

BUSINESS MANAGEMENT

Units 3 & 4 – Written examination



(TSSM's 2013 trial exam updated for the current study design)

SOLUTIONS

SECTION A

Question 1

- a. 'Employer of Choice' is a way for companies to differentiate themselves from their competitors to attract high calibre staff. It is a strategy that focuses on attracting and retaining skilled staff. This goes beyond staff satisfaction. The company gains a reputation of retaining staff, providing productive team environments and maintaining a good work environment for all staff.

1 mark

- b. One key performance indicator would be the level of staff turnover. This is a measure of the number of staff leaving an organisation over a period of time. In the case of Jeanswest it would be low as they are identified as an employer of choice which means employees are happy with their working conditions and would not be seeking employment elsewhere. This would lead to increased productivity and a reduction in costs related to replacing staff who have left.

Another key performance indicator would be the level of staff absenteeism as this is a measure of job satisfaction. If there is a low rate of absenteeism which would be linked to illness and not low morale then this too would support Jeanswest being identified as an 'employer of choice'. Staff going to work each day would lead to higher productivity levels and less costs associated with replacing staff that are absent.

4 marks

- c. Industry awards are industry specific, legally binding agreements that outline the minimum wages and conditions that a group of employees can receive for doing a particular job. These are set by Fair Work Australia and promote a centralised system of employee relations with no flexibility for negotiations at the individual workplace level. Whereas a collective agreement is a negotiated agreement between an employer and a union or a group of employees over pay and working conditions at that individual workplace level.

Productivity based gains can be incorporated into the agreement which allows for more flexibility and promotes a decentralised employee relations system. All collective agreements need to go to Fair Work Australia for approval.

4 marks

- d. Employer associations provide advice and support to employers within the industry they represent. In negotiations between employers and employees they assist the business – this is important in small businesses where the owner/manager may not have experience in these matters.

2 marks

- e. Lawrence and Nohria determined that humans are motivated by more than personal self-interest. Their research developed a fundamental basis for human behaviour composed of four distinct drives.

The drive to acquire includes physical objects and wealth, social relationships, the acquisition of status, accomplishments, and power. The drive to bond involves building relationships. This drive can be used to advantage by businesses that promote attachments

to work groups, divisions, and the entire business. The drive to learn is satisfied by work environments that stimulate curiosity and allow for exploration and developing understanding. The sense of excitement from acquiring new skills can actually outweigh pay and benefits as a job satisfaction factor. While acquisition, bonding, and learning are active drives that humans seek to fulfil, the drive to defend is latent: it must be stimulated by a threat to become active. Threats to the individual, their group, and the business as a whole can trigger the drive to defend. The business, then, can work to adjust this drive by eliminating or correcting information sources that communicate unintentional or misguided threats.

This means that Jeanswest would need to focus on the drive to learn to continue their record of training, education and support programs.

4 marks

Question 2

- a. The primary objective of ThankYou Water as a social enterprise is to earn a profit through the production and selling of its product. These profits are then directed back into filling a social need such as providing drinkable water to communities that don't have ready access to such a resource.

On the other hand, a private limited company will operate with a view to earning a profit. However, the distribution of that profit is different. A private limited company will direct the profit to the shareholders of the company or else back into the business to fund expansion or development.

4 marks

- b. A stakeholder is someone who has a vested interest in the business, or who is affected by the decisions made by the business. One stakeholder of ThankYou Water is management who oversee the operations of all areas of the social enterprise. They would make decisions relating to objectives and policies of the business and are interested in seeing the business succeed.

Another stakeholder is members of the community who benefit from the social aspects of the business. These people want the business to be successful so they gain access to the water services the business provides.

2 marks

- c. Driving forces for change are those factors that apply pressure for change to occur in a business. A driving force might be legislation – new laws may be enacted that change the way social enterprises operate or report and so the business would need to adapt to those changes

Another driving force would be the pursuit of profit. A social enterprise doesn't fulfill its objectives if it doesn't earn a profit and so if profits are not high enough the business may need to change.

4 marks

- d. The manager is using the autocratic style of management where the manager makes all the decisions alone, without any staff consultation. Authority is centralised and communication is one way. Two reasons why this would be contributing to a negative corporate culture are: the lack of employee input means that no ideas are encouraged or

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shared so staff are not given the opportunity to develop their skills and feel valued; employees would not be given any responsibility in the workplace so this also leads to less job satisfaction which could then result in higher than normal staff absenteeism, low morale and even higher staff turnover.

3 marks

- e. A management skill could be communicating, which is the effective sending and receiving of information. The manager would need to inform staff of new policies, expectations and deal with any customer or staffing issues that require addressing whether it is through meetings, emails, phone conversations etc.

2 marks

Question 3

- a. There are three elements of the operations system of a business such as the dairy farmers at Murray Goulburn Cooperative. The first element are the inputs which is the land, the cows and the buildings and machinery used to milk the cows. The processing stage is where the milk sourced from the cows is processed, involving the pasteurising, homogenizing and packaging of the milk. The final element is the output which is the bottled or cartoned milk ready for sale.

3 marks

- b. There is a direct relationship between effective operations management and business competitiveness. If operations is being well-managed, then costs will be reduced, the quality of the product will increase and delivery times and accuracy should also improve. All of these factors improve productivity and can then give the LSO an edge over other LSO's in the same industry, i.e. business competitiveness. On the other hand if the operations management process is not managed effectively, with materials being wasted, employee time being underutilized or delivery delays occurring then this will impact on the ability of the LSO to deliver a product equal to or better than it's rivals.

3 marks

- c. Low risk practices are those that promote change within an LSO and aim to maintain a positive relationship between employees and management. One such practice is communication where management is open and transparent about the impact of the technology with staff, informing them that they may need retraining or that there could be some job losses. Managers need to be aware of the fears of employees with the implementation of the new technology so listening to their concerns would also be part of this process.

High risk practices promote ill feeling between staff and management, a level of mistrust and stress, which could lead to work cover claims and staff absenteeism. One such practice is the use of manipulation where management at Murray Goulburn not being open about the change, withholding information or bending the truth to suit their own needs.

4 marks

Question 4

In responding to this question students can refer to any three of the four strategies:

- *Technological development*
- *Materials*
- *Quality*
- *Waste minimisation*

Depending upon which strategies are selected students must then select appropriate KPIs to refer to. Examples include:

- *Technological development – rate of productivity growth*
- *Materials – level of wastage*
- *Quality – number of customer complaints*
- *Waste minimization - level of wastage*

To improve performance a business could introduce a strategy related to technological development. Technology development 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.

One strategy in this area is the use of an automated production line. 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. If introduced the business could assess the performance of this strategy by looking at the rate of productivity growth. If productivity has improved then the technology has been implemented successfully.

A second strategy is to review the quality management system used by the business. Quality refers to the degree of excellence of goods or services and the fitness of these goods and services for a stated purpose. Quality aims to ensure that the customer gets what they wanted. A quality product should have a high degree of excellence and achieve the purpose for which it was designed. It should be reliable, durable, easy to use and include after-sales service. A business can attempt to improve productivity and/or competitiveness through implementing a quality management system. Such a system is quality control. Quality control is an inspection approach involving checking the final products for defects and faults at various points in the production process. Specifications or benchmarks are set and then physical checks are completed so that actual performance or production is compared to the established benchmark. If the product or service meets the established standards, it can be assumed that the business will be meeting consumer expectations. This can increase competitiveness as the costs associated with waste and faulty products are reduced. If the quality management system is successful then there should be a

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quality product provided to customers and there should be a reduction in the number of customer complaints. If customers are happy then they will not register their displeasure to the business.

A final strategy that could be implemented is waste minimisation. Waste minimisation is a process that involves 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. By reducing waste, businesses will be making the best possible use of their resources.

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. As waste often ends up as landfill, by minimising waste a business is demonstrating their concern for the environment; this can contribute to improving the reputation of the business.

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. A business using this approach would carefully analyse each stage of the operations system and remove any inefficiencies that do not add value to the product.

According to the principles of lean management, waste is anything that reduces the speed of production or stops production occurring at the lowest possible cost. As waste is reduced, production times and costs are cut. The KPI the business would use to assess performance in this area is the level of wastage – if wastage is reduced then lean manufacturing has been successful.

10 marks

SECTION B

- a. A union is an organisation formed by employees in an industry, trade or occupation to represent them in efforts to improve wages and the working conditions of their members. Off-shoring labour refers to the process of a business sending some of its processing tasks to businesses overseas in an attempt to reduce labour costs.

2 marks

- b. Redundancy is the form of termination being referred to. This occurs when a person's job no longer exists, usually due to technological changes, a business restructure or a merger or acquisition.

2 marks

- c. Two other forms of termination are retirement and resignation. Resignation is the voluntary ending of employment by the employee 'quitting' their job, usually to take up a position at another business, often to seek a promotion. Retirement occurs when an employee decides to give up full-time or part-time work and no longer be part of the labour force.

4 marks

- d. The Fair Work Commission is a government body that oversees relations between employees and employers. It approves agreements reached at the enterprise level, ensuring all parties comply with those agreements; it resolves disputes between an employer and the employees when no agreement can be reached. The Fair Work Commission also sets a minimum wage level for the lowest paid workers through its Minimum Wages Panel (MWP).

3 marks

- e. When a dispute between management and employees arises there are a number of methods of dispute resolution available. Two such methods are mediation and arbitration. Mediation is where the parties meet and discuss the dispute and negotiate a settlement through compromise. It is informal and involves the two parties with guidance from an independent third party known as a mediator. Arbitration is a similar process where compromise is sought as a means of reaching agreement. However, if a compromise can't be reached an independent third party (such as a commissioner of the Fair Work Commission) hears both arguments in a dispute in a more formal court-like setting and determines the outcome.

4 marks

- f. Lewin identified that businesses can become set in their ways – they are reluctant to change because their current situation is comfortable and the change does not yet seem urgent. Lewin suggests that the business needs to ‘unfreeze’ - this means to identify what needs to change and therefore the need for change can be created. Employees are informed of the need for change and that support is available from management to assist in the change process. From here the business is able to make the changes necessary. Policies, practices and processes can be changed and if management has put the appropriate support in place (be it training, communication, team-building or some other mechanism), the business is moved into the new position that was identified when the need for change arose. The final step is for the business to ‘refreeze’. Once the change has occurred it needs to be embedded in the culture of the business or else there is a temptation for the business to slip back into the previous practices and habits. Lewin suggests refreezing which can involve developing strategies to sustain the change. This can involve re-writing policies, staff handbooks, revising the induction program for any new staff as well as celebrating the successful change and introduce some ritual.

6 marks

Kurt Lewin developed a model for understanding the change process, known as a Force Field Analysis. This analysis 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.

Such a process may involve the formation of a guiding group of people driving or enabling the change. Their task is to identify the change proposal and identify the forces that are currently driving or restraining the change. For each force they assign a score relative to the perceived strength of the force. Low scores (1) suggests the force is weak while a high score (5) suggests a strong force. From here the group can prioritise the top 3

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to 5 most restraining forces and driving forces. These are the forces the business and the guiding group need to either eliminate or strengthen to allow the change to occur. They then develop a set of actions that are required to be completed to meet the proposed change and assign responsibility for each action.

A benefit of conducting such an analysis is that by comparing the 'for's and against' the business is able to determine whether the change is worth undertaking.

6 marks