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Trial Examination 2018

# **VCE Business Management Units 3&4**

Written Examination

**Suggested Solutions**

## SECTION A

### Question 1 (2 marks)

A sole trader is a business structure with one owner. The sole trader makes all of the decisions relating to the business and has to manage all aspects of it. A partnership, however, can see a business having between two and twenty owners. The partners all contribute to the financing and decision-making in the business. A partnership often allows the business to expand and access finance more readily than a sole trader.

2 marks

*Award 1 mark for definition(s) of sole trader **and/or** partnership.  
Award 2 marks for definitions of sole trader **and** partnership, **and** identification of differences/a distinguishing feature between the two.*

### Question 2 (19 marks)

- a. Two features of a participative management style are two-way communication and group or team decision-making.

In two-way communication, a manager will communicate with employees and then take on board the comments and opinions of their team and others. The communication is top-down and bottom-up.

In group decision-making, the team or group as a whole makes the final decision after discussion. The manager is one person in the group and does not make the final call on their own.

Participative managers need to use a number of management skills. One of these is communication, which can be defined as the process of creating and exchanging information between one or more people. It is vital for the manager to be able to convey and receive messages and ideas with a number of different people. If a manager cannot communicate effectively, then it is unlikely employees will be able to understand messages from the manager or carry out instructions.

Delegating is a second skill a participative manager needs to possess. This is the passing down of authority to subordinates to perform tasks or make decisions. The manager still has the formal authority and accountability, but it provides an opportunity for employees to develop their skills and experience. It also provides a way to motivate employees, as they will feel that they have contributed to the business. If a manager is going to get others involved in decision-making, as well as the tasks and duties that need to be performed, it is important that the manager can delegate effectively.

6 marks

*Award 1 mark for a limited description of one feature of a participative management style **or** a limited explanation of one management skill used.  
Award 2 marks for a sound description of one feature of a participative management style **or** a limited explanation of two management skills used.  
Award 3 marks for a sound description of one feature of a participative management style **and** a limited explanation of two management skills used.  
Award 4 marks for a sound description of two features of a participative management style.  
Award 5 marks for a sound description of two features of a participative management style **and** a sound explanation of one management skill used.  
Award 6 marks for a sound description of two features of a participative management style **and** a sound explanation of two management skills used.*

*Note: The management skill identified must be one that would be used by a manager who employs a participative management style. Other skills include, for example, planning, leading and interpersonal.*

- b.** Business objectives are the outcomes that a business wishes to achieve. One of the most important stakeholders in terms of business plans and objectives is the employees. It is therefore important that a business creates positive relationships between managers and employees so that it can achieve all of its objectives successfully. It is vital that a business ensures that it has the right employees who are in the best positions, and have the skills and abilities to complete the tasks they are required to do. If the relationship between employees and management is poor, then it is likely that productivity will be low and the business may not be able to achieve its objectives.

3 marks

*Award 1 mark for a limited analysis of managing employees **or** business objectives.*

*Award 2 marks for a limited analysis of the relationship between managing employees and business objectives.*

*Award 3 marks for a detailed analysis of the relationship between managing employees and business objectives.*

- c.** Locke and Latham's Goal Setting Theory explains the importance of setting goals to assist and increase the motivation of employees. It was found that setting goals leads to increased effort, task focus and persistence in individual and group efforts. Goals can be set for everyone in the business at an individual and group level.

It is important, according to the theory, that goal setting involves clarity, the appropriate level of challenge, a commitment from employees, opportunities for employees to receive and give feedback to their manager, and task complexity. It provides a framework and an approach for managers wishing to motivate employees.

4 marks

*Award 1 mark for a limited description of the theory.*

*Award 2 marks for a fair description of the theory.*

*Award 3 marks for a very good description of the theory.*

*Award 4 marks for an excellent description of the theory.*

- d.** One motivation strategy that may be used by managers to motivate employees is investment in training. If a business needs its employees to have the skills and knowledge to carry out their duties, then it is important that they are trained and possess the abilities required. One advantage of training as a strategy is that it provides employees with a sense of loyalty, as they feel appreciated and have opportunities to advance their careers in the business. One disadvantage of this strategy is that if a business overlooks some employees for training, they may feel under-appreciated and unhappy, which has an impact on their motivation and effort.

One short-term effect of training on employee motivation might be that an employee immediately has the skills needed to do a job efficiently. In the long-term, investment in training and development might focus on skills which can be transferred across different roles within the business, which would have a positive impact on the overall skills and abilities of the staff.

6 marks

*Award 1 mark for identification of a motivation strategy.*

*Award 2 marks for an explanation of a motivation strategy.*

*Award 3 marks for the above, **and** an advantage **or** disadvantage of the strategy.*

*Award 4 marks for an explanation of a motivation strategy, **and** an advantage **and** disadvantage of the strategy.*

*Award 5 marks for the above, **and** a long-term **or** short-term effect of the strategy.*

*Award 6 marks for an explanation of a motivation strategy, an advantage **and** disadvantage of the strategy, **and** a short-term **and** long-term effect of the strategy.*

*Note: Other strategies include support, sanction, performance-related pay and career advancement.*

**Question 3** (12 marks)

- a. Leadership is crucial in the change management process. The leaders of the business must have a clear vision as to the direction of the business, the reasons for the change and the process that will occur. If leadership is not consistent, inclusive and able to articulate what will happen and why, then it is unlikely that other stakeholders will understand or support the changes or transformation of the business.

2 marks

*Award 1 mark for some explanation of the importance of leadership in the change management process.*

*Award 2 marks for a detailed explanation of the importance of leadership in the change management process.*

- b. One management strategy Esme could implement to seek new business opportunities is taking advantage of the support, advice and programs that are available from the Federal Government. Programs include gaining advice and incentives to assist businesses that wish to export products and services. This will help the business to manage the regulations and requirements in the country or countries they wish to move into. Exporting and establishing a business in another country will be easier if Esme is supported and understands the possible barriers that might be met. While this will assist Esme, she does need to use her experience and skills to support this move as well. Esme needs to manage a workforce made up of people from different backgrounds and cultures. Advice and support will assist a smooth transition.

5 marks

*Award 1 mark for limited identification of a domestic or global opportunity.*

*Award 2 marks for sound identification of a domestic or global opportunity*

*Award 3 marks for sound identification **and** a limited discussion of a domestic or global opportunity.*

*Award 4 marks for sound identification **and** sound discussion of a domestic or global opportunity.*

*Award 5 marks for the above **and** links to the scenario and ETS.*

- c. Corporate culture is the shared values, attitudes and beliefs of people within a business. Corporate culture can be both official and/or real. Official corporate culture includes the values and beliefs the business wants to portray to the public and its stakeholders, and is seen through the slogan, logos, vision and mission statements, policies and other company documents. Real corporate culture, on the other hand, is what actually occurs in the business, and can be seen through the way people interact with each other, the language used in the workplace and relationships. While businesses would like to have a positive corporate culture with no differences between real and official culture, this is often not the case.

One strategy Esme could use is the choice of management style in the business. If the management style used is consultative or participative, then it is more likely that employees will be involved in the decision-making processes and feel that there is more open communication. If an autocratic or persuasive style is used, then the culture may be less positive, as employees may not feel that they are contributing or valued. Using a participative or consultative management style will allow the business to develop a culture that will assist and develop it.

4 marks

*Award 1 mark for a definition of real **or** official corporate culture.*

*Award 2 marks for a distinction between real and official corporate culture*

*Award 3 marks for the above **and** proposing a strategy for implementation.*

*Award 4 marks for the above **and** justifying the proposed strategy.*

*Note: Other strategies also include the creation of formal written mission, vision and values statements, establishment of management structures, policies developed, official business documentation, the work environment and stories, narratives and rituals.*

**Question 4** (7 marks)

- a. The key elements of the operations system are inputs, process and outputs.

Inputs are the raw materials and resources required to make a product or provide a service. Examples of inputs include labour, machinery, parts and factories. Yakult, for example, has inputs such as employees on the production line, machinery to make the product and ingredients.

Process means that the inputs are taken and transformed into a product or service. The process could include the production line and mixing of ingredients. At Yakult the inputs are changed into a drink and packaged ready to leave the factory.

Outputs are the final product or service. This can be a product to sell or a service for a customer. The output at Yakult is the drink, and it is ready to send to supermarkets and other retail outlets.

4 marks

*Award 1 mark for an overview of the key elements of an operations system.  
Award 2 marks for explanation of key elements of an operations system **and** an example of one of inputs, process **or** outputs.*

*Award 3 marks for explanation of key elements of an operations system **and** examples of two of inputs, process **or** outputs.*

*Award 4 marks for explanation of key elements of an operations system **and** examples of inputs, process **and** outputs.*

*Note: The examples must relate to a contemporary business case study.*

- b. The operations management of a manufacturing business is usually based around the business producing a product or good, and this process is completed independently of the customer – it is usually stored and sold through another outlet or business. On the other hand, a service-based business sees the consumption of the service at the point of delivery. It is often more customised to the needs of the consumer and cannot be stored. Service production and delivery occur through the business and customers, and there is usually not a third business or party involved. Sometimes a business can have both a service and a product-based operations system; for example, if a person went out for lunch, then the meal would be a product and the waiting staff would provide the service.

3 marks

*Award 1 mark for stating one point of similarity between a product and a service-based operations system.*

*Award 2 marks for some comparison (more than one similarity **and/or** difference) between a product and a service-based operations system.*

*Award 3 marks for a detailed comparison (both similarities **and** differences) between a product and a service-based operations system.*

**Question 5 (10 marks)**

All businesses go through changes and it is likely that, for many, change is continual and must be managed if a business wishes to remain competitive and be successful. Lewin's Force Field Analysis theory can be used to recognise the forces for change that can drive or impede change in a business. If a business fails to take these forces into account when managing and implementing change, it may mean that the business is unsuccessful in making the required changes.

Lewin's Force Field Analysis theory provides a tool or framework to help understand the problems and effects of change and transformation on a business. The theory examines the driving and restraining forces a business needs to consider. Driving forces are those that push or force a business to make changes. These include managers, employees, competitors, legislation, the pursuit of profit, cost reduction, globalisation, technology, innovation and societal attitudes. They support and initiate change and usually continue to push the business to make the necessary changes. Restraining forces, on the other hand, are those that block or hinder change from occurring. These include managers, employees, time, organisational inertia, legislation and financial considerations. According to Lewin, driving forces have to outweigh restraining forces for change to be successful. Therefore there is a one-in-three chance that the change can be implemented. This highlights the importance of the change management process, and it is vital that businesses plan to ensure that change is successful.

One driving force for change that can impact a business is competitors. Competition between businesses may mean that a business has to try to pre-empt its competitors and respond to changes in the market quickly. If a business cannot come up with new products, or continually improve its services or products, it may find that customers go to another rival business instead. The retail sector, in particular the grocery sector, is highly competitive, and the major supermarkets are always trying to make changes to ensure they keep or improve their market share and sales.

A second driving force is societal attitudes. This can drive many changes in a business. Australia is going through change due to the ageing workforce and population, an increase in the number of women in the workforce, increased demand for new services such as online shopping, increased education levels of employees and the push for work-life balance. These and many other factors influence businesses in how they operate and what products and services they provide. If businesses do not respond to these societal changes, they may find that their business suffers, and that they do not attract the types of employees they would like.

One restraining force that impacts on businesses is employees. Employees are crucial to the success or otherwise of a business, and are often the competitive edge or point of difference between one business and another. Most people are afraid of change and the impact it may have on their lives and jobs. If an employee feels that the change will make them worse off or that they have not been consulted or communicated with, then they are more likely to resist. If resistance to change cannot be managed and overcome then it is unlikely that the change will be successful. Managers and owners must take employees into account when implementing change.

A second restraining force that a business must manage is organisational inertia. This is the lack of ability of a business to react to the pressures for change; instead, it tends to continue to operate in the way that it always has, regardless of what is happening in their industry or internally. Some businesses that have been established for a long time may suffer from organisational inertia and are not able to make the changes that are required. A business may find that it does not survive or performs poorly because it has not been able to adapt change as required and is left behind by its competitors.

If businesses do not understand the impact of change and are not able to identify driving and restraining forces, then it is likely that the business will suffer. Ignoring or postponing change will not allow the change process to occur or be successfully managed. A business and its managers need to understand their environment and provide the conditions that enable change to be implemented, as well as ensure that employees are consulted, and that they anticipate changes and stay ahead of their competitors.

10 marks



*Award 1–2 marks for a limited explanation of Lewin’s theory, **or** identifying one driving force **or** restraining force.*

*Award 3–4 marks for a sound explanation of Lewin’s theory, **and** identifying one **or** two driving **and/or** restraining forces with little explanation.*

*Award 5–6 marks for a sound explanation of Lewin’s theory, **and** identifying one **or** two of the driving **and/or** restraining forces with some explanation, although it is lacking in detail.*

*Award 7–8 marks for a very good explanation of Lewin’s theory, identification **and** explanation of two driving forces **and** two restraining forces for change, **and** a limited explanation of why these forces need to be taken into account.*

*Award 9–10 marks for an excellent explanation of Lewin’s theory, identification **and** explanation of two driving forces **and** two restraining forces for change, **and** a detailed explanation of the reasons why these forces need to be taken into account.*

*Note: Other driving forces for change that can be explained include legislation, managers, globalisation, technology, innovation, pursuit of profit and reduction in costs.*

*Other restraining forces include time, legislation, managers and financial considerations.*

## SECTION B – CASE STUDY

### Question 1 (2 marks)

Key performance indicators (KPIs) provide a business such as Premier Research Institute with an idea of how it is performing and what it needs to do to in order to continue to be successful. KPIs also allow the business to make a judgment as to what areas of the business might need to be changed to improve further. Data and information from KPIs give a business regular updates in regards to a wide range of areas such as sales, finance, waste and budget variances.

2 marks

*Award 1 mark for a limited explanation of how KPIs provide information and data to a business.*

*Award 2 marks for a detailed explanation of how KPIs provide information and data to a business.*

### Question 2 (4 marks)

A stakeholder is a group or individual with a vested interest in a business. Two stakeholders of Premier Research Institute include employees and customers.

Employees will have an interest in the plans and changes in the business as these will have a direct impact on their work and possibilities in the future. If the business decides to move into other products, some employees may have the opportunity to move within the business and take on new roles and tasks, while others may find that their jobs are in jeopardy if they do not have the skills required for the new products.

A second stakeholder with an interest in the changes in Premier Research Institute are customers.

Customers may find that their access to services and products is reduced, as the business is expanding into other products and there is a different focus. Potential customers from other areas such as hospitals would be excited about the prospects of new products to use in their business.

4 marks

*Award 1 mark for identification of one stakeholder.*

*Award 2 marks for identification of two stakeholders, **or** identification of one stakeholder **and** a detailed description of the effect of the change on them.*

*Award 3 marks for identification of two stakeholders **and** a detailed description of the effect of the change on one of them, **or** a limited description of the effect of the change on both of them.*

*Award 4 marks for identification of two stakeholders **and** a detailed description of the effect of the change on both of them.*

**Question 3** (5 marks)

Most businesses now depend on suppliers based in other countries for inputs and manufacturing for their products. It is important for the business to consider how they can manage this process to ensure that they have a reliable supply of high quality materials and components. The supply chain is the system of businesses, people, resources and activities that are involved in getting a product from suppliers or manufacturers to the final user. Supply chain management is important, and the process needs to be managed so that the business can remain competitive. There are a number of issues that Premier Research Institute needs to consider, including the sourcing of inputs. Accessing and sourcing inputs from the global economy has a number of advantages, including opportunities to gain inputs for a price that allows the business to remain competitive. Sometimes there are inputs, resources, expertise and services that are not available in Australia but are available in the global economy and from other countries. Overseas manufacturing can also be necessary, as some large suppliers can take advantage of large-scale production and are more efficient than a smaller manufacturer in Australia.

It is also important for the business to make sure that they have considered some of the issues that may also arise when sourcing inputs globally. This can be very important for a small business that may not have the bargaining power or influence of a larger business.

One of the issues that Premier Research Institute could take into account is the exchange rate. If the Australian dollar falls in value against other currencies then the cost of inputs increases, making the final product more expensive. Australia is a long distance away from many countries, and this can make it difficult if there are issues and delays with inputs and products – it can hold up the production schedule of the business due to the time lag in delivering and receiving materials.

5 marks

*Award 1 mark for identifying **and** providing a limited explanation of two global considerations to be addressed.*

*Award 2 marks for identifying **and** providing a sound explanation of two global considerations to be addressed.*

*Award 3 marks for identifying **and** providing a detailed explanation of one global consideration to be addressed, **and** identifying **and** providing a limited explanation of a second global consideration to be addressed.*

*Award 4 marks for identifying **and** providing a detailed explanation of two global considerations to be addressed.*

*Award 5 marks for identifying **and** providing a detailed explanation of two global considerations to be addressed **and** a link to Premier Research Institute.*



**Question 4** (6 marks)

Two of the KPIs used by the business are the percentage of market share and the level of staff turnover.

The percentage of market share is the proportion of the market and sales that a business has. The greater the market share, the more sales a business generally has.

The level of staff turnover can be used to measure the number of people that leave a business and need to be replaced. The higher the level of staff turnover, the more likely it is that people are unhappy in the workplace and want to go somewhere else to work.

The KPIs provide Premier Research Institute with information and trends that can be used to support future decisions. Over the past four years the percentage of market share has grown slowly each year, meaning the business has been successful in gaining sales and a proportion of the market from their competitors. This information suggests the business has been successful in selling products and services.

The level of staff turnover has been increasing each year and has had a significant increase in 2018, which indicates that many of the staff are not happy in the business. When staff turnover increases it means that Premier Research Institute is losing experienced staff, which also might have a negative impact on the corporate culture of the business. Whenever someone leaves they need to be replaced, but the new employee may not have the same level of expertise and so will have to go through an induction and training program.

6 marks

*Award 1 mark for defining one KPI from the table.*

*Award 2 marks for defining two KPIs from the table.*

*Award 3 marks for the above **and** a limited explanation of the reasons why the information from one KPI might be useful.*

*Award 4 marks for defining two KPIs from the table **and** a detailed explanation of why the information from one KPI might be useful, **or** a limited explanation of why the information from both KPIs might be useful.*

*Award 5 marks for the above **and** linking this to Premier Research Institute.*

*Award 6 marks for defining two KPIs from the table **and** a detailed explanation of why the information from both KPIs might be useful, **and** analysis of the trends in the KPIs set out in the table **and** linking this to Premier Research Institute.*

**Question 5** (4 marks)

Porter's Generic Strategies are 'lower cost' and 'differentiation'. Porter's framework or approach should be considered in terms of a business trying to establish a competitive advantage and/or focusing on the target market they wish to move into.

The differentiation approach focuses on the differences between the product and/or service of the business and its competitors. Differentiation emphasises the uniqueness of the product in order to attract customers away from competitors, and pushes customers to purchase their product and services instead. Differentiation may focus on one or more of the following factors: product durability, quality and support, and service quality. The objective of this approach is to create a positive reputation and long-term brand loyalty. Examples of businesses that use this approach include BMW, Chanel and Nike.

Premier Research Institute could use a differentiation strategy when looking at strategic considerations. By setting itself apart from its competitors through a focus on a unique, high-quality product range, it is likely to attract and retain customers and market share.

4 marks

*Award 1 mark for a limited definition or explanation of either differentiation **or** lower cost.*

*Award 2 marks for a detailed explanation of differentiation **or** lower cost.*

*Award 3 marks for the above **and** a limited explanation of how a business might use this approach.*

*Award 4 marks for a detailed explanation of differentiation **or** lower cost, **and** a detailed explanation of how Premier Research Institute might use this approach.*

*Note: An outline of lower cost could also be given.*

**Question 6** (4 marks)

Premier Research Institute could use the low-risk strategy of employee empowerment. Providing employees with adequate and timely information and the opportunity to make decisions means that they feel more involved, and therefore will accept and take ownership of the changes rather than resist them.

A business would decide to use this strategy as it is more likely to be successful when compared with high-risk strategies that might get employees upset and cause them to be more likely to resist any proposed changes. It is difficult to get changes through, and if employees feel that they have not been involved in the process, then it will not be implemented successfully.

4 marks

*Award 1 mark for identification of a low-risk strategy.*

*Award 2 marks for identification **and** explanation of a low-risk strategy.*

*Award 3 marks for the above **and** a limited justification of why a business would use this strategy.*

*Award 4 marks for identification **and** explanation of a low-risk strategy, **and** a detailed justification of why this strategy would be used.*