

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE BUSINESS MANAGEMENT 3/4

2020

Practice examination No. 2

**SUGGESTED
RESPONSES/ADVICE**

Section A

Question 1 (2 Marks)

Distinguish between global sourcing of inputs and global outsourcing.

Advice 1: The task word 'distinguish' requires students to note the difference between two terms. When asked to distinguish between terms, students should aim to show directly that there is a difference. This can be made clear by precisely defining both terms and then providing further information related to each term to highlight the key difference. Using words such as 'whereas', 'however' or 'on the other hand' can be useful when attempting to clarify differences.

Advice 2: While the task word 'distinguish' is rarely used on Business Management exams, over the last five years it has appeared on the 2017, 2016 and 2015 VCAA examinations. On the 2015 exam, for example, Question 2a tested knowledge from the old Study Design. Students typically struggled with the question, evidenced by an average score of 1.3 marks out of 4 and 61 per cent of students scored 0 to 1 mark. The primary problem was the inability of students to demonstrate an understanding of the two key terms in the question. In another example, Question 2 in Section A of the 2017 exam asked students to distinguish between mediation and arbitration as a means of dispute resolution. The average score was 1.4 marks out of 3, and 30% of students scored zero. In the 2017 examination report, the chief assessors stated that "Low-scoring responses tended to focus on the similarities between the two means of dispute resolution or just wrote two definitions without highlighting their differences."

Note: Full marks cannot be awarded for answers that simply define the two terms. The difference between the two terms must be clearly explained.

- 1 mark for demonstrating an understanding of each term – global sourcing of inputs and global outsourcing
- 1 mark for establishing a clear point of difference between the two terms

Sample answer: *Global sourcing of inputs is the practice of seeking the most cost-efficient materials (and other inputs) from countries overseas. Businesses do this to exploit efficiencies that can be gained from the lower input costs and production costs, including low-cost skilled labour, low-cost raw materials and other economic factors such as lower taxes and low trade tariffs due to free trade agreements.*

On the other hand, global outsourcing is the transfer of part of a business's operations to an external person or organisation in another country. Businesses do this because of the positive benefits it carries such as cost savings, improvements to quality and access to operational expertise (since an external person or business may have expertise in managing a task that the business does not have).

The main difference between the two terms is that global sourcing of inputs does not involve any part of the business's operations being contracted out to a foreign entity (or entities), which means that all of the operational decisions remain within the control of the business.

Question 2 (12 Marks)

Complete Technologies Australia's core values state that:

- we value our customers
- we value our employees
- we value innovation
- we value teamwork.

a. Apply the key principles of the Four Drive Theory (Lawrence and Nohria) to employee management at Complete Technologies Australia. 4 marks

Advice 1: The task word used in this exam practice question is 'apply', indicating that students need to use the information provided and/or the knowledge relevant to a particular situation and make links and connections. In the case of this question, students must demonstrate an understanding of Lawrence and Nohria's Four Drive Theory, and apply it to Complete Technologies Australia.

Advice 2: A question specifically related to Lawrence and Nohria has still not appeared on the VCAA exam. However, this current question is similar to Question 1c in Section A of the 2018 VCAA exam. That question asked students to describe Maslow's theory of motivation and explain how it could be applied to the business in the case study (to reduce the level of staff turnover). The average score was a solid 3.2 marks out of 6 and only 11 per cent of students scored zero marks. However, 77 per cent of students scored between zero and 4 marks. Many students were able to describe the theory, but not all were able to explain how the strategy, or strategies, related to each need in Maslow's hierarchy (when attempting to reduce staff turnover). The current question is a little different to the 2018 question in that it asks about Lawrence and Nohria, and that it only asks for possible application to the business in the case study (not a description of the theory). However, it is still expected that the key principles of Lawrence and Nohria's theory are outlined in student responses.

- 2 marks for outlining the key principles of the Four Drive Theory
- 2 marks for applying the principles to employee management at Complete Technologies Australia

Sample answer: Lawrence and Nohria believed that their four drives (the drives to 'acquire', to 'bond', to 'learn' and to 'defend') shape the way in which all humans think and behave – they provide motivation for our behaviour.

The drive to acquire involves the desire to own material goods, achieve results, as well as the desire for status, power and influence. This can be applied to the workplace at Complete Technologies Australia (CTA) by linking monetary rewards to improvements in employee performance. Such a reward system would recognise the outstanding achievements of any top performers at the business and offer them conditions that are above industry standards. This should positively influence employees who are motivated by the drive to acquire.

The drive to bond involves the need for humans to form long-term relationships with other individuals and groups as well as the need 'to belong'. This can be applied to the workplace at CTA by encouraging teamwork and collaboration amongst employees. As employees feel supported, included and 'bonded', it is likely that employees who are motivated by the drive to bond will experience enhanced workplace performance.

The drive to learn involves the desire to satisfy curiosity to comprehend information and to make sense of the world. This can be applied to the workplace at CTA by providing employees with a variety of different and challenging tasks. CTA might provide opportunities for job sharing or job rotation that would allow employees to enjoy new challenges and access training opportunities. In this way, employees would have access to new skills and knowledge, providing them with the opportunity to grow and become better operators for the business.

The drive to defend involves the desire to remove threats to our safety and security and protect what we regard as 'ours'. This can be applied to the workplace at CTA by management ensuring that the work environment is safe and non-threatening. Motivation will come from removing any fears and insecurities that may be afflicting staff. Employees who work in a safe and non-threatening environment are therefore likely to improve their performance.

b. Explain the impact of career advancement and investment in training as motivation strategies on short-term and long-term employee motivation at a business such as Complete Technologies Australia. 4 marks

Advice 1: The task word 'explain' requires students to include enough detail in their response that expands on the main point, topic or issue, or makes it clear. This question requires students to explain clearly the impact that career advancement and investment in training would have on short-term and long-term employee motivation.

Advice 2: A question specifically related to the effect of motivation strategies on short- and long-term employee motivation has still not appeared on the VCAA exam. However, Question 6 (Section A) on the 2019 exam and Question 3a (Section A) on the 2017 exam did ask about motivation strategies. The question on the 2019 exam asked students to explain how managers could apply a theory of motivation and a related motivational strategy to successfully manage employees, with reference to a contemporary business case study. The average score was 2.6 marks out of 6 and only 11 per cent of students scored zero marks. However, 86% of students scored between zero and 4 marks. The 2017 exam question asked students to describe an appropriate motivation strategy that the manager in the case study could use to improve the performance of his employees. The average score was 1.2 marks out of 2 and 24 per cent of students scored zero marks. Some students were a little muddled between motivation strategies and performance management strategies on the latter question.

- 1 mark for explaining career advancement as a motivation strategy
- 1 mark for explaining the impact of career advancement on short-term and long-term employee motivation at a business such as Complete Technologies Australia
- 1 mark for explaining investment in training as a motivation strategy
- 1 mark for explaining the impact of investment in training on short-term and long-term employee motivation at a business such as Complete Technologies Australia

Sample answer: *Career advancement refers to the assignment of more responsibilities/authority to employees or the promotion of employees to positions that bring rewards, such as an increase in salary and fringe benefits, and increased responsibilities. Career advancement may come about as a reward to employees at a business such as Complete Technologies Australia (CTA) for past performance and would coincide with the business teaching these employees more skills and developing their expertise within the business.*

The challenges associated with career advancement can be great motivators for individuals as they have the opportunity to increase their contribution to the business. In the short-term, career advancement will usually result in a pay rise and greater job security, which should influence employees who are motivated by lower-order needs. The opportunity to be involved in decision-making in a leadership position, or to hold a more challenging or stimulating position with greater responsibility or authority, can influence employees who are motivated by higher-order needs, positively influencing long-term motivation and increasing commitment to the business.

Investment in training involves the business directing finances or time into the teaching of skills to employees. Investment in training offers employees at a business such as CTA the opportunity for self-improvement. By gaining skills and knowledge, employees are more developed, both professionally and personally, and are likely to feel valued by the business and empowered to do their best.

In the short-term, investment in training will usually allow an employee at a business such as CTA to perform a more highly skilled job, which will typically pay more, and employees are likely to feel valued and empowered to strive to do their best, allowing for greater job satisfaction. In the long-term, investment in training is likely to provide those employees who have successfully completed the training a sense of accomplishment. Providing the opportunity to learn new skills will also allow for personal growth in employees. This is very likely to satisfy employees with higher-order needs. The use of this motivation strategy should result in the business demonstrating that it values employees and is prepared to support them in advancing their careers.

c. Describe two strategies that management can introduce to develop the corporate culture at Complete Technologies Australia. 4 marks

Advice 1: The use of the task word 'describe' indicates that students need to provide the characteristics and features of the thing, topic or issue they are asked to describe. For this question, students are required to describe each one of their selected strategies (for developing corporate culture) and then describe how it might develop corporate culture.

Advice 2: The Study Design states that students must know "corporate culture both official and real, and strategies for its development". A question related to corporate culture has been included on this practice exam because questions relating to corporate culture have generally been handled poorly on past VCAA Business Management exams. For example, on the 2016 VCAA exam, students were asked to justify two strategies to improve corporate culture using Maslow's theory (Question 2c). The average mark was 1.4 out of 4 marks and 34 per cent of students scored 0 marks. In general, students struggled to find strategies for developing corporate culture that related to Maslow's theory. On the 2011 exam, students were asked to describe one way that management can develop corporate culture (Question 1b). The average mark was 1.1 out of 2 marks and 32 per cent of students scored 0 marks. Many students in 2011 could identify a strategy but could not write about how it might develop corporate culture. Many students also listed more than one strategy (but did not address the other requirements of the question) – generally, if one strategy (or theory, characteristic, skill, style etc.) is asked for, only the first strategy stated in the response will be assessed.

Advice 3: While the Study Design does not specify strategies for developing corporate culture, past examination reports have identified a number of strategies. These include:

- training and development
- establishing rituals, rites and celebrations
- promotion
- performance appraisals
- employing externally
- changing the prevailing management style
- altering budgets and other statements of priorities
- changing the style of dress and language
- improving relations among staff

Any two of these strategies, or other appropriate strategies, could be selected by students and then described.

- 1 mark for describing a strategy that management at Complete Technologies Australia could use to develop corporate culture (maximum of 2 marks)
- 1 mark for clearly describing how the strategy would be used at Complete Technologies Australia to develop its corporate culture (maximum of 2 marks)

Sample answer: *One strategy that management at Complete Technologies Australia (CTA) can use to develop corporate culture is establishing appropriate rituals, rites and celebrations. This might involve management introducing routine patterns of behaviour to the business's everyday life such as observing safety procedures and working in teams, as well as participating in social events and gatherings. It is likely that this will lead to employees at CTA feeling valued as they will have a sense*

of belonging to the business and be able to connect with its expected behaviours. This should contribute to a more positive corporate culture that supports the business's values, including teamwork.

A second strategy that management at CTA can use to develop corporate culture is through acting as role models for staff. By constantly reflecting the values, ideas, expectations and beliefs of the business, managers using leadership can act as an example for others. By influencing employees, positively encouraging them and motivating staff to share these values and beliefs, leaders can influence a change in culture. Employees at CTA who are motivated with a clear sense of direction about what the expected values and beliefs are will tend to work towards implementing that culture.

Question 3 (6 Marks)

Compare master production schedule and materials requirement planning as strategies to improve the efficiency and effectiveness of operations.

Advice 1: The task word 'compare' requires students to consider similarities and differences. In the case of this question, students will need to write about the similarities and differences between master production schedule and materials requirement planning. In the 2019 Examination Report, the chief assessors stated that, "There is an expectation that the task word 'compare' calls for consideration of both similarities and differences, so a response that does not include both cannot achieve full marks for a comparison question."

Advice 2: Students typically handle 'compare' questions poorly on VCAA Business Management exams. Take for example a compare question featured on the 2019 exam (Section A, Question 1b). Students were required to compare the characteristics of operations management within a manufacturing business and a service business. The question was not well-answered by most students, with an average score of only 1.7 out of 4 marks, and 77 per cent of students scored between 0 and 2 marks.

Advice 3: Students typically struggle to find similarities in compare questions. When responding to a compare question, a good strategy for students is to begin by using the word 'both' to ensure there is at least one similarity. Differences should be pointed out using words such as 'whereas', 'however' or 'on the other hand'. It is also important to be precise with the similarities and differences. Defining key terms should generally allow students to find a point of difference. The similarity, however, should be something that the two terms share in common.

Advice 4: As this question refers to "the efficiency and effectiveness of operations", students should relate part of their response to how MPS and MRP could improve efficiency and effectiveness.

Advice 5: Students are not expected to have an equal number of similarities and differences; it is possible to score full marks on this question, for example, with two well-explained similarities and a detailed explanation of one difference.

- 2 marks for explaining a similarity/similarities between master production schedule and materials requirement planning
- 2 marks for explaining a difference(s) between master production schedule and materials requirement planning
- 1 marks for relating the response to efficiency of operations
- 1 mark for relating the response to effectiveness of operations

Sample answer: *Both master production schedule (MPS) and materials requirement planning (MRP) relate to managing the use, storage and delivery of materials to ensure the right amount of inputs are available as required by the production process. In doing so, both aim to reduce waste and costs. However, the two strategies differ in that an MPS details what is to be produced, in what quantities, how and when it will be produced (as well as specific delivery dates for materials). In contrast, MRP involves developing an itemised list of all materials involved in production to meet the specified orders.*

It is completed after the business has a clear understanding of the quantities to be produced and the time frame involved (i.e. after the MPS has been developed).

Both MPS and MRP are tools, typically involving the use of computer software, for planning the materials needs of a business. The use of both MPS and MRP should ensure that there are no interruptions to production at a business due to a lack of materials. This will ensure that a business's operations is effective (the degree to which a business accomplishes the objectives it set out to achieve). For example, if a business is able to increase its output, it should potentially be able to increase sales of its product. The use of both MPS and MRP should also ensure efficiency (how well a business uses resources to achieve objectives) in operations as they should both ensure that a business is not overproducing or oversupplied with materials. An oversupply of finished products or materials would result in a business maintaining a large inventory – materials and stock remaining idle are prone to theft, damage or spoilage and may become unusable after a period. However, the two strategies differ in that MPS is the plan that a business will develop focussing on the production of finished goods in order to satisfy the demand for a business's products, as well as staffing needs and materials needs. MRP only focuses on materials, including lead times required by suppliers, the exact number of inputs to complete the task, the amount of stock (inventory) currently on hand and purchasing procedures.

Question 4 (10 Marks)

The effective management of employees is essential to businesses.

Evaluate the strategies that a business might implement as possible solutions to employee management. Use an example from a contemporary business case study to support your response.

Advice 1: This question makes use of the task word 'evaluate', which requires students to outline both sides of a proposition or topic, then provide an overall conclusion or judgement about which argument is the more persuasive and why. In this case, students will need to evaluate with appropriate examples from the contemporary case study, of how the selected strategies might act as possible solutions to employee management. At least one strength and one weakness or limitation of each selected strategy should be provided. Students will then need to make an overall judgement/s as to the worth of each strategy.

Advice 2: Generally, the best performing students on the 10-mark question read the question carefully and interpret it accurately. This same approach should be taken to the current question, which focuses on choosing strategies related to the management of employees and evaluating how they might act as possible solutions to employee management. Students must refer to a relevant contemporary business case study in order to achieve full marks.

Advice 3: There are many possible approaches that students could take in responding to this question. However, more than one strategy related to the management of employees should be evaluated as the question asks for 'strategies'. Students might evaluate at least two employee management strategies generally, such as motivation strategies, training options, performance management strategies or even termination management.

Alternatively, students might evaluate at least two specific employee management strategies, including:

- performance related pay
- career advancement
- support
- on-the-job training
- off-the-job training
- management by objectives
- self-evaluation
- termination management (such as retirement, redundancy, entitlement issues and transition issues)

Advice 4: Questions asking for contemporary business case studies have appeared on the past two VCAA Business Management exams. These have required students to write about a situation occurring at a business within the past four years. Students have then been expected to either write about how the business made use of a strategy, or theory, in the Study Design, or how the business might have made use of a strategy or theory.

Advice 5: It is very likely that the 10 mark question on the 2020 VCAA exam will have several elements. In the 2016 Examination Report, the chief assessors reminded students that they should be aware that questions might have many elements that need to be addressed. For this reason, students need to ensure that they cover each element of the question in their responses. Students were reminded that they should read the question carefully and plan their responses. It is worth remembering that the 10 mark question could come from Unit 3 or Unit 4, or from both.

Advice 6: The best responses will be those that are coherent and flow. Paragraphs will be clearly expressed so that they consider all parts of this question and bring everything together.

Teachers are advised to assess student responses globally.

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
9-10	Comprehensive and accurate knowledge and understanding of the selected strategies related to the management of employees. Sophisticated and detailed evaluation, with appropriate examples from the contemporary case study, of how the selected strategies might act as possible solutions to employee management. Includes accurate and appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
7-8	Detailed and accurate knowledge and understanding of the selected strategies related to the management of employees. Evaluation, with appropriate examples from the contemporary case study, of how the selected strategies might act as possible solutions to employee management. Includes appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
5-6	Demonstrated adequate knowledge and understanding of the selected strategies related to the management of employees. Some evaluation, with appropriate examples from the contemporary case study, of how the selected strategies might act as possible solutions to employee management. Includes generally appropriate use of terminology with some inaccuracies, which involved attempts at defining, describing and applying relevant business management concepts and terms.
3-4	Demonstrated basic knowledge and understanding of the selected strategies related to the management of employees. Some evaluation, with limited/no examples from the contemporary case study, of how the selected strategies might act as possible solutions to employee management. Includes some appropriate use of terminology with inaccuracies, which involved limited attempts at defining, describing and applying relevant business management concepts and terms.
1-2	Demonstrated limited knowledge and understanding of the selected strategies related to the management of employees. Weak evaluation, with limited/no examples from the contemporary case study, of how the selected strategies might act as possible solutions to employee management. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding, which involved limited/no attempts for use of defining, describing and applying relevant business management concepts and terms.
0	Shows no knowledge of the selected strategies related to the management of employees and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: *In mid-March 2020, responding to the ensuing COVID-19 pandemic, Telstra told all of its Australian-based office staff that those who could do so needed to work from home. Strategies related to the management of employees were vital at this time as, without employees continuing to work throughout this time, Telstra would not have been able to continue meeting the needs of its customers.*

During the pandemic, Telstra experienced an increase in call centre volumes and, as its call centres in the Philippines and India were affected by lockdowns, was required to employ extra temporary call centre staff. These new employees needed to be recruited, selected and then trained for their new positions. It is most likely that Telstra, under normal circumstances, would train these new employees in the workplace using the equipment, machinery, personnel and documents that are present in that

workplace – referred to as on-the-job training. This allows employees to use the actual equipment that is required to do the job. On-the-job training means that Telstra would be able to provide employees with skills and knowledge while they are actually working, resulting in the employees and Telstra remaining productive. However, due to social distancing rules, Telstra introduced remote training for new staff. Training can be expensive, particularly if it is provided off-the-job (where employees learn a specific set of skills to perform particular tasks in an environment external to the workplace). The fees of the training course, or the fees of the outside expert or specialist teaching the course, may be considerable. On the other hand, if Telstra made use of training provided by experienced co-workers, or by a leader or manager with particular or specific expertise, the cost may not be so great.

Regardless of whether Telstra's remote training was provided by experienced colleagues or outside experts and specialists, providing employees with training would be expected to improve the performance of staff. For example, with improved skills, staff should be able to serve more customers in the same amount of time, as well as making fewer errors – i.e. the training should improve productivity and ultimately result in lower per unit costs. Fewer errors made by employees can also improve the quality of Telstra's service, further improving the competitiveness of the business. In addition, if training leads to an improvement in customer service, customer satisfaction may improve, and the improved reputation of the business should lead to more sales over time. However, training can take up time by diverting resources from production. Instead of being able to devote all of their attention to their work, new Telstra employees would have been focussed on learning skills. The quality of the training most likely also depended on the quality of the trainers, and older or more experienced staff acting as trainers may have passed on bad habits to newer employees.

On balance, training is likely to result in net benefits for the business as it can boost productivity, lead to fewer workplace errors and improve customer service. The use of training should also increase individual employee job satisfaction through better job performance, as well as enhance the business's ability to meet objectives. In this respect, training should be an ideal solution to employee management.

Telstra's human resources area would have been required to make use of motivation strategies during the COVID-19 pandemic as it is likely that staff were feeling anxious, distressed or concerned about the coronavirus during this time. Working from home meant that many staff missed out on contact with colleagues, or may have been distracted by other family members, such as children learning at home. Many found it difficult to separate work and personal lives. As a consequence, it was very important that Telstra management made use of strategies, such as support, to ensure that employees were able to sustain their effort during this time.

Support relates to assistance or services (such as counselling and mentoring) provided by management to help employees cope with difficulties that may impede their work performance. While working at home, employees at Telstra would have expected management to be sympathetic to their changed circumstances, including a willingness to check how they were coping or to help resolve any issues. This would have resulted in employees feeling encouraged and more confident, particularly those staff who may have felt a little overwhelmed, in turn motivating them to increase performance.

However, the use of this motivation strategy generally requires a business to have a positive corporate culture in the first place. If this wasn't the case at Telstra, it is unlikely that management would make use of this strategy. Furthermore, some employees may have become too dependent on the support services provided by Telstra, or on the person offering support. However, the provision of support, particularly in the form of something as simple as encouragement, can generally be provided at little (or zero) cost. Other motivation strategies such as teamwork, and conversations with colleagues using a conference call, could also successfully encourage employees with low costs.

Ultimately, motivation strategies such as support should positively influence employee attitudes and help them to be motivated to do better. Most employees want to feel that their employer values their contribution to the business and that they will be treated with sensitivity to their needs. A supportive workplace would encourage a sense of loyalty, and willingness to remain in the workplace.

Question 5 (20 Marks)

Weller Ltd is a newly formed company that has quickly grown to be one of Australia's leading telecommunications businesses. It provides a wide range of telecommunications and digital services to consumers and businesses across Australia and Asia. For six months, employees at Weller have been in negotiations with management over a new enterprise agreement. The union representing the employees, the Communications, Electrical and Plumbing Union of Australia (CEPU) is now calling for a strike. Tom Mullen, CEO of Weller, known for his use of the persuasive management style, has said that the union is being selfish.

a. Explain the role of the company's human resource manager and the union during the process of determining wages and conditions of work at Weller. 4 marks

Advice 1: The Study Design states that students must know the roles of participants in the workplace including human resource managers, employees, employer associations, unions, and the Fair Work Commission. As human resource managers and unions are specifically listed in the Study Design, students are expected to be able to explain their roles during the process of determining wages and conditions of work.

Advice 2: A similar question appeared on the 2017 VCAA exam. Question 5 (Section A) asked students to explain the role of human resource managers and the Fair Work Commission during the process of determining new wages and conditions of work. This question was not handled well. The average score was 2.3 marks out of 6, and 58 per cent of students scored between 0 and 2 marks. Only 8 per cent of students scored 5 or 6 marks. Students who performed well on this question demonstrated a clear understanding of the roles of both participants in the process of determining wages and conditions of work. Low-scoring students outlined the roles of the participants without application to the process of determining wages and conditions of work.

- 1 mark for explaining the role of Weller's human resources manager during the process of determining wages and conditions of work
- 1 mark for application of the response to Weller
- 1 mark for explaining the role of the union during the process of determining wages and conditions of work at Weller
- 1 mark for application of the response to Weller

Sample answer: *One role of the company's human resource manager during the process of determining wages and conditions of work at Weller will be negotiating employment agreements with the employees and their representatives. The human resource manager at Weller is likely to act as an employer representative in discussions held with the CEPU, with consideration to the new pay rates and work conditions, legal requirements and the financial position of Weller. The human resource manager is also likely to be required to act as an intermediary between employees (represented by the union) and senior management as disputes or conflict arise. As employees wish to negotiate the new enterprise agreement, and because the CEO of Weller does not appear to be supportive of a resolution, there are likely to be disputes and conflict at the company.*

The role of the union during the process of determining wages and conditions of work at Weller is to represent their members in the development of the new enterprise agreement, with the aim of achieving the best possible deal for the employees. The Communications, Electrical and Plumbing

Union of Australia exists to protect and advance the wages and working conditions of its members. The union will negotiate and bargain with management at Weller on the behalf of the employees during the enterprise bargaining process. During the process of negotiating the agreement, the union will also provide assistance and support to individual members if necessary, as well as provide support to Weller's union representative in the workplace.

b. It has been suggested to Tom Mullen that he use the consultative management style.

Describe the characteristics of this style and justify its use at Weller. 4 marks

Advice 1: The task word 'justify' requires students to point out reasons for forming a particular conclusion. This may involve the provision of evidence to support an argument.

Advice 2: Students should ensure that they are familiar with all terminology in the Study Design because anything that is named or listed in the key knowledge is examinable. It would be advisable for students, prior to their exam, to go through the list of key knowledge and key skills dot points in the Study Design, as well as the introductions to each area of study and the outcomes, to make sure that they are confident about every point.

Advice 3: This question has been included in this practice exam because it covers key content from the Study Design, which lists the management styles as autocratic, persuasive, consultative, participative and laissez-faire. As the consultative management style is listed in the Study Design, students are expected to be able to describe its characteristics and should be able to justify its use.

Advice 4: Questions related to management styles have appeared on 9 of the last 10 VCAA exams. In general, management style questions are answered reasonably well. For example, on the 2019 exam, Question 5 (Section B) asked students to evaluate the suitability of the autocratic management style (as stores belonging to the business in the case study were closed). The average mark for this question was 2.5 out of 5 and only 12 per cent of students scored zero. However, 74 per cent of students scored between 0 and 3 marks. Some students were not aware of the requirements of the task word used in this question (evaluate) while others focussed on other management styles in their response.

- 1 mark for describing the characteristics of the consultative management style
- 1 mark for further detail describing the characteristics of the consultative management style
- 1 mark for justifying the use of the consultative management style at Weller
- 1 mark for further detail justifying the use of the consultative management style at Weller

Sample answer: *The consultative management style involves the manager consulting with staff before making a decision. There is a high level of trust between management and employees as managers using this style recognise the importance of good personal relationships among employees and management. Because managers appreciate the strengths and abilities of employees they will actively involve them in the decision-making process. Consultative managers will seek the opinions of employees and will hold information-sharing meetings. Communication in this style is two-way, flowing up from employees to managers, as employees share their ideas with a manager who is willing to listen. Ultimately though, the final decision-making power remains with management.*

The consultative management style would be appropriate at Weller during the period of determining new wages and conditions of work for employees as the use of the style supports the opportunity to seek input from all staff. Employees will be able to voice their concerns or make suggestions supporting negotiations between management and the union representing employees. The consultative style also results in employees beginning to have some ownership in the way that the business is operated, so that they feel more involved. This will be particularly relevant as employees should be part of the negotiations that relate to their wages and conditions of work. The sense of involvement can result in improvements to employees' levels of motivation and commitment. The use

of the consultative style should allow both parties to reach an agreement that satisfies all parties in dispute.

c. Identify one similarity and one difference between awards and enterprise agreements. Discuss the use of agreements as a method of determining wages and conditions of work. 6 marks

Advice 1: This question asks students to 'identify' (or list) a similarity and a difference between awards and enterprise agreements. This task word is not commonly used on the VCAA Business Management exam, and if it does appear, it is generally used in combination with other task words, such as 'explain' or 'describe'. However, the task word 'identify' was used on its own on the exam in 2017 (Section B, Question 1 a). That question had a limited number of answers, so it is important to realise that such questions require answers that are concise and accurate. In the current context, there are a number of similarities (and differences) between awards and agreements – for example, students could point out that both deal with pay and conditions of work, the Fair Work Commission has some involvement in both, or both must include the 10 National Employment Standards.

Advice 2: The task word 'discuss' is also used in this question. In a 'discuss' question, students are generally required to consider both sides of an issue or a topic. Accordingly, for this question, students are required to consider both the advantages/benefits and disadvantages/limitations of agreements (as a method of determining wages and conditions of work). The 2017 Examination Report clarified that the task word 'discuss' requires students to identify benefits or limitations (pros or cons) of what they are talking about.

Advice 3: This question is similar to one that appeared on the 2018 VCAA exam. Question 4 (Section B) asked students to explain awards and agreements as methods of establishing employee wages and conditions of work, then propose and justify which method the owners of the business in the case study should adopt. The average was 3.1 marks out of 7 and 20 per cent of students scored 0 marks. Students who scored low marks generally did not provide sufficient detail to demonstrate an understanding of each method of determining wages and conditions of work. Some students attempted to compare the two methods, even though the question did not require this. In the examination report, the chief assessors noted that students were required to make a recommendation in favour of one of the two systems and provide detailed reasons for their choice, linking their answer back to the case study, but many students struggled to do this.

- 1 mark for identifying a similarity between awards and enterprise agreements
- 1 mark for identifying a difference between awards and enterprise agreements
- 2 marks for arguments related to the benefits or strengths of the use of agreements
- 2 marks for arguments related to the limitations or weaknesses of agreements

Note 1: There does not need to be an equal number of advantages or benefits and disadvantages or limitations of agreements provided for this question. For example, students may present two advantages of the use of agreements by one strong argument related to a disadvantage of agreements.

Sample answer: *One similarity between awards and enterprise agreements is that they are both documents that deal with pay and conditions of work.*

One difference between the two is that awards are legally enforceable documents covering pay and works conditions that apply to entire industries, whereas agreements, such as enterprise agreements, are negotiated collectively between groups of employees (or their representatives such as a union) and employers at workplaces in relation to pay and work conditions.

An advantage of agreements as a method of determining the wages and conditions of work is flexibility – an enterprise agreement can be tailored to meet the needs of a business. For example,

an agreement can include clauses that provide for a close link between wages and worker performance such that increases in labour productivity are rewarded with bonuses or other benefits. Furthermore, an agreement is a much simpler method for determining wages and conditions of work when compared to using a modern award. A business may have more than one award that applies to the employees in its workplace, and if it relies on awards to set conditions this could mean implementing numerous different awards in the same workplace. A business might make an enterprise agreement that incorporates award entitlements into a base rate that will be paid to employees.

A disadvantage of agreements as a method of determining the wages and conditions of work at a business is the time-consuming nature of negotiating the terms and conditions. In the case of an enterprise agreement, there is a need for a business to consult all employees and gain their agreement in addition to the negotiations between management and the union, acting on behalf of employees. Further, an enterprise agreement must go through the 'better off overall' test and other checks prior to approval by the Fair Work Commission. It can also be expensive to negotiate an agreement and then go through the approval process with the industrial tribunal. In addition, as the conditions negotiated under the agreement will be better off overall than the relevant award, this may be very expensive for a business.

d. An enterprise agreement must contain grievance procedures authorising either the Fair Work Commission (or another independent person) to settle disputes about any matters under the agreement.

Define the term 'grievance procedures' and describe the steps in a typical grievance procedure that might be used by Weller. 6 marks

Advice 1: The use of the task word 'define' here simply requires students to provide meaning for a term and students should try to write a definition that does not make use of the term itself. Straight definition questions do not necessarily require examples. However, it is often worthwhile providing an example to convince the assessor that they really do understand the meaning of the term. Two-mark definition questions have featured on the previous two exams – these require students to write a little more than a one-mark question. Generally, students have been rewarded with full marks when making use of key words in their definitions. This expectation is true for this practice exam question (where two marks has been designated to the definition in the marking scheme).

Advice 2: Grievance procedures is new key knowledge in the current VCE Business Management Study Design, and this type of question has never appeared on the exam. This question requires students to define the term and describe the steps in a typical grievance procedure. As the question states, an enterprise agreement must have a provision for dispute resolution procedures (grievance procedures). Awards will also specify procedures for the resolution of a dispute (grievance procedures). Students should have some awareness of possible steps in a grievance procedure.

- 1 mark for stating that grievance procedures refer to the official process for dealing with a complaint (or similar)
- 1 mark for acknowledging that grievance procedures relate to complaints made by employees against employers (or similar)
- 1 mark for describing a step in a typical grievance procedure that might be used by Weller (maximum of 4 marks)

Sample answer: *Grievance procedures are the formalised set of steps in a business for dealing with a complaint about wages, hours, working conditions or disciplinary action. Because employee complaints should be taken seriously, listened to and acted on, management, local union representatives and/or external advisers may be involved in grievance procedures.*

The first step in a typical grievance procedure that might be used by Weller is for the employee concerned, or their representative, to present a complaint to a supervisor. The matter may be able to be resolved by the supervisor, in which case it need go no further. If it is not resolved, it would move to the next step, where the complaint would be referred to middle management. Middle management would meet with the employee and/or the employee's representative. If the matter is not resolved at this level, it moves to the next step. A meeting would then occur between top management and the employee and/or the employee's representative, or a special grievance committee may be appointed to deal with the issue. If the matter cannot be resolved after these steps have been taken, it may be referred to external mediation, conciliation or arbitration through the Fair Work Commission.

Section B – Case Study

Case Study

Better Life is a service business assisting children from developing communities and empowering them to fulfil their potential. It aims to raise money and collect goods to distribute to children in need. Founded by Linh Siemsen and Kimmi Nguyen in 2016, the social enterprise’s mission is “to empower and educate young children in impoverished communities and create long-term opportunities for a better life”.

Linh and Kimmi spent three years sourcing funds to start their business. The business required \$1 million to start and they borrowed money from friends and family, as well as making use of fundraising. After a great deal of searching, they finally agreed to locate the business on a busy shopping strip.

Better Life provides beauty services to the Melbourne area. These services include nail art and styling, facials, waxing, eyelash extensions and brow design. The business employs 50 staff from the local area and aims to make use of sustainable materials where possible, sourced from suppliers in Australia. Currently, a portion of the profits from the business is allocated to a school in Africa.

Employee satisfaction at the business is currently high – low rates of staff absenteeism and a low level of staff turnover suggest that staff enjoy working at the business. However, staff have suggested to managers that they would like to be paid more.

Linh and Kimmi are planning major changes in the near future. Early in 2021, the business will expand to incorporate a hairdressing service and, in the following year, massage and tanning services.

Question 1 (2 Marks)

Outline the conflicting demands that employees and management will place on Better Life.

Advice 1: Note the use of the task word ‘outline’ here, which requires students to do more than just state or identify something. However, it does require a little less than a full description or explanation.

Advice 2: This question requires students to clearly outline the demands (or interests) of employees and management at Better Life and how they may potentially be in conflict. It is important to note here that the focus needs to be on the ‘demands’ (or interests) of stakeholders and not simply ‘the stakeholders’. In other words, it is the ‘demands’ (or interests) of the stakeholders that will potentially be in conflict, not the stakeholders being in conflict.

Advice 3: A similar question has been on the VCAA exam on two occasions. On the 2018 exam, Question 5 (Section B) asked students to outline the interests of two stakeholders relevant to the business in the case study and explain how these interests may be in conflict. While that question was generally answered well, many students made a poor choice when selecting stakeholders. Students needed to consider what the business was, what the interests of stakeholders might be, and then select two stakeholders that were easily explained in terms of the potential conflict that may arise. A total of 18 per cent of students scored zero marks and the average mark was 2.4 out of 5. The chief assessors said that “It was important to select stakeholder groups that were actually likely to be in conflict and did not have overwhelmingly common interests.” The 2018 exam question was very similar to a question that appeared on the 2013 exam. Question 1c on that exam asked students to explain why stakeholders may place competing demands on businesses. The question was poorly

answered, with a total of 59 per cent of students scoring zero marks and the average mark of only 0.6 out of 2. In the main, this occurred because students were confused about what “competing demands” meant. Many students thought the question was about competition between businesses, or about how stakeholders make demands on businesses. This also highlights the importance of reading the question carefully, and perhaps re-phrasing it in a way that provides greater clarity.

Advice 4: This is an example of a question that requires students to apply their knowledge to a scenario. Students must refer to the situation at Better Life within their response. Following past exams, the chief assessors have highlighted an issue with students’ demonstrating a lack of ability to apply content knowledge to scenarios and situations provided in the exam. This is particularly important for Section B. In the 2017 Examination Report, the chief assessors stated that, “In the case of case study questions in Section B, students were asked to ensure that their responses applied to the case material. High-scoring responses were detailed and showed an understanding of the business in its nature and objectives, rather than general comments.” Similar comments were made in the 2019 Examination Report. The chief assessors stated that, “some found it difficult to apply that theoretical knowledge effectively to the scenarios provided in the examination material. There was notably poorer performance on questions for which a key component was the application of theoretical knowledge to a real-life or simulated situation.”

- 1 mark for explaining the demands of the two stakeholders on Better Life
- 1 mark for explaining how these demands compete

***Sample answer:** Employees are a stakeholder at Better Life who expect safe working conditions and reasonable wages in return for the work they do. They also expect to know that their job is secure in the long term. Another stakeholder is management. The interest of management at Better Life is in running a profitable business so that it can continue to raise money for children in need, in particular, currently the school in Africa. In return, they expect to be fairly remunerated. Management at Better Life could attempt to maintain profit by attempting to reduce employee benefits and costs of production, which conflicts with the interest of its employees. Overall, the conflict between the interests of employees and management may have the effect of ultimately reducing Better Life’s profit and allocation of money to fulfil its social need.*

Question 2 (2 Marks)

Describe how either pursuit of profit may act as a driving force for change or how financial considerations may act as a restraining force at Better Life.

Advice 1: Beware the ‘either/or’ question! Both the 2015 and 2014 VCAA exams featured questions that required students to decide between two options. For example, Question 2b of the 2015 paper asked students to discuss either Maslow’s or Herzberg’s (a motivation theory on the old Study Design) motivational theory. Many students ignored the word ‘or’ and discussed both theories. Similarly, on the 2014 paper, Question 2a asked students to describe one driving force or one restraining force for change. The average score was 1 out of 2 marks and 30 per cent of students scored 0 marks. However, 46 per cent of students scored only 1 mark, reflecting the fact that many students wasted valuable time and wrote about both forces. In doing so, several students did not adequately explain how their first force (which was the one actually marked) linked to what was happening within the business mentioned in the case study. It is always possible that another “either/or” question will appear on the 2020 exam and students should avoid making the errors noted above.

Advice 2: The Study Design lists driving forces, which include managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes. The Study Design also lists restraining forces as managers, employees, time, organisational inertia, legislation and financial considerations. As ‘pursuit of profit’ and ‘financial considerations’ are

both named in the Study Design, students are expected to be able to define each term or describe them and describe how they would act as a driving force or a restraining force.

Advice 3: This question has been included on this practice exam because a similar question appeared on the 2017 VCAA exam, where students were asked to explain one driving force and one restraining force that could have an impact on the success of [achieving] the objective of the business in the case study (Section B, Question 6). The question was handled reasonably well, but most students did not actually explain the driving force and restraining force as the question required. The average score was 1.8 marks out of 4, and 16 per cent of students scored zero.

- 1 mark for describing either pursuit of profit or financial considerations
- 1 mark for describing either how pursuit of profit may act as a driving force at Better Life or how financial considerations may act as a restraining force at Better Life

Sample answer: *Pursuit of profit refers to the effort that a business will make to ensure that its revenue exceeds expenses. Successful businesses will implement changes and improvements in an effort to increase sales, reduce costs and maximise profit. Better Life would consider the pursuit of profit before implementing the changes that it is planning, because profit needs to be sustained over time to ensure that the business can continue to fulfil its social need. As a social enterprise, profit is very important to Better Life so that it can raise money for children in need. Linh and Kimmi's expectation that Better Life will make a profit is likely to act as a drive for their plans to expand the business.*

Alternative sample answer: *Financial considerations may include the costs that a business faces or the financing of a change. The financial cost of implementing a transformation program (for example, expenses such as rent, wages or materials) may hold back a change. The high costs of change may affect Better Life's profit margin, and the business may consider raising prices. This can act as a restraining force if competitors are not facing the same pressures and the business prices itself out of the market in which it operates, reducing revenue. Furthermore, lack of access to finance can be an inhibitor for a business, particularly for many small businesses. While interest rates are currently low, there is still a cost involved in borrowing money and some financial institutions may be reluctant to lend money to Better Life. This could hold back the plans to expand the business.*

Question 3 (4 Marks)

Discuss Better Life's use of social enterprise as a type of business.

Advice 1: Note the use of the task word 'discuss' used in this question. This requires students to consider both the advantages/benefits and disadvantages/limitations of social enterprise (as a type of business). The 2017 Examination Report clarified that the task word 'discuss' requires students to identify benefits or limitations (pros or cons) of what they are talking about.

Advice 2: Students have been asked questions related to types of businesses on the last three VCAA exams. However, these have generally asked for definitions or explanation of the characteristics of a type of business, and these questions have typically been reasonably well-answered. For example, Question 1 (Section A) on the 2018 exam asked students to describe one feature of a social enterprise. The average mark for this question was 1.3 out of 2 marks, with 18 per cent of students scoring zero. Some students confused social enterprises with charities or wrote about businesses demonstrating corporate social responsibility. In the 2018 Examination Report, the chief assessors noted that "the requirement to give 50% of profit to a charitable cause... is not a specification for a social enterprise". Avoid writing about social enterprises in terms of being "not-for-profit businesses" – this is simply not the case.

Advice 3: There has not yet been a question asking for a discussion of a type of business, despite Outcome 1 (Unit 3) clearly stating that this is possible. Outcome 1 states that students "should be able to discuss the key characteristics of businesses..." A question that came close to a discussion

was on the 2017 exam. Question 1a (Section A) asked students to outline one reason why a business may choose to operate as a partnership rather than as a sole trader. This question required students to consider why a partnership may be advantageous when compared to a sole trader. The average mark for this question was 1.2 out of 2 marks, with 11 per cent of students scoring zero.

Note: While an explicit definition of social enterprise is not required, full marks cannot be awarded for answers that demonstrate limited knowledge or understanding of social enterprise. Students should include the characteristics of this type of business in their responses, even if this understanding is demonstrated within the advantages/benefits and disadvantages/limitations discussed.

- 2 marks for arguments related to the benefits of Better Life's use of social enterprise
- 2 marks for arguments related to the limitations of Better Life's use of social enterprise

Sample answer: A social enterprise is a business that produces goods and services for the market, but operates with the primary objective of funding or supporting a social need – for example, Better Life assists children from developing communities and empowers them to fulfil their potential. As it concentrates on some sort of community or environmental need, a social enterprise can potentially open up new markets. That is, the social enterprise may meet a need that commercial businesses choose not to address because the area of need may be seen as one without the potential to be profitable. For example, Better Life raises money and collects goods to distribute to children in need, in particular, currently the school in Africa. Further, as a social enterprise meets the social need, it may find that its actions have a positive effect on its profit and market share. Customers who believe that the business is meeting a social need are more likely to deal with the business, and may refer the business to other customers.

However, the owner(s) of a social enterprise may experience difficulty in obtaining capital to start the business — it can be hard to find finance. Linh and Kimmi, the founders of Better Life, spent three years attempting to fund their business. They used money loaned to them from friends and family and made use of fundraising. Further, the business required \$1 million to start. Social enterprises can face significant operating costs — because they will often take on costs that conventional businesses would not. In addition, it can be difficult for the business owner to focus on both social and financial objectives.

Question 4 (5 Marks)

Describe how Linh and Kimmi could use the principles of two steps from Lewin's Three Step Change Model to expand their business, and outline how following a change model can assist their business with implementing change successfully.

Advice 1: This question has been included because similar questions have been asked on VCAA Business Management exams. For example, Question 4 (Section B) on the 2017 VCAA exam asked students to apply Lewin's Three Step Change Model to assist the business in the case study with its future goal of diversifying into the snack food market. Students performed reasonably well on this question, with an average score of 3.1 marks out of 6 and 9 per cent of students scoring 0 marks. Importantly, students scoring lower marks either lacked detail in their explanation of the Change Model or confused the steps. In the 2017 examination report, the chief assessors noted that "Lewin's Model is far more complex than simply Unfreeze, Change, Refreeze, and there are tasks that need to be accomplished at each stage that needed to be incorporated into an answer." Similarly, Question 5d (Section B) on the 2017 VCAA exam asked students to apply the principles of two steps from the Three Step Change Model to the business in the case study (where the owner had decided to implement a new pricing strategy). The average score was 1.9 out of 4 marks and only 14 per cent of students scored zero marks. However, 70 per cent of students scored between 0 and 2 marks. Many students struggle with the specific application that the question required.

Advice 2: For the current question, two steps from Lewin's Change Model should be described and, in order to achieve full marks, each step selected should then be related to Better Life's plans to expand. Students are also required to outline how following a change model (such as Lewin's Three Step Change Model) might assist Better Life to implement change.

Advice 3: A question related to how the use of a change model may assist a business with implementing a change successfully has never appeared on the VCAA exam. However, a similar question appeared on the sample written examination (which is available on the VCAA Business Management website).

- 1 mark for describing a step from Lewin's Three Step Change Model (maximum of 2 marks)
- 1 mark for describing how each step in the theory would assist Better Life with its expansion plans (maximum of 2 marks)
- 1 mark for outlining how following a change model can assist Better Life with implementing change successfully

Sample answer: One step of Lewin's Three Step Change Model is to unfreeze the status quo. This step involves identifying what needs to change and preparing the business for change. As Better Life prepares to introduce change, such as introducing the hairdressing service, then massage and tanning services, management will need to communicate the need for change and all relevant aspects of the change. For example, Linh and Kimmi might explain the advantages of the change to all stakeholders, and employees will need to know that support is available to assist in the change process. This means that stakeholders will have time to comprehend the change and prepare for it.

The second step of Lewin's Three Step Change Model is to make the move from the current situation to the new situation. With the business in an unfrozen state, with processes, policies, practices ready to be changed and the necessary support in place, management at Better Life should now be able to move the business to a new position; that is, to actually make the change. Linh and Kimmi should continue to provide support and maintain open lines of communication so that all employees are able to seek guidance and feedback on what is taking place. Staff might be empowered to implement the required changes. In this way, resistance to the change would be minimised. During this stage, the management of Better Life should ensure that training is provided to employees so that they have the necessary knowledge and skills to deal with the changes.

Following a change model provides a structure that will allow Better Life to implement change successfully. The use of Lewin's Three Step Change Model will assist the business to reduce the influence of restraining forces, minimising resistance, while maximising the weight of driving forces supporting the change. The use of this change model also ensures that the business is able to consolidate the change, so that it becomes a part of the new status quo.

Question 5 (6 Marks)

Identify and explain the key elements of Better Life's operations system.

Advice 1: The three key elements of an operations system are clearly listed in the Study Design: inputs, processes and outputs. Only the three key elements listed in the Study Design are acceptable. Questions related to the elements of an operations management system were regularly on the VCAA examination in the past (appearing on five papers between 2004 and 2010). More recently, Question 2 (Section B) on the 2018 exam asked students to describe the key elements of the operations system of the business in the case study. The average mark for this question was 2.8 out of 6 marks, with 32 per cent of students scoring zero. There were issues when students attempted to describe the three key elements in terms of the case study (students had the option of describing the elements of the business's skate parks, sports shop or café). Some students did not name the three key elements or just listed them (but did not describe). Some students seemed to think that processes and outputs in a service business are the same thing.

Note 1: There needs to be some application to Better Life's operations system for full marks.

- 1 mark for identifying a correct key element (maximum of 3 marks)
- 1 mark for explaining a key element of Better Life's operations system (maximum of 3 marks)

Sample answer: *The first key element of Better Life's operations system is inputs. This refers to the resources used in the process of producing a good or service. As a business that provides beauty services, Better Life would use materials including electricity, computer software, hairsprays and waxes. Other inputs at Better Life would include capital equipment (such as waxing equipment, treatment units, towels and the premises), human labour (for example, its management and beauticians), information and time.*

The next key element of Better Life's operations system is processes. The transformation process involves the conversion of inputs (resources) into outputs (goods or services). The process at Better Life is likely to involve potential or existing customers initially contacting the business to make an appointment. At the appointment, a beautician would provide a facial, eyelash extension, nail service, wax or other service to a customer. At the end of the appointment, the beautician may also suggest products that would suit the customer.

The third key element of Better Life's operations system is outputs. Output is the end result of the business's efforts - the finished good or service that is delivered or provided to the consumer. Better Life's output is the quality beauty service provided to customers who should be very satisfied with their beauty treatment.

Question 6 (6 Marks)

Using examples from Better Life and another business you have studied this year, outline three differences between the operations management within a service business and a manufacturing business.

Advice 1: There are many differences between manufacturing and service businesses. Students could refer to the following types of differences:

- the nature of the product (tangible vs intangible)
- the level of customer interaction
- the distinction between standardised and differentiated products
- production and consumption occurring simultaneously in service businesses but occurring separately in manufacturing
- services not being able to be stored while manufactured goods can be stored.

Advice 2: This particular question has been included on this practice exam because students struggled with a similar question on the 2012 exam. Question 1e asked students to describe one difference between the operations management of a manufacturing organisation and a service organisation. The average score was 1.1 out of 2 but 37 per cent of students scored 0 marks. A similar question on the 2011 exam asked students to outline three differences between the operations management of service and manufacturing organisations (Question 3c). The average score was 1.1 out of 3 and 44 per cent of students scored 0 marks. The main issue was that many students struggled to directly show that there was a difference. This means that many students, for example, attempted to say that service businesses produce intangibles whereas a manufacturing business produces standardised products. This difference is not directly related and it would be better to write that service businesses produce intangibles whereas a manufacturing business produces tangibles. More recently, a slightly different question on the 2019 exam asked students to compare the characteristics of operations management within a manufacturing business with those of a service business (Question 1b, Section A). This question required students to compare similarities and differences between the businesses in terms of operations management. The average score was 1.7 out of 4 and 20 per cent of students scored zero marks. Many responses referred to only the key elements of an operations system – the inputs, processes and outputs – and made no comparison (no similarities, no differences).

Advice 3: The descriptions provided must clearly represent differences between the operations of both businesses. In other words, they should 'match' or go together.

- 1 mark for outlining a clear difference between the operations management of manufacturing businesses and service businesses (maximum of 3 marks)
- 1 mark for referring appropriately to Better Life and a manufacturing business (maximum of 3 marks)

Note 1: Full marks cannot be awarded to responses that contain no examples.

Sample answer: One difference between the operations management within a service business and the operations management within a manufacturing business is seen in the nature of the product that both types of businesses produce. A service business such as Better Life transforms inputs into services, or intangibles, which means that they cannot be touched or stored. By contrast, a manufacturing business, such as Toyota, transforms inputs into physical goods, or tangibles, which can be handled and stored before they are sold to the consumer. For example, Toyota's vehicles can be stored and handled before being used.

Another difference is the level of customer interaction. A service business will have high levels of customer interaction as consumption usually occurs while the service is being produced. For example, there will be high levels of customer interaction when Better Life produces its services (such as the provision of a facial). This will involve customers physically attending the business, or interacting with an employee of the business to make an appointment. On the other hand, for a manufacturing business like Toyota, there is little to no consumer interaction as consumption of its vehicles occurs after production. Customers will purchase its automobiles and commercial vehicles after they have gone through the production line.

Another difference is that services tend to be differentiated. This means that they are provided to individual customers and are modified to suit each customer. For example, Better Life offers a range of products, many of which can be tailored to suit an individual customer (such as providing two separate customers distinct nail art or different eyelash extensions). In contrast, goods tend to be homogenous – they are basically all the same for each customer purchasing a particular good. This means that Toyota's vehicles are basically all the same or similar for each customer.