



VCE BUSINESS MANAGEMENT UNITS 3/4

2021

CPAP Practice examination No. 2

**SUGGESTED RESPONSES,
MARKING SCHEME AND ADVICE**

Section A

Question 1 (4 marks)

Distinguish between social enterprises and government business enterprises.

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 six 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 scoring 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 per cent 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.”

Advice 3: While social enterprises was on the 2018 VCAA exam (Question 1, Section B asked students to describe one feature of a social enterprise), government business enterprises has never been on the exam. The 2018 social enterprise question was reasonably well answered – with an average score of 1.3 marks out of 2. A government business enterprise question might prove to be more challenging and a question asking for the difference between them and social enterprises might be difficult for some students.

- 1 mark for demonstrating an understanding of a social enterprise
- 1 mark for demonstrating an understanding of a government business enterprise
- 1 mark for establishing a clear point of difference between the two terms
- 1 mark for further explanation demonstrating an understanding of the differences between the two terms (e.g. the provision of an example for each)

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

Sample answer: *A social enterprise is a business that operates with the primary aim of fulfilling social objectives. The business may make a profit but will concentrate on some sort of community or environmental need. A majority of the profit that the social enterprise makes is likely to be reinvested back into the business so that it can continue to fulfil its social objectives, or will be distributed to meet the community or environmental need. On the other hand, a government business enterprise (GBE) is a type of business that is government owned and operated. A GBE aims to make a profit while it carries out government policies by delivering community services. GBEs will also have the objective of increasing the value of their assets and returns to their shareholder (the government). A board of management or board of directors usually controls a GBE, with government input into the board. The government maintains a strong interest in the performance and financial returns of the GBE.*

A main difference between the two terms is that a social enterprise is a business owned privately that exists to fulfil some sort of social need, such as the Victorian ‘Make a Difference Community’ social enterprise that seeks to eradicate hunger. In contrast, a government business enterprise is a business that is owned by the government but ultimately exists to deliver important community services, such as Australia Post which is owned by the federal government and provides postal/parcel services across all regions of Australia.

Question 2 (6 marks)

Explain efficiency in relation to technological developments and waste minimisation in the production process.

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 relationship that efficiency has with technological developments and waste minimisation.

Advice 2: This question has never been asked on a VCAA Business Management exam. However, it is similar to a question on the 2016 exam which was not answered well by students. Question 1c on the 2016 exam asked students about content from the old study design (students were asked to explain the relationship between a management role and both materials management and quality management). The average score was 2.3 marks out of 6, and 20 per cent of students scored zero. High-scoring responses demonstrated a clear understanding of all the terms. Many students just struggled to find any relationships between the terms, or chose strategies within materials management or quality management that did not apply to the question.

- 2 marks for demonstrating an understanding of the term 'efficiency'
- 1 mark for demonstrating an understanding of technological developments
- 1 mark for explaining a way in which efficiency is related to technological developments
- 1 mark for demonstrating an understanding of waste minimisation
- 1 mark for explaining a way in which efficiency is related to waste minimisation

Sample answer: *Efficiency refers to how well a business uses its resources to achieve objectives. Essentially, this is referring to productivity — how many inputs (resources) it takes to produce output (goods or services). In terms of operations management, this generally relates to reducing the amount of waste produced while achieving business objectives, but can also be achieved by increasing the rate at which output is produced. For example, automated production lines (a technology strategy) can be used by businesses to improve efficiency. An automated production line comprises machinery and equipment arranged in sequence with components added to goods as they proceed through each step. The use of this strategy ensures that production will be completed more quickly and will be less subject to human error because the stages are automated and controlled by machines. This should lead to reduced costs and less wastage. Furthermore, faster production should improve the rate at which output is produced, improving productivity and therefore efficiency.*

In terms of waste minimisation, efficiency relates to reducing the amount of waste created in the production process while achieving business objectives. Waste minimisation refers to the process of reducing the amount of unwanted or unusable resources produced by a business. An example of a waste minimisation strategy is lean management, which improves operations by eliminating waste, thereby improving efficiency. A business using this approach would carefully analyse each stage of the operations system and remove any inefficiencies, or wastes, that do not add value to the product. Waste typically reduces the speed of production or stops production occurring at the lowest possible cost. By reducing the amount of waste while achieving objectives, and while also reducing energy and resource consumption and delays, a business will therefore be using its resources more efficiently.

Question 3 (11 marks)

Tyrell Corporation is renowned for paying its staff salaries that are well above industry average. Despite this, the CEO believes that not all staff are working to their potential. She would like to implement strategies to develop a positive corporate culture at the company.

a. Describe two differences between Maslow’s and Lawrence and Nohria’s theories of motivation.

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 differences between Maslow’s and Lawrence and Nohria’s theories of motivation.

Advice 2: The current question is similar to Question 2b on the 2016 VCAA exam. That question asked students to describe two differences between Maslow’s and Locke (and Latham)’s theories of motivation. The average score was 1 mark out of 2 but 27 per cent of students scored zero marks on what might appear to be a fairly straightforward question. Many students struggled to find a point of difference that they could comment upon. The current question is a little different to the 2016 question in that it asks for two differences between Maslow and Lawrence and Nohria, and is worth 4 marks.

Advice 3: It is important to note that when describing differences, the points of difference must be linked. Simply stating characteristics is not enough. Using words such as ‘whereas’, ‘however’ or ‘on the other hand’ can be useful when attempting to clarify differences.

- 1 mark for identifying a difference between Maslow’s and Lawrence and Nohria’s theories of motivation
- 1 mark for further detail describing the difference
- Repeat for a second difference

Sample answer: *One difference between Maslow’s and Lawrence and Nohria’s theories is that Maslow’s theory has five different levels of needs in a hierarchical structure, moving from a position of receiving extrinsic rewards to a greater emphasis on intrinsic rewards, whereas Lawrence and Nohria’s theory consists of four drives, which are all considered to be of equal significance.*

Another difference relates to Maslow’s theory assuming a sequential set of steps, whereas Lawrence and Nohria’s does not. According to Maslow, a person will satisfy one level in the hierarchy before moving to the next one. In contrast, in Lawrence and Nohria’s theory of motivation, the four drives can be satisfied simultaneously.

b. Using Lawrence and Nohria’s theory of motivation, justify two strategies to develop the corporate culture at Tyrell Corporation.

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. In the case of the current question, it requires students to provide reasons for their two selected strategies.

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 in this practice exam because questions relating to corporate culture have generally been handled poorly on past VCAA Business Management exams.

Advice 3: The current question is similar to Question 2c on the 2016 VCAA exam. This question asked students to justify two strategies to improve corporate culture using Maslow’s theory. 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. Many students just explained each level of Maslow’s hierarchy or selected one or two steps and wrote about those. To do well on that question, students needed to read the material in the case study carefully and then relate this information to the appropriate

level(s) of Maslow's theory. Students should aim to make use of the same process for the current question – apply Lawrence and Nohria's theory to the corporate culture at Tyrell Corporation.

Advice 4: While the Business Management Study Design does not specify strategies for developing corporate culture, past examination reports have identified a number of strategies. In relation to Lawrence and Nohria's theory of motivation, these include:

- training and development;
- establishing rituals, rites and celebrations;
- promotion;
- changing the prevailing management style;
- improving relations among staff;
- reward staff who exemplify values; and
- team work.

Any two of these strategies, or other appropriate strategies relevant to Lawrence and Nohria's theory, could be selected by students and then described.

- 1 mark for demonstrating understanding of a drive from Lawrence and Nohria's Four Drive Theory
- 1 mark for clearly justifying a strategy relevant to Lawrence and Nohria's Four Drive Theory that might be used to develop the corporate culture at Tyrell Corporation
- Repeat for a second strategy

Sample answer: *Lawrence and Nohria's Four Drive Theory states that there are four main drives that shape the way in which all humans think and behave – providing motivation for our behaviour. These are the drives to 'acquire', to 'bond', to 'learn' and to 'defend'.*

One strategy that management at Tyrell Corporation can use to develop the business's corporate culture is establishing appropriate celebrations. This strategy should meet the requirements of the drive to bond – referring to the requirement to form relationships with other individuals and groups as well as to belong. For example, management at Tyrell Corporation could adopt the strategy of implementing regular social gatherings. This strategy would help to create a more positive relationship between management and staff and will therefore help to satisfy the requirements of the drive to bond. More positive relationships between management and staff should contribute to a more positive corporate culture at the company.

Another strategy that management can use to develop Tyrell Corporation's corporate culture is training. This strategy should meet the requirements of the drive to learn – referring to our desire to satisfy curiosity, to comprehend information and to explore the world around us. This relates to providing opportunities to learn new skills, making tasks interesting, providing a variety of tasks, and providing challenges inbuilt into work assignments. Staff could be provided with skills and knowledge related to the expected values of the business. For example, if treating customers respectfully is important to Tyrell Corporation, then this should be part of its customer service training program. Staff who are well-trained in the expected values of Tyrell Corporation would further contribute to a more positive corporate culture at the company.

- c. During the implementation of any change strategies it is important for management to demonstrate leadership.

Explain why this will be important at Tyrell Corporation.

3 marks

Advice 1: This question relates to the Unit 4 key knowledge dot point which states that students must understand, “the importance of leadership in change management”. The current question is similar to question 2 (Section A) on the 2018 VCAA exam that asked students to explain the importance of leadership in change management (referring to a contemporary business case study). That question was worth 6 marks and while many students were able to provide a theoretical explanation of the importance of leadership, they struggled to provide enough depth in their responses. Overall, the question was handled reasonably well, with an average score of 2.7 out of 6 marks and only 9 per cent of students scoring zero marks. Unlike the VCAA exam question, which required students to relate a contemporary case study to the importance of leadership when managing change, this practice exam question requires students to relate the importance of leadership when managing change to the Tyrell Corporation case study.

- 1 mark for demonstrating an understanding of leadership
- 1 mark for demonstrating an understanding of change management
- 1 mark for explaining the importance of leadership in change management at Tyrell Corporation

Sample answer: *Leadership is important in change management because an effective leader is able to understand the situation now and what it could be like in the future. By leading change, managers act as a bridge to support employees as they move from existing work practices into new and unfamiliar territory. A successful leader will build and communicate a clear vision. Tyrell Corporation’s CEO will need to explain the reasons for change and what is going to occur during the change. Stakeholders who are aware of what the change is and how it will benefit the business are more likely to support the change. As a leader, Tyrell Corporation’s CEO should focus on building relationships with employees, management, shareholders and external stakeholders so that change can be successfully implemented and consolidated. She should model good practice and encourage and praise good performance. By supporting staff and acting out of concern for their welfare, the CEO is likely to find that employees are more willing to accept the risks associated with change.*

Question 4 (6 marks)

Apply the key principles of the Three Step Change Model (Lewin) to a contemporary business case study.

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 Lewin's Three Step Change Model, and apply it to a contemporary business case study.

Advice 2: This question has been included because similar questions have been asked on VCAA Business Management exams. For example, Question 3 (Section B) on the 2020 VCAA exam asked students to explain how the business in the case study could apply each of the steps of Lewin's Three Step Change Model to reduce workplace accidents. Students performed satisfactorily on this question, perhaps because it was very similar to a 2017 question. With an average score of 3.4 marks out of 6, 11 per cent of students scored 0 marks. The chief assessors in the examination report pointed out that students should be using correct terminology for Lewin's model - i.e. 'unfreeze', 'change or move' and 'refreeze'. Question 5d (Section A) on the 2019 exam asked students to apply the principles of two steps from Lewin's Three Step Change Model to a decision in the case study. 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. On the 2017 exam, Question 4 (Section B) 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."

Advice 3: For the current question, each step from Lewin's Change Model should be described and, in order to achieve full marks, each step selected should then be related to a contemporary business case study. Students are also required to outline how following a change model (such as Lewin's Three Step Change Model) might assist the relevant business to implement change.

Advice 4: Questions asking for contemporary business case studies have appeared on the past three 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), how the business might have made use of a strategy (or theory), or how the business has been affected by a driving force.

- 1 mark for explaining a step from Lewin's Three Step Change Model
- 1 mark for explaining how each step might link to a contemporary business case study
- Repeat for a second and third step

Sample answer: *At Wesfarmers, management followed a process resembling Lewin's Three Step Change Model, when, in 2020, the company announced that it was restructuring Target. The size of the business's store network and its support office were to be reduced, with over 160 Target stores to be closed or converted into Kmart stores. The poor financial performance of Target was blamed for the decision, with its revenue positive but decreasing, and with costs that were too high. Management saw the performance of Target as unsustainable; competition from new international retailers, online retailers and other department stores, including Kmart, were also blamed.*

The first 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. Wesfarmers' management clearly understood that there was a necessity for change. Managing director of Wesfarmers, Rob Scott, prepared the business for change by communicating the reasons for the change and letting employees know that there were various options available to support them during the change process. When announcing Wesfarmers' 2020 half-year results, Mr Scott explained that, while Target remained profitable, its earnings were below expectations and

had decreased significantly compared to the previous corresponding period because of a “reduction in customer transactions and poor performance in key apparel categories”. In a news release in April 2020, Wesfarmers announced that it was accelerating its plans to improve the poor performance of Target. This meant that stakeholders would have time to comprehend the change and prepare for it.

The second step of Lewin’s 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 Wesfarmers would have been able to move the business to a new position; that is, to actually make the change. Wesfarmers would have continued to provide support and maintained open lines of communication so that all employees were able to seek guidance and feedback on what was taking place. In this way, resistance to the change would be minimised. Target employees who were unable to be redeployed were to be provided with access to support services, along with all entitlements. Management at Wesfarmers made an effort to avoid store closures, retain employees and to ensure that the business continued serving customers as normal.

The final step is to refreeze. This involves putting strategies in place to ensure that the new behaviours and change are stabilised and reinforced, or institutionalised. Wesfarmers would need to ensure that change is implemented correctly so that the impetus for change does not fade and so that things do not revert to the way they were before. Policies and procedures will need to be rewritten, achievements celebrated, and support and encouragement maintained. It is important that Wesfarmers consolidates the changes that they have made into the culture of the business.

Question 5 (10 marks)

Peter Senge suggested that businesses that become Learning Organisations are more likely to excel in the future.

Explain what is meant by a ‘Learning Organisation’. Analyse how three principles or disciplines of Senge’s Learning Organisation could be applied during the change process, in order to:

- effectively manage change.
- manage employees effectively
- promote the use of management skills

Advice 1: The use of the task word ‘analyse’ in this question requires students to identify the key components of factors, topics or issues and outline the relationship between them. The current question asks students to choose three principles (or disciplines) from Senge’s Learning Organisation and relate them to the effective management of employees, management skills and the management of change.

Advice 2: Generally, the best performing students on the 10-mark question read the question carefully and interpreted it accurately. This same approach should be taken to the current question, which focuses on choosing three appropriate principles (or disciplines) from Senge’s Learning Organisation that relate to the effective management of employees, management skills and the management of change.

Advice 3: It is very likely that the 10 mark question on the 2021 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 4: This question is similar to a question that appeared on the 2019 VCAA exam. Question 4 (Section A) asked students to analyse how managers can apply the principles of Senge’s Learning Organisation, during a period of change, in order to effectively manage employees, positively influence corporate culture, and ensure the change is implemented successfully. The average score was 4.4 marks out of 10, and 17 per cent of

students scored zero marks. In the examination report, the chief assessors noted that there was generally a poor understanding of Senge’s Learning Organisation, or an inability to apply it to the situations specified.

Advice 5: 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.

Advice 6: The best responses will be those that are coherent and flow. Paragraphs should 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 Senge’s Learning Organisation. Sophisticated and detailed analysis of how three principles (or disciplines) of Senge’s Learning Organisation could be used during the change process, to manage employees effectively, promote the use of management skills, and effectively manage change. 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 Senge’s Learning Organisation. Detailed analysis of how three principles (or disciplines) of Senge’s Learning Organisation could be used during the change process, to manage employees effectively, promote the use of management skills, and effectively manage change. 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 Senge’s Learning Organisation. Some analysis of how three principles (or disciplines) of Senge’s Learning Organisation could be used during the change process, to manage employees effectively, promote the use of management skills, and effectively manage change. 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 Senge’s Learning Organisation. Limited analysis of how three principles (or disciplines) of Senge’s Learning Organisation could be used during the change process, to manage employees effectively, promote the use of management skills, and effectively manage change. 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 Senge’s Learning Organisation. Weak analysis of how three principles (or disciplines) of Senge’s Learning Organisation could be used during the change process, to manage employees effectively, promote the use of management skills, and effectively manage change. 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 Senge’s Learning Organisation and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: According to Peter Senge, learning organisations are those businesses where managers and staff continually seek to develop themselves so they can achieve the results they desire. He believed these types of businesses encourage new patterns of thinking and operating, resulting in the aspiration of the business becoming more open-ended. Senge described five disciplines or principles that he believed are necessary for generating a learning organisation. These disciplines or principles include systems thinking, personal mastery, mental models, building shared vision and team learning.

In order to effectively manage change, managers could apply the principle or discipline of systems thinking during the change process. This is a framework for seeing the big picture, or looking beyond what is occurring just within a business. Senge suggested that businesses, and the individuals within a business, do not operate in isolation. For example, leaders need to be able to see the many interrelationships between all the parts of a business (for example, between the individuals, objectives, policies, structures, areas of management, culture, and management styles) rather than linear cause and effect chains. A mind shift is required in seeing processes of change rather than snapshots. Systems thinking is necessary for ensuring that a business is able to effectively manage change, because it underlies or underpins all five of Senge's disciplines. Leaders can use 'Systems Thinking Maps' to analyse the key elements of a system and how the various parts connect. An appreciation of systems will allow a business to introduce more appropriate action during the implementation of change. Systems thinking also allows a business to implement solutions that are more oriented towards the long-term view. This will ensure that the business is successful during a period of change.

During the change process, in order to manage employees effectively, a business could apply the principle or discipline of personal mastery. This is the practice of individuals undertaking personal growth and learning. It involves developing competence and skills, developing the ability to focus energy, and honestly reflecting and evaluating oneself, one's abilities and weaknesses. Through this discipline, people in the business will continually clarify and deepen their personal visions, focus their energies, develop patience, and see reality objectively. This could be accomplished through the provision of training to employees in order to develop their skills and abilities. As individual employees within a business improve, the business should also improve its performance. A business whose workforce can learn quickly is very likely to find that it is successful during a period of change.

In order to promote the use of management skills during the change process, management could apply the principle or discipline of building a shared vision. A shared vision is a common picture of the future that individuals throughout the business desire. This centres around a range of people in the business articulating their common stories – around vision, purpose, values, why their work matters, and how this fits in the larger world. This could involve the use of planning (setting objectives and deciding the strategies to achieve those objectives) and the use of communicating (transferring information from a sender to a receiver, and listening to feedback) of those objectives to stakeholders. Using the leading skill (the ability to influence, support and motivate staff to share in the vision of the business) should ensure that the vision for a business is shared by all stakeholders. A shared vision means that employees in the business are much more likely to support a change. It will develop cohesion between employees and management and help to dispel fear of the unknown, leading to the successful management of change.

Question 6 (3 marks)

Describe one way in which corporate social responsibility considerations influence decisions made by managers. In your response, refer to the operations area of management responsibility.

Advice 1: This question has been included because a similar question was asked on the VCAA exam in 2018. Question 4 (Section A) asked students to analyse two ways in which corporate social responsibility considerations influence decisions made by managers, and in their response, refer to two different areas of management responsibility. This was the 10 mark question on the paper and a total of 16 per cent of students scored zero marks, with an average mark of only 3.3 out of 10. Most students chose two operations, human resources and finance. Some students referred to a legal obligation and suggested that it was a social responsibility, a typical error made by Business Management students in the area of CSR (See Advice 2).

Advice 2: Students are advised that it is best to avoid commenting on legal obligations when asked for a CSR consideration, as the latter refers to the obligations a business has 'over and above its legal responsibilities' to the wellbeing of employees, customers, shareholders, the community more generally, as well as the environment.

- 1 mark for demonstrating understanding of the operations area
- 1 mark for describing a CSR consideration in the area of operations
- 1 mark for describing how the CSR consideration might influence decisions made by managers

Sample answer: *Operations is the area in a business with the responsibility for the production of their good or service, consisting of all the activities involved in the transformation of inputs into finished output. Corporate social responsibility can influence decisions made in operations, as operations managers will need to consider how the production of their goods or services impacts on the community, employees and the environment. One way in which an operations manager may need to ensure that the business is operating in a socially responsible manner is to ensure that the inputs used in the production process do not have a serious or negative impact on the environment (as well as community health and social conditions). For example, the business could introduce renewable energy initiatives to power its workshop, source sustainable materials and/or support suppliers who use sustainable methods of production, such as biodiesel. These decisions may impact on the financial performance of the business in the short-term by increasing costs. However, in the long-term the product is more likely to appeal to customers, particularly those who have an interest in supporting sustainable businesses, boosting sales and increasing profit for the business.*

Question 7 (10 marks)

Dunder Mifflin is attempting to determine new wages and conditions of work for its employees. The employees are currently on an enterprise agreement, which is due to expire in two weeks time.

a. Explain the role of each of the following workplace relations participants during this process.

- **Employer associations**
- **Unions**

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 employer associations 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 both human resource managers and the Fair Work Commission during the process of determining new wages and conditions of work. The question was not handled well, with an average score of 2.3 marks out of 6, and with 58 per cent of students scoring between 0 and 2 marks. Only 8 per cent of students scored 5 or 6 marks. Students who performed well on the 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. Another similar question appeared on the 2020 exam, where students were asked to explain the role of either unions or employer associations in a workplace such as the business in the case study (Question 3, Section A). Students performed better on this question, with an average score of 1.5 out of 3, and only 19 per cent of students scoring zero marks. Most students addressed the role of unions, however, some covered both unions and employer associations (which meant only the first stated response was assessed).

Employer associations

- 1 mark for explaining the role of employer associations during the process of determining wages and conditions of work
- 1 mark for application to Dunder Mifflin
- Repeat for unions

Sample answer: *The role of employer associations during the process of determining wages and conditions of work at Dunder Mifflin will be representing the interests of employers, providing them with advice and assisting them in workplace relations issues. In the case of determining new wages and conditions of work at Dunder Mifflin, employer associations will be able to provide advice on legislative changes in relation to workplace relations, and assist their employer members in the negotiation of workplace agreements.*

Sample answer: *The role of unions during the process of determining wages and conditions of work at Dunder Mifflin is to represent their employee members in the development of the new enterprise agreement, with the aim of achieving the best possible deal for the employees. Unions exist to protect and advance the wages and working conditions of its members. The union will negotiate and bargain with management at Dunder Mifflin 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 Dunder Mifflin's union representative in the workplace.*

b. Evaluate the use of agreements as suitable methods of determining wages and conditions of work at Dunder Mifflin. 6 marks

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. Accordingly, for this question, students are required to consider both the advantages/benefits and disadvantages/limitations of agreements (as a suitable method of determining wages and conditions of work). Students are then required to suggest or judge why this method would be the most suitable for Dunder Mifflin.

Advice 2: This current 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 zero 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.

Advice 3: In the 2016 VCE Business Management examination report, the chief assessors said that "students did not always interpret questions accurately and so did not directly answer the question being asked. In some cases this came from not focusing appropriately on the task word in the question and omitting portions of what would be a full response. Students must be aware of the requirements of task words; for example, 'discuss', 'compare' and 'evaluate'."

- 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

- 2 marks for an overall conclusion or judgement based on the arguments related to agreements as being the most suitable for Dunder Mifflin

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: *An enterprise agreement is an agreement on wages and conditions of work negotiated between groups of employees (or employees represented by their union) and employers. An advantage of this method of determining the wages and conditions of work is flexibility – an enterprise agreement can be tailored to meet Dunder Mifflin’s needs. 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. Dunder Mifflin 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. Dunder Mifflin might therefore 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 Dunder Mifflin is the time-consuming nature of negotiating the terms and conditions. In the case of an enterprise agreement, there is a need for the 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 Dunder Mifflin.

Overall, Dunder Mifflin is likely to be better off negotiating an enterprise agreement with its employees. The flexibility of this method of determining wages and conditions of work is likely to support the motivation of staff as greater effort and contribution to productivity improvements can be rewarded. An agreement must meet the ‘better off overall’ test (determined by the Fair Work Commission) so that Dunder Mifflin’s employees will be better off overall when conditions in the agreement are compared to the relevant award. An enterprise agreement, while time-consuming to negotiate, will offer the opportunity for employees to receive higher levels of remuneration and/or better conditions of work (e.g. more generous leave), which in turn is likely to enhance overall business performance.

Section B – Case Study

Case Study

Weyland Energy Group Ltd is a public listed company involved in the generation and retailing of energy. The business has more than 4 million residential, small and large businesses, and wholesale customers across New South Wales, Victoria, South Australia and Queensland. It currently employs more than 4000 people.

Weyland Energy's purpose is to make technological and human progress, while making things better for the community, the economy and the planet. One of its key objectives is actively working to deliver reliable, affordable, low-carbon and innovative energy solutions for all of its customers. Over the last ten years, Weyland Energy's greenhouse gas emissions have been reduced and the business is focussed on managing its environmental footprint. The company uses a Total Quality Management strategy to maintain the excellence of its products.

Weyland Energy's businesses include Gas and Coal, Wind and Solar and Hydro. The Group has performed well financially in recent times, with net profit rising steadily over the past three years, and market share growing. However, management feels that some of its businesses have underperformed. The company's share price has fallen over the past year and management are considering selling the worst-performing business. Key performance indicators for each of the five businesses are shown in Tables 1, 2 and 3.

Table 1 Net profit figures (2019-21)

	2019	2020	2021
Gas and Coal	\$350 million	\$345 million	\$344 million
Wind and Solar	\$102 million	\$109 million	\$112 million
Hydro	\$ 30 million	\$ 31 million	\$ 30 million

Table 2 Rate of staff absenteeism (2019-21)

	2019	2020	2021
Gas and Coal	four days (av.) per year per employee	six days (av.) per year per employee	eight days (av.) per year per employee
Wind and Solar	three days (av.) per year per employee	four days (av.) per year per employee	three days (av.) per year per employee
Hydro	four days (av.) per year per employee	five days (av.) per year per employee	four days (av.) per year per employee

Table 3 Number of customer complaints (2019-21)

	2019	2020	2021
Gas and Coal	increased 5%	increased 7%	increased 12%
Wind and Solar	decreased 2%	decreased 3%	decreased 2%
Hydro	increased 3%	decreased 2%	increased 2%

Question 1 (3 marks)

a. Other than operations and human resources, identify one area of management responsibility.

1 mark

Advice 1: This question asks students to ‘identify’ (or list) one area of management responsibility. 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) – a similar question to the current question. That question had a limited number of answers, so it is important to realise that such questions require answers that are concise and accurate.

Advice 1: The study design lists the areas of management responsibility that students need to know, including operations, finance, human resources, sales and marketing, and technology support. The study design also states that students need to know how each area contributes to the achievement of business objectives. For this question, students will need to identify one area of management responsibility, other than operations and human resources. This leave finance, sales and marketing, and technology support. Other areas, such as logistics and marketing would also be acceptable. ‘Technology’ is not an area of management responsibility.

Advice 2: The 2018 and 2017 VCAA exams included questions relating to this key knowledge dot point. This current question is similar to Question 1a in Section B on the 2017 exam, which asked students to identify an area of management responsibility (other than operations). The performance by students was poor, with an average mark of 0.6 out of 1 and 43 per cent of students scoring zero marks. This suggests that students simply had not learnt the areas of management responsibility. Further, some students identified operations, despite the question stipulating ‘other than operations’.

- 1 mark for correctly identifying an area of management responsibility

Sample answer: *One area of management responsibility is finance.*

b. Explain how the area of management responsibility identified in part a. can contribute to the achievement of Weyland Energy’s social objectives.

2 marks

Advice 1: This current question is similar to Question 1b in Section B on the 2017 exam, which asked students to explain how it can contribute to achieving the objective of becoming more environmentally sustainable. The performance on 1b was even worse than 1a (see above), with an average of 0.6 marks out of 2 and 55 per cent of students scoring zero marks. In the main, students were unable to establish a clear link between the selected area of management responsibility and the objective stated in the question. Students who explained an area of management responsibility that was different to the area identified in part a. received zero marks.

Advice 2: Students did not do well very on a similar question on the 2018 exam. Question 4 (Section A) asked students to analyse two ways in which corporate social responsibility considerations influence decisions made by managers, and in their response, refer to two different areas of management responsibility. This was the 10 mark question on the paper and a total of 16 per cent of students scored zero marks, with an average mark of only 3.3 out of 10.

- 1 mark for a superficial explanation of how the area of management responsibility identified in part a. can contribute to the achievement of Weyland Energy’s social objectives
or
- 2 marks for detailed/sophisticated explanation of how the area of management responsibility can contribute to the achievement of Weyland Energy’s social objectives

Sample answer: *The finance area of management responsibility deals with the financial aspects of the business; the strategies used by this area will relate to accounting and financial management. For example, these strategies may include developing financial policies, raising finance, budgeting, accounting and reporting, and cash control. Without good accounting and financial control, Weyland Energy is unlikely to achieve its social objectives. Accounting, for example, involves the analysis of business’s (budgeted) cash flow*

and financial position. Without this knowledge the business will not have a complete or adequate understanding of its ability to raise funds or finance projects related to any plans/intentions to reduce its environmental footprint or produce more affordable energy.

Question 2 (4 marks)

Discuss the key characteristics of Weyland Energy as a public listed company.

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 a public listed company (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 four 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 B) on the 2020 exam asked students what type of business the business in the case study was (it was a public listed company), using evidence from the case study. The average mark for this question was 1.2 out of 2 marks, with 21 per cent of students scoring zero. Some students simply listed characteristics of public listed companies or did not provide evidence from the case study to support their contention.

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.

- 2 marks for discussion of advantages of Weyland Energy as a public listed company
- 2 marks for discussion of disadvantages of Weyland Energy as a public listed company

Sample answer: *A public listed company is an incorporated business with shares freely traded on the Australian Securities Exchange. One advantage of Weyland Energy being a public listed company is limited liability. This means that the owners of the company are regarded as separate legal entities to the business — Weyland Energy’s shareholders will not be held personally responsible for the debts of that business. For example, if Weyland Energy goes into liquidation, its shareholders cannot be forced to sell their personal assets to pay for the debts of the business. Another advantage of Weyland Energy being a public listed company is its ability to attract finance. Public listed companies can attract extra capital by issuing shares on the share market. This provides the company with a greater potential for growth.*

However, a public listed company is required to publicly disclose, or report, certain information. Weyland Energy is legally obliged to abide by stringent compliance rules and disclose corporate financial information which is relatively more onerous and costly to perform. Further, as a public listed company, Weyland Energy will effectively lose control over who can become owners of the company which can be problematic if one or more shareholders become agitators or disruptors at annual general meetings (which is a further costly requirement for public companies).

Question 3 (9 marks)

After reviewing key performance indicators, management at Weyland Energy have decided to sell the Gas and Coal business. The human resource manager is concerned that this may result in some employees losing their jobs.

- a. Interpret the KPIs provided in Tables 1, 2 and 3 to analyse why Weyland Energy may have decided to sell its Gas and Coal business. 5 marks

Advice 1: The task word ‘interpret’ is used in this question, requiring students to draw meaning from information, perhaps indicating how it relates to other ideas or topics. Note also the additional use of the task word ‘analyse’ here, requiring students to identify the key issues and outline the relationship between the KPIs and Weyland Energy’s decision. Therefore, this question requires students to identify and use the key performance indicators for Weyland Energy to explain how the company has performed over time, making links between the KPIs and the company’s decision to sell its Gas and Coal business. In the 2019 Examination Report, the chief assessors stated that, “If a question asks a student to analyse, then full marks for that question will only be available for answers that include analysis.”

Advice 2: The key performance indicators (KPIs) in the Weyland Energy case study should be reasonably familiar to students. Net profit figures, rate of staff absenteeism and number of customer complaints are listed in the study design. This question is related to Unit 4 AOS 1, which states that students should be able to “...use key performance indicators to analyse the performance of a business...”

Advice 3: Questions on the 2019, 2018 and 2017 VCAA exams have required students to interpret or analyse key performance indicators. For example, this current question is similar to a question on the 2019 exam which asked students to interpret the KPIs provided in the case study to propose and justify a decision in relation to the business in the case study. The question was reasonably well answered, with only 4 per cent of students scoring zero marks and an average mark of 2.9 out of 5. However, only 7 per cent of students scored the full five marks. Lower-scoring responses simply retold the data presented in the case study. Higher-scoring students interpreted all the data and described how all stores in the case study were performing in relation to the others across the country. They also made judgements regarding possible consequences from the data. A similar approach should be taken in the current question; rather than making a judgement about the best business to sell, students should attempt to explain why Weyland Energy might have decided to sell the Gas and Coal business.

- 1 mark for interpreting the data related to ‘net profit figures’
- 1 mark for interpreting the data related to ‘rate of staff absenteeism’
- 1 mark for interpreting the data related to ‘number of customer complaints’
- 2 marks for using Weyland Energy’s KPIs to analyse its decision to sell the Gas and Coal business

Sample answer: *Net profit figures are the numbers found at the end of an income statement that show the net profit, or what remains when expenses are deducted from the revenue earned. The net profit figures for Gas and Coal have fallen steadily between 2019 and 2021 by \$6 billion, while profit has increased significantly for the Wind and Solar business by \$10 billion. Net profit figures for the Hydro business have held steady at approximately \$30 million over the three year period. These figures suggest that, while the Gas and Coal business continues to make a profit, there are indications that the market is moving more towards renewable energy (i.e. customers are becoming more interested in energy generated from renewable sources, rather than from fossil fuels). Rates of staff absenteeism refers to the amount of workdays lost due to unscheduled absences of staff from work, especially without a good reason. The rate of staff absenteeism at Gas and Coal has increased over the three years from 2019 to 2021. In contrast, the rate of staff absenteeism at the Wind and Solar business has held steady at three-four days on average per year per employee, and the same is true for the Hydro business (holding steady at four-five days). This might suggest that staff at the Gas and Coal business are less happy/satisfied working at an employer who contributes relatively more to climate change than other businesses. Number of customer complaints refers to the amount of customers expressing their dissatisfaction with the business either in spoken or in written form. For the Gas and Coal business, number of customer complaints have increased by 5%, 7% and 12% between 2019 and 2021, suggesting that this*

business's customers are becoming increasingly dissatisfied about customer service or the products they are purchasing. However, number of customer complaints for the Wind and Solar business have decreased over the three years. Number of customer complaints for the Hydro business increased by 3%, fell by 2%, and then increased by 2%.

Despite the fact that Weyland Energy's KPIs suggest that the group has been performing well over the three year period between 2019 and 2020, the falling net profit figures, increasing rate of staff absenteeism and increasing number of customer complaints suggest that the Gas and Coal business would be the first choice to sell off. Management at Weyland Energy clearly believe that, while the Gas and Coal business contributes much to the business's overall net profit, this is not the way to position the business for the future. In alignment with its objectives to make things better for the community, the economy and the planet, the business has decided to focus more on its renewable energy businesses, particularly the Wind and Solar business. Management must consider that the net profit that this business is currently making will continue to grow into the future.

b. Describe either two employee entitlement issues or two employee transition issues that may result from Weyland Energy selling one of its businesses. 4 marks

Advice 1: Beware the 'either/or' question! The 2020 VCAA exam featured a question that required students to explain the role of either unions or employer associations in a workplace such as the business in the case study (Question 3, Section A). Students performed reasonably well on that question, with an average score of 1.5 out of 3, and only 19 per cent of students scoring zero marks. However, some covered both unions and employer associations (which meant only the first stated response was assessed). 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 2021 exam and students should avoid making the errors noted above.

Advice 2: A question relating directly to entitlement and transition issues first appeared on the 2019 Business Management exam. Question 6 (Section B) asked students to describe an employee entitlement issue and a transition issue resulting from the business in the case study closing stores. The question was poorly answered, with a total of 33 per cent of students scoring zero marks and an average mark of 1.4 out of 4. Many students left this question blank, indicating that they either experienced time management issues (the question was the last one on the exam) or did not know the content. Both issues were expected to be described by students, with reference to the case study.

Advice 3: As the business in the case study (Weyland Energy) is mentioned in this question, students must explain both issues with reference to the situation at Weyland Energy.

- 1 mark for describing an entitlement issue or a transition issue that will need to be considered as Weyland Energy sells one of its businesses
- 1 mark for relating the entitlement issue or transition issue to Weyland Energy
- Repeat for a second entitlement issue or transition issue

Sample answer: *An entitlement issue possibly resulting from Weyland Energy's decision to sell its Gas and Coal business is notice of termination. Notice of termination is the notification provided by an employer of when an employees' contract of employment will end. Any employee who loses their job because of the sale of the Gas and Coal business would be eligible for a notice of termination. Generally, an employer must not end an employee's employment unless they have provided written notice of the day of termination, or payment in lieu of that notice. The amount of notice depends on the length of service of the employee.*

Another possible entitlement issue is a redundancy payment. Redundancy occurs when an employee's job no longer exists, which is the situation that may be facing some employees at Weyland Energy. Any employee who loses their job because of the sale of the Gas and Coal business would be eligible for redundancy payments, which is compensation that becomes necessary as an employee's job disappears. The amount of redundancy pay will typically depend on the amount of continuous service that the employee has with the business.

Alternative sample answer: *A transition issue possibly resulting from Weyland Energy's decision to sell its Gas and Coal business is assisting any employees losing their jobs to find new positions through outplacement services. This may include offering advice to any employees who are made redundant about job seeking, additional training, résumé writing and interview preparation. Weyland Energy could provide outplacement services to reduce the stress that employees experience when departing the workplace and to improve the morale of employees remaining in the workplace.*

Another relevant transition issue might be the provision of advice and assistance for any employees who may be facing the loss of their jobs. Any employee facing the prospect of losing their job because of the sale of Weyland Energy's Gas and Coal business may be provided assistance in the form of help with writing job applications for other positions, the provision of references for potential employers, as well as time off to attend job interviews.

Question 4 (4 Marks)

Compare Total Quality Management with one materials strategy that Weyland Energy could implement to maintain effectiveness.

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 TQM and one selected materials strategy. 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." On the 2020 exam, there were two questions making use of the task word 'compare'. Both times, the examination report noted that compare asks students to provide similarities and differences.

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. For both of the compare questions on the 2020 exam, the average score was 1.8 out of 4. For Question 2 (Section A) 28 per cent of students scored zero marks, while 23 per cent of students scored zero for Question 3b (Section A).

Advice 3: The current question has been included on this practice exam because a similar question on the 2017 VCAA exam question was handled so poorly. That question asked students to compare quality assurance with a selected quality strategy. In the examination report for 2017, the chief assessors noted that the choice of quality assurance and total quality management were both used successfully. However, they suggested that the students who selected quality assurance seemed to find it easier to outline both similarities and differences. Students are advised to make careful choices before they begin answering a question.

Advice 4: 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 5: As this question refers to the effectiveness of operations, students should relate part of their response to how TQM and the selected materials strategy could improve effectiveness at Weyland Energy.

- 1 mark for explaining a similarity/similarities between Total Quality Management and the selected materials strategy
- 1 mark for explaining a difference(s) between Total Quality Management and the selected materials strategy
- 1 mark for relating the response to effectiveness of operations
- 1 mark for relating the response to Weyland Energy's operations

Note 1: 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.

Sample answer: *Both Total Quality Management (TQM) and forecasting are strategies aiming at improving effectiveness, that is, the degree to which a business has accomplished its stated objectives. Like TQM, forecasting makes use of data. TQM will make extensive use of data, particularly as teams of staff meet to solve quality problems. Forecasting relies on data from the past and present, allowing a business to analyse trends so that it can predict future events.*

However, these two operations strategies do have differences. TQM is a quality strategy that is focussed on an ongoing commitment to excellence applied to every aspect of Weyland Energy's operations, including employee empowerment, continuous improvement and improved customer focus. By contrast, forecasting is a materials strategy that is designed to ensure that Weyland Energy maintains an appropriate level of materials for its operations system without overproducing or underproducing. In addition, the aim of TQM is to create a defect-free production process, and maintain a customer focus in operations. Adopting TQM would therefore allow Weyland Energy to reduce costs throughout the business – this would improve effectiveness because reduced costs is likely to lead to an improvement in the business's profit. On the other hand, forecasting will allow Weyland Energy to ensure that it has enough inventory for the operations to function – if there is not enough inventory, the business may struggle to produce energy and provide its service. Having too much inventory would also represent a cost to the business. Using the forecasting strategy should, therefore, result in lower costs for the business, increasing the possibility that Weyland Energy will maximise profit. This should make the business more effective.

Question 5 (5 marks)

Analyse how societal attitudes may have been a driving force for change at Weyland Energy.

Advice 1: The use of the task word 'analyse' in this question requires students to identify the key components of factors, topics or issues and outline the relationship between them. The current question asks students to consider the change occurring at Weyland Energy and relate it societal attitudes as a driving force.

Advice 2: This question has been included in this practice exam because a similar question from the 2020 VCAA examination was not handled well by students. Question 6 (Section A) of that exam required students to analyse how societal attitudes had been a driving force for change in a contemporary business case study. The average score was a low 2.3 marks out of 6, and 22 per cent of students scored zero. The study design clearly states the driving forces and restraining forces, including societal attitudes and financial considerations. The 2020 exam question serves as a reminder to students just how important it is to have a range of contemporary business case study from the past four years, and to ensure that they cover all the key knowledge in the study design. Students should also be aware that they should choose a case study example carefully before writing a response. A business that has recently announced a merger, for example, is unlikely to be relevant to societal attitudes.

Advice 3: The examination report for 2020 suggested that students needed to include three things in their response to Question 6 (Section A). These included an explanation of a change that had occurred in a business within the past four years, an explanation of what the societal attitude was that drove the specific change,

and an explanation of how that societal attitude had driven the business to make the change. The same approach should be taken for the current question, with the response focussed on change at Weyland Energy. The chief assessors also noted that many students started their response by referring to social attitudes, but then wrote about customers or technology as driving forces.

- 1 mark for demonstrating a clear understanding of societal attitudes
- 1 mark for explaining at least one example of a societal attitude that has impacted on Weyland Energy
- 2 marks for explaining how societal attitudes acts as a driving force
- 1 mark for a clear link to the change at Weyland Energy

Sample answer: *Societal attitudes refer to the ideas, values and beliefs held by people in society. These attitudes can change – for example, pressure from society now forces businesses to implement procedures to preserve and protect the environment. It is important that businesses are prepared to respond to any change in societal attitudes. Driving forces are those that encourage or push for change, thereby supporting a business in achieving its objectives and ensuring the success of a change. It is likely that Weyland Energy’s customers, employers and shareholders, as well as members of the community, expect the business to show leadership on moving to renewable energy. In this way, societal attitudes have likely acted as a major driving force behind the company’s decision to sell its Gas and Coal business. Even though the Gas and Coal business represents a large proportion of the business’s overall net profit, management at Weyland Energy have clearly decided to focus on their renewable energy businesses, particularly the Wind and Solar business. This change aligns with the changing societal attitudes in relation to fossil fuels and with the business’s objectives to make things better for the community, the economy and the planet.*