

# **BUSINESS MANAGEMENT**

**Units 3 & 4 – Written examination**



**(TSSM's 2016 trial exam updated for the current study design)**

**SOLUTIONS**

**SECTION A**

**Question 1 (12 marks)**

- a. Corporate culture is the shared values and beliefs of the members of a business. One indicator of the corporate culture at Sportex Active Wear is the level of socialisation that exists within the business through specific rituals and celebrations. These could include social gatherings like morning teas, Friday night drinks etc. to promote teamwork and a sense of belonging amongst staff and management. Another indicator of corporate culture would be the communication channels that exist between management and staff at Sportex Active Wear. This would be closely linked to the management styles adopted by the management team. The communication channels could be formal or informal, one-way to two-way encouraging or discouraging staff input into issues that may arise at the business.

4 marks

- b. The human resource manager would need to ensure that the employees that were made redundant as a result of the downsizing received all their payout entitlements. This could include severance pay, any outstanding long service leave that had not been taken, accrued holiday pay etc. The human resource manager could also consider offering outplacement services such as: resume writing assistance, interview skills preparation and referrals to recruitment agencies to help staff who have lost their jobs find alternative employment.

4 marks

- c. The proposed changes will affect the shareholders who have bought shares in Sportex Active Wear and who expect to earn dividends from the profits generated by the business. To ensure that they keep investing in the company they would also expect the value of their shares to increase. The increased profits would be an outcome of reduced staff because wages are a major cost to the business. Employees would be another stakeholder affected by the proposed changes. Some employees would lose their jobs in a bid to decrease costs and increase profits. This would destabilise the workforce and cause anxiety and stress for the remaining employees who may also fear losing their jobs. The downsizing could enable the business to become more profitable in the longer term with the possibility of creating new job opportunities if it attracts and maintains shareholder investment.

4 marks

**Question 2 (14 marks)**

- a. The management style in the scenario is persuasive: centralised decision-making and one-way, top-down communication. Managers control all activities but are willing to share information and convince staff that their way is the right way. One disadvantage of this style is that employees have no input into the decisions and mistrust management. This can lead to lower levels of staff morale.

4 marks

- b.** One strategy that the operations manager could adopt to optimise operations is a quality management approach to ensure that all the products are of the highest standard, meeting customer expectations. One approach is quality control where the goods are checked regularly during the production process to identify any defects and take corrective action. The operations manager would establish quality benchmarks, check samples of the products against this benchmark and take any action if there were issues.

Another strategy is to implement a technology strategy such as an automated production line. In this strategy 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.

6 marks

- c.** One ethical consideration relates to whether the company sells to the Chinese market at higher prices and leaves less baby formula available for the Australian markets. Bub Baby Products would be reaping the benefits of increased profits. But they would not be ensuring that the needs of the local market are catered for first and then if there are additional supplies, any excess can be exported to China.

Another ethical consideration is the possibility that customers might purchase extra cans of the baby formula and then attempt to make money by selling it online, through the internet or contacts. This would not allow families, who need the formula, to access it fairly.

4 marks

### Question 3 (14 marks)

- a.** Training is the process of improving the skills of employees. This allows employees to complete tasks more efficiently and can broaden the skill set of employees. Better trained employees make the business better able to cope with change and assists the business in achieving their objectives more easily.

Training provides employees with the opportunity for promotion at a future point, can increase job satisfaction and motivation and can lead to a more adaptable workforce.

The employer will benefit through a broader skilled workforce, greater capacity to deal with staff turnover, less staff turnover and reduced costs through lower staff turnover and fewer workplace accidents.

Training can be conducted through two main means – on-the-job and off-the-job. On-the-job training occurs through programs such as coaching or job rotation. It can be done during normal working hours and so therefore can develop good relationships between

employees who now must work together. It is generally less expensive than sending employees to an external course, however, if there are no qualified staff to conduct the training an external trainer may be brought into the business. A further issue is that there may be distractions to the training occurring as normal work is occurring while the training is going on. If this is a concern then off-the-job training can be used.

This is where training programs are conducted off-site, sometimes conducted by the business itself, sometimes by an external provider. Using this type of training can allow the business to seek out cutting edge training. By going off-site it removes normal work distractions and so training is more focused. As it is generally with an external provider it can give the employee a recognised qualification (e.g. Certificate IV). However, this type of training can be expensive and it can be time consuming, especially if travel is required to the training facility

8 marks

- b.** 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 – to acquire, to bond, to learn and to defend.

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 three drives already described are almost always desirable in the workplace, contrasting with the drive to defend. 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.

4 marks

- c. The human resource manager would need good communicating skills which require him/her to have the ability to provide and convey the relevant information to staff so they understand the process that will occur and the reasons behind any position taken by the business or any decision made.

It will involve listening to employees so they can respond to the message being delivered and management can address any concerns.

2 marks

**Question 4 (10 marks)**

A social enterprise is a business that produces goods and services for the market, but operates with the primary objective of fulfilling a social need. They exist to benefit society, rather than owners. Some examples of typical social needs include providing opportunities for local unemployed people, developing skills, providing vocational training or lifelong learning opportunities for disadvantaged people in the community, creating accessibility to a better quality of life for disadvantaged members of the community and focusing on waste minimisation and recycling.

The business is having to deal with some changes that have impacted the business. A driving force for change could be a change in government laws. Government laws have an indirect impact on all businesses over which they have no control. If there are new laws introduced for instance, then these will result in a change in policies and procedures at Recruitment Plus as they are answerable to them for their funding.

Another factor that can act as a driver for change at Recruitment Plus is management. If the business has undertaken the hiring of new managers this could drive change. These new managers may have brought their own personalities and ways of doing things to the job. This may mean a change in management style and policies as the new managers try to address the issues they face at Recruitment Plus, as well as place their own individual mark on the running of the business.

In making these changes management will need to show leadership and implement strategies to overcome any employee resistance to the change.

Low-risk practices of change management are methods of introducing change that are likely to be accepted by staff with little resistance to the change. One low-risk practice is open, two-way communication, which is the sending and receiving of relevant information between staff and management. If the managers at Recruitment Plus use meetings, emails, internal newsletters etc. to keep staff well informed of the new policies, as well as consult with them seeking their input before they are implemented, then staff are more likely to be receptive to the changes as they fully understand them and have been involved in the process.

Another low-risk practice is the provision of support to help staff through the pending changes. There may be the need for additional training or active listening on the part of management to clearly understand and be able to address the concerns of staff.

Leading is the process of influencing, guiding and motivating employees to adapt to the change and work in an efficient manner to achieve the objectives of Recruitment Plus. Management needs to use leadership to create a vision for the change. They should articulate this vision and provide effective plans to implement the new policies, demonstrating interpersonal qualities to deal with staff. Management needs to build trust and strong relationships with employees to help get them to be more accepting of the change. They also need to demonstrate informational

qualities, gathering all relevant facts and communicate these to staff during this period of change. In addition to interpersonal and information qualities, management needs to also have strong decision-making attributes, to be able to make choices from a series of options and implement these. If they have, for instance, consulted with staff on the new policies, they still need to make the final decisions about these policies and procedures if they are to be implemented successfully, even if they are not quite what staff expected.

10 marks

**SECTION B (25 marks)**

- a. A private limited company is a type of structure that usually has between two and 50 private shareholders. Private companies tend to be small to medium-sized, family-owned businesses.

Shares in a private company are offered only to those people whom the business wishes to have as part owners. Shareholders can sell their shares only to people approved of by the other directors. This is why such a company is called a 'private' company. It is not listed on, and its shares are not sold through, a stock exchange. An example is Linfox.

A public listed company has a minimum of five shareholders, with no maximum number. There is no restriction on the transfer of shares or raising of money from the public via share offers as shares are freely traded on the ASX. It is also a requirement to publish its audited financial accounts each year — the annual report. An example is Wesfarmers.

4 marks

- b. A stakeholder is any person or group with an interest in the activities of a business. Employees are a stakeholder in Wesfarmers as they want the business to be successful and continue to grow so they can continue to work there, earn an income and possibly get promoted as the business expands.

A second stakeholder are the shareholders of the business. They have an ownership interest in the business and they would like the business to continue to earn profit. If the business continues to earn a profit they will continue to receive dividends and see a return on their investment.

4 marks

- c. One objective of a business such as Wesfarmers is to increase market share. This refers to a business gaining a greater share of the total customers in a market. To increase market share will lead to an increase in sales and profits.

A second objective could be to fulfil some sort of market need. A business may exist to meet customer expectations or provide a good or service that is not otherwise available to a market. In some cases, it is quite possible that small businesses may be able to meet specific market needs more efficiently than larger businesses.

4 marks

- d. The human resource area of management responsibility can assist Wesfarmers by ensuring the right people are hired. A thorough screening and interview process can identify the staff with the right skills and experience to work well within the business.

2 marks

- e. One KPI Wesfarmers could use is the percentage of market share. If this is increasing then the business is achieving its objective of fighting off competitors. It also seeks to increase returns to shareholders and so the net profit figures of the business is important. If net profit is increasing then they are able to increase the returns offered to shareholders.

4 marks

- f. Corporate culture is the values, ideas, expectations and beliefs shared by the staff and managers of the business. Each business develops its own particular way of doing things. The style or character of a business is consequently reflected in its culture. It is important to manage the culture of a business as the culture says a lot about the business to those outside the business.

The shared values and beliefs can drive the business forward and can allow teams to develop and grow, all of which will improve the efficiency and effectiveness of the staff and the business, leading to the achievement of business objectives.

A positive corporate culture can also lead to low rates of staff turnover and absenteeism as the staff have a high degree of job satisfaction.

To develop a corporate culture a manager should consider adopting a consultative style of management. A consultative manager likes to gather the opinion of staff members before making a decision. While seeking ideas and suggestions from employees it provides alternative views that the manager may not have considered. However, the manager ultimately makes the decision.

A benefit of this style is that communication is more two-way, meaning the manager is taking the time to ask for and consider the opinions of staff.

When decisions are discussed and fine-tuned before implementation, tasks are completed more efficiently and with better results. Staff also feel more valued as it is seen that their input is valued and they develop loyalty to the business and the manager, improving the culture of the business.

7 marks