Neap

Trial Examination 2020

VCE Business Management Units 3&4

Written Examination

Suggested Solutions

SECTION A

Question 1 (19 marks)

a. A partnership is a type of business structure formed between two and twenty partners. In a partnership, the partners pool their resources and skills and are generally responsible for the management of the business. The partnership organises partnership details, commencement date, duration of the partnership, division of profits and remuneration, contribution and responsibilities of each partner, and disagreement resolution. A partnership also spreads the decision-making and debts of a business between the partners.

2 marks

Award 1 mark for providing a limited discussion of partnership as a form of business structure.
*Award 2 marks for defining the concept of a partnership **and** identifying how a partnership operates.*

b. The number of owners differs between partnerships and public listed companies. Partnerships have between two and twenty owners (partners) while a public listed company can have an unlimited number of owners.

3 marks

Award 1 mark for identifying that the number of owners is different.
*Award 2 marks for identifying that the number of owners is different **and** identifying that partnerships have between two and twenty owners.*
*Award 3 marks for identifying that the number of owners is different **and** identifying that partnerships have between two and twenty owners **and** identifying that public listed companies have an unlimited number of owners.*
Note: Students can also refer to liability or perpetuity as distinguishing features.

c. Areas of management responsibility are functions of a business that relate to various aspects of it. One area of management responsibility that AR Dunne may have is operations. Operations is the business function responsible for creating the goods or services of a business. It includes the planning, organisation and control of all required resources. The operations responsibility of AR Dunne would include the resources and planning for renovations and repairs for their client's properties.

2 marks

Award 1 mark for providing a limited explanation of an appropriate area of management responsibility.
*Award 2 marks for providing an explanation of an appropriate area of management responsibility **and** linking to AR Dunne.*
Note: Acceptable areas of management responsibility include technology support, finance, sales and marketing, and human resources.

d. A materials management strategy that could assist AR Dunne to avoid delays in the future and improve the efficiency of the operations system is master production scheduling (MPS). MPS involves setting out the business's production requirements and breaking them into stages. It allows the business to determine what will be produced and when, and includes dates for delivery and for when contracts will be completed. MPS also specifies the quantities and types of production over a period of time, as well as the quantities and types of inputs required to meet production orders.

MPS could help to improve the efficiency of AR Dunne's operations system. MPS could assist with streamlining operations, which may assist in determining when renovations and repairs should be scheduled and completed. MPS could ensure that the business is aware of how many employees will be needed for projects and what resources and materials need to be ordered and available. Improving resource allocation and streamlining the production process using MPS should enable the business to complete projects more efficiently.

3 marks
Award 1 mark for providing a limited explanation of a materials management strategy.
Award 2 marks for providing an explanation of a materials management strategy.
*Award 3 marks for providing an explanation of a materials management strategy **and** a link to AR Dunne **and** an explanation of how the strategy could assist the business.*
Note: Other materials management strategies include materials requirements planning (MRP) and forecasting. Students can also link a strategy to effectiveness rather than efficiency.

e. Quality assurance is a system that focuses on building quality into work processes to avoid errors. It is a proactive strategy. A quality assurance system often uses an external body or organisation that provides a certificate or a standard that a business must reach. Examples of external certifications include the International Organization for Standardization (ISO) or Australian Standards certifications. For a business to attain and keep a certified quality assurance and standard, it must undergo regular audits and adopt processes that ensure it is adhering to the standards and requirements.

AR Dunne would benefit from a quality assurance strategy and system to show that it has investigated and refined its processes to ensure it is compliant with the relevant standard. This would assist the business to develop and refine processes so that the issues it has identified can be overcome. Having an audit process would also mean that AR Dunne continually checks and refines aspects of the business, enabling it to operate at a high standard.

3 marks
Award 1 mark for defining the concept of quality assurance.
*Award 2 marks for defining the concept of quality assurance **and** outlining how implementing quality assurance could benefit a business.*
*Award 3 marks for defining the concept of quality assurance **and** outlining how implementing quality assurance could benefit a business **and** providing a link to AR Dunne.*

f. All businesses need to implement management strategies to respond to key performance indicators (KPIs) and assist with implementing change.

A management strategy that can assist with implementing change is a change in management styles. The management style used by leaders and managers influences the performance of a business. In most businesses, there is an expectation that employees are involved in decision-making and are delegated some power and responsibility. This generally means that a manager or leader would use a consultative or participative management style rather than an autocratic or persuasive style. It is important that managers and leaders understand the current situation in their business and then determine which management style would be most effective when implementing change. A change in management style may assist a business to address KPIs such as the rate of staff absenteeism, the level of staff turnover and the number of customer complaints.

Determining the appropriate management style assists managers and leaders with successfully responding to KPIs and implementing change. Providing employees with an understanding of the changes and allowing them to provide input and take on some of the change implementation can result in less resistance and enable change to be implemented more successfully.

Managers and leaders may also respond to KPIs by looking at ways to reduce or eliminate costs incurred by the business. Being efficient and competitive can assist a business with maintaining and improving its future performance. Cost cutting can be a quick way to respond to some KPIs. A business can cut costs using a number of methods, including reducing and reviewing non-essential costs in different areas of the business. It is important for all businesses to look at their cash flow to ensure that there is enough coming in and going out of the business in a timely manner. A business can cut all non-essential costs through controlling and monitoring its cash flow. Businesses will also often outsource non-core functions, such as cleaning and financial and information technologies. Businesses can also seek the advice of consultants to cut costs. Consultants may advise ways to improve processes and procedures to streamline business activities. This may be achieved through revisiting employee roles, staff rosters and job descriptions, and reviewing the number of employees that are required in the future. Cost cutting can support a business by improving business performance and may impact KPIs such as sales, level of wastage and rate of productivity growth.

If a business is able to monitor profit and cash flow, and a range of KPIs such as wastage, productivity and rate of growth, it can make informed decisions about where savings can be made. Often, a business looking at cost cutting will reduce the number of employees as one of the first strategies to reduce expenses.

6 marks

*Award 1 mark for providing an explanation of change in management style **or** cost cutting.*
*Award 2 marks for providing an explanation of change in management style **and** cost cutting.*
*Award 3–6 marks for providing an explanation of change in management style **and** cost cutting **and** a description of how cost cutting can be used to respond to KPIs **and** assist with implementing change **and** a description of how a change in management style can be used to respond to KPIs **and** assist in implementing change.*

Question 2 (6 marks)

a. There is a strong relationship between business objectives and managing employees. When employees are seen as an important asset to a business, they are more likely to be motivated to work. If employees of a business are motivated, then it is more likely that the business will able to meet its objectives because employees will work to ensure this is achieved.

2 marks
*Award 1 mark for providing an explanation of managing employees **and** providing a link to business objectives.*
*Award 2 marks for analysing the relationships between business objectives **and** managing employees.*

b. Awards are legally binding minimum requirements for wages and conditions that apply to specific industries. Awards specify items such as minimum wages, working conditions, overtime, meal breaks, holidays and leave, penalty rates and allowances, and grievance processes. The awards for each industry or occupation are set centrally rather than at the business or enterprise level.

Agreements (enterprise or workplace agreements) are made between an employer and their employees (or employees' chosen representatives – usually a trade union). There is a negotiation between the parties, then the agreement is voted on by the employees that the agreement will cover. The agreement then needs to be ratified by the Fair Work Commission. While an enterprise agreement can contain better pay and conditions than a relevant award, the award is the minimum standard. Agreements can offer more flexibility for the business and employees.

4 marks
*Award 1 mark for providing a description of an award **or** an agreement.*
*Award 2 marks for providing a description of an award **and** an agreement.*
*Award 3 marks for providing a description of an award **and** an agreement **and** a providing a limited description of awards and agreements as a means to determine wages and conditions.*
*Award 4 marks for providing a description of an award **and** an agreement **and** providing a description of awards and agreements as a means to determine wages and conditions.*

Question 3 (6 marks)

Lewin's Three Step Change Model consists of three steps or parts and is designed to assist a business to ensure that change is implemented successfully. The first step is 'unfreezing the status quo'. Lewin argued that the only way change could be implemented was to unlearn old behaviour. People must feel safe and confident in order to change their behaviour. One business that has started to implement change and transform is Coles. Coles demerged from Wesfarmers and determined that it had to make changes to its retail stores and the way it provided products and services to its customers. Changes were flagged with employees and new strategic plans were drawn up.

The second step in the model is 'moving' from the existing or current position. Lewin argued that this stage is not necessarily easy and that change needs to be planned because it can be complex. If this complexity is not considered, then it is unlikely that a business will 'move'. When Coles introduced changes after the demerger, it needed to ensure that it planned for the change to occur in stages. This included staggering changes to the retail stores and distribution of products. It also staggered changes that involved new relationships with suppliers, and changes in the layout and design of stores.

The third step in the model is 'refreezing' in the new position. This is important because any change that has been implemented needs to be embedded in order for the change to become permanent. If it is not embedded, employees are more likely to revert to the way they did things previously. When Coles introduced changes, it needed to make sure that all employees and other stakeholders were aware of the benefits and reasons for the changes. Coles continued to revisit its business objectives and communicated these to stakeholders. Changes in policies, practices and processes were implemented and employee training was updated. This ensured that everyone involved was willing to make the necessary changes to ensure the new plans were successful.

6 marks
*Award 1–3 marks for each stage of Lewin's model identified **and** explained.*
*Award 4–6 marks for each stage of Lewin's model identified **and** explained **and** linked to a contemporary business case study.*
Note: Students can use any appropriate contemporary business case study.

Question 4 (10 marks)

All businesses undergo change, which can be difficult and complex. Business change can be defined as the process of taking an existing or established business and altering, transforming or modifying it in some way. Change can be confined to one part of a business or can be far reaching. As part of change management, a business needs to identify and work with or address a number of driving and restraining forces.

Driving forces are those that push change in a business. For a change to be successful, driving forces need to be greater than restraining forces. Managers are a driving force for business change. Managers can have a direct influence on the direction, success and implementation of change. If a manager becomes aware of the need for change, they are often in a position to understand what needs to happen for improvements to take place. Employees are another driving force for business change. Employees are often in the best position to understand what changes will be effective because they have first-hand expertise and knowledge about their roles and processes in the business. Empowering employees to make suggestions for change may enable change to be successfully implemented and reduce resistance. If employees resist change, then it is unlikely that the change will be successful. Innovation can also be a driving force for business change. Innovation can include the introduction of new methods, and either changing existing or creating new processes, products and ideas. It may lead to improvements for a business and contribute to continued future success. In today's business environment, it is essential for businesses to continue to improve and innovate.

Restraining forces can act as hindrances or obstacles to business change. If restraining forces for change are equal to or greater than driving forces then it is unlikely that change will occur. One restraining force for change is a lack of time to plan and respond to change; this can negatively affect a business's ability to change. If a business does not have sufficient time to change and stay ahead of its competitors, then the lack of time will be a restraining force. Organisational inertia is also a restraining force for change. If a business is stable, traditional or conservative in its approach to change, then it is unlikely that it will be responsive to changes in its environment. Organisational inertia does not only stop change from occuring, it can also lead to business failure. Another restraining force for change is legislation. Legislation can be introduced by local, state or federal governments. If a law is passed, then a business must comply with the changes whether it agrees with them or not. Changes in law may require new policies, processes and procedures in a business. They may also require changes in products or services offered by a business.

All businesses must manage the complexity of business change and, as part of this process, manage both driving and restraining forces if change is to be sucessfully implemented.

10 marks
Mark holistically.
*Award 1–2 marks for providing an outline or explanation of one driving force **or** restraining force for change.*
*Award 3–4 marks for providing an explanation of one or two driving forces **and/or** one or two restraining forces for change.*
*Award 5–6 marks for providing some explanation of one or two driving forces **and** one or two restraining forces for change **and** some explanation of business change.*
*Award 7–8 marks for a very good explanation of two or three driving forces **and** two or three restraining forces for change **and** some explanation of business change.*
*Award 9–10 marks for an excellent explanation of three driving forces **and** three restraining forces for change **and** a explanation of business change.*
Note: Other acceptable driving forces include competitors, legislation, pursuit of profit, technology, reduction in costs, societal attitudes and globalisation. Other acceptable restraining forces include managers, employees and financial considerations.

Question 5 (4 marks)

Corporate social responsibility is when a business considers the best interests of society by taking responsibility for the impact of their activities on stakeholders, the environment and society.

One possible corporate social responsibility consideration relating to the environmental sustainability of a business's operations system is the sustainable and responsible procurement of inputs. This consideration ensures that a business's suppliers operate to standards where inputs are sustainably and responsibly sourced and managed. This may include ensuring that suppliers meet the standards set by the International Organization for Standardization (ISO) or have environmental management systems in place. Using recyclable and sustainable inputs assists to ensure that a business is socially responsible. This consideration assists a business with being more environmentally sustainable by having a smaller carbon footprint, producing less waste, and using resources more efficiently, thus reducing the business's impact on the environment.

4 marks
Award 1 mark for defining corporate social responsibility.
*Award 2 marks for defining corporate social responsibility **and** providing an explanation of how a corporate social responsibility consideration might impact a business's operations system.*
*Award 3 marks for defining corporate social responsibility **and** providing an explanation of how a corporate social responsibility consideration might impact a business's operations system **and** providing a limited explanation of its impact on a business's environmental sustainability.*
*Award 4 marks for defining corporate social responsibility **and** providing an explanation of how a corporate social responsibility consideration might impact a business's operations system **and** providing an explanation of its impact on abusiness's environmental sustainability.*

Question 6 (5 marks)

Lawrence and Nohria's Four Drive Theory outlines the way both managers and a business can motivate employees. The theory identifies four basic motivational needs that act to drive people. The extent to which these needs are directly met affects human behaviour, emotions and motivational levels.

The first of the Four Drives is the drive to acquire by gathering or collecting things that relate to necessities or accomplishments and status. The second drive is the drive to bond. This is how people find, connect and form relationships with others. If employees enjoy working with their colleagues and feel proud to be part of the business, then they usually feel motivated to work. The third drive is the drive to understand or learn. People are driven by the need to try to make sense of the world and their place in it. This enables a business to link learning and work together to motivate and engage employees. The fourth drive is the drive to defend. This drive originates in a person's instinct to protect their family and friends, and links to a reaction and resistance to change.

The Four Drive Theory can be used to increase or sustain the motivation of employees. If a business can recognise which drive is important to individual employees and teams, it can provide a framework for organising training and working relationships, and ascertain the needs of employees. Using a framework to understand what is important for employees assists a business to determine the best courses of action and increases the motivation of employees. The theory recognises that employees can be motivated by different drives. In order to satisfy the drives in different employees, both managers and businesses are required to understand each employee's individual needs and motivations.

5 marks
Award 1 mark for outlining the motivational theory.
*Award 2–3 marks for outlining the motivational theory **and** providing a description of the motivational theory.*
*Award 4–5 marks for outlining the motivational theory **and** providing a description of the motivational theory **and** an explanation of how the motivational theory can be used by a business to manage employees.*

SECTION B – CASE STUDY

Question 1 (2 marks)

Rate of productivity growth describes an increase in the value of outputs produced for a given level of inputs, over a given time period.

2 marks

Award 1 mark for a limited definition of the rate of productivity growth.
Award 2 marks for defining the rate of productivity growth.

Question 2 (8 marks)

a.   On-the-job training includes training or education that takes place in the workplace. It can include coaching and mentoring by a manager or colleague, job rotation, an apprenticeship, and participation in work activities and events designed to support an employee. Off-the-job training can include employees studying a university or TAFE course, listening to specialists or guest speakers on relevant topics, attending conferences and completing coursework. Off-the-job training is often more formal, can lead to qualifications for employees, and does not occur in the workplace.

One advantage of off-the-job training for Southern Roofing and Patios would be that it provides employees and managers with additional opportunities to be taught by experts or specialists. This would enable employees and managers to learn new skills and knowledge that helps them in various part of their job. One disadvantage of off-the-job training for Southern Roofing and Patios is that it can be costly as the business may be responsible for paying course fees. It may also mean that employees are away from their jobs when attending courses, which also increases costs to the business as the employee might need to be replaced for the duration of the course.

4 marks

Award 1 mark for providing an explanation of on-the-job training.
*Award 2 marks for providing an explanation of on-the-job training **and** off-the-job training.*
*Award 3 marks for providing an explanation of on-the-job **and** off-the-job training **and** an outline of one advantage **or** disadvantage of either type of training for Southern Roofing and Patios.*
*Award 4 marks for providing an explanation of on-the-job **and** off-the-job training **and** an outline of one advantage **and** one disadvantage of either type of training for Southern Roofing and Patios.*

b. Corporate culture is the system of shared values and beliefs of people within a business. A positive corporate culture usually leads to a more productive and motivated workforce. There are two types of corporate culture. Real corporate culture is the unofficial culture of a business. It can be observed in the way people interact with each other, and the types of work relationships that develop. Official corporate culture is the set of values and beliefs that a business wants to present to the public and external stakeholders. Official corporate culture can be seen in company publications, slogans, policies, and mission and vision statements. There is often a difference between real and official corporate cultures.

One strategy that Southern Roofing and Patios could introduce to develop real corporate culture is the implementation of policies. A policy sets out the processes, procedures and rules that should be observed in a business in a given situation. Policies provide consistency and certainty in a business and ensure that people are treated equally. Policies can cover different areas, including anti-discrimination and anti-bullying, and complaints and grievance procedures, which assist employees and ensure they are treated fairly.

4 marks

*Award 1 mark for defining real corporate culture **or** official corporate culture.*
*Award 2 marks for defining real corporate culture **and** official corporate culture.*
*Award 3 marks for defining real corporate culture **and** official corporate culture **and** identifying a strategy for the development of either type of corporate culture.*
*Award 4 marks for defining real corporate culture **and** official corporate culture **and** identifying a strategy for the development of either type of corporate culture **and** providing an explanation of the strategy.*
Note: Other acceptable strategies to develop corporate culture include the creation of formal written mission, vision and values statements; management structures; appropriate choice of management style/s; physical environment and material symbols; and development of people (for example, the recognition of diversity and stories, narratives and rituals).

Question 3 (4 marks)

One management skill that could assist the owners of Southern Roofing and Patios is planning. Planning can be defined as a decision-making process that involves a business formulating goals and objectives. There are a number of steps in the planning process, including setting goals, gathering information, determining costs and benefits associated with the issue and options, choosing an alternative, and evaluating and reviewing the decision once it is implemented. Planning would allow the owners of Southern Roofing and Patios to ensure that there are plans in place to ensure that delays and poor-quality work are kept to a minimum.

A second management skill that could assist the owners is communication. Communication is the process of creating and exchanging information between people, such as managers and employees. Communication could help the owners of Southern Roofing and Patios to overcome issues relating to changes required in the business and the relationship between some managers and employees. Open communication would ensure that the business's managers and employees are aware of decisions and business requirements.

4 marks

Award 1–2 marks for providing an explanation of two management skills.
*Award 3 marks for providing an explanation of two management skills **and** linking one management skill to Southern Roofing and Patios.*
*Award 4 marks for providing an explanation of two management skills **and** linking both management skills to Southern Roofing and Patios.*

Question 4 (5 marks)

Southern Roofing and Patios could apply Porter's Generic Strategy of differentiation to its strategic management to attract customers and reduce customer complaints. Porter's differentiation strategy emphasises the difference between the products or services of a business and other businesses. The differences are often focused on factors such as brand durability, a unique product, quality and an excellent reputation. If this can be developed, then customers are more likely to pay a premium for a business's product or service.

This approach could assist Southern Roofing and Patios to stand out among their competitors. If there is a focus on quality and on an excellent products and services, then it more likely that Southern Roofing and Patios would be able to continue to build its business. A focus on service and a quality products may also help Southern Roofing and Patios overcome some of the issues that were identified by the external consultant. Delays in projects and KPIs such as the number of customer complaints may also be reduced with this approach.

5 marks
Award 1 mark for providing an outline of Porter's Generic Strategy of differentiation.
*Award 2 marks for providing an outline of Porter's Generic Strategy of differentiation **and** an explanation of Porter's Generic Strategy of differentiation.*
*Award 3–5 marks for providing an outline of Porter's Generic Strategy of differentiation **and** an explanation of Porter's Generic Strategy of differentiation **and** linking to Southern Roofing and Patios.*

Question 5 (4 marks)

The KPIs and other data for Southern Roofing and Patios shown in Table 2 suggest that the business has been able to sustain and also increase sales in some areas. There has been consistent growth in all areas, particularly in farm projects. There is also an opportunity to expand the business, particularly for larger projects as the costs of borrowing and interest rates will be lower in the next two years.

Customer complaints, level of wastage and staff absenteeism have increased and these trends need to be addressed. There has also been a decrease in the rate of productivity growth in the last few years. This could have a negative impact on the business in the future. A number of issues have also been identified such as delays in projects and poor relationships between managers and employees. This may indicate a need for strategies of improvement, including training and more consistent policies and procedures.

If the number of customer complaints continues, Southern Roofing and Patios could develop a poor reputation as a business, resulting in a decrease in their future sales and revenue. A decrease in the rate of productivity growth could mean that the cost of completing projects increases, forcing the business to either increase prices or reduce profit levels. This could result in the business becoming less competitive in the future.

4 marks
Award 1 mark for providing a limited description of the KPIs and other data in Table 2.
*Award 2 marks for providing a description of the KPIs and other data in Table 2 **and** an explanation of the trends observed for Southern Roofing and Patios.*
*Award 3–4 marks for providing a description of the KPIs and other data in Table 2 **and** an explanation of the trends observed for Southern Roofing and Patios **and** an explanation of the possible impact on Southern Roofing and Patios.*

Question 6 (2 marks)

Businesses such as Southern Roofing and Patios need to continually monitor and evaluate their business performance if they are to continue to be competitive. Southern Roofing and Patios could determine the success of the implementation of current and future changes through the review of KPIs and the evaluation of data. For example, the business could reduce level of wastage through a change in suppliers. If Southern Roofing and Patios monitors its KPIs and evaluates change accordingly, both the quality of products and customer satisfaction should improve, leading to an increase in future sales for the business.

2 marks

Award 1 mark for providing an explanation of the importance of reviewing KPIs and other data.
*Award 2 marks for providing an explanation of the importance of reviewing KPIs and other data **and** linking to Southern Roofing and Patios.*