

# **BUSINESS MANAGEMENT**

## **Unit 3 – Written Examination 1**



## **2017 Trial Examination**

## **SOLUTIONS**

**SECTION A: SHORT ANSWER AND EXTENDED RESPONSE QUESTIONS**

**Question 1 (12 marks)**

**a.**

Two key features of a partnership include:

- The business can be owned by between 2 and 20 people with some exceptions
- The owner and the business are regarded as the same so there is unlimited liability
- Profit sharing is between all members of the partnership

Mark allocation:

*1 mark is allocated for the description of each feature. (x2)*

2 marks

**b.**

One advantage of entering into a business partnership is that there is a shared workload and a shared responsibility of running the business, with both partners having a say and working in the spa business.

One disadvantage of entering into a business partnership is that there is the possibility of disputes and disagreements arising, which can lead to friction between the two friends affecting their interest in the business.

*Students can refer to other advantages and disadvantages to answer this question.*

Mark allocation:

*1 mark is allocated for the outline of one advantage.*

*1 mark is allocated for the outline of one disadvantage.*

2 marks

**c.**

An objective is a desired goal or possible outcome. Endota Spa would focus on making a profit which is a major indicator of business success, ensuring that there is cash flow and additional funds to reward the owners for their effort. Endota Spa would also be seeking to increase its market share by offering a range of services at competitive prices to build up a loyal client base also contributing to increased profits.

Social enterprises on the other hand do aim to make a profit but their main goal is to use that money to improve the lives of others in the community. Their objective could be to reduce poverty, provide employment for marginalised groups or deal with environmental issues. They often depend on volunteers to help keep the business operational.

Mark allocation:

*2 marks are allocated for the explanation of the business objectives of Endota Spa.*

*2 marks are allocated for the explanation of the business objectives of a social enterprise.*

4 marks

**d.**

Both a good and a service use inputs like labour and capital equipment. Both generate an income to enable the business to continue operating.

However they differ in that Endota Spa provides a range of services which are intangible and cannot be stored. Production and consumption occur at the same time and there is a high degree of customer contact. Whereas goods from a manufacturing business are tangible and can be touched and stored. They are generic and standardised with consumption and production occurring separately.

Mark Allocation:

*2 marks are allocated for the similarities.*

*2 marks are allocated for the differences.*

4 marks

**Question 2 (10 marks)**

**a.**

An appropriate management style would be the autocratic style where managers make all the decisions and communication is one-way. Lines of authority are clear and there is consistency in the decision-making process.

However employee input is not sought and employee skills are not utilised, reducing the pool of ideas and the level of job satisfaction.

This is the most suitable management style in a time of crisis as decisions have to be made quickly to address the battery problem and salvage the reputation of the business. It is the most appropriate style for the operations manager to use at Samsung as the new phones are faulty and are exploding causing the potential for lawsuits and even injury or damage. Management have to act quickly to recall the faulty phones and address the issue to maintain their loyal customer base and reduce the potential for payments in compensation.

Mark allocation:

*2 marks for the identification and advantages of the appropriate management style.*

*2 marks for the disadvantages of the management style.*

*2 marks for the justification of the selected management style.*

6 marks

**b.**

One appropriate management skill in this scenario for the operations management team to use would be communicating. This involves the transfer of key information between management and the employees as well as other relevant stakeholders. They would need to update all stakeholders on the problems with the phones and the action that has been taken to address this issue whether verbally or in writing.

Another appropriate management skill would be decision-making which requires managers to use a series of steps to firstly understand the issue, then develop alternative options to solve the problem. One of these options would then be implemented and reviewed to fix the problem of

the exploding batteries. A total recall of the brand of mobile phones was the option chosen with a new Samsung phone released in 2017 to replace the faulty model with intense marketing to convince customers to remain loyal to the brand.

*Students can refer to other management skills to answer this question.*

Mark allocation:

*1 mark is allocated for the explanation of the skill and 1 mark is allocated for the justification.*  
(x2)

4 marks

**Question 3 (10 marks)**

Motivation is the drive or desire of employees to achieve business objectives. If employees feel appreciated and connected to the workplace, then they will be more productive taking less time off and being committed to the business.

One motivation strategy that a business can use is to offer performance related pay like a bonus which is a one-off payment made to employees individually or collectively, to reward them for their efforts in achieving or exceeding pre-existing targets. This can be effective in the short-term as a financial reward could be a driving force to increase employee effort and work output. However this is not sustainable in the longer-term unless it is a regular option for staff to receive additional payments.

Another motivation strategy is investment in training which involves the improvement of employee skills through targeted programs either on or off-the-job. The provision of additional skills can lead to increased job satisfaction and motivation as employees seek promotions, participate in job rotations or take on more responsibility in the workplace. This can then lead to both short and long term improvements in motivation especially if there is further career development for the employee. It is costly and time consuming, however the business benefits from the improved levels of productivity.

Performance management can be used to address the high levels of job dissatisfaction through the use of performance appraisals. This evaluation of employees can be used to determine both high achieving staff and underperforming staff. This can then result in a variety of outcomes that can help build workplace morale. Performance management systems enable productive relationships to evolve with employees being clear about what is expected of them in their current job roles. Regular feedback and the opportunity to discuss their work performance with management can also address some of the issues linked to the high levels of job dissatisfaction.

A performance appraisal method like recording critical incidents can allow the manager to record exceptionally good or bad aspects of work performance and then link these to additional training or promotional opportunities. While it can be time consuming and at times difficult to give negative feedback to employees, it can allow the contribution of employees to be assessed with clear goals set to improve work performance and with it morale.

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Mark allocation:

2 marks are allocated for each motivation strategy with its justification. (x2)

6 marks are allocated for the discussion of performance management which is broken up as follows:

4 marks for the discussion of performance management

2 marks for the discussion of a specific performance management strategy

Or this question could be marked globally with a suggested marking guide provided below:

Mark Range	Descriptor: typical performance in each range
<p><b>9-10 marks</b> Very High</p>	<p>Has provided a detailed answer that has addressed <b>all</b> the parts of the question. Shows an in-depth understanding of <b>all</b> the key business terms and concepts referred to in question.</p> <ul style="list-style-type: none"> <li>• <i>Proposed and justified two motivational strategies with a detailed explanation of their effect on both short and long-term employee motivation</i></li> <li>• <i>Detailed discussion of how performance management can be used to address how levels of job dissatisfaction</i></li> <li>• <i>Detailed reference to one performance management strategy</i></li> </ul>
<p><b>7- 8 marks</b> High</p>	<p>Has provided a very good answer that has addressed <b>most</b> of the parts of the question. Shows an in-depth understanding of <b>most</b> of the key business terms and concepts referred to in question.</p> <ul style="list-style-type: none"> <li>• <i>Proposed and justified two motivational strategies with a good explanation of their effect on both short and long-term employee motivation</i></li> <li>• <i>A good discussion of how performance management can be used to address how levels of job dissatisfaction</i></li> <li>• <i>Reference to one performance management strategy</i></li> </ul>
<p><b>5-6 marks</b> Medium</p>	<p>Has provided a moderate answer that addresses <b>some</b> of the parts of the question. Shows only a moderate understanding of <b>most</b> of the key business terms and concepts referred to in the question.</p> <ul style="list-style-type: none"> <li>• <i>Proposed and justified at least one motivational strategies with a some explanation of its effect on both short and long-term employee motivation</i></li> <li>• <i>Some discussion of how performance management can be used to address how levels of job dissatisfaction</i></li> <li>• <i>Some limited reference to one performance management strategy</i></li> </ul>

<b>3–4 marks</b> Low	Attempted the question but has not addressed all three parts of the question. Shows only a very basic understanding of the key business terms and concepts referred to in the question.
<b>1 – 2 marks</b> Very Low	A brief attempt at the answer with only one or two key points made in relation to the question.
0	Response does not relate to any parts of the question
NA	No attempt at a response

**Question 4 (10 marks)**

**a.**

Redundancy occurs when a person’s job no longer exists because of technological change, a business restructure, a merger etc. Voluntary redundancy refers to employees nominating themselves to leave the business perhaps because an attractive redundancy package has been offered to them. Employees who are close to retirement age or seeking a change in career will be motivated to put themselves in the pool to give up their job if there is a period of downsize occurring. This differs to involuntary redundancy where management choose staff that will be terminated on the basis of poor work performance, or where the whole team or department is no longer required based on cost cutting measures or outsourcing.

Mark allocation:

*1 mark is allocated for the explanation of each term highlighting that there is a difference. (x2)*

2 marks

**b.**

One entitlement issue is for staffing leaving to receive any accumulated long service which has not been accessed and therefore must be paid out.

A transition issue is to ensure that counselling is provided to employees who have been made redundant by the cuts at the Toll Logistics Company. Management could offer counselling as a way to help them move to other careers or workplaces. This is particularly important for long serving employees who will feel let down and worried about future job prospects.

*Students can refer to a range of issues to answer this question.*

Mark allocation:

*1 mark is allocated for the outline of one entitlement issue.*

*1 mark is allocated for the outline of one transition issue.*

2 marks

**c.**

One participant would be the employees who offer their time, skills and experience in return for fair pay and working conditions. The employees would also seek some form of job security given the announcement of job losses at the Toll Group, as they would be worried about their long term job prospects at the logistics company. They would be negotiating with their union if there were further job cuts to ensure they receive all their entitlements and some form of termination pay.

Another participant would be trade unions which are the bodies formed by employees in a particular industry, specific trade or job to advocate on behalf of the employee members, when it comes to negotiating the pay and working conditions at a particular workplace. Employees pay an annual fee to their union and seek advice or support should workplace issues arise. Trade unions can also play a key role in the negotiations of new collective agreements, severance pay and termination processes when it comes to redundancies.

*Students can also refer to other participants to answer this question.*

Mark allocation:

*2 marks are allocated for the explanation of each participant. (x2)*

4 marks

## **SECTION B: Case Study (25 marks)**

**a.**

Operations management involves the transformation process that enables inputs to be converted into final goods which in this case is the large range of chocolates. The main objective of the business is to generate a profit and this can only be done if operations are efficient through minimum waste and maximum output. There is a strong relationship between the two because the operations system determines the cost of production and the quality of the finished products. Customers will buy the chocolate if it meets their expectations and is affordable. This in turn enables the business objectives of profit and increased market share to be achieved.

2 marks

**b.**

Forecasting is a materials management strategy that helps reduce uncertainty of future events by predicting the quantity and timing of goods to match supply and demand. The manager at the Phillip Island Chocolate Factory would need to gather current and past sales data to analyse trends and anticipate future events like festivals or other attractions that may increase the number of visitors to the factory. Forecasting helps decide the quantity to be produced each day to avoid any excess or shortages, as both impact on sales and profit.

Mark allocation:

*1 mark is allocated for the definition of forecasting.*

*2 marks are allocated for the description of its application to the Phillip Island Chocolate Factory.*

3 marks

**c.**

Both quality control and quality assurance are two approaches that help a business like the Phillip Island Chocolate Factory monitor the standard and taste of the chocolate products being produced and sold to customers. It is about reducing defects and ensuring that the taste, texture and appearance of the chocolate meets the expectations of their customers.

Quality control is a process where the chocolate would be checked at regular intervals during the production process to ensure that it conforms to the required standards. The manager or owner would have already established quality benchmarks and each batch would be checked against this standard. If there were issues then corrective action would need to be taken. This process is reactive with rejected products being costly to the business and creating unnecessary waste.

If the business adopts the quality assurance approach then it checks the quality of its products against those set by an independent body. An audit of the chocolate range would take place and if the standards were met then the factory would be able to gain accreditation and visually display this to reassure customers of its high quality products. It is time consuming and costly to prepare all the necessary documentation and to have the assessments done, but it does lead to accreditation and certification.

Mark allocation:

*2 marks are allocated for the explanation of each quality strategy. (x2)*

4 marks

**d.**

An agreement refers to the pay and working conditions negotiated at the workplace level with or without union involvement. This allows for more flexibility and incorporates productivity based gains. This differs to an award which is part of the centralised system of workplace relations with an external tribunal setting the pay and working conditions for employees in a whole industry.

Mark allocation:

*1 mark is allocated for the description of each term with an emphasis on the difference. (x2)*

2 marks

**e.**

One strategy to improve the corporate culture at the Phillip Island Chocolate Factory would be to offer more training and development programs for the staff to enable them to build on their chocolate making skills as well as on the values and practices of the business. Management or the owners could identify areas for improvement and provide targeted training to promote a more cohesive staff that work towards achieving the business objectives of the chocolate factory. This could be time consuming and costly but will contribute to a more positive culture.



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Another strategy would be to focus on more rituals or celebrations with management or the owners organising more regular social gatherings to promote a sense of belonging and connectedness to the business to improve the corporate culture. This will however only work if staff are willing to attend these social gatherings which will require time and planning to be successful.

*Students can refer to other strategies to answer this question.*

Mark allocation:

*2 marks are allocated for the discussion of each strategy. (x2)*

4 marks

**f.**

Maslow's motivation theory is based on a hierarchy of needs with employees moving up the hierarchy once a lower order need has been met. Employees would initially be motivated to work productively at the chocolate factory to meet their physiological needs including food, sleep, shelter and clothes. They would then seek to satisfy their safety needs which includes the need for financial security and a safe work environment. Once this need is met employees would be seeking high order needs such as social (i.e. a sense of belonging) followed by esteem (responsibility, recognitions etc.) and finally self-actualisation. Each employee at the factory would have different needs that have to be satisfied to maintain high levels of motivation. The owner or human resource manager would need time to create a workplace that attempts to satisfy all the needs of each employee to increase productivity levels. It would also be difficult to determine where all employees are on the hierarchy and to develop practices and strategies to suit them given time and financial constraints.

Mark allocation:

*3 marks for the examination of Maslow's theory of motivation.*

*3 marks for the discussion of how the theory could be applied to the chocolate factory.*

6 marks

**g.**

The chocolate factory would adopt the principles of lean management to reduce waste and in turn costs with the aim of increasing efficiency and business competitiveness. The owner or managers would need to identify what the customers want when they visit the chocolate factory and the prices they are willing to pay for the products to meet these expectations. The owner/managers would also need to ensure that all staff are responsible for detecting waste and reducing this whether it is time related or resources. The just-in time inventory system could also be implemented to make sure that the ingredients for the chocolates arrive just as they are needed in the production process to reduce costs stemming from excess orders, storage needs, damage and theft. Management would need to balance the lean approach with producing a high quality product improving efficiency and effectiveness in the process.

Mark allocation:

*1 mark is allocated for the explanation of each principle of lean management. (x4)*

4 marks