

BUSINESS MANAGEMENT
Unit 3&4 Examination 2

MARKING GUIDE

SECTION A

Instructions for Section A

Answer **all** questions in the spaces provided.

Question 1 (10 marks)

Music Fix is solely owned and operated by Larry Dukic and focuses on repairing musical equipment.

- a. Identify the type of business that *Music Fix* is. 1 mark

1 mark – identifying the type of business

Notes:

- *“Type” refers to the business categories listed in the study design: sole traders, partnerships, private limited companies, public listed companies, social enterprises, government business enterprises. Some students might incorrectly categorise the business in another way, i.e.: based on the product/service sold (by saying it is a “musical repair” business)*
- *Students only need to name the correct business type for 1 mark. Any further explanation is not necessary.*

SAMPLE RESPONSE:

“Music Fix” is a sole trader.

- b. Describe the elements of the operations system of a service business such as *Music Fix*. 6 marks

2 marks – describing the element of “inputs” (1 mark for a general description that does not apply to service businesses)

2 marks – describing the element of “processes” (1 mark for a general description that does not apply to service businesses)

2 marks – describing the element of “outputs” (1 mark for a general description that does not apply to service businesses)

Notes:

- *The response does not need to specifically link to “Music Fix” (as the question says “such as”), as long as it links to the elements as relevant for service businesses*

SAMPLE RESPONSE:

Inputs refers to the resources used to produce the output. Such resources include raw materials, time, information, labour, and capital equipment. Music Fix will need human labour to repair the musical instruments, along with equipment that might assist with this, and raw materials to replace faulty parts in musical instruments. Process refers to how inputs are used to be converted into outputs. The process with a service business will tend to have greater client involvement, as each

client will have their unique aspects to consider, such as exactly what part of a musical instrument needs fixing. The output is the final product or service that is sold, which in a service business relates to the result that the client has paid for. This will involve the musical instruments being in a repaired state, instead of a faulty state.

- c. Propose and justify **one** quality strategy that could be used by Larry to improve the operations of his business. 3 marks

1 mark – naming a quality strategy

2 marks – justifying how it could be used in this business (1 mark for a general explanation about how the strategy can be used but not related to this business OR justification is too brief)

Notes:

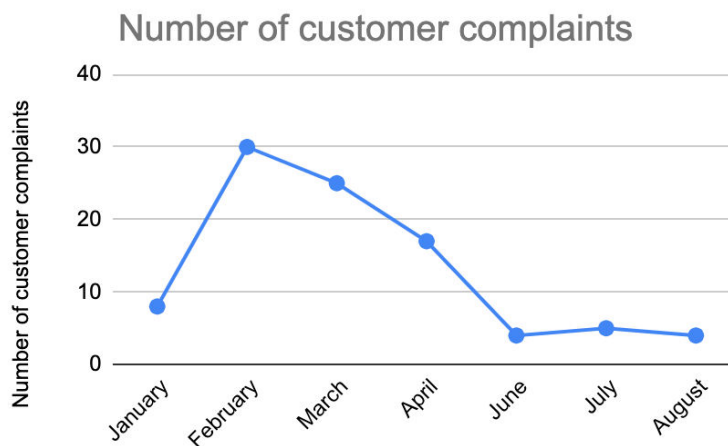
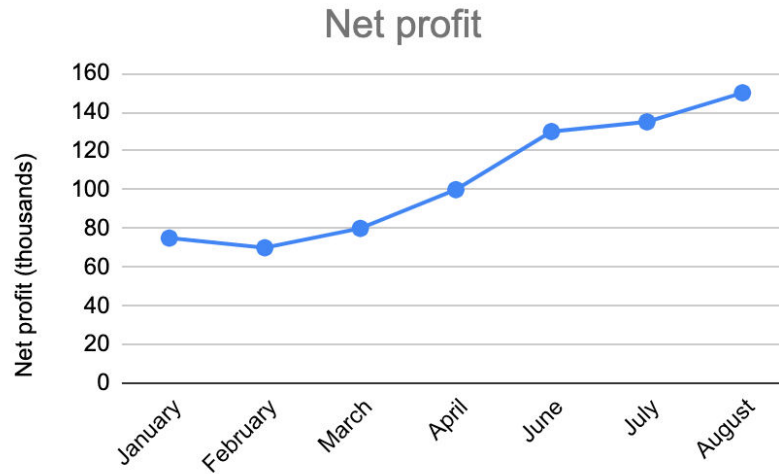
- *The quality strategies listed in the study design are: quality control, quality assurance, total quality management. Students can also refer to other strategies related to quality, as the study design does not exclude the use of others.*
- *Some students might justify a strategy in reference to manufacturing businesses, which means they have misread the question*
- *Only the first strategy mentioned should be considered for marking*

SAMPLE RESPONSE:

One quality strategy is total quality management. This can help Larry improve his repairs of musical instruments through having a business-wide commitment to improving quality, with a focus on customer views to get ideas about the quality desired. Through all employees being focused on quality, ideas can be generated about how to better use equipment to repair the instruments, along with more attention to detail in the process. Through incorporating customer feedback about the quality of repairs done, the business can further refine and improve its processes as well.

Question 2 (18 marks)

Travel Now Ltd is a travel agency that aims to provide an optimum service at competitive prices. In February, its main office was relocated to a regional town to reduce costs. Owing to the new office also being smaller, less employees are now required. Data from the following key performance indicators has been collected.



- a. Analyse how **two** of the above key performance indicators were impacted following this relocation.

6 marks

1 mark – stating a plausible reason how a KPI was impacted

1 mark – explanation of this reason or another reason outlined

1 mark – conceptual clarity in linking the relocation to the KPI

Repeat the above for the second KPI

Notes:

- *Responses should not have explanations of KPI impacts that are not related to the relocation.*
- *Possible reasons net profit could be impacted:*
 - *Decrease in expenses due to less employees (less wages to pay), less rent (due to being in a regional area and smaller space)*
 - *Increase in revenue due to expanding a customer base in a new area*
- *Possible reasons level of staff turnover could be impacted:*
 - *Spike in February owing to staff not wanting to relocate*
 - *Spike in February owing to staff being worried about being made redundant (due to the office space being reduced)*
 - *Trend decrease after February, as staff who wanted to leave have already left by then*
- *Possible reasons number of customer complaints could be impacted:*
 - *Spike in February due to customers not being focused in, amidst the relocation*
 - *Trend decrease after February, as the business has then adjusted to the new environment and can focus on customers properly*

SAMPLE RESPONSE (for each KPI):

Net profit could be impacted due to a decrease in expenses that occurred because of the relocation. Expenses would decrease due to a regional area having lower rent prices. Also, the rent prices would be lower due to the space being smaller. Additionally, since the relocation has resulted in less employees working at the business, less wages need to be paid. Therefore, there is a clear increase in net profit from February onwards.

Level of staff turnover could have increased due to staff being unhappy about the relocation. Such staff who did not want to relocate would have resigned to seek employment elsewhere. Additionally, during the relocation, stakeholders would have been aware that the new office would be smaller than the old. As a result, rumours may have spread about redundancies following this downsizing. As a result, some staff might have planned ahead and decided to find employment elsewhere rather than wait to risk possible redundancy.

Number of customer complaints spiked in February because customer service might have been slow during that month. This is because February is the month when the business relocated. When a relocation happens, there can be a chaotic atmosphere with records being moved, furniture being packed etc, and so some clients might not have had prompt service in having their travel plans attended to. However, once the relocation was finalised, the number of customer complaints decreased due to the business operating normally again.

- b.** Evaluate how an increased investment in technology from *Travel Now* could ensure success with the **other** key performance indicator. 5 marks

2 marks – explanation about how investment in technology can help with the other KPI (1 mark for a brief outline OR lack of reference to the stimulus)

2 marks – explanation about how investment in technology might not help with the other KPI (1 mark for a brief outline OR lack of reference to the stimulus)

1 mark – overall statement

Notes:

- If one side of the evaluation is answered in significant detail, it can be awarded 3 marks; in which case, 1 mark is sufficient for the other side of the evaluation*
- A maximum of 2 marks can be awarded if the response addresses a KPI that has already been used in Question 2a*

SAMPLE RESPONSES (for each KPI):

Net profit: An increased investment in technology, such as arranging online tools for clients to enter their travel preferences, can increase client satisfaction due to the convenience involved. This can increase revenue due to clients returning after a positive experience. Moreover, it will help the business to operate more efficiently, and possibly not need as many employees due to less of a need to ask clients verbally about their preferences. This decreases expenses and therefore increases net profit. However, implementing new technology can have its start-up costs in setting it up, along with ongoing costs associated with IT maintenance. This can increase business expenses and therefore decrease net profit. Moreover, if technology does not work, then customers might get annoyed, decreasing sales in the future. Overall, whilst an increase in technology can help increase net profit due to the convenience and efficiency, it can decrease it due to the operating costs and troubleshooting.

Level of staff turnover: An increased investment in technology in the workplace can make it easier for staff to work. For example, instead of manually recording information about client travel plans, if technology can systematise it in an online database, then there will be less administrative tasks for staff. Therefore, staff might enjoy their work more due to being under less pressure, which would make them more inclined to stay with the business. However, staff who like operating in a more manual format might not like the introduction of technology, as it will be seen as something complicated to learn. Therefore, some staff might choose to resign. Overall, technology can be attractive for some staff, thereby encouraging them not to resign, but might have the opposite impact on other staff.

Number of customer complaints: An increased investment in technology such as arranging online tools for clients to enter their travel preferences, can increase client satisfaction due to the convenience involved. This can result in less complaints due to the convenience involved. Moreover, such methods will be more accurate compared to speaking verbally to a travel consultant at the business, as such verbal communication could result in misunderstandings due to a lack of a 'paper trail'. This therefore will decrease complaints due to less hassles resulting from mistakes. However, clients might get upset if IT systems break down, which will increase complaints as a result, especially if their travel plans are impacted due to incorrect bookings resulting from technological failures. Overall, whilst an increase in technology can help decrease complaints due to the convenience and accuracy, it can increase complaints if there is a breakdown.

c. Compare resignations to redundancies as methods of termination during this relocation.

4 marks

2 marks – explanation of difference or differences (1 mark if insufficient detail OR no connection to the relocation)

2 marks – explanation of similarity or similarities (1 mark if insufficient detail OR no connection to the relocation)

Notes:

- *If one side of the comparison is answered in significant detail, it can be awarded 3 marks; in which case, 1 mark is sufficient for other side of the comparison*
- *If the terms are just defined, with no attempt to compare, then 1 mark can be awarded*
- *Possible differences include:*
 - *Resignations always being voluntary, but redundancies not always being voluntary*
 - *Redundancy packages only paid to redundancies*
 - *Redundancies caused by a job role no longer continuing, but resignations are not*
- *Possible similarities include:*
 - *Both being forms of termination**
**This is a ‘weak’ similarity, and depending how it is explained, often won’t be sufficient for 2 marks worth of detail*
 - *Leave entitlements to be paid out with both*
 - *Employee can seek employment elsewhere afterwards*
 - *Resignations are voluntary, and so redundancies have the potential to be too*

SAMPLE RESPONSE

Resignation occurs when an employee decides to leave their job for various reasons but intend to work elsewhere afterwards. During Travel Now’s relocation, some employees might resign because they do not wish to relocate to a regional area to keep working at the business. Instead, they might wish to work somewhere closer. However, a redundancy is when an employee is terminated due to their job role no longer existing due to technological changes or restructuring. At Travel Now, some job roles might be lost as the relocation will involve office spaces that are smaller than before, and therefore cannot accommodate as many employees. A key similarity in both cases is that the employee will likely be looking for work elsewhere closer to their homes after their termination. Additionally, leave entitlements will need to be paid out to employees in both cases as well.

d. Explain why it is important for key performance indicators to be evaluated after the relocation. 3 marks

- 1 mark – outlining a reason why it is important to evaluate KPIs after a change*
- 1 mark – meaningful reference to relocation*
- 1 mark- meaningful reference to a KPI in the stimulus*

SAMPLE RESPONSE

It is important to evaluate key performance indicators [KPI] after a change to know if the change was successful or not. Through viewing KPIs after the relocation, the precise impact of this can be measured through analysing business performance in different ways, so then the business knows if further changes are necessary or not. For instance, an increase in profit would indicate that the relocation helped increase revenue and/or decrease expenses.

Question 3 (6 marks)

Using a contemporary business case study, describe how **one** performance management strategy and Maslow's Hierarchy of Needs theory could be used to improve employee commitment.

Mark globally:

Mark Allocation	Descriptor: typical performance in each range
<i>5-6 marks</i>	<ul style="list-style-type: none"> • <i>Response addresses the elements of the question, and clearly describes how a performance management strategy is used with Maslow’s Hierarchy of Needs theory to generate employee commitment in a contemporary case study</i>
<i>3-4marks</i>	<ul style="list-style-type: none"> • <i>Response provides a brief outline connecting <u>all</u> the following:</i> <ul style="list-style-type: none"> • <i>Maslow’s Hierarchy of Needs theory</i> • <i>A performance management strategy</i> • <i>A contemporary case study</i> <i>OR</i> • <i>Response provides a reasonable description connecting only <u>two</u> of the following:</i> <ul style="list-style-type: none"> • <i>Maslow’s Hierarchy of Needs theory</i> • <i>A performance management strategy</i> • <i>A contemporary case study</i> • <i>If a non-contemporary case study is used (outside of the</i>

	<i>four-year range), the marks given cannot exceed this section</i>
<i>1 - 2 marks</i>	<ul style="list-style-type: none"> • <i>Response provides a brief outline about <u>only one</u> of the following:</i> • <i>Maslow’s Hierarchy of Needs theory</i> • <i>A performance management strategy</i> • <i>A contemporary case study</i>
<i>0</i>	<i>Response does not relate to any elements of the question or no attempt to answer the question</i>

Notes:

- *There is no exact number of “needs” that must be addressed. This will depend on how the need/s are addressed in the response.*
- *The description needs to be connected to employee commitment, as opposed to other ways performance management might benefit a business (e.g.: the achievement of net profit etc)*

SAMPLE RESPONSE

A contemporary business case study involves redundancies at Nestle. Its cereal factory in northern Victoria underwent restructuring whereby some employees were made redundant. Amidst this, a self-evaluation performance management strategy could have been used to allow employees to reflect on their own performance. This would generate a sense of trust with management, needed in an environment where employees might be concerned about their future. It will therefore help address the need for love/belonging by helping maintain a positive relationship between employees and management. It can also help meet the need for safety in terms of job security. If employees are given the opportunity to reflect on their strengths and weaknesses, then they will feel more confident about their future, in having an awareness about what other jobs might suit them if they are made redundant. As a result of feeling less stressed, employees will remain committed to their current job at Nestle.

Question 4 (10 marks)

Analyse how **one** driving force and **one** restraining force could impact a business that is trying to introduce lean production techniques, and how such forces could be successfully managed to ensure effective business change.

Mark globally

Marks	Descriptor: typical performance in each range
9-10 <i>Very High</i>	<ul style="list-style-type: none"> <i>All parts of the question are addressed, with very good conceptual clarity</i>
7-8 <i>High</i>	<ul style="list-style-type: none"> <i>All parts of the question are addressed, with reasonable conceptual clarity, but not sufficient for a very high response</i> <i>OR</i> <i>One driving force <u>or</u> one restraining is exceptionally analysed about its impact and how it can be managed</i> <i>OR</i> <i>A driving force <u>and</u> restraining are exceptionally analysed, but no mention is made about how such forces could be managed</i> <i>OR</i> <i>A driving force <u>and</u> restraining are exceptionally analysed about their impact and how they can be managed, but no connection is made to lean production</i>
5-6 <i>Medium</i>	<ul style="list-style-type: none"> <i>All parts of the question are addressed, but connections are not clear between the concepts, as required in an analysis</i> <i>OR</i> <i>One driving force <u>or</u> one restraining is reasonably analysed about its impact and how it can be managed</i> <i>OR</i> <i>A driving force <u>and</u> restraining are reasonably analysed, but no mention is made about how such forces could be managed</i> <i>OR</i> <i>A driving force <u>and</u> restraining are reasonably analysed about their impact and how they can be managed, but no connection is made to lean production</i>
3-4 <i>Low</i>	<ul style="list-style-type: none"> <i>A driving force <u>and</u> restraining force is described only</i> <i>OR</i> <i>A driving force <u>or</u> restraining is reasonably linked to just one other part of the question (lean production, or how the forces can be managed)</i>
1-2 <i>Very</i>	<ul style="list-style-type: none"> <i>Response largely is unrelated to the question. It may only refer to one or two key points in a very brief way.</i>

<i>Low</i>	
<i>0</i>	<ul style="list-style-type: none"> <i>Response does not relate to any elements of the question or there is no answer provided</i>

Notes:

- Driving forces can include (but are not limited to) the following: managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalization, technology, innovation, societal attitudes*
- Restraining forces can include (but are not limited to) the following: managers, employees, time, organizational inertia, legislation, financial considerations*
- Since the question asks for only one driving force and one restraining force, only the first mentioned for each should be considered for marking.*
- When the answer addresses how the driving and restraining force can be managed, other persons/ideas/groups might be mentioned, which is acceptable. The key point is that it needs to be clear what the key driving force and restraining force are, as the question asks for one driving force and one restraining force.*
- The driving force and restraining force could relate to the same idea/person/group (e.g.: employees as a driving force, and as a restraining force)*
- Management of driving and restraining forces refers to how the business could engage with them to help facilitate the change process successfully. This can occur via strengthening the driving force and weakening the restraining force. While a force field analysis does not have to be completed in this question, aspects of a force field analysis are prompted to be included in the response.*
- Flexibility should be given when considering the various ways lean production can occur. Any strategy or method that involves decreasing waste and improving efficiency should be accepted as a form of lean production.*

SAMPLE RESPONSE

One driving force for implementing lean production techniques will be the reduction of costs. Reduction of costs refers to being motivated to change to minimise business expenses to allow for greater net profit or greater efficiency in how financial resources are allocated for further improvement. One lean production technique involves not over producing stock which might go to waste. If stock goes to waste, then the business has wasted raw materials, along with time and money on its production. All this increases business expenses, so by minimising this, costs are reduced. This driving force can be managed through being strengthened in its capacity to drive the change. This can occur through highlighting the benefits of reducing costs in meetings with various stakeholders, who will then also be captivated by the idea of reducing costs. For instance, employees could be shown the potential finances saved because of reducing costs, which then might make them hopeful of wage increases down the track, due to the business being able to afford this. As a result, employees will be motivated to assist the business in its attempts to reduce costs. One restraining force could be financial considerations. This relates to concerns surrounding the costs of implementing and maintaining lean production techniques. For instance, if trying to remove unnecessary movement between people at the workplace, it might be necessary to restructure the layout of the workplace and include new equipment to assist with automation. This can all cost money, which therefore might put the business off from implementing the change. However, this restraining force can be managed by carefully planning the costs involved in comparison to the productivity gains that will result. Through planning the costs involved, the business budgets over time to be ready to implement this change. Additionally, by knowing that ultimately productivity

gains will outstrip the costs of the new setup, this restraining force will not be seen as an obstacle to something that is still worthwhile overall.

Question 5 (6 marks)

Describe how the following materials strategies can contribute to business effectiveness: Just In Time, Materials Requirement Planning

1 mark – brief outline about how Just In Time can benefit a business

1 mark – further description as to how

1 mark – link to the concept of effectiveness

1 mark – brief outline about how materials requirement planning can benefit a business

1 mark – further description as to how

1 mark – link to the concept of effectiveness

Notes:

- *For effectiveness to be linked to, it needs to be clear how the strategy can help with achieving business objectives*
- *Possible ways Just In Time can link to effectiveness:*
 - *Ordering the right amount of inputs → less wastage - → less expenses → more profit*
 - *Ordering inputs at the right time - → quicker production - → customer satisfaction*
- *Possible ways materials requirement planning can link to effectiveness:*
 - *By knowing the amounts required, storage needs can be planned - → no need to relocate - → greater customer focus - → greater customer satisfaction*
 - *By knowing the types of materials required, knowledge can be obtained regarding methods of storing - → less materials getting spoiled → less waste → less expenses → more profit*

SAMPLE RESPONSE

Just In Time can contribute to business effectiveness through ordering the exact amount of inputs exactly when they are required in the production process. This will save storage costs, as nothing is stored but is used straight away. Owing to less storage costs, a business will reduce its expenses which will contribute to meeting objectives such as net profit. Additionally, having materials arrive at the right time will speed up production, meaning customers get their products sooner, increasing their satisfaction with the business.

Materials requirement planning can contribute to business effectiveness because through knowing the quantity of materials needed, the amount of storage space required can be planned. This will mean the business can in advance ensure it has a premises sufficient for this purpose. This keeps the business organised and will enable smooth production to occur with disorganisation. This can result in customers getting their products on time, increasing customer satisfaction with the business.

End of Section A**SECTION B – CASE STUDY****Instructions for Section B**

Use the stimulus material provided to answer the questions in this section. Answers must apply to the stimulus material. Answer **all** questions in the spaces provided.

Case Study

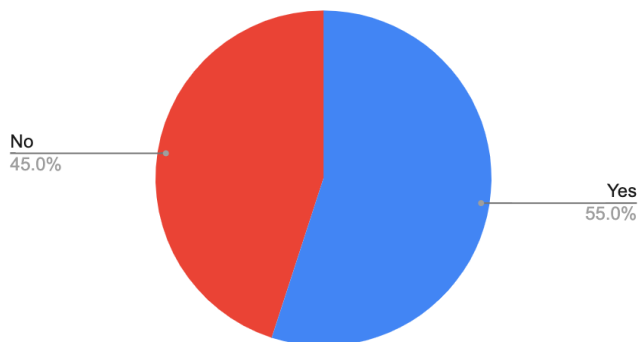
Fabulous Furnishings Pty Ltd is a business that has been selling a variety of products including sofas, beds, tables, and chairs since 2010.

In 2019, the CEO Fran Jennings introduced an employee incentivization program in an effort to increase levels of customer satisfaction with their in-store experience. This was done in response to an increase in customer complaints. This incentivization program involves:

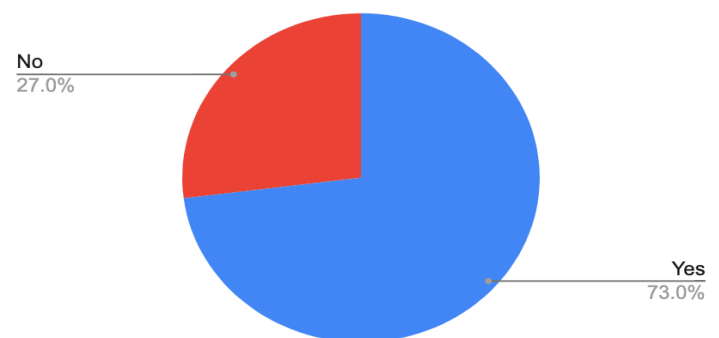
- individual employees being given a 5% commission from all sales derived from customers referred to the store by them
- an overall 2% profit sharing arrangement, which is equally distributed to all employees.

In January 2021, Fran Jennings undertook a review of this program by undertaking staff surveys.

Are you satisfied with the profit sharing?



Are you satisfied with the commissions?



Employees were also given the opportunity to write down the reasons for their views. A selection of such views are reproduced below:

Employee 1:

“I think it is great that I am given the opportunity to earn commissions on top of my base salary. It would be better though if the commissions were slightly higher, considering my salary is only slightly higher than the award rate.”

Employee 2:

“The whole profit sharing arrangement has put me off from putting much effort in. Since the profit sharing involves all employees equally benefiting, irrespective of their efforts, what is the point?”

Employee 3:

“There needs to be more oversight about how commissions are organised. A fellow employee took credit for a person I referred to the shop, and despite my complaints, nothing has been done to fix this.”

Question 1 (7 marks)

a. Define the management style being used at *Fabulous Furnishings*.

2 marks

1 mark – reference to employee consultation/requests for their views

1 mark – reference to management making the final decision

Notes:

- *The consultative style is the best fit for this question, since the stimulus material refers to employees being consulted about their views, and management making decisions*
- *The question is about the style being used, which should not be confused with a skill being used*

SAMPLE RESPONSE

A consultative style involves management asking staff for their viewpoints, for instance about how various initiatives are progressing such as profit sharing and commissions. Management still makes the final decisions.

b. Evaluate the usefulness of this management style for increasing customer satisfaction with their instore experience.

5 marks

2 marks – how the style can be beneficial (1 mark if a brief outline is given OR there is no link to customer satisfaction with their instore experience)

2 marks – how the style might not be beneficial (1 mark if a brief outline is given OR there is no link to customer satisfaction with their instore experience)

1 mark – overall statement

Notes:

- *If one part of the evaluation is answered in significant detail, it can be awarded more marks; in which case, fewer marks are needed for the other side of the evaluation*
- *If an incorrect management style is defined in Question 1A, it is still possible to get full marks in this question. The consequence of an incorrect answer to Question 1A should not follow through to this question.*
- *Possible reasons why a consultative style will be beneficial:*
 - *Two way communication promotes a positive corporate culture, leading to a nicer atmosphere for customers*
 - *Employee viewpoints can be factored in to assist with improving customer experiences*
 - *Management retains decision making authority, thereby ensuring organizational efficiency which can result in better customer service*
- *Possible reasons why a consultative style will not be beneficial:*

- *Employees focused on having their say to the detriment of serving customers*
- *Employees frustrated if their views are not implemented, leading to a negative corporate culture, leading to a bad atmosphere for customers*

SAMPLE RESPONSE

Through this style, two-way communication is fostered, which can lead to a more positive corporate culture. This results in customers having a more positive experience due to a positive mentality displayed by employees when showcasing furniture items. Moreover, management can factor in employee viewpoints when making decisions about how best to improve customer experience. However, consultation can be a distraction from focusing on customer service if employees are too busy on giving their viewpoints to management. Additionally, corporate culture might suffer if employee views are not then implemented by management, as employees might then feel resentful. This can result in a negative atmosphere which is then noticed by customers. Overall, the consultative style can help improve customer experiences due to happier employees who also give their ideas but can backfire when it becomes too much of a focus or if employee recommendations are not implemented.

Question 2 (3 marks)

Explain **one** strategy that can be used to develop a positive corporate culture at *Fabulous Furnishings*.

1 mark – outlining a strategy

1 mark – explaining the strategy in connection to corporate culture

1 mark – link to Fabulous Furnishings Pty Ltd

Notes:

- *If more than one strategy is mentioned, then only the first one can be considered for marking*
- *The question asks for a strategy, which needs to be a specific form of action, as opposed to an objective*

SAMPLE RESPONSE

One strategy could involve hosting a social gathering for employees. This will provide an opportunity for employees and management to have a fun recreational time without the stresses of work, so they can get to know each other more. Through more positive relationships forming, it will likely result in more teamwork being shared as a value throughout the business. For instance, due to employees caring about each other, it will decrease incidents whereby employees are attempting to take credit for referrals they did not bring in.

Question 3 (5 marks)

Compare performance related pay to another strategy for increasing employee motivation at *Fabulous Furnishings*.

2 marks – explaining a similarity or similarities (1 mark if insufficient detail)

2 marks – explaining a difference or differences (1 mark if insufficient detail)

1 mark – connection to Fabulous Furnishings

Notes:

- *If one side of the comparison is addressed in significant detail, it can be given more marks; in which case, fewer marks are sufficient for the other side of the comparison*
- *If the terms are just defined, with no attempt to compare, then 1 mark can be awarded*
- *Other strategies include (but are not limited to): career advancement, investment in training, support and sanction*
- *Performance related pay can relate to any method of payment being linked to performance, such as bonuses, pay increases, commissions, and profit sharing.*

SAMPLE RESPONSES

Performance related pay involves being paid more because of better work being performed. For instance, employees who manage to sell more furniture will receive more commissions as a reward for doing so. Career advancement also will tend to involve higher pay owing to higher positions attracting higher salaries. However, a key difference is that career advancement involves employees being motivated by being in a different role, such as a managerial position, whereas performance related pay involves motivation resulting strictly from the prospect of monetary rewards.

Performance related pay involves being paid more because of better work being performed. For instance, employees who manage to sell more furniture will receive more commissions as a reward for doing so. It is similar to investment in training in terms of the result of increased motivation to perform better when producing and selling furniture. The key difference is that investment in training equips employees to perform better, thereby increasing their confidence to do so, whereas performance related pay will drive employees to perform better because of a monetary reward.

Performance related pay involves being paid more because of better work being performed. For instance, employees who manage to sell more furniture will receive more commissions as a reward for doing so. It is similar to support and sanction (through support) in terms of offering employees being motivated to work well due to feeling valued and cared for. Likewise, both strategies involve negative consequences for non-compliance, which will drive motivation to avoid such consequences, whether it is a decrease in performance related pay or some other sanction. A key difference is that performance related pay aims to motivate employees through financial incentives, whereas support and sanction can involve non-financial considerations.

Question 4 (6 marks)

Analyse how Fran could have used **two** principles of Senge's Learning Organisation theory when planning the employee incentivization program.

1 mark – a statement about how one principle could be used

1 mark – further explanation as to how

1 mark – clear link to planning the employee incentivisation program

Repeat above for another principle

Notes:

- *The five principles that can be selected from are: systems thinking, team learning, building shared vision, mental models, personal mastery*
- *Possible considerations for systems thinking:*
 - *Considering unintended side effects on stakeholders*
 - *Considering how the program responds to problems and the impacts it could have*
- *Possible considerations for team learning:*
 - *Employees and management obtaining ideas from each other*
 - *Employees and management working as a team when developing the plan*
- *Possible considerations for building shared vision:*
 - *Everyone knowing the purpose behind the plan*
 - *Everyone appreciating and being persuaded about why the plan is being implemented*
- *Possible considerations for mental models:*
 - *Willingness to consider different or novel ways of incentivizing*
 - *Willingness to develop and fine tune the program based on the sharing of ideas*
- *Possible considerations for personal mastery*
 - *Linking incentivization to work that is meaningful for employees*
 - *Identifying and mutually agreeing to areas for improvement, to be used as a basis for rewards*

SAMPLE RESPONSES

Systems thinking could have helped her plan by considering the different possible side effects of the incentivization program. Specifically, unintended consequences involving unhealthy competition between employees could have been predicted, and as a result, the program could have been fine tuned to avoid such negative consequences, possibly through greater oversight about how referrals are managed.

Team learning could have helped her plan through the sharing of ideas to obtain different perspectives about how best to structure the incentivization program. Through this, the idea could be perfected prior to its implementation, such as working out the optimal commission and profit-

sharing rates that are optimal to both increase employee motivation and ensure long term business profitability.

Building shared vision will involve everyone in the business understanding the purpose (as a win-win to generate more employee income and business profits from selling furniture) behind the incentivization plan so everyone can appreciate the reasons behind the plan. This would help with its planning, due to everyone having commitment to its success through knowing its purpose. Otherwise, if there were misunderstandings, it could result in arguments about what is being implemented and a lack of enthusiasm which would make the plan hard to implement.

Mental models would help Fran have a willingness to deeply reflect about her ingrained assumptions about incentivization. As a result, such assumptions can be challenged to develop a superior way to incentivize employees. For instance, an assumption might relate to profit sharing being distributed to all employees equally. This could be challenged and potentially modified to recognise that some employees might not like being paid an equal rate to other employees who do not put in as much effort.

Personal mastery would help Fran consider ways of improving the knowledge and skills of employees in a way that is important for them. For instance, employees might like the idea of commissions and profit sharing but want to be prepared so they are more confident in their customer service skills. Since such skills will be valued by employees a lot, because of the incentivization program, it is important for Fran to provide opportunities for such skills to be developed.

Question 5 (4 marks)

Describe how grievance procedures could be used at *Fabulous Furnishings*.

Mark globally

4	<ul style="list-style-type: none"> <i>Description provided about how grievance procedures can be used, clearly linked to the stimulus materia with conceptual clarity</i>
3	<ul style="list-style-type: none"> <i>Description provided about how grievance procedures can be used, linked to the stimulus material, but lacking the clarity or depth of a 4 mark answer</i>
2	<ul style="list-style-type: none"> <i>Explanation about grievance procedures, including the possible steps involved, but no link to the stimulus material</i> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> <i>Definition provided, with a minor link to the stimulus material</i>
1	<ul style="list-style-type: none"> <i>Definition of grievance procedures provided only</i>
0	<ul style="list-style-type: none"> <i>Response does not relate to any elements of the question or there is no answer provided</i>

SAMPLE RESPONSE

Grievance procedures can be used at this business through implementing a formalised series of steps to help employees having a dispute. For example, employees having a dispute regarding who should get credit for a referral, will have a clear understanding of consistent processes to follow up the matter. The first part of the process could involve a complaint being lodged with a supervisor,

who might then mediate between the two parties to help arrive at a mutually acceptable resolution. If this fails, the dispute might be referred to a higher-level manager who might officially collect statements from both parties and then decide about how to resolve the issue.