

Student Name:



2023 BUSINESS MANAGEMENT UNIT 3 &4

Trial Examination 1

Reading Time: 15 minutes

Writing Time: 2 hours

QUESTION & ANSWER BOOK

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	6	6	50
B	8	8	25
			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 23 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

Question 1 (2 marks)

Define the business objective 'to make a profit'.

Net profit is a financial indicator that measures the difference between revenue and expenses, over a period of time.

Most businesses aim to make a net profit by maximising/increasing revenue or decreasing expenses to reward owners/investors for their efforts/investments or to enable a business to expand.

1 mark for the definition of 'to make a profit'

1 mark for additional detail that adds to the depth of the answer

Question 2 (13 marks)

Rodrigo owns VicTours, a growing tour company that specialises in bus tours to the Barossa Valley in South Australia, with most customers booking online. Rodrigo, as a sole trader, manages the human resource area of the business and has struggled to retain enough tour guides to be able to meet customer demand.

Rodrigo personally trains each guide and takes great pride in the quality of the tours. Rodrigo sets very high-quality standards for each tour and completes a full assessment of each guide by attending at least 3 full day tours and providing feedback to each tour guide before they are allowed to take any unsupervised tours.

Three experienced tour guides have recently resigned, and Rodrigo will have to cancel 30% of bookings for next month and refund deposits to customers. The resignation notices indicated that the tour guides felt unappreciated, lacked the freedom to use their own initiative during tours and that Rodrigo was inflexible when approached with new ideas.

a. Discuss the use of on-the-job training at VicTours.

4 marks

One benefit of Rodrigo using on-the-job training is that his tour guides can conduct tours whilst they are being trained so VicTours can earn revenue while training is being undertaken. Another benefit is that Rodrigo can guarantee the quality of the training provided to his tour guides. This is because Rodrigo himself can design and deliver the training, so there is no risk of the training being irrelevant. However, the learning environment may not be ideal as Rodrigo would be instructing the tour guides whilst tours are being run. This could appear unprofessional or might undermine the confidence of the tour guides in front of the customers. Another problem might be interruptions, phone calls or customer enquiries that distract Rodrigo whilst he is training the tour guides, so the training may not be as effective as he does not have the entire time to dedicate to the training.

2 marks awarded for two advantages of on-the-job training at VicTours

2 marks awarded for two disadvantages of on-the-job training at VicTours

b. Evaluate the suitability of the autocratic management style used by Rodrigo at VicTours.

5 marks

The management style used by Rodrigo is autocratic because it appears that Rodrigo wishes to control the training of his employees and retain the decision-making power so that the quality and consistency of tours remains at the level determined by Rodrigo. This can be suitable as high standards will be achieved with Rodrigo's experience and knowledge and the fact that the tour guides can benefit from being told how to do their jobs correctly. When the resigning employees claim that Rodrigo is 'inflexible', this could indicate that Rodrigo is using top-down communication and is not listening to his tour guides, enhancing the speed of decisions, and keeping VicTours operating at the standard determined by Rodrigo.

However, a disadvantage of the autocratic management style is that the top-down communication style can leave employees feeling unheard and it appears that the sudden resignation of tour guides indicated that they 'felt unappreciated' by not being allowed to have any input into decisions made by Rodrigo. The lack of employee 'freedom to use their own initiative' by Rodrigo is another problem with the autocratic management style as Rodrigo is not listening to his employees or accepting any input into decisions which is clearly unsuitable to retaining employees who feel they have something to contribute.

In my opinion, the resignation of 3 tour guides indicates that the autocratic management style is unsuitable for VicTours because it seems to have caused problems with retaining tour guides and has increased staff turnover. With revenue potentially being sacrificed due to these resignations, it appears that employees do not enjoy working in an environment where the autocratic management style is being used by Rodrigo as their input into decisions is not being considered.

2 marks awarded for advantages/benefits of the autocratic management style used by Rodrigo at VicTours

2 marks awarded for disadvantages of the autocratic management style used by Rodrigo at VicTours

1 mark for an opinion of the suitability of the autocratic management style used by Rodrigo at VicTours

c. Describe **two** management skills that an autocratic manager like Rodrigo would need.

4 marks

Rodrigo, as an autocratic manager, would need to be highly skilled at speaking clearly, writing emails or letters, and using good body language to exchange information with his tour guides effectively. When using top-down communication, he will be able to explain information quickly and get his messages across to his employees.

Rodrigo will be able to be a strong decision-maker as he will make decisions on his own, especially when selecting new employees to replace the tour guides that have left VicTours or deciding how to conduct training for his employees. Rodrigo would need to carefully look at the facts and identify any possible problems, weighing up a range of alternatives and choosing the correct options that will allow him to maintain the high standards at VicTours.

Other management skills could be applied to this question.

2 marks awarded for first management skill linked to Rodrigo at VicTours

2 marks awarded for second management skill linked to Rodrigo at VicTours

Question 3 (2 marks)

Explain how the performance management strategy of employee observation could be used to achieve an employee objective.

Employee observation involves gaining a broader perspective on the performance of an employee using feedback from a range of sources that could include peers, customers, and managers to assess the employee on their achievements. A range of stakeholders can be surveyed, and the feedback provided gives a broader range of information on the strengths and weaknesses of the employee in their role, helping to determine any training needs. Employee observation can help an employee to achieve an objective such as promotion as feedback might

highlight that the employee has the skills needed for a promotion or might help the employee access training to help them achieve the skills needed to gain a promotion in the future.

Other employee objectives could include job security, bonus/pay rise, safety etc.

1 mark for explaining employee observation

1 mark for explaining how employee observation could achieve and employee objective

Question 4 (6 marks)

Compare quality control with quality assurance.

A similarity between quality control and quality assurance is that both focus on the production of high-quality goods or services and the maximisation of customer satisfaction. Both also rely on well-trained employees who produce high quality goods or services. However, quality control has a separately trained quality control team whose responsibility it is to inspect and remove faulty products, whereas the training for quality assurance is for all employees to follow precise 'world's best processes' exactly to ensure faultless production.

Another difference is that quality control is reactive and places internal responsibility for quality on a quality control team who are trained to inspect and remove faults in production before they reach the customer. Whereas quality assurance is a proactive approach that involves an external quality organisation that provides certification to indicate that the business's systems and processes meet accepted national and international standards as determined by the International Standards Organisation (ISO) eliminating faulty production before manufacturing starts.

3 marks awarded for a similarities

3 marks awarded for a differences

Question 5 (3 marks)

Outline **one** way that artificial intelligence has been used to improve business performance in a contemporary business you have studied this year.

Jon Beros is the founder and CEO of Little Birdie launched in 2021; a business that provides an app that is driven by artificial intelligence that searches for the internet's best prices across all e-commerce categories to help consumers to price-match instantly. When the consumer is looking at a product, Little Birdie will show the unbiased prices it can find from other retailers without the customer having to leave the product page they are on.

Artificial intelligence has made the business model of Little Birdie possible because it uses machines/technology that can gather data from a multitude of online businesses and provide the user with accurate and up to date price comparisons which would not occur in 'real-time' if being performed by human labour. Therefore, artificial intelligence can work faster, more accurately and at a much lower cost, improving the business performance of Little Birdie.

2 marks for an outline of the use of AI in a contemporary business

1 mark for demonstrating how the AI could improve business performance

Question 6 (14 marks)

BB's Bookstore faced potential closure in 2018 with many customers preferring eBooks or simply not choosing to visit a regional retail bookstore.

Odette Lauder purchased BB's Bookstore and despite the business's record of poor financial performance, she launched a website, introduced free delivery, and expanded its product range to include Wellbeing, Cooking, Financial Self-Help, and Hobbies. Odette was nominated for the Australian Small Business Champion Award by a group of her employees at the start of 2020.

Due to the success of BB's Bookstore and evidence that the website was a highly effective way to sell books, Odette decided to maintain BB's Bookstore as an online business and close the retail store at the end of 2020. Her

employees were devastated at losing their jobs so suddenly and the media coverage damaged the business's reputation.

Key Performance Indicators	2018	2019	2020	2021
Number of website hits (average per month)	0	1680	4 700	2 000
Number of sales (average per month)	640	1 500	4 500	1 000
Net profit figures (per month)	35 000	50 000	180 000	50 000
Number of customer complaints (per year)	10	15	16	47

Table 1

a. Apply the key principles of the Three Step Change Model (Lewin) to the change introduced at the end of 2020 by Odette at BB's Bookstore. 6 marks

Odette Lauder could use Lewin's 3 step change model to help her close the retail store and change to an online bookstore. Firstly, she would UNFREEZE, or prepare the business, BB's Bookstore, for change, disrupting its current position. This involves Odette Lauder using two-way communication to clearly explain the reasons for deciding to change to an online bookstore. She would also hold a meeting with her current staff to outline a plan using the KPI data in Table 1 to justify the closure of the retail bookstore. Odette Lauder could offer re-training to some employees who might be able to work in the new online version of the bookstore. She may also provide evidence, research, or statistics to prove that the change to an online bookstore could increase the net profit figures.

Then Odette Lauder would then MOVE the business to the new state by closing the retail store, providing redundancies, or relocating retail employees to positions in the new online bookstore headquarters. Odette Lauder would need to check that any re-training of employees to develop their technology skills when working in their new online positions has been effective.

Finally, Odette Lauder would REFREEZE where reinforcement of the closure of the retail bookstore and establishment of the online business would become a part of the normal accepted culture of the business. Odette Lauder might reward those who accepted the closure of the retail bookstore and celebrate the success of the online bookstore to further encourage acceptance of the change. BB's Bookstore could also use KPI's to evaluate the success of the new online bookstore.

Mark globally, however,

- 2 marks for each step in the theory – 1 mark for a general description of the step and 1 mark for the link to the change introduced by BB's Bookstore (x3)

b. Discuss the use of proactive approaches to change in relation to Odette Lauder's management of BB's Bookstore. 4 marks

A proactive approach to change involves Odette making decisions before there is pressure from competitors or legislation leading to the closure of the retail bookstore. BB's Bookstore can benefit from Odette being proactive because she can control the timing of the change. By Odette making changes when the business has been on a positive financial growth pathway, she can choose when to remove the retail aspect of her business. This decision can create an opportunity to increase market share and net profit as competitors are lagging behind and the money saved from removing the retail aspect of the business can now be used to market the new online business. However, by being proactive in approaching change, Odette is taking risks as there is no data or reliable evidence that the changes, she has suggested to remove the retail aspect of the business will succeed. So, there is a greater risk of failure. Another problem could be that competitors may wait to see if BB's Bookstore succeeds and then introduce the changes copying Odette's ideas, reducing their own risks, allowing them to only introduce the best elements of the change.

2 marks awarded for an advantage(s)/benefit(s) of a proactive approach to change by BB's Bookstore
2 marks awarded for a disadvantage(s) of a proactive approach to change by BB's Bookstore

c. Analyse the key performance indicator data provided in **Table 1** and explain how this data led to the introduction of change at BB's Bookstore. 4 marks

In 2020, BB's Bookstore experienced significantly improved performance as indicated by the tripling of the number of sales (average per month) as well as the net profit figures. This indicates that under the leadership of Odette Lauder, the business was able to convert more sales to customers to increase its overall net profit by increasing sales relative to expenses. The number of customers expressing dissatisfaction with BB's Bookstore remained relatively low compared to the overall growth of the financial success of the business. There was also a large growth in the number of website hits which could indicate successful marketing or the building of a positive reputation for the business leading to greater customer interest. Odette Lauder has decided that the KPI data was 'evidence that the website was a highly effective way to sell books' and closed the retail bookstore at the end of 2020. Odette must have assumed that the website hits were linked to the growth in sales, however, the sales figures do not indicate whether they were retail or online sales. The decision to close the retail stores was driven by Odette's need to reduce her operating costs to increase net profit. Online book sales can vastly reduce wages and operating costs, helping BB's Books to improve their financial performance. Odette is also clearly prioritizing net profit over ethics with employees 'devastated at losing their jobs' so suddenly despite their contribution to the success of BB's Bookstore as indicated by the data in 2019 and 2020.

2 marks awarded for an analysis of the data related to BB's Bookstore in 2020

2 marks awarded for an explanation of how the data led to the introduction of change at BB's Bookstore

Question 7 (10 marks)

'The operations manager's role is critical to the success of a business, and they must choose from a range of strategies to improve efficiency and effectiveness in operations.'

In relation to the above statement, describe how the use of **one** operations strategy from **each** of the following categories could improve efficiency and effectiveness in operations.

- Waste minimisation
- Materials
- Lean management

Operations is a core function of any business and involves the management of the resource inputs by processing them into outputs (the final good or service). It is the operations manager's responsibility to increase the competitiveness and effectiveness of a business by improving the level of quality of goods or services. Efficiency can also be increased by decreasing costs and waste and improving the speed of delivery to the customer.

As part waste minimisation, an operations manager should reduce the wrapping of goods by avoiding plastic or sourcing recyclable options to decrease wastage that then goes to landfill or is not biodegradable. This will meet a business's waste minimisation objectives and improve the reputation of the business, increasing effectiveness. Minimising wrapping and plastic can also reduce wastage and save on the costs of purchasing excess materials that are not necessary for the sale of the product improving efficiency.

*A business can use Just in time as a materials strategy to minimize the storage of raw materials and double handling and reduce the chance of obsolescence by making the inputs available at the **correct** time and at the right quantity for production to occur. By lowering the cost of storage, a business will be more efficient in its usage of resources. The business will be more effective by improving the quality of the inputs because they are not double-handled and therefore there is less risk of damage to the inputs used in the operations system.*

The operations manager can use the lean management strategy of 'pull' during the processing stage. Pull is where a business will only produce what the customer wants, waiting for a customer order before beginning the processing of the good or service. A benefit of pull is that there is no need for storage, double handling, lost or damaged stock as no excess goods are produced. This is highly efficient as there are less costs for storage or security of inventory not yet sold. Pull can be effective as the customer can tailor the good to their specific preferences, as it is not already manufactured, improving customer satisfaction.

I agree with the statement that the choice of operations strategies is critical to the success of a business, and it is the operations manager's role to increase efficiency and effectiveness to improve a business's competitiveness and help the business to outperform rivals in the industry.

Mark globally

Mark Range	Descriptor: typical performance in each range
Very High 9-10 marks	The response demonstrates a detailed understanding of each of the operations strategies. The response was able to explain how operations strategies improve efficiency and effectiveness. The response includes specific reference to the statement.
High 7-8 marks	The response demonstrates an understanding of each of the operations strategies. The response was able to explain how most of the operations strategies improve efficiency and/or effectiveness. The statement was briefly addressed or not addressed at all.
Medium 5-6 marks	The response demonstrates an understanding of some of the operations strategies The response was able to make some reference to efficiency and/or effectiveness. The statement was briefly addressed not addressed at all.
Low 3-4 marks	The response demonstrates a basic understanding of some of the operations strategies. The response was able to make some reference to efficiency and/or effectiveness. The statement was very briefly addressed or not at all.
Very Low 1-2 marks	Some of the key components of the question are briefly addressed: Operations strategies, Efficiency, Effectiveness The statement was not addressed.
0	Response does not relate to any elements of the question.

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.

Sincerity Perfume



Sincerity Perfume is a partnership developed by its owners, Conrad, and Sarah, as they were planning their wedding in 2022 and wanted to wear fragrances that they had created for each other for their special day. A retail premises was available in Prahran, and they secured a long-term lease. They were able to find low-cost suppliers, mostly from India and within 6 months, their business was growing steadily.

Sarah uses the General Retail Industry Award as the basis for determining the wages and conditions for the 10 employees.

Sarah has recently become very concerned about the potential impact that some of their business decisions may have had on the environment. She has noted that several customers have questioned the environmental sustainability of Sincerity Perfume and during a recent interview with the local secondary college who invited a group of local businesses to speak with their Business Management classes, Sarah was not able to adequately outline details of their sustainability policies.

Conrad disagrees with Sarah and is opposed to the idea of sourcing environmentally sustainable materials and establishing strong corporate social responsibility objectives because the business is trading well and the time and cost of introducing changes could significantly impact on net profit figures for the business.

Question 1 (2 marks)

Describe the key features of a partnership in relation to Sincerity Perfume.

Sincerity Perfume was established by Conrad and Sarah as a partnership where they could have between 2-20 owners who then share in responsibility and decision-making. Having access to partners gives Sincerity Perfume access to more capital as all owners contribute funds to the business. Sincerity Perfume has unlimited liability where the owners are personally responsible for the debts of the business.

1 mark for a description of one key feature of a partnership linked to Sincerity Perfume

Or 2 marks for a description of two or more key features of a partnership linked to Sincerity Perfume

Question 2 (4 marks)

Explain **two** strategies that Sarah could introduce to develop the environmental sustainability of inputs at Sincerity Perfume.

Sincerity Perfume could investigate their suppliers from India to make sure that the materials needed for the creation of their perfumes such as the bottles, fragrances, labels etc are produced in sustainable ways ensuring that unnecessary pollution is not created, that animals are not harmed, that forests or habitats are not destroyed, and that waste is minimised or recycled where possible. Even though materials are sourced globally, Sarah and Conrad have an ethical/moral responsibility to ensure that their suppliers meet society's demands for sustainable practices.

Sarah could also choose equipment for the retail premises of Sincerity Perfume that are low power usage so that energy consumption is minimised. Air conditioners/heaters, lighting, laptops, printers, and any other equipment can be continually upgraded to ensure that energy ratings are as low as possible to reduce the carbon footprint at Sincerity Perfumes.

Other strategies could be applied to this question.

2 marks for an environmentally sustainable strategy linked to the inputs at Sincerity Perfume

2 marks for a second environmentally sustainable strategy linked to the inputs at Sincerity Perfume

Question 3 (3 marks)

Propose and justify the use of **one** principle of the Learning Organisation (Senge) to help Sarah create a positive culture for change at Sincerity Perfume.

Building a shared vision could be used by Sarah to help her business to become more environmentally sustainable. If Sarah and Conrad can join with their employees to create a shared belief that becoming more environmentally sustainable is critical to the future of the business. If this vision is created using employee input, Senge would say that the change to be more environmentally sustainable will have a greater chance of succeeding. By building a shared vision, Sincerity Perfume's owners and employees will promote a positive culture to change and innovation with employees enthusiastically contributing their environmentally sustainable ideas that are included to create the vision and values of the business.

Any other Senge principle could be applied to this question.

1 mark for proposing one principle of the Learning Organisation (Senge)

2 marks for justifying the principle in relation to creating a culture for change linked to Sincerity Perfume

Question 4 (3 marks)

Justify the use of awards as a means of establishing pay and conditions at Sincerity Perfume.

Awards are legally binding minimum requirements for wages and conditions covering an entire occupation (industry) and are administered by the Fair Work Commission. Awards would be helpful for Sarah as the human resource manager as they are clearly outlined, and the Fair Work Commission can provide advice to Sarah or her Sincerity Perfume employees at any time. Another benefit of using awards is that they protect employees by providing minimum wage entitlements without the employees or Sarah and Conrad having to negotiate to establish pay and conditions at their individual business.

2 marks for a justification of awards linked to Sincerity Perfume

1 mark for depth or further justification of awards linked to Sincerity Perfume

Question 5 (4 marks)

Describe **one** driving force and **one** restraining force that could impact Sincerity Perfume's plan to become more environmentally sustainable.

Managers such as Sarah can act as a driving force by providing leadership, communication and control over the planning and direction of a Sincerity Perfume. Sarah is responsible for the achievement of core business objectives, and she wants to drive the business towards a more environmentally friendly focus for Sincerity Perfume. Sarah will want to gain status or recognition for the successful introduction of change as a manager of the business.

Employees at Sincerity Perfume work to perform the core tasks in exchange for a wage and may resist a change that could negatively impact on the way they do their job. Employees may fear that Sincerity Perfume's drive towards a more environmentally friendly focus would threaten their job status/security, so they then resist the change. Employees will resist because if the change fails, employees could lose their jobs.

Other driving or restraining forces could be used for this answer.

2 marks for a description of one driving force linked to the change at Sincerity Perfume

2 marks for a description of one restraining force linked to the change at Sincerity Perfume

Question 6 (3 marks)

Describe how Sincerity Perfume could use Porter's Generic differentiation strategy to improve business performance.

Porter's Differentiation Strategy involves Sarah and Conrad making their perfume products more unique, and higher quality. With successful branding, the perfumes may be highly valued by buyers and difficult for competitors to replicate. Sincerity Perfume could use their environmental changes to give them a competitive advantage and help their products be seen as more desirable by customers who will then be prepared to pay premium prices as the products meet their environmental values. Premium pricing will increase the margin between selling price and cost of production giving a competitive advantage to Sincerity Perfume, so they outperform their rivals within the industry and improve their business performance.

2 marks for an explanation of Porter's differentiation strategy

1 mark for applying the strategy to Sincerity Perfume

Question 7 (4 marks)

Explain how **two** low-risk strategies could positively overcome employee resistance to change at Sincerity Perfume.

Empowerment could be used by Sarah at Sincerity Perfume to reduce employee resistance by using employee participation and giving authority to employees for the introduction of the new environmental policies and procedures. Empowerment in decision making means employees feel valued and have a sense of ownership over the change and it is a low-risk strategy because it helps employees accept change.

Another low-risk strategy could be incentives such as rewards or pay rises that Sarah could use to encourage her employees to accept the new environmental change. This will reduce employee resistance as employees will be rewarded as they adopt the new environmental policies. Incentives are low risk as the rewards will help employees accept the change as they will appreciate being rewarded.

Other low-risk strategies could be applied to this question.

2 marks for an explanation of first low-risk strategy linked to the change at Sincerity Perfume

2 marks for an explanation of second low-risk strategy linked to the change at Sincerity Perfume

Question 8 (2 marks)

Outline **one** corporate social responsibility consideration when Sincerity Perfume implements change.

Sarah needs to consider how the environmental changes may impact suppliers. If the business was to make a commitment to more environmentally friendly materials to produce their perfumes as well as the perfume bottles and packaging, this could negatively affect suppliers. The current 'low-cost suppliers, mostly from India', may not be able to change their materials at short notice to be more environmentally friendly. If Sarah changes suppliers suddenly, it could damage the business of the supplier and lead to the supplier needing to downsize, reducing the employees' access to their jobs and future wages. To be more corporate and socially responsible, it would be good for Sarah and Conrad to give current suppliers time to adapt to the changes to reduce potential damage to the supplier's business.

Other CSR strategies could be applied to this question.

Award 1 mark for an explanation of a CSR consideration

Award 1 mark for the link of the CSR consideration to Sincerity Perfume