BUSINESS MANAGEMENT

Units 3 & 4 – Written examination

TSSM™
Creating VCE Success

(TSSM's 2012 trial exam updated for the current study design)

SOLUTIONS

SECTION A

Question 1

a. One stakeholder of CGU are customers. They want good policies that provide appropriate cover at a reasonable price so they can afford to maintain their insurance cover.
Competitors are another stakeholder. Their interest is they watch what other insurance companies do and try to match them on products/services, price and quality. If CGU offer a new policy then they will feel they have to match it.
This is the cause of a conflict as if competitors don't offer flood insurance then customers may leave them and move to CGU.

4 marks

b. The corporate culture of a business is the ideals, values and beliefs shared by all members of the business.
The official culture of a business is what the business would like people outside the business to see – they find it by looking at the official documents of the business such as the mission and vision statement, the policies of the business and the way things such as teams operate and how decision-making occurs.
The real culture is what is actually occurring at the business and can be seen in the unwritten or informal rules that guide how people in the business behave, such as the way staff dress, the language staff use, and the way that staff treat each other and customers.

. 3 marks

c. Quality can be defined as the standard of excellence in a product that meets the customer's expectations. Operations Managers need to ensure that the production process of the service is of the same consistent high standard to retain loyal customers.
One approach that could be used at CGU is Total Quality Management (TQM) which involves a holistic approach to achieving and maintaining quality. This includes continuous improvement where the employees repeatedly strive for perfection in every aspect of CGU's operations. This means that employees have a responsibility to improve their own performance as well as collective responsibility of their team. Linked to this is the establishment of quality circles, with small groups of CGU employees from a particular department or section meeting on a regular basis, to share problems and explore ideas regarding the quality of service delivered to their customers. TQM has a customer focus so all employees at CGU would aim to deliver the highest standard of service.

Students need to provide some discussion of what quality management is as well as details of a quality approach to earn the full marks for this question. Other options apart from TQM could be quality control or quality assurance.

5 marks

d. Percentage of market share is the proportion of the total insurance market that CGU has expressed as a percentage e.g. 40% in comparison to its competitors like RACV or AAMI who offer the same range of products to customers.
If CGU increases this percentage then they have more customers leading to an increase in profits.

1 mark

e. The operations manager at CGU could measure the number of customer complaints over a specific period of time to monitor the delivery of customer service. If there are fewer complaints then the quality of service has improved.
If there are more complaints then there are issues with the delivery of customer service and they need to be addressed by management. This is a suitable performance indicator as CGU is a service industry that relies on customer loyalty to keep operating.

2 marks

Question 2

a. Alan Joyce would need to use planning at Qantas Airways Ltd. as he's the CEO of this business. Planning is the process of setting objectives and deciding on the most appropriate methods to achieve these. Alan Joyce would be part of the executive team that is setting the international/long term strategy, which would extend over a three to five year period.
Alan Joyce would also use the skill of leading, which involves the process of influencing or motivating other people in the business to work towards achieving the objectives of Qantas Airways Ltd. In this scenario Alan Joyce is demonstrating his ability to influence others by making the hard decision to have employees locked out of their workplace due to ongoing industrial action through the unions.

Students could also refer to the management skills of decision-making and communicating to answer this question. They need to provide a brief explanation of the skill and then some application to the scenario to achieve the full marks for this question.

4 marks

b. The role of the union is to represent the interests of the employees at QANTAS. They will act on behalf of employees during negotiations with management, making suggestions as to how to resolve disputes and possibly making recommendations regarding industrial action to take.
The Fair Work Commission is the independent national workplace relations tribunal and has the power to carry out a range of functions in relation to workplace matters such as the safety net of minimum conditions, enterprise bargaining, industrial action, dispute resolution and termination of employment. In this situation they would encourage negotiation between the parties and approve any industrial action taken.

4 marks

c. The management style that Alan Joyce used in this situation was autocratic, as he did not consult with either the unions, or the employees at Qantas Airways Ltd., who were involved in the industrial action.
An alternative management style that would have been less confrontational is the consultative style where management make the decisions alone after consulting with staff. In this style authority is still centralised but there is two-way communication. If Alan Joyce had used this management style speaking with the unions and employees it would have been less hostile and challenging. Adopting this style would have demonstrated his willingness as the CEO to work through the issues that led to the strikes rather than go head to head with the unions and staff, leading to a backlash from the Australian community, which then went on to create a negative image of Qantas Airways Ltd.

Students could also refer to the persuasive style of management to answer this question.

5 marks

d.
i. Redundancy is part of the termination phase of the employment cycle and involves the employee being asked to leave the business against his or her will as their job no longer exists in the business.

1 mark

ii. The Human Resource Manager would need to be aware of the rights of employees in relation to the redundancies providing them with information about the process, so that it is transparent and also includes details about redundancy packages.
The HRM would also need to provide some form of counselling to employees who are losing their jobs, especially those who have been long time loyal employees. This counselling could include assistance with resume writing or interview skills. The HRM could also offer job referrals to other airline businesses like Virgin Australia. There may also be the possibility of redeployment to other parts of Qantas both locally or overseas.

Students need to provide some discussion of two transition issues to achieve the full marks for this question.

4 marks

Question 3
Employees are often the most valuable resource of a business. They are used by a business to assist the business in achieving its objectives. They coordinate and combine the other resources used by the business – equipment, money, raw materials and time.
Coordinating and combining these resources well will improve the performance of a business and the Human Resources Manager (HRM) is responsible for managing these human resources so they work efficiently and effectively in achieving the objectives. To help a manager get their employees to achieve the objectives the manager needs to motivate employees.
Motivation can be thought of as the degree to which an individual wants and chooses to engage in certain behaviour/s. It is the internal drive that energises and sustains a person's behaviour.
To motivate employees a manager should implement strategies designed to energise employees. There are a number of strategies available to managers, the first one being performance-related pay. All employees are paid for their labour. However, motivation can

be achieved if pay is linked to performance. This can occur through pay increases. Employers can offer pay rises to any employees who work hard, or who make a significant contribution to the achievement of business objectives. This strategy is broad as it can be accessed by all employees and can be used in an ongoing manner. Other performance-pay options include bonuses, commissions, share plans, profit sharing and gain sharing.
A second strategy is an investment in training. Employees can be motivated if they believe the business is interested in them as people, not just as employees. If a business is willing to invest in improving the skills of employees then employees may feel obliged to do their best. A skilled workforce can improve productivity, and help achieve core business objectives. Providing employees with additional skills can increase job satisfaction, and promote higher levels of motivation. An improvement in skills can improve performance and assist in allowing employees to access performance-related pay or career advancement.

7 marks

Question 4

Business change is the process that alters the current state of a business through the implementation of a new idea or behaviour. The business may modify its corporate culture, restructure targeting efficiency, recruit new employees to bring fresh ideas to the organisation, or develop different work practices aimed at reducing costs and increasing productivity. As Kotter affirms in his statement competitors locally and overseas will always provide challenges in the marketplace and businesses need to answer this by being dynamic, by changing, by reinventing themselves to attract and keep customers leading to increased market share and profits.

Driving forces for change can come from a number of sources and include such things as management. Management can be the owners of a business and so their vested interest will cause them to drive change to guarantee the business' survival and their own financial security. If they are not the owners, managers may drive change so the business remains competitive and they keep their job and/or earn a bonus for achieving objectives.

In a similar manner employees can drive change. Employees want job security. To ensure security, in an innovative environment employees can suggest changes, support changes so as to help the business remain competitive which keeps their job.

Alternatively competitors can drive change as the need to change to keep up with competitors is strong. Competitors who dominate the market don't always need to change and businesses that continually change to try and increase market share may find it doesn't work as competitors are too strong and too big so the change is not worthwhile.

At the same time a business will face restraining forces, some of which are, employees and time Management may react slowly to change or be indecisive. In these circumstances change may be poorly managed and other stakeholders, such as employees, may lose confidence in management and the change.

Employees are perhaps the greatest restraining force. Many changes result in downsizing or retraining of employees. Hence, employees are a key restraining force – they will fear the change and maybe even disapprove of the change. This can lead to industrial unrest and further problems for a business.

Finally time can make change difficult as some changes may occur quickly and it is difficult to make significant changes quickly. Some changes may occur slowly and therefore once implemented, it becomes apparent that the environment has changed again.

In undergoing change a business may use a Force Field Analysis to identify the key driving and restraining forces, determine the strength of each one and develop a strategy for reducing the key restraining forces and promoting the main driving forces.
Kurt Lewin developed the Force Field Analysis which allows a business to identify those forces which drive and foster changes and those which resist a proposed change. Lewin suggested that a process to follow is to list and weight the driving and restraining forces that may be impacting on a business wishing to change or needing to change. The benefits of the Force Field Analysis include:

- By comparing the 'for's and against' the business is able to determine whether the change is worth undertaking.
- It allows a business to take action to overcome the key restraining forces by preparing strategies in advance.
It allows the business to prepare strategies to promote the driving forces and build upon them in the early stages so as to minimise or counteract the restraining forces.
- Force Field Analysis allows stakeholders to be aware of the change, why it is necessary and to identify the change as a positive or negative change from their perspective.
- It allows a timeline to be developed and additional resource requirements to be identified
- Force Field Analysis can identify if training is required as the skills of employees may be identified as a restraining force.

10 marks

SECTION B

a. Waste minimisation strategies refer to processes that involve reducing the amount of unwanted or unusable resources created by the business's production process in an attempt to improve the efficiency and effectiveness of operations. These strategies link most closely with the objective of improving efficiency. By reducing waste, businesses will be making the best possible use of their resources.

Waste minimisation strategies can be directed at utilizing recyclable materials for packaging, using recycled materials as inputs, reusing scrap material and improving quality control.

Waste is a cost and wasted materials need to be replaced. Therefore by minimising waste the business will reduce the costs of production of the business and also improves productivity across the operations area.
The key strategy in this area is the introduction of lean manufacturing. Lean management is an approach to operations management that attempts to improve efficiency and effectiveness by eliminating waste and improving quality — 'lean' in this case means no excess, just as lean meat has as little fat as possible. Lean management is an appropriate strategy for a business to implement as it identifies 7 areas where waste can be minimised:

- excess transport – by sourcing inputs from overseas or interstate the inputs require transportation. This creates waste through pollution
- defects (or errors) – defective products must be replaced so additional resources are needed that could have been used elsewhere or by another business

- excess motion – people, products or materials being moved increase the chance of spillage or accidents which create waste
- overproduction – producing too many items which can't be used or spoil/become obsolete or go out of style before they are used results in waste
- excess inventory – holding excessive amounts of stock (inventory) means there is greater chance of waste occurring through loss, damage or obsolescence
- waiting – if production is delayed customers may go elsewhere which means the production occurs but was unnecessary as demand has gone
- over-processing – too much processing, too many stages in the production of a good can create waste through pollution, spoilage or defects.

5 marks

b. It is important for an operations manager to improve productivity and competitiveness. To do so will see a reduction in the costs of production, leading to improved quality of products and service, reduced prices and improved service. This can lead to increased sales, profits and market share.

2 marks

c. Technology involves the acquisition of up-to-date technology which can be used by operations managers to optimise operations. Technology strategies offer efficiency savings (productivity) through reduced production time and/or lower cost, quality improvements and safety benefits.

Businesses that fail to keep up with technological innovations will lose their competitive edge. Two technological developments that can be implemented by business are an automated production line and website development.

In an automated production line machinery and equipment are arranged in line and components are added to the product in a sequence of steps (an assembly line). It is best suited to the manufacture of high-volume, standardised goods. Usually, the product would move along a highly automated production line on a conveyor belt. Cost is reduced because of the use of technology, and staff only complete specialised tasks. It can, however, be very expensive to set up a capital-intensive, automated assembly line. A problem on the production line can sometimes mean that the whole factory needs to be shut down.

Production should result in a high volume of a standardised product with production runs generating large volumes of outputs.

Most modern businesses require a website. A website can be used for marketing but it can also be developed for operations purposes. The operations department may work with technology support to develop ways to make it easier for customers to purchase goods or services online or to share information. Online sales functions may be added to the website or upgraded. A business will need to ensure that a website that will handle private and sensitive personal information provided by customers can effectively protect this information. Additionally, a business may develop its website to increase the amount of information it gets from its customers and analyse this information.

A website can provide detailed information to suppliers. For example, it can make procurement activities available to potential suppliers. Furthermore, a portal for suppliers might be established to identify and obtain qualified suppliers.

While both systems can offer savings and lead to increased profits, an automated production line deals with the processing stage of operations while the website is linked only to sales and dealing with outputs.

7 marks

d. The business could use the rate of productivity growth to assess success. If productivity has increased then the business is more productive, due to the use of the new technology.

2 marks

e. A public-listed company is one that has between 2 and an unlimited number of owners. They exist to make a profit and their shares are bought and sold on the ASX with their reports published so potential investors can see how the business is performing. Shareholders have limited liability.
A partnership is where between 2 and 20 people join together to start a business. Each partner is an owner although they need not be equal, nor do they need to work in the business (silent partners). They exist to make a profit but the partners have unlimited liability.

4 marks

f. Corporate social responsibility refers to the situation where businesses take responsibility for their actions that impact on the wider community through the use of ethical practices. It is about doing the right or moral thing when dealing with stakeholders.
There are a number of benefits to a business taking into consideration their corporate social responsibilities in their dealings with stakeholders. The first benefit is that the business will gain a positive reputation in the community. They can become known for their care and consideration of employees, customers and suppliers and this can lead to increased sales and profits.
They can also gain a reputation as a good employer or an ‘employer of choice’. This can lead to low levels of staff turnover and absenteeism which means productivity is likely to be high as employees enjoy their work environment.
However, CSR can come at a cost as it can be expensive to put these practices into place – buying locally rather than from overseas, employing locally rather than outsourcing overseas or recycling.
The benefit may not outweigh the cost to the business.

5 marks