

Student Name:



2023 BUSINESS MANAGEMENT UNIT 3 &4

Trial Examination

Reading Time: 15 minutes

Writing Time: 2 hours

SOLUTIONS AND MARKING GUIDE

Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	4	4	40
B	6	6	35
			Total: 75

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners, rulers.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white out liquid/tape.
- No calculator is allowed in this examination.

Materials supplied

- Question and answer book of 20 pages

Instructions

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

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

Instructions

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

SECTION A

Question 1 (10 marks)

DIY Blinds is one of the fastest growing window furnishing business in Victoria. The business offers easy to buy Australian made window furnishings online. This allows homeowners to virtually design and purchase premium blind shutters and curtains, removing the need for a traditional bricks and mortar showroom. With a current staff of 120 employees the business has opened an office in Sydney and is now looking to expand to Queensland.

Source: www.smartcompany.com.au/plus/how-diy-blinds-built-disruptive-business

a. Define the term 'online services'.

2 marks

Online services refer to any information and services provided by a business over the internet to enable the business to connect with its current and potential customers. The online subscriber can communicate, conduct transactions, and participate in conferences or meetings online making the process more time efficient and easier to access.

1 mark for the definition of online services

1 mark for the additional information about the term

b. DIY Blinds would seek to achieve several business objectives. One of these would be to improve efficiency.

Explain this business objective with reference to DIY Blinds.

3 marks

Efficiency refers to how well a business uses its resource which would include materials, labour, and machinery to produce a good or service. Businesses can implement various strategies e.g. the increased use of technology or a materials management strategy such as just in time to reduce costs, time or excess materials. By using the online orders DIY Blinds can get their products to customers quicker and reduce their costs without the need for a traditional showroom achieving the business objective of to improve efficiency.

1 mark for an explanation of the business objective

1 mark for how a business can improve efficiency

1 mark for the link to the case study

c. Distinguish between on-the-job and off-the-job training and justify which would be more appropriate for DIY Blinds.

5 marks

On-the-job training is the upskilling of staff that occurs at the workplace during the normal hours of work. Employees learn specific skills to then be able to perform tasks more efficiently in the workplace. The training can be provided by an experienced worker or someone with specific expertise in the equipment and tasks at the workplace itself.

Whereas off-the-job training is the upskilling of staff that occurs away from the actual workplace and requires the business to send individuals or groups of employees to a specialised training institution to learn new skills. The employees usually receive a formal certificate to recognise the external training they have completed. This is more costly than on-the-job training due to the use of external venues and specialised trainers. It also affects the business's productivity levels as the employees are not at work for the duration of the training.

On-the-job training would be more appropriate for DIY Blinds as it is more cost effective because the employees do not have to travel to an external provider to undertake this training. They can learn on the equipment that they will use to produce the window furnishings. They will also have access to immediate feedback which will help them

improve their skills while learning on the job to either make the window furnishings or process the online orders. This will make them more effective in their job roles as they work and learn simultaneously.

This question can be marked globally.

A marking guide has been provided below:

Mark Range	Descriptor: typical performance in each range
5 marks	Student has provided a detailed response that includes the following: <ul style="list-style-type: none"> • Thorough explanation of on-the-job training • Thorough explanation of off- the- job training • Highlights the differences between the two training options • Reasons why one training option is more suitable than the other for DIY Blinds
3-4 marks	Student has provided a moderate response that includes the following: <ul style="list-style-type: none"> • Explanation of on- the- job training • Explanation of off- the- job training • Reference to differences between the two training options • Moderate justification of why one option is more suitable than the other with no link or a weak link to DIY Blinds
1-2 marks	Student has only provided one or two statements about the training options with no clear differences and no justification <u>Or</u> A weak justification with no explanation of both training options and the differences
0 marks	Student has not addressed the question, or no answer was provided

Question 2 (12 marks)

Urban Ideas is a construction company that has recently gone into liquidation terminating 150 employees without warning. Management have blamed the rising costs of materials as a major factor behind the sudden closure of the business.

Fictional scenario

a. Compare redundancy with resignation referring to Urban Ideas in your answer.

4 marks

Both redundancy and resignation refer to the termination of employment or the ending of the formal relationship between the employer and the employee. Both require entitlement considerations that include wages or salaries still owed to the employee and any leave entitlements that have accrued. However, they differ in that resignation is the voluntary ending of the employment relationship where the employee chooses to leave a business for a range of reasons including taking up a position in another business, change of lifestyle, travel etc. Whereas redundancy occurs when the job a person is doing no long exists. In the case of Urban Ideas all the employees were made redundant as they lost their jobs involuntarily with the sudden closure of the business.

2 marks for the similarities between the two types of termination

2 marks for the differences between the two types of termination

The marks are based on the depth and detail of the answer provided.

To be allocated the full marks reference to the scenario needs to be made in the response.

b. Outline **two** entitlement considerations for the employees who have been made redundant at Urban Ideas.

4 marks

One entitlement consideration for the employees at Urban Ideas is the payment of any outstanding wages or salaries owed to them up until the date of the business closure. The employees would expect to be paid their normal wages for the work they completed prior to Urban Ideas going into liquidation.

Another entitlement issue would be the payment of leave entitlements that the employees are due but have not yet taken. For full-time employees this would include four weeks annual leave and any long service leave they may have accrued but not yet accessed based on their years of service at Urban Ideas.

2 marks for the outline of each entitlement consideration x 2

c. Describe the effects of this decision on **two** stakeholders of Urban Ideas.

4 marks

One stakeholder of Urban Ideas is the employees who offer their time and skills in exchange for wages and salaries. They expect to be paid fairly and treated well in their place of employment. In this scenario the effect on the employees is negative with the probable loss of their entitlements and their jobs making them unemployed and without receipt of any outstanding wages/salaries and leave payments.

Another stakeholder of Urban Ideas is the customers who are the lifeline of any business. They purchase the goods and services offered by a business in return for payment and seek high quality products for a reasonable price. In this scenario the customers would be left with incomplete houses and the need to find a new construction company to finish any outstanding housing projects increasing the costs and stress of building a new house.

The student can refer to other stakeholders to answer this question.

1 mark for the interest of each stakeholder in the business x2

1 mark for the effect of the decision by Urban Ideas to go into liquidation on the effect of each stakeholder x2

Question 3 (6 marks)

'Change management models are designed to help a business navigate its way through change.'

Analyse **one** of Lewin's change management theories referring to the above statement in your answer.

Lewin developed a three-step model for change. The first step refers to the business preparing for the change or to unfreeze the status quo. Preparing the business to accept change is necessary for its survival and growth. The business needs to break down the existing status quo before it can build on a new way of operating. The business needs to share with its employees why it is necessary to change and explain that current practices cannot continue. In this way the business sets the scene for change to be able to steer its way through the process.

The business then moves to the second step of the model which is the change itself. Management and employees resolve any uncertainty and explore new ways of doing things through this process. Employees need time to embrace the new direction and proactively participate in the change. Employees will be more accepting of the change if they contribute to it and if they understand how the change will benefit them. Time and communication are essential to the success of the change. Policies, practices, and processes can change with management providing all necessary support to move the employees forward, addressing their fears and reducing their resistance to the change. This further allows the business to embrace the change and work towards a successful transformation.

The final refreeze step occurs after the change has taken shape and employees have embraced the new ways of working in the business. The business is stable and job activities and descriptions are consistent and set in place. Management needs to institutionalise the change by making sure new practices or processes are used consistently and are incorporated by the employees in their daily routine. Employees will feel confident and become comfortable with the new ways of working. Achievements can be celebrated, and support maintained through this stage. The staff continue to be encouraged to move forward as the business consolidates the change and embeds the new corporate culture. In this way the change would be managed effectively with employees and management working together to continue to achieve business objectives.

Students can also refer to the force field analysis to answer this question.

2 marks for the analysis of each of the three steps with reference to the statement x 3

Question 4 (12 marks)

McPhail's Furniture located in Wangaratta in country Victoria was on the brink of closure during COVID when Casey and Taylor McPhail the co-owners decided to sell their furniture online through Facebook marketplace. Their father originally set up the business in the 1960's selling new and used good quality furniture. The brothers took the initiative to go online and invested a lot of money in both stock and in marketing the business. Increased customer demand for the furniture created more jobs and sales as they were able to offer an immediate delivery service of their products anywhere in Victoria, Adelaide, and Cairns for a flat rate of \$59.

Source: www.news.com.au

March 5th 2023

a. Justify the proactive approach to change the brothers adopted during COVID for their furniture business.

3 marks

The proactive approach means a business such as McPhail's Furniture anticipates and adjusts to the changing business environment. The brothers initiated the change to go online during COVID rather than wait to be affected by the change and then respond to it. The furniture business was able to gain a competitive advantage as it continued to offer its products through Facebook marketplace - an online tool that everyone had access to especially during the multiple lockdowns during COVID. McPhail's was able to predict the demand for its products based on the initial sales and invest in stock to offer customers furniture when they wanted it, rather than having to wait for the products to be available for delivery if they went with competitors. The brothers made the delivery charge a flat rate which had an added appeal to be able to deliver on time in multiple states.

1 mark for each relevant point x3

b. Explain **one** driving and **one** restraining force for change at McPhail's Furniture.

4 marks

One driving force at McPhail's Furniture is the pursuit of profit that encouraged or initiated the change. For the business to survive it needed to generate enough sales and income to cover all business expenses and meet the financial needs and expectations of the two brothers. With the spread of the COVID virus the business had to find other ways to generate an income to survive and going online through marketplace on Facebook was their solution.

A restraining force was financial considerations which would work against implementing the changing creating resistance. McPhail's Furniture needed to purchase additional stock and set up the business to be able to operate online with an up to date and easy to navigate website and additional training for staff to move to online sales. The two brothers needed to weigh the costs of implementing this change with the benefits and whether the change would be enough to keep the business financially viable.

2 marks for an explanation of one driving force linked to the case study

2 marks for the explanation of one restraining force linked to the case study

c. McPhail's Furniture offers a rustic/country style furniture collection to customers made of recycled materials which include timber and metal furniture.

Analyse the efficiency of operations using the strategy of recycling.

3 marks

Recycling is a waste minimisation strategy that involves a series of activities to transform used materials to create a new product, avoiding first time use resources. McPhail's' source materials that have already been furniture pieces and reuse them to create new pieces that have a greater appeal to customers. This decreases the need for the business to buy new material such as timber and metal reducing the cost of inputs and boosting profits.

1 mark for demonstrating an understanding of this waste management strategy

1 mark for explaining how McPhail's Furniture uses this strategy

1 mark for the link to efficiency

d. Outline **one** corporate social responsibility consideration for the operations at McPhail's Furniture.

2 marks

McPhail's Furniture use recycled materials as part of their inputs in the operations system to demonstrate their commitment to being more environmentally friendly. Instead of discarding timber and metal from used furniture these materials were reused to create new pieces of furniture which appealed to some of their customers. This reduces landfill and creates a more positive image for the business.

1 mark for each point x 2

SECTION B – Case Study

Instructions for Section B

Use the case study provided to answer the questions in this section. Answers must apply to the case study.

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

Cassava Bags Australia is a Sydney based business that manufactures a plastic free bag that they created which dissolves in hot water in seconds. Three millennials and business colleagues with a love for the great outdoors are behind the newly launched brand – Chun Lau, Bruce Delarossi and Telusa Mapapalan. It is the world's first biodegradable single use plastic bag using the cassava root vegetable native to South America to create the biodegradable film used to make the bags. Cassava Bags Australia's product range have been tested by internationally recognised companies and proven to be plastic free and non-toxic, so it is not harmful to the environment. Cassava Bags Australia trades under the name of No Plastic International Pty. Ltd and has undergone vigorous testing for and quality control of its product to meet all government regulations. The business generated \$800,000 in its first year of operation and is now producing over 7 million products which include bin liners, pet waste bags, aprons, sanitation covers.

Source: www.cassavabagsaustralia.com.au

Question 1 (3 marks)

Cassava Bags Australia currently has 2.8% of the market share in plastic free bags. They are seeking to increase this KPI in the next 12 months.

Explain how this key performance indicator could be used to analyse the success of this business.

Percentage of market share refers to the portion of the market controlled by a particular business. Being a relatively new business Cassava Bags Australia currently has a small percentage of the single use plastic bags market with 2.8%. With increased awareness of their products, greater media exposure and growth to overseas markets the three shareholders are looking to increase their volume of sales and grow their market share by attracting more customers away from other manufacturers of single use plastic bags. In this way they will continue to boost their profit and remain a viable manufacturer.

1 mark for the explanation of what the key performance indicator percentage of market is

1 mark for the explanation of the current market share at Cassava Bags Australia

1 mark for the explanation of how it can be used to analyse the success of this business

Question 2 (4 marks)

Cassava Bags Australia is set up as a private limited company. Justify this choice made by the owners.

A private limited company has between 1-50 shareholders and shares can only be bought by invitation from the current shareholders. The three shareholders have set up Cassava Bags Australia as a private company which means they have limited liability so if the business undergoes financial distress, then the personal assets of the three shareholders will not be used to pay the debts of the company as their liability is limited. As a private limited company Cassava Bags Australia is a separate legal entity which means the assets and liabilities of the business are not the same as the assets and liabilities of the directors. There is greater growth potential as the three current shareholders can invite other individuals to be shareholders in the business providing more capital for the business to expand. The current company tax rate is lower than personal income tax rates so this would have more appeal to the three owners especially as they are still establishing the business in the single plastic bag market. Cassava Bags Australia can have perpetual succession so the business will continue to exist even if one of the current shareholders decides to leave or dies unless the business is legally dissolved.

Students can provide a range of reasons to justify the choice of a private limited company.

1 mark for each point of justification x 3

1 mark for the link to the case study

Question 3 (4 marks)

Describe **two** strategies the Cassava Bags Australia could implement to develop its corporate culture as it continues to expand its manufacturing and distribution divisions.

One strategy Cassava Bags Australia could use is to hire new staff who share in the same values as this business as it continues to grow both locally and globally. The human resource manager would screen potential candidates to ensure that they are committed to protecting the environmental and minimising harm as this is one the core values of Cassava Bags Australia.

Another strategy that Cassava Bags Australia could implement relates to the management style used at the business. If the management team adopt a more decentralised, participative management style then this will enable employees to share in the decision-making process, creating a more positive corporate culture. As the business is continuing to evolve it will have access to a large pool of ideas with employee contributions. A sense of teamwork and trust amongst the employees will develop at the workplace.

Students can refer to a range of strategies to answer this question.

2 marks for the description of each strategy with links to the case study x2

Question 4 (10 marks)

Cassava Bags Australia implements quality control to ensure their biodegradable products meet customer expectations.

Evaluate this quality strategy to improve the efficiency and effectiveness of operations and discuss how Cassava Bags Australia's product range contributes to waste minimisation.

Quality control refers to the process of a Cassava Bags Australia conducting regular inspections of the production process to ensure that the single use biodegradable bags are defective free. This means that customers do not receive faulty product leading to an improved reputation of Cassava Bags Australia. Their products are seen as reliable and fit for their purpose to increases sales and profit and not damage the environment.

However quality control is a reactive process and does not allow all products to be checked as it is too time consuming which means that some products maybe of an inferior quality when they are sold to customers. If corrective action is necessary, then this can incur a cost to Cassava Bags Australia as the faulty products will be discarded.

The use of quality control at Cassava Bags Australia can boost efficiency as any errors identified during the inspection process are corrected preventing them from reoccurring which means better use of resources and cost minimisation. Production continues without disruptions, and products are available for distribution to customers. The use of quality control also improves effectiveness because eliminating errors or defects that have been identified during the regular inspections of the production process will mean customers receive defective free single use plastic bags which they can then use in their homes or businesses, increasing the number of sales and profit the business generates.

The biodegradable products that Cassava Bags Australia has developed and now manufactures contribute to waste minimisation as they dissolve in water and do not create more plastic contamination for the environment. This supports the use of other businesses being committed to reducing their waste by using these products as they are non-toxic and will not harm the environment. However, this range of products relies on Cassava Bags Australia being able to receive regular supplies of the cassava root which is the key ingredient to making these bags. If there is a shortage or delays in delivery, then Cassava Bags Australia may have to explore other alternative ingredients which are not as effective in reducing waste and may cause more environmental damage.

The response should be marked globally

Mark Range	Descriptor: typical performance in each range
9-10 marks Very High	Student has written a very detailed response addressing all the elements of the question including: <ul style="list-style-type: none"> • The strengths and weaknesses of quality control • Overall conclusion which refers to how quality control can improve both efficiency and effectiveness • Discussion of how the products made by Cassava Bags Australia contribute to waste minimisation
7-8 marks High	Student has written a very good response addressing all the elements of the question including: <ul style="list-style-type: none"> • The strengths and weaknesses of quality control • Overall conclusion which refers to how quality control can improve both efficiency and effectiveness • Discussion of how the products made By Cassava Bags Australia contribute to waste minimisation
5-6 marks Medium	Student has provided a moderate response addressing most of the elements of the question that could include: <ul style="list-style-type: none"> • The strengths and weaknesses of quality control • Conclusion which limited reference as to how quality control can improve either efficiency or effectiveness • Discussion of how the products made by Cassava Bags Australia contribute to waste minimisation
3-4 marks Low	Student has provided a limited response only addressing some of the elements of the question relating to: <ul style="list-style-type: none"> • Only the strengths or weaknesses of quality control • Limited reference as to how quality control can improve either efficiency or effectiveness • Little or no discussion of how the products made by Cassava Bags Australia contribute to waste minimisation
1-2 marks Very Low	Student has provided one or two relevant points in relation to only one element of the question relating to either: <ul style="list-style-type: none"> • The strengths or weaknesses of quality control • No reference to how quality control can improve efficiency and effectiveness • Limited reference of how the products made by Cassava Bags Australia

	contribute to waste minimisation
0 marks	Student has not addressed the question, or no answer was provided

Question 5 (4 marks)

The three owners of Cassava Bags Australia are keen to improve employee performance. They are considering implementing either appraisals or self-evaluations or both performance management strategies now that the business has been operating for over 12 months.

Compare appraisals with self-evaluations.

Both appraisals and self-evaluations involve a reflection of employee performance and the contribution each employee makes to Cassava Bags Australia in their current job role. Both involve the provision of feedback to employees to identify where they are performing well and where they can improve. Both strategies also involve an assessment of performance against a set of criteria.

They differ in their approach. With appraisals the manager conducts the assessment of employee performance against a range of criteria and provides feedback whereas with a self-evaluation the employee assesses their own contribution to the business. Appraisals can be conducted using a journal method, comparison method or critical incident method which provides information to management about employees with the potential for promotions or consideration for dismissals. Whereas self-evaluations allow employees to be more actively involved in the performance management review process by identifying their own strengths and weaknesses, assisting them to better understand their role and their contribution to Cassava Bags Australia.

2 marks for the similarities between appraisals and self-evaluations

2 marks for the differences between appraisal and self-evaluations

Question 6 (4 marks)

Cassava Bags Australia is keen to expand into the global market with its biodegradable single use bag and liner range. Explain the importance of reviewing key performance indicators to evaluate the effectiveness of this business transformation referring to the number of website hits in your answer.

It is important for Cassava Bags Australia to use relevant key performance data such as the number of website hits, number of sales and net profit figures to assess whether the products they are manufacturing and selling have a market and customer interest. They intend to expand into the global market so these key performance indicators will allow them to monitor the effectiveness of this business transformation. It is critical that the data is continually reviewed to ensure that the investment of time and money generates increased revenue to cover the cost of increasing production. Without this information the business cannot determine if the change was successful or whether they need to implement strategies to address any issues that may arise.

Number of website hits is a measure of the number of times a customer browses the Cassava Bags Australia website with the intention of buying or requesting information. This indicates the online traffic that the business experiences over a period of time and can help determine how many customers both domestically and globally are interested in purchasing the single use plastic bag product range.

1 mark for each relevant point x 3

1 mark for the reference to the number of website hits

Question 7 (6 marks)

Discuss **two** management strategies Cassava Bags Australia could implement to seek new business opportunities.

One management strategy that Cassava Bags Australia could implement is innovation. Innovation involves the creation of additional single use biodegradable plastic free bags that have a range of purposes not limited to the ones already being manufactured. Innovation could also involve improving the manufacturing process of the single use plastic bag to reduce costs or increase the rate of production. Using innovation to offer a greater range of products could increase the market share and profits of Cassava Bags Australia as more customers will buy the products to suit their own purposes. However, this requires an investment of money into research and development and Cassava Bags Australia may have to recruit staff with the necessary skills to help the business expand and evolve.

Another management strategy is for Cassava Bags Australia to relocate their manufacturing plants overseas to take advantage of lower labour costs and overhead expenses. This will also allow the business to sell its products to overseas markets more quickly reducing production and delivery costs which will increase net profit figures. However, this will create job losses in Australia if the manufacturing plants are moved overseas. It will also be harder to monitor the quality of the single use plastic bags produced. The business will need to comply with the local laws and regulations of the countries they set up their manufacturing plants in.

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

This question can be marked globally.

It can also be marked using the following marking scheme:

1 mark for the advantage of each management strategy x2

1 mark for the disadvantage of each management strategy x2

1 mark for the link to the case study x 2