

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE BUSINESS MANAGEMENT 3/4

2019

Practice examination No. 2

**SUGGESTED
RESPONSES/ADVICE**

Section A

Question 1 (14 Marks)

South East Laundry is a private limited company that provides a laundry service to the South-Eastern suburbs of Melbourne. Its customers include hotels, motels, restaurants, hospitals, aged-care facilities, golf clubs and party-hire businesses. South East Laundry's mission is "to provide quality laundry services at affordable prices." It values customers first, cleanliness, integrity and professionalism. The company recently explored the possibility of becoming a public listed company, but decided against this. The CEO of South East Laundry believes that employees must be closely supervised as this maximises productivity and reduces the amount of time wasted. The business has an increasing rate of staff absenteeism and the level of staff turnover has become unacceptably high.

a. Define the term 'private limited company'.

2 marks

Advice 1: 'Define' simply requires students to provide meaning for a term. Students should try to write a definition that does not make use of the term itself. Straight definition questions do not necessarily require examples. However, it is often worthwhile providing an example so that the student is able to convince the assessor that they really do understand what the term means. Students should note learning definitions is an important part of preparing for the Business Management exam. A recent examination report stated that "there are some preparation tasks that students could perform that would improve their performance. For example, a glossary that precisely and accurately defines key terms will assist students to gain better marks when answering those questions requiring a definition."

Advice 2: Students were asked to define 'sole trader' on the 2017 exam (Section A, Question 1a). While this question was generally well answered, the key term 'owned' was expected in the definition. In some responses there was a lack of precision with the definition as some students used the terms 'control', 'operate' or 'run'. A total of 20 per cent of students scored zero marks and the average mark was 0.8 out of 1. The chief assessors said that "...students are reminded that they should use appropriate business terminology rather than colloquial terms when answering questions in examinations."

Advice 4: Students were asked to define the term 'partnership' as a type of business on the 2018 exam (Section A, Question 1a). This question was generally answered well. However, like the 'sole trader' definition question on the 2017 exam, students needed to state that the business was 'owned' in their definition. Students also needed to refer to the fact that a partnership is owned by between 2 and 20 people/partners. A total of 12 per cent of students scored zero marks and the average mark was 1.4 out of 2. In the 2018 examination report, the chief assessors said that "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."

- 1 mark for stating that a 'private limited company' is owned by shareholders
- 1 mark for correctly defining 'private limited company' as owned by between one and 50 shareholders

Sample answer: *A private limited company is an incorporated business that is owned by a minimum of one shareholder and a maximum of 50 non-employee shareholders. Shares in a private limited company are offered only to those people whom the business wishes to have as part owners.*

b. Outline one reason why a business may choose to operate as a private limited company rather than as a public listed company. 2 marks

Advice 1: The use of the task word 'outline' for this question requires students to do more than just state or identify something. However, it does require a little less than a full description or explanation. There are a number of reasons why a business may choose to operate as a private limited company rather than as a public listed company. Accepted responses include: a public listed company requires greater accountability and compliance than for a private limited company, a private limited company is simpler to form than a public listed company, a private limited company is not required to invite the general public to buy its shares by the issue of a prospectus, a private limited company can prevent the membership of persons considered undesirable.

Advice 2: This question has been included on this practice exam because a similar question to this appeared on the 2017 VCAA exam, where students were asked to outline a reason why a business may choose to operate as a partnership rather than as a sole trader (Section A, Question 1b). For that question, most students were able to state a reason why a partnership may be advantageous compared to a sole trader. However, few students were able to then expand on the reason. Importantly, only one reason was required for that question, and a number of students outlined two reasons – the second reason was therefore not rewarded. The average mark for this question was 1.2 out of 2.

- 1 mark for identifying a reason for operating as a private limited company
- 1 mark for outlining further detail related to the reason

Sample answer: One reason that a business may choose to operate as a private limited company rather than as a public listed company is that a public listed company requires greater accountability and compliance than what is required for a private limited company. A private limited company is still required to report certain information, but not to the same extent that a public listed company is.

c. Other than 'to make a profit', describe two business objectives that would be relevant to South East Laundry. 4 marks

Advice 1: This question has been included on this practice exam because a similar question to this appeared on the 2018 VCAA exam, where students were asked to describe a business objective (other than 'to make a profit') that would be relevant to the business in the case study. (Section A, Question 1b). That question was handled reasonably well, but provided a challenge for some students, evidenced by 27 per cent of students scoring zero and an average score of only 1.2 marks out of 2. Like the 2018 exam question, this practice exam question specifically requires students to avoid a description of the objective: 'to make a profit'. However, this question is expected to be more challenging than the 2018 VCAA exam question because students are required to describe two objectives.

Advice 2: The use of the task word 'describe' indicates that students need to provide the characteristics and features of the thing, topic or issue they are asked to describe. Students must select and describe two business objectives that would be relevant to the business referred to in the case study material. Accepted business objectives that students might select from include 'to increase market share', 'to fulfil a market need', 'to meet shareholder expectations'. It is also possible for students to refer to objectives not 'specifically' stated in the study design, such as to maximise revenue, to minimise expenses, to increase productivity, to achieve gender balance in employment, to improve workplace safety, etc.

Advice 3: The key to answering this practice exam question is describing the business objectives. In the 2018 examination report, the chief assessors stated that "... 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 student simply rewrote the question or defined 'business objective'.

- 1 mark for identifying a business objective that would be relevant to South East Laundry (maximum of 2 marks)
- 1 mark for describing the business objective (maximum of 2 marks)

Sample answer: *South East Laundry would have the objective of increasing market share. This relates to a business's proportion of total sales in a market or an industry. For example, if South East Laundry's sales totalled \$10 million per year when \$100 million a year is spent on laundry services in (the South-Eastern suburbs of) Melbourne, then its market share would be 10 per cent. Accordingly, if South East Laundry is able to increase its proportion of sales in the market, then its market share will increase.*

As a private limited company, South East Laundry would also have the objective of meeting shareholder expectations. This relates to the owners of the company (the shareholders) expecting to make a return on their investment. Whether South East Laundry makes a profit is particularly important for shareholders because they expect to receive dividends (a proportion of the profits) and/or make a capital return on their investment. If part of the profit gained by the company is returned to shareholders, or the value of a company's shares increase, then shareholders will have their expectations met.

d. Distinguish between official and real corporate culture.

2 marks

Advice 1: The task word used here is 'distinguish', which requires students to focus on the difference between two terms. When students are asked to explain (or focus on) the difference, they should aim to directly show that there is a difference. This can be made clear by precisely defining both terms and then providing further information related to each term to highlight the key difference. Using words such as 'whereas', 'however' or 'on the other hand' can be useful when attempting to clarify the differences.

Advice 2: The task word 'distinguish' was used on the 2017, 2016 and 2015 VCAA examinations. Question 2a on the 2015 exam was a 4 mark question, testing knowledge from the old study design. Students typically struggled with the question, evidenced by an average score of 1.3 marks out of 4 and 61 per cent of students scored 0 to 1 mark. The primary problem was the inability of students to demonstrate an understanding of the two key terms in the question.

Advice 3: Question 1b on the 2016 VCAA examination was also not handled well by students. This question asked students to 'distinguish between two key elements of the operations system of a manufacturing organisation and a service organisation'. The average score was 1.5 marks out of 4, and 34 per cent of students scored zero. Question 2 in Section A of the 2017 exam asked students to distinguish between mediation and arbitration as a means of dispute resolution. The average score was 1.4 marks out of 3, and 30% of students scored zero. In the 2017 examination report, the chief assessors stated that "Low-scoring responses tended to focus on the similarities between the two means of dispute resolution or just wrote two definitions without highlighting their differences."

Advice 4: This exam question tests new key knowledge in the study design; whilst corporate culture is not new to the study design, and many corporate culture questions have appeared on past exams, official and real corporate culture are new terms to the study design. It is worth noting that a corporate culture question has not appeared on the last two exams. In other words, there hasn't been a corporate culture question on the exam during the life of the new study design. Two questions on the 2016 exam related to corporate culture, with question 2a asking students to define corporate culture. The question was answered reasonably well, with students averaging 0.6 out of 1 mark. However, 44 per cent of students scored 0. This typically occurred when students did not use appropriate business terminology.

- 1 mark for demonstrating an understanding of official and real corporate culture
- 1 mark for establishing a clear point of difference between the two terms

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,*

South East Laundry's official corporate culture of quality service at affordable prices can be seen in its mission and values. In contrast, real corporate culture is seen in the unwritten or informal rules that guide how people in the business behave, such as the relationship between management and staff at South East Laundry. 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.

e. Identify and justify two motivation strategies to improve the corporate culture at South East Laundry. 4 marks

Advice 1: The key task descriptor used in this question is 'justify'. This requires students to point out reasons for forming a particular conclusion, which may involve the provision of evidence to support the argument. For this question, students are therefore required to identify two motivation strategies to improve the corporate culture at South East Laundry and then, importantly, point out the reasons or the arguments supporting the use of each motivation strategy.

Advice 2: This practice exam question is similar to a question that appeared on the 2016 VCAA exam (Question 2c), which asked students to use Maslow's theory of motivation to justify two strategies to improve corporate culture. For that question, 34 per cent of students scored zero and the average mark was 1.4 marks out of 4, as many students struggled to apply Maslow's theory to the given scenario. To do well on that question, students needed to read the material in the case study carefully and then relate this information to the appropriate level(s) of Maslow's theory. This practice exam question is different to the 2016 version, in that it asks for motivation strategies rather than a motivation theory. However, students could aim to make use of a similar process for the current question as that which might have been used on the 2016 exam – apply two motivation strategies to the corporate culture at South East Laundry.

- 1 mark for identifying a motivation strategy (maximum of 2 marks)
- 1 mark for justifying the motivation strategy in terms of improving the corporate culture at South East Laundry (maximum of 2 marks)

Sample answer: *Corporate culture refers to the values, ideas, expectations and beliefs shared by the staff and managers within a business. Career advancement is one motivation strategy that may be used to improve the corporate culture at South East Laundry. This refers to the assignment of more responsibilities/authority to employees or the promotion of employees to positions that bring rewards, such as an increase in salary and fringe benefits, and increased responsibilities. One advantage of career advancement is that the strategy can be used to reward employees who have performed well in the past, allowing them to increase their contribution to the business in the future. This will allow employees to be more involved in decision-making, as well as have more responsibility. In doing so, career advancement is likely to have a positive influence on corporate culture at South East Laundry. The use of this motivation strategy should lead to the business valuing the contribution of employees to the business, providing them with responsibility and involving them more in decision-making.*

Another motivation strategy that may be used to improve the corporate culture at South East Laundry is investment in training. This involves the business directing finances into the teaching of skills to employees. Investment in training offers employees the opportunity for self-improvement. By gaining skills and knowledge, employees are more developed, both professionally and personally, and are likely to feel valued by the business and empowered to do their best. In doing so, investment in training is also likely to have a positive influence on corporate culture at South East Laundry. The use of this motivation strategy should lead to the business demonstrating that it values employees and is prepared to support them in advancing their careers. Furthermore, investment in training could involve teaching the values that the business expects to see in the workplace – this would also influence the development of a more positive corporate culture at South East Laundry.

Question 2 (26 Marks)

Bendigo Brewed Drinks Ltd manufactures soft drink products at its production facilities in Australia. One of Bendigo Brewed Drinks' objectives is to become a global brand. The business currently employs 250 people in Australia and New Zealand. Working hours and conditions are determined by the relevant award. However, the business is considering establishing an agreement with employees, which has the support of the union.

a. Explain how the interests of two stakeholders at Bendigo Brewed Drinks may potentially be in conflict. 4 marks

Advice 1: The task word 'explain' requires students to include enough detail in their response that the main point, topic or issue is expanded on or made clear. This practice exam question requires students to clearly explain the interests of two stakeholders at Bendigo Brewed Drinks and how they may potentially be in conflict. It is important to note here that the focus needs to be on the 'interests' of stakeholders and not simply 'the stakeholders'. In other words, it is the interests of the stakeholders that will potentially be in conflict, not the stakeholders being in conflict.

Advice 2: This type of question has been on the VCAA exam on two occasions. On the 2018 exam, Question 5 (Section B) asked students to outline the interests of two stakeholders relevant to the business in the case study and explain how these interests may be in conflict. While that question was generally answered well, many students made a poor choice when selecting stakeholders. Students needed to consider what the business was, what the interests of stakeholders might be, and then select two stakeholders that were easily explained in terms of the potential conflict that may arise. A total of 18 per cent of students scored zero marks and the average mark was 2.4 out of 5. The chief assessors said that "It was important to select stakeholder groups that were actually likely to be in conflict and did not have overwhelmingly common interests." The 2018 exam question was very similar to a question that appeared on the 2013 exam. Question 1c on that exam asked students to explain why stakeholders may place competing demands on businesses. The question was poorly answered, with a total of 59 per cent of students scoring zero marks and the average mark of only 0.6 out of 2. In the main, this occurred because students were confused about what "competing demands" meant. Many students thought the question was about competition between businesses, or about how stakeholders make demands on businesses. This also highlights the importance of reading the question carefully, and perhaps re-phrasing it in a way that provides greater clarity.

- 1 mark for explaining the interest of each stakeholder at Bendigo Brewed Drinks (maximum of 2 marks)
- 1 mark for explaining how the interests of the two stakeholders may potentially be in conflict
- 1 mark for further detail explaining how the interests of the two stakeholders may potentially be in conflict

Sample answer: *One stakeholder of Bendigo Brewed Drinks is shareholders. These are the individuals or entities that purchase shares in a company and therefore are partial owners of the business. Shareholders want the company to be profitable because they receive a proportion of the profits made (referred to as dividends). A more profitable company is likely to result in a higher share price, which is also good for shareholders as it means they make a capital gain. This demand for profit (and a higher share price) can conflict with the interests of the employees who work at the business. Employees expect to be paid fairly, trained properly and treated ethically in return for their contribution to production. They also expect to know that their job is secure in the long term. Bendigo Brewed Drinks could attempt to increase profit, and increase dividends to satisfy shareholders, but this has the potential to conflict with the interest of employees. For example, the business might attempt to increase profit by reducing (real) wages, or removing some previously enjoyed benefits (e.g. flexible work arrangements or break times) that effectively worsens work conditions going forward. While this can reduce production costs, boost profits (particularly in the short term) and allow more dividends to be paid to shareholders, it creates a real challenge for Bendigo Brewed*

Drinks, as employee interests are compromised, leading to the potential dissatisfaction and negative implications for productivity and longer term performance of the business.

b. Explain how two areas of management responsibility might contribute to the achievement of Bendigo Brewed Drinks' objective of becoming a global brand.

4 marks

Advice 1: The study design lists the areas of management responsibility that students need to know, including operations, finance, human resources, sales and marketing, and technology support. The study design also states that students need to know how each area contributes to the achievement of business objectives. For this question, students will need to relate two areas of management responsibility to Bendigo Brewed Drinks' objective of becoming a global brand.

Advice 2: The last two exams have had questions relating to this key knowledge dot point. Question 1 in Section B on the 2017 exam asked students to identify an area of management responsibility (part a) and explain how it can contribute to achieving the objective of becoming more environmentally sustainable (part b). The performance by students on 1a (Section B) was poor, with an average mark of 0.6 out of 1 and 43 per cent of students scoring 0 marks. This suggests that students simply had not learnt the areas of management responsibility. Further, some students identified operations, despite the question stipulating 'other than operations'. The performance on 1b (Section B) was even worse, with an average of 3.3 marks out of 10 and 16 per cent of students scoring 0 marks. In the main, students were unable to establish a clear link between the selected area of management responsibility and the objective stated in the question.

Advice 3: Students did not do well very on a similar question on the 2018 exam. Question 4 (Section A) asked students to analyse two ways in which corporate social responsibility considerations influence decisions made by managers, and in their response, refer to two different areas of management responsibility. This was the ten-mark question on the paper and a total of 16 per cent of students scored zero marks, with an the average mark of only 3.3 out of 10.

- 1 mark for explaining an area of management responsibility (maximum of 2 marks)
- 1 mark for explaining how the area of management responsibility might contribute to the achievement of Bendigo Brewed Drinks' objective of becoming a global brand (maximum of 2 marks)

Sample answer: *One area of management responsibility that might contribute to the achievement of Bendigo Brewed Drinks' objective of becoming a global brand is technology support. The technology support area of management responsibility deals with the installation and maintenance of technology, as well as the provision of assistance to the users of technology in the business. These technologies may include mobile phones, computers, computer networks, software products or other electronics. Without a technology support area it is unlikely that Bendigo Brewed Drinks would be able to become a global brand. The strategies used by the technology support area, such as helping employees to solve specific computer-related problems and ensuring that the technologies used by the business are appropriate in a global market place, will contribute to Bendigo Brewed Drinks objective of becoming a global brand.*

Another area of management responsibility is finance. 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, Bendigo Brewed Drinks is unlikely to achieve its objective of becoming a global brand. Accounting, for example, involves the analysis of business's (budgeted) cash flow and financial position. Without this knowledge the business will not have a complete or adequate understanding of its ability to raise funds or finance given projects,

which is critical in the current context because becoming a global brand typically requires money (e.g. borrowed funds) to finance the expenditure needed to promote the company globally.

c. Describe how each of the following strategies could assist Bendigo Brewed Drinks in improving its operations. 4 marks

Advice: This practice exam question is similar to a question on the 2018 VCAA exam. Section A, Question 5a of that exam asked students to describe how forecasting and website development could assist the business (in the case study) in improving its operations. A total of 25 per cent of students scored zero marks for the question and the average mark was only 1.4 out of 4. The chief assessors noted that some students did not state that the business in the case study was a manufacturer of swimwear, making it difficult for them to address the question appropriately. Generally, students did not handle the website development part of the question well. This was because few students addressed operations when they were writing about the development of the business's website.

● **master production schedule**

- 1 mark for describing master production schedule
- 1 mark for describing how master production schedule could assist Bendigo Brewed Drinks in improving its operations

Sample answer: A master production schedule is a plan that details what is to be produced, in what quantities, how and when it will be produced. The plan is linked to specific delivery dates or contracts for delivery in the future. This strategy would improve Bendigo Brewed Drinks' operations as it will ensure that the business maintains an appropriate level of materials for the operations system without over producing or under producing. The use of master production schedule should ensure that the right amount of inputs are on hand and available, and that there are therefore no interruptions to the production of soft drink products due to a lack of stock. This will improve productivity and effectiveness at Bendigo Brewed Drinks. Too much inventory on hand would represent a cost to a business, and could potentially reduce both efficiency and effectiveness. It is also possible that excess stock may need to be discarded, or discounted, which increases costs and negatively impacts on Bendigo Brewed Drinks' profit.

● **lean management**

- 1 mark for describing lean management
- 1 mark for describing how lean management could assist Bendigo Brewed Drinks in improving its operations

Sample answer: Lean management is an approach that eliminates waste and costs, and improves quality in the operations system. A business using this approach would carefully analyse each stage of the operations system and remove any inefficiencies, or wastes, that do not add value to the product. Waste is anything that reduces the speed of production or prevents production occurring at the lowest possible cost. A lean management strategy would improve Bendigo Brewed Drinks' operations by increasing effectiveness, as it reduces costs and contributes to an improvement in profit. Furthermore, lean management can also lead to increased customer satisfaction, which can result in increased sales and, subsequently, greater profit. Lean management can also be used to improve the efficiency of Bendigo Brewed Drinks' operations. The business might, for example, reduce the amount of waste it produces by avoiding excess motion in production. This could be achieved by reducing unnecessary movement of workers or products within the process of manufacturing its soft drink products. Bendigo Brewed Drinks would therefore be using its resources more efficiently when making use of lean management. It would be expected that the use of lean management would also reduce waste in other areas, such as energy and resource consumption and delays, and should increase work productivity.

d. Explain a strategy that Bendigo Brewed Drinks could use to improve the efficiency and effectiveness of its operations related to technological developments. 3 marks

Advice 1: A similar question to this practice exam question was asked on the 2017 VCAA exam. Question 2 in Section B asked students to explain a materials strategy that the business in the case study could use to improve the efficiency and effectiveness of its operations. The question was not handled well, with an average score of only 1.1 marks out of 3 and 41 per cent of students scoring 0 marks. Many students were not able to relate their selected materials strategy to efficiency and effectiveness. Several students attempted to treat efficiency and effectiveness as if they were one and the same concept. This highlights the importance of treating efficiency and effectiveness as two different concepts. Effectiveness refers to the degree to which a business accomplishes the objectives it sets out to achieve, whereas efficiency refers to how well a business uses resources to achieve objectives. Some students were not able to explain how their selected strategy would improve efficiency and effectiveness.

Advice 2: To achieve full marks on this question, students should explain a technological development strategy, then explain how it could be used to improve both the efficiency and effectiveness of Bendigo Brewed Drinks' operations. The study design states that strategies to improve the efficiency and effectiveness of operations related to technological developments include the use of automated production lines, computer-aided design, computer-aided manufacturing techniques and website development.

- 1 mark for describing a strategy in relation to technological developments
- 1 mark for explaining how the strategy could be used to improve the efficiency of Bendigo Brewed Drinks' operations
- 1 mark for explaining how the strategy could be used to improve the effectiveness of Bendigo Brewed Drinks' operations

Sample answer: *A strategy related to technological developments that Bendigo Brewed Drinks could use to improve the efficiency and effectiveness of its operations is automated production lines. This refers to the machinery and equipment that is arranged in a sequence with components added to the good as it proceeds through each step. The process is controlled by computers. An automated production line will make use of robotics – highly specialised forms of technology that are capable of complex, repetitive, or dangerous tasks.*

Automated production lines can be used to improve the effectiveness of Bendigo Brewed Drinks' operations. Effectiveness refers to the degree a business has accomplished the objectives (such as making a profit) that it set out to achieve. The use of an automated production line will reduce costs which may lead to an improvement in profit. If a business's objective was to make profit, then improving profit would be seen as effective. Furthermore, the use of an automated production line should lead to increased customer satisfaction, as this strategy achieves a high degree of precision and accuracy, improving quality. This should result in increased sales and, subsequently, an improvement in profit.

Automated production lines can also be used to improve the efficiency of Bendigo Brewed Drinks' operations. Efficiency refers to how well a business uses the resources needed to achieve an objective. The use of an automated production line will allow the business to increase productivity and reduce costs. The robotics and computers that work on the automated production line will do so without complaint, or demands for wage rises, and in conditions that might be considered unacceptable for employees. A business will therefore be using its resources more efficiently when making use of automated production lines.

e. Apply Lewin's Three Step Change Model to assist Bendigo Brewed Drinks with its objective to become a global brand. 6 marks

Advice: This question has been included because a similar question was asked on the 2017 VCAA exam. Question 4 in Section B asked students to apply Lewin's Three Step Change Model to assist the business in the case study with its future goal of diversifying into the snack food market. Students performed reasonably well on this question, with an average score of 3.1 marks out of 6 and 9 per cent of students scoring 0 marks. Importantly, students scoring lower marks either lacked detail in their explanation of the Change Model or confused the steps. In the 2017 examination report, the chief assessors said that "Lewin's Model is far more complex than simply Unfreeze, Change, Refreeze, and there are tasks that need to be accomplished at each stage that needed to be incorporated into an answer." For the current question, all three of the steps of Lewin's Change Model should be explained and, in order to achieve full marks, each step should then be related to Bendigo Brewed Drinks' objective to become a global brand.

- 1 mark for explaining a step from Lewin's Three Step Change Model (maximum of 3 marks)
- 1 mark for explaining how each step in the theory would assist Bendigo Brewed Drinks with its objective to become a global brand (maximum of 3 marks)

Sample answer: One step of Lewin's Three Step Change Model is unfreeze the status quo. This step involves identifying what needs to change and preparing the business for change. Businesses often find that they have become comfortable in their existing state, and restraining forces can make it difficult for businesses to accept the need for change. As the business prepares to introduce strategies that will enable it to become a global brand, management of Bendigo Brewed Drinks will need to communicate their vision for the business and all relevant aspects of the change. For example, the advantages of the change should be explained to all stakeholders, and employees will need to know that support is available to assist in the process. This means that stakeholders will have time to comprehend the change and prepare for it.

The next step of Lewin's Three Step Change Model is to make the move from the current situation to the new situation. With the business in an unfrozen state, with processes, policies, practices ready to be changed and the necessary support in place, management is now able to move the business to a new position; that is, to actually make the change. Bendigo Brewed Drinks will need to continue to provide support and maintain open lines of communication so that all employees are able to seek guidance and feedback on what is taking place. Staff might be empowered to implement the required changes. In this way, resistance to the change would be minimised. During this stage, the management of Bendigo Brewed Drinks should ensure that training is provided to employees so that they have the necessary knowledge and skills to deal with the changes.

The final step is to refreeze. This involves putting strategies in place to make sure that the new behaviours and change are stabilised and reinforced, or institutionalised. Bendigo Brewed Drinks should ensure that the strategies that will enable it to become a global brand are implemented correctly so that the impetus for change does not fade, and that the practices and procedures do not revert to the status quo. Policies and procedures would need to be rewritten, achievements celebrated, and support and encouragement maintained.

f. Evaluate either awards or agreements as suitable methods of determining wages and conditions of work at Bendigo Brewed Drinks. 5 marks

Advice 1: This question has been included because a similar question was asked on the 2018 VCAA exam. Question 4 in Section B asked students to explain awards and agreements as methods of establishing employee wages and conditions of work, then propose and justify which method the owners of the business in the case study should adopt. The average was 3.1 marks out of 7 and 20 per cent of students scored 0 marks. Students who scored low marks generally did not provide sufficient detail to demonstrate an understanding of each method of determining wages and conditions of work. Some students attempted to compare the two methods, even though this was

not required by the question. In the 2018 examination report, the chief assessors noted that students were required 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.

Advice 1: This practice exam question is also an example of an 'either... or' question. Beware these types of questions! Both the 2015 and 2014 VCAA exams featured questions that required students to decide between two options. For example, Question 2b of the 2015 paper asked students to discuss either Maslow's or Herzberg's (a motivation theory on the old Study Design) motivational theory. Many students ignored the word 'or' and discussed both theories, wasting valuable time as only the first theory was assessed. Similarly, on the 2014 paper, Question 2a asked students to describe one driving force or one restraining force for change. The average score was 1 out of 2 marks and 30 per cent of students scored 0 marks. However, 46 per cent of students scored only 1 mark, reflecting the fact that many students wasted their time and wrote about both forces. In doing so, several students did not adequately explain how their first force (which was the one actually marked) linked to what was happening within the business mentioned in the case study. It is always possible that there will be another "either... or" question on the 2019 exam and students should avoid making the errors noted above.

Advice 2: When asked to evaluate, students must outline both sides of the proposition or topic, then provide an overall conclusion or judgement about which argument is the more persuasive and why. In this case, students will need to consider the advantages or benefits of either awards or agreements as methods of determining wages and conditions of work and corresponding disadvantages or limitations. Students are then required to suggest or judge which method would be the most suitable for Bendigo Brewed Drinks.

Advice 3: In the 2016 VCE Business Management examination report, the chief assessors said that "students did not always interpret questions accurately and so did not directly answer the question being asked. In some cases this came from not focusing appropriately on the task word in the question and omitting portions of what would be a full response. Students must be aware of the requirements of task words; for example, 'discuss', 'compare' and 'evaluate'." For this question, students are required to consider both the advantages/ benefits and disadvantages/ limitations of the selected management style for Bendigo Brewed Drinks.

Note 1: There does not need to be an equal number of advantages or benefits and disadvantages or limitations of the selected method provided for this question. Students may, for example, present two advantages of the use of awards at Bendigo Brewed Drinks countered by one strong argument related to a disadvantage of awards.

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

Note 3: A definition of the selected method of determining wages and conditions of work is not required for full marks.

- 2 marks for arguments related to the benefits or strengths of the use of awards or agreements
- 2 marks for arguments related to the limitations or weaknesses of awards or agreements
- 1 mark for an overall conclusion or judgement based on the arguments related to a method of determining wages and conditions of work as being the most suitable for Bendigo Brewed Drinks

Sample answer: *An enterprise agreement is an agreement on wages and conditions of work negotiated between groups of employees (or employees represented by their union) and employers. A type of collective agreement, an enterprise agreement is made at the enterprise level. An advantage of agreements as a method of determining the wages and conditions of work is flexibility – an enterprise agreement can be tailored to meet the needs of Bendigo Brewed Drinks. For example, the agreement can include clauses that provide for a close link between wages and worker performance*

such that increases in labour productivity are rewarded with bonuses or other benefits. Furthermore, an agreement is a much simpler method for determining wages and conditions of work when compared to using a modern award. Bendigo Brewed Drinks may have more than one award that applies to the employees in its workplace, and if it relies on awards to set conditions this could mean implementing numerous different awards in the same workplace. Bendigo Brewed Drinks might make an enterprise agreement that incorporates award entitlements into a base rate that will be paid to employees.

A disadvantage of agreements as a method of determining the wages and conditions of work at Bendigo Brewed Drinks is the time-consuming nature of negotiating the terms and conditions. In the case of an enterprise agreement, there is a need for Bendigo Brewed Drinks to consult all employees and gain their agreement in addition to the negotiations between management and the union, acting on behalf of employees. It can also be expensive to negotiate an agreement and then go through the approval process with the.

Overall, Bendigo Brewed Drinks is likely to be better off negotiating an enterprise agreement with its employees. The flexibility of this method of determining wages and conditions of work is likely to support the motivation of staff as greater effort and contribution to productivity improvements can be rewarded. An agreement must meet the 'better off overall' test (determined by the Fair Work Commission) so that Bendigo Brewed Drinks' employees will be better off overall when conditions in the agreement are compared to the relevant award. An enterprise agreement, while time-consuming to negotiate, will offer the opportunity for employees to receive higher levels of remuneration and/or better conditions of work (e.g. more generous leave), which in turn is likely to enhance overall business performance.

Question 3 (10 Marks)

Describe two driving forces for change and two restraining forces in businesses. Apply the principles of the Force Field Analysis theory (Lewin) to a contemporary business case study from the past four years.

Advice 1: This practice exam question combines key knowledge in the study design from Unit 4, area of study 1: key principles of the Force Field Analysis theory (Lewin), driving forces for change in business, and restraining forces in businesses. It has been included on this practice exam because a similar question appeared on the 2017 VCAA exam, where students were asked to explain one driving force and one restraining force that could have an impact on the success of [achieving] the objective of the business in the case study (Section B, Question 6). The question was handled reasonably well, but most students did not actually explain the driving force and restraining force as the question required. The average score was 1.8 marks out of 4, and 16 per cent of students scored zero.

Advice 2: This practice exam question is also very similar to a question on the 2018 VCAA exam (Section B, Question 3). The question asked students to explain how the business in the case study could apply the principles of the Force Field Analysis theory (Lewin) in implementing its expansion plans. The average score for that question was 2.1 out of 5 and 26 per cent of students scored 0 marks. In the 2018 examination report, the chief assessors noted that students must be aware of the ranking or weighting of the forces in the Force Field Analysis theory. It is, for example, not correct to state that if there are more restraining forces than driving forces, then a change will not be successful.

Advice 3: The best performing students on the 10 mark question both read the question carefully and interpreted it accurately. This same approach should be taken when attempting the current question, which requires a description of two driving forces and two restraining forces, and then requires students to apply the principles of the Force Field Analysis theory to a contemporary business case study. Note that the task descriptor 'apply' requires students to use the knowledge relevant to Lewin's theory and make links and connections between this and the case study.

Advice 4: Accepted driving forces that students might select from include managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes. Accepted restraining forces that students might select from include managers, employees, time, organisational inertia, legislation and financial considerations. It is also possible for students to refer to driving forces and restraining forces not stated in the study design.

Advice 5: Students should be aware that questions on the VCAA exam could ask about contemporary business case studies. The introductions to both Units 3 and 4 in the study design make it clear that students should be using contemporary business case studies from the past four years. For example, on the 2018 exam, question 2 in Section A asked students to explain the importance of leadership in change management, referring to a contemporary business case study. In the 2018 examination report, the chief assessors said that students were generally able to reference a contemporary case study for the question referred to above. However, they found it difficult to relate the case study to the question. The chief assessors noted that students often simply retold the story of what happened at the business. The examination report also pointed out that the case studies provided within the exam are fictitious businesses and therefore do not meet the requirement for the contemporary business case study.

Advice 6: It is very likely that the 10 mark question on the 2019 VCAA exam will have several elements. For this reason, students need to ensure that they cover each element of the question in their responses. In the 2016 Examination Report, the chief assessors reminded students that they should be aware that questions might have many elements that need to be addressed. Students were reminded that they should read the question carefully and plan their responses. It is worth remembering that the 10 mark question could come from Unit 3 or Unit 4, or from both.

The following is a breakdown of how marks could roughly be applied when assessing student responses. However, in reality, this type of question is likely to be marked globally.

- 1 mark for describing a driving forces for change (maximum of 2 marks)
- 1 mark for describing a restraining force (maximum of 2 marks)
- 1 mark for explaining a step in a Force Field Analysis (maximum of 2 marks)
- 1 mark for explaining how a step in a Force Field Analysis may be used by a business (maximum of 2 marks)
- 2 marks for referring to a contemporary business case study from the past four years

Sample answer: *Driving forces are those factors or influences that work to encourage, foster and initiate change. One driving force is managers. These are the people who have the responsibility for operating a profitable or successful business. As managers want the business to be successful and competitive, they are likely to push for change if they believe that it will result in the business becoming more profitable or will help the business to achieve its objectives.*

Another driving force is competitors. These are other businesses that produce and sell rival, or competing, goods or services to those of the business. Competition is likely to result in a business being aware of what its competitors are doing and, therefore, being able to respond to changes quickly – the need to remain competitive acts as an impetus for the implementation of change.

Restraining forces are those factors or influences that work against change, creating resistance. One restraining force is employees. These are the people who work for a business and who expect to be paid fairly, trained properly and treated ethically in return for their contribution to production. Employees may resist change because any alteration to a business and its operations will ultimately impact on them in some way. Employees may be anxious that they will not be able to adapt to any change or that they will lose their jobs.

Another restraining force is financial considerations. Financial considerations may include the costs that a business faces or the financing of a change. The financial cost of implementing a transformation program (for example, expenses such as rent, wages or materials) may hold back a change. Furthermore, lack of access to finance can be an inhibitor for a business, particularly for many small

businesses. While interest rates are currently low, there is still a cost involved in borrowing money and some financial institutions may be reluctant to lend money.

In November 2017, NAB announced a three-year transformation program. A new structure was proposed that would reduce layers and complexity in the bank. Processes were to be automated, digital channels introduced, and less products made available. A total of \$4.5 billion was to be invested in making NAB simpler and faster, less bureaucratic, with more efficient and reliable systems and providing a better experience for customers. As part of the changes, it was announced that 6000 people would be leaving the bank, with 2000 new roles being created. The new roles would relate to a variety of capabilities including data, AI, robotics, automation, and digital. Cost savings of greater than \$1 billion were targeted by the end of the 2020 financial year.

Lewin's Force Field Analysis is a model which NAB might have used to understand the factors, or forces, that will have influenced this situation. According to Force Field Analysis, as NAB prepares for the introduction of new technology to the business, the job losses and other cuts to costs, the business will need to consider the forces that will drive the change as well as the forces that will resist the proposed change.

If NAB was to make use of Lewin's theory, a guiding group would identify the driving and restraining forces. The factors that may drive the change would be identified firstly by the group. At NAB, these driving forces include managers who will initiate, encourage and support the change – they will work to assist the business by implementing the company's transformation program. Other driving forces at NAB that would push or drive the business to change include customers, the pursuit of profit, competitors, and technology. Next, the factors that may impede or restrain the change need to be identified. These factors, which may include stakeholders such as managers and employees, may be reluctant to adopt change, and will push against the change, creating resistance — in other words, they will hinder the implementation of the company's transformation program. The driving and restraining forces would then be weighted or ranked.

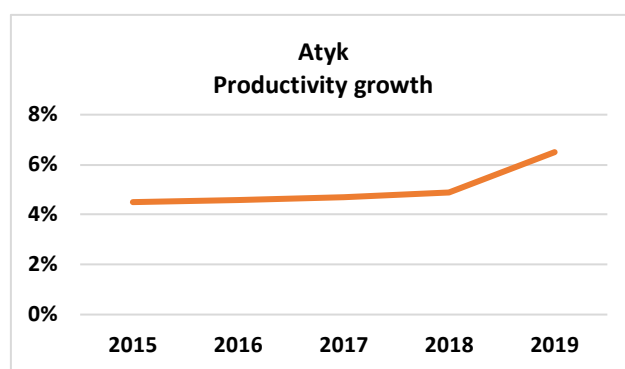
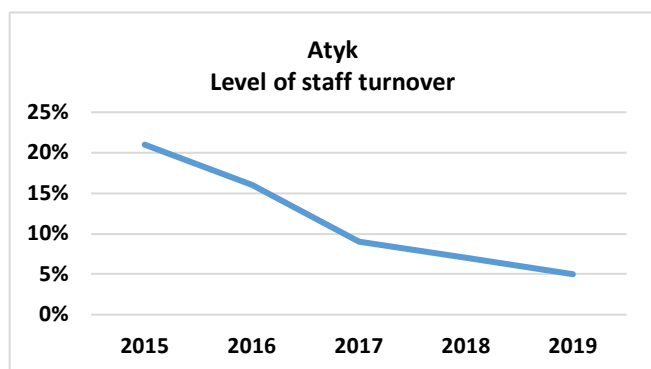
By identifying the highest priority driving forces, the guiding group at NAB can find support for the implementation of the transformation program. By identifying the highest ranking restraining forces, the guiding group can determine strategies to deal with resistance to the implementation of the transformation program. According to Lewin's Force Field Analysis, the current conditions, or status quo, result from these two forces pushing in opposite directions. While there is equilibrium between the two sets of forces there will be no change. NAB's management must be aware that, in order for change to occur, the weight of driving forces needs to exceed restraining forces. By strengthening driving forces and seeking to reduce or eliminate restraining forces, managers at NAB can ensure that the implementation of the company's transformation program will occur successfully.

Section B – Case Study

Case Study

Atyk is a manufacturer of equipment for the mining and construction industries. It has a large market share in Australia and growing exports to Asia. The company was formed in the 1980s. It currently employs approximately 400 people in its two manufacturing sites and headquarters. The business has implemented a number of initiatives with the intention of developing the company into a learning organisation. These changes have been introduced to position the business for the future.

Atyk has implemented a team approach, where teams develop their own goals that align with business objectives. A great deal of effort has gone into setting up programs that allow people to make a greater contribution to the success of the business, including encouraging employees to undertake personal growth and learning. The business has also introduced a more flexible workplace. These arrangements include split shifts and job sharing. While there has been some resistance from employees, the business has seen huge improvements in productivity and staff turnover.



Atyk also developed a new vision and mission statement with employees. This process began with the business's management team explaining the change to shareholders, employees and customers. The following statements were recently communicated to all stakeholders:

Our Vision

- **A global leader in our production and application**

Our Mission

- **We are passionate about innovation and continuous improvement**
- **We set high standards in all of our activities**
- **We are focused on the needs of our customers**

Atyk CEO Ashlee Brewer has said that the business is taking a long-term view in regards to ensuring that the company is successful. She has also said that the management team had analysed all parts of the business and is acting on what had been learnt.

Question 1 (2 Marks)

Explain how leadership would be important in the management of the change at Atyk.

Advice: This question relates to the key knowledge dot point in the study design which states that students must understand, “the importance of leadership in change management”. The question is similar to question 2 (Section A) on the 2018 VCAA exam that asked students to explain the importance of leadership in change management (referring to a contemporary business case study). That question was worth 6 marks and while many students were able to provide a theoretical explanation of the importance of leadership, they struggled to provide enough depth in their responses. Overall, the question was handled reasonably well, with an average score of 2.7 out of 6 marks and only 9 per cent of students scoring zero marks. Unlike the VCAA exam question, which required students to relate a contemporary case study to the importance of leadership when managing change, this practice exam question requires students to relate the importance of leadership when managing change to the Atyk case study.

- 1 mark for demonstrating an understanding of leadership and of change management (these do not need to be explicitly defined)
- 1 mark for explaining the importance of leadership in change management at Atyk

Sample answer: Leadership refers to the process of positively influencing, motivating or encouraging individuals to set and achieve objectives. At Atyk, CEO Ashlee Brewer must exercise leadership as she develops the company into a learning organisation. Leadership is important in change management because an effective leader is able to understand the situation now and what it could be like in the future. Ms Brewer and her management team have clearly explained the change to stakeholders. This should ensure that they are more likely to support the change. Leaders such as Ms Brewer focus on building relationships with employees, management, shareholders and external stakeholders so that change can be successfully implemented and consolidated.

Question 2 (4 Marks)

Referring to two factors in relation to the appropriateness of management styles, justify the use of the participative management style at Atyk.

Advice 1: ‘Appropriateness of management styles’ is new key knowledge in the VCE Business Management Study Design, and this type of question has never appeared on the exam. The question asks students to refer to two factors related to the appropriateness of management styles. According to the study design, these factors are the nature of task, time, experience of employees and manager preference. It is important to note that only these four factors listed in the Study Design will be accepted. Students are therefore required to justify the use of the participative style at Atyk, making use of the material in the case study, while referring to two factors related to the appropriateness of management styles.

Advice 2: It is worth noting that questions related to management styles have appeared on 9 of the last 10 VCAA exams. In general, management style questions are answered reasonably well. For example, the 2017 exam asked students to explain how a persuasive management style may assist in reducing the level of staff turnover (Question 1d, Section A). The average mark for this question was 1.5 out of 3. However, 22 per cent of students scored 0 marks, with some students being unable to explain how a persuasive management style could assist in reducing the level of staff turnover, and others explaining the consultative management style!

- 1 mark for referring to a factor in relation to the appropriateness of management styles (maximum of 2 marks)
- 2 marks for justifying the use of the participative management style at Atyk

Sample answer: One factor indicating the appropriateness of management styles is the nature of the task itself. Atyk has implemented a number of initiatives that will develop the company into a learning organisation. This is a more complicated and time-consuming task that would benefit from a range of ideas. The use of the participative management style at Atyk provides opportunities for employees to put forward a wide range and diversity of ideas. This should improve the overall quality of decisions made. The power-sharing approach of this management style also supports the development of work teams that is occurring at Atyk, allowing employees to make contributions and demonstrate high levels of commitment.

One factor indicating the appropriateness of management styles is the experience of employees. Atyk has many experienced employees, for example, whom Ms Brewer considers have the skills to work collaboratively. The use of the participative management style at Atyk will result in experienced employees having ownership of the way that the business is run, as they play an active role in decision-making. As employees at Atyk feel more involved in their roles, they are likely to be highly motivated and committed to the business. This is also likely to result in improved levels of trust between management and staff.

Question 3 (5 Marks)

Senge's Learning Organisation has been recommended to Atyk as a suitable theory for developing the business as a learning organisation.

Outline this theory and explain how the principles of the Learning Organisation can be applied to Atyk.

Advice: A question relating to the principles of the Learning Organisation (Senge) has never appeared on VCAA exams. Despite this, the study design suggests that students must know the principles of Senge's Learning Organisation. Senge wrote about five disciplines: systems thinking, personal mastery, mental models, building shared vision and team learning.

This practice exam question requires students to outline the theory, then apply it to the Atyk case study. Students are not required to refer to all five principles of the Learning Organisation and provide an example from the Atyk case study for each one. Students could select two or three principles and link an example from the case study to apply to each principle. However, either approach is acceptable.

- 1 mark for outlining Senge's Learning Organisation
- 1 mark for explaining a discipline of Senge's Learning Organisation (maximum of 2 marks)
- 1 mark for explaining how each discipline could be applied to Atyk (maximum of 2 marks)

Sample answer: According to Peter Senge, learning organisations are those businesses where managers and staff continually seek to develop themselves so they can achieve the results they desire. He believed these types of businesses encourage new patterns of thinking and operating, resulting in the aspiration of the business becoming more open-ended. Senge described five disciplines or principles that he believed are necessary for generating a learning organisation. These disciplines or principles include systems thinking, personal mastery, mental models, building shared vision and team learning.

Building shared vision encourages and inspires all members of the business. A shared vision is a common picture of the future that individuals throughout the business desire. This centres on a range of people in the business articulating their common stories – around vision, purpose, values, why their work matters, and how this fits in the larger world. Employees will excel and learn, not because they are told to, but because they want to. Atyk has developed its vision with employees and would expect that, with genuine commitment, the shared vision will spread as people talk and their enthusiasm and ideas are passed on to others. A shared vision means that employees in the business are much more likely to support the change. It will develop cohesion between employees and

management and helps to dispel fear of the unknown, leading to the successful management of the change at Atyk.

Team learning is a process whereby the members of a team develop the team's capacity to create desirable results for all. Learning as a team requires each of the other four disciplines of the Learning Organisation to work well, but also builds on the other disciplines. Each member of the team will have a level of personal mastery, but an aligned team will have a common purpose, a shared vision and an understanding of how to complement one another's efforts. Atyk has implemented a team approach, whereby teams develop their own goals that align with business objectives. As the teams learn together, then the business will also learn and achieve improved results. Team learning starts with dialogue – open communication that occurs when members of a team are able to suspend their assumptions and explore complex issues. A benefit of team learning is that employees develop quickly and the problem solving capacity of the business is improved through better access to knowledge and expertise. This will have a positive impact on the successful implementation of change at Atyk.

Question 4 (6 Marks)

Discuss two suitable training options that could be used for employees at Atyk. Recommend which option the business should adopt.

Advice 1: The study design lists the training options as on-the-job and off-the-job training. It is also possible for students to refer to training options not stated in the study design. A question relating to a form of training appeared on the 2015 exam (Question 3d). Many students wrote about on-the-job or off-the-job training. However, a large number of students could not name a form of training (now renamed training options in the new study design) and 40 per cent of students scored 0 marks out of 2. The average mark was 1 out of 2 marks.

Advice 2: A similar question to this practice exam question appeared on the 2007 VCAA exam. Question 3b in Section A of that exam asked students to discuss a suitable training option that could be used for the employees of the business in the case study. Students needed to provide a brief explanation of what the training involved, provide benefits and limitations of the training option selected and then relate it to the employees of the business in the case study. Students responded reasonably well to this question, with an average score of 2.3 out of 4 marks and only 9 per cent of students scoring 0 marks.

Advice 3: In a 'discuss' question, students are generally required to consider both sides of an issue or a topic. The current question therefore requires students to consider the advantages/benefits and disadvantages/limitations of two training options that could be used for employees at Atyk. Students are then required to recommend which one would be the most suitable for the business. Note that the task word 'recommend' requires students to suggest an appropriate option and then justify (provide reasons for) this choice.

Note: There does not need to be an equal number of advantages or benefits and disadvantages or limitations. Students may, for example, present two benefits of the use of on-the-job training at Atyk countered by one strong argument related to a weakness of on-the-job training.

- 1 mark for an explanation of advantages or benefits of one training option (maximum of 2 marks)
- 1 mark for an explanation of disadvantages or limitations of one training option (maximum of 2 marks)
- 2 marks for suggesting the training option that Atyk should take and providing a valid and meaningful justification

Sample answer: *On-the-job training would be suitable for managing employees at Atyk. On-the-job training refers to teaching employees in the workplace how to perform their job more efficiently and effectively by boosting their knowledge and skills. It will usually occur using the equipment, machinery, personnel and documents that are present in that workplace. Teaching skills and*

knowledge using the option of on-the-job training means that Atyk will be able to provide its employees with these skills and knowledge while they are actually working, resulting in the employees and Atyk remaining productive. On-the-job training is also a very cost-effective alternative, as there are no travel expenses or other costs incurred, such as paying for an outside course provider. Consequently, Atyk should be able to further increase productivity and reduce costs across the business as job performance is improved and the management of employees becomes more efficient.

However, on-the-job training can take up time by diverting resources from production. Instead of being able to devote all of their attention to their work, Atyk employees will be focussed on learning skills. Another disadvantage of on-the-job training relates to the quality of the trainer. Not everyone has the ability to teach others and the training delivered may be sub-standard or poorly planned, resulting in employees who are not able to understand all of the concepts. Furthermore, the bad habits of older or more experienced staff acting as trainers may be passed on to newer employees, often without recognising that they are doing so.

Off-the-job-training would also be suitable for managing employees at Atyk. This refers to learning a specific set of skills to perform particular tasks in an environment external to the workplace. This usually involves sending individuals or groups of employees to a specialised training institution and may include, for example, seminars, workshops or demonstrations. Off-the-job-training will have the advantage of increasing the availability of skills and qualifications compared to those that can be offered in the workplace. The use of outside experts and specialists should be able to provide the employees of Atyk with broader experiences, and employees should be able to focus on learning without workplace distractions for both the trainer/s and trainee/s. This should lead to higher productivity and better job performance at Atyk.

However, the use of off-the-job-training has a number of limitations. It may be more expensive than other training options; as well as the fees of the actual training there may also be travel costs and possibly accommodation costs. Off-the-job-training can also be costly in terms of the time taken as resources are diverted from production. Instead of producing output, Atyk's employees will be learning skills at an external venue.

On-the-job training is likely to be the most suitable option at Atyk given that staff turnover is relatively low, perhaps indicating a happy and cohesive workforce which is likely to be in a good position to pass on skills and knowhow to colleagues. This training option will also allow employees to actually continue working while they are training, and in doing so, the employees, as well as the business, should be able to maintain the upward trajectory of productivity within the business. Overall, a well-targeted and well-planned on-the-job training program should result in better job performance because they are training in a familiar and seemingly happy environment. This would be expected to further increase both job satisfaction and productivity, as well as reducing production costs in the longer term.

Question 5 (4 Marks)

Describe the benefits for Atyk of adopting two low-risk strategies to overcome employee resistance.

Advice 1: Question 3d on the 2011 VCAA exam was similar in that students were asked to name a low-risk strategy and explain how it would lead to effective change management. The average for this question was 0.9 marks out of 2, however 40 per cent of students scored zero marks. In the examination report, the chief assessors noted that many responses to this question were far too general. Similarly, the 2018 exam asked students to describe a high-risk strategy and a low-risk strategy that the manager in the case study could use to overcome employee resistance during a period of change (Question 5b, Section A). The average mark for that question was 2.4 out of 4 and only 11 per cent of students scored 0 marks. The question was 'generally' answered well, however, many students struggled to explain how their strategies could be used to overcome employee

resistance. It highlights the importance of reading each question carefully and avoiding the temptation to answer the question in rather general terms. In the context of the question, it cannot be assumed that the strategies will overcome resistance – it is important to specifically address how the strategies actually work to overcome employee resistance.

Advice 2: Students should remember that the study design states that the low-risk strategies to overcome employee resistance are communication, empowerment, support and incentives.

Advice 3: The current question makes use of the task word 'discuss'. This suggests that the arguments for and against low-risk and high-risk strategies need to be covered. Students should again take note that the question asks for two low-risk strategies and there is no point in writing about more than two.

- 1 mark for identifying a low-risk strategy that Atyk could adopt to overcome employee resistance (maximum of 2 marks)
- 1 mark for describing the benefit to Atyk of adopting the low-risk strategy (maximum of 2 marks)

***Sample answer:** One low-risk strategy that Atyk could adopt to overcome employee resistance is communication. This refers to the transfer of information from a sender to a receiver. The use of two-way communication will allow the changes that the business is introducing to be discussed and also involves employees in the change. This should contribute to building the level of trust and cohesion between employees and management. As employees feel that they are a part of the change, this should reduce resistance.*

Another low-risk strategy that Atyk could adopt is empowerment. This means that employees are included in the implementation of the changes that have been introduced. Employees who are involved in the process are more likely to take ownership of the changes. As Atyk provides employees with the opportunity to participate in teams, working together on tasks and making decisions together, employees should feel that they have the opportunity for input into the decisions that have a direct effect on what they do or how they operate within the business. This should reduce resistance to the change.

Question 6 (4 Marks)

Define and justify two performance indicators that Atyk could use to measure the effectiveness of change.

Advice 1: The study design lists the key performance indicators that students must know, including percentage of market share, net profit figures, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints and number of workplace accidents. Of course, any key performance indicator that is relevant to measuring the effectiveness of change at Atyk, but is not on this list, could be selected for this practice exam question.

Students tend to struggle with key performance indicator questions on the Business Management exam. For example, on the 2014 exam, students were asked to define three performance indicators. Question 1a asked students to define 'staff turnover' and a total of 34 per cent of students scored 0 marks, with an average mark of 0.7 out of 1. Question 3a asked students to define 'percentage of market share' and 'number of customer complaints'. A total of 41 per cent of students scored 0 marks and the average mark was 0.8 out of 2. Overall, students performed poorly on these questions because they tended to write definitions that simply repeated the words in the term or they clearly did not understand the terms.

Advice 3: This practice exam question is similar to a question on the 2016 VCAA exam. Question 3c of that exam asked students to define and justify a key performance indicator and the question was not answered well. Very few students were able to justify their choice of key performance indicator as required by the question. The average mark was a disappointing 1.1 out of 3 marks, and 32 per

cent of students scored 0 marks. It is important that the key performance indicator that students choose to define and justify for the current question needs to be relevant to the change at Atyk.

- 1 mark for defining a key performance indicator (maximum of 2 marks)
- 1 mark for justifying the use of the key performance indicator for measuring the success of Atyk's (maximum of 2 marks)

Sample answer: *One key performance indicator that could be used to measure success of the change at Atyk is the number of sales. This refers to the amount or quantity of products sold in the normal operations of a business. Number of sales can indicate to a business whether or not its strategies are successful. A low number of sales, for example, would suggest that strategies are not working and need to be revised; conversely, a high number of sales would suggest that strategies are working well. Atyk's team-based approach and introduction of a flexible workplace would be expected to improve employee motivation and commitment to the business. Therefore, if the number of sales increases following the implementation of these strategies, it might be concluded that the change at Atyk was effective.*

Net profit figures is another key performance indicator that could be used to measure success of the change at Atyk. Net profit figures are the numbers found at the end of an income statement that reveal the business's net profit, or what remains when expenses are deducted from the revenue earned. A business that has made a profit is considered to have had successful financial performance. Conversely, a low profit or a negative profit, referred to as a loss, suggests that a business could be experiencing several problems, including reduced sales, poor customer service or inadequate management of expenses. Atyk has recently analysed all parts of the business and has acted on what was learnt. This change, plus the business's team-based approach and introduction of a flexible workplace, would be expected to ensure that Atyk will either increase revenue, or reduce expenses. If net profit figures at Atyk are increasing (e.g. the income statement reveals that expenses are falling relative to revenue), then it might be concluded that the business is performing well financially.