

Student Name:



2023 BUSINESS MANAGEMENT UNIT 3

Trial Examination

Reading Time: 15 minutes

Writing Time: 2 hours

SOLUTIONS AND MARKING GUIDE

Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	4	4	40
B	5	5	35
			Total: 75

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, rulers.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.
- No calculator is allowed in this examination.

Materials supplied

- Question and answer book of 18 pages

Instructions

- Answer all questions in the answer book.
- All written responses must be in English.

Students are not permitted to bring mobile phones and/or any other unauthorized electronic devices into the examination room.

Instructions

Answer **all** questions in the spaces provided.

SECTION A

Emerging Gamers is a business that was founded by a small team of dreamers who enjoyed creating online games and wanted to change the way they were made. The business promotes collaboration, problem solving, and enthusiasm amongst its staff allowing their skills and expertise to shine. Both the operations and human resource managers have adopted a participative style of management with a team-based approach and a focus on fun when developing the new online games.

fictional business

Question 1 (10 marks)

- a. Outline the characteristics of the participative management style.
2 marks

The participative management style features a decentralised management system where managers and employees make decisions jointly. There is two-way communication with employees encouraged to share their ideas and feedback and managers listening to and seeking their input. Employee contributions are valued helping the business to achieve its objectives, as there is increased productivity and staff motivation with this management style.

Students need to provide at least 2 characteristics of this management style for the full mark allocation.

1 mark for the outline of each characteristic x2

- b. Discuss the use of the participative management style.
4 marks

The advantages of the participative management style include improved decision-making with greater employee input based on their firsthand experiences of the needs of the business. This management style promotes teamwork and a strong sense of camaraderie/goodwill in the workplace with a high level of trust that can then lead to improved employee performance.

However, this management style also has disadvantages like the development of internal conflict and disagreements due to differing opinions in the decision-making process. Not all employees are keen to contribute especially if they lack confidence or the necessary skills to do so. The participative management style is also very time consuming as employee input needs to be sought and more compromises may need to be made before a resolution can be reached.

2 marks for the advantages of the participative style of management

2 marks for the disadvantages of the participative style of management

- c. Describe **two** business objectives that would be relevant to Emerging Gamers.

4 marks

One business objective relevant to Emerging Gamers is to fulfill a market need. The market needs to cater to changing consumer tastes and preferences. Emerging Gamers could have identified a current gap in the market that they were then able to address by developing online games that attract customer interest leading to increased sales and profit.

Another business objective is for Emerging Gamers to increase its market share or the proportion of total sales it has in the gaming industry compared to its rivals. If the business can offer online games that generate consumer interest, then they will again attract more sales, a bigger share of the gaming industry and profit.

Students can refer to other business objectives to answer this question.

1 mark for the description of the business objective X2

1 mark for the link to the case study x2

Question 2 (16 marks)

Quick Fix Constructions is a business that is continuing to grow despite interest rate rises and a slowing of demand for new housing. Vito and Domenic who are the owners of the business are concerned about the loss of staff motivation with increased absences and productivity dropping by 5%.

a. Propose a suitable motivation theory that Vito and Domenic could use to address the issue of lower productivity and justify your choice. 5 marks

One suitable motivation theory would be Maslow's hierarchy of needs. Maslow suggests that individuals are driven by the desire to satisfy their needs which are arranged in a hierarchical order from low order needs such as physiological and safety and social needs, to high order needs such as esteem and self-actualisation. Maslow believed that once a need was satisfied it no longer acted as a motivator for employees and the next need in the hierarchy needs to be addressed.

This theory would allow Vito and Domenic to better understand and address the needs of each of their staff to improve motivation and productivity. Both managers would comprehend that employees are motivated by different factors e.g. a newly hired employee would be seeking satisfactory pay and working conditions to begin with while a more experienced employee would be seeking more responsibility and recognition for their contribution to the construction business to maintain their motivation levels. Vito and Domenic could implement a range of strategies to create a workplace that meets the needs of each employee, to reduce staff absences and boost productivity as employees will be more motivated and committed to turn up to work each day.

Students can refer to either Locke and Latham's goal-based theory or Lawrence and Nohria's four drive theory to answer this question.

The response should be marked globally

Mark Range	Descriptor: typical performance in each range
5 marks	Student has provided a detailed answer that includes the following: <ul style="list-style-type: none">• Relevant motivation theory• Detailed justification of this theory• Excellent understanding of the principles of this motivation theory• Strong links to the stimulus material
3-4 marks	Student has provided a moderate answer that includes the following: <ul style="list-style-type: none">• Relevant motivation theory• Justification of this theory but lacks the depth to earn any additional marks• Basic understanding of the principles of this motivation theory• Little or no reference to the stimulus material
1-2 marks	Student has provided 1 or 2 relevant points that may include the identification of a suitable motivation theory or limited justification with no reference to the stimulus material
0 marks	Student has not addressed the question, or no answer was provided

b. A workplace dispute has arisen between an employee and Vito. Domenic wants to use mediation to resolve the dispute but Vito insists on arbitration. Distinguish between the two dispute resolution processes. 3 marks

The difference between mediation and arbitration lies in the role of the third party. In mediation, the third party facilitates discussion between the two parties involved in the disagreement to allow them to come to a mutual decision to resolve the issue. The third party does not offer any suggestions or make any decisions. Whereas, in arbitration, the role of the third party is to make a non-negotiable decision, which both parties must then follow as it is legally binding.

- 1 mark for the explanation of a feature of first dispute resolution process
- 1 mark for the explanation of the same feature for the second dispute resolution process
- 1 mark for highlighting the difference

c. Vito and Domenic have used the materials management strategy of forecasting to determine their material needs but with the increased uncertainty of the construction industry they are thinking that it may be time to switch to the Just in Time strategy. Compare these two materials management strategies and explain how Just in Time can be used to improve the efficiency and the effectiveness of operations at Quick Fix Constructions. 8 marks

Both forecasting and just in time target the reduction of waste by ensuring that the construction business has enough materials on hand to build houses to meet customer demand. Both materials strategies aim to help the construction business be more efficient by reducing the holding of excessive inventory that then needs a storage space which could lead to loss, theft, or damage.

They differ in their focus with forecasting relying on past data and market trends to allow Vito and Dominic to make informed decisions about their material needs to match customer demand. Whereas just in time focuses on the delivery of the correct type and quantity of materials just as they are needed before the next production cycle. Vito and Domenic need to ensure that there is minimal stock on hand to enable the building of houses to continue dependent on customer demand and customer specifications.

Just in time can improve efficiency by allowing Quick Fix Constructions to keep minimal stock which means that they do not need storage space for the materials. There is a quick turnaround of materials with orders going through only as required just before the commencement of a new housing project. This reduces costs and ensures all materials are used avoiding waste and idle inventory.

Just in time also improves effectiveness as the owners will save on costs with the reduced need for storage space which can then be utilised for other areas of the business such as for showrooms to provide models of the houses the business builds or for additional staffing facilities. Because of the uncertainty of the construction industry Vito and Domenic only order construction material as required, which reduces waste and costs and enables them to achieve the business objective of increased profits.

- 2 marks for the similarities between the materials management strategies of forecasting and just in time
- 2 marks for the differences between the materials management strategies of forecasting and just in time
- 2 marks for the explanation of how just in time can be used to improve the efficiency of operations at Quick Fix Constructions
- 2 marks for the explanation of how just in time can be used to improve the effectiveness of operations at Quick Fix Constructions

Question 3 (8 marks)

Fostering a positive culture can be the difference between success and failure for a business.

- a. Define real corporate culture 2 marks

Real corporate culture can be defined as the shared values, beliefs and behaviours that are practiced by employees and managers daily and tend to be expressed through informal rules, habits, and workplace routines. It is the culture that is experienced by employees within the business that is not documented in any policies or procedures, but rather can be observed through the interactions between staff and management.

- 1 mark for the definition of real corporate culture
- 1 mark for the additional information

b. Analyse the importance of real corporate culture in relation to staff retention rates and staff satisfaction referring to the above statement in your answer. 6 marks

It is important for the real corporate culture to be positive if staff retention rates are to rise and staff satisfaction to remain high. Real corporate culture is reflected by the experiences of the employees within the business that stem from the language used in the workplace, the behaviour of all members of the business, the management style that is implemented and the interactions that occur on daily basis between management and staff. If these interactions are positive and promote a mutual respect and open communication, then employees will enjoy their workplace and be committed to helping the business achieve its objectives. They will not seek alternative employment as they enjoy their current work environment. This will reduce the cost of replacing and training new staff and will enable the business to focus on the production of its goods or services rather than deal with employee dissatisfaction and high staff turnover and absentee rates.

If the real corporate culture of a business leads to negative experiences by staff then this will also be reflected in staff retention rates and staff satisfaction. Staff will seek employment elsewhere, looking for a workplace where respect, support and open communication are present and a sense of 'team' is developed amongst the employees. This is often preceded by poor results in a staff satisfaction survey where staff are able to identify issues within the business. These surveys will show a decline in staff satisfaction, which left unaddressed will lead to staff leaving the workplace.

The response should be marked globally.

Mark Range	Descriptor: typical performance in each range
5 - 6 marks	<p>Student has provided a comprehensive analysis that addresses the following:</p> <ul style="list-style-type: none"> • Excellent understanding of what real corporate culture is • Detailed explanation of the relationship between real corporate culture and staff retention rates and staff satisfaction • Reference to the statement
3-4 marks	<p>Student has provided a moderate answer that includes the following:</p> <ul style="list-style-type: none"> • An understanding of what real corporate culture is • An explanation of the relationship between real corporate culture and staff retention rates and staff satisfaction • No reference to the statement
1-2 marks	Student has only provided 1 or 2 relevant points about real corporate culture
0 marks	Student has not addressed the question, or no answer was provided

Question 4 (6 marks)

Genovese Coffee is a family owned and run coffee house that has been operating in Melbourne since 1970. The business prides itself in offering customers coffee beans that have been sourced ethically from Honduras, trading directly with farmers to ensure the highest quality materials without exploiting workers or children in the process. Genovese has also developed a compostable coffee pod since 2021 to reduce landfill. The business offers roast and blend coffee, a sales and service department for coffee machines, barista training and targets energy efficient practices to maintain their commitment to being a socially responsible business.

a. Explain the concept of corporate social responsibility and the importance of the environmental sustainability of inputs for a business such as Genovese Coffee. 4 marks

Corporate social responsibility refers to management at Genovese Coffee being aware of the social and environmental outcomes of the decisions they make and the actions they take when running the coffee house. Corporate social responsibility means that a business like Genovese Coffee goes above and beyond its legal obligations to be more socially accountable to itself, its stakeholders and to the public. Adhering to corporate social

responsibility considerations is important as the business can develop a positive reputation within the community and this can encourage community interaction and future sales.

Genovese Coffee needs to make decisions that will allow it and the rest of society to interact with the environment both now and in the future. The operations manager needs to ensure that the inputs sourced and used in the production of the coffee do not have a serious impact on the environment and that neither the farmers in Honduras or their workers are exploited, but they are paid fairly and in a timely manner for the coffee beans they provide the business.

2 marks for the explanation for the concept of corporate social responsibility

2 marks for the explanation of the importance of the environmental sustainability of inputs for a business

a. Describe one way that Genovese Coffee demonstrates corporate social responsibility in its operations.

2 marks

One way that Genovese Coffee demonstrate its commitment to corporate social responsibility is by sourcing high quality inputs from ethical farmers in Honduras and ensuring the farmers do not exploit workers or use children to gather the coffee beans. Since the business deals directly with the farmers they can negotiate a fair price which ensures that any workers the farmers hire are paid according to the current standard of living in Honduras.

Students can also refer to the compostable coffee pod or energy efficient practices to answer this question.

1 mark for each point x 2

End of Section A

SECTION B – Case Study

Instructions for Section B

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

Answer **all** questions in the spaces provided.

From humble beginnings to sophisticated lifestyle brand': Jordan's secret to success

Living on the Mornington Peninsula and surfing since his teens, Nick Garnham forged a close connection with the natural world around him. Not surprisingly, sustainability became one of the driving forces behind his furniture company, Jordan. “I’m a keen surfer and have always been really passionate about the environment,” he says.

Garnham, who runs the company with his brother, co-director Michael, and his wife, creative director Renee, admits last year’s disruption with the pandemic was a huge challenge. Based in Melbourne, Jordan had to contend with a lockdown where staff worked from home and production fell behind with orders. Luckily, on the positive side, there was renewed interest in home furnishings all around Australia.

Jordan was founded in 1987 when the Garnham’s bought what was then a small company in 1997. Due to high labour costs, many of their peers moved offshore or closed but the family wisely decided to take Jordan upmarket. The change in direction certainly worked and Jordan has gone from employing eight to 180 people. Initially, the furniture was sold to architects and designers, but Jordan opened its doors to the public for the first time with a plush store on Richmond’s Church Street in 2014. Showrooms in Sydney and Brisbane followed, and last year the company launched the Perth outlet.

Sustainability is always on Garnham’s mind. The company is carbon neutral, uses sustainable timber and materials sourced locally, and water-based glues. Most importantly, the furniture is designed to last a lifetime and can be repaired. If a piece is completely worn out, it can be returned to Jordan and recycled.

Source: www.domain.com.au/living/the-secret-to-success-for-furniture-company-jordan

Mary O’Brien, March 11, 2021

Question 1 (4 marks)

Outline the **three** key elements of the operations system. Apply **one** of these elements to Jordan Furniture.

The first element of the operation system is inputs. Inputs are all the resources used in the production process including natural, human, and physical resources. The second element is the process which involves the conversion of inputs into outputs through a series of steps. The third element is the output or the final product ready for sale to the consumer. The inputs for Jordan Furniture would include the factory where the furniture is made, the employees

including the furniture makers, designers, sales and marketing team etc. the showrooms, the equipment used to make the furniture from the saws to the screwdrivers, to the bolts etc.

Students could also apply the process or output to Jordan Furniture to address the second element of the question.

1 mark for the outline of each key element x 3

1 mark for the application of one of the three elements to Jordan Furniture

Question 2 (5 marks)

Propose and justify **one** performance management strategy to improve **both** employee and business performance at Jordan Furniture.

The human resource manager at Jordan Furniture could use management by objectives to improve both employee and business performance. Business goals are clearly defined with management and employees meeting to set individual or team goals collaboratively that align with the objectives at the furniture business. The collaboration promotes stronger workplace relations and a more positive corporate culture through regular and open communication. Employees gain feedback on their work performance to identify areas for improvement through additional training, or to gain a sense of achievement and possible rewards or promotions if they complete their targeted goals. New employee goals would then be set to ensure that the employees remain motivated and productive at Jordan Furniture, as they have a clear understanding of what is expected of them and how their performance is linked to the overall performance and success of the business.

Students can also refer to appraisals, self-evaluations, and employee observation to answer this question.

1 mark for a suitable performance management strategy

2 marks for the justification of the performance management strategy to improve employee performance at Jordan Furniture

2 marks for the justification of the performance management strategy to improve business performance at Jordan Furniture

Question 3 (6 marks)

Jordan Furniture operates as a private limited company. Compare this type of business with a partnership.

Both partnerships and private limited companies are able to benefit from access to more finance through having multiple owners. Partnerships may have between 2 and 20 owners while private limited companies can have up to 50 shareholders. However, private limited companies can be formed by just one shareholder while partnerships require a minimum of 2 owners.

Both partnerships and private limited companies can expand by adding additional partners or shareholders and in both cases the additional partners/shareholders must be invited to join – it is not possible to join the partnership/company by any other means. Both require the approval of all the partners or shareholders to add new partners or allow shareholders to invest in Jordan Furniture (still limited to 50 shareholders).

They also differ in that a private limited company is incorporated and as such is a separate legal entity from the shareholders. This means that the shareholders have limited liability and cannot be held personally responsible for the debts of the furniture business. Partnerships on the other hand have unlimited liability so the business owners are personally responsible for all the debt of the business.

3 marks for the similarities between the two types of businesses (at least one)

3 marks for the differences between the two types of businesses (at least one)

**Marks are awarded for the depth and detail of each element of the question.

Question 4 (10 marks)

Jordan Furniture source their materials from local and overseas suppliers and utilise quality assurance to monitor the quality of the furniture products produced. Evaluate both strategies and describe two stakeholders who would have conflicting interests because of one of these strategies.

Jordan Furniture uses global sourcing of inputs for some of their materials to make the furniture pieces which they then sell to the public. This strategy can reduce costs as the business can source cheaper materials from overseas which can potentially increase their profits. It can also allow them to have access to alternative suppliers of inputs rather than relying on local suppliers. However, there may be a longer lead time necessary for the materials to arrive in Australia which has the potential to delay furniture production. There is also difficulty in monitoring the quality of the materials as they are coming from overseas. There may be unplanned events that occur such as political unrest or ports shutting down which can also delay the arrival of these materials. However, if management can source inputs that are not available in Australia from overseas, then this can help them remain unique and fill a gap in the furniture market to boost their sales and profit.

Quality assurance is a quality management strategy that allows Jordan Furniture to achieve a certified standard of quality using an independent body to assess all aspects of its production process. This strategy uses a proactive approach to eliminate errors which reduces waste and cost and allows the production of the furniture to occur without any delays. Jordan Furniture receive a quality certification from an external body improving their reputation and competitiveness boosting sales and profits, as customers are more confident in the high standard of furniture they purchase and use from the business. However, employees need training to comply with new procedures and processes required to gain accreditation and it can be costly and time consuming to prepare all the necessary documents to gain the certification required. This is also an ongoing process and needs to be revisited periodically to enable the business to maintain its certification, but at a cost. Overall, the use of quality assurance could lead to more customers purchasing the furniture if they seek products that meet industry standards boosting Jordan's sales and profit.

Two stakeholders of Jordan Furniture are the owners and local suppliers who provide materials for the furniture to be made. The owners have a vested interest in the success of the business as they have invested their time, effort, and money to ensure that business offers a range of furniture products that customers are willing to purchase. Local suppliers are the businesses that offer their materials to Jordan Furniture and have a vested interest in maintaining this relationship to continue to earn revenue, to be able to operate their own businesses. Jordan Furniture source some of their materials from overseas and if this were to increase then it would cause concern for the local suppliers, especially if local costs are rising at a faster rate than overseas. If the owners were to reduce their orders from local suppliers in favour of the globally sourced inputs then this would cause conflict between the two stakeholders who are driven by different interest in the business – the owners trying to reduce their operational costs to continue to make a profit and the local suppliers who seek ongoing material orders from Jordan Furniture to remain solvent.

The response should be marked globally

Mark Range	Descriptor: typical performance in each range
9-10 marks Very High	Student has provided a comprehensive response addressing all the elements of the question including: <ul style="list-style-type: none"> • A detailed evaluation of global sourcing of inputs that includes both strengths and limitations and a strong overall conclusion • A detailed evaluation of quality assurance that includes both strengths and weaknesses and an overall strong conclusion • A detailed description of two relevant stakeholders who would have a conflicting interest in Jordan Furniture because of the global sourcing of inputs or the quality strategy • Links to the case study
7-8 marks High	Student has provided a detailed response addressing all the elements of the question including: <ul style="list-style-type: none"> • An evaluation of global sourcing of inputs that includes both strengths and limitations and an overall conclusion • An evaluation of quality assurance that includes both strengths and weaknesses and an overall conclusion • A description of two relevant stakeholders who would have conflicting interests in Jordan Furniture because of the global sourcing of inputs or the quality strategy • Links to the case study
5-6 marks Medium	Student has provided a moderate response addressing most of the elements of the question which could include: <ul style="list-style-type: none"> • The strengths and weaknesses of the global sourcing of inputs with a weak/no conclusion provided • The strengths and weaknesses of quality assurance with a weak/no conclusion provided • A description of two relevant stakeholders with conflicting interests in Jordan Furniture but no reference to either the global sourcing of inputs or the quality strategy • Link to the case study
3-4 marks Low	Student has attempted to provide a response that addresses some of the elements of the question which could include: <ul style="list-style-type: none"> • A discussion rather than an evaluation of global sourcing of inputs • A discussion rather than an evaluation of the quality strategy • Reference to two stakeholders in Jordan Furniture • Little or no reference to the case study
1-2 marks Very Low	Student has provided one or two relevant points in relation to only one element of the question which could be in reference to the: <ul style="list-style-type: none"> • Global sourcing of inputs • Quality strategy • Potential conflict between two stakeholders of the furniture business BUT • No reference to the case study
0 marks	No response provided/or answer has no relevance to question

Question 5 (6 marks)

Analyse **one** strategy to improve the efficiency and effectiveness of operations through waste minimisation in the production process at Jordan Furniture.

One strategy that Jordan Furniture uses to promote waste minimisation is the recycling of the furniture pieces once they have completely worn out. This means that the discarded materials from the used furniture pieces are re-used to create new products reducing the need for new materials. This promotes efficiency as the materials are not wasted reducing costs. This also benefits the business in terms of their reputation and the community in terms of the environment. Recycling used furniture also promotes effectiveness as Jordan Furniture can improve its reputation as an environmentally sustainable business, reducing the businesses waste going to landfill and achieve it's corporate social responsibility stated objective. It can also boost it sales and market share leading to additional profits with return customers who remaining loyal to the business.

2 marks for the analysis of a suitable waste management strategy relevant to Jordan Furniture

2 marks for the analysis of how the waste management strategy improves efficiency at Jordan Furniture

2 marks for the analysis of how the waste management strategy improves effectiveness at Jordan Furniture

Question 6 (4 marks)

Jordan Furniture prides itself on having a shared family vision, a skilled workforce and a creative design team. Describe a motivation strategy that the human resource manager could use to increase employee performance at the furniture-making business.

One motivation strategy that the human resource manager could use is career advancement. This means that high performing staff can be offered more responsibility and a promotion that brings additional rewards such as an increased salary and more challenging tasks. This could boost employee motivation as employees feel recognised for the contribution that they are making whether they are in the furniture design team, the sales team, or they are the actual furniture maker. This can motivate them both in the short term and the long term if the business is growing and there is the potential for additional promotions whether in a supervisory capacity of other staff, or from more autonomy to oversee an area of furniture production or sales.

Students can refer to other motivation strategies to answer this question.

2 marks for the description of the motivation strategy

2 marks for the links to the case study