

BUSINESS MANAGEMENT

Units 3 & 4 – Written examination



(TSSM's 2015 trial exam updated for the current study design)

SOLUTIONS

SECTION A

Question 1 (12 marks)

a. Downsizing can be defined as reducing the number of staff in an organisation through the elimination of jobs and positions.

1 mark

b. Both senior and middle management are part of a management hierarchy with senior management having a greater level of authority, responsibility and accountability.

The senior management team is usually made up of the chief executive officer, the board of directors and/or the managing directors. This level of management is involved with the strategic planning for the business. This means long-term planning between 3 – 5 years that could include mergers, downsizing, policy development etc.

Middle management on the other hand is the intermediate level of management that is made up of department or divisional heads such as the human resource and operations managers. They are involved with tactical or medium term planning implementing the strategic plans set by senior management. Examples of tactical planning could include production runs, new computer programs etc.

4 marks

c. One corporate social responsibility consideration would be the job losses as a result of the outsourcing of production to China. This means that the current employees of Fire in the Skye Pty Ltd would be looking for other work, or relying on Centrelink benefits to live. This would have a significant effect on their demand for goods and services, further impacting the economy in a negative way.

2 marks

d. One strategy that the operations manager could use is materials management. This involves the use, storage and delivery of the right amount of inputs, at the right time and price for the production process. The operations manager could adopt the just-in-time inventory control method ordering materials just as they are needed for the production of the fireworks. This reduces the need for storage which in turn reduces costs and the risk of waste. However suppliers must deliver on time factoring in the transportation time, to ensure that production is not delayed because the materials did not arrive at the LSO when they were needed.

5 marks

Question 2 (7 marks)

a.

Employees – 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.

To overcome employee resistance a high-risk strategy management could use is a threat. If some staff are identified as resistors, threats can be made to gain their support. Retrenchment, transfer,

loss of promotion opportunities, loss of hours are all threats that can be made. This is a high risk strategy as it may engender further resistance from other staff.

4 marks

b.

In the case of Xenos Hotels the inputs would be all the resources used in the delivery of food, beverage and accommodation services. The resources would include employees, (i.e. customer service, food and beverage waiters/waitress, cleaners, chefs etc.) the facilities or the hotels themselves, capital equipment such as the computers, tables, chairs, bed suites etc.

The process stage is the conversion activities that enable the hospitality services to be delivered. These would include the room reservations, greeting of guests, transportation of their luggage to their rooms, the cleaning of the rooms each day etc.

The output is the end product ready for the consumer to purchase and use or enjoy. In this case the hotel chain provides a service so it would be the satisfied guests who have used the hotel for their holidays, business trips, special occasions etc.

3 marks

Question 3 (6 marks)

During the operations process it is possible for a business to act in a socially responsible manner. Two considerations include using inputs that have a minimal environmental impact. Sourcing inputs from renewable sources, using labour that is paid appropriate wages and have safe working conditions, minimising waste from production.

A second consideration is the sustainability of inputs. Using scarce resources that can't be renewed will damage the environment and leave future generations without these resources, some of which are natural.

Question 4 (7 marks)

Business change is defined as any situation, force or pressure that results in an alteration to the operation, structure or environments of a business. Key performance indicators are a source of data for businesses to use that may indicate that the business needs to change. KPIs are criteria used to assess the performance of the business in terms of the achievement of their objectives. There are specific KPIs that businesses will use but it is important to understand the two key 'overriding' dimensions of performance – effectiveness and efficiency.

Effectiveness is the ability of a business to set and achieve stated objectives or outcomes. A business is seen to be effective if it achieves its objectives. Efficiency is the ability of a business to achieve its stated objectives utilizing resources in a manner that minimizes costs.

These two dimensions lead to the discussion of the 9 key KPI's. One of these 9 KPI's are the percentage of market share. Each business operates within a market and generally has a number of competitors. The percentage of the total number of sales in that market made by a business is referred to as their market share. An increasing market share shows that a business is growing and is operating successfully. A second KPI is the net profit figures of the business. Net Profit is the final profit made by a business for a particular period. It is calculated by deducting all the costs or expenses incurred by a business from the revenue (sales and/or fees) made by the

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business in a particular period. An increasing Net Profit figure suggests that the business has earned more revenue and/or reduced its costs compared to the previous period.

All Key Performance Indicators must be compared to previous KPI data so that useful information is provided. A set of Key Performance Indicator data looked at in isolation provides little useable information for management and therefore little is able to be done in terms of improving the performance of the business in the future.

7 marks

Question 5 (8 marks)

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 both material goods and status and can lead to both excellent performance and detrimental competition. The drive to acquire includes physical objects and wealth, social relationships, the acquisition of status, accomplishments, and power. Providing clear links between job performance and fulfilment of this drive is recommended as a core component for building a satisfying job.

The drive to bond involves building relationships. Businesses can work to expand this natural inclination with pro-diversity human resource development programs. This drive can be used to advantage by businesses that promote attachments to work groups, divisions, and the entire business. The drive to bond leads to interactions of healthy support among work teams if supported with team-based rewards and professional goals.

The drive to learn is satisfied by work environments that stimulate curiosity and allow for exploration and developing understanding. A good example of the strength of this drive is the degree of job satisfaction that experienced knowledge workers derive from challenges in the workplace. The sense of excitement from acquiring new skills can actually outweigh pay and benefits as a job satisfaction factor. The drive to learn can function well in a group context, interacting with the drive to bond.

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. It can also provide workers with the means to respond to legitimate threats in the firm's competitive or regulatory environment. If properly tempered and focused the drive to defend can be a source of motivation and energy, but it is in nature and not beneficial if over-stimulated.

Mr Rodgers could apply the four drive theory to the situation at the business by focusing on the drives to bond and learn. Employees have no direction and no sense of belonging. Putting new employees into teams with more experienced staff may help them bond with the older employees and then the business. From there, they may also learn and if the manager can set tasks that challenge the new employees they will be motivated by the drive to learn.

8 marks

Question 6 (10 marks)

A collective agreement is part of a decentralised employee relations system and is the pay and working conditions negotiated at the workplace level between the employer and employee with or without union involvement. It is a more flexible arrangement, enabling the individual characteristics of the workplace to be included in the employment conditions and any contributions to productivity improvements by employees to be rewarded. The role of the human resource manager in this enterprise bargaining process is significant as they will be involved in the negotiations of pay and working conditions with employees. This means human resource managers need to be aware of all relevant awards and current industrial relations laws, they need to ensure that the ten national employment standards are included in the collective agreement. Once finalised this collective agreement is lodged with Fair Work Australia for ratification before it can take effect at MJ Architects and Building Construction. The human resource manager would also be involved in the implementation of the key terms of the collective agreement and train other managers and supervisors to understand all the features of this collective agreement. Human resource managers would also deal with any disputes and industrial conflict that may arise during the period of the collective agreement.

A performance appraisal is part of performance management and enables management to evaluate the employee's performance. Businesses set objectives that require employees to work towards and help the LSO achieve. These objectives can be linked to a performance appraisal as they set the criteria against which an employee will be assessed and held accountable. The performance appraisal can be conducted through an interview, a checklist, an extended written report, 360 degree feedback etc. It is an opportunity for the human resource manager to reflect on the employee's contribution to the LSO, to achieve the short and long term objectives set by the senior management team at MJ Architects and Building Construction.

The senior management team at MJ Architects and Building Construction have decided to adopt a more consultative management style which means that there would be two- way communication and the seeking of employee input into the decision-making process before any final decisions are made. It is a management style that is moving towards a more decentralised approach with the encouragement of group discussions and access to a greater variety of ideas and suggestions. This management style helps employees take some ownership in the manner in which MJ Architects and Building Construction is run. This employee consultation in the decision-making process can then lead to increased levels in staff motivation, more commitment to the business and a stronger work ethic. On the other hand the consultative management style is time consuming as management seeking employee input does slow the decision-making process down. Some ideas and suggestions may also be overlooked in the final decisions made by management and this could lead to staff resentment and lower staff morale.

However the consultative style of management is suitable during periods of change as it helps to reduce resistance to this change and if staff are experienced, then their input can be valuable for management when faced with making difficult decisions. It also does provide a balance for both management and staff, as management still retains final control of all decision-making but it gives employees an opportunity to have a voice and share their expertise and experience gained by working in the business.

10 marks

SECTION B

- a. A possible driving force for change is the management of a business. 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. A second driving force can be the pursuit of profit. The desire to gain more profit, to increase market share can be a powerful driver of change. Businesses that desire profit often want that profit at the expense of other businesses and so they will change to be a market leader.

4 mark

- b. Restraining forces are those factors that hold back or work against the change. These include employee resistance to change. Employees offer their labour, skills and experience in return for payment in the form of wages and salaries. They could be worried about learning to use the new technology, or that their jobs may be in jeopardy as the new system replaces them in the reservations area. As such they would be reluctant to use the new system and may take days off on stress leave, or look for other jobs.

Financial considerations can also act as a restraining force. Many changes require a substantial financial investment by a business. Businesses will question whether the cost will be recouped at a later date through increased productivity and increased revenue/profit. Interest rates and the cost of borrowing, cost of new technology, cost of redundancy payments and retraining are all costs that must be considered and can restrain change within a business.

4 mark

- c. A stakeholder is an individual or group with a vested interest in the activities of a business, or is affected by the decisions made the business. With the decision of Login Australia to take over Linx IT services, staff of both businesses may be concerned with their job security. They offer their time, labour and expertise in return for a salary and expect to have an ongoing job with the business. This could come into conflict with management at Login Australia who are in charge of sections of the business and are expected to perform their role well to achieve business objectives. They may be considering streamlining jobs as there may be some duplication when the takeover is complete and this would mean deciding on who will stay and who will be terminated, which will affect the jobs of employees.

4 marks

- d. The human resource manager could refer to Maslow's hierarchy of needs theory to address the current staffing issues. Maslow developed a hierarchy of needs starting with low order needs such as physiological and safety moving to higher order needs such as social, esteem and self-actualisation. Maslow believed that every employee's needs were different so the human resource manager would have to understand what drives each staff member to perform at their peak and stay committed to the business.

For some it may be more teambuilding as two groups of staff come together so they need time to get to know each other, participate in group activities to be able to move forward and work as one team. Others maybe worried about job security so employment contracts would need to be drawn up or revisited to help address this need. The theory can be time consuming to implement and it requires planning and consultation to determine where each staff member is on the hierarchy which is one of its disadvantages.

4 marks

- e. i. Corporate culture is the values, ideas, expectations and beliefs shared by the staff and managers of the business. When looking at a culture of a business it is important to recognize that there may be two competing cultures at play – the official culture and the real culture of the business.

The official culture is an outline of the preferred values, beliefs and behaviours of the people within a business as stated in official documents such as the company motto or mission statement.

The real culture reflects how things actually operate. This may be the same as the official culture, or may be totally different if there are issues that have not been resolved.

3 marks

ii. Management could evaluate staff satisfaction through the use of the level of staff turnover. This information will provide valuable feedback about how staff feel after the takeover and it could help identify issues and concerns that management need to address. If the level of turnover has increased then this suggests staff are not happy with the change and so have decided to look elsewhere for a job.

2 marks

- f. One management skill would be communicating which is the two-way process of effectively sending and receiving information. It is critical for management to openly communicate with staff, to share in the vision of the business and the decision-making process to boost staff morale. Management need to listen to staff concerns and address these promptly as the two information technology companies become one so that staff are settled, committed and productively contributing to the achievement of business objectives.

Another management skill is planning which is the process of setting the goals and objectives of the business and then determining the most effective means of achieving those objectives. As part of planning a manager should be able to develop a process or model for planning. A typical planning model or process will involve 5 key stages.

The first stage is to define the objectives – identify where the business is heading and where management would like it to be heading. Secondly to analyse where the business is currently at through a SWOT analysis and then develop alternative strategies, implement the selected plan and then monitor the implementation and progress of the plan. This involves gaining feedback and reviewing, and if necessary, revising the plan.

4 marks