2018 VCE Business Management examination report

General comments

The responses written by students who performed to a high level across the entire 2018 Business Management examination shared the following similar features:

- They specifically addressed each element of the question being asked.
- When required, they referenced the stimulus material/case study in an appropriate manner.
- Content knowledge was demonstrably sound and students were able to express their understanding in a clear, detailed and precise manner.
- When options were available, choices were made that allowed students to respond well to all elements of a question.

Some students responded only to a portion of what was asked in some questions. It is important that students carefully read each question, noting all parts to be answered, to ensure that they address all elements of the question.

It is suggested that students be judicious in their use of definitions within a response when the question does not specifically request one. While defining key terms can enhance a response, on occasion students spent significant response time doing this. If definitions are not specifically required, then there are no marks allocated for their provision.

When students continue a response on a different page of the question and answer book, they should indicate this clearly, including numbering answers and identifying if they are from questions in Section A or Section B.

Specific information

Note: Student responses reproduced in this report have not been corrected for grammar, spelling or factual information.

This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

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

Section A

Question 1a.

For full marks, students needed to state that the business was 'owned' and then refer to the fact that it was by between 2 and 20 people/partners. The use of the terms 'control', 'operate' or 'run' were insufficient as they did not indicate knowledge that the business partnership is an ownership structure.

Low-scoring responses did not address the two elements of business ownership structure and numbered up to 20 people or did not accurately state the number of partners within the definition. Students frequently referred to owners as shareholders, but this is not a term relevant to these types of businesses as they are not incorporated.

A description of the characteristics of a partnership, such as unlimited liability, shared decision-making and lack of perpetuity, was not relevant to the question as it asked for a definition.

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

> *A partnership is a type of business where 2 – 20 people combine their knowledge, time and capital to own and operate the business together. A partnership will have perpetuity as a result, and will continue to exist if one partners leaves, but will also have unlimited liability where all partners are responsible to repay any losses made by the business.*

Question 1b.

Students were required to select an objective relevant to the specific business (childcare) and describe that objective. The task word 'describe' requires students to provide facts about a concept – in this case, a business objective. However, often student responses identified the objective and then outlined why it was relevant to the business, rather than providing a description of the objective as the question required. Some students merely rewrote the question or defined the term 'objective'.

The study design provides a list of objectives:

- to make a profit – which was not applicable in this instance as this was a constraint in the question
- to increase market share
- to fulfil a market and/or social need
- to meet shareholder expectations – which was not an acceptable response as partnerships do not involve shareholders

It was also possible for students to refer to objectives not stated in the study design such as decreasing staff turnover, which was referred to in the stimulus material.

Some low-scoring responses provided objectives that contained insufficient detail, such as increasing staff morale or motivation. In order to score full marks students needed to state what increasing staff morale means or what staff motivation is.

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

> *Kiddo Childcare Centre would have the objective to fulfil a market need, which is a gap in the industry that has not been satisfied by existing businesses. Kiddo Childcare Centre wish to provide a reliable childcare in their local area and meet the demand for high-quality which has not been fulfilled.*

Question 1c.

Students were required to describe the motivational theory (Maslow's Hierarchy of Needs) and then explain how it could be applied and linked to reducing staff turnover at the Kiddo Childcare Centre.

In general, students were well versed in the specified theory and could describe its basic elements. Students were expected to note the five levels of needs as specified by Maslow and give the names of each, stating that each need was to be met in sequential order. Students also needed to specify that once a need is met that need no longer acts as a motivator and management then should satisfy the next need in the hierarchy.

Many students referred to all five needs individually and provided a strategy for each that could be applied. Other students selected one or two needs and linked a strategy to apply to that need using information from the scenario. Either approach was acceptable.

The key requirement of this question was to explain how the strategy(ies) provided may lead to a reduction in staff turnover, but this was often not addressed well.

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

> *Maslow's hierarchy of needs is a motivational theory that suggests there are 5 needs for employees in a business, and that once one need has been achieved it becomes obsolete as a motivating factor. Level of staff turnover is a measure of the number of employees who leave the business and are replaced within a given period of time. The first need is physiological, as Mary should provide her employees with basic pay and wages, however, this likely will not help to reduce staff turnover as it is an expected entitlement. The second need is safety, which involves Mary ensuring she follows OH&S laws and ensures the staff at the Childcare Centre aren't in danger working in an environment where they may hurt themselves. The third need is belonging, as Mary should attempt to create a sense of community between the staff and parents of the kids at the Childcare Centre, so the staff feel supported and loved and are less likely to leave the business. The fourth need is self-esteem as the staff could be offered performance related pay or a bonus by Mary, if they contribute extra to Kiddo Childcare Centre, by giving extra time to create activities for the children. As a result, staff turnover may decrease because the childcare workers feel as though their extra efforts are being recognized and rewarded. The final need is self actualisation, where the child carers have a desire to be challenged at work, and may be given an increased level of responsibility in being asked to plan a class or trip for the kids. As a result, Mary may see a decrease in staff turnover because the childcare workers feel as though they are working to their full potential at Kiddo Childcare, and are less likely to leave the business.*

Question 2

Students were asked to explain why leadership is important to change management and refer to a contemporary business case study in their response to illustrate this.

Many students were able to provide a theoretical explanation of the importance of leadership but struggled to provide enough depth in their response. While most students were able to reference a contemporary case study, they found it difficult to relate it to the importance of leadership when managing change within the case study. Students often simply told a story of what had happened at the organisation, rather than specifically showing how leadership affected change at the organisation.

Most students had studied a contemporary business case study, defined within the study design as a case study within the past four years. It is worth noting that the case studies provided within the examination are fictitious businesses and so do not meet the requirement for the contemporary business case study. Some students referred to Kiddo Childcare, which was the case study provided in Question 1 in the examination; however, this did not meet the requirement of a contemporary case study.

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

> *Leadership refers to positively influencing and encouraging one to set goals and work towards achieving them. This will allow others to meet their full potential. At Telstra, CEO Andrew Penn must be a leader to successfully implement the change of "Telstra 2022" into the company.*
>
> *Leadership is essential in change, as leaders have the ability to build a shared vision in a business for the change, to then drive members of a business to work towards successfully initiating the transformation. Andrew Penn needed to clearly communicate the vision of "Telstra 2022" to all employees and managers, in order to sell this idea. He would then empower employees to make decisions in regards to Telstra's four pillars of change, so they can see their contribution made to the vision. Leaders also have the ability to empathise with the situation of others, through interpersonal skills, which will help build and maintain positive relationships during this stressful time, in turn reducing resistance to change. Andrew Penn as a leader, would have had to understand the negative consequences of Telstra's restructure on employees and then to clearly communicate the need Telstra had to change for its survival. He also initiated strategies such as careers counselling to assist redundant employees in finding employment at other telecommunication companies, hence reducing staff resentment and allowing change to be maintained.*

Question 3a.

This question was generally not answered well. A reference to the fact that a KPI is a criterion/measure, means or set of data for assessing business performance was required. Students also needed to specify how KPIs related to success in achieving business objectives.

Some students used the term 'indicator' rather than 'criterion'/'measure'/'set of data', and referred to assessing efficiency and effectiveness without going further and referencing specific business objectives.

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

> *Key performance indicators are specific set of criteria that measure the efficiency and effectiveness of a business' performance. Some of these include level of staff turnover, number of customer complaints or rates of staff absenteeism. They can be used to evaluate a business's performance before and after implementing change to see whether the change has been successful in achieving its set objectives.*

Question 3b.

In order to answer this question, students needed to make assumptions based on the reasons behind the changes in the listed KPIs. If these assumptions were logical and supported by the data, then marks were awarded. For example:

- The cost of buying and installing new machinery and training staff to service it may have reduced profit.
- The automation of the process should improve the quality of the product, and so the number of customer complaints would have fallen.
- The automation of the process would allow the process to be performed more quickly, which should lead to an increase in productivity.
- The automation may have caused staff to lose motivation as there was not as much or different work for them to perform, or because they feared for their jobs. This can lead to an increase in staff absenteeism as workers do not feel valued or fulfilled.

Students were not required to reference all four KPIs, although most students did. While this did not necessarily hinder their performance, it did make it more difficult to link the new machinery to the change in the KPI. Students who focused on only two or three of the KPIs were often better able to explain the link between the new machinery and the KPIs in more detail.

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

> *The new machinery has helped in improving productivity as it has increased by 6% over one year. This means that the resources (such as time to make the tinting) has been used well (less time needed now with the automated process). Thus, it has improved the business' performance in the sense that they are saving time and being more efficient. Another advantage that the introduction of the machinery has brought is the reduction in number of customer complaints. Perhaps the technology (since it's new) has allowed for the quality of the windows to improve which has satisfied CarX's Window Tinting, as the number of customer complaints is now only 28, in contrast to Year 1 where it was 112. Despite these advantages, the key performance indicators for net profit figures shows that the introduction of this technology has been expensive and therefore their profit has drastically decreased by 24,000 dollars. Since net profit refers to the amount left over once expenses (including the introduction of technology) is subtracted from revenue earned, then it means that the technology was highly priced and therefore they have less profit; meaning that currently they will have to examine their expenses as profit is essential to the business' performance. In addition, the rate of staff absenteeism has increased by an average of 8 days per year per staff member meaning that perhaps the introduction of technology has caused the employees to feel no longer valued as they have been previously the ones doing the tinting. Thus, as employees are a valuable asset to a business' performance, then a lack of them throughout the year suggests that they are not performing as well as in Year 1.*

Question 3c.

Many students were able to successfully address the first part of this question, which required them to explain how each of the two listed strategies could be used to respond to the KPIs provided. However, students struggled to adequately reference the second part of the question, which asked them about how the strategy might position the business for the future.

Redeployment of resources

Businesses operate with a range of resources, including human (employees), capital (assets) and financial. In order to improve relevant KPIs, it is sometimes necessary to alter the way in which these resources are used.

This part of the question was generally not handled well. Low-scoring responses explained that redeployment of resources involved sourcing inputs from overseas or outsourcing some of the production process.

High-scoring responses, however, drew on the KPI of staff absenteeism and referred to moving staff to areas such as sales and marketing, introducing job rotation or providing training so staff could undertake other tasks.

A change in management style

Management style describes the way in which managers choose to communicate and make decisions, and the extent to which they include employees in those processes. The way in which a manager chooses to communicate and make decisions can have an enormous impact on the way in which a business operates.

This part of the question was generally handled well. Most students understood the concept of changing management styles and were able to link this to the KPI of staff absenteeism. High-scoring responses identified a management style that may have been used and recommend an appropriate new management style the manager should adopt.

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

> *Redeployment of resources refers to moving around and relocating the business's resources/inputs including raw materials, labour and equipment to make better use of them. In relation to CarX's Window Tinting, they may choose to move their employees (labour) to other areas of the business in order to reduce the rates of staff absenteeism. This is because perhaps the introduction of technology has caused the current roles of the employees to be less intense and not as needed anymore; such as those who worked in the tinting of the windows as these processes have now been assisted by technology instead. Thus, by moving them to a different department of the business, they could make better use of their employees and also make the employees happier as they will have more work to do and feel more useful in the business in this new location, and therefore be less likely to not show up to work when they are scheduled to do so (reducing the rates of staff absenteeism). This could consequently also increase the level of productivity even further as by using their inputs of labour better then CarX's Window Tinting can improve their efficiency and productivity. If staff are happier then they're more likely to treat customers better; therefore this would also continue to decrease levels of customer complaints. Also, profit may increase if customers are happier with the services and will purchase more of their windows.*
>
> *Changing management styles refers to changing the approach taken by management in making decisions, and directing and motivating staff. The managers may switch to a consultative style, whereby they ask for employee input before making decisions. Motivation in this style comes from staff feeling a sense of responsibility and a feeling that managers are concerned about their opinions. Thus, changing to this style may lead to improved motivation: staff who value the ability to contribute decisions should be more interested, and by considering possible concerns about technology, staff should be more satisfied. In turn, this should reduce absenteeism. Additionally, a change to this style would leave final decision-making with managers. This can ensure they still have full control of resources and operations. CarX's may benefit from this as managers can ensure costs do not increase too much to allow the business to make a profit. Thus, the business should see better work from better motivated staff, and control their costs, to position them effectively in terms of generating profit in the future.*

Question 4

While a definition was not required, it was important that the student's response indicated a clear understanding of corporate social responsibility. In addition, students were asked to analyse two different ways that corporate social responsibility could influence decisions made by management. The focus also needed to be on how corporate social responsibility influenced management decisions in those areas.

The use of an example was not required in this question. While the use of a case study might enhance and support an explanation, generally students who referred to a case study seemed to lose focus on answering the question and tended to simply tell the story of what happened at the chosen organisation.

Some students referred to a legal obligation and suggested that it was corporate social responsibility. Responses where a student wrote about occupational health and safety legal guidelines as corporate social responsibility agreements in a retrenchment package covered by law were not accepted. These are legal responsibilities and not corporate social responsibility issues.

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

> *Corporate social responsibility is the ability for a business to go above and beyond their legal obligations, to consider the impact of their operations on their employees, the community and the environment.*
>
> *CSR can influence decisions made in operations, as an operations manager must consider how the production of their good or service impacts the community, staff and the environment. In the inputs element of operations, a manager may make the decision to source raw materials from local suppliers. In order to support the community and the local economy. During the processes, the business may choose to use green energy sources, such as solar panels, to power the machinery and factory utilities during production to contribute less to pollution in the environment. The manager may also opt to use biodegradable packaging for the outputs when packing the product to be sold. All of these decisions may reduce financial performance by driving up business costs, however, the product may therefore be more appealing to CSR conscious buyers, and has a positive impact on the community and environment. As a result the business creates sustainable products, and sustainable practices which allow them to continue to operate over time, as well as attracting customers for financial gain and contributing to society in a positive way, which is beneficial for an established business.*
>
> *Another way a business may be CSR conscious is by supporting employees from the local area in which the business operates, which allows the community to benefit as it reduces unemployment, and the staff are able to contribute in a positive way to the development of business in the local community. Also a business could be to assist in transition issues by linking employees who have been made redundant to an employment agency where they can create or update their resumes, apply for jobs and practice interview skills. This goes above and beyond obligations to staff to help support them when they are no longer employed.*

CSR considerations are appropriate for a business that is looking to have a positive contribution to society despite the financial loss it may incur. For a business that is already established, CSR may be the next step to ensuring continued success in the future, however, initial implementation of CSR for a small business may not be appropriate as profits may be low and business costs too high, which will result in the business being unable to operate in the future.

Question 5a.

Students were able to explain forecasting and generally handled this part of this question well. Some students did not note that AUS Swimsuit Ltd was a manufacturer of swimwear, and this made it more difficult for them to address the question appropriately. Some low-scoring responses did not specifically refer to how forecasting may improve operations.

Students generally did not handle the website development part of the question well and very few students achieved marks for this part. Many students referred to the creation of an online store and gave an explanation of sales and marketing rather than operations, which did not address the question and was not awarded marks. While few students addressed operations, those who did usually referred to the website allowing a forum for customer feedback, which could lead to a change in operations to help improve the quality of the swimwear, or talked about a system whereby the swimwear was only manufactured after the order had been placed online, which would reduce waste and improve efficiency in the use of resources in the operations process.

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

Forecasting involves looking at past business trends and data to predict future customer demands and trends, allowing a business to prepare for such level of demand, taking into account cost of production. Forecasting would optimise the effectiveness of operations at AUS as they will only order the correct amount of inputs and swimwear based on customer demand and seasonal trends, eliminating excess stock which may be discarded or discounted which increases expenses of operations, this limiting profit margin. Similarly, forecasting ensures the right amount of inputs are on hand and available, ensuring there is no halt in operations due to lack of stock thus improving efficiency and productivity of operations at AUS.

Website development is where a business creates an online store to increase awareness of their business and sell products to people who cannot visit their store, such as overseas customers. This will improve AUS's operations system as it will allow the business to make sales at all times even when the store is closed. It will also increase AUS's customer base, thus increasing demand for their products and allowing customers to purchase their products easily from overseas. Furthermore, they could implement a system where they only produce the swimwear once a customer has ordered online, thus reducing the amount of wastage the business creates as they know the products will be sold and increasing the efficiency of their operations system.

Question 5b.

This question was generally answered well. Most students were able to identify and explain low-risk and high-risk strategies. However, many struggled to explain how these strategies could be used to overcome employee resistance. It cannot be assumed that these strategies will overcome resistance and this needed to be explained.

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

> *One high risk strategy to overcome employee resistance is the use of threats. These are statements made with the intention of causing harm if something is not complied with. Phu could use this to overcome employee resistance to his plans to expand globally by threatening employees that if they do not comply with necessary changes, such as their possible redeployment overseas, that they will lose their job. This would reduce employee resistance as they would not want to lose their jobs and thus they will comply with the change.*
>
> *One low risk strategy that Phu could use is communication. This is where information flows from manager to employee. Phu should use two-way communication and thus receive information and suggestions back from employees as well as inform them of what the change will effect. By communicating and informing employees of the effects of the change as well as receiving suggestions and input from employees, Phu's employees will feel more comfortable with the change and thus not resist it.*

Section B

Question 1

A social enterprise is a private sector business that exists with the intent of achieving social objectives rather than for the benefit of its shareholders.

Students who answered this question well were able to clearly describe a feature of a social enterprise. Many noted the purpose of a social enterprise in terms of supporting a social need.

Students who did not answer this question well often either confused social enterprises with charities or simply wrote about businesses demonstrating corporate social responsibility. A number of students wrote about the requirement to give 50% of profit to a charitable cause, which is not a specification for a social enterprise. There was also some confusion about whether social enterprises were for-profit or not-for-profit businesses.

Many students wrote about social enterprises giving back to their local community, without any acknowledgment that the cause being supported can be much wider than this. There was also a reference to 'surplus' being given back, but no reference to what the surplus was composed of (stock, money, etc.).

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

> *A social enterprise is a business that applies commercial strategies to maximise improvements to social and environmental wellbeing. A feature is that they will prioritise a social goal, and then aim to make a profit to reinvest into achieving that social goal. Ocean Hub would have to make a profit through its store, then reinvest this money into providing its community service such as IT classes.*

Question 2

Students could have identified that the three elements of operations were inputs, processes and outputs, and describe these generically to achieve full marks. However, issues occurred when they attempted to describe these elements in terms of the case study.

It is worth noting that Ocean Skate Hub had both service and trading elements to its business. Students who answered this question well were able to clearly describe the key elements (inputs, processes and outputs) and were able to apply them clearly to part or all of Ocean Skate Hub's businesses. This could be the actual skate parks, the sports shop or the cafe.

Students who did not answer this question well did not name the three key elements and tended to list rather than describe. A number of students wrote about the processes in terms of inputs or outputs. It seemed that some students believed that in a service business processes and outputs were the same thing, but this is incorrect.

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

> *The key elements of the operations system include inputs, processes and outputs. Inputs are the resources used in the business. For Ocean Skate Hub's operations system this includes labour (their local employees), finances and the location/site of the indoor and outdoor skating parks and the sports products they buy for their sports store. Next there is processes. Processes involve the transformation of inputs into outputs (the final product). In relation to Ocean Skate Hub this may include the actual construction of the skating parks, and the ordering of sports products for their sports shop. In relation to their café, that could involve the making of coffee for their customers. The outputs is the last element and involves the final product that is served to the customers. This for Ocean Skate would be quality services from the café, sports products from the store and quality experiences at the skating parks.*

Question 3

Students who answered this question well were able to clearly explain Lewin's Force Field Analysis theory and were able to apply it to the expansion plans of Ocean Skate Hub. They explained how the driving and restraining forces in the scenario should be weighted or ranked, then that the driving forces needed to be strengthened or the restraining forces lessened to the point where the driving forces could break through and the change was likely to be successful. Some students referred to this as forming an action plan, although that term was not necessary if the students explained the steps required.

Students who did not answer this question well wrote in general terms about driving and restraining forces without application to the case study. Some students stated that if there were more restraining forces than driving forces, then the change would not be successful. This showed a lack of understanding of the ranking or weight of the forces.

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

> *The force field analysis outlines the process of determining which forces drive or resist Ocean Skate Hub's proposed change to expand its operations. Ocean Skate Hub must first define their target of change, which is to provide services to the entire community including IT classes, photography classes and cooking classes. They must then determine which forces drive and restrict the change. Societal attitudes are a driving force for Ocean Skate Hub, meaning they support the change as it will give local community members an opportunity to learn and*

develop. However, a restraining force for them are the financial considerations as that works against the change since expansion would have high implementation costs for the business and could decrease their profits. According to the force field analysis, Ocean Skate Hub must allocate the forces with a numerical score based on their importance to determine which forces should be prioritised. These forces should then be analysed to determine how Ocean Skate Hub can get rid of the equilibrium. The business must then implement strategies to promote the driving forces and eliminate the restraining forces. They could achieve this by fundraising to help reduce the effect of financial considerations on the change.

Question 4

Students who achieved high marks were able to provide a clear explanation of both awards and agreements. Those who did not score highly often did not provide sufficient detail to demonstrate an understanding of each wage-setting system. Many students tried to compare the two methods but this was not required by the question. Students also needed to make a recommendation in favour of one of the two systems and provide detailed reasons for their choice, linking their answer back to the case study, but many students struggled to do this.

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

Awards act as a minimum safety net for wages and conditions of work as they must comply with the national employment standards and minimum wage. They set out the minimum wage and working conditions for a specific industry, there are 122 industry awards and they are set and refined by the Fair Work Commission every four years. Enterprise agreements are wages and working conditions for a particular business, negotiated between the employer and employee or their representatives. Once a business has completed negotiations the Fair Work Commission must approve the agreement, ensuring a number of factors are met, such as both parties bargained in good faith and employees are better off than in an award. I believe Tessa and Charlie should stick with their industry award being the Sporting Organisations Award 2010, as Ocean Skate Hub is a social enterprise they are distributing their profits to benefit the community, an award would mean they are able to put more money towards their activities for the community such as infrastructure for their skate parks and tools for their gardening services, rather than as wages and working conditions for employees as enterprise agreements are much more expensive. Furthermore, awards are handled outside of the workplace, allowing Tessa and Charlie to concentrate on their new expansion plans. Whereas an enterprise agreement can be a timely process with negotiations, meaning Tessa and Charlie would not have much time to implement their expansion plans and plan new activities, thus making the Sporting Organisations Award 2010 much more appropriate for Ocean Skate Hub.

Question 5

Students needed to carefully read the question and select two appropriate stakeholders that were relevant to the case study. Many students made a poor choice when selecting stakeholders – they needed to consider the business, what the interests of each stakeholder might be and then select the two that were most easily explained in terms of conflict. Each element had to be completed to address the question, which asked them to outline the interest of the stakeholders and how these might be in conflict. It was important to select stakeholder groups that were actually likely to be in conflict and did not have overwhelmingly common interests. Poor choices made it difficult for many students to explain an area of conflict.

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

Employees are the people who work for a business to allow it to achieve its objectives. Their interests often include security in their job and increasing their remuneration through pay rises and bonuses. They will also often value opportunities for development and advancement. Managers are the people in charge of sections of the business. They are responsible for business success, thus their main interest is achieving business objectives. They will also have personal interests including opportunities for advancement and praise for their work. Ocean Hub may see a conflict between these stakeholders due to the financial interests of each. As managers will want to see more profit going towards fulfilling their social objective, employees may be unlikely to see pay rises or bonuses. Alternatively, if employees do receive more remuneration, less funds will be accessible to fund Ocean Hub's new classes, and this its social objective will not be achieved to the same extent. Additionally, their personal interests may conflict. Managers seeking praise for their work during Ocean Hub's expansion may avoid delegating tasks, thus not allowing for employees to develop their skills and feel they are contributing. On the other hand, allowing employees to contribute may result in managers being shown up. This may limit their chance for recognition.