Suggested answers

***Note:** When making judgements about the quality of student answers to questions, teachers could be guided by some or all of the following factors (depending on the question): accuracy, relevance, completeness, breadth/depth of treatment, logic of connections, clarity, substantiation of claims, level of coherence. These factors are particularly useful to consider when marking questions that require a global marking approach. These types of questions are multifaceted as they involve the application of a marking range that considers different aspects of a question. The factors listed above will provide useful reference points for discrimination within a marking range.*

SECTION A – 50 marks

Question 1 (2 marks)

Describe one management skill and provide an example of a business situation in which the skill might be used.

Sample response:

Delegation is when authority or tasks are passed onto another person in a business whilst the person who passed it on still retains responsibility for the final outcome. Delegation can be used in a situation where a manager is attempting to train an employee in a new skill in order to either build their confidence or to help with career development.

Any of the following skills are acceptable:

- Communication
- Planning
- Leadership
- Delegation
- Decision making
- Interpersonal

Marking Guide:

***1 mark** for describing a management skill accurately*
***1 mark** for applying the use of the skill to a specific business-related situation*

Question 2 (10 marks)

Better Knots is a rope supply business owned equally by four friends that met eight years ago in high school. It has a stock turnover of $1.1 million per year and makes an average profit of $400,000 per annum. The business donates 3% of all sales revenue to local sports clubs.

a. Describe the type of business structure used at Better Knots.

2 marks

Sample response:

Better Knots is a partnership between four people, owned equally. In partnerships, there is a shared contribution of capital or funds when required as well as a sharing of profits and losses. There is also a shared skill base with people in the partnership bringing in different skill sets and knowledge, as well as a shared workload. The issue with some partnerships is that there is unlimited liability and Better Knots may be in this category. This means that if one person cannot pay for a debt then the other partners are liable for their share of the debt. Personal assets must be used to settle the amount owed if the business's funds are insufficient to cover it. Along with potential debt issues, all partners need to agree on decisions that affect the partnership (e.g. entering into a contract with another business) which can cause arguments and conflict between them.

Marking Guide:

2 marks *for accurately describing a partnership structure with reference to two features or characteristics of this business type linked to Better Knots.*

b. Other than making a profit, describe one appropriate business objective for Better Knots and explain how that business objective might be measured against a key performance indicator.

4 marks

Sample response:

Better Knots donates 3% of all sales revenue to local sporting clubs which, as an example, may allow those sports clubs to purchase better equipment than what they might have been able to afford otherwise. As such, Better Knots has an objective to **fulfil a social need** in the local community. Social needs are when businesses support causes with no expectation of anything in return and, in this case, Better Knots donating to local sporting teams fits this criterion.

This business objective to fulfil a social need is measured by the key performance indicator that measures the number of sales over time. Better Knots would be keen to see a rise in the number of sales as each sale increases their capacity to donate to the local sports clubs. Conversely, a fall in sales would mean a fall in what they have available to donate.

Other objectives include to:

- improve effectiveness or efficiency
- fulfil a market need
- increase market share
- meet shareholder expectations is not accepted as there is no indication in the case study that there are shareholders.

Marking Guide

1 mark *for identifying and defining a relevant business objective other than making a profit*
2 marks *for explaining how the objective can be measured using an appropriate key*

performance indicator
***1 mark** for relevant links to Better Knots case study evidence*

c. **Compare two management styles that are appropriate at Better Knots.**

4 marks

Sample response:

Consultative and Participative are two management styles that would be appropriate at Better Knots. Consultative is where a manager makes a decision after consulting or liaising with staff but the final decision still rests with the manager. By contrast, in a Participative environment the manager and the employees would make the decision together.

Under both Consultative and Participative approaches there is two-way communication prior to the decision being made. The outcome involves all people affected by the decision, so there is often a wider variety of options taken into consideration from the larger volume of input. However, both approaches can also be time consuming as all stakeholder views are considered and conflict between these views can arise.

Under the Consultative approach, if a participant's decision is not included in the final outcome, they can feel that they have wasted their time. With the Participative approach, participants may not want to be a part of the decision-making even though they are required to give up time and be a part of the process.

In both cases, involving people can boost morale in the organisation and give people a sense of ownership over the outcome. However, at the same time, they are not good management styles to use when under time pressure (such as in an emergency).

Marking Guide (globally marked):

2-4 marks *for a well-balanced examination of the relevant similarities and points of difference between two appropriate management styles that are relevant to the case study information*
1-2 marks *for describing a similarity or difference but not both.*
0-1 marks *for identifying a similarity or difference only, or merely describing each of the styles with no comparison or contrast made.*

Note: the response does not need to have equal similarities and differences however both need to be explained. The response must focus on key features of these styles and use opposite words to contrast them.

Question 3 (10 marks)

In recent years, the building industry in Victoria has seen a steady and significant increase in the cost of raw materials used to build houses and, in some cases, long delays in having raw materials delivered to a building site, either at the start of the build or during construction. In most cases, the raw materials are delivered in stages, with a contingency of at least 10% extra raw material supplied in case errors are made during building. Often this results in high levels of wasted product that goes into rubbish when the additional raw materials are not used. In addition, the quality of the build is only checked at three points so, if there is faulty work, it may be some time before errors are discovered.

A basic house build consists of the following steps:

1. Source raw materials for house frame, roof and external walls.
2. Build the frame & roof.
3. Quality check steps 2 & 3, rectify errors, and dispose of materials not used.
4. Build the external walls.
5. Source raw materials for internal walls, plumbing and electrical work.
6. Build the plumbing & electrical wires.
7. Quality check steps 5 – 7, rectify errors and dispose of raw materials not used.
8. Build the internal walls.
9. Source kitchen and bathroom raw materials.
10. Build the kitchen, bathroom.
11. Quality check steps 9 – 11, rectify errors, dispose of raw materials not used, and hand over to homeowner when final approval is given for the finished build.

To minimise the impact of the rising costs and the long delays in sourcing raw materials, there have been calls amongst industry leaders to reform building practices by reducing raw material waste to free up supply for others, employing better materials management strategies, and undertaking more frequent quality checks during a build. As well as this, some leading industry experts are encouraging building companies to use lean management practices wherever possible.

Propose and justify operations management strategies that will support the building industry in Victoria to become more efficient and effective in 2024.

10 marks

Sample response:

The building industry could employ many materials management strategies. This includes better forecasting, and therefore better predictions of raw building materials needed to build a house. The contingency of 10% extra raw materials is high and this could be lowered to at least 5%, which would improve costs by reducing excess ordering. If a builder employs a Master Production Schedule (MPS) they can also better plan for the arrival of raw materials as well as the quantity required. This will feed into a material requirement plan, and therefore raw materials could potentially be delivered at each step of a typical build rather than trying to estimate quantities required at three major points. For example, bricks for external walls could be ordered once the frame is up, instead of before work commences on it. This will minimise errors in the number of bricks ordered if the shape of the frame changes during construction.

There are three major points where quality checks occur. If the industry was to adopt a Total Quality Management (TQM) system, then quality would be checked at each stage of the house build. For example, when the bricks arrive onsite, they would be checked immediately for cracks or poor quality rather than having to wait for a later inspection. By employing a TQM strategy, the building industry will seek continuous improvement at each stage of a house build and will rely on all employees to work together to ensure that the materials are at their best quality and that customers will therefore be satisfied with the final house.

In terms of lean management practices, the building industry could employ the use of One-Piece Flow. This is a system that aims to complete the production of one stage at a time in a continuous flow. It can be supported by the Zero Defect Strategy which aims to identify any production errors in the house build along the way and fix them before the build moves to the next stage. This would require more regular checking of raw materials at step one in the case study rather than building the frame and then checking. Finally, the other part of lean management that the industry could adopt is the takt concept of minimising idle time. Due to the shortages, wherever possible a builder should be ordering the raw materials ahead of time, for example, ordering the bathroom and kitchen materials earlier in the steps shown would ensure that it is available ahead of time and minimise idle time under the takt concept.

Finally waste minimisation strategies could include applying the Reduce, Reuse, Recycle concept to raw materials. As noted earlier, the amount of extra raw materials order for contingency should be reduced from 10%. In addition, any unused raw materials should not be discarded into rubbish but instead be passed on to another building project or sold to another builder, which would minimise the shortage of materials by returning unused raw materials to the market and keeping down the costs of wasted materials.

Marking Guide (globally marked):

9-10 marks *for proposing and describing at least three relevant operations strategies for the building industry. The advantages of the strategies are justified and explicitly connected to the effectiveness and efficiency of the building industry in 2024. The response contains detailed and specific links to the case study evidence throughout.*

6-8 marks *for proposing and describing at least three relevant operations strategies for the building industry. The advantages of the strategies are justified, specific connections to the effectiveness and/or efficiency of the building industry are briefly described and links to the case study are limited.*

3-5 marks *for proposing and describing one or two relevant strategies for the building industry. The advantages of the strategies are justified however specific connections to the effectiveness and efficiency of the building industry in 2024 are lacking.*

0-2 marks *for proposing operations strategies which are not applicable to the construction industry or describing one or two relevant strategies without justification*

Question 4 (5 marks)

When managing terminations, such as the redundancy of an employee, management need to consider entitlement and transition issues.

a. Define redundancy.

1 mark

Sample response:

Redundancy occurs when there is no longer a job or a position available for a person to complete or there are more people employed than are needed for the work that has to be done.

Marking Guide:
1 mark *for providing the accurate meaning of the term*

b. Explain the difference between entitlement and transition considerations and provide an example of each.

4 marks

Sample response:

Entitlement issues concern the benefits owed to the employee when they leave a business and are usually part of the legal steps taken towards transitioning someone out of an organisation. This includes full time and part time workers, and covers items such unused holiday pay, unused long service leave, and termination payments (where applicable).

Transition considerations are the matters that are relevant when moving from employment at one business to another business or to unemployment. They are not a legal requirement and do not need to be offered. They might include offering a reference letter to an outgoing employee to help them find new employment or setting them up with a financial service to help them decide what to do with a significant payout received upon cessation of work.

Marking Guide:

0-2 marks *for clearly describing a point of difference (focusing on a key feature or characteristic) between entitlement and transition considerations.*

0-2 marks *for describing examples of each which illustrate the main difference*

Question 5 (10 marks)

Change is difficult, but to progress in our jobs we need to go through it.

a. Without referring to Communication, outline the benefits of one low risk strategy to help employees overcome change.

2 marks

Sample response:

Support is a low risk strategy. Support is where managers are aware of fear around change and offer encouragement or training to help employees overcome the fear. They could also offer support in the form of counselling, confidential discussions or supply a change agent that works alongside staff until they feel comfortable about the change.

Marking Guide:

2 marks *for briefly outlining at least two advantages of a low-risk strategy from managers providing support, empowerment or incentives.*

b. Apply Lewin's Three Step Change Model to an organisation that you have studied this year.

6 marks

Sample structure:

Apply to any organisation that students have studied. A high quality answer will weave the organisational examples through each step.

Step 1 – Unfreeze.

- Use a force field analysis to get ready for the change by identifying the driving forces and the restraining forces.
- Create an accepting environment that will support a change.
- Prepare the stakeholders.

Step 2 – Change

- Create the actual change.
- Introduce new processes and practices.
- Put in support systems for the change to be accepted.

Step 3 – Refreeze

- Ensure that the change has become the standard in the organisation.
- Ensure that the culture of the organisation supports the change.
- Monitor the change and assess it using KPIs.

Marking Guide:

0-2 marks *for describing what the 'unfreeze' stage of this model involves with its clear features connected to a contemporary organisational example throughout this section of the response*

0-2 marks *for describing what the 'change' stage of this model involves with its clear features connected to a contemporary organisational example throughout this section of the response*

0-2 marks *for describing what the 'refreeze' stage of this model involves with its clear features connected to a contemporary organisational example throughout this section of the response*

c. **Under what circumstances might the high-risk strategy of a threat to force someone to change, be effective?**

2 marks

Sample response:

The only reason why a high-risk strategy would be used to force a change is if the change is required for ongoing safety of people, improved processes or for legal reasons. An example would be if a teacher decided not to follow VCE Business Management guidelines and instead teaches their students theories and practices from another curriculum (such as the UK or USA) which doesn't align with the Victorian system. The teacher may have been told a number of times that this is not appropriate, in which case they may be threatened with job loss by the school principal if they continue to deliver the wrong curriculum. This would enable the school to achieve the objectives of providing a high-quality service (education) and maximise customer satisfaction (parents being satisfied that their child is being taught the correct curriculum).

Marking Guide:

2 marks *for identifying and describing the situations where the high-risk strategy of threats would be suitable to overcome resistance to change. Higher responses would mention how threats would be effective and help achieve business objectives.*

Question 6 (13 marks)

a. **Describe two motivation strategies and explain whether they impact short- or long-term employee motivation level in a typical business.**

4 marks

Sample response:

Career advancement is a long-term motivation strategy that aims to provide a higher level of job satisfaction for an employee. Over time they are able to gain skills and knowledge and take on new positions that come with increased pay and responsibilities, as well as wider decision-making abilities.

Sanctions is a short-term motivation strategy that aims to stop poor behaviour or decision-making quickly. It doesn't usually motivate people to work more efficiently or effectively though and, over the longer term, can make working with people difficult as resentment over sanctions grows. It is effective in the short term.

Marking Guide:

2 x 1 mark *for providing clear descriptions of two motivation strategies out of support, sanctions, investment in training, career advancement and performance-related pay*
2 x 1 mark *for an accurate explanation of whether each strategy impacts short-term or long-term motivation in a business context*

b. Explain the three higher levels of Maslow's Hierarchy of Needs theory and how they could be applied to a business you have studied this year.

6 marks

Apply to any business studied. Please note: Safety & security needs and Physiological needs are not appropriate to this answer.

Sample structure:

3. **Belonging needs** are the middle level and include belonging to workplace groups or teams, as well as a sense that you are included in decision-making and workplace arrangements. These could be satisfied through group project work, team meetings or a collaborative approach to solving challenging work.

4. **Esteem needs** are the next level and include how people treat each other, as well as how someone feels about themselves. These could be met through awards and recognition of one's work and achievements (external validation) and taking a sense of pride in your efforts (self-esteem).

5. **Self-actualisation needs** are the final level in Maslow's Hierarchy of Needs and this is only reached by people when all of their needs have been met. Such individuals tend to form deep relationships, show humility and creativity, and be very ethical. Often people at this level begin to mentor others into senior management roles, even giving of their own time to do so.

Marking Guide:
Ensure that each part of the sample response links to a case study.

3×1 mark *for clearly explaining each of the three higher levels of Needs*
3x1 mark *for applying the level of need to a contemporary case study*

c. Discuss how Maslow's Hierarchy of Needs theory would be used in a business that is downsizing its workforce.

3 marks

Sample response:

Maslow's theory is advantageous because it enables managers to identify the level of need which employees possess at any given time so that strategies can be implemented to motivate these workers. When downsizing, most employees would be working within Level 2 of Maslow's Hierarchy of Needs. This is the level that focuses on safety and security of permanent or long-term work. People in the organisation will be keen to hear if they are being made redundant and what the future of their employment will look like. They will be trying to secure ongoing positions.

However a disadvantage is that in a large organisation, it can be very time-consuming to assess which level of need is currently motivating each employee and which needs have been satisfied. For example, if some employees are not successful, the basic level of Maslow's Hierarchy of Needs will kick in. The employee would be concerned about their physiological needs, such as where will the money come from for food and water, as well as housing, and whether they will be able to find a new job with good working conditions. However, for those that are not made redundant, they may be concerned about the third level which is belonging needs, as work groups change and team projects are altered, requiring new relationships to be forged with those remaining in the downsized workplace.

Marking Guide:

1 mark for a detailed and relevant advantage provided of Maslow's Hierarchy of Needs
1 mark for a detailed and relevant disadvantage provided of Maslow's Hierarchy of Needs

1 mark for making reference to the business downsizing its workforce throughout the discussion

SECTION B

Case Study (25 marks)

TT-Line Company Pty Ltd is a government business enterprise, wholly owned by the Tasmanian Government, that trades under the name “Spirit of Tasmania.” It currently operates a fleet of two ships – the *Spirit of Tasmania I* and the *Spirit of Tasmania II* – that ferry passengers, cars, and freight between Victoria and Tasmania on a daily basis. For decades, Spirit of Tasmania’s main route has been between Melbourne and Devonport.

However, in 2020, the management of Spirit of Tasmania were having issues with the price they needed to pay to access the Port of Melbourne, as well as long customer queues of up to 2½ hours to board their vessels, when other ships were also using the port. They decided to move their business to Geelong, where docking fees were cheaper and land was available to expand their operations.

As a result, Spirit of Tasmania constructed a new, purpose-built terminal in the Corio Quay precinct of Geelong Port, called Spirit of Tasmania Quay. It included a 600-space car park (an amenity not available at their old terminal at Station Pier in Melbourne) as well as freight and cargo holding facilities and offered easier access for customers to board their ships, thereby eliminating the long queues seen at Station Pier. Rent of the new Spirit of Tasmania Quay was also cheaper than renting Station Pier, even though there were initial costs to set up the terminal and, in addition, some freight still needs to be sent on to Melbourne (at extra cost) after being offloaded at Geelong.

The business officially moved to Geelong on 23 October 2022 and their ships now sail from (and to) Spirit of Tasmania Quay each day.

Question 1 (4 marks)

Compare proactive and reactive approaches to change in the case of Spirit of Tasmania.

Sample response:

Both approaches to change involve managers and employees taking action and engaging in effective decision-making in order to be successful. Both approaches can be used to implement radical and significant changes as well as incremental and smaller changes.

A proactive change is usually planned, whereas a reactive change is usually unplanned or less planned as it is more sudden. Another difference is that a proactive approach to change is when the change occurs in anticipation of something, like a process or product, needing to be changed. By contrast, a reactive change is in response to something that has already occurred and then changing to suit the new situation which in the case of Spirit of Tasmania, they were reactive because they implemented their change in response to two factors that had already occurred: long customer queues and the rising cost of port access.

Marking Guide:
2 marks *for accurately distinguishing the two approaches to change with at least one key difference described related to the Spirit of Tasmania. Good responses will focus on a key feature.*

2 marks *for describing at least one similarity between the two approaches to change related to the Spirit of Tasmania.*

Question 2 (3 marks)

Explain the importance of management leadership in the process of change.

Sample response:

Leadership in change is of paramount importance and relies on a good manager to keep calm, communicate the change effectively and instil trust in the process of change with the employees. These elements will lead to less resistance to the change and allow the transformation to take place with greater success. At Spirit of Tasmania, the management would need to have communicated why they were moving to Geelong and should have done so very early in the process. The case study indicates that this may have been a two year process (from 2020 to 2022) allowing plenty of time for everyone to adapt to the change.

Marking Guide:

0-3 marks *for explanation of the reasons why leadership is important during a time of change*

Question 3 (6 marks)

Apply the key principles of Lewin's Force Field Analysis theory to Spirit of Tasmania's relocation of its operations from the Port of Melbourne to Geelong Port in the case study provided.

6 marks

Sample response:

Lewin's Force Field Analysis theory states that there are driving forces (which help to achieve new goals) opposed by restraining forces (that seek to prevent goals) and that each force will push against each other to maintain the status quo. In the analysis, managers need to rank and weigh each force to see if the overall effect will be a move to a new position (or the desired change) and hence if the driving forces will push through the restraining ones.

At Spirit of Tasmania, a driving force may have been the opportunity to secure the vacant land at Geelong but a restraining force would have been the need to relocate employees away from Melbourne. Managers would have needed to assess the relative strength of these two factors to determine what (if any) action was required to support the move. For example, to tip the scales in favour of the move, they might have offered employees financial relocation packages to Geelong, which would add to the cost of the move but increase the chance of a successful change.

Two of the other driving forces were the long queues and high costs at Melbourne and a restraining force would have been the fact that Geelong is a less central location, requiring many people to drive further to catch the ferry. These factors would have been ranked and considered. For example, the reduction in wait times at Spirit of Tasmania Quay versus Station Pier would be offset by the increased travel time to Geelong rather than Melbourne for customers living in the city and eastern suburbs. The restraining force effect of moving out of Melbourne was mitigated by keeping operations in a city (Geelong) close to it rather than moving further afield.

The ability to build cheaper and more efficient freight facilities in Geelong, custom-built for their purposes, was a driving force but the restraining force is that some freight must still travel to Melbourne by other means. Again, the cost of sending freight to Melbourne could have been a restraining force strong enough to prevent change but in the end it was outweighed by the cost-savings and convenience of the new freight facilities in Geelong.

The port has now been operating for more than a year in Geelong and seems to be successful but should be monitored on an ongoing basis to ensure that the changes to the new location and new facilities are meeting the desired goals.

Marking Guide: (globally marked)

5-6 marks *for describing each of the four principles of the Forcefield Analysis and providing a detailed and relevant application to the case study*

3-4 marks *for describing at least 2 of the principles and applying these superficially to the Spirit of Tasmania*

0-2 marks *for identifying the principles of Forcefield Analysis and a brief description of some of these principles*

Question 4 (4 marks)

Explain the effect of the change occurring at Spirit of Tasmania on two stakeholder groups.

Sample response:

Customers who live in Melbourne or to the east of Melbourne now have more distance to travel. However, the customers who live in Geelong and its surrounding regions have benefited from this move.

Employees who had to relocate to Geelong or risk losing their jobs have had to move their families and find new places to live. However, people looking for work in Geelong now have a new source of potential employment at Spirit of Tasmania.

Marking Guide:

2 x 2 marks *for identifying a relevant stakeholder and describing how they are positively or negatively affected by the change in the case study*

Question 5 (4 marks)

Outline two key performance indicators (KPIs) that would be in place to analyse the performance of Spirit of Tasmania after the change occurred.

Sample response

Rate of Productivity Growth, which is the measurement of the output per input over time. This measures efficiency and can be applied to the amount of customers processed per hour as they board Spirit of Tasmania vessels in Geelong. A good outcome for this KPI would see a reduction in the 2½ hours of average wait time experienced by customers in Melbourne.

Net Profit is another good measurement to use which measures the retained earnings after all expenses have been covered. This may see a rise in costs initially as the port is set up but over time there should be improvement in the net profit results because of the cheaper port costs in Geelong.

Marking Guide:

2 × 2 marks *for identifying a relevant Key Performance Indicator (KPI) and for briefly explaining how it could be used to examine the impact on the Spirit of Tasmania's performance*

Question 6 (4 marks)

Explain one management strategy for each KPI you mentioned in the previous question, that can be used by the management at Spirit of Tasmania to monitor and respond to your suggested KPIs.

Sample response:

KPI #1 – Rate of Productivity Growth
The Geelong site should have the latest technology and equipment to process people faster than at the old Station Pier terminal. This will lead to better management of queues and faster processing times. It may have included a new layout of lines and there should be clear directions between the onsite parking and the boarding area.

KPI #2 – Net Profit
Cost cutting measures is a strategy that includes lowering the cost of accessing the port (which was more expensive in Melbourne) and using the cheaper land in Geelong to build the new facility, both of which will improve profit over time. Faster processing times of customers will also help improve net profit as staff won't be required to work as long to service the queues.

Marking Guide:

***2 x 2 marks** for explaining how and/or why one management strategy would help monitor and respond to the Spirit of Tasmania's KPI identified in the previous question*

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