**Student Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**BUSINESS MANAGEMENT

Units 3 & 4 – Written examination**

PES

# 2020 Trial Examination

## Reading Time: 15 minutesWriting Time: 2 hours

**SOLUTIONS**

### Structure of book

|  |  |  |  |
| --- | --- | --- | --- |
| *Section* | *Number of questions* | *Number of questions to be answered* | *Number of marks* |
| Section ASection B | 56 | 56 | 5025 |

* Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
* Students are not permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.
* A calculator is not allowed in this examination.

**Materials supplied**

* Question and answer book of 20 pages.

**Instructions**

* Answer all questions in the answer book.
* All written responses must be in English.

|  |  |  |  |
| --- | --- | --- | --- |
| *Section* | *Number of questions* | *Number of questions to be answered* | *Number of marks* |

Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.

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| --- |
| **Instructions** Answer **all** questions in the spaces provided. |

**SECTION A**

**Question 1 (11 marks)**

D-Crest Mining Limited is one of the world’s largest producers of gold. It focuses on the exploration, development, mining, and sale of gold and copper, operating in Australia and in countries overseas including Canada, Papua New

Guinea and Indonesia.

 **a**. Define the term public listed company. 2 marks

*A public listed company is a business that trades its shares on the Australian Securities Exchange (ASX), with the general public able to buy and sell these shares. It has limited liability and needs a minimum of one shareholder with no maximum number to operate.*

1 mark for a business that trades its shares on the Australian Securities Exchange

1 mark for additional information e.g. limited liability, or the public company must issue a prospectus when selling shares for the first time, or it’s required to publish audited financial accounts each year including an annual report

**b.** Outline **one** reason why a business such as D-Crest Mining Limited would choose to operate as a public listed company rather than as a private limited company. 2 marks

*A business such as D-Crest Mining Limited may choose to operate as a public listed company as it has the ability to tap into greater financial markets by selling stock to raise more cash for expansion and further mining explorations projects*.

1 mark for the outline of a suitable reason

1 mark for the link to the scenario

D-Crest Mining Limited has continued to enjoy an increase in profits registering a net profit of $561 million as at

June 2019. The business is also well known for its low-cost gold production. The CEO is looking to boost staff morale after noticing a decrease in productivity levels.

 **c. D**escribe **two** key performance indicators that could be used as sources of data to analyse the performance of

 D-Crest Mining Limited. 4 marks

*One key performance indicator that the CEO could use is the rate of productivity growth which is a measure of the change in productivity from one year to the next. The CEO would compare the volume of output produced at the mining business compared to the amount of input needed to assess whether it is increasing or decreasing over time. The aim is to reduce input costs or produce more output for the same amount of input to increase profit. The CEO would implement a range of strategies to address falling productivity levels such as additional training, more technology, the offer of performance based pay etc.*

*Another key performance indicator would be the level of staff turnover which is a measure of the number of staff who leave the mining business over a period of time and need to be replaced. Staff turnover is linked to job satisfaction and is a cost to the business in terms of time and money if there is an increasing trend of staff leaving over time. The CEO would need to look at staff retention rates as these will also have an impact on productivity levels. If staff have to be replaced, then new recruits will need time and training to build their level of expertise at D-Crest Mining Limited.*

*Students can refer to other key performance indicators to answer this question.*

1 mark for describing the relevant performance indicator (x2)

1 mark for linking the key performance indicator to the scenario (x2)

 **d. P**ropose and justify a suitable motivational strategy that the CEO could adopt to improve employee performance. 3 marks

*The CEO could invest in training to boost employee motivation. If more money is spent by D-Crest Mining Limited to improve the skills of employees, then the employees will feel more valued and their morale will improve. Employees may use these skills to access further job responsibilities and promotions in the workplace, attracting higher pay scales and further improvements in employee performance.*

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

1 mark for the proposal of a suitable motivational strategy

1 mark for the explanation of this motivational strategy

1 mark for the justification of this motivational strategy

**Question 2 (8 marks)**

Nick’s Logistics Pty Ltd is a medium sized business that provides supply chain and transport solutions to other businesses across Australia with a promise of delivering on time every time. With increased demand over the past year, Nick’s Logistics Pty Ltd is looking to improve its business operations in the areas of technology through the development of a new website and quality management.

1. Describe a suitable quality approach that Nick could implement to improve both efficiency and effectiveness. 4 marks

*A suitable quality approach that Nick could implement is quality assurance. Quality assurance involves the audit of systems, processes and procedures conducted by an external business designed to ensure that the delivery of the service meets pre-established quality standards. If Nick’s business is able to meet these standards, then the business will become certified building on its reputation and potential for increased market share.*

*Efficiency will improve as any issues focusing on quality will be identified and addressed in terms of the supply chain. Any waste or delayed time issues will be rectified to ensure that certification is achieved and then maintained.*

*Effectiveness will also improve as less waste and a higher quality service should lead to increased profits as customers will know that Nick’s Logistics is using processes to ensure that the supply chain is organised, on time and has minimal issues. This could also lead to a decrease in customer complaints boosting market share which would be another business objective for the business.*

2 marks for the description of a quality approach suitable for Nick’s Logistics

1 mark for linking the quality approach to efficiency

1 mark for ~~the~~ linking the quality approach to effectiveness

**b**. Discuss how website development could help Nick’s logistics business improve its operations. 4 marks

*Website development refers to all the tasks needed to get a website up and running for a business like Nick’s Logistics Pty Ltd from the design of the actual website, to content, security and online sales.*

*The advantages of a new website for Nick and his business would include customer access to the website on a 24/7 basis enabling them to log in their supply chain needs making the business more competitive. With the website fully operational Nick would need less staff as customers can interact with the business via the website. Additional information could also be provided to customers to increase their awareness of the services available, the business’s privacy policies and how it deals with issues or complaints.*

*However, the initial costs of setting up a website from its design, registration and publication will be both expensive and time consuming. Nick will also need to consider the loss of access to the business if the website crashes and the need for some employees to be trained in website design and maintenance with some potential job losses if most of his business is now done through the website.*

2 marks for the advantages of website development

2 marks for the disadvantages of website development

**Question 3 (17 marks)**

Surprise Sneaker Outletis a streetwear retail business providing customers with the opportunity to access a wide range of unique sneakers and clothing. The business focuses on building a positive relationship with both its customers and suppliers.

The business prides itself on having a talented team of staff who are passionate about providing customers with an exciting and exclusive shopping experience. The owners Michael and Andrew are considering expanding the business to also stock a range of gumboots.

**a**. Human resources is an example of an area of management responsibility that would help Michael and Andrew achieve their business objectives. Outline another area of management responsibility and explain how this area could help contribute to the achievement of their business objectives. 4 marks

*Another area of management responsibility is sales and marketing which focuses on promoting the business and its products to customers in the marketplace. The marketing team at Surprise Sneaker Outlet would concentrate on the streetwear product range, pricing strategies, suitable methods of promotion and the distribution of products through their outlet. Their aim would be to maximize sales by developing a relationship with existing customers, while at the same time trying to attract new customers to build brand loyalty to boost their sales, profit and market share in the consignment of streetwear.*

*Students can also refer to other areas of management responsibility to answer this question.*

2 marks for the outline of the area of management responsibility

2 marks for the explanation of how this area contributes to the achievements of business objectives at the Surprise Sneaker Outlet

Michael, as the human resource manager, is in the process of negotiating a new agreement to determine the pay and working conditions of all employees.

1. Analyse this method of determining pay and working conditions and describe the role of the human resource manager in this process. 6 marks

*Agreements are legally enforceable arrangements which outline the terms and conditions of employment between an employer and a group of employees with, or without union involvement at a specific workplace. Michael will be required to go through a process of enterprise bargaining to meet a number of tests before the Fair Work Commission will ratify the new agreement to be implemented at Surprise Sneaker Outlet. The agreement needs to include the 10 National Employment Standards, a nominal expiry date and procedures for the settlement of any disputes that may arise including the implementation of the agreement at the workplace. Productivity based gains can be negotiated into this new agreement for employees as well as consultation on any major workplace change at the retail outlet.*

 *Michael as the human resource manager is responsible for managing the overall relationship the business has with its employees. He would be involved in the negotiations of the new agreement on behalf of the business with the employees or their union representative. He needs to ensure that all parties are satisfied with the new agreement and that it has been done in good faith without any disadvantage to the employees. He must also ensure that the legally binding safety net of the award for this industry has been met.*

4 marks for the analysis of the agreement as a method of determining the pay and working conditions for the employees at Surprise Sneaker Outlet

2 marks for the description of the role of the human resource manager in the process

**c**. A dispute between management and an employee has arisen over a bullying incident at the workplace. The matter has now gone to arbitration for a resolution. Describe this process of dispute resolution and include **one** advantage of using arbitration to settle a workplace dispute. 3 marks

*Arbitration is a formal dispute resolution process that is used where the parties are not able to agree on a solution. In the case of the bulling issue at the Surprise Sneaker Outlet, both management and the employee will put their case forward to an independent third party who would then make the final decision that is legally binding on both parties.*

*One advantage of arbitration is that there will be a settlement of the dispute that both parties have to follow which will allow them to move on and not dwell on the issue.*

2 marks for the description of arbitration

1 mark for the advantage of using arbitration to settle a workplace dispute

**d**. Explain how Surprise Sneaker Outlet could apply the principles of Force Field Analysis Theory (Lewin) to implement its expansion plans to introduce the gumboot range. 4 marks

*The force field analysis is a decision-making tool outlining the process of deciding which forces will drive the expansion plans for the gumboots forward and which will cause resistance. Surprise Sneakers Outlet must first identify their change target which in this case would be to increase sales and revenue by offering another product for customers to purchase. Possible forces that will encourage the change could be management who are constantly exploring ways to expand their product range, or it could be the pursuit of profit by attracting more customers who would have a vested interest in the purchase of gumboots.*

*Restraining forces could be financial considerations as the business will have to outlay more to introduce the new product. The product itself could have seasonal customer appeal which could be another restraining force as there could be less customer demand if introduced or sold over spring or summer. Michael and Andrew would need to allocate a numerical score out of 5 based on the importance of each force to decide which forces need to be prioritised. The business would then implement strategies to promote the driving forces and eliminate the restraining forces for the expansion plans to be successful.*

1 mark for each point demonstrating an understanding of the principles of the theory and their application to the scenario x 4

**Question 4 (5 marks)**

Carolina and Juan set up a cleaning business in 2019 which was booming before a downturn in the economy caused them to lose two of their major office cleaning contracts. As a result, they have gone into the wholesale distribution of cleaning agents, gloves and sanitiser with some success over the past twelve months. They recorded the following key performance indicators for the last financial year.

|  |  |  |
| --- | --- | --- |
| **Key Performance Indicator** | **JUNE 2019** | **JUNE 2020** |
| Level of Waste | 10 % | 8 % |
| Net Profit figures | $250,000 | $150,000 |
| Number of Sales | 1,000 | 3,000 |

Explain the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation in relation to the move from contract cleaning to selling cleaning products. Refer to the above data in your answer.

*Carolina and Juan would need to review specific key performance indicators like the net profit figures and the number of sales to ensure that the transformation of the business from office cleaning contracts to the wholesale distribution of cleaning agents was successful with customer interest and demand. For the business to be effective both would need to be increasing while the level of waste would need to reduce as this is a cost to the business. There would be no financial benefit for the business to invest time and money to change its focus, if the outcome was not going to be positive.*

*The net profit figures, which is a measure of the money the business earns after all expenses have been deducted from revenue, has declined over the last 12 months. This could be due to the financial investment the business has made to purchase the cleaning agents and to promote the change in the business. However, the number of sales (a measure of the number of products sold over a period of time) has increased which is positive indicating that the cleaning agents have a market and that this could lead to a rise in profits over the longer term. The other positive sign is the reduction in the level of waste making the business more socially responsible while at the same time reducing its costs. The business could be focusing more on recycling and using less chemically based products which are harmful to the environment to clean the office buildings as well as the shift to selling the cleaning agents.*

2 marks for the explanation of the importance of reviewing key performance indicators

3 marks for references to the data in the student’s response.

**Question 5 (10 marks)**

To compete in an ever-changing market, businesses need to target their operations and adapt to change to maximise efficiency, productivity and profit.

Analyse this statement with reference to the following:

* the achievement of business objectives
* the relationship between operations and business objectives
* global considerations in operations management

*Sample Answer:*

*The primary objective of a business is the production of goods and services. Businesses continue to explore ways to maximise efficiency by making the best use of their resources implementing a variety of strategies to boost productivity. These strategies can focus on the increased use of technology, the management of materials or quality or waste minimisation strategies in an effort to minimise input and maximise output.*

*Business objectives are the desired goals that give direction or purpose to the business and often focus on increasing profit which can be defined as revenue that is available to the business after all expenses have been deducted and productivity which is a measure of how many inputs are required to produce the final good or service. When a business is established it sets its long-term objectives to enable it to have a focus and to use key performance indicators to determine whether it is achieving these outcomes over a specific period of time. Businesses need to adapt to change given that the business environment is dynamic and is affected by a range of factors including changing customer tastes, advances in technology and globalisation. Businesses that do not continue to evolve and adapt to change will struggle to maintain market share and profit levels, losing their competitive edge.*

*There is an important link or connection between operations and business objectives. If businesses want to remain competitive then it is through the operations process that they will achieve this. Managers or business owners are constantly exploring ways to gain an advantage over rival businesses, whether it be through reduced costs, improved quality or the speed of delivery of their product. Technology plays an important role to boost productivity, using less human resources to reduce errors and waste as technology enables greater precision of work and a more reliable product. This boosts profits in the longer term as the business is able to reduce its operational costs. Advances in technology enable the business to be more flexible and adaptable to change.*

*Businesses today operate in a global market and have the capacity to source inputs from overseas which reduces costs as they are cheaper due to lower labour costs, lower tariffs and more lenient trade agreements. This can give the business a competitive edge because with reduced costs come lower prices and increased sales generating higher levels of profit. Manufacturing businesses may rely on countries overseas to produce their product as a result of lower overheads, again boosting profits and increased competitiveness. Businesses can also outsource some of their non-core activities to external business overseas such as call centres and accounting services, to focus on the core activities and reduce costs given the increased accessibility to global businesses through advances in technology.*

Marked globally

|  |  |
| --- | --- |
| **Mark Range** | **Descriptor: typical performance in each range** |
| 9-10 marksVery High | Comprehensive analysis of the statement addressing all the elements of the question. Demonstrates an in-depth understanding of key business concepts including:* the achievement of business objectives
* the relationship between operations and business objectives
* global considerations in operations management
 |
| 7-8 marksHigh | Detailed analysis of the statement addressing most of the elements of the question. Demonstrates a good understanding of key business concepts including:* the achievement of business objectives
* the relationship between operations and business objectives
* global considerations in operations management
 |
| 5-6 marksMedium | Moderate analysis of the statement addressing some of the elements of the question. Demonstrates an adequate understanding of some of the key business concepts that may include:* the achievement of business objectives
* the relationship between operations and business objectives
* global considerations in operations management
 |
| 3-4marksLow | Limited analysis of the statement addressing only some of the elements of the question. Demonstrates a very basic understanding of some of the key business concepts that may include: * the achievement of business objectives
* the relationship between operations and business objectives
* global considerations in operations management
 |
| . 1-2 marksVery Low | Very limited response with a limited understanding of the question and no reference to any elements the question |
| 0 | Response does not relate to any elements of the question |

**SECTION B – Case Study**

|  |
| --- |
| **Instructions for Section B**Use the case study provided to answer the questions in this section. Answers must apply to the case study.Answer **all** questions in the spaces provided. |

**Case Study:**

The headquarters of St Bartz was established in the backstreets of Port Melbourne in 2008 where the owner Mick Doonas had ambitious plans to expand his coffee roasting business globally. He began roasting his own coffee to supply to the attached café and to a handful of select retail customers. He sold the business in 2012 and has since gone on to open the exceptional Seven Sinner’s Café.

The buyer of St Bartz was Sergio Mala, who has since positioned St Bartz’s as the flagship of his growing cafe empire. The other notable cafes under the St Bartz brand include [Senses Lab](http://www.broadsheet.com.au/melbourne/food-and-drink/directory/cafe/sensory-lab), [Acting Room](https://www.broadsheet.com.au/melbourne/cafes/auction-rooms) and Clementine’s. There's also a St Bartz cafe in Jakarta now.

Sergio has cleverly developed a team of energetic coffee enthusiasts. His hard work and passion is evident and the business has created a positive atmosphere that comes from people getting really excited about the products the business is offering under his leadership. Sergio has adopted a more participative style of management to run his businesses valuing employee input in the decisions he makes about the business.

With changes in current government laws and a downturn in economic conditions St Bartz has undergone significant change to survive by developing a hand sanitiser with 75 % alcohol as a result of forming a partnership with a local water- treatment business H2O/Chemplus. The sanitiser comes in 250 millilitre bottles that retail for $15 and 500 millilitre pump bottles which sell for $25. As a result, the business has been able to continue operating with a greater degree of success looking after its regular customers for coffee and attracting new customers with the hand sanitiser. Both St Bartz signature coffee beans and the hand sanitiser are available online and through the cafes that are still operating.

**Question 1 (3 marks)**

Explain the importance of leadership during the period of change for St Bartz.

*Leadership refers to management or the business owner positively influencing and encouraging staff to set goals and work towards achieving these. During a period of change this skill will help to reduce resistance as there will be a greater level of trust between management and staff. If Sergio Mala is an effective leader, then the shift in the product range will not be a difficult one and staff who move to the production of the hand sanitiser will accept their new job roles in the business.*

1 mark for an explanation of what leadership is

1 mark for an explanation of its importance during a period of change for a business

1 mark for the link to the case study

**Question 2 (2 marks)**

Outline **one** driving force and **one** restraining force for the change at St Bartz.

*One driving force for change at St Bartz would be the pursuit of profit. Sergio Mala saw the opportunity with the high demand in hand sanitiser to increase his profit and market share. Given the change in economic conditions, he decided to include production and sales of this product online and through his cafes.*

*One restraining force for the change could be time. If the change took too long and production was delayed, then sales would be low as competitors would have saturated the market with their version of the hand sanitiser. St Bartz must be able to prepare a time line to determine how long before production can occur and if this change is a viable option to boost sales and profit.*

*Students can refer to other driving and restraining forces to answer this question.*

1 mark for the outline of the driving force linked to the case study

1 mark for the outline of the restraining force linked to the case study

**Question 3 (4 marks)**

Describe **two** management skills, other than leading, Sergio would need as the business diversifies to include the production of hand sanitiser.

*Planning skills involves the ability of managers or owners to look ahead, define or set business objectives and then establish strategies to achieve these. Sergio would need to make decisions about the direction of the business and implement ways to improve results. He would be involved in strategic planning, a he is the owner of the business, looking to establish the long term goals of the business, producing and selling other products given the change in government and economic conditions.*

*Interpersonal skills involve the ability of management to deal with people using empathy to build trust and positive relations with their employees and other key stakeholders of the business. Sergio would need to communicate effectively and honestly with a range of stakeholders and help develop a strong business culture that values relationships. He would also need to understand that it is through the work of his employees that the business objectives are achieved. The building of these positive relationships would help the business during this period of change as employees are clear about what is expected and are then willing to put in the time and effort to produce and sell the new product to ensure the business remains profitable.*

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

1 mark for the description of each management skill x 2

1 mark for the application to the case study x 2

**Question 4 (6 marks)**

Evaluate **two** management strategies to respond to key performance indicators as a result of the shift in demand for the cafes.

One strategy that management could adopt is the redeployment of resources which is the process of moving either natural, labour or capital resources from one section of the business to another to reduce costs and improve efficiency. With the downturn in the economy and the changes to café rules, St Bartz would be looking to relocate labour and capital resources to the production and selling of the bottles of hand sanitiser through the cafes and online. This provides a means of retaining staff and adjusting to the changes occurring in the community. However, customers may identify St Bartz as only a coffee distributor and café, rather than a producer of hand sanitiser so sales may not be high. Overall it may be a good move by Sergio Mala as there is an increased demand for sanitiser and if the product is readily available on the market, then this may boost his business’s sales and profit.

Another management strategy would be improving the quality of production. If initial sales were low, then Sergio Mala could adopt a quality approach like quality control where the sanitiser product range is monitored at various stages of the production process to ensure that each bottle is of the highest standard. Defects or errors could be detected and corrected to ensure that each product sold to customers meets their expectations. However, quality control does not prevent waste of products if they are defective or disposed of through landfill creating waste and lowering revenue. If the adoption of a quality approach did lead to increased sales and a reduction in the number of customer complaints, then this would improve key performance indicators such as net profit figures and the number of sales.

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

Mark globally

|  |  |
| --- | --- |
| **Mark Range** | **Descriptor: typical performance in each range** |
| High5-6 marks | Response provides a detailed evaluation of each of the two strategies and includes the following:* an advantage of each strategy
* a disadvantage of each strategy
* an overall judgement or opinion of each strategy and its response to key performance indicators
* a link to the case study
 |
| Medium3-4 marks | Response provides a limited evaluation of each of the two strategies and may include some of the following:* an advantage of each strategy
* a disadvantage of each strategy
* an overall judgement or opinion of each strategy and its response to key performance indicators
* a link to the case study
 |
| Low1-2 marks | Response does not provide an evaluation of each of the two strategies and may only refer to an advantage and/or disadvantage of each without an overall judgement or opinion and no link to the case study |
| 0 | Response does not relate to any elements of the question |

**Question 5 (4 marks)**

Analyse **one** training option that would be suitable for the staff, given the move to produce hand sanitiser.

*A suitable training option would be off- the- job training which refers to staff being sent away from St Bartz, to a specialised training institution to gain the relevant skills to be able to produce the hand sanitiser. This would be more appropriate than on-the- job training as the staff who are currently working in the cafés or the coffee distribution centre would not have the experience or knowledge to make and bottle the hand sanitiser. The staff would have access to trainers with expertise in making the sanitiser that then meets the required product standards. The training is more focused without workplace interruptions so staff can focus and learn the necessary skills more efficiently, although it can be time consuming and costly.*

*Students can also refer to on- the-job training to answer this question.*

1 mark for each point of the analysis which examines the essential features of the training option linked to the case study x 4

**Question 6 (6 marks)**

Explain **two** corporate social responsibility considerations in relation to the operations system that St Bartz will introduce to produce the hand sanitizer that is linked to environmental sustainability.

*Management at St Bartz can demonstrate their commitment to being more environmentally sustainable by making more responsible decisions to reduce the business’s negative impact on the environment. This can be done through the local sourcing of inputs for the production of the hand sanitisers. By purchasing inputs from local suppliers, St Bartz not only helps the local economy through the provision of local jobs, but also decreases pollution as sourcing inputs from overseas can contribute to carbon emissions because of transportation.*

*In the process stage which is the conversion of inputs into final output St Bartz can use recycled materials for the bottles and pumps to reduce waste and landfill. Recycling reduces air, water and land pollution that is caused by discarded or burning waste. This decreases the need for landfill and greenhouse gas emissions. St Bartz is then demonstrating its commitment to adopting more environmentally sustainable practices and being socially responsible.*

*Students can refer to other corporate social responsibility considerations in relation to the operations system to answer this question.*

3 marks for the explanation of each corporate social responsibility consideration linked to both an element of the operation system, environmental sustainability and the case study x 2