Unit 3 Business Management Exam 2019

SOLUTIONS

**Question 1**  
a. The difference between a sole trader and a private limited company is that a sole trader only has one owner of the business, whereas a private limited company can have up to 50 owners. Another difference is that a sole trader has unlimited liability, whereas a private limited company has limited liability.

Joan should make her business a private limited company because this will ensure that she has limited liability to the extent of her initial investment. Therefore, as the business gets larger setting up as a private limited company may offer her more safety that her personal assets will not be at risk if the business fails.

2 marks for explaining the difference  
2 marks for justifying which type of business to set up as (either accepted)

b. Responses could refer to:

* • Make a profit
* • Increase market share
* • Fulfil a market and/or social need

One objective of Joan’s business could be to make a profit. This means having money left over after expenses are deducted from revenue. For example, Joan may set a profit target of $100,000 a year so she has enough funds to keep investing in the business.

Another objective Joan could have is to fulfil a market need. For example, making hammocks could be quite a specialised business which is filling a gap in the market.

2 marks for explaining objective

c. One stakeholder of Joan could be her 36 employees. These are the people who work at her business in exchange for a wage and have an interest in the business being successful to maintain their job.

One corporate social responsibility consideration may be how Joan interacts and considers the well-being of her employees. For example, if Joan provides flexible work hours, positive work- life balance policies or provides a high level of support for her staff, then she is expressing concern for them beyond the legal requirement.

1 mark for outlining interest of a stakeholder   
1 mark for explaining a CSR consideration for this stakeholder

d. One area that Joan would be responsible for is sales and marketing. This refers to the activities designed to market and promote the business. For example, Joan may need to advertise on social media or in the newspaper.

2 marks for explaining one area of responsibility

**Question 2**

The style is laissez-faire. This style involves the manager giving a lot of responsibility to staff, so staff make the decisions and there may be limited communication between Donald and his staff. This style would be appropriate when the employees are very experienced. For example, if Donald’s staff are experienced, they may need only a little guidance from him, so the laissez-faire style may be appropriate in this case.

1 mark for identifying the style  
3 marks for explaining the appropriateness linked to the experience of his employees

**Question 3**

Unions represent employees. During a period of wage negotiations, unions will provide advice to staff and information about the negotiations. For example, unions can represent employees in the negotiation stage and provide information about how the negotiations may impact employees.

Employer associations represent the employers. They provide advice to employers during the negotiation of wages and conditions. For example, employer associations can also represent or support the employer during this time of negotiation and provide information about pay and conditions in similar businesses in the same industry.

2 marks for explaining the role of unions during negotiations  
2 marks for explaining the role of employer associations during negotiations

**Question 4**

Responses could focus on:

• Performance related pay

• Support

• Career advancement

• Training

• Sanction

• Appraisals

• Management by Objectives

• Observations

•Self-evaluation

One motivational strategy that could be used by Derek is training, which is the skilling up of his mechanics. For example, Derek may provide off-the-job training for his mechanic to be trained by experts in the field. This may therefore improve their skills and effectiveness in fixing cars.

A performance management strategy that could be used by Derek is appraisals. This is the process of working with his mechanics to assess their strengths and how to improve further. For example, Derek could organise to sit down with all his staff individually and discuss their performance. By working on improving their weaknesses, they will become more effective mechanics and improve their performance.

Another strategy that could be used by Derek is employee observations. This is when Derek or another senior mechanic observes the performance of the employees to watch areas of their work practices. For example, the observations could then be used to work out ways to improve performance and the effectiveness of the staff if it is noticed that they are performing a task incorrectly.

2 marks for explaining each strategy chosen (x3)

**Question 5**

To improve the efficiency (how productively resources are used in terms of tomatoes turning into canned tomatoes) and effectiveness (ability to meet an objective or outcome, such as high-quality canned tomatoes) of Zac’s operations, he can use either quality strategies or technologies strategies.

Quality strategies are those designed to improve the product quality, in this case high quality tinned tomatoes. An advantage of a quality strategy, such as total quality management, is that all staff are constantly looking for ways to improve the quality of the tinned tomatoes and therefore the quality of the tinned tomatoes is likely to be very high. This is advantageous because it may lead to very few defects and therefore less costly wastage. This would improve effectiveness as the outcome of quality products is more likely to have been achieved.

However, sometimes quality strategies can be time consuming or costly. For example, total quality management can add time to production process with the constant checking of product quality. This may have a negative impact on the efficiency of the tinned tomatoes as production may be slower than without the quality checks. Quality control may be cheaper than total quality management, but by mainly checking at the end of production, there is a higher level of wastage as defective products must be wasted.

Technology strategies are those designed to improve operations through the use of technological developments, such as automated production lines, website development and computer aided design and manufacturing. Automated production lines are where a product moves along a production process with little need for stopping or employee input. For example, for Zac this would mean the tinned tomatoes would be made with machinery and equipment which is automated and requires direct minimal employee involvement.

An advantage of this is that the machinery can be more efficient as the production line for tomatoes may be able to work 24 hours a day, 7 days a week. This combined with an increased speed of production, could improve the efficiency for Zac. Effectiveness could also be improved if the automated production lines can ensure product consistency and quality remains high and customer expectations are met.

A disadvantage of technology for Zac is that can be initially expensive to set up and purchase, which may impact the ability to meet profit expectations and effectiveness if the initial set up is too costly.

Overall, Zac should use technology strategies, such as automated production lines to improve the efficiency and effectiveness of the business because it would be working faster to make tinned tomatoes and also higher quality tomatoes for effectiveness.

10 marks

Globally marked. A high response will look at the advantages and disadvantages of quality strategies and technology strategies in improve both the efficiency and effectiveness of the business operations. Then finally an overall conclusion will say which one would be the most preferred and why. High answers will also define the key terms along the way and have a clear structure.

**SECTION B**

**Question 1**

One element of the operations system for Tyre Might is the inputs. This refers to the raw materials, labour and capital required to make products. For example, at Tyre Might the inputs are the tyres that they sell, the employees who fit the tyres and the shop fronts where the tyres are sold.

Another element in the operations system is the processes. These are the actions to turn inputs into outputs. For example, at Tyre Might the process involves installing and fitting the tyres on to the car and caravan in a safe manner.

2 marks for an explanation of each element (x2)

**Question 2**

Lean management refers to the process of eliminating wastage from aspects of the business including wasted materials, time and resources. For example, lean management could involve using a variety of strategies to review and reduce wastage in business practices. This could include pulling customer orders, aiming for zero defects or implementing kaizen (a focus on continuous improvement).

One way these principles could improve Tyre Might’s operations is by minimising the wasted resources to therefore improve the productivity of Tyre Might. For example, if Tyre Might focuses on improving continuously (by focusing on kaizen), they will find ways to eliminate inefficiencies in the installation of tyres. This will improve the productivity of the operations, which may then improve the customer service if the tyres can be installed quicker.

2 marks for an explanation of lean management  
2 marks for an explanation of how these principles could be used to improve its operations

**Question 3**

Tyre Might could use forecasting as a materials management strategy to improve efficiency and effectiveness. Forecasting involves analysing data, past sales and looking at trends to predict the necessary inputs or supplies required to meet demand.

Forecasting can mean that Tyre Might could predict the demand for tyres and try to have enough on stock to meet customer demand. This could be more efficient as having the correct amount means there is not wasted time in ordering and waiting for tyres to arrive on time for customers. This makes it more efficient if Tyre Might can accurately forecast the necessary tyres.

Forecasting can also improve effectiveness. Customers are time poor and want to be able to purchase tyres quickly when they are required. Therefore, an objective of Tyre Might could be to provide an effective product for customers which meets their needs when required. Accurately forecasting the number of required tyres would help achieve this objective by having tyres when needed and therefore being effective.

6 marks for analysing one materials strategy (such as forecasting, materials requirement planning, master production schedule or Just In Time), by looking at how the strategy could be linked with the efficiency and effectiveness.

**Question 4**

One global consideration that Tyre Might could consider is to source inputs globally. For example, Tyre Might could source its tyres from somewhere outside of Australia.

An advantage of this approach is that Tyre Might could source cheaper tyres from overseas, which would save it money. However, a negative of this approach is that potentially the product quality could be lower if the operations of the overseas suppliers are not as high quality.

**or**

Another advantage is that Tyre Might might be able to source tyres that are unavailable normally in Australia. This could help with unique vehicles that require certain unusual tyres. However, another disadvantage is that there could be a time or language barrier which makes it difficult to communicate with overseas suppliers easily. This may make it difficult if something goes wrong with the order and something needs to be resolved quickly.

2 marks for discussing one global consideration, including having the advantages and disadvantages of the consideration, linked to Tyre Might

**Question 5**

Off-the-job training involves using external sources to provide training to improve the skills of the staff. For example, at Tyre Might they could send their staff to an external expert on tyres to provide up-to-date information and advice for the latest installation training.

This would be worthwhile at Tyre Might because it means that the staff get a chance to work with someone knowledgeable outside of Tyre Might to provide them with the superior quality training that may otherwise not be found inside the business. This training may also boost motivation which is another reason for training.

2 marks for explain off-the-job training  
2 marks for a justification of the use of off-the-job training at Tyre Might