives’ are active, while the drive to defend only becomes active when there is a threat to a person’s physical safety, or their job security.*
- *Staff at Fashionably Late (FL) are lacking motivation due to a lack of advancement and development opportunities. This could mean their drives to comprehend and acquire have not been addressed.*
- *A benefit of the Four Drive theory is that it accounts for a range of different drives, giving Laura a clear idea of where motivation is lacking and what strategies can be used (e.g. career advancement opportunities) to address it.*
- *Using this theory would also help Laura address the drive to comprehend and improve motivation before the need to downsize occurs. This would lead to the drive to defend becoming active, which could reduce morale and motivation even further. By providing clearer advancement opportunities (e.g. promoting within), this can be avoided.*
- *However, the Four Drive theory is limited as it doesn’t consider an employee’s purpose (i.e. self actualisation in Maslow’s theory). Some staff may not be driven by career advancement opportunities, which could mean no effect on motivation among some staff at FL.*

**Marking protocol:**

This question is marked globally (i.e. on the whole). The following criteria could be used to assess your response:

5-6 High	<ul style="list-style-type: none"> <li>• All elements of the question addressed, which shows an in-depth and accurate understanding of the features of the Four Drive Theory.</li> <li>• A very high level discussion of the Four Drive Theory.</li> <li>• Response makes specific and consistent reference to the current situation at Fashionably Late.</li> </ul>
3-4 Medium	<ul style="list-style-type: none"> <li>• Some elements of the question addressed, which shows a good understanding of the features of the Four Drive Theory.</li> <li>• A discussion of either the benefits or limitations of the Four Drive Theory, but not both.</li> <li>• Response makes an attempt to reference the current situation at Fashionably Late.</li> </ul>
1-2 Low	<ul style="list-style-type: none"> <li>• Few elements of the question addressed, a simple explanation of the Four Drive theory provided.</li> <li>• Little to no discussion of the benefits or limitations of the Four Drive theory, or lists basic ideas in relation to this, without linking to Fashionably Late.</li> </ul>
0 No score	<ul style="list-style-type: none"> <li>• Response does not demonstrate any understanding the Four Drive Theory.</li> </ul>

*Characteristics of stakeholders of businesses including their interests, potential conflicts between stakeholders, and corporate social responsibility considerations.*

**Question 5c** (1 mark)

Define the term 'corporate social responsibility'.

**Answer:**

- *Corporate social responsibility refers to a business taking actions above its legal requirements and taking into account the interests of a range of stakeholders (e.g. employees, customers), society and the environment.*

**Marking protocol:**

One mark for a clear and accurate definition of corporate social responsibility.

**Note:**

- Students should refrain from using the term 'social responsibility' when defining this term.

*Termination management including retirement, redundancy, resignation and dismissal, entitlement and transition issues.*

**Question 5d**

(4 marks)

Explain **two** entitlement and/or transition issues Laura would need to consider to ensure Fashionably Late follows corporate social responsibility principles when terminating staff.

**Answer:**

*Examples of practices related to corporate social responsibility related to termination of staff include:*

- *Early communication (example below)*
- *Provision of outplacement services (example below)*
- *On-site counselling services during the redundancy program*
- *Provision of letters of reference/recommendation or acting as a referee*
- *Financial planning or retirement planning services*
  
- *When terminating staff, Laura could ensure corporate social responsibility (CSR) principles are followed by providing outplacement services to affected staff. This involves providing any staff who are made redundant with support in updating their CV, interview skills, a letter of reference, etc., which is not legally required but softens the impact of the redundancy.*
- *Laura could also provide affected staff at FL with early communication about any potential redundancy program. While Laura is legally required to provide notice of termination, providing early communication follows CSR principles as it allows employees at FL to organise and prepare for any possible redundancy – e.g. seeking a new job, updating their CV, etc. so the financial and mental impact of termination is minimised.*

**Marking protocol:**

Two marks each for explaining two appropriate entitlement and/or (can do two of either, or one of each) transition issues related to corporate social responsibility in termination.

**Note:**

- Selected entitlement/transition issues must be related to corporate social responsibility in the termination of staff.
- If entitlement/transition issues are legal requirements (e.g. payment of redundancy package) then no marks should be awarded.

An overview of the principles of the Learning Organisation (Senge)

Key principles of the Three Step Change Model (Lewin)

Research and analyse case studies and contemporary examples of business management applicable to managing change in a business

Apply business management knowledge to practical and/or simulated business situations

### Question 6

(10 marks)

‘Businesses are faced with an increasingly fast rate of change in today’s global business world. If they fail to keep up with the pace of change, they will struggle to remain competitive, let alone survive.’

With reference to a contemporary business case study from the past four years, analyse how management can successfully implement business change through the use of Senge’s Learning Organisation theory or Lewin’s Three Step Change Model.

### Answer:

Senge’s Learning Organisation sample response:

- *Senge’s Learning Organisation theory argues there are five key principles necessary to create a learning organisation that can adapt and improve in response to changing business environments. These principles include systems thinking (being able to look beyond what is occurring in the business and consider external forces for change); personal mastery (developing the skills and competencies of individuals in the business to drive learning and growth across the business); mental models (being able to evaluate and scrutinise business processes); building a shared vision (establishing a collective and unified approach towards a common vision for the future); and team learning (enabling people to work together and have open communication to generate greater learning). Adopting the principles of Senge’s learning organisation has supported Amazon Ltd. in successfully introducing a range of changes over the past four years.*
- *Amazon encourage the principle of personal mastery among employees through their Career Choice program, which pays 95% of tuition and degrees for employees to undertake. This program has enabled Amazon to successfully introduce change in its parcel picking processes which have become more automated. Amazon uses 30,000 robots around its centres to support the processing and packing of customer orders, and ongoing employee training and learning has been central to this. Employees have been encouraged to master skills in computer-related technologies.*
- *Another principle that has supported change at Amazon is challenging ‘mental models’ and the culture of ‘pioneering a passion for inventing’. Amazon has been able to evolve from an online bookstore, to a device manufacturer, publisher, global marketplace and fulfilment network in a short space of time as all staff (even interns on day one) are encouraged to challenge pre-existing models of success. This culture of challenging mental models has led Amazon in 2017 to introduce its first bricks-and-mortar convenience store (Amazon Go), among other changes.*
- *Finally, any successful change must be supported by a shared vision among all levels of the business. Amazon established the ‘Learning Principles’ which are shared among all employees in the business and used every day when making decisions. An example of this are the principles of ‘customer obsession’ and ‘invent and simplify’. In 2017, Amazon established a vision to achieve same-day delivery as part of its Prime and Prime Now service. By establishing this vision and implementing its learning principles, Amazon has introduced change to its delivery options to include the use of drone technology to deliver orders within one hour of placing the order.*
- *In summary, Amazon has successfully introduced a range of changes, mostly around integrating technology into its operations. Key principles of Senge’s learning organisation are evident in Amazon’s practices and have greatly supported the success of these changes.*

Lewin’s Three Step Change Model sample response:

- *Lewin’s Three Step Change Model theory argues that to be successful, change must be implemented in a three-stage process: unfreeze, change, refreeze. Elements of this change model are evident in Amazon Ltd.’s changes to its operations processes to integrate 30,000 robots into its fulfilment centres to transform its processes and the business to reduce order processing time from 90 to 15 minutes per order.*
- *The first step in the change process – unfreeze – involves preparing the business and its people for change. No change is implemented at this*

stage, and instead, management works to identify what needs to change and why, so that any changes are seen as a necessity. This step is crucial to remove any potential obstacles (e.g. employee resistance) and communicate why change is needed so it gains support. In 2016, Amazon identified the need to reduce its business costs related to processing and dispatching customer orders, which took approximately 90 minutes per order. A consultation committee was established with employees who identified safety risks in manually collecting stock for orders. Amazon also identified substantial energy costs for powering its fulfilment centres as an issue challenging its success. These are examples of the business unfreezing the environment and establishing the need for change.

- The second step – change – is the process of actually transforming the business and implementing proposed changes. This step is the most difficult as uncertainty and fear can lead employees to resist change. Amazon addressed this in implementing its Kiva robotics system and introducing solar technologies to power fulfilment centres by clearly communicating with employees, providing training and development to empower employees in working alongside the robotics, and introducing the change in stages (i.e. it began as a trial at one fulfilment centre before expanding). Introducing change in this way was important to ensuring the long-term success of this change.
- The final step – refreeze – involves anchoring the new change and systems into the business so that it is sustained in the future. This is important so that staff do not revert back to old habits. To ensure the success of its new processes, Amazon provided extensive training and support to employees. It also updated its operational processes and re-designed its fulfilment centres to accommodate the robotics more fluidly in its process. These practices ensured the business was able to change successfully and introduce same-day delivery into its service offerings, while minimising resistance among employees, which can be difficult when introducing robotics for fear of redundancy.
- In summary, Lewin's three-step change process helps businesses ensure they not only change, but also prepare for and cement the change in a process. This has been very important for Amazon in introducing its large-scale changes to processes.

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**Marking protocol:**

This question is marked globally (i.e. on the whole). The following criteria could be used to assess your response:

9-10 Very High	<ul style="list-style-type: none"><li>• A very high level of analysis which addresses <b>all</b> of the elements of the question.</li><li>• Shows an in-depth understanding of all of the key terms and concepts.</li><li>• Links the principles of Senge's <b>or</b> Lewin's theory to the success of business change.</li><li>• Makes regular and appropriate reference to a contemporary business case from the past four years.</li></ul>
7-8 High	<ul style="list-style-type: none"><li>• High level of analysis which addresses <b>most</b> of the elements of the question.</li><li>• Shows an in-depth understanding of most of the key terms and concepts.</li><li>• Links the principles of Senge's <b>or</b> Lewin's theory to the success of business change.</li><li>• Makes regular and appropriate reference to a contemporary business case from the past four years.</li></ul>
5-6 Medium	<ul style="list-style-type: none"><li>• Analysis is moderate and addresses <b>some</b> of the elements of the question, but not all.</li><li>• Shows a moderate understanding of most of the key terms.</li><li>• Links the principles of Senge's <b>or</b> Lewin's theory to the success of business change.</li><li>• Attempts to make reference (weak) to a contemporary business case from the past four years.</li></ul>
3-4 Low	<ul style="list-style-type: none"><li>• Analysis is limited – not all elements of the question are addressed. May provide a simple explanation of either theory.</li><li>• Shows only a basic understanding of the key terms and concepts.</li><li>• Relationship between Senge's or Lewin's theory and successful change <b>not made</b>.</li><li>• No attempt to reference a contemporary business case from the past four years.</li></ul>
1-2 Very low	<ul style="list-style-type: none"><li>• Analysis is very limited.</li><li>• May only briefly describe one or two points about Senge's or Lewin's theory.</li></ul>
0 No score	<ul style="list-style-type: none"><li>• Response does not relate to any elements of the question.</li></ul>

**Note:**

- Only one of the two theories needs to be analysed. If both Senge's and Lewin's theories are analysed in the response, only the first theory should be considered for marking. If both theories are analysed but in little depth, the maximum score for the response is 5-6 as the higher level criteria related to analysis may not be reached.

- If Senge’s theory is selected, students may choose to expand on all five principles in some detail, or a range of principles (e.g. three) in greater detail.
- In questions where the task word is ‘analyse’, students must identify the main features (i.e. of Senge’s theory or Lewin’s Three Step Change Model) then examine these features closely to show how the parts relate to the whole (i.e. how Senge’s or Lewin’s theory has or could be used by a contemporary business to successfully implement change and transform).

## SECTION B

Use the case study provided to answer the questions in this section. Answers must apply to the case study.

### Case Study

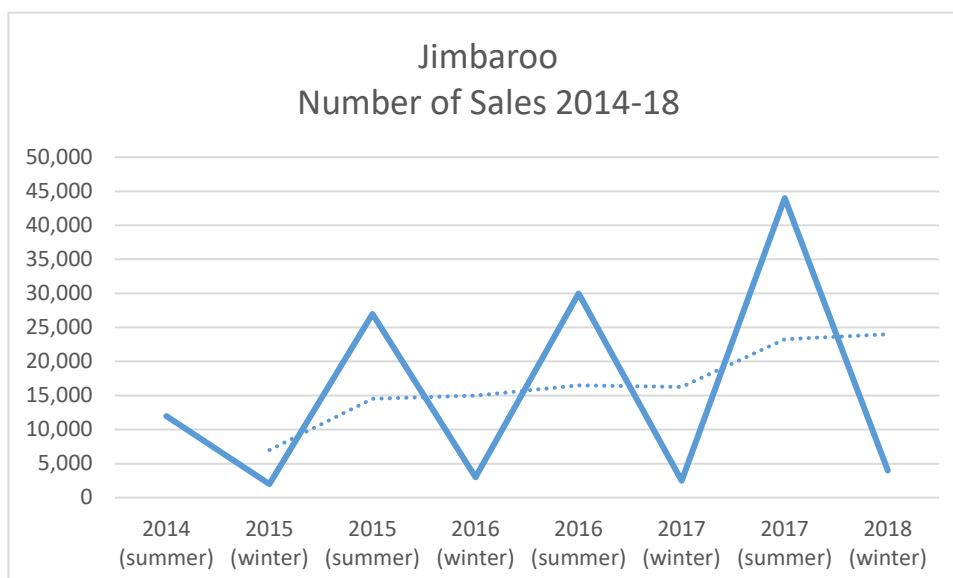
Jimbaroo is a manufacturer of portable coolers (also known as an ‘esky’) used to store food and drinks when outdoors. Jimbaroo has experienced a significant growth in sales and market share in Australia over recent years, particularly during the warmer months of summer.



Jim Gibbs, the owner and operator of Jimbaroo, is looking to expand his business globally over the next three years throughout Asia, Europe and North America to maintain more consistent sales during the summer period in the Northern Hemisphere when Australia is in the midst of winter.

While Jim is excited by the potential growth of his business, he does have some concerns, including:

- The risk involved in expanding globally as a sole trader;
- Global considerations in his operations system, including the potential of overseas manufacturing;
- How to seek new business opportunities both locally and globally;
- How to develop a competitive advantage both locally (where competition in the market for portable coolers is very strong) and globally (where consumer demand is not as high).



The graph above represents Jimbaroo’s sales from 2014 to 2018 (solid line), and a trendline from 2015 to 2018 (dotted line).



Types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises

Apply business management knowledge to practical and/or simulated business situations

**Question 1** (3 marks)

Justify an appropriate business ownership/type for Jimbaroo as it seeks to expand globally in the next three years.

**Answer:**

*Types of business ownership include:*

- Sole Trader
- Partnership
- Company – private limited (example below)
- Company – public listed
- Social enterprise
- Government business enterprise

- *An appropriate business ownership/type for Jimbaroo is a private limited company, where the business becomes incorporated and is established as a separate legal entity with 2-20 private owners (shareholders).*
- *Expanding globally can be very risky if there is low demand for portable coolers globally. It is important for Jim to protect his personal assets by establishing Jimbaroo as a company, which enables him the benefit of limited liability if the expansion fails.*
- *As a sole trader, Jim is also limited to his own personal funds. Establishing the business as a private limited company would enable Jim to bring on board trusted people (e.g. family) as shareholders, allowing him to raise the capital needed to ensure the success of Jimbaroo globally given the low demand currently, which may take a big investment of time and money.*

**Marking protocol:**

One mark for outlining an appropriate business ownership/ type (not directly asked for in question, but important to do given the question is worth 3, not 2 marks).

Two marks for justifying (i.e. giving reasons why) this business ownership/type is suited *specifically* to Jimbaroo's global expansion.

**Note:**

- It would be very difficult to justify a sole trader, government business enterprise, or social enterprise business type for Jimbaroo and these responses should not be awarded any marks.
- Although the task word is 'justify', students are expected to outline the business type chosen. It is difficult to justify without showing an understanding of the idea.
- To get the full marks for justifying the selected business ownership/type, students must link the chosen type to global expansion. A general justification should only be awarded one of the two available marks for this part of the response.

Management skills including communicating, delegating, planning, leading, decision-making and interpersonal

Apply business management knowledge to practical and/or simulated business situations

### Question 2a

(4 marks)

Describe **two** management skills that Jim Gibbs could use to assist him in expanding Jimbaroo globally.

### Answer:

Management skills include (but are not limited to):

- *Communicating (example below)*
  - *Delegating*
  - *Planning (example below)*
  - *Leading*
  - *Decision-making*
  - *Interpersonal*
- 
- *Planning refers to a process of establishing clear objectives for the future (over the next 1-5 years), and strategies for achieving these objectives.*
  - *Effective planning at a strategic (3-5 years) and tactical (1-2 years) level is important for Jim when expanding the business. He should develop clear objectives around the number of countries Jimbaroo will expand to, analyse the current strengths and weaknesses, and any threats posed to the business, and develop and monitor strategies to support expansion. This may assist him in expanding the business at an appropriate rate (i.e. not too fast) and minimise some of the financial risk faced.*
  - *Communication refers to a process of creating and exchanging ideas and information between people.*
  - *Effective communication will be very important to the success of Jimbaroo's expansion. Jim must communicate clearly with his current employees so they understand the expansion and its possible impact on them so they can support the change. Jim must also communicate clearly with overseas suppliers to ensure his supply-chain runs smoothly. Clear communication can be difficult with language barriers, so it is important for Jim to ensure he meets regularly and strengthens relationships with his supply network, or the expansion is likely to fail.*

### Marking protocol:

One mark each for a clear and accurate description of each management skill, to a maximum of two marks.

One mark each for a clear and accurate application of each management skill to global expansion of Jimbaroo.

### Note:

- The Study Design lists management skills 'including' communicating, delegating, planning, leading, decision-making and interpersonal. Student may select a skill not listed in the Study Design (e.g. negotiation, time management, stress management, analytical skills, etc.).
- It is important for students to specifically apply **each** management skill to the case study, particularly how the skills described can support Jimbaroo to expand globally.
- When selecting two management skills, ensure they are sufficiently different (e.g. it is not advisable to choose communication and negotiation, as the application of each would be too similar).

*The importance of leadership in change management*

*Apply business management knowledge to practical and/or simulated business situations*

**Question 2b**

(2 marks)

Explain the importance of effective leadership during change for businesses such as Jimbaroo.

**Answer:**

- *Leading refers to a process of motivating and guiding/ inspiring others to work towards a common vision.*
- *Effective leadership is important during change, especially for Jimbaroo expanding globally. This would involve building strong and trusting relationships among staff and clearly communicating the expansion, as well as why it is needed, so that employees are more likely to see the change as necessary (making them more likely to support it). This low-risk approach is very important especially as Jim is considering overseas manufacturing, which can place local jobs at risk.*

**Marking protocol:**

One mark for a clear and appropriate explanation of leadership.

One mark for a clear and appropriate explanation of the importance of leadership during change, with specific reference to Jimbaroo.

*The two key approaches, lower cost and differentiation, to strategic management by Porter's Generic Strategies (1985).*

*Apply business management knowledge to practical and/or simulated business situations*

**Question 3 (4 marks)**

Explain the two key approaches to strategic management according to Porter's Generic Strategies. Refer to Jimbaroo in your response.

**Answer:**

*The two key approaches to strategic management are:*

- *Low cost or 'cost leadership'; and*
- *Differentiation*
- *The low cost strategy involves a business seeking to gain an advantage over rivals by having the lowest business costs in the industry. A competitive advantage arises from the business having the lowest costs (and therefore higher profit margins), or by offering a lower price than rivals (and therefore boosting market share).*
- *In relation to Jimbaroo, using overseas manufacturing may allow him to reduce business costs compared to manufacturing in Australia where wages are much higher. This may provide a basis for charging a lower price for Jimbaroo's portable coolers, providing a competitive advantage to support global expansion of the business.*
- *The differentiation strategy involves a business gaining an advantage over rivals through its unique product or service offerings. This allows the business to charge a premium price for its product, which can be difficult to substitute, increasing profit margins.*
- *In relation to Jimbaroo, Jim may need to research and design new features for his range of coolers that attract customers in other countries to purchase them, if his global expansion is to be successful. Differentiating his coolers may allow Jim to charge price premiums and use additional profits to support his expansion.*

**Marking protocol:**

One mark each for clear and appropriate explanation of the generic strategies (low cost and differentiation).

One mark each for clear and appropriate application of each strategy to the case study, making specific reference to the current situation at Jimbaroo.

*Apply business management knowledge to practical and/or simulated business situations*

**Question 4a**

(2 marks)

Outline **one** difference between the operations of a manufacturing business such as Jimbaroo, and a service business.

**Answer:**

*Differences between service and manufacturing operations include:*

- *Tangible vs intangible outputs*
- *Customisation vs standardisation (example 1 below)*
- *Degree of customer contact (example 2 below)*
- *Shelf-life*
- *Labour-intensive vs capital-intensive processes*

**Example 1**

- *Manufacturing businesses like Jimbaroo produce outputs that are 'standardised' (i.e. have the same features). This enables the business to mass produce its outputs in higher volumes.*
- *This is different to the operations of a service business such as a medical practice, which must customise the service according to the customer's needs. For instance, one patient may require surgery, while another needs a certificate for missing work, requiring the service to be tailored.*

**Example 2**

- *Manufacturing businesses like Jimbaroo combine inputs and processes to produce outputs (i.e. portable coolers) that are consumed as a finished good. The customer is not required to be present during manufacturing of the coolers.*
- *This is different to the operations of a service business such as Qantas, where the customer must be present in order for the output (a flight to Perth) to be enjoyed. This is because the service is consumed simultaneously as it is produced.*

**Marking protocol:**

One mark for outlining one clear and appropriate difference between manufacturing and service operations.

One mark for specifically referring to Jimbaroo and a service business.

*Global considerations in operations management, including global sourcing of inputs, overseas manufacture, global outsourcing and an overview of supply chain management.*

*Apply business management knowledge to practical and/or simulated business situations*

#### **Question 4b**

(4 marks)

Discuss the consequences for business efficiency or effectiveness that may result from a decision by Jim Gibbs to use overseas manufacture.

#### **Answer:**

- *Overseas manufacture (offshoring transformation processes so that a good is completely produced overseas) can have a positive impact on efficiency (how well resources are used to produce a good). This is because overseas labour is much cheaper than labour in Australia, enabling Jimbaroo to reduce its operating costs, making it more efficient financially.*
- *Overseas manufacture can also benefit Jimbaroo as Jim can outsource production to specialist experts, enabling him to focus his resources (time, finance, expertise) on other core areas of the business (e.g. marketing).*
- *However, in using overseas manufacture, Jim may lose a degree of control over quality. Goods produced overseas (e.g. in China) may be lower quality, leading to waste and increased costs for Jimbaroo.*
- *Overseas manufacture can also have a negative impact on efficiency due to extending the supply-chain globally. If Jimbaroo's portable coolers are produced in Asia, Jim will face additional shipping and materials costs which may reduce business efficiency.*

#### **Marking protocol:**

Two marks each for a discussion of the benefits and limitations of overseas manufacture.

#### **Note:**

- In questions where the task word is 'discuss', students must highlight the benefits and limitations of the central idea/s (in this case, overseas manufacture).
- There is no 'limiter' for this question. Students should consider that there are 4 marks available for this question, and therefore provide two benefits and two limitations (linked to Jimbaroo). Students who choose to explore one benefit and one limitation should provide additional detail, to be awarded two marks for each idea presented.

Management strategies to respond to key performance indicators, including staff training, staff motivation, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques and redeployment of resources (natural, labour and capital)

Apply business management knowledge to practical and/or simulated business situations

**Question 5** (6 marks)

Examine **two** management strategies, **other than expanding globally**, Jim Gibbs could implement in response to key performance indicators. Refer to the data provided in your response.

**Answer:**

Management strategies to respond to key performance indicators include (but are not limited to):

- Staff training
- Staff motivation
- Change in management styles/skills
- Investment in technology
- Improvement in quality
- Cost cutting
- Initiating lean production
- Redeployment of resources (example below)

- As evident in the graph, while Jimbaroo's number of sales have increased over the past four years, sales rise and fall with the seasons in Australia, which would also lead to fluctuating net profits for Jim, the owner. To address this, Jim could implement redeployment of resources and investment in technology.
- Resources include people, equipment, machinery, finance, etc. Due to the fluctuating sales, Jim could redeploy his resources more efficiently to minimise his costs during periods where sales are low (i.e. during the Australian winter). This could involve employing labour on a casual basis during peak sales periods, and decrease labour during winter.
- Redeploying resources in this way would be effective in reducing costs for Jimbaroo, helping sustain profits throughout the year. However, this will not address the issue of fluctuating sales. Further, employing labour casually will cost Jim more, and make it difficult to maintain employee motivation and a positive corporate culture.
- Technology is any tool used by businesses to support the production, sale and delivery of its goods/services. Jim could invest in new technology and robotics that support the production of portable coolers, but are flexible in manufacturing similar products such as thermal flasks, portable heaters, etc.
- Investing in flexible manufacturing technology could support Jimbaroo in producing high quality portable coolers for summer sale (maximising number of sales), and also other products for winter (e.g. heaters, thermal flasks, etc.). This would help address the fluctuating sales and help Jim maintain profits throughout the whole year. However, investment in this sort of technology and expanding the product range is expensive and could take focus away from what has made the business successful.

Marking protocol continued next page...

**Marking protocol:**

This question is marked globally (i.e. on the whole). The following criteria could be used to assess your response:

5-6 High	<ul style="list-style-type: none"><li>• All elements of the question addressed, which shows an in-depth and accurate understanding of the management strategies identified.</li><li>• A very high level examination of the management strategies identified to consider both the positive and negative effects of each strategy.</li><li>• Response makes specific reference to Jimbaroo and the data presented in the graph.</li></ul>
3-4 Medium	<ul style="list-style-type: none"><li>• Some elements of the question addressed, which shows a good understanding of the management strategies identified.</li><li>• An examination of either the positive or negative impact of each management strategy, but not both.</li><li>• Response makes an attempt to reference Jimbaroo or the data presented in the graph.</li></ul>
1-2 Low	<ul style="list-style-type: none"><li>• Few elements of the question addressed, a simple explanation of the management strategies identified.</li><li>• Little to no examination of either management strategy, or lists basic ideas in relation to this, without linking to Jimbaroo.</li></ul>
0 No score	<ul style="list-style-type: none"><li>• Response does not demonstrate any understanding of management strategies to respond to key performance indicators.</li></ul>

**Note:**

- The task word 'examine' is similar to analyse in that it requires students to examine the topic in more detail. When 'examining', students should consider whether the strategies proposed would be effective for the business case presented.
- Students may use management strategies to respond to KPIs that are not listed in the Study Design. For instance, expansion of product range (known as diversification) is a strategy businesses may use when sales are fluctuating.