



Trial Examination 2017

# **VCE Business Management Units 3&4**

Written Examination

**Suggested Solutions**

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## SECTION A

### Question 1 (2 marks)

- a. A social enterprise is a business that distributes profit to benefit the community rather than for the benefit of shareholders. An example of a social enterprise is ThankYou Water.

1 mark

*Note: An example can be included, but this is not specified.*

- b. A master production schedule is used as part of the operations management system. It sets out what the business intends to produce and how many products will be produced within a time frame.

1 mark

*Note: An example can be included, but this is not specified.*

### Question 2 (7 marks)

One motivational theory that can be used in a business is Lawrence and Nohria's Four Drive Theory of Motivation. The theory identifies four basic motivational needs that drive people. The level to which these needs are satisfied directly impacts on a person's emotions and behaviour. The four drives or needs are as follows:

- the drive to acquire – property, money, power and/or status
- the drive to bond – how a person can connect with others
- the drive to comprehend or learn – the desire to find out about the world and how one can contribute to it
- the drive to defend – the instinct to defend ourselves and those close to us, and to push against perceived external threats

This theory can be used as the basis of strategies to motivate and manage employees in a business. One strategy is investment in training, which can be used as a means to motivate employees. If a business is willing to spend time and money on employees to allow them to develop their skills and abilities, then it connects to the employees' drive to comprehend or learn. Employees will feel that they have developed skills to allow them to contribute in a positive way to the business within their job, and also have been provided with the skills to gain promotion within a business. In some ways investment in training may be seen as a financial cost, but in the long term it will usually mean more highly skilled employees who feel that they are supported by the business. This may result in employees who stay at work longer and are more productive. Effective training and development should result in productive and motivated employees who wish to stay with the business.

7 marks

*Award 1 mark for a limited explanation of a theory.*

*Award 2 marks for some explanation of a theory.*

*Award 3 marks for a sound explanation of a theory **or** a suggested strategy with no link to a motivational theory.*

*Award 4 marks for a sound explanation of a theory **and** a strategy identified.*

*Award 5 marks for a sound explanation of a theory **and** a strategy explained.*

*Award 6 marks for a sound explanation of a theory **and** a strategy identified **and** some evaluation of the strategy.*

*Award 7 marks for a sound explanation of a theory **and** a strategy explained **and** an evaluation of the strategy.*

*Note: Other theories include Maslow's Hierarchy of Needs, and Locke and Latham's Goal Setting Theory.*

*Other strategies may include support, career advancement or performance-based pay.*

**Question 3** (7 marks)

- a. Business objectives and plans take into account the interests of their stakeholders. Employees are vital to the success of a business. One strategy a business can use to ensure its employees are motivated and achieving the established objectives is training. Employees gain the required skills and knowledge to complete their job efficiently. Training will also mean that employees feel valued and are more likely to stay within the business. If employees are not able to access relevant training and development then it may mean that they do not possess the skills required to assist the business in achieving its objectives.

3 marks

*Award 1 mark for identification of a proposed management strategy.  
Award 2 marks for some analysis of a proposed management strategy  
**and** a link to business objectives.*

*Award 3 marks for detailed identification of a proposed management strategy  
**and** analysis of the impact on business objectives.*

- b. While all operations management systems have inputs, processes and outputs, there is a difference between a manufacturing business and a service business. A manufacturing business produces tangible goods; generally the consumption of the products is separate from the production process. On the other hand, a service-based business generates intangible products, and production and consumption generally occur simultaneously. A manufacturing business is usually based on standardised products and minimal customer contact, whereas a service-based business can customise its services to meet the individual needs of clients and customers. As the service is customised, there is direct contact with the customer.

Manufacturing-based businesses are generally capital-intensive, while service-based systems are more labour-intensive when a service is being performed.

4 marks

*Award 1 mark for identification of one similarity **or** one difference between the two systems.*

*Award 2 marks for identification of two similarities **and/or** differences.*

*Award 3 marks for at least two comparisons of the similarities and differences.*

*Award 4 marks for a detailed comparison of the differences and similarities  
of the manufacturing-based and service-based operations systems.*

*Note: There must be some comparison to achieve more than 2 marks.*

**Question 4** (7 marks)

Porter's Generic Strategies is a way for a business to look at how it can gain a competitive advantage through strategies such as cost leadership and differentiation.

Cost leadership sees a business set out to become a low-cost producer so it can gain a larger share of the market.

Differentiation is another way for a business to expand and change. This is an approach built on a business having a point of difference from its competitors, which may be through quality or service. In this instance the business can usually charge a premium for its products. This strategy is successful when a business can build its reputation and customer loyalty.

Both approaches assist a business in determining how to move the business forward and achieve success.

Porter's Generic Strategies can also be useful because it allows a business to determine which approach might be the most suitable for it. A business might use Porter's Generic Strategies as a way to implement and manage change. It provides two clear and distinct strategies for a business to pursue, particularly when starting a new business venture, or moving into a new market or product. Focusing on cost leadership is a strategy to gain market share, although it might be difficult to continue with in some markets. However, in reality, most businesses will not rely on only one approach. They will often use a combination of cost leadership and differentiation strategies. In the current business climate, both approaches are only an overview and a simplistic approach or framework to the complex change process.

7 marks

*Award 1 mark for a brief explanation of one approach.*

*Award 2 marks for a limited explanation of both approaches.*

*Award 3 marks for an identification of both approaches **and** some explanation.*

*Award 4 marks for an identification **and** a detailed explanation of both approaches.*

*Award 5 marks for the above **and** some description of how a business might use both approaches.*

*Award 6 marks for a detailed explanation of both approaches **and** a sound description of how a business might use the strategies to deal with change.*

*Award 7 marks for a detailed explanation of both approaches **and** a detailed description of how a business might use the strategies to deal with change.*

**Question 5** (4 marks)

A driving force is one which pushes a business into making changes. Driving forces tend to move the business forward and make changes occur. A restraining force, on the other hand, is one which acts against the change pressures and causes resistance. If driving forces are greater than restraining forces, then change will occur.

A competitor can act as a driving force for change in a business. Competition between businesses may mean a company is always aware of its competitors. It needs to stay ahead of them and should try to respond proactively to pressures within the market.

Employees can act as a restraining force for change and can have a significant influence on a business. If employees are unhappy and resist change it is very difficult for a business to get changes implemented. It is important for a business to consider the impact the changes may have on their staff and to make sure that changes are communicated clearly and employees have some input into decisions. Fear of change is a natural reaction from many people, and it is important that businesses are aware of this and take employees reactions into account.

4 marks

*Award 1 mark for some explanation of competitors as a driving force **or** employees as a restraining force.*

*Award 2 marks for some explanation of competitors as a driving force **and** employees as a restraining force.*

*Award 3 marks for a sound explanation of competitors as a driving force **and** employees as a restraining force.*

*Award 4 marks for a detailed explanation of competitors as a driving force **and** employees as a restraining force.*

**Question 6** (3 marks)

A stakeholder is an individual or group with a vested interest in a business. Two stakeholders are customers and shareholders.

Customers have an interest in the types and quality of products and services offered by a business. It is important that a business is responsive and aware of the needs and demands of its customers.

Shareholders have an interest in the performance of the business, as the value of their shares and dividends received will be affected by the business's profit and market share.

One social responsibility consideration for customers is how a business sources its inputs and how it packages its products. Customers want a business to source its inputs from reliable and ethical sources, and to use renewable resources. Customers will also consider any extra activities and contributions made by the business through charities and social enterprises.

3 marks

*Award 1 mark for identification of one stakeholder.*

*Award 2 marks for identification of two stakeholders.*

*Award 3 marks for identification of two stakeholders **and** a social responsibility consideration of one stakeholder.*

*Note: Other stakeholders include managers, employees, suppliers, competitors and financial institutions.*

**Question 7** (6 marks)

- a.** One participant in the workplace is trade unions. A trade union is a group of employees, usually from a similar occupation or industry, who want to ensure the best possible pay and conditions. Trade unions are often involved in enterprise bargaining in a workplace.

2 marks

*Award 1 mark for one participant identified.*

*Award 2 marks for one participant identified **and** an explanation of the participant.*

*Note: Other participants can be identified, such as employers, human resource managers, employer associations, the Fair Work Commission and other institutions.*

- b.** Awards are legally binding minimum requirements for wages and conditions in specific industries. Awards are reviewed by the Fair Work Commission every four years and are enforceable. Awards cover things such as wages, working conditions and overtime, allowances and annual leave. Awards also serve as a safety net for employees by guaranteeing minimum pay and conditions.

Enterprise agreements are made between one or more employers and a group of employees.

Enterprise agreements can be used instead of an award, although there are minimum employment standards that must be adhered to. Enterprise agreements are reached through a process of enterprise bargaining or negotiation between the parties.

Both methods can be used and are in place to ensure that there are minimum pay and conditions for all employees in any workplace.

4 marks

*Award 1 mark for some explanation of awards **or** agreements.*

*Award 2 marks for some explanation of awards **and** agreements.*

*Award 3 marks for a sound explanation of awards **and** agreements.*

*Award 4 marks for a detailed explanation of awards **and** agreements.*

**Question 8** (4 marks)

Leadership plays a vital role in any successful change management process. Leaders need to be able to diagnose or understand the situation; they need to be able to adapt behaviour and other resources; and they need to be able to communicate effectively with their staff and other interested stakeholders if change is going to be successful. If leaders are not clear about the change they are going to implement and how they are going to do it, and have not thought about how they will bring others on board, then it is unlikely that any sustained and successful changes will occur. Without effective leadership, change is unlikely to succeed.

4 marks

*Award 1 mark for a limited explanation of the importance of leadership.*

*Award 2 marks for some explanation of leadership **and** its relationship to the change management process.*

*Award 3 marks for a detailed explanation of the importance of **and** the role of leaders in the change management process.*

*Award 4 marks for an evaluation **and** detailed explanation of the importance of leadership in the change management process.*

**Question 9** (10 marks)

All businesses need to take into account both social responsibility and global considerations when managing their operations system.

Corporate social responsibility is the commitment by the business to conduct their business in an ethical manner, to contribute to the community and to minimise their environmental impact on society. There are a number of corporate social responsibility strategies a business can use; for example, the use of sustainable inputs such as purchasing only from sustainable and certified resources. Using a sustainable procurement process and policy will ensure that the business is minimising its impact on the environment. Other ways a business can ensure its operations system is socially responsible is through the use of green energy options, recycling water, minimising waste, using solar energy where available, and putting into place practices and methods that minimise resource and energy use. Fairtrade, for example, is a certification scheme that allows suppliers who purchase from certified producers to use the Fairtrade Mark on their products. Fairtrade ensures that producers such as farmers are guaranteed sustainable and fair prices.

Socially responsible operations strategies can also be used in the output stage of the operations process. This may include things such as recyclable and minimised packaging and honest marketing, which appeals to customers and also minimises the impact on the environment.

Businesses that try to minimise their impact on the environment and use sustainable resources, processes and inputs need to ensure that all of these aspects are researched and implemented appropriately. Sometimes a business needs to rely on suppliers and may assume that they are practising sustainable and ethical practices when they may not be. If a business wants to implement social responsibility strategies in the operations system, it also needs to put time, money and training into the process. In addition, it needs to make sure that any claims made by the business are truthful, or customers will not want to purchase their products or services.

Global considerations are also important for a business to contemplate when establishing its operations management system. The supply chain is important and for many businesses this must take into account where inputs are coming from. To ensure that the supply chain and logistics systems and processes are in place, it is important that a business has reliable suppliers, and that inputs and components are of a high quality and delivery is reliable. There are a number of advantages for a business when it sources its inputs globally. These include an opportunity to take advantage of the efficiencies many large businesses can generate; being able to use skills, experience and expertise that is not available in Australia; and, in terms of social responsibility, a business can support disadvantaged communities in other countries. While it is important to take advantage of global sourcing, there can be issues with this for a business. These can include using workforces in other countries – which may mean that wage costs are lower than in Australia – but some customers may be unhappy about the jobs going overseas and may see the business as exploiting labour for higher profit.

When a business sources its inputs and components from overseas, this may contribute to pollution and negatively impact the environment. Shipping items to Australia can be expensive and uses energy and natural resources. However, businesses are part of a global economy, and this allows them to take advantage of efficiencies and resources across the world. If a business is able to take advantage of this it can improve its operations management system. Businesses also need to be mindful of social responsibility considerations and ensure that all of their processes and policies are minimising the impact on the environment and communities.

10 marks

*Award 1–2 marks for little explanation of social responsibility **or** global considerations **and** no strategies identified **and** no strategies evaluated.*

*Award 3–4 marks for a limited or general explanation of social responsibility **and/or** global considerations.*

*Award 5–6 marks for an identification of one social responsibility **and** one global consideration **and** some strategies identified **and** evaluated.*

*Award 7–8 marks for a very good discussion of two social responsibility **and** two global considerations **and** some identified strategies **and** an evaluation of these strategies.*

*Award 9–10 marks for an excellent discussion of two social responsibility **and** two global considerations **and** strategies identified **and** strategies evaluated (linked to improving operations system).*

**SECTION B – CASE STUDY****Question 1 (8 marks)**

- a. A business might use key performance indicators (KPIs) for a number of reasons. KPIs are measures and data that allow managers to assess and judge performance. If a business has not developed indicators it is difficult or impossible to determine whether that part of the business has been successful. A business will use the information from relevant KPIs to decide the direction and strategic plans of the business.

One other KPI that Yarra River Cruises could use is the rate of productivity growth. This KPI measures the business's ability to transform its inputs into outputs. If a business can increase its rate of productivity growth then it is using its resources more efficiently. This KPI would assist Yarra River Cruises as it looks at expanding its business into other areas, and also in terms of the competition from another business. Being able to produce or deliver more output from the same amount of inputs is vital for a business if it is to stay competitive.

4 marks

*Award 1 mark for the definition of a KPI.*

*Award 2 marks for an explanation of why a business uses KPIs.*

*Award 3 marks for an explanation of why a business uses KPIs **and** identification **and** an explanation of a specific KPI not found in the table.*

*Award 4 marks for the definition of a KPI **and** an explanation as to why it is used, **and** identification **and** an explanation of a specific KPI and how it could be used.*

*Note: Other KPIs can be selected, such as level of wastage, profit or any others studied.*

- b. There are a number of strategies that Yarra River Cruises could implement to respond to the KPIs and other data it has collected.

One strategy the business could use is staff training and development. The number of customer complaints has risen over the past two years. This may indicate that staff are unhappy or simply do not have the skills to do their job effectively. Providing training on the job or in specific courses will provide employees with the skills to be confident, as well as to provide excellent customer service and support to their customers. It may also assist in reducing rates of staff absenteeism which have risen (sometimes a sign that employees are not happy in their job).

A second strategy that Yarra River Cruises could use is to review and, if necessary, change the management styles being used in the business. The management style used by the managers and leaders in the business have an impact on the staff. If the business is not using a style which allows for two-way communication and some input into the decision-making process, then staff are likely to feel undervalued. Staff have started to leave in the past two years and part of the reason may be the relationship they have with their managers. Ensuring a participative or consultative style will assist Yarra River Cruises as it looks at making changes, as staff will feel part of the process.

4 marks

*Award 1 mark for one strategy proposed.*

*Award 2 marks for two strategies proposed.*

*Award 3 marks for two strategies proposed **and** some explanation of how each strategy can be used to respond to the KPIs.*

*Award 4 marks for two strategies proposed **and** a detailed explanation of how each strategy can be used to respond to the KPIs (should be a link).*

*Note: Other strategies could be staff motivation, increased investment in technology, improving the quality of production, cost cutting and the redeployment of resources.*



**Question 2** (7 marks)

- a. One low-risk strategy that Yarra River Cruises could use to overcome any employee resistance to change is to empower employees to make decisions. If employees are involved in the process and changes that are likely to take place, they are more likely to understand and drive the change. By being involved, staff are unlikely to feel that something is ‘being done to them’.

2 marks

*Award 1 mark for identification of a low-risk strategy.**Award 2 marks for identification **and** explanation of the low-risk strategy.**Note: Other strategies could include two-way communication, and support and incentives.*

- b. Peter Senge developed the concept of ‘Learning Organisation’ in his book *The Fifth Discipline*. The concept of a learning organisation is based on a number of principles, including: systems thinking and the core principles of personal mastery, mental models, building shared vision and team learning.

Systems thinking is an overarching view or discipline and is in place to allow a business to take a more long-term view. Personal mastery focuses on the individuals, and the need for employees and managers to increase their skill and continue to learn.

Another discipline is mental models, which requires people to be self-aware and reflect on their actions and behaviours, and how this may impact on others. Leaders and employees also need to have a shared vision of the future of the business, and team learning is also important as it is the process of building the capacity of teams within the business.

Senge argues that there needs to be a different approach to leadership, and leaders need to take a more holistic approach when managing a business and change. He argues that there should be a focus on people and developing their skills in the long term. This model and the principles used may assist Yarra River Cruises to implement change as it looks at a range of areas and ideas, and provides for the development of a long-term approach to change. This will be more likely to be accepted and implemented if employees feel they belong and are considered in any change processes.

5 marks

*Award 1 mark for a limited explanation of Senge’s Learning Organisation.**Award 2 marks for a sound overview of Senge’s Learning Organisation.**Award 3 marks for a detailed overview of Senge’s Learning Organisation.**Award 4 marks for a detailed overview of Senge’s Learning Organisation **and** some link to how it can be used in Yarra River Cruises.**Award 5 marks for a detailed overview of Senge’s Learning Organisation **and** an excellent link to Yarra River Cruises.*

**Question 3** (6 marks)

Corporate culture is the shared values and beliefs of people within a business. There are two different types of corporate culture: official and real corporate culture. Official corporate culture is the desired culture a business wishes to cultivate and this is often the face that the business wants the public to see. The official corporate culture of the business can be seen through its policies, goals, and mission and vision statements. The real corporate culture of a business is what actually occurs in the business – this can be seen in the way that policies are enforced and followed or not followed. It can also be observed in the way employees and managers communicate and relate to each other.

One strategy that can be used to develop a desired corporate culture is the way policies are developed and implemented. If a policy is developed and put into place and followed it means that staff and managers know what is expected. Policies ensure consistency in the way staff are treated, meaning that policies are reflecting the goals and vision of the business and also ensuring that there is reduced conflict between staff and managers. This strategy would assist Yarra River Cruises to ensure that staff are clear about what is required and ensure consistency in the way that customers are treated. It may assist the business in improving its performance.

6 marks

*Award 1 mark for a definition of real **or** official corporate culture.*

*Award 2 marks for a brief definition of both real **and** official corporate culture.*

*Award 3 marks for a more detailed definition of both real **and** official corporate culture.*

*Award 4 marks for an excellent definition of both real **and** official corporate culture.*

*Award 5 marks for an excellent definition of both real **and** official corporate culture **and** a proposed strategy.*

*Award 6 marks for an excellent definition of both real **and** official corporate culture **and** a justification of how it could assist Yarra River Cruises.*

*Note: Other strategies include the management style used, official documentation, the physical environment, the creation of formal written vision and values statements, and management structures used.*

**Question 4** (4 marks)

Two management skills that Freddie would use when implementing change in the business are communication skills and leading.

Communication skills – the process of creating and exchanging information with others – are vital when change is being implemented. It is important that staff and other stakeholders are clear about the changes, why they are occurring and how they are being implemented. Communication needs to be two-way and clear if it is to assist the change process.

Leading is the skill a manager uses to guide employees and others towards achieving the goals of the business. For a manager to be able to lead, he or she must be able to: communicate clearly; be a good role model; build capacity in others and build teams to work together; act as a coach and mentor; and mediate and resolve conflicts between others. If Freddie can effectively communicate and lead others then it is more likely that the changes proposed will be successfully implemented.

4 marks

*Award 1 mark for one management skill explained.*

*Award 2 marks for two management skills explained.*

*Award 3 marks for two management skills explained **and** some link to how Freddie could use the skills to implement change.*

*Award 4 marks for two management skills explained **and** a detailed link to how Freddie can use the skills to implement change.*

*Note: Other management skills can be identified and explained, including delegation, planning, decision-making and interpersonal.*