**BUSINESS MANAGEMENT

Unit 3 – Written examination**

PES

# 2019 Trial Examination

***Suggested Solutions***

General information to teachers and students:

Students are encouraged to write full sentences and explain concepts fully. They should not list or dot point answers

When asked for advantages/disadvantages or similarities or differences, students should indicate which is the advantage and which is the disadvantage

As a general guide students should be writing 3-4 lines per allocated mark.

Whilst examples, unless specified, are not necessarily required, they can help to make an answer clearer for the reader.

If there is a question requiring a specified number of answers, E.g. Outline 2 advantages, students are not encouraged to supply more than the specified number. Only the first two answers should be considered.

If asked to justify an answer, students should supply the positive reasons to support their answer and not introduce negatives. (Contrast, evaluate, argue, discuss and analyse will require students to argue both sides)

Once you have used a term in full (e.g. Corporate Social Responsibility) you can then abbreviate it in brackets, (CSR) using the shortened version thereafter.

**SECTION A**

**Question 1 (10 marks)**

a. Define the term ‘effectiveness’. 2 marks

Effectiveness is the degree to which a business achieves its stated objectives. A business is considered effective if it is able to meet quality standards with high levels of customer satisfaction or gain a high rating for its corporate social responsibility if these are high priority objectives of the business.

*1 mark for clear definition*

*1 mark for depth of answer or example demonstrating a clear understanding of effectiveness*

b. Explain how each of the following areas of management responsibility contribute to the achievement of business objectives. 4 marks

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| * Sales and Marketing

The sales and marketing area are responsible for the promotion of the goods or services that are produced or supplied by a business. The marketing department are responsible for developing strategies to improve the branding, advertising, recognition and developing customer loyalty which increases sales. Increasing sales helps a business to achieve a growth in market share, allowing the business to benefit from economies of scale by producing more goods or service at a lower cost per unit. The growth in sales revenue may also be used to invest in new technology, increasing the efficiency of a business and increasing profit.* Finance

The finance department is responsible for using the financial resources within the business in an effective way to consolidate the operations or provide for any growth or future expansion. The finance manager’s tasks include budgeting, recording and reporting financial information, making decisions to increase revenue and reduce costs and reporting on the financial stability of the business. The finance area must make decisions relating to the costs of production and mark-up of goods or services, ensuring that the businesses pricing strategy achieves maximum profit.*1 mark for clear description of first area of management responsibility* *1 mark for explanation of how the area of management responsibility leads to the achievement of business objectives**1 mark for clear description of second area of management responsibility* *1 mark for explanation of how the area of management responsibility leads to the achievement of business objectives.* |

c. Describe each of the following management skills. 4 marks

* Interpersonal skills

The ability of a manager to effectively interact with people on a personal basis in everyday life. A manager with good interpersonal skills will be able to build trust in order to lead (empathy), be able to provide support in stressful situations and be able to motivate and encourage others in the workplace.

* Planning skills

The ability to set in place logical steps to achieve an objective in the future. A manager with good planning skills will be able to put in place and follow steps such as deciding on objectives, analysing the current situation, developing an action plan and evaluating the outcome of the plan.

*2 marks for descriptions of each of the management skills*

*2 marks for depth of description of each skill*

**Question 2 (10 marks)**

a. Explain the characteristics of two stakeholder interests in a business including a potential conflict of interest for the business. 4 marks

Customers are those who purchase the goods or services of a business and want quality goods or services at a reasonable price with good customer service. This conflicts with Suppliers who provide the raw materials needed for the production of a good or service. Suppliers want to sell large volumes of raw materials to businesses and get top prices for their materials in order to maximise the supplier’s own profit. By charging high prices, the supplier may cause the product price to the customer to increase which will increase the wealth of the supplier but cause the customer to face rising product costs, thus reducing their net wealth.

*2 marks for two stakeholder interests explained*

*2 marks for clear explanation of the conflict between stakeholders*

b. Analyse the interest of a stakeholder of a business and their interest in corporate social responsibility of the business. 3 marks

Shareholders are the owners of a private or public company who rely on the success of the business in order to earn dividends as a reward for their investing in the company. Shareholders want regular dividends as well as share growth in order to improve their own net wealth. When a business engages in corporate social responsibility actions, often there is a cost to the business, whether it be the time taken to develop policies, the loss of staff focus on core activities or the use of business resources to help the community. This cost reduces the profit of a business and so negatively impacts the dividends paid to shareholders. However, shareholders do benefit from a business engaging in corporate social responsibility activities as customers are likely to stay loyal and buy more products from businesses who ‘give back’ to the community or proactively reduce their impact on the environment so a corporate social responsibility business will achieve long term success.

*1 mark for analysis of a stakeholder interest*

*2 marks for a link between the selected stakeholder and their interest in corporate social responsibility*

c. Analyse a strategy for the development of a business’s corporate culture to include corporate social responsibility considerations. 3 marks

To develop the corporate culture of a business, management can create a powerful mission statement using input from business-wide stakeholder groups that would create a shared vision and establish the values and standards expected within the business. If this mission statement included a commitment to corporate social responsibility such as reducing the environmental impact of the business, the whole business would have a clear focus with both management and employees accountable to the public commitment written in the mission statement. This would make the business more likely to succeed with their environmental objective. One problem with this strategy, however, is that the mission statement is a public document and the community will hold the business accountable to its promises. If corporate social responsibility objectives are not achieved, the businesses reputation will be damaged.

*1 mark for explanation of a corporate culture strategy including corporate social responsibility consideration*

*2 marks for analysis explaining possible benefits or costs of the strategy.*

**Question 3 (10 marks)**

a. Explain the relationship between operations and business objectives. 2 marks

Operations is a core function of any business and involves the management of the inputs by processing them into outputs. It is the operations manager’s responsibility to increase competitiveness of a business by increasing the level of quality of goods or services, increasing productivity by decreasing costs and waste and increasing the speed of delivery to the customer. The successful operations manager will help the business to outperform competitors and will contribute to increasing profit figures by producing goods and services faster, at a higher quality and at a lower cost.

*1 mark for role of operations*

*1 mark for the link between operations and achieving business objectives*

b. Describe the characteristics of a service business. 2 marks

A service business does not rely heavily on raw materials needed for production but rather include the office, store or service centre where managers and employees work, equipment such as computers and photocopiers and raw materials such as paper and pens. The processes involve the transformation of resource inputs into goods or services relies heavily on employees interacting face to face with customers. The outputs are the final service that is delivered to the consumer and is intangible meaning it cannot be stored or held, but usually involves information being exchanged or help or support given to the customer.

*2 marks for a minimum of two characteristics of a service business*

c. Compare the principles of the materials management strategy, Just In Time with the principles of a lean management strategy you have studied this year. 6 marks

Just In Time is a strategy involving minimizing the storage of raw materials and double handling and reducing the chance of obsolescence by making the inputs available at the correct time and correct quantity for production to occur and is a materials management strategy. In contrast, Lean Management involves eliminating waste by using employee involvement to identify and remove all activities and processes that to not add value to a product as it is being produced. Whilst lean management principles include the use of JIT, Lean management is a much more holistic system that looks at removing wastage from the entire operations system, not just the material inputs part of operations.

A similar feature of both Just In Time and Lean management is that they both focus on eliminating double handing of materials as part of their emphasis on reducing wasted time. Another similarity is the benefit of cost savings associated with both Just In Time and Lean management as there is much less wastage of raw materials in both systems with immediate delivery of raw materials as needed reducing any chance of obsolescence of materials.

*3 marks for at least two similarities between the two strategies*

*3 marks for at least two differences between the two strategies*

*Overall, whilst definitions are not required of the two strategies, students should demonstrate a sound understanding of the two strategies in their answers.*

**Question 4 (10 marks)**

1. Describe a quality strategy. Explain how the strategy you have chosen could improve the efficiency and effectiveness of a business. 4 marks

Total Quality Management (TQM) is a process that emphasizes continuous improvement in all aspects of the business by sharing responsibility among all employees with customer focus being the top priority. TQM is proactive as quality teams identify improvements that can be made to improve quality and work towards zero tolerance of defects.

TQM is proactive and therefore production/service systems use quality circle teams to eliminate errors, flaws or waste prior to production or provision of the service. This creates efficiency as products are flawless and no waste needs to be disposed of which reduces materials cost as well as waste disposal costs.

TQM also achieves effectiveness as customer satisfaction will rise as customers are not delivered faulty or flawed products and will be happy with the increased quality standards creating positive long term customer relations.

*2 marks for explanation of a quality strategy*

*1 mark for explaining how the strategy improves efficiency*

*1 mark for explaining how the strategy improves effectiveness*

b. Analyse the supply chain management of a contemporary business case study from the past four years. 6 marks

The supply chain for Yakult, a manufacturer of a probiotic milk based product, involves the sourcing of skim milk powder, sugars and the live probiotic. Yakult will establish strong supplier relationships to ensure quality of raw materials and on-time delivery of the raw materials so that daily production targets are achieved. Part of the success of Yakult’s supply chain is the strong communication pathways and use of technology to ensure correct supply of raw materials occurs. The supplier also benefits from this relationship as they gain long term supply contracts and Yakult will give advance notice of any production changes allowing the supplier to plan ahead. Once suppliers have delivered the correct quantity and quality of raw materials to Yakult, processing occurs and the supply chain continues as the product is batched into customer orders and stored whilst awaiting testing to ensure each batches quality. Once released to be transported to the retailer, Yakult uses refrigerated trucks to transport its probiotic drinks, ensuring that the supply chain maintains freshness of the product onto the shelf of a supermarket and into the hands of the customer purchasing Yakult.

*Mark globally*

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| *Mark Range* | *Descriptor: typical performance in each range* |
| *High**5-6 marks* | *The response demonstrates a clear understanding of supply chain management**The response shows clear analysis of supply chain management including possible benefits of supply chain management for the supplier or the business studied**The response gave a clear application of a relevant contemporary case study* |
| *Medium**3-4 marks* | *The response demonstrates a fair understanding of supply chain management**The response shows some analysis of supply chain management including possible benefits of supply chain management for the supplier or the business studied**The response gave a limited application of a relevant contemporary case study* |
| *Low**1-2 marks* | *The response demonstrates some understanding of supply chain management**The response shows no or very limited analysis of supply chain management* *The response included no reference to a contemporary case study or the case study is outside the range to be considered ‘contemporary’* |
| *0* | *Response does not relate to any elements of the question* |
| *NA* | *No attempt at a response* |

**Question 5 (10 marks)**

*Corporate social responsibility is an important consideration in any operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs. Corporate social responsibility is the most important objective of any Australian business in 2019.*

Evaluate this statement with reference to a business you have studied this year.

Corporate Social Responsibility is the obligation of businesses to consider the interests of society by acting ethically and taking responsibility for the economic, social and environmental consequences of their activities on all stakeholders. Businesses have an obligation to the communities in which they operate and must use their resources in an environmentally sustainable way that doesn’t use resources that cannot be replenished or create extra waste that damages the environment because long term harm can be done that cannot be reversed and we cannot rely on Governments to be solely responsible for fixing/regulating actions to ensure the sustainability of the planet.

It is the morally correct thing for businesses, when sourcing inputs, to demand raw materials that are recycled or recyclable, sourced through Fairtrade or sustainable suppliers, even though ethical raw materials can present a considerable extra cost to the business. In relation to the use of power, businesses should source equipment that is the most energy efficient available and continue to upgrade as more efficient equipment or technology becomes available. Businesses can also reduce environmental damage by minimizing the transportation of either goods or employees/executives. Bulk deliveries rather than frequent smaller deliveries and the avoidance of flying executives to conferences, but rather, using e-conferencing systems will reduce the use of fossil fuels and could also represent some cost savings to the business.

In relation to waste generated from processes, businesses should seek ways to re-purpose or recycle waste materials, even though the time and effort put into re-purposing or finding another business that may be able to use waste materials may not value add to business operations. By avoiding sending waste to land fill, the environmental damage is reduced. Many businesses can easily install water treatment processes so that waste water can be used for gardens or toilets. This conserves water and is a step towards environmental sustainability.

In relation to outputs, most products purchased have unnecessary or environmentally damaging packaging that ends up adding to land fill rather than being recycled. This waste could be avoided by businesses re-designing packaging or eliminating the use of plastics in favour of recycled or recyclable materials. The growth in postal/courier delivery from business to consumer as a result of online sales also represents damage to the environment as fuel is consumed and many trucking and transportation companies do not employ environmentally sustainable practices. Sourcing environmentally sustainable transportation methods would positively impact on a business’s environmental impact, however, could represent a significant increase in operating costs which could negatively impact on shareholder returns.

In reference to the statement, I disagree that corporate social responsibility is the most important objective of businesses. Whilst many businesses attempt to minimise the environmental damage done via their operations, the added costs represent a reduction of competitiveness against cheap imported products. In order to survive, many businesses must maximise profit and return to shareholders and minimise costs. I believe that 2019 Australian businesses must highly prioritise environmental sustainability and innovate or use their corporate social responsibility actions as one of their key goals but not to the entire exclusion of competitiveness, profitability and return to shareholders.

*Mark globally*

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| ***Mark Range*** | ***Descriptor: typical performance in each range*** |
| *9-10 marks**Very High* | *Very high level of understanding of corporate social responsibility concepts**Clear explanation of environmental sustainability and waste issues related to the input, process and output stages of operations**Evaluation was of a very high standard and included an opinion* |
| *7-8 marks**High* | *High level of understanding of corporate social responsibility concepts**Explanation of environmental sustainability and waste issues related to the input, process and output stages of operations**Evaluation was present and included an opinion* |
| *5-6 marks**Medium* | *Good level of understanding of corporate social responsibility concepts**Some explanation of environmental sustainability and waste issues related to the some of the stages of operations**Some attempt at evaluation present*  |
| *3-4 marks**Low* | *Basic level of understanding of corporate social responsibility concepts**An attempt at relating general environmental issues related to operations**Little or no evaluation present*  |
| *1-2 marks**Very Low* | *Some attempted explanation of corporate social responsibility concepts/general environmental issues related to operations**Little or no evaluation present* |
| *0 marks* | *Response does not address any of the issues/concepts in the question* |
| *NA* | *No attempt at response* |

**SECTION B**

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| “The National Australia Bank has started cutting 1,000 jobs - the first of 6,000 positions to go over the next three years.The bank this morning confirmed the cuts were beginning."The proposed new structure will reduce the layers and complexity in the bank so that we can be simpler, make decisions faster and be even closer to our customers," said the NAB's Chief People Officer, Lorraine MurphyNAB last year announced it planned to save $1 billion by 2020 through automation.The announcement was made at the same time the bank recorded a $5.3 billion profit.The rise of on-line banking means branches are considered most likely to bear the brunt of cuts, as well as middle-management.One thousand job cuts will be announced each half of the year for the next three years.However the bank is also in the process of hiring 2,000 more staff with skills in digital technology.Existing staff will be offered the chance to apply for transition training to other roles, or redundancy.Tens of thousands of jobs in the banking sector are considered vulnerable in the next few years.”*https://www.9news.com.au/national/2018/02/19/12/37/nab-cuts-first-of-thousands-of-jobs-as-workplace-restructure-gets-underway**© Nine Digital Pty Ltd 2019****‘Chief People Officer’ is another term for the HR Manager*** |

**Question 1**

Describe the key features of a public listed company like National Australia Bank. 3 marks

A public listed company such as NAB has a minimum of one shareholder with no maximum number with the public being allowed access to buying and trading its shares on the Australian Securities Exchange. This allows a business such as NAB to have access to a very large amount of capital. NAB also has the word Limited in its name (or LTD) indicating that NAB is a separate legal entity from its owners and therefore shareholders are not personally liable for any business debts.

*3 marks for three features linked to NAB – 1 mark for each feature*

**Question 2**

Describe the type of termination of employment described in the above article. 2 marks

Redundancy occurs when a person’s job no longer exists or fewer people are required to undertake a job, usually due to the introduction of technology or business restructuring. In this case redundancy has been suggested at NAB due to the introduction of automation, with technology replacing the need for human labour.

*1 mark for description of redundancy*

*1 mark for link to NAB*

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| **Question 3**Evaluate the statement “*Existing staff will be offered the chance to apply for transition training to other roles, or redundancy”* in terms of transition issues*.* 5 marksNAB, in its public statement is behaving ethically by giving employees a choice about the termination of their employment. The offer of transition training is beneficial as it allows the employee to gain new skills in order to move straight in to a new job. This support for the employees will be appreciated and gives the employee the chance to research options and improve their resume whilst still employed. One disadvantage of transition training is the actual cost of such training programs which is considerable and adds to NAB’s financial pressures. For those that choose the ‘redundancy option’, they may be near retirement or may have a skills base that positions them with the ability to choose to take the redundancy option as they are equipped to transition straight into an alternative job or to leave the workforce permanently. Whilst the reputation of NAB will benefit from their approach to these transition issues and the remaining employees will be happier to see their departing colleagues being supported as the leave NAB, this approach delays the inevitable departure of the employees. This represents a huge cost to NAB as wages continue through the training and transition towards voluntary redundancy and this delay puts further financial pressure and could damage the corporate culture as unhappy employees who are transitioning into redundancy could undermine the remaining staff. I believe that NAB is taking the morally correct approach in providing a caring transition for employees with the community appreciating transition training as NAB attempts to reduce the likelihood of unemployment for those employees being made redundant. This saves the /government community from needing to provide financial support to those being made redundant.*2 marks for benefits/advantages of the transition options in statement linked to NAB**2 marks for costs/disadvantages of the transition options in statement linked to NAB**1 mark for opinion related to the statement* |

**Question 4**

National Australia Bank has approximately 30,000 employees, over 1,500 branches and services centres and over 4,400 ATMs across Australia, New Zealand and Asia serving 12.7 million customers. With potentially 1 in 5 jobs being cut over the next three years and an additional 2,000 employees hired, describe and justify the use of investment in training as a motivation strategy that Lorraine Murphy could consider. 3 marks

NAB could motivate employees by offering them training programs that could help them improve their knowledge and skills, improving their work performance and building their confidence and job security. One advantage of investment in training is that the business gains an increase in productivity and quality of employee performance which should help to achieve NAB’s financial goals of improving profit. Goodwill and improved relationships between management and employees should also be created as employees should be grateful that NAB is choosing to invest in their careers ensuring that there is improved job security in their current position, or the ability to gain future employment easily if they are made redundant in the future.

*1 marks for description of investment in training*

*2 marks for justification/benefits of using investment in training to motivate employees at NAB*

**Question 5**

Outline a dispute resolution process and the participants in a possible dispute as a result of this announcement at National Australia Bank. 4 marks

A dispute resolution process provides an orderly system whereby NAB and an employee(s) can resolve matters relating to wages or conditions and could be needed when redundancies are taking place. When a dispute arises, the employee and/or representative present the claim to a supervisor. If the dispute is not resolved, the complaint is then passed to middle management and if it continues to be unresolved, a grievance committee made up of senior management will meet with the employee and/or representative. If not resolved, the redundancy dispute can be referred to external conciliation where a third party hears both sides and attempts to get both parties to agree to a compromise. Arbitration follows if the dispute continues and Fair Work Australia will act as an independent tribunal and will impose a decision on the parties involved.

*3 marks for at least three steps of a logical dispute resolution process*

*1 mark for linking to NAB’s redundancy situation*

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| **Question 6**Referencing the objectives stated in the article by the HR Manger, Lorraine Murphy (Chief People Officer), discuss the motivation strategies of performance related pay and career advancement that could be used to improve motivation at National Australia Bank. 8 marks Performance related pay is a financial reward given to employees whose achievements in their work is considered to have reached a required standard. An example could be offering a bonus or commission to bank employees who achieve a certain benchmark for outstanding customer service. One benefit of Lorraine Murphy offering performance related pay is that it would be highly motivating to those who receive the bonus as they will be recognised and admired by other employees. This recognition will build their intrinsic needs meaning their pride and confidence will grow and as a second benefit, other employees may be encouraged to compete to receive the bonus in the future. As the level of service to customers of the NAB increases, the objectives of growth in market share and net profit should also be achieved, thus improving the bank’s financial performance.A disadvantage of performance related pay, however is that it can be very costly to the business if a large number of employees are able to achieve the benchmark and access bonuses. This would negatively impact the bank’s objective of improving its net profit figures. Given that NAB is announcing job loses, it would be highly insensitive to offer bonuses to remaining staff who may question why their friends have recently been made redundant, thus lowering morale and motivation.Career advancement involves promoting an employee to a position that has greater responsibility or authority. The promotion provides long term motivation due to the increased status gained by the employee as well as the ongoing financial rewards. Career advancement can be applied to high achieving bank employees at NAB and will help with employee retention, increasing loyalty and lowering staff turnover. Other employees may also gain in motivation as they see a future opportunity available for their extra efforts. Overall the quality of service within NAB should rise and therefore the objective of growth in profit.However, a disadvantage could be that it would be very difficult and costly to reward large numbers of employees with career advancement. It assures that NAB employees wish to take on greater responsibility and workload and could also act as a de-motivator to those employees who are overlooked for promotion. This could lead to lowering of motivation at NAB and therefore a lowering of customer service levels and lowering of achievement of profit.*2 marks for brief explanation of each motivation strategy**4 marks for positive and negative discussion of each strategy**2 marks for relating the strategies to NAB’s objectives* |