

# **BUSMAN QUESTION BOOK**

WRITTEN FOR THE 2023-2027 STUDY DESIGN

- **OVER 350 PRACTICE QUESTIONS**
- **HAND-WRITTEN ANNOTATED SOLUTIONS**
- **AUTHOR OBTAINED A 49 STUDY SCORE**
- **SAC AND EXAMINATION TIPS**
- **CHECKLISTS FOR EACH AOS**
- **BONUS APPLICATION AND TEN MARK PRACTICE QUESTIONS**



**VCEWEB  
YOUTUBE  
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# Book and Legal Information

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# PREFACE: HOW TO USE THIS BOOK

## 1. How should I answer the questions if there are no spaces?

Just like a maths textbook! For homework you may be required to complete a few exercises in the calculus chapter and, after that, you then proceed to mark your work using the suggested solutions at the back. Similarly, for this study guide, you should answer the questions in a **separate exercise book** and then **compare** your response to the corresponding suggested hand-written response in the solutions section. Another benefit of the questions having no spaces is that you can **repeat** them again — this is particularly important for practising with the more challenging questions.

## 2. How is this book different to other study guides?

This guide is different due to the presence of **hand-written solutions** with **extension comments** which students can use to learn **how** to present their responses and why they need to respond in a specific way. The fact that the solutions have been written in a **student voice** also makes it easier for students to recognise the understanding required at a VCE level.

## 3. What if I am a visual learner?

That's not an issue! Scattered throughout this guide are **QR codes** which you can **scan** to watch **animated YouTube videos** on many of the Business Management topics! After you complete your response, you can watch a video right away to **consolidate** your knowledge!

This study guide provides a **gradual and systematic** approach to learning content. You can first test your knowledge by answering a general question from Volume 1 and then consolidate your understanding through responding to application questions in Volumes 2 and 3.

Good luck with your busman journey :)

- Sahil Bhatia



# SAC AND EXAMINATION TIPS

## 1. STUDYING TIPS

<p><b>MAKE NOTES BASED OFF THE STUDY DESIGN</b></p>	<p>Many Business Management books in the market contain irrelevant pieces of information or concepts from old study designs that make it confusing for students to understand what they need to know. The study design provides the <b>exact curriculum</b> which students need to know for SACs and Exams. Since Business Management examiners can only test you on content from the study design, you should create notes on what will be <b>examined!</b></p>
<p><b>ERROR BOOK</b></p>	<p>An 'error book' is simply <b>a book with all your mistakes!</b> Throughout the year you will complete many practice assessments for Business Management and are bound to make at least a few mistakes. A book like this is useful in: a) understanding why you made the specific error and b) identifying all your common errors so that, in subsequent practice tasks, you are less likely to make the same mistake. This means you can maximise the amount of marks earned!</p>
<p><b>WORK AHEAD OF CLASS</b></p>	<p>This one is quite logical — if you learn a concept before you cover it in class then you won't be learning anything new in that next lesson! This means you will instead <b>be revising</b> and so, you can ask questions to <b>consolidate</b> your understanding rather than learn the content from scratch.</p>
<p><b>FLASHCARDS</b></p>	<p>Flashcards are a useful <b>active recall</b> revision technique that can be used to learn definitions, concepts, theories or examples for Business Management. You can make your own flashcards through purchasing them from the local store or via an online mean (such as Quizlet!).</p>
<p><b>READ/WATCH THE NEWS</b></p>	<p>The exam will not only test your knowledge of concepts but also your ability to apply that to contemporary business examples. So, reading or watching the news will be of benefit to you in becoming a Business Management student with a holistic understanding of the corporate world.</p> <p>Furthermore, business examples can elevate the <b>quality</b> of your response in examinations and we all know that a high quality response = more marks!</p>
<p><b>EXAMINATION REPORTS</b></p>	<p>The Examination Reports for Business Management are useful for three reasons: a) it provides information on how students performed in specific questions, b) there are examples of high scoring responses and c) general feedback is provided for student performance across the state.</p> <p>Knowledge of how students have performed is useful in <b>predicting questions</b> for future years (as I have done in this book!) — if students perform poorly in a question that targets a specific concept, it is highly likely that it will be tested the following year. Additionally, reading through the high scoring example responses allows you to know how you can improve the <b>structure and quality</b> of your own writing (so that you too can tailor your response to be a 'high scoring' answer).</p>
<p><b>UNDERSTAND THE RELATIONSHIP BETWEEN DIFFERENT TOPICS OF THE COURSE</b></p>	<p>The concepts taught in Business Management are not separated but rather, are <b>interrelated</b>. For example, the mediation process (AOS2 topic) of resolving disputes requires communication (AOS1 topic) between parties in order to come to a mutual decision.</p> <p>Knowing how different parts of the study design relate can help you develop a deeper understanding of the Business Management course, which is useful for answering the <b>harder questions</b> in the exam!</p>



## 2. WRITING TIPS

<b>SIGNPOSTING</b>	Signposting can be useful in giving your response <b>structure</b> and directly 'showing' the examiner where to <b>allocate</b> marks. Examples of signposting include: <ul style="list-style-type: none"> <li>• "One advantage of automated production lines is..."</li> <li>• "The difference between a sole trader and partnership is..."</li> <li>• "One strategy to develop a positive corporate culture is..."</li> </ul>
<b>UNDERLINE KEY TERMS</b>	Underlining key terms can, again, 'show' the examiners where to allocate marks for your response — this is particularly important for <b>10 mark questions</b> where large quantities of information must be processed by the examiner. Examples of responses where key terms are underlined can be found in the solutions section of this book.
<b>PARAGRAPHING</b>	When you are writing an English text response essay it would be <b>difficult to read and mark</b> your piece if you wrote the introduction, body paragraphs and conclusion without any spacing! This is because there is a greater chance of examiners reaching the half way point of the response and questioning how they got there — paragraphing simply makes it <b>easier</b> for examiners to read through what you have written.
<b>USE BRACKETS</b>	Brackets can be used to <b>define key terms</b> in the response and also explain your <b>thought process</b> regarding specific concepts! So, instead of wasting writing space and time by writing out a new sentence to explain your thoughts, you can instead use brackets.
<b>LOOK FOR LIMITING PHRASES</b>	Limiting phrases are the phrases at the end of a question which you have to link your response to or you will be penalised. Let's look at the question: "Explain how Porter's generic strategies can be applied by business X to gain a competitive advantage."  Many students will know how to apply Porter's generic strategies but will forget to link their response to the <b>'limiting phrase'</b> which is <b>"to gain a competitive advantage"</b> .
<b>HAVE A CHECKLIST AFTER ANSWERING A QUESTION</b>	A 'checklist' can just be a <b>series of questions</b> you ask yourself after responding to the question to ensure that you have adequately responded to all parts of the question. This can include: <ul style="list-style-type: none"> <li>• Have I used the task word properly?</li> <li>• Have I underlined key terms?</li> <li>• Have I linked my response to the limiting phrase?</li> <li>• Have I linked to the case study?</li> </ul>
<b>LINKING TO THE CASE STUDY</b>	If an adequate link to the case study is not made, then <b>full marks cannot be awarded</b> for the response. There are many ways to link to the case study, including: <ul style="list-style-type: none"> <li>• Using data (if tables or graphs provided)</li> <li>• Quoting from the case study</li> <li>• Making reference to the core activities of the business or its operation</li> </ul>
<b>EXPAND YOUR VOCABULARY</b>	This can almost be seen as a way to <b>'subtly flex'</b> on your examiner. Similar to VCE English, using complex words can elevate your responses by providing it with a new level of sophistication. You can expand your vocabulary by creating a list of unique words (separated by AOS).

## 3. TIMING TIPS

<b>CREATE A GAME PLAN</b>	This is a crucial activity to do before SACs and your final exam because you can have a plan on how to <b>approach</b> the assessments. You wouldn't go into battle without a plan of attack and the same applies for assessments.
<b>COMPLETE ASSESSMENTS IN LESS TIME</b>	The exam takes 120 minutes to complete and so, reducing that time to 110 minutes during practice sessions <b>trains your brain</b> to write only what is required to achieve the necessary marks whilst finishing the exam in time!



# CHECKLISTS:

## UNIT 3 AOS 1

KEY KNOWLEDGE	TICK
Sole Trader: Definition, Features, Advantages, Disadvantages	
Partnership: Definition, Features, Advantages, Disadvantages	
Private Limited Company: Definition, Features, Advantages, Disadvantages	
Public Listed Company: Definition, Features, Advantages, Disadvantages	
Social Enterprise: Definition, Features	
Government Business Enterprise: Definition, Features	
To make a profit: Definition, Strategies to achieve objective	
To increase market share: Definition, Strategies to achieve objective	
To fulfil a social need: Definition, Strategies to achieve objective	
To meet a market need: Definition, strategies to achieve objective	
To meet shareholder expectations: Definition, strategies to achieve objective	
Employees, customers, suppliers, managers, community: Interests, Potential conflicts	
Operations: Definition, Activities, How activities contribute to the achievement of business objectives	
Sales and marketing: Definition, Activities, How activities contribute to the achievement of business objectives	
Technology support: Definition, Activities, How activities contribute to the achievement of business objectives	
Human resources: Definition, Activities, How activities contribute to the achievement of business objectives	
Finance: Definition, Activities, How activities contribute to the achievement of business objectives	
Autocratic: Definition, Features, Advantages, Disadvantages	
Persuasive: Definition, Features, Advantages, Disadvantages	
Consultative: Definition, Features, Advantages, Disadvantages	
Participative: Definition, Features, Advantages, Disadvantages	
Laissez-Faire: Definition, Features, Advantages, Disadvantages	
Appropriateness of management styles (NET P): Nature of task, Employee experience, Time, Manager preference	
Communication skills: Definition, How the skill can be applied by managers	
Delegating skills: Definition, How the skill can be applied by managers	
Planning skills: Definition, How the skill can be applied by managers	
Leading skills: Definition, How the skill can be applied by managers	
Decision Making skills: Definition, How the skill can be applied by managers	
Interpersonal skills: Definition, How the skill can be applied by managers	
Explain the relationship between the use of management styles and management skills	
Corporate culture: Definition, Strategies for developing a more positive corporate culture	
Official and real corporate culture: Definition, How they can be distinguished	



## UNIT 3 AOS 2

KEY KNOWLEDGE	TICK
Explain the relationship between the management of employees and the achievement of business objectives	
Maslow's Hierarchy of Needs: Definition of the theory, Definition of the five needs, Strategies to achieve the five needs	
Four Drive Theory: Definition of the theory, Definition of the four drives, Strategies to achieve the four drives	
Goal Setting Theory: Definition of the theory, Definition of the Advantages, Disadvantages	
Performance related pay: Definition, Advantages, Disadvantages, How it can improve motivation, Effect on short and long-term motivation	
Career advancement: Definition, Advantages, Disadvantages, How it can improve motivation, Effect on short and long-term motivation	
Investment in training: Definition, Advantages, Disadvantages, How it can improve motivation, Effect on short and long-term motivation	
Support: Definition, Advantages, Disadvantages, How it can improve motivation, Effect on short and long-term motivation	
Sanctions: Definition, Advantages, Disadvantages, How it can improve motivation, Effect on short and long-term motivation	
On-the-job training: Definition, Advantages, Disadvantages, How it can be applied to train employees	
Off-the-job training: Definition, Advantages, Disadvantages, How it can be applied to train employees	
How on-the-job training and off-the-job training can be distinguished	
Management by objectives: Definition, Advantages, Disadvantages, How it can be applied by managers	
Employee observation: Definition, Advantages, Disadvantages, How it can be applied by managers	
Employee appraisal: Definition, Advantages, Disadvantages, How it can be applied by managers	
Self-evaluation: Definition, Advantages, Disadvantages, How it can be applied by managers	
Retirement: Definitions, Entitlement issues, Transition issues	
Redundancy: Definitions, Entitlement issues, Transition issues	
Resignation: Definitions, Entitlement issues, Transition issues	
Dismissal: Definitions, Entitlement issues, Transition issues	
Human Resource: Definition, Activities	
Employees: Definition, Activities	
Employer Associations: Definition, Activities	
Unions: Definition, Activities	
Fair Work Commission: Definition, Activities	
Awards: Definitions, Advantages, Disadvantages, How it can be used to determine wages and conditions	
Agreements: Definitions, Advantages, Disadvantages, How it can be used to determine wages and conditions	
Briefly outline the grievance procedure	
Mediation: Definition, Advantages, Disadvantages, How it can be applied by managers to resolve a dispute	
Arbitration: Definition, Advantages, Disadvantages, How it can be applied by managers to resolve a dispute	





# UNIT 3 AOS 3

KEY KNOWLEDGE	TICK
Define operations management and identify the four strategies of operations	
Key Elements: Identify the key elements, Define the key elements, Apply the key elements	
Characteristics of operations management: manufacturing and service businesses	
Automated Production Line: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Computer Aided Design: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Computer Aided Manufacturing: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Website Development: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Forecasting: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Materials Requirement Planning: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Master Production Schedule: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Just In Time: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Define quality	
Quality Control: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Quality Assurance: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Total Quality Management: Definition, Advantages, Disadvantages, How it can be used to improve efficiency and effectiveness	
Lean management: Define, How can lean management principles be applied in the workplace, How it can be used to improve efficiency and effectiveness	
Define corporate social responsibility	
Explain the relationship between corporate social responsibility and key elements (inputs, processes and outputs)	
Global sourcing of inputs: Definition, Advantages, Disadvantages	
Global outsourcing: Definition, Advantages, Disadvantages	
Overseas manufacture: Definition, Advantages, Disadvantages	
Supply Chain Management: Definition, Advantages, Disadvantages	



## UNIT 4 AOS 1

KEY KNOWLEDGE	TICK
Define business change and give examples of business change	
Key Performance Indicators (KPI): Define, Explain why and how they are used by businesses, Analyse KPI data	
Define all KPI's: Percentage of market share, Net profit figures, Rate of productivity growth, Number of sales, Rates of staff absenteeism, Level of staff turnover, Level of wastage, Number of customer complaints, Number of workplace accidents	
Lewin's Force Field Analysis Theory: Define, Outline the steps, Apply the steps to business examples, Understand the purpose of the theory	
Define the term 'driving force for change'	
Define all the driving forces and explain why they are driving forces: Managers, Employees, Competitors, Legislation, Pursuit of profit, Reduction in costs, Globalisation, Technology, Innovation, Societal Attitudes	
Define the term 'restraining forces for change'	
Define all the restraining forces and explain why they are restraining forces: Managers, Employees, Time, Organisational Inertia, Legislation, Financial Considerations	
Identify two of Porter's generic strategies	
Porter's generic strategy of lower cost: Define, Explain how it can be used to gain a competitive advantage	
Porter's generic strategy of differentiation: Define, Explain how it can be used to gain a competitive advantage	

## UNIT 4 AOS 2

KEY KNOWLEDGE	TICK
Explain the importance of leadership during times of change	
Define Key Performance Indicators (KPI)	
Define all management strategies and explain how they can be used by managers: staff training, staff motivation, change in management styles, change in management skills, increased investment in technology, improved quality in production, cost cutting, initiating lean production techniques and redeployment of resources (natural, labour and capital).	
Management strategies to seek new business opportunities globally: Identify strategies, Explain how they can be applied, Advantages, Disadvantages	
Management strategies to seek new business opportunities domestically: Identify strategies, Explain how they can be applied, Advantages, Disadvantages	
Define a Learning Organisation	
Outline the five principles of Senge's Learning Organisation and be able to apply them to business examples	
Define low-risk strategies and understand that they are used to reduce employee resistance	
Define all low-risk strategies and explain how they can be applied by managers: communication, empowerment, support and incentives	
Define high-risk strategies and understand that they are used to reduce employee resistance	
Define all high-risk strategies and explain how they can be applied by managers: manipulation, threats	
Understand that the effect of change on stakeholders can be negative or positive	
Identify and explain the effect change can have on managers, employees, customers, suppliers, the general community	
Understand the relationship between change and corporate social responsibility	
Explain the significance of analysing KPI data	



# COMMAND TERM LIST

<u>COMMAND TERM</u>	<u>DEFINITION</u>	<u>EXAMPLE</u>
<b>DEFINE</b>	Present the <b>meaning</b> of a specific term.	"Define the term business change."
<b>DISCUSS</b>	Present the <b>advantages</b> and <b>disadvantages</b> .	"Discuss the use of automated production lines."
<b>COMPARE</b>	Present the <b>similarities</b> and <b>differences</b> .	"Compare the use of a sole trader and partnership business structure."
<b>EVALUATE</b>	Present the <b>advantages</b> and <b>disadvantages</b> along with a <b>final opinion</b> .	"Evaluate the use of awards as a means of determining wages and conditions."
<b>ANALYSE</b>	Present <b>strengths, weaknesses</b> and <b>features</b> .	"Analyse the extent to which quality control would be an appropriate strategy."
<b>EXPLAIN</b>	Present the <b>features</b> along with <b>reasoning</b> or <b>implications</b> .	"Explain how this business could implement Porter's generic strategy of lower cost."
<b>OUTLINE</b>	Present the <b>specific features</b> of a concept.	"Outline two advantages of the mediation dispute resolution process."
<b>DISTINGUISH</b>	Present how two concepts <b>differ</b> by a <b>specific feature</b> .	"Distinguish between a manufacturing and service business."
<b>DESCRIBE</b>	Present an overview of the <b>features</b> of a concept.	"Describe the role of the Fair Work Commission during dispute resolution."
<b>IDENTIFY</b>	Present from <b>alternative options</b> .	"Identify an operations strategy which this business could implement."
<b>JUSTIFY</b>	Present the <b>advantages</b> and <b>significance</b> of a specific concept.	"Justify the use of on-the-job training as a method to train employees."
<b>STATE</b>	Present in a <b>simple</b> manner.	"State one business objective of Microsoft."



# SECTION A: STUDY DESIGN QUESTIONS

## Questions: Unit 3 AOS 1

**1. Types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises.** \*VCE BM SD, p. xx\*

1.1 Define sole trader. [1 mark]

1.2 Define partnership. [1 mark]

1.3 Define private limited company. [1 mark]

1.4 Define public listed company. [1 mark]

1.5 Define social enterprise. [1 mark]

1.6 Define government business enterprise. [1 mark]

1.7 Outline two features of a sole trader. [2 marks]

1.8 Outline two features of a partnership. [2 marks]

1.9 Outline two features of a private limited company. [2 marks]

1.10 Outline two features of a public listed company. [2 marks]

1.11 Outline two features of a social enterprise. [2 marks]

1.12 Outline two features of a government business enterprise. [2 marks]

1.13 Discuss the use of a sole trader. [4 marks]

1.14 Discuss the use of a partnership. [4 marks]

1.15 Discuss the use of a private limited company. [4 marks]

1.16 Discuss the use of a public listed company. [4 marks]

1.17 Compare the use of a sole trader and partnership business structure. [4 marks]

1.18 Compare the use of a sole trader and private limited company business structure. [4 marks]

1.19 Compare the use of a private limited company and public listed company business structure. [4 marks]

*Marika Leigh is the owner of the business Lexione Pty Ltd.*

1.20 Identify the type of business owned by Marika and explain one advantage and one disadvantage of using this business structure. [3 marks]

1.21.1 Distinguish between a sole trader and partnership. [3 marks]



**2. Business objectives including to make a profit, to increase market share, to improve efficiency, to improve effectiveness, to fulfil a market, to fulfil a social need and to meet shareholder expectations.**<sup>\*VCE</sup>

*BM SD, p. xx\**

- 2.1 Define the term 'business objective'. [1 mark]
- 2.2 Define the business objective 'to make a profit'. [1 mark]
- 2.3 Define the business objective 'to increase market share'. [1 mark]
- 2.4 Define the business objective 'to improve efficiency'. [1 mark]
- 2.5 Define the business objective 'to improve effectiveness'. [1 mark]
- 2.6 Define the business objective 'to fulfil a market need'. [1 mark]
- 2.7 Define the business objective 'to fulfil a social need'. [1 mark]
- 2.8 Define the business objective 'to meet shareholder expectations'. [1 mark]
- 2.9 Explain the primary business objective of a social enterprise. [2 marks]
- 2.10 Explain a strategy that a business could implement to achieve the business objective 'to increase market share'. [3 marks]
- 2.11 Explain a strategy that a business could implement to achieve the business objective 'to make a profit'. [3 marks]
- 2.12 Explain a strategy that a business could implement to achieve the business objective 'to fulfil a market need'. [3 marks]
- 2.13 Explain a strategy that a business could implement to achieve the business objective 'to fulfil a social need'. [3 marks]

**3. Stakeholders of businesses including owners, managers, employees, customers, suppliers and the general community.**<sup>\*VCE BM SD, p. 16\*</sup>

- 3.1 Define the term stakeholder. [1 mark]
- 3.2 Define the term 'owner'. [1 mark]
- 3.3 Define the term 'manager'. [1 mark]
- 3.4 Define the term 'employee'. [1 mark]
- 3.5 Define the term 'customer'. [1 mark]
- 3.6 Define the term 'supplier'. [1 mark]
- 3.7 Define the term 'competitor'. [1 mark]
- 3.8 Define the term 'shareholder'. [1 mark]
- 3.9 Define the term 'community'. [1 mark]



**4. Characteristics of stakeholders of businesses including their interests and potential conflicts between stakeholders.**

- 4.1 Define the term 'owner' and explain their interests. [2 marks]
- 4.2 Define the term 'customers' and explain their interests. [2 marks]
- 4.3 Define the term 'employees' and explain their interests. [2 marks]
- 4.4 Define the term 'managers' and explain their interests. [2 marks]
- 4.5 Define the term 'suppliers' and explain their interests. [2 marks]
- 4.6 Define the term 'community' and explain their interests. [2 marks]
- 4.7 Define the term 'shareholders' and explain their interests. [2 marks]
- 4.8 Define the term 'competitor' and explain their interests. [2 marks]
- 4.9 Outline the interests of two stakeholders. Explain how these interests may conflict. [5 marks]

**5. Management styles including autocratic, persuasive, consultative, participative and laissez-faire.\***<sup>VCE BM</sup>  
SD, p. 16\*

- 5.1 Define the autocratic management style. [1 mark]
  - 5.1.1 Outline two features of the autocratic management style. [2 marks]
- 5.2 Define the persuasive management style. [1 mark]
  - 5.2.1 Outline two features of the persuasive management style. [2 marks]
- 5.3 Define the consultative management style. [1 mark]
  - 5.3.1 Outline two features of the consultative management style. [2 marks]
- 5.4 Define the participative management style. [1 mark]
  - 5.4.1 Outline two features of the participative management style. [2 marks]
- 5.5 Define the laissez-faire management style. [1 mark]
  - 5.5.1 Outline two features of the laissez-faire management style. [2 marks]
- 5.6 Evaluate the use of the autocratic management style. [5 marks]
- 5.7 Discuss the use of the persuasive management style. [4 marks]
- 5.8 Discuss the use of the consultative management style. [4 marks]
- 5.9 Discuss the use of the participative management style. [4 marks]
- 5.10 Discuss the use of the laissez-faire management style. [2 marks]



**6. The appropriateness of management styles in relation to the nature of task, time, experience of employees and manager preference.** \*VCE BM SD, p. 16\*

6.1 Identify the four factors that should be taken into account when determining the appropriateness of employing a specific management style in the workplace. [2 marks]

*Despite only being opened for six months, a car manufacturing company has recently had to recall all of its cars sold in the last three months after it was found that the vehicles had faulty engines.*

6.2 Assess the suitability of the manager of the car manufacturing company using an autocratic management style. [4 marks]

**7. Management skills including communicating, delegating, planning, leading, decision-making and interpersonal.** \*VCE BM SD, p. 16\*

7.1 Define the term communication. [1 mark]

7.2 Define the term delegation. [1 mark]

7.3 Define the term planning. [1 mark]

7.4 Define the term leading. [1 mark]

7.5 Define the term decision-making. [1 mark]

7.6 Define the term interpersonal skills. [1 mark]

7.7 Explain how communication skills can be used by a manager to achieve the business objective to increase market share. [3 marks]

3.8 Explain how planning skills can be used by a manager to achieve the business objective to increase market share. [3 marks]

3.9 Explain how leading skills can be used by a manager to achieve the business objective to increase market share. [3 marks]

*A local business in Dandenong is facing a number of internal issues including low employee morale and low employee productivity as a result of implementing new technology in the workplace.*

3.10 Explain how communication skills and one other management skill can be used by the business manager to resolve these internal issues. [4 marks]

*A bakery business, CupCakex Pty Ltd, has noticed poor financial performance in the recent financial year.*

3.11 Explain how planning skills can assist CupCakex Pty Ltd in achieving the business objective 'to make a profit'. [3 marks]

**4. The relationship between management styles and management skills.** \*VCE BM SD, p. 16\*

4.1 Explain the relationship between management styles and management skills. [2 marks]



**9. Corporate culture, both official and real.** \*VCE BM SD, p. 16\*

9.1 Define corporate culture. [1 mark]

9.2 Define official corporate culture. [1 mark]

9.3 Define real corporate culture. [1 mark]

9.4 Distinguish between official and real corporate culture. [3 marks]

## Questions: Unit 3 AOS 2

**1. The relationship between managing employees and business objectives.** \*VCE BM SD, p. 17\*

1.1 Explain the relationship between managing employees and business objectives. [2 marks]

**2. Key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria).** \*VCE BM SD, p. 17\*

2.1 Define Maslow's Hierarchy of Needs. [1 mark]

2.2 Define Locke and Latham's Goal Setting Theory. [1 mark]

2.3 Define Lawrence and Nohria's Four Drive Theory. [1 mark]

2.4 Explain one advantage and one disadvantage of using Maslow's motivation theory. [2 marks]

2.5 Explain one advantage and one disadvantage of using Locke and Latham's motivation Theory. [2 marks]

2.6 Explain one advantage and one disadvantage of using Lawrence and Nohria's motivation Theory. [2 marks]

2.7 Describe Maslow's Hierarchy of Needs. [3 marks]

2.8 Describe the Goal Setting Theory. [3 marks]

2.9 Describe the Four Drive Theory. [3 marks]

*Deontay is the owner of Boxers United Pty Ltd, a boxing club in Melbourne that specialises in training amateur fighters as they progress into professional boxing. When the business initially established the employees (which consisted of professional fighters with years of experience) were enthusiastic to train clients; however, Deontay has recently noticed low motivation from employees. As a result, he is looking to implement specific motivation theories to resolve this issue.*

2.10.1 Explain how the principles of Maslow's Hierarchy of Needs can be applied to resolve low employee motivation at Boxers United Pty Ltd. [6 marks]

2.10.2 Explain how the principles of Lawrence and Nohria's Four Drive theory can be applied to resolve low employee motivation at Boxers United Pty Ltd. [5 marks]

2.10.3 Explain how the principles of Locke and Latham's Goal Setting theory can be applied to resolve low employee motivation at Boxers United Pty Ltd. [4 marks]





2.11 Outline one similarity and one difference between Maslow's motivation theory and Locke and Latham's motivation theory. [2 marks]

2.12 Outline one similarity and one difference between Maslow's motivation theory and Lawrence and Nohria's motivation theory. [2 marks]

2.13 Outline one similarity and one difference between Locke and Latham's motivation theory and Lawrence and Nohria's motivation theory. [2 marks]

**3. Motivation strategies including performance related pay, career advancement, investment in training, support and sanction.** \*VCE BM SD, p. 17\*

3.1 Define performance related pay. [1 mark]

3.2 Define career advancement. [1 mark]

3.3 Define investment in training. [1 mark]

3.4 Define support. [1 mark]

3.5 Define sanctions. [1 mark]

3.6 Explain how performance related pay can be used to motivate employees in the workplace. [2 marks]

3.7 Explain how career advancement can be used to motivate employees in the workplace. [2 marks]

3.8 Explain how investment in training can be used to motivate employees in the workplace. [2 marks]

3.9 Explain how support can be used to motivate employees in the workplace. [2 marks]

3.10 Explain how sanctions can be used to motivate employees in the workplace. [2 marks]

**4. Advantages and disadvantages of motivations strategies and their effect on short-term and long-term employee motivation.** \*VCE BM SD, p. 17\*

4.1 Discuss the use of performance related pay as a motivation strategy. [4 marks]

4.2 Discuss the use of career advancement as a motivation strategy. [4 marks]

4.3 Discuss the use of investment in training as a motivation strategy. [4 marks]

4.4 Explain one advantage and one disadvantage of using support as a motivation strategy. [2 marks]

4.5 Explain one advantage and one disadvantage of using sanctions as a motivation strategy. [2 marks]

**5. Training options including on-the-job and off-the-job training and the advantages and disadvantages of each.** \*VCE BM SD, p. 17\*

5.1 Define on-the-job training. [1 mark]

5.2 Define off-the-job training. [1 mark]

5.3 Distinguish between on-the-job training and off-the-job training. [3 marks]

5.4 Evaluate the use of on-the-job training in terms of achieving business objectives. [5 marks]



5.5 Evaluate the use of off-the-job training in terms of achieving business objectives. [5 marks]

5.6 Compare the use of on-the-job training and off-the-job training. [4 marks]

**6. Performance management strategies to achieve both business and employee objectives, including management by objectives, appraisals, self-evaluation and employee observation.** \*VCE BM SD, p. 17\*

6.1 Define the term performance management strategies. [1 mark]

6.2 Define the term management by objectives. [1 mark]

6.3 Define the term appraisals. [1 mark]

6.4 Define the term self-evaluation. [1 mark]

6.5 Define the term employee observation. [1 mark]

6.6 Discuss the use of management by objectives in terms of achieving business objectives. [4 marks]

6.7 Discuss the use of appraisals in terms of achieving business objectives. [4 marks]

6.8 Discuss the use of self-evaluation in terms of achieving business objectives. [4 marks]

6.9 Discuss the use of employee observation in terms of achieving business objectives. [4 marks]

*Patrick's Pyjama's Ptd Ltd is a large-scale retail organisation that sells a variety of pyjamas for kids and adults. Patrick, the owner, has noticed that his business' performance has been slipping since 2019. He believes that implementing a performance management strategy would be useful in improving his business' performance. Data for the productivity of employees at Patrick's Pyjama's Pty Ltd over two years of trading and customer satisfaction due to customer service can be seen below.*

	2019	2020
Profit	\$40,000	\$30,000
Productivity	8%	3%
Customer satisfaction	42%	31%

6.10.1 Define the term 'performance management'. [2 marks]

6.10.2 Propose a performance management strategy and evaluate the strategy in relation to the issues at Patrick's Pyjama's Pty Ltd. [6 marks].

**7. Termination management including retirement, redundancy, resignation and dismissal, entitlement considerations and transition considerations.** \*VCE BM SD, p. 17\*

7.1 Define retirement. [1 mark]

7.2 Define redundancy. [1 mark]

7.3 Define resignation. [1 mark]

7.4 Define dismissal. [1 mark]

7.5 Define entitlements and transition services. [2 marks]



7.6 Outline one entitlement consideration and one transition consideration that apply to a redundant employee. [2 marks]

**8. *The roles of participants in the workplace including human resource managers, employees, employer associations, unions, and the Fair Work Commission.*** \*VCE BM SD, p. 17\*

8.1 Define human resources manager. [1 mark]

8.1.1 Outline the activities of the human resources manager in relation to dispute resolution. [2 marks]

8.2 Define employees. [1 mark]

8.2.1 Outline the activities of employees in relation to dispute resolution. [2 marks]

8.3 Define employer associations. [1 mark]

8.3.1 Outline the activities of employer associations in relation to dispute resolution. [2 marks]

8.4 Define unions. [1 mark]

8.4.1 Outline the activities of unions in relation to dispute resolution. [2 marks]

8.5 Define the Fair Work Commission. [1 mark]

8.5.1 Outline the activities of the Fair Work Commission in relation to dispute resolution. [2 marks]

**9. *Awards and agreements as methods of determining wages and conditions of work.*** \*VCE BM SD, p. 17\*

9.1 Define the term award. [1 mark]

9.2 Define the term agreement. [1 mark]

9.3 Explain how awards can be used as a method of determining wages and conditions of work. [3 marks]

9.4 Explain how agreements can be used as a method of determining wages and conditions of work. [3 marks]

9.5 Discuss the use of awards as a method of determining wages and conditions of work. [4 marks]

9.6 Discuss the use of agreements as a method of determining wages and conditions of work. [4 marks]

9.7 Distinguish between awards and agreements. [3 marks]

**10. *An overview of the dispute resolution process including grievance procedures, mediation and arbitration.*** \*VCE BM SD, p. 17\*

10.1 Outline the grievance procedure. [4 marks]

10.2 Define mediation. [1 mark]

10.3 Define arbitration. [1 mark]

10.4 Discuss the use of mediation as a dispute resolution process. [4 marks]

10.5 Discuss the use of arbitration as a dispute resolution process. [4 marks]



# Questions: Unit 3 AOS 3

**1. The relationship between operations management and business objectives.** \*VCE BM SD, p. 18\*

1.1 Define operations management. [1 mark]

1.2 Explain the relationship between operations management and business objectives. [2 marks]

1.3 Define efficiency and effectiveness. [2 marks]

**2. Key elements of an operations system: inputs, processes and outputs.** \*VCE BM SD, p. 18\*

2.1 Identify all the key elements of an operations system. [1 mark]

2.2 Define all the key elements of an operations system. [3 marks]

2.3 Using a contemporary manufacturing business, explain the key elements of an operations system. [6 marks]

2.4 Using a contemporary service business, explain the key elements of an operations system. [6 marks]

**3. Characteristics of operations management within both manufacturing and service businesses.** \*VCE BM SD, p. 18\*

3.1 Outline two characteristics of a manufacturing business. [2 marks]

3.2 Outline two characteristics of a service business. [2 marks]

3.3 Compare the characteristics of a service and manufacturing business. [2 marks]

**4. Strategies to improve the efficiency and effectiveness of operations related to technological developments, including the use of automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence and online services.** \*VCE BM SD, p. 18\*

4.1 Define automated production lines. [1 mark]

4.2 Define robotics. [1 mark]

4.3 Define computer-aided design. [1 mark]

4.4 Define computer-aided manufacturing. [1 mark]

4.5 Define artificial intelligence. [1 mark]

4.6 Define online services. [1 mark]

4.7 Discuss the use of automated production lines. [4 marks]

4.8 Discuss the use of robotics. [4 marks]

4.9 Discuss the use of computer-aided design. [4 marks]

4.10 Discuss the use of computer-aided manufacturing. [4 marks]



4.11 Discuss the use of artificial intelligence. [4 marks]

4.12 Discuss the use of online services. [4 marks]

4.13 Explain how automated production lines can be used to improve the efficiency and effectiveness of operations. [3 marks]

4.14 Explain how robotics can be used to improve the efficiency and effectiveness of operations. [3 marks]

4.15 Explain how computer-aided design can be used to improve the efficiency and effectiveness of operations. [3 marks]

4.16 Explain how computer-aided manufacturing can be used to improve the efficiency and effectiveness of operations. [3 marks]

4.17 Explain how artificial intelligence can be used to improve the efficiency and effectiveness of operations. [3 marks]

4.18 Explain how online services can be used to improve the efficiency and effectiveness of operations. [3 marks]

**5. Strategies to improve the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just In Time.** \*VCE BM SD, p. 18\*

5.1 Define forecasting. [1 mark]

5.2 Define master production schedule. [1 mark]

5.3 Define materials requirement planning. [1 mark]

5.4 Define Just In Time. [1 mark]

5.5 Discuss the use of forecasting. [4 marks]

5.6 Discuss the use of master production schedule. [2 marks]

5.7 Discuss the use of materials requirement planning. [2 marks]

5.8 Discuss the use of Just In Time. [4 marks]

5.9 Explain how forecasting can be used to improve the efficiency and effectiveness of operations. [3 marks]

5.10 Explain how master production schedule can be used to improve the efficiency and effectiveness of operations. [3 marks]

5.11 Explain how materials requirement planning can be used to improve the efficiency and effectiveness of operations. [3 marks]

5.12 Explain how Just In Time can be used to improve the efficiency and effectiveness of operations. [3 marks]



**6. Strategies to improve the efficiency and effectiveness of related to quality, including quality control, quality assurance and Total Quality Management.** \*VCE BM SD, p. 18\*

- 6.1 Define quality. [1 mark]
- 6.2 Define quality control. [1 mark]
- 6.3 Define quality assurance. [1 mark]
- 6.4 Define Total Quality Management. [1 mark]
- 6.5 Discuss the use of quality control. [4 marks]
- 6.6 Discuss the use of quality assurance. [2 marks]
- 6.7 Discuss the use of Total Quality Management. [4 marks]
- 6.8 Explain how quality control can be used to improve the efficiency and effectiveness of operations. [3 marks]
- 6.9 Explain how quality assurance can be used to improve the efficiency and effectiveness of operations. [3 marks]
- 6.10 Explain how Total Quality Management can be used to improve the efficiency and effectiveness of operations. [3 marks]

*Hubris Airlines provides a variety of travel services within Australia and internationally to its consumers. The company is considering the use of quality management strategies in order to ensure that the fitness of its aircrafts are maintained.*

- 6.11 Explain how Hubris Airlines could use quality control to ensure that the quality of its aircrafts are maintained. [4 marks]

**7. Strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process: reduce, reuse, recycle.** \*VCE BM SD, p. xx\*

- 7.1 Explain the relationship between waste minimisation and business objectives. [3 marks]

**8. The pull, one-piece-flow, takt, zero defects strategy to improve the efficiency and effectiveness of operations related to lean management.** \*VCE BM SD, p. xx\*

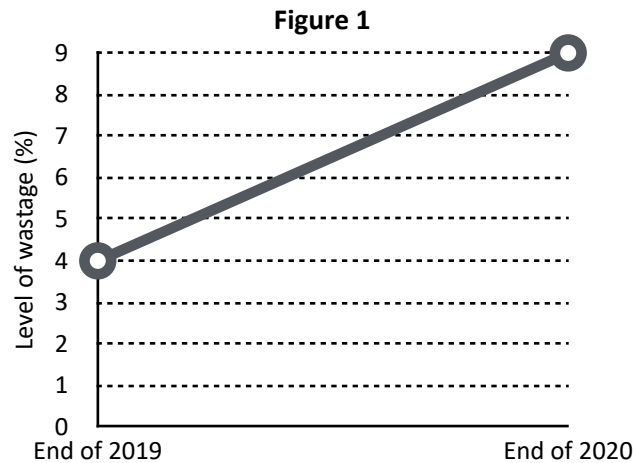
- 8.1 Define lean management. [1 mark]
- 8.2 Explain how lean management can be used to improve the efficiency and effectiveness of operations. [3 marks]

*Phonez N Stuff manufactures a range of mobile phones and tablets. They are hoping to reduce their wastage levels in the future.*

- 8.3 Explain how lean management principles can be implemented to reduce wastage levels at Phonez N Stuff. [5 marks]



'P-Balls' is a popular protein powder manufacturing company in Australia. P-Balls distinguishes itself from competitors by creating transparent balls in capsules which, when added to water, dissolve immediately and allow the protein powder to mix. P-Balls sells their protein powder balls in small, medium and large sized containers. Unfortunately, due to the 2020 COVID-19 pandemic, gyms were closed down. Consequently, P-Balls were unable to sell any of their stock, resulting in inventory expiring. This has resulted in the level of wastage increasing at P-Balls. Figure 1 below displays the level of wastage at P-Balls at the end of 2019 and the end of 2020.



8.4 Propose and apply lean management principles that can be used to improve the efficiency of P-Balls' operations. In your response, refer to 'Figure 1'. [6 marks]

**9. Corporate social responsibility considerations in an operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs.** \*VCE BM SD, p. 18\*

9.1 Define the term 'corporate social responsibility'. [2 marks]

9.2 Using the key elements of an operations system, explain how a business can engage in corporate social responsibility. [6 marks]

**10. Global considerations in operations management, including global sourcing of inputs, overseas manufacture and global outsourcing.** \*VCE BM SD, p. 18\*

10.1 Define global sourcing of inputs. [1 mark]

10.2 Define overseas manufacture. [1 mark]

10.3 Define global outsourcing. [1 mark]

10.4 Explain one advantage and one disadvantage of employing global sourcing of inputs as a global consideration. [2 marks]

10.5 Explain one advantage and one disadvantage of employing overseas manufacture as a global consideration. [2 marks]

10.6 Explain one advantage and one disadvantage of employing global outsourcing as a global consideration. [2 marks]

10.7 Explain how one global strategy can be used to improve the efficiency and effectiveness of operations. [3 marks]



# Questions: Unit 4 AOS 1

**1. The concept of business change.** \*VCE BM SD, p. 21\*

1.1 Define business change. [2 marks]

1.2 State two examples of business change. [2 marks]

**2. Managers can take a proactive and reactive approach to change.** \*VCE BM SD, p. 21\*

2.1 Explain one example of a proactive approach to change and a reactive approach to change. [4 marks]

2.2 Explain why using a proactive approach to change is more appropriate than a reactive approach to change. [3 marks]

**3. Key performance indicators as sources of data to analyse the performance of businesses, including percentage of market share, net profit figures, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints and number of workplace accidents.** \*VCE BM SD, p. 21\*

3.1 Define the term 'key performance indicator' and outline their purpose. [2 marks]

3.2 Define the key performance indicator 'percentage of market share'. [1 mark]

3.3 Define the key performance indicator 'net profit figures'. [1 mark]

3.4 Define the key performance indicator 'rate of productivity growth'. [1 mark]

3.5 Define the key performance indicator 'number of sales'. [1 mark]

3.6 Define the key performance indicator 'rate of staff absenteeism'. [1 mark]

3.7 Define the key performance indicator 'level of staff turnover'. [1 mark]

3.8 Define the key performance indicator 'level of wastage'. [1 mark]

3.9 Define the key performance indicator 'number of customer complaints'. [1 mark]

3.10 Define the key performance indicator 'number of workplace accidents'. [1 mark]





The company Sharples, which manufactures a variety of stationary materials, recently underwent a series of changes in 2019. These changes include:

- The downsizing of the companies' workforce
- Implementation of just in time as a materials management strategy
- Implementing promotion strategies (such as advertising)

The manager at Sharples decides to review performance indicator data after one year of trading to determine the effect these changes have had on business performance.

	2019	2020
<b>Net profit figure (\$ per annum)</b>	40,000	70,000
<b>Level of wastage (%)</b>	7%	2%
<b>Rate of staff absenteeism (days per year per staff member)</b>	5	14
<b>Percentage of market share (%)</b>	21	19

**Figure 3**

3.11 Analyse the extent to which the changes at Sharples affected its performance after one year of trading using data in Figure 3. [4 marks]

	2018	2021
<b>Net profit figure (\$ per annum)</b>	80,000	55,000
<b>Number of sales (per day)</b>	200	400
<b>Level of staff turnover (%)</b>	4%	8%

**Figure 1**

3.12 State what changes have occurred to key performance indicator data in Figure 1 and whether these changes are favourable or unfavourable. [4 marks]

The operations manager was displeased with the performance of Banana Pty Ltd, a technology company that produces mobile phones. As a consequence of this, he decided to implement Total Quality Management in the workplace. After three years, the operations manager decides to analyse key performance indicator data in order to determine the extent to which the transformation has been successful. Figure 2 shows this key performance indicator data.

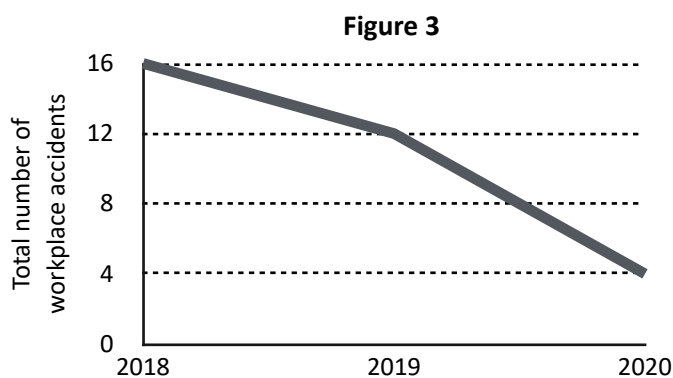
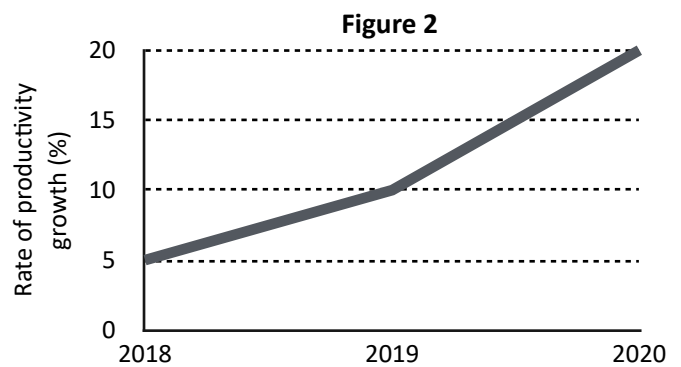
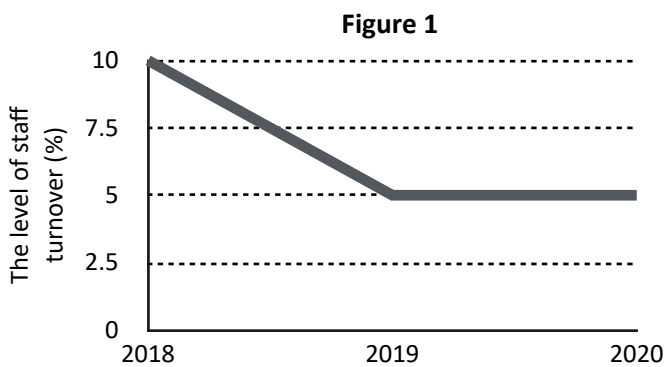
	2018	2019
<b>The level of wastage (%)</b>	4	3
<b>Net profit figure (\$ per annum)</b>	13,000	10,000
<b>Number of sales (per day)</b>	42	29
<b>Number of customer complaints (per week)</b>	7	2

**Figure 2**

3.13 Analyse the extent to which the changes at Banana affected its performance after three years of trading using data in Figure 2. [4 marks]



The manager has Forks R Us recently noticed low employee motivation at the end of 2017. This, in turn, has taken a toll on the productivity rates of employees. As a result, she decides to implement staff motivation strategies at the start of 2018, followed by staff training strategies in 2019 to combat these internal business issues.



3.14.1 Analyse the extent to which the implementation of staff motivation strategies improved business performance at Forks R Us from 2018 to 2019 using Figures 1 or 2. [3 marks]

3.14.2 Analyse the extent to which the implementation of staff training improved business performance at Forks R Us from 2018 to 2019 using Figures 2 or 3. [3 marks]

**4. Key principles of the Force Field Analysis theory (Lewin) including weighting, ranking, implementing a response and evaluating the response.** \*VCE BM SD, p. 21\*

4.1 Define Lewin's Force Field Analysis theory. [1 mark]

4.2 Describe the steps of Lewin's Force Field Analysis Theory. [4 marks]

*Ballz Inc is a sports service business that sells a range of products for ball sports, including tennis, soccer, basketball and cricket. The manager at Ballz is considering sourcing new product lines for more niche sports such as Bocce, Broomball, Padball and Ringball.*

4.3 Explain how the manager at Ballz could apply Lewin's Force Field Analysis theory to ensure the change is successful. [5 marks]

4.4 Apply the principles of Lewin's Force Field Analysis theory to a contemporary business example. [5 marks]



**5. Driving forces for change in business, including managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes.\*VCE BM**

*SD, p. 21\**

- 5.1 Define the driving force of managers and explain how managers is a driving force for change. [2 marks]
- 5.2 Define the driving force of employees and explain how employees is a driving force for change. [2 marks]
- 5.3 Define the driving force of competitors and explain how competitors is a driving force for change. [2 marks]
- 5.4 Define the driving force of legislation and explain how legislation is a driving force for change. [2 marks]
- 5.5 Define the driving force of pursuit of profit and explain how pursuit of profit is a driving force for change. [2 marks]
- 5.6 Define the driving force of reduction of costs and explain how reduction of costs is a driving force for change. [2 marks]
- 5.7 Define the driving force of globalisation and explain how globalisation is a driving force for change. [2 marks]
- 5.8 Define the driving force of technology and explain how technology is a driving force for change. [2 marks]
- 5.9 Define the driving force of innovation and explain how innovation is a driving force for change. [2 marks]
- 5.10 Define the driving force of societal attitudes and explain how societal attitudes is a driving force for change. [2 marks]

**6. Restraining forces in businesses, including managers, employees, time, organisational inertia, legislation and financial considerations.\*VCE BM SD, p. 21\***

- 6.1 Define the restraining force of managers and explain how managers is a restraining force for change. [2 marks]
- 6.2 Define the restraining force of employees and explain how employees is a restraining force for change. [2 marks]
- 6.3 Define the restraining force of time and explain how time is a restraining force for change. [2 marks]
- 6.4 Define the restraining force of organisational inertia and explain how organisational inertia is a restraining force for change. [2 marks]
- 6.5 Define the restraining force of legislation and explain how legislation is a restraining force for change. [2 marks]
- 6.6 Define the restraining force of financial considerations and explain how financial considerations is a restraining force for change. [2 marks]

**7. The two key approaches, lower cost and differentiation, to strategic management by Porter's Generic Strategies (1985).\*VCE BM SD, p. 21\***

- 7.1 Define porter's generic strategy of lower cost. [1 mark]



- 7.2 Define porter's generic strategy of differentiation. [1 mark]
- 7.3 Define the term competitive advantage. [1 mark]
- 7.4 Distinguish between porter's generic strategy of lower cost and differentiation. [3 marks]
- 7.5 Using a contemporary business example, explain how porter's generic strategy of differentiation can be used to gain a competitive advantage. [3 marks]
- 7.6 Using a contemporary business example, explain how porter's generic strategy of lower cost can be used to gain a competitive advantage. [3 marks]
- 7.7 Compare porter's generic strategy of lower cost and porter's generic strategy of differentiation. [4 marks]
- 7.8 Discuss the use of porter's generic strategy of lower cost in terms of gaining a competitive advantage. [4 marks]
- 7.9 Discuss the use of porter's generic strategy of differentiation in terms of gaining a competitive advantage. [4 marks]

## Questions: Unit 4 AOS 2

### **1. The importance of leadership in change management.** \*VCE BM SD, p. 16\*

- 1.1 Explain how leadership can be used during the change process. [3 marks]
- 1.2 Using a contemporary business example, explain how leadership can be used during times of change. [6 marks]

### **2. Management strategies to respond to key performance indicators and/or seek new business opportunities, including staff training, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques, redeployment of resources (natural, labour and capital), innovation, global sourcing of inputs, overseas manufacture and global outsourcing.** \*VCE BM SD, p. 22\*

- 2.1 Define the term 'key performance indicator'. [1 mark]
- 2.2 Define the management strategy of staff training. [1 mark]
- 2.3 Define the management strategy of staff motivation. [1 mark]
- 2.4 Define the management strategy of change in management styles. [1 mark]
- 2.5 Define the management strategy of change in management skills. [1 mark]
- 2.6 Define the management strategy of increased investment in technology. [1 mark]
- 2.7 Define the management strategy of improving quality in production. [1 mark]
- 2.8 Define the management strategy of cost cutting. [1 mark]



2.9 Define the management strategy of initiating lean production techniques. [1 mark]

2.10 Define the management strategy of redeployment of resources. [1 mark]

*In early 2018, Fred's Fridges implemented technology in the workplace in order to improve the efficiency and effectiveness of its fridge manufacturing operations. However, the company soon after realised that the technology is second-hand, which has seen a number of issues for the performance of the business. The manager was concerned about what this would mean for the business' future so decided to review key performance indicator data and implement strategies in 2019 before they can order a brand new technology system in 2020.*

	2017	2018
<b>The rate of productivity growth (%)</b>	8	5
<b>Net profit figures (\$ per annum)</b>	\$250,000	\$100,000
<b>Number of sales (per day)</b>	100	80
<b>Number of customer complaints (per week)</b>	3	8
<b>Level of wastage (%)</b>	2	4

**Figure 1**

*Explain how the following management strategies could be used by a business to respond to changes in Figure 1 and position the business for 2019:*

2.11.1 Initiating lean production techniques. [3 marks]

2.11.2 Staff training. [3 marks]

2.11.3 Improving quality in production. [3 marks]

2.11.4 Cost cutting. [3 marks]

*Chris' Christmaz Store is a partnership business responsible for selling a variety of Christmas ornaments and decorations. The manager at Chris' Christmaz Store recently analysed key performance indicator data and is considering the use of management strategies to respond to poor business performance.*

	2018	2019
<b>Number of sales (per month)</b>	1000	500
<b>Rate of productivity growth (%)</b>	5%	3%
<b>Level of staff turnover (%)</b>	2%	6%
<b>Percentage of market share (%)</b>	10%	6%

**Figure 2**

*Explain how the following management strategies can be used to respond to the key performance indicator data in Figure 2 and position Chris' Christmaz Store for the future:*

2.12.1 Increased investment in technology. [3 marks]

2.12.2 Improving quality in production. [3 marks]

2.12.3 Staff motivation. [3 marks]



Justify a key performance indicator that could be used to evaluate the effectiveness of the following management strategies:

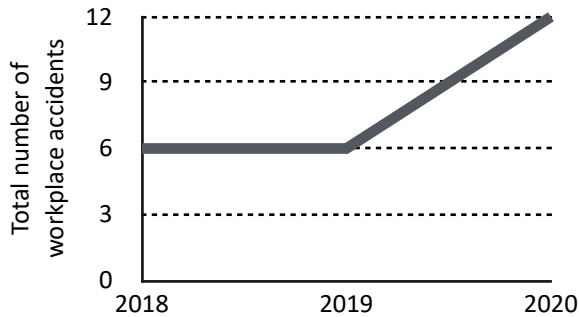
2.13.1 Staff training. [3 marks]

2.13.2 Improving quality in production. [3 marks]

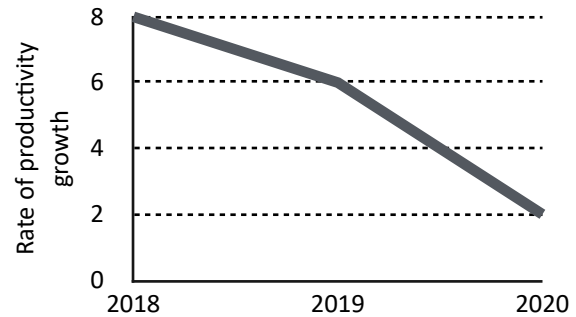
2.13.3 Increased investment in technology. [3 marks]

Below are key performance indicator data from 2018 to 2020 for a car manufacturing company.

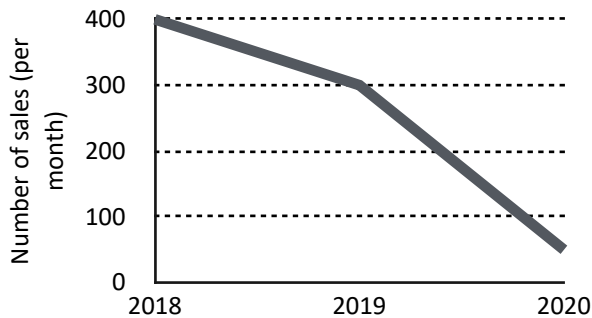
**Figure 1**



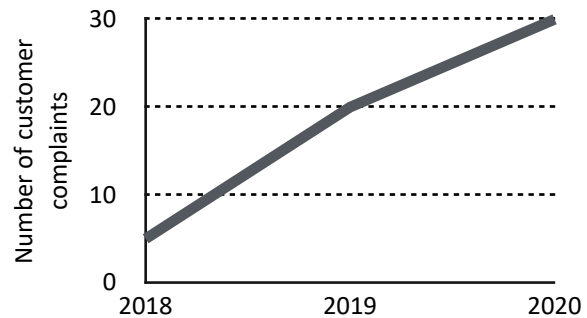
**Figure 2**



**Figure 3**



**Figure 4**



2.14.1 Identify two management strategies that could be applied in 2020 to respond to Figures 1 and 2. [2 marks]

2.14.2 Describe how one of the management strategies identified in part 2.14.1 could be applied in 2020 to respond to Figures 1 and 2 and position the car manufacturing company for the future. [5 marks]

2.14.3 Identify two management strategies that could be applied in 2020 to respond to Figures 3 and 4. [2 marks]

2.14.4 Describe how one of the management strategies identified in part 2.14.3 could be applied in 2020 to respond to Figures 3 and 4. [4 marks]

**3. Corporate culture and strategies for its development.** \*VCE BM SD, p. 16\*

3.1 Define the term corporate culture. [1 mark]

3.2 Explain two strategies that can be employed to develop a more positive corporate culture. [4 marks]



**4. An overview of the principles of the Learning Organisation (Senge) and the need to create a positive culture for change.** \*VCE BM SD, p. 22\*

4.1 Define the term 'Learning Organisation'. [1 mark]

4.2 Define the five principles of Senge's 'Learning Organisation'. [5 marks]

4.3 Explain one advantage and one disadvantage of being a 'Learning Organisation', with reference to specific principles. [4 marks]

4.4 Explain how being a 'Learning Organisation' allows a business to implement change successfully. [2 marks]

4.5 Identify three principles of Senge's Learning Organisation and outline the significance of the identified principles. [6 marks]

4.6 Explain the relationship between being a 'Learning Organisation', as identified by Senge (1990), and the concept of business change. In your response, refer to two principles of Senge. [5 marks]

**5. Low-risk strategies to overcome employee resistance: communication, empowerment, support and incentives.** \*VCE BM SD, p. 22\*

5.1 Define the low-risk strategy of 'communication'. [1 mark]

5.2 Define the low-risk strategy of 'empowerment'. [1 mark]

5.3 Define the low-risk strategy of 'support'. [1 mark]

5.4 Define the low-risk strategy of 'incentives'. [1 mark]

*Sri Lanka at Home Pty Ltd, a seller of Sri Lankan groceries, has recently decided to shift their warehouse to a rural area. This change will affect over 100 staff members and so the manager is worried concerned about the possibility of employee resistance.*

5.5 Explain how the low-risk strategy of communication can be used to overcome employee resistance at Sri Lanka at Home Pty Ltd. [3 marks]

**6. High-risk strategies to overcome employee resistance, including manipulation and threat.** \*VCE BM SD, p. 22\*

6.1 Define the high-risk strategy of 'manipulation'. [1 mark]

6.2 Define the high-risk strategy of 'threat'. [1 mark]

*Sri Lanka at Home Pty Ltd, a seller of Sri Lankan groceries, has recently decided to shift their warehouse to a rural area. This change will affect over 100 staff members and so the manager is worried concerned about the possibility of employee resistance.*

6.3 Explain how the high-risk strategy of manipulation can be used to overcome employee resistance at Sri Lanka at Home Pty Ltd. [3 marks]

**7. Key principles of the Three Step Change Model (Lewin).** \*VCE BM SD, p. 22\*

7.1 Identify the three steps of Lewin's Three Step Change Model. [1 mark]

7.2 Outline each of the three steps of Lewin's Three Step Change Model. [3 marks]



*Snacks 4 Pets is a manufacturer of a range of fresh foods for domesticated animals. The owner is considering shifting the manufacturing warehouse from metropolitan Melbourne to a more rural area.*

7.3 Apply the principles of one step of Lewin's Three Step Change Model to the decision to shift Snacks 4 Pet's warehouse rurally. [3 marks]

7.4 Apply the key principles of Lewin's Three Step Change Model using a contemporary business example. [6 marks]

**8. The effect of change on stakeholder groups including owners, manager, employees, customers, suppliers and the general community.** \*VCE BM SD, p. 22\*

8.1 Define the term 'business change'. [1 mark]

8.2 Define the stakeholder 'owners' and explain the effect that business change can have on owners. [3 marks]

8.3 Define the stakeholder 'managers' and explain the effect that business change can have on managers. [3 marks]

8.4 Define the stakeholder 'employees' and explain the effect that business change can have on employees. [3 marks]

8.5 Define the stakeholder 'customers' and explain the effect that business change can have on employees. [3 marks]

8.6 Define the stakeholder 'suppliers' and explain the effect that business change can have on suppliers. [3 marks]

**9. Corporate social responsibility considerations when implementing change.** \*VCE BM SD, p. 22\*

9.1 Define corporate social responsibility. [1 mark]

*Explain one corporate social responsibility consideration that may be taken into account when implementing the following business changes:*

9.2.1 Implementing technology. [2 marks]

9.2.2 Downsizing the workforce. [2 marks]

9.2.3 Changing suppliers. [2 marks]

**10. The importance of reviewing key performance indicators to evaluate the effectiveness of business transformation.** \*VCE BM SD, p. 22\*

10.1 Explain how key performance indicators can be used to evaluate the effectiveness of business transformation. [2 marks]

10.2 Explain the importance of key performance indicators in evaluating the effectiveness of business transformation. [2 marks]





## **SECTION B: APPLICATION QUESTIONS**

### **Question 1 (U3 AOS 1)**

VCEFlashCards Pty Ltd is a business that manufactures flashcards for students in years 11 and 12 for a variety of VCE subjects.

1.1 Identify the type of business structure being used by VCEFlashCards. [1 marks]

1.2 Define the business structure identified in part a) and outline one feature of this business structure. [2 marks]

1.3 Discuss the use of the business structure identified in question 1.2. [4 marks]

For the next financial year, VCEFlashCards have the primary objective of earning \$50,000 in profit.

1.4 Define the business objective 'to make a profit'. [2 marks]

1.5 Explain two strategies that can be implemented by VCEFlashCards to achieve their primary objective for the next financial year. [4 marks]

### **Question 2 (U3 AOS 2)**

Cassidy is the owner of a hairdressing parlour in Melbourne. Cassidy has noticed reduced motivation as a result of internal conflict between staff members and employees struggling to use new hairdressing tools that have recently been purchased. This has caused the productivity of the workforce to reduce. Cassidy is considering using the Four Drive Theory to improve employee performance and resolve low employee motivation.

2.1 Describe the Four Drive Theory and explain how it could be applied at Cassidy's hairdressing parlour to motivate employees. [6 marks]

The primary objective of Cassidy's business is to increase market share.

2.2 Identify and outline the relationship between managing employees and the business objective to increase market share. In your response, refer to Cassidy's hairdressing parlour. [3 marks]

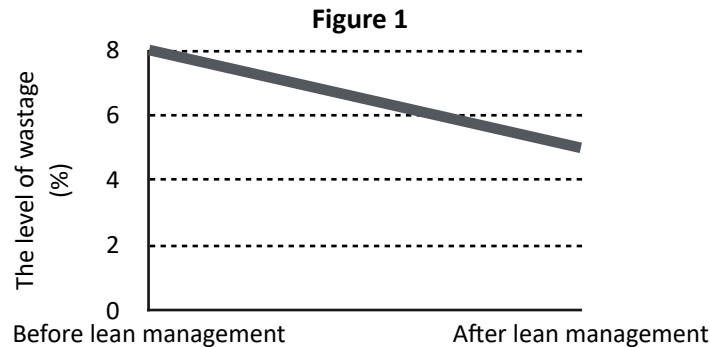
2.3 Describe how on-the-job training can be used to improve employee productivity at Cassidy's hairdressing parlour. [3 marks]

2.4 Explain how one motivation strategy, other than career advancement, can motivate employees at Cassidy's business. [3 marks]



## Question 3 (U3 AOS 3)

Pancakes R Us is a manufacturing company that produces pre-made packaged pancakes for consumers. This business has the primary objective of making a profit. The operations manager at Pancakes R Us, Peter, recently implemented lean management principles as a method to reduce wastage levels at the manufacturing site. In order to determine whether lean management was successful in reducing waste, he measured the level of wastage before the change and after the change. This data is shown in Figure 1 below.



3.1 Explain the key elements of the operations system of Pancakes R Us. [6 marks]

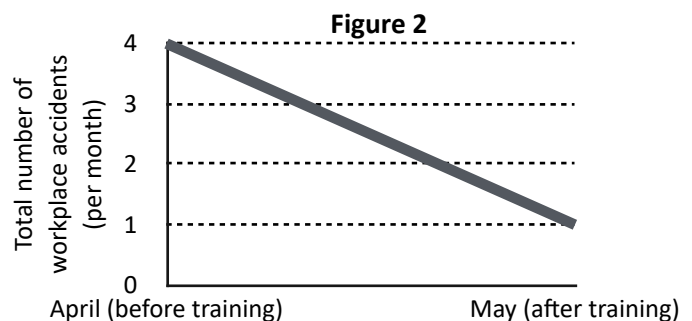
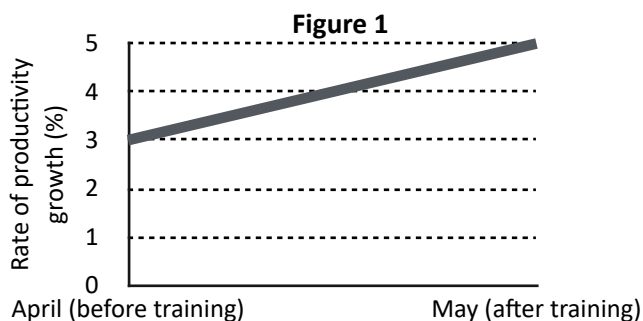
3.2 Explain the relationship between the operations of Pancakes R Us and their primary business objective. [3 marks]

3.3 Compare the key characteristics of Pancakes R Us with a contemporary service business. [2 marks]

3.4 Explain how Peter could have used lean management principles in order to improve the efficiency of Pancakes R Us' operations, with reference to Figure 1. [6 marks]

## Question 4 (U4 AOS 1)

Face-COV Pty Ltd is a manufacturer of face masks in Australia. Face-COV have been put under pressure to improve their production line efforts due to the recent spike in COVID-19 cases in Victoria in April. The manager has decided to train employees; however, due to government restrictions, off-the-job training cannot be used. Thus, Face-COV will implement on-the-job training in the workplace. Below are key performance indicator data which measure Face-COV's performance before and after training.



4.1 Define the term key performance indicator. [1 mark]

4.2 State one characteristic of a key performance indicator. [1 mark]

4.3 Apply the principles of Lewin's Force Field Analysis theory to the implementation of on-the-job training at Face-COV. [5 marks]

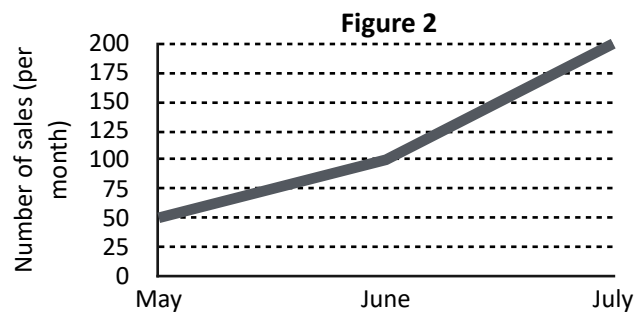
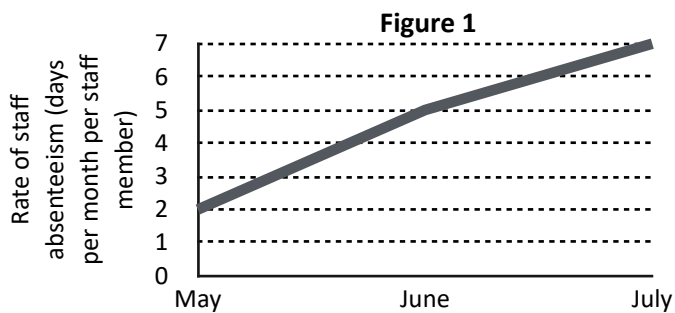


4.4 Analyse the extent to which implementing on-the-job training was successful for Face-COV with reference to the key performance indicator data above. [6 marks]

4.5 Identify and define one key performance indicator, other than the ones already analysed, that Face-COV could have used to evaluate the success of the change. [2 marks]

## Question 5 (U4 AOS 2)

Bhatia’s Boomerangs is a partnership that specialises in the manufacturing of high-quality boomerangs. The manager, Bhatia, has implemented a number of changes at the business during May of 2020. These include downsizing and implementing computer-aided design in the workplace. He analysed key performance indicator data before and after the changes occurred and has recognised that business performance has reduced significantly. The key performance indicator data is shown below.



**Figure 3**

	May	June	July
Rate of productivity growth	10%	5%	4%
Net profit figures	\$100,000	\$80,000	\$65,000

5.1 Explain how staff motivation can be used to respond to Figure 1 and position Bhatia's Boomerangs for the future. [3 marks]

5.2 Explain how staff training can be used to respond to Figure 2 and position Bhatia's Boomerangs for the future. [3 marks]

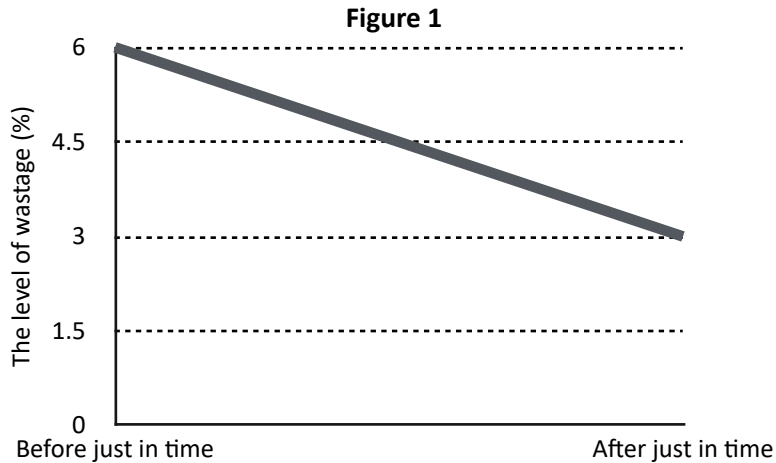
5.3 Explain one strategy that can be used to respond to Figure 3 and position Bhatia's Boomerangs for the future. [3 marks]

5.4 Describe the importance of reviewing key performance indicator data in terms of evaluating the effectiveness of business change. [3 marks]



## Question 6 (U3 AOS 3, U4 AOS 1)

Luscious Lips is a manufacturer of lip balms and have their main warehouse in Melbourne. Luscious Lips management are surprised by the high level of wastage that have been produced in recent months and so they decide to implement Just in Time in order to combat this. Datum for the level of wastage before and after implementing this strategy is shown below.



6.1 Outline two characteristics of a manufacturing business like Luscious Lips. [2 marks]

6.2 Define the key performance indicator from Figure 1. [2 marks]

6.3 Analyse the extent to which the implementation of Just in Time has improved business performance at Luscious Lips. [4 marks]

6.4 Justify a quality management strategy that can be used to address the wastage issues at Luscious Lips. [3 marks]

## Question 7 (U3 AOS 2, U3 AOS 3, U4 AOS 1, U4 AOS 2)

SARS-CoV-2 is a virus that is responsible for the infectious coronavirus disease of 2019, formally known as COVID-19. This medical disease has had a significant impact on the operation of the Australian Healthcare System, particularly in Victoria where case numbers are highest. A recent audit of hospitals has found a number of issues that are of particular concern, including:

- hospitals are currently not meeting healthcare objectives and targets
- there has been little to no COVID-19 safety training in rural hospitals
- hospital management are focussed on achieving profit rather than meeting healthcare standards

A new hospital has been developed in rural Victoria and changes will be implemented to determine if they are successful in improving health outcomes. One of these changes is increased COVID-19 safety training.

7.1 Explain the key elements of this hospital's operations system. [6 marks]

7.2 Describe how on-the-job training can be used to train healthcare workers at this hospital. In your response, explain one advantage and one disadvantage of on-the-job training. [5 marks]

7.3 Justify one key performance indicator that can be used to determine the effectiveness of COVID-19 safety training at the hospital. [2 marks]

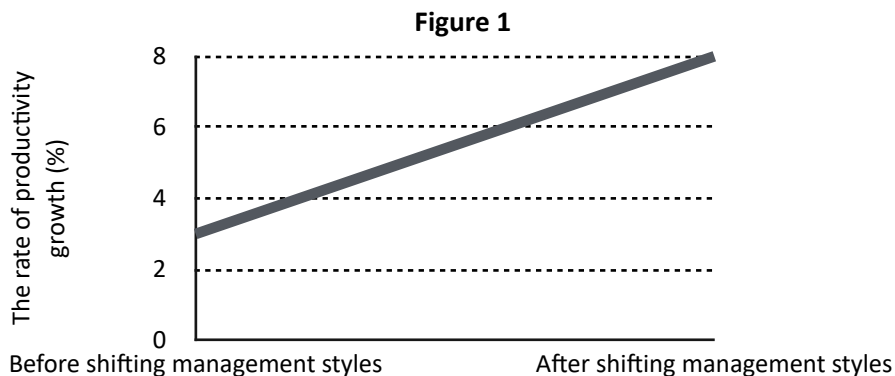


7.4 Explain the importance of leadership with reference to the case study. [4 marks]

7.5 Propose and justify one performance management strategy that can be used to assess the performance of the healthcare workers. [3 marks]

## Question 8 (U4 AOS 1, U4 AOS 2)

Face-COV, a manufacturer of face masks in Australia, has recently undergone a business restructure. As a result, employee productivity has significantly reduced. Consequently to address this, the manager at Face-COV decided to shift from a participative management style to a persuasive management style. One key performance indicator has been analysed before and after shifting management styles and this is shown below.



8.1 Distinguish between a persuasive and participative management style. [3 marks]

8.2 Assess the suitability of the manager at Face-COV using a persuasive management style. [4 marks]

8.3 Analyse the extent to which the shift from a participative to persuasive management style was suitable using Figure 1. [4 marks]

## Question 9 (U3 AOS 1, U3 AOS 2, U4 AOS 1, U4 AOS 2)

Le Salād is a private sector business that sells a range of salads to its niche consumer group of vegans in Queensland. Le Salād operates by purchasing pre-made salads from a separate company and then selling them to customers at their many stores. In early 2019, Le Salād decided to undergo a major business transformation that has been predicted to boost the company's profits by 130%. This change was the implementation of a new website in order to achieve greater 'online exposure' for the salads they sell. However, the proposal of the new change has seen some complications for Le Salād; most notable are reduced staff motivation and increased employee resistance. The human resources manager at Le Salād is looking to implement motivation theories in order to address this internal business problem.

9.1 Identify one business objective that Le Salād would have, other than to make a profit, and explain how planning skills can be used by the manager to achieve this business objective. [5 marks]

9.2 Explain how Le Salād can apply the principles of the Four Drive Theory to motivate employees. [6 marks]

9.3 Explain how Le Salād can use Porter's generic strategy of differentiation to gain a competitive advantage. [4 marks]

9.4 Describe one driving force and one restraining force for the change at Le Salād. [4 marks]



## Question 10 (U3 AOS 1, U3 AOS 2, U4 AOS 2)

Joseph is the manager at Pizzeria Plaza, a dine in restaurant that is well known for their famous “Paprika Pisa” Pizza. He currently employs an autocratic management style in the workplace.

10.1 Define the term ‘autocratic management style’. [2 marks]

10.2 Explain one business objective that Pizzeria Plaza would have, other than to make a profit. [2 marks]

10.3 Discuss the use of the management style that Joseph currently employs in terms of achieving business objectives. [5 marks]

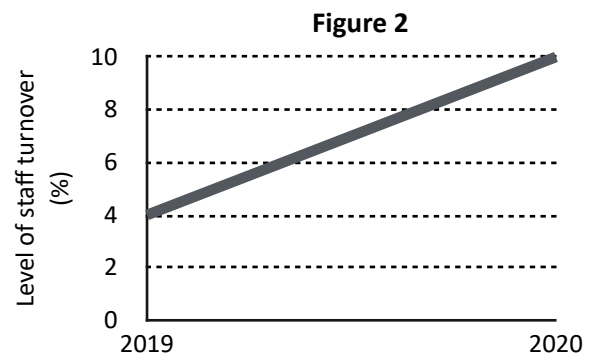
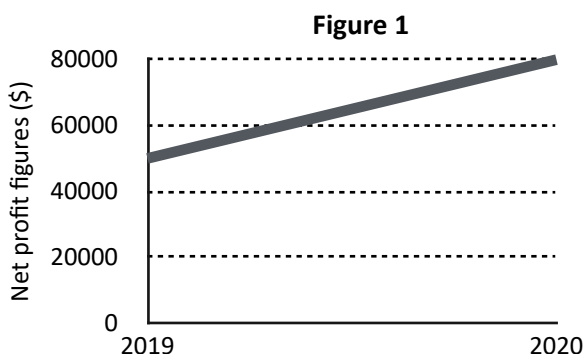
Pizzeria Plaza has noticed low staff motivation amongst staff ever since their most experienced chef retired.

10.4 Outline one transition issue and one transition service in relation to the chef’s retirement. [2 marks]

10.5 Explain how Joseph can apply Maslow’s Hierarchy of Needs to motivate employees. [5 marks]

## Question 11 (U3 AOS 2, U4 AOS 1)

A popular company in Sydney, CamMan Pty Ltd, manufactures cameras and associated accessories. The owner of CamMan is finding the rent for their current manufacturing site to be quite expensive and so, have decided to move their operations rurally in order to reduce costs. The key performance indicator (KPI) data below provides information about the performance of CamMan before and after shifting rurally.



11.1 Explain one KPI, other than the ones analysed above, that can be used to assess the performance of CamMan before and after undergoing business change. [2 marks]

11.2 Analyse the extent to which the shift to a rural site has improved CamMan’s business performance, with reference to Figures 1 and 2. [4 marks]

11.3 Explain one management strategy that can be used to respond to one KPI from above and position CamMan for the future. [3 marks]

11.4 Outline how managers can be a driving force for the shift to a rural manufacturing site. [2 marks]

Employees at CamMan are reluctant to shift to a rural site and, consequently, are resisting this change.

11.5 Describe how the high-risk strategy of manipulation can be used to reduce employee resistance to the shift to a rural site. [3 marks]



## Question 12 (U3 AOS 3, U4 AOS 1, U4 AOS 2)

Crops4Everyone is a wholesale business that grows high-quality vegetable crops and sells them directly to grocery retail stores across Australia. The agriculture manager, Samuel, has noticed that there has been increased wastage of crops due to infection by plant viruses which make the crops inedible. Samuel recently learnt that a competitor farming company is using artificial intelligence machines to monitor soils and crops for specific diseases. He is looking to implement similar artificial intelligence systems in order to reduce wastage across their farms. Samuel has noticed resistance from employees as a result.

12.1 Explain how artificial intelligence can be used by Crops4Everyone to improve the efficiency and effectiveness of their operations. [3 marks]

12.2 Apply the principles of Lewin's Force Field Analysis theory to the implementation of artificial intelligence at Crops4Everyone. [5 marks]

12.3 Explain the effect that implementing artificial intelligence will have on employees. [3 marks]

12.4 Describe how the low-risk strategy of communication can be used by Samuel to reduce employee resistance at Crops4Everyone. [3 marks]



# SECTION C: TEN MARK PRACTICE QUESTIONS

## **Question 1. [10 marks]**

“All businesses should engage in corporate social responsibility when undergoing change.”

Explain the above statement with reference to a contemporary business example. In your response, discuss the use of engaging in corporate social responsibility.

## **Question 2. [10 marks]**

Operations managers can implement a variety of operations strategies in the workplace.

Evaluate two different operations strategies - one in relation to technological developments and the other in relation to quality management. Explain how one of these strategies can be used to improve the efficiency of operations and how the other can be used to improve the effectiveness of operations.

## **Question 3. [10 marks]**

Kurt Lewin proposed two models of change which businesses can apply in the workplace when transforming their business: the Force Field Analysis Theory and the Three Step Change Model.

Define the term business change and apply the principles of one of Lewin’s change models to a contemporary business which has undergone a business change. In your response, evaluate the effectiveness of following a change model to implement change successfully.

## **Question 4. [10 marks]**

*‘Managing employees is undoubtedly the most important component of operating a successful business.’*

Analyse the relationship between managing employees and business objectives. In your response, refer to the strategies listed below:

- one performance management strategy
- one motivation strategy, other than investment in training
- on-the-job training

## **Question 5. [10 marks]**

Marty is the proud founder of SunGlassX, which manufactures and sells a range of different styles of sunglasses for its target audience of teenagers. At the beginning of 2019, Marty decided to implement new artificial intelligence technology in their stores which can design customised sunglasses based on the facial features and needs of their clients. Below is key performance indicator data after two years of trading.

	2019	2021
Number of sales (per month)	4,000	22,000
Level of staff turnover (%)	4	12

With reference to the data above, analyse the extent to which the implementation of the artificial intelligence has assisted SunGlassX in improving their business performance and explain how one management strategy can be used to respond to one key performance indicator above and position the business for the future. In your response, explain the importance of SunGlassX analysing their key performance indicator data.





# SECTION A: SUGGESTED SOLUTIONS

## Solutions: Unit 3 AOS 1

### 1.1 Define sole trader. [1 mark]

A sole trader is a private sector<sup>②</sup> business that is owned<sup>③</sup> and operated by a single individual<sup>④</sup>.

Extension notes:

- ① **Define** is a task word which requires you to provide the **meaning** of a specific term.
- ② The private sector refers to the part of the Australian economy that is operated by private groups and organisations.
- ③ Full marks cannot be obtained for this question until reference to **ownership** of the sole trader is made. You should also underline these key words so that examiners know where to give you the mark.
- ④ A sole trader is owned by **one person** and this is another key point that needs to be made in the definition.

### 1.2 Define partnership. [1 mark]

A partnership is a private sector business that is owned<sup>①</sup> and operated by 2-20 partners<sup>②</sup>.

Extension notes:

- ① Reference to **ownership** of the partnership has to be made.
- ② Note that the correct word '**partner**' (and not people or owner) has to be used in the definition along with the correct number of '**2-20**'.

### 1.3 Define private limited company. [1 mark]

A private limited<sup>①</sup> company is an incorporated<sup>②</sup> business that is owned by 1-50 private shareholders<sup>③</sup>.

Extension notes:

- ① Note that it is more correct to write 'private limited company' as opposed to just a private company. Furthermore, it is incorrect to say private listed company.
- ② **Incorporated** means a business has undergone the process of incorporation and thus, is a **separate legal entity** to the private shareholders. This leads to **limited liability** for the shareholders if debt arises → that they are only liable to the extent of their original investment for any debt incurred.
- ③ The owners of a private limited company are referred to as '**private shareholders**' and there can be a minimum of 1 and a maximum of 50 private shareholders at a private limited company.

### 1.4 Define public listed company. [1 mark]

A public listed company is an incorporated business that is owned by general public shareholders as shares are listed on the Australian Securities Exchange (ASX)<sup>③</sup>.

Extension notes:

- ① Note that it is more correct to write 'public listed company' as opposed to just a public company. Furthermore, it is incorrect to say public limited company.
- ② The owners of a public listed company are shareholders in the **general public**, which means there can be an unlimited number of shareholders in the company.
- ③ Since shares are listed on the ASX, shares can be **publicly and freely traded**.



### 1.5 Define social enterprise. [1 mark]

A social enterprise is a private sector business that exists with the purpose of fulfilling a social need<sup>①</sup> through distributing profits<sup>②</sup> to benefit a specific cause<sup>③</sup> (environmental or community).

Extension notes:

- ① Fulfilling a social need refers to having positive interactions with the community or environment. This is a 'business objective' which is covered later in AOS 1.
- ② It is incorrect to say that the primary objective of a social enterprise is to make a profit. What is more important is what they do with that profit — distributing it to benefit a cause.
- ③ A cause can refer to anything (such as an idea, goal or group) that someone supports, whether it be environmental or community-focussed.

### 1.6 Define government business enterprise. [1 mark]

A government business enterprise is a public<sup>①</sup> sector business that is owned<sup>②</sup> and operated by the government<sup>③</sup>.

Extension notes:

- ① The public sector refers to the part of the Australian economy operated by the government.
- ② Note that reference to ownership has to be made here.
- ③ If specific reference to ownership by the government is not made, then full marks cannot be awarded.

### 1.7 Outline<sup>①</sup> two features<sup>②</sup> of a sole trader. [2 marks]

One feature<sup>②</sup> of a sole trader is that it is owned and operated by a single individual. Another<sup>③</sup> feature of a sole trader is that there is unlimited liability<sup>④</sup> for the single owner.

Extension notes:

- ① **Outline** is a task word which requires you to state in a simple manner.
- ② A useful writing technique is **signposting**, which means indicating what you are going to write about. This is useful in providing your response with structure and makes it easier for examiners to allocate marks. This question requires two features of a sole trader and so I have signposted by stating "one feature of a sole trader is..." such that an examiner knows I am about to provide my answer.
- ③ Here, I have again signposted by stating "Another feature of a sole trader is..." in order to provide a second feature and gain the second mark.
- ④ **Unlimited liability** refers to when an owner is personally liable to the extent of personal assets if debt is incurred — this means that personal assets (such as a car or house) can be seized to recover a debt.
- ⑤ Other features of a sole trader include:
  - private sector business
  - no perpetuity
  - subject to minimum government regulation
  - easy to establish



1.8 Outline two features<sup>①</sup> of a partnership. [2 marks]

One feature<sup>①</sup> of a partnership is that it is owned and operated by 2-20 partners. Another feature of a partnership is that a partnership agreement<sup>②</sup> regulates the partnership.

Extension notes:

- ① Note the use of signposting in order to give my response structure.
- ② A partnership agreement can regulate a partnership in a number of ways, such as the duties allocated to the partners and how profits are distributed.
- ③ Other features of a partnership include:
  - private sector business
  - subject to minimum government regulation
  - no perpetuity
  - unlimited liability for the partners

1.9 Outline two features<sup>①</sup> of a private limited company. [2 marks]

One feature of a private limited company is that it is owned by 1-50 private shareholders. Another feature of a private limited company is that it is an incorporated business, which means it is a separate legal entity to the private shareholders.

Extension notes:

- ③ Other features of a private limited company include:
  - private sector business
  - subject to extensive government regulation
  - perpetuity
  - prospectus (invitation) issued to purchase shares in the company

1.10 Outline two features<sup>①</sup> of a public listed company. [2 marks]

One feature of a public listed company is that shares are listed on the Australian Securities Exchange (ASX), which means shares can be publicly traded. Another feature of a public listed company is that financial reports have to be published to the public.

Extension notes:

- ③ Other features of a public listed company include:
  - private sector business
  - subject to extensive government regulation
  - perpetuity
  - unlimited number of shareholders

1.11 Outline two features of a social enterprise. [2 marks]

One feature of a social enterprise is that it has the primary business objective of 'fulfilling a social need'<sup>①</sup> (distributing profits<sup>②</sup> to benefit an environmental or community cause). Another feature of a social enterprise is that it is a private sector business.

Extension notes:

- ① Key phrases have been underlined such that examiners know where to allocate marks.
- ② Brackets have been used here to define a key concept.



1.12 Outline two features of a government business enterprise. [2 marks]

One feature of a government business enterprise is that it is a public sector business (part of the Australian economy operated by the government). Another feature of a government business enterprise is that it engages in commercial activity<sup>①</sup> to earn a profit.

Extension notes:

① Commercial activity simply refers to the selling of goods or services in exchange for money.

1.13 Discuss<sup>①</sup> the use of a sole trader. [4 marks]

One advantage<sup>②</sup> of a sole trader is that it is owned and operated by a single individual<sup>③</sup> and hence, the owner gets to keep all the profits earned (this is self-satisfying). One disadvantage<sup>②</sup> of a sole trader is that there is unlimited liability for the owner - this means that the owner is personally liable to the extent of personal assets for any debt incurred (personal assets can be seized to recover a debt).

One advantage of a sole trader is that it is easy to establish. This is advantageous because<sup>④</sup> it places less stress on the owner during establishment and reduces expenses. One disadvantage of a sole trader is that there is no perpetuity (no ongoing life)<sup>⑤</sup> - thus, the business' existence is threatened by the death of the owner.

Extension notes:

- ① Discuss is a task word that requires you to present and explain advantages (pros) and disadvantages (cons).
- ② I have **signposted** throughout this question to indicate that I will be writing about specific advantages and disadvantages. I have also **underlined** here to accentuate this to examiners.
- ③ The advantages and disadvantages of anything stems from its **features** and so, I have explained the advantage (owner gets to keep all profits) only after stating the feature (owned by a single individual).
- ④ It is important to note that I have explained **why** the identified advantages and identified disadvantages are advantageous and disadvantageous respectively. For example, it is incorrect to simply state that sole traders are easy to establish without explaining **why** this is advantageous (that it reduces expenses and places less stress on the owner).
- ⑤ During SACs and the exam, you are allowed to use **brackets**. This can be useful for defining specific terms and also explaining your thought process for specific concepts.



1.14 Discuss the use of a partnership. [4 marks]

One advantage<sup>①</sup> of a partnership is that there is greater access to finances due to the presence of 2-20 partners. This is useful in funding expansion of the business and improving operations. One disadvantage of a partnership is that, since there are 2-20 partners, profits have to be shared equally or depending on a partnership agreement. This is not self-satisfying.

②

One advantage of a partnership is that there is more knowledge available due to the presence of 2-20 partners. Thus, the quality of decisions made is improved (due to greater refinement of decisions). One disadvantage of a partnership is the potential for disputes to arise in the decision-making process if there are conflicting ideas. This would be stressful for the partners and distracts from core business operations.

Extension notes:

- ① I have signposted in order to provide my response with structure.
- ② I have paragraphed my response here in order to make it more presentable to examiners. I have broken up each paragraph into one advantage and one disadvantage, however, it is acceptable to write two advantages followed by two disadvantages.

1.15 Discuss the use of a private limited company. [4 marks]

One advantage of a private limited company is that there is greater access to finances due to the presence of 1-50 private shareholders who can provide funding. This is useful in funding expansion and improving competitiveness. One disadvantage of a private limited company is that it is subject to extensive government regulation - thus, increasing the number of reporting tasks managers have to perform which is time-consuming and may distract them from core business activities.

②

One advantage of a private limited company is that there is more knowledge available in the decision-making process due to the presence of 1-50 private shareholders. Thus, improving the quality of decisions made and generating innovation. One disadvantage of a private limited company is that there are ongoing administrative costs which means money is stifled out of the business to pay for these expenses (which may reduce profits).<sup>①</sup>

Extension notes:

- ① **Brackets** have been used here to explain the disadvantage associated with taking money out of the business to pay for expenses — remember that you don't need to waste time and start a new sentence!
- ② For any discuss question, you can explain advantages in one paragraph and the disadvantages in another paragraph. Alternatively, you can combine advantages and disadvantages as is done here.



1.16 Discuss the use of a public listed company. [4 marks]

One advantage of a public listed company is that there can be an unlimited number of shareholders. This is advantageous because an unlimited number of shares can be issued on the Australian Securities Exchange, meaning <sup>①</sup> there is greater access to finances. One disadvantage of a public listed company is that it is subject to extensive government regulation - this increases the number of reporting tasks managers are required to complete (which is time-consuming).

One advantage of a public listed company is that there is limited liability for shareholders. This means shareholders are only liable to the extent of their original investment for any debt incurred. One disadvantage of a public listed company is that there are ongoing administrative costs which means money is stifled out of the business to pay for these expenses (which may reduce profits).

- ① You can write **ASX** in **brackets** after writing the term 'Australian Securities Exchange' and in future instances where you would like to refer to the term, you can use ASX to save time! You would write it as such: Australian Securities Exchange (**ASX**).
- ② The significance of having greater access to finance is that a business is able to invest that capital back into itself, thereby improving innovation and ensuring future growth for the business.
- ③ Make sure not to confuse this with **unlimited liability** which only apply to sole traders and partnership business structures!

1.17 Compare the use of a sole trader and partnership business structure. [4 marks]

One similarity between a sole trader and partnership business structure is that the owners (single individual for sole trader and 2-20 partners for a partnership) of each business type are subject to unlimited liability. This means that the owners are personally liable to the extent of their personal assets for any debt incurred. Another similarity is that sole traders and partnerships are private sector businesses - this means that they are part of the Australian economy that is operated by private institutions, individuals and groups (rather than the government).

One difference is that a sole trader is owned by a single individual, whereas a partnership is owned by 2-20 partners. Another difference is that sole traders get to keep all profits earned and make all the business decisions themselves, whereas for partnerships, profits are shared equally or depending on a partnership agreement and business decisions may be shared.

- ① The task word '**Compare**' requires you to present the **similarities** and **differences** between two concepts.
- ② You should signpost your response by using phrases like:  
  
"One similarity between [concept 1] and [concept 2] is..."  
  
"The difference between [concept 1] and [concept 2] is..."



1.18 Compare<sup>①</sup> the use of a sole trader and private limited company business structure. [4 marks]

One similarity between a sole trader and private limited company is that they are both private sector businesses. This means that they are part of the Australian economy that is operated by private institutions, individuals and groups (rather than the government). However, the difference is that sole traders are owned by a single individual, whereas a private limited company is owned by 1-50 private shareholders.

Another similarity between a sole trader and private limited company is that they both have similar business objectives, such as 'to make a profit' (where they aim to ensure revenue exceeds expenses in a given period of time). Another difference is that sole traders are subject to unlimited liability (personally liable for any debts incurred), whereas private limited companies are subject to limited liability (only liable to the extent of their original investment for debts incurred).

Extension notes:

① Note that the similarities and differences between the concepts stems from the **FEATURES** of those concepts. And so, depending on the question, you should compare characteristics like:

- Ownership
- Business objectives
- Private vs public sector
- Unlimited vs limited liability

1.19 Compare<sup>①</sup> the use of a private limited company and public listed company business structure. [4 marks]

One similarity between a private limited company and public listed company is that they are both subject to limited liability - this means that shareholders are only liable to the extent of their original investment for any debt incurred. However, one difference is that private limited companies are owned by 1-50 private shareholders, whereas ownership in a public listed company is dispersed amongst the general public as its shares are listed on the Australian Securities Exchange.

Another similarity is that they both have similar business objectives, such as 'to meet shareholder expectations' (where they both aim to earn a profit such that dividends and share value increase in a given period of time). Another difference is that public listed companies are legally required to publish financial reports to the public, whereas private limited companies do not have to do this (financial reports are viewed by the 1-50 private shareholders).

Extension notes:

① Note that this response has grouped paragraphs with one similarity and one difference. You can also structure your response by grouping similarities and differences together. For example, one paragraph has 2 similarities and the other paragraph has 2 differences.



1.20 Identify the type of business owned by Marika and explain one advantage and one disadvantage of using this business structure. [3 marks]

Marika owns a private limited company (as indicated by the presence of 'Pty Ltd'). One advantage of a private limited company structure is that more knowledge is available in the decision-making process due to the presence of 1-50 private shareholders (thus, improving the quality of decisions made for Lexione's performance). One disadvantage of a private limited company is that there are ongoing administrative costs. This would be disadvantageous for Lexione because it means money is stifled out of the business to pay for these expenses (which may negatively impact profit generation).

1.21.1 Distinguish<sup>①</sup> between a sole trader and partnership. [3 marks]

A sole trader is a private sector business structure that is owned and operated by a single individual, whereas<sup>②</sup>, a partnership is a private sector business structure that is owned and operated by 2-20 partners. The difference is that profits have to be shared (equally or depending on the partnership agreement) between partners in a partnership structure, whereas<sup>②</sup>, profits earned by the sole trader can be kept by the single owner.

Extension notes:

① An appropriate **structure** for questions that require you to distinguish two concepts is:

1. Define concept 1
2. Define concept 2
3. Highlight the difference between concept 1 and 2 using a specific feature

② Note that if the word **whereas** is omitted from questions with the command term 'Distinguish', then full marks cannot be awarded.

2.1 Define the term 'business objective'. [1 mark]

A business objective is a stated outcome which a business wishes to achieve in a given period of time.<sup>①</sup>

Extension notes:

① If reference to a **'time'** component is not made whenever defining a business objective, then full marks cannot be awarded.





2.2 Define the business objective 'to make a profit'. [1 mark]

This is where a business aims<sup>①</sup> to ensure that revenue exceeds expenses in a given period of time.

Extension notes:

- ① 'To **make** a profit' is an objective - this means it is achieved in the **future**. Hence, you should mention that it is an outcome which businesses aim to achieve.

2.3 Define the business objective 'to increase market share'. [1 mark]

This is where a business aims<sup>①</sup> to grow the total proportion of sales attained compared to competitors in a given period of time.

Extension notes:

- ① Key words have been underlined here.

2.4 Define the business objective 'to improve efficiency'<sup>①</sup>. [1 mark]

This is where a business aims to ensure that resources are used well (efficiently) to produce outputs (the final product).

Extension notes:

- ① See page 92 of this book for a further explanation of the term 'efficiency'.

2.5 Define the business objective 'to improve effectiveness'<sup>②</sup>. [1 mark]

This is where a business aims to ensure that resources are used well (effectively) to achieve business objectives.

Extension notes:

- ② See page 92 of this book for a further explanation of the term 'effectiveness'.

2.6 Define the business objective 'to fulfil a market need'. [1 mark]

This is where a business aims to fill a gap in the market in a given period of time.

2.7 Define the business objective 'to fulfil a social need'. [1 mark]

This is where a business aims to have positive interactions with the environment and community through providing support for a specific cause in a given period of time.



2.8 Define the business objective 'to meet shareholder expectations'. [1 mark]

This is where a business aims to earn a profit so that dividends<sup>①</sup> and share value increase such that shareholder expectations are met in a given period of time.

Extension notes:

- ① A dividend is the proportion of profit that shareholders earn back as a result of investing in the business.

2.9 Explain the primary business objective of a social enterprise. [2 marks]

The primary business objective of a social enterprise is 'to fulfil a social need'<sup>①</sup>. This is where the social enterprise would aim to have positive interactions with the community and environment by distributing profits to benefit a specific cause.

Extension notes:

- ① Many students would explain the business objective 'to make a profit'; however, this is incorrect because the question asks for the **primary** business objective. Yes, social enterprises do operate with the objective of earning a profit however, it is more significant to consider how this profit is used — that is, benefiting a specific cause.

2.10 Explain a strategy that a business could implement to achieve the business objective 'to increase market share'. [2 marks]

One strategy to achieve the business objective 'to increase market share' is promotion strategies which focuses on external factors such as advertising on billboards and television or creating slogans and logos. This serves to define the business' brand in the market and, hence, generate awareness for the business' product. This leads to greater sales<sup>①</sup> being attained and, so, the business objective 'to increase market share' is achieved.

Extension notes:

- ① Since this question is only worth 2 marks, this explanation is sufficient. However, if the question was worth 3 marks, you should make reference to sales being greater compared to competitors in a given time period.



2.11 Explain <sup>①</sup> a strategy that a business could implement to achieve the business objective 'to make a profit'. [3 marks]

One strategy<sup>③</sup> to achieve the business objective 'to make a profit' is to implement technology in the workplace. This is because technology can improve the speed and volume of production; thus, reducing the cost per unit of making the product. As a consequence, expenses are reduced relative to revenue earned<sup>②</sup>. Thus, leading to the achievement of the business objective 'to make a profit'.

Extension notes:

- ① **Explain** is a task word which requires you to substantiate an idea through reasoning.
- ② The **limiting phrase** of the question is "to achieve the business objective 'to make a profit.'" Thus, the final sentence of the response must be linked back to achieving this.
- ③ I have **signposted** my answer here using the phrase "one strategy...is".
- ④ I have provided an implicit definition of the objective 'to make a profit' through this sentence; however, it is acceptable to provide an explicit definition at the start of the response.

2.12 Explain a strategy that a business could implement to achieve the business objective 'to fulfil a market need'. [3 marks]

One strategy to achieve the business objective 'to meet a market need' is to analyse the current market a business is in by performing market research. This can allow businesses to identify what goods and services are not being provided to consumers. A business can sell these products in order to fill the gap in the market and, hence, appeal to the expectations of consumers. Thus, leading to the achievement of the business objective 'to meet a market need'.

2.13 Explain a strategy that a business could implement to achieve the business objective 'to fulfil a social need'. [3 marks]

One strategy to achieve the business objective 'to fulfil a social need' is to reduce wastage created in the business' production process. This can be through implementing training programs to educate employees about the recycling of resources and the correct procedures associated with transforming inputs into outputs (in order to reduce errors and, hence, defects). This is environmentally advantageous because less wastage levels leads to reduced environmental destruction. Thus, leading to the achievement of the business objective 'to fulfil a social need'.



3.1 Define the term stakeholder. [1 mark]

Stakeholders are individuals or groups with a vested interest in the activities of a business.

3.2 Define the term 'owner'. [1 mark]

Owners are individuals who have legal possession and control over a business.

3.3 Define the term 'manager'. [1 mark]

Managers are 'change role models' that organise and coordinate the activities of employees in the workplace.

3.4 Define the term 'employee'. [1 mark]

Employees are individuals who provide labour in exchange for a monetary reward (such as a salary).

3.5 Define the term 'customer'. [1 mark]

Customers are individuals who purchase products (goods or services) to satisfy their needs.

3.6 Define the term 'supplier'. [1 mark]

Suppliers are individuals who provide a business with the resources required to manufacture a good.

3.7 Define the term 'competitor'. [1 mark]

Competitors refer to rival businesses in an industry selling a similar product or service.

3.8 Define the term 'shareholder'. [1 mark]

Shareholders are the individuals who own a business by investing in it.

3.9 Define the term 'community'. [1 mark]

Communities refer to groups of individuals that rely on businesses for goods and services to satisfy their needs.

4.1 Define the term 'owner' and explain their interests. [2 marks]

Owners are individuals who have legal possession and control over a business. Owners have a financial interest, wanting to ensure that the business objective 'to make a profit' is achieved and that the business continues to grow into the future so the value of their equity (ownership) increases.



4.2 Define the term 'customers' and explain their interests. [2 marks]

Customers are individuals who purchase products (goods or services) to satisfy their needs. Customers are interested in purchasing high quality products (that meet or exceed expectations) at an affordable price.

4.3 Define the term 'employees' and explain their interests. [2 marks]

Employees are individuals who provide labour in exchange for a monetary reward (such as a salary). Employees are interested in receiving reasonable (fair) pay and good working conditions as well as job security (perhaps through long-term contracts).

4.4 Define the term 'managers' and explain their interests. [2 marks]

Managers are 'change role models' that organise and coordinate the activities of employees in the workplace. Managers are interested in ensuring that business objectives (such as 'to make a profit') are being achieved such that the business can grow to become more successful in the future.

4.5 Define the term 'suppliers' and explain their interests. [2 marks]

Suppliers are individuals who provide a business with the resources required to manufacture a good.  
Suppliers have a financial interest as they earn an income through selling resources to businesses.

4.6 Define the term 'community' and explain their interests. [2 marks]

Communities refer to groups of individuals that rely on businesses for goods and services to satisfy their needs. Communities also have a financial interest, as the business acts as a source of employment for members of the community.

4.7 Define the term 'shareholders' and explain their interests. [2 marks]

Shareholders are the individuals who own a business by investing in it. Shareholders are interested in the financial performance of a business (that the business objective 'to make a profit' is achieved) such that dividends and shareholder value increases.



4.8 Define the term 'competitor' and explain their interests. [2 marks]

Competitors refer to rival businesses in an industry selling a similar product or service. Competitors are interested in outcompeting rival businesses (through gaining more sales) in order to gain a competitive advantage.

4.9 Outline the interests of two stakeholders. Explain how these interests may conflict. [5 marks]

Employees are individuals who provide labour in exchange for a monetary reward (such as a salary). Employees are interested <sup>②</sup> in receiving fair (reasonable) pay and good working conditions.

Whereas, customers are individuals who purchase products to satisfy their needs. Customers are interested in purchasing high quality products at a fair (reasonable) price.

Satisfying the interests of one stakeholder can result in other stakeholders being dissatisfied. <sup>③</sup> For example, a business can reduce product prices to satisfy consumer interests of purchasing products at an affordable price. However, this may reduce the profitability of the business which can conflict with employee interests - this is because they are less likely to receive a pay rise.

Extension notes:

- ① A **suitable structure** for "stakeholder-conflict" related questions is to:
  - Define one stakeholder and outline the interests of that specific stakeholder
  - Define another stakeholder and outline the interests of that specific stakeholder
  - Explain how the interests of the two stakeholders outlined can conflict with each other using an example
- ② It is appropriate to also mention that employees are interested in job security (through long-term contracts).
- ③ You should **paragraph** your response to make it easier for examiners to read.
- ④ This sentence serves to provide **context** for the subsequent example provided.

5.1 Define the autocratic management style. [1 mark]

The autocratic management style is a centralised <sup>①</sup> decision-making style in which managers tell employees what to do by one-way <sup>②</sup> communication.

Extension notes:

- ① When you **define** management styles, you should make reference to the **type of decision making** involved (centralised or decentralised) and the **type of communication** used (one-way or two-way).
- ② Note that it would also be acceptable to refer to the autocratic management style as a 'top-down' leadership approach.



5.1.1 Outline two features of the autocratic management style. [2 marks]

One feature of an autocratic management style is that it is a centralised decision-making style which means the manager makes the final decisions for the business. Another feature of the autocratic management style is that the manager uses one-way communication to tell employees what to do (no employee input).

5.2 Define the persuasive management style. [1 mark]

The persuasive management style is a centralised decision-making management style in which managers tell employees what to do by one-way communication and provide reasons<sup>①</sup> for decisions made.

Extension notes:

- ① Note that the autocratic and persuasive management style both use centralised decision-making and one-way communication and so, to distinguish the two, it is imperative that you mention that reasoning is provided for decisions made.

5.2.1 Outline two features of the persuasive management style. [2 marks]

One feature of the persuasive management style is that it is a centralised decision-making style - this means that the manager makes the final decisions for the business. Another feature is that the manager uses one-way communication to tell employees the reasons for why specific decisions have been made.

5.3 Define the consultative management style. [1 mark]

The consultative management style is a centralised decision-making in which managers consult with employees by two-way communication before coming to specific decisions.

5.3.1 Outline two features of the consultative management style. [2 marks]

One feature of the consultative management style is that it is a centralised decision-making style, which means that the manager comes to the final decisions for the business. Another feature is that the manager uses two-way communication when consulting employees about specific ideas.



5.4 Define the participative management style. [1 mark]

A participative management style is a decentralised decision-making in which managers and employees work together collaboratively by two-way communication to come to specific decisions.

5.4.1 Outline two features of the participative management style. [2 marks]

One feature of the participative management style is that it is a decentralised decision-making style. This means that the decision-making authority is shared between employees and managers. Another feature is that there is two-way communication in the decision-making process because managers and employees work together.

5.5 Define the laissez-faire management style. [1 mark]<sup>②</sup>

The laissez-faire management style is a decentralised decision-making management style in which employees have complete control<sup>①</sup> of business operations.

Extension notes:

- ① Although two-way communication was not mentioned in the definition, it would be acceptable to do so — it was not referred to here because the key point that needs to be made is that the **employees** have **control** over workplace activities and operations.
- ② If this question was worth 2 marks then two-way communication would need to be mentioned (specifically that employees have to inform management of decisions made).

5.5.1 Outline two features of the laissez-faire management style. [2 marks]

One feature of the laissez-faire management style is that it is a decentralised decision-making style, which means that managers do not have complete control over decisions made (as employees make all decisions in the workplace). Another feature of the laissez-faire management style is that there is two-way communication because employees are required to inform managers of decisions made.



5.6 Evaluate<sup>①</sup> the use of the autocratic management style. [5 marks]<sup>② ③</sup>

One advantage of the autocratic management style is that instructions set by the autocratic manager are clear. This is advantageous<sup>④</sup> if employees are inexperienced because employees know what is expected of them - thereby, improving employee productivity. One disadvantage of the autocratic management style is that employees are not included in the decision-making process and so, employee morale may reduce because they may feel as if they're not being valued. Thereby, reducing productivity.

Another advantage is that the autocratic manager can make quick and effective decisions due to the centralised nature of the management style (meaning the manager makes the final decision). This is advantageous<sup>④</sup> during stressful situations where decisions need to be made quickly to come out of the situation. Another disadvantage is that there is less idea generation because employees have no input in the decision-making process. This is disadvantageous<sup>④</sup> because it means less innovation is being produced for the business.

Overall<sup>⑤</sup>, an autocratic management style is an effective management style to use during day-to-day operations. This is because the advantages (quick decision-making) outweighs the disadvantages (reduced innovation).

Extension notes:

- ① The command term '**Evaluate**' requires you to present advantages and disadvantages along with a final opinion \*see extension note 2 for an associated comment\*.
- ② Since the question is worth 5 marks, you must respond using:
  - 2 advantages, 2 disadvantages and a final opinion
  - 1 advantage (explained in detail), 1 disadvantage (explained in detail) and a final opinion
- ③ Note that this question is **globally marked** — this means the examiner will mark your response based on a judgement of your whole response rather than looking for key points
- ④ The advantages and disadvantages of anything stem from its **features** and so, a useful structure is to first state the feature and then explain **WHY** it is advantageous or disadvantageous.
- ⑤ The final opinion should relate to whether the autocratic management style is a **suitable** style to use by managers — brief **reasoning** should also be provided.



5.7 Discuss the use of the persuasive management style. [4 marks]

One advantage of a persuasive management style is that reasons are given for decisions made. This means that employees are more likely to embrace the decision rather than condemn it. One disadvantage of a persuasive management style is that there is less flow of ideas in the decision-making process because employees have no inputs in the decisions made. Thus, resulting in less innovation being produced.

Another advantage of a persuasive management style is that instructions set are clear. Thus, employees know what is expected of them in the workplace (no unexpected surprises). Another disadvantage is that employee morale may reduce because staff are not included in the decision-making process (and so, they may feel as if their ideas are not being valued).

5.8 Discuss the use of the consultative management style. [4 marks]

One advantage of the consultative management style is that employees feel valued because they are involved in the decision-making process. This is advantageous in improving employee morale. One disadvantage of the consultative management style is that ideas generated by employees may not be made as the final decision. This may reduce employee morale due to being dissatisfied from not having their ideas used.

Another advantage is that the quality of the final decision made by the manager will improve. This is because employees are included in the decision-making process and so, there is more knowledge available. Another disadvantage is that it may be time-consuming to consult all employees for their ideas. This is disadvantageous because it may distract managers from core business operations.



5.9 Discuss the use of the participative management style. [4 marks]

One advantage of the participative management style is that employee morale can improve. This is because of the decentralised nature of this style where there is inclusion of employees in the decision-making process. Another advantage is that there is greater refinement of decisions because both employees and managers work together to come to specific decisions. Thereby, improving the quality of decisions made.

One disadvantage of the participative management style is that it may be time-consuming to come to specific decisions because managers and employees must come to a mutual agreement. This may reduce employee productivity and distract managers from core business operations. Another disadvantage is that disputes may arise in the decision-making process due to staff having conflicting ideas. This may worsen workplace relationships and, consequently, reduce employee morale.

5.10 Discuss the use of the laissez-faire management style. [2 marks]

One advantage<sup>①</sup> of the laissez-faire management style is that the skill set and knowledge of employees can improve in the long-term. This is because employees have total control of workplace operations and thus, have greater opportunities for growth.

One disadvantage<sup>②</sup> of the laissez-faire management style is that employees may not be skilled enough to have total control of decisions made. This is disadvantageous because productivity may reduce or deadlines may not be met.

Extension notes:

- ① Since this question is only worth 2 marks, you are only required to write one advantage and one disadvantage of the laissez-faire management style.
- ② Another **advantage** you could mention is that there is a greater flow of ideas in the decision-making process (due to there being more knowledge available), which can lead to innovation.
- ③ Another **disadvantage** you could mention is that there is potential for resources to be inappropriately used (such as stealing materials from the business).



6.1 Identify the four factors that should be taken into account when determining the appropriateness of employing a specific management style in the workplace. [2 marks]

The four factors are: the nature of task, time, the experience of employees and manager preference.

6.2 Assess the suitability of the manager of the car manufacturing company using an autocratic management style. [5 marks]

The autocratic management style is a centralised decision-making style in which managers tell employees what to do by one-way communication.

The car manufacturing company has only been open for "six months", which indicates that employees have been recently hired and so the workforce is inexperienced. The lack of experience may mean they still require specific instructions to perform tasks at the manufacturing site. This would, consequently, make an autocratic management style suitable to be used during the "recall" because direct and clear information needs to be communicated so that employees at the car manufacturing site know what is expected of them.

To ensure that the reputation of the car manufacturing company is not worsened, quick and effective decisions need to be made. This is characteristic of autocratic managers who make quick decisions during stressful situations (such as the "recall" of cars sold) in order to come out successful. This would make an autocratic management style suitable to use during this time.

However, since the manager of the car manufacturing company normally uses a "participative" management style, this may mean the use of the autocratic management style is not suitable. This is because the manager may not be comfortable using an autocratic style with centralised decision-making and one-way communication.

Ultimately, an autocratic management style is suitable to use during the recall.

Extension notes:

- ① For a question requiring you to assess the "**suitability**" of a management style, you should respond using the four factors from part 6.1:
  - the nature of the task
  - time
  - employee experience
  - manager preference
- ② I have **first defined** the autocratic management style to provide my response with structure.
- ③ After explaining the relevance of a specific factor, you should then link it back to whether or not the autocratic management style is a **suitable** management style.
- ④ Given that a lot of information is required to gain full marks, you should **paragraph** your responses by **each factor of suitability**.
- ⑤ To ensure you are receiving marks for linking to the case study, it would be useful to **quote** from the context provided.
- ⑥ A **final opinion** should be provided which summarises whether you believe the autocratic management style would be suitable or not for the car manufacturing company's situation.



7.1 Define the term communication. [1 mark]

Communication refers to the ability to create and exchange (transfer) information, either verbal or non-verbal, from a sender to receiver, allowing feedback to occur.

7.2 Define the term delegation. [1 mark]

Delegating refers to the ability to transfer authority and responsibility from a manager to employee such that they can complete specific business tasks.

7.3 Define the term planning. [1 mark]

Planning refers to the ability to define business objectives and choose the methods or strategies to achieve them in the future.

7.4 Define the term leading. [1 mark]

Leading refers to the ability to positively influence and motivate individuals to achieve business objectives.

7.5 Define the term decision-making. [1 mark]

Decision-making refers to the ability to define a specific problem and choose a specific course of action from the alternatives.

7.6 Define the term interpersonal skills. [1 mark]

Interpersonal skills refer to the ability to form positive relationships with employees.



7.7 Explain how communication skills can be used by a manager to achieve the business objective to increase market share. [3 marks]

Communication refers to the ability to create and exchange information from sender to receiver, allowing feedback to occur. The manager can employ two-way communication in order to detail to employees what is required of them (such as via instructions and setting expectations regarding the quality of the final product). As a consequence, quality standards are more likely to be met which can lead to improved customer satisfaction and greater sales. Thus, leading to the achievement of the business objective 'to increase market share'.<sup>②</sup>

Extension notes:

- ① The business objective 'to increase market share' is where a business aims to grow the proportion of sales attained by a business, compared to competitors, in a given period of time. This can either be implicitly or explicitly defined
- ② An appropriate structure for "management skills-business objective questions" is to:
  1. Define the management skill and the business objective (explicitly or implicitly)
  2. Briefly outline how the management skill can be applied by a manager in the workplace
  3. State that the business objective can be achieved as a result

3.8 Explain how planning skills can be used by a manager to achieve the business objective to increase market share. [3 marks]<sup>②</sup>

Planning refers to the ability to define business objectives and then choose strategies or methods to achieve them. The manager must first define the business objective (which is 'to increase market share') and then identify a range of strategies to achieve the objective, such as: advertising on billboards or television or improving product quality. The manager can then select a strategy (such as advertising), implement it and monitor its success in the future to determine if 'to increase market share' is achieved.

Extension notes:

- ① This question requires knowledge of the steps of the planning process. The steps are:
  1. Define the business objective
  2. Identify strategies to achieve the business objective
  3. Choose a strategy to implement
  4. Monitor the success of the strategy to see if the business objective is achieved \*note: if the objective is not achieved, then an alternative strategy should be implemented\*
- ② Given that this question is only worth 2 marks, a definition of the objective 'to increase market share' is not required.



3.9 Explain how leading skills can be used by a manager to achieve the business objective to increase market share. [3 marks]

Leading refers to the ability to positively influence and motivate individuals to achieve business objectives. Motivating employees in the workplace can serve to improve their job satisfaction and, consequently, their productivity. As a result, customer service skills should improve, leading to the generation of greater sales compared to competitors in a given period of time<sup>①</sup>. Thus, achieving the business objective 'to increase market share'.

Extension notes:

① Here is a clear example of how to implicitly define the objective 'to increase market share'.

3.10 Explain how communication skills and one other management skill can be used by the business manager to resolve these internal issues. [4 marks]

Communication refers to the ability to create and exchange information, either verbal or non-verbal, from a sender to receiver, allowing feedback to occur. Employees at the local business may feel as if they're being replaced by the "new technology"<sup>②</sup> or that their job security is being compromised, resulting in "low employee morale." The manager could use communication skills to learn the concerns of employees and subsequently address them - as a consequence, employees fears can be overcome which serves to resolve the internal issue of low morale.  
①

Another management skill the manager could use is decision-making, which refers to the ability to define a problem and choose a specific course of action from the alternatives. First the manager must define the problem, which is the internal issue of "low employee morale." The manager must then identify a range of strategies to address the issue, such as: staff motivation strategies (performance related pay) or employee of the month awards. The manager can choose a strategy (such as employee of the month awards) to implement and then evaluate its effectiveness. This can lead to employees feeling valued and so, the internal issue of low morale can be resolved.

Extension notes:

① Two management skills are required to be explained in this question and so, **two paragraphs** can be written as done here.

② Alternatively, employees may not have the necessary skills to operate the "new technology", which may have caused low employee morale.



3.11 Explain how planning skills can assist CupCakez Pty Ltd in achieving the business objective 'to make a profit'. [3 marks]

Planning refers to the ability to define business objectives and decide upon the methods to achieve them. First, the manager at CupCakez Pty Ltd must define the business objective, which is 'to make a profit' and then identify a range of strategies to achieve the objective. These include cost cutting measures when baking different foods (in order to reduce expenses incurred) or improving the quality of baked goods (cakes, cupcakes, breads) in order to generate sales. This can ensure that revenue exceeds expenses (costs) in a given period of time and thus the business objective 'to make a profit' can be achieved at CupCakez Pty Ltd.

Extension notes:

① Another useful way to provide a link to a case study is to make reference to the **products** that would be manufactured. Logically, a bakery would produce baked goods (such as cakes and cupcakes).

4.1 Explain the relationship between management styles and management skills. [2 marks]

Management styles refer to the leadership approach which managers take to direct employees so that business objectives can be achieved, whereas, management skills refer to abilities that managers use to manage a business and its employees. The relationship between the two is that the type of management style used dictates what specific skills are utilised and how it is used by the manager. For example, an autocratic manager uses one-way communication and centralised decision-making, whereas, a manager employing the participative management style uses two-way communication and decentralised decision-making.

Extension notes:

① A **suitable structure** to respond to a question that requires you to explain the relationship between two concepts is:

1. Define the two terms
2. State the specific relationship that exists \*see extension note 2 which highlights this\*
3. Provide an example to elevate your response

Each of the above points is allocated a **mark each**.

② Here I have stated the specific relationship. An alternative way to word this statement is: "The relationship between the two is that the way a manager uses a specific management skill is dictated by the type of management style used."





9.1 Define corporate culture. [1 mark]

Corporate culture refers to the beliefs and values shared<sup>ⓐ</sup> by all<sup>ⓐ</sup> members of an organisation.

Extension notes:

ⓐ Note that if the key words "shared" and "all" are not included in the definition, then full marks cannot be awarded.

9.2 Define official corporate culture. [1 mark]

Official corporate culture refers to the desired beliefs and values shared by all members of an organisation.

9.3 Define real corporate culture. [1 mark]

Real corporate culture refers to the actual beliefs and values shared by all members of an organisation.

9.4 Distinguish between official and real corporate culture. [3 marks]

Official corporate culture refers to the desired beliefs and values shared by all members of an organisation which a business intends to have. Whereas, real corporate culture refers to the actual beliefs and values shared by all members of an organisation. The difference<sup>ⓐ</sup> is in how each is observed - for example, official corporate culture can be observed through slogans, logos and mission statements, whereas, real corporate culture can be observed through employee interactions in the workplace and behaviours.

Extension notes:

ⓐ It is important to note that **real corporate culture** can be identified by analysing the **internal environment** of a business, whereas **official corporate culture** can be identified by analysing the **external environment** of a business.



# Solutions: Unit 3 AOS 2

1.1 Explain the relationship between managing employees and business objectives. [3 marks]

Managing employees refer to coordinating the activities of employees in the workplace; Business objectives refer to stated outcomes which a business wishes to achieve in a given period of time. The relationship between managing employees and business objectives is that the management of employees can lead to the achievement of business objectives. For example, training employees in customer service can lead to the quality of employee-consumer interactions improving. This can increase sales compared to competitors in a given period of time and so, the business objective 'to increase market share' can be achieved.

Extension notes:

① A **suitable structure** for questions that require an explanation of the relationship between two concepts is:

- Define concept 1
- Define concept 2
- State the relation relationship between concept 1 and 2
- Outline the relationship between concept 1 and 2 using an example

2.1 Define Maslow's Hierarchy of Needs. [1 mark]

Maslow's hierarchy of needs is a motivation theory which states that all individuals have needs and that these individuals will be motivated once these needs are satisfied.

2.2 Define Locke and Latham's Goal Setting Theory. [1 mark]

The Goal Setting theory is a motivation theory which states that the setting and achievement of goals along with feedback can motivate employees.

2.3 Define Lawrence and Nohria's Four Drive Theory. [1 mark]

The Four Drive theory is a motivation theory which states that humans have four fundamental human drives that, when fulfilled, act to motivate.



2.4 Explain one advantage and one disadvantage of using Maslow's motivation theory. [2 marks]

One advantage of Maslow's Hierarchy of Needs is that it uses an individualised approach to motivating employees rather than a generalised approach. This allows managers to recognise that each employee has different needs - thus, specific strategies can be implemented to satisfy specific needs (leading to greater motivation).

One disadvantage of Maslow's Hierarchy of Needs is that it is a sequential theory; thus, employees who reach the self-actualisation need do not have a next need to motivate them in the workplace. This could potentially lead to reduced motivation if there are no challenging tasks being set.

2.5 Explain one advantage and one disadvantage of using Locke and Latham's motivation Theory. [2 marks]

One advantage of Locke and Latham's Goal Setting theory is that ongoing feedback is provided to employees which they can use to improve performance in the future (as knowledge can be expanded to assist in achieving the specific goal).

One disadvantage of Locke and Latham's Goal Setting Theory is that it can be a time-consuming process for managers to set specific goals and provide feedback to employees - this may distract managers from core business operations.

2.6 Explain one advantage and one disadvantage of using Lawrence and Nohria's motivation Theory. [2 marks]

One advantage of the Four Drive Theory is that it requires managers to build positive relationships with employees - this is because managers have to have a clear understanding of the drivers of employees in order to apply specific motivation strategies (which can lead to improved motivation levels).

One disadvantage of the Four Drive Theory is that managers may not implement the correct strategy to satisfy a specific drive. This could result in employees remaining unmotivated (acts as a demotivating factor).



2.7 Describe Maslow's Hierarchy of Needs. [3 marks]

Maslow's Hierarchy of Needs is a sequential motivation theory which states that all individuals have needs and these individuals will be motivated once these needs are satisfied. The five needs are, in order: physiological, safety, social, self-esteem and self-actualisation. Once a specific need is met it no longer acts as a motivating factor and so, the manager must then satisfy the next need on the hierarchy (however, there is no next need to motivate employees after self-actualisation).

2.8 Describe the Goal Setting Theory. [3 marks]

Locke and Latham's Goal Setting theory states that employees are motivated by clear goals and appropriate feedback regarding their achievement. Five principles for effective goal setting to motivate employees must be met, including: clarity, challenge, commitment, task complexity and feedback. The employees' desire to perform the goal provides them with motivation through encouraging employee engagement.

2.9 Describe the Four Drive Theory. [3 marks]

Lawrence and Nahriat's Four Drive theory is a motivation theory which states that individuals have four fundamental drives and that the fulfilment of these drives can act to motivate. These four drives are: the drive to acquire (purchasing goods or services), bond (form long-term relationships), learn (expand skill set) and defend (remove fears and insecurities). Each drive acts independently of each other.



2.10.1 Explain how the principles of Maslow's Hierarchy of Needs can be applied to resolve low employee motivation at Boxers United Pty Ltd. [6 marks]<sup>①</sup>

Maslow's Hierarchy of Needs is a sequential motivation theory which states that all individuals have needs and that these individuals will be motivated once these needs are satisfied. These needs are, in order: physiological, safety, social, self-esteem and self-actualisation.

Safety needs refer to protection from physical and psychological harm. Deontay can provide on-the-job (at the workplace) or off-the-job (away from the workplace) training to the employees to correct their form and technique when using gym equipment (such as punching bags, dumbbells, barbells and boxing pads) in order to reduce injuries sustained when teaching clients. This can decrease physical harm and, hence, improve employee motivation levels due to becoming a more valuable employee.

Alternatively, long-term contracts can be provided to employees which can resolve low motivation at Boxers United Pty Ltd due to improved job security.

Self-actualisation needs refer to fulfilling one's own potential. Deontay can satisfy this need by providing employees with challenging work. This could include training clients to box in amateur or professional fights - the employees could assist clients with boxing training and their nutrition (diet). Alternatively, the employees could take child classes, which provides the challenge of organising and executing a boxing curriculum for young children. These may give employees at Boxers United Pty Ltd a greater sense of purpose in the workplace and hence, can resolve low employee motivation.

Extension notes:

① A suitable structure to respond to this question is to:

1. Outline Maslow's Hierarchy of Needs
  - Reference needs to be made to the motivation theory being sequential
  - Reference needs to be made to all the five needs
2. Explain any two of the needs from Maslow's theory (given the number of marks of the question)



2.10.2 Explain how the principles of Lawrence and Nohria's Four Drive theory can be applied to resolve low employee motivation at Boxers United Pty Ltd. [5 marks]<sup>①</sup>

The Four Drive Theory is a motivation theory which states that all individuals have four fundamental drives that, when fulfilled, act to motivate. These drives act independently of each other and include the drive to bond (forming friendship groups), acquire (purchasing goods and services), Learn (expanding skills and knowledge) and defend (removing fears and insecurities in the workplace).

The drive to bond refers to the human desire to form long-term friendships. Deontay can fulfil the drive to bond by implementing rites and rituals (routine patterns of behaviour) at Boxers United Pty Ltd. This can include 'Friday Night Drinks' which is useful in developing open communications between employees due to employee-employee interactions in a non-work environment (where they can discuss details of their personal lives or their own professional boxing experiences). Thus, low motivation amongst employees can be resolved due to mutual trust developing.

The drive to defend refers to the human desire to remove fears in the workplace to create a safe work environment. Deontay can fulfil the drive to defend by implementing an anonymous suggestions box where employees can voice their concerns in the workplace (for example, staff may want to train less clients per weeks or seek assistance in forming training schedules). After reading the concerns, Deontay can implement specific strategies that can address the issues of employees at Boxers United Pty Ltd. This can, consequently, resolve low employee motivation due to removing insecurities.

Extension notes:

① A **suitable structure** to respond to this question is to:

1. Outline the Four Drive Theory
  - Reference needs to be made to the drives being independent of each other
  - Reference needs to be made to all the four drives
2. Explain any two of the drives from Lawrence and Nohria's theory (given the number of marks of the question)



2.10.3 Explain how the principles of Locke and Latham's Goal Setting theory can be applied to resolve low employee motivation at Boxers United Pty Ltd. [4 marks]<sup>①</sup>

The Goal Setting Theory is a motivation theory which states that the setting and achievement of goals along with feedback can motivate employees. Locke and Latham outline five principles for effective goal setting, including: clarity (goals are clear), challenging (goals are difficult to attain but available), commitment (employees are dedicated to achieving the goal), task complexity (the individual tasks associated with completing the goal are challenging) and feedback (regular feedback is given by the manager).

For example, Deontay could work with his employees to help create their own individual goals such as "training five clients a week" in boxing. This goal is challenging because it requires staff to create a unique boxing schedule and nutrition plan for different clients which can be difficult to plan and execute. As the employees complete this goal, Deontay can provide them with feedback as to how they can improve their training methods and strategies. This can potentially lead to employees at Boxers United Pty Ltd developing a greater sense of purpose in the workplace. Thus, improving employee morale and resolving low employee motivation.

Extension notes:

① A suitable structure to respond to this question is to:

1. Outline the Goal Setting Theory
  - Reference needs to be made to the setting and achievement of goals providing motivation
  - Reference needs to be made the five principles of effective goal setting
2. Explain an example of a goal that employees could achieve and relate this to improved motivation



2.11 Outline one similarity and one difference between Maslow's motivation theory and Locke and Latham's motivation theory. [2 marks]

One similarity between Maslow's Hierarchy of Needs and Locke and Latham's Goal Setting Theory is that they are both motivational theories that aim to improve the motivation levels of employees. This is to ensure employees have the willingness to expend energy to complete business tasks.

However, the difference<sup>①</sup> is that Maslow's theory is sequential, which means that one need has to be satisfied before satisfying the next. Whereas, Locke and Latham's theory is non-sequential as equal weight is placed on goal setting, goal achievement and feedback.

Extension notes:

- ① Another **difference** is that Maslow's theory is needs-based whilst Locke and Latham's theory is goals-based.

2.12 Outline one similarity and one difference between Maslow's motivation theory and Lawrence and Nohria's motivation theory. [2 marks]

One similarity<sup>①</sup> between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory is that they both involve the development of friendship groups and positive relationships. This is through Maslow's social need and Lawrence and Nohria's drive to bond.

However, the difference<sup>②</sup> is that Maslow's theory is needs-based, whereas, Lawrence and Nohria's theory is drives-based (thus, they both motivate via different means).

Extension notes:

- ① Another **similarity** is that they are both motivation theories.
- ② Another **difference** is that Maslow's theory is sequential whilst Lawrence and Nohria's theory.

2.13 Outline one similarity and one difference between Locke and Latham's motivation theory and Lawrence and Nohria's motivation theory. [2 marks]

One similarity between Lawrence and Nohria's theory and Locke and Latham's theory is that they are both motivation theories which aim to increase the motivation levels of employees in the workplace - this is to ensure they have willingness to expend effort to complete business tasks.

However, the difference<sup>①</sup> is that Lawrence and Nohria's theory is drives-based (drive to bond, acquire, learn and defend), whereas, Locke and Latham's theory is goals-based (focussed on the setting of goals, goal achievement and feedback).

Extension notes:

- ① Another **difference** is that Maslow's theory is sequential whilst Lawrence and Nohria's theory is a non-sequential theory that doesn't require an order to fulfil the drives.





3.1 Define performance related pay. [1 mark]

Performance related pay refers to a salary system whereby individuals are paid according to how well they work.

3.2 Define career advancement. [1 mark]

Career advancement refers to the development of a clear career pathway via job promotions.

3.3 Define investment in training. [1 mark]

Investment in training refers to the use of training programs to expand the skills and knowledge of employees.

3.4 Define support. [1 mark]

Support refers to the development of positive relationships with employees to help overcome their problems.

3.5 Define sanctions. [1 mark]

Sanctions refer to a penalty received for work that is completed at an inadequate standard or breaches a business' policies.

3.6 Explain how performance related pay can be used to motivate employees in the workplace. [2 marks]

Performance related pay refers to a salary system where individuals are paid according to how well they work. A business can clearly outline the expectations of how work performance will be evaluated and the standard by which employees will be rewarded. This can improve the motivation levels of employees because the financial reward can allow them to purchase goods and services that satisfies their needs.<sup>①</sup>

Extension notes:

- ① Performance related pay is a useful strategy to satisfy the **physiological need** of Maslow's 'Hierarchy of Needs' and to fulfil the **drive to acquire** in Lawrence and Nohria's 'Four Drive Theory'.



3.7 Explain how career advancement can be used to motivate employees in the workplace. [2 marks]

Career advancement refers to the development of a clear career pathway through job promotions. A business can provide specific employees with long-term contracts or promote them to roles that require more expertise. This can provide employees with long-term motivation due to improved job security and satisfaction from the fact that their efforts being recognised and rewarded.<sup>①</sup>

Extension notes:

① Career advancement is a useful strategy to satisfy the **self-esteem need** of Maslow's 'Hierarchy of Needs' and to fulfil the **drive to acquire** in Lawrence and Nohria's 'Four Drive Theory'.

3.8 Explain how investment in training can be used to motivate employees in the workplace. [2 marks]

Investment in training refers to the use of training programs to expand the skill set of employees. Through undergoing on-the-job training or off-the-job training, the knowledge of employees will improve. This can, consequently, improve the motivation levels of employees due to self-growth and becoming a more valuable employee in the business.<sup>①</sup>

Extension notes:

① Investment in training is a useful strategy to satisfy the **safety need** of Maslow's 'Hierarchy of Needs' and to fulfil the **drive to learn** in Lawrence and Nohria's 'Four Drive Theory'.

3.9 Explain how support can be used to motivate employees in the workplace. [2 marks]

Support refers to the development of positive relationships with employees in order to help overcome problems and develop a more inclusive working environment. By building an atmosphere of mutual trust and respect, employees know they have a support network to rely on. This can lead to improved job satisfaction and, hence, greater motivation levels within the workforce.<sup>①</sup>

Extension notes:

① Support is a useful strategy to satisfy the **safety need** of Maslow's 'Hierarchy of Needs' and to fulfil the **drive to defend** in Lawrence and Nohria's 'Four Drive Theory'.

3.10 Explain how sanctions can be used to motivate employees in the workplace. [2 marks]

Sanctions refer to a penalty received for work that breaches a business' policies. or was not completed to an adequate standard. Sanctions can motivate employees through the aspect of fear - specifically, the fear of being punished for poor work performance. Thus, the short-term motivation of employees will increase.



4.1 Discuss the use of performance related pay as a motivation strategy. [4 marks]

One advantage of performance related pay is that targets set to receive the monetary reward are clear. Thus, employees know exactly what is expected of them to achieve the monetary reward (Leading to improved productivity). One disadvantage of performance related pay is that, if the business performs poor financially, the business will not be able to afford the monetary awards based on employee performance - this could act as a demotivating factor.

Another advantage of performance related pay is that morale can improve because employees may feel as if their efforts are being recognised and rewarded through being given the monetary reward - this can have a positive impact on motivation. Another disadvantage of performance related pay is that it reduces equality in the workplace due to differences in salaries. This may lead to employee dissatisfaction and reduced motivation.<sup>②</sup>

Extension notes:

- ① The **purpose** of motivation strategies is to increase the motivation levels of employees in the workplace. Consequently, your advantages and disadvantages can be linked to whether the motivation of employees **increases** or **reduces**.
- ② Note that, to elevate your response, advantages and disadvantages can be linked to developing **short-term** and **long-term** motivation!



4.2 Discuss the use of career advancement as a motivation strategy. [4 marks]

One advantage of career advancement is that it can lead to long-term motivation due to increased job security. Thereby, improving employee productivity and leading to better quality work. One disadvantage of career advancement is that it may create unhealthy competition between employees - this may foster negative working relationships.

Another advantage is that highly skilled employees can be retained. Thus, gaining a competitive edge associated with having that highly skilled and knowledgeable employee. Another disadvantage is that employees may be promoted beyond their capability levels - this may result in employees performing their roles poorly (thus, reducing productivity).

4.3 Discuss the use of investment in training as a motivation strategy. [4 marks]

One advantage of investment in training is that employee skills and knowledge can improve - thus, productivity and quality of work can improve. One disadvantage of investment in training is that training programs can be expensive to fund - this is because they may incur additional expenses such as transport to the venue (which may reduce profits).

Another advantage of investment in training is that it can lead to long-term motivation amongst employees. This is because workers may feel grateful for the opportunity of learning new things. Another disadvantage of investment in training is that employees may leave the business after being trained - the employee is taking their skills elsewhere and so, the business no longer benefits (reducing their competitive advantage).



4.4 Explain one advantage and one disadvantage of using support as a motivation strategy. [2 marks]

One advantage of support is that it can help build positive relationships between managers and employees. This is because they can work together to resolve workplace problems and take advantage of opportunities. Consequently, employee motivation can improve.

One disadvantage of support is that it may be an ineffective strategy if managers lack good communication skills. This is because if managers have poor communication skills, then adequate support may not be provided. Thus, employee motivation reduces.

4.5 Explain one advantage and one disadvantage of using sanctions as a motivation strategy. [2 marks]

One advantage of sanctions is that it is a quick motivator because employees may fear being punished further. Thus, employees can immediately recognise the problems with their actions and correct it for the future.

One disadvantage of sanctions is that it may foster a negative working relationship between managers and employees. This is disadvantageous because employee stress levels may increase and so, the level of staff turnover at a business may unfavourably grow.

5.1 Define on-the-job training. [1 mark]

On-the-job training is a type of training option that occurs at the workplace (on-site), using equipment that is specific to the workplace.

5.2 Define off-the-job training. [1 mark]

Off-the-job training is a type of training option that occurs away from the workplace, typically at an external training institution.



5.3 Distinguish between on-the-job training and off-the-job training. [3 marks]

On-the-job training is a type of training program that occurs at the workplace, whereas, off-the-job training is a type of training option that occurs away from the workplace. The difference<sup>①</sup> between the two training options relates to who is providing the training - for example, on-the-job training is conducted with an existing senior employee, whereas, off-the-job training is conducted by a specialist in the field who has specialist knowledge.

Extension notes:

- ① It is important to note that on-the-job training is a cheaper method of training because the training conducted by the existing senior employee will be included in their salary. Off-the-job training is a more expensive option of training because payment is required to the expert with specialist knowledge.

5.4 Evaluate the use of on-the-job training in terms of achieving business objectives. [5 marks]

One advantage of on-the-job training is that employee skills and knowledge can improve - this is because the employee in training observes and replicates the actions of the existing employee (which can lead to greater productivity). One disadvantage of on-the-job training is that workplace interruptions may occur (such as meetings). This is disadvantageous because it may compromise the learning of the employee and hinder their ability to achieve business objectives.

Another advantage of on-the-job training is that it is a cost-effective training option because there are no additional expenses incurred - this allows the business to achieve the business objective 'to make a profit' (because revenue will exceed expenses in a given period of time). Another disadvantage of on-the-job training is that poor habits or shortcuts may pass down to the employee in training (this may negatively impact productivity or breach a business' policies).

Thus, on-the-job training is a suitable training program for achieving business objectives because its advantages (improved knowledge) outweigh its disadvantages (potential for shortcuts to be passed down when training).<sup>①</sup>

Extension notes:

- ① Remember that, for 'Evaluate' questions, a final opinion must be given.
- ② Scan the following QR code to be taken to a VCEWeb YouTube video about on-the-job training:



5.5 Evaluate the use of off-the-job training in terms of achieving business objectives. [5 marks]

One advantage of off-the-job training is that a specialist in the field conducts the training. This can lead to more advanced skills being learnt and, hence, productivity in the workplace can improve (which can lead to business objectives being achieved). One disadvantage of off-the-job training is that it can be expensive because it requires transport to the venue and payment to the training institution - this can incur additional expenses for the business and hinder the ability to achieve the business objective 'to make a profit'.

Another advantage of off-the-job training is that it reduces the chance of distractions because employees are in a serious training environment - thus, the employees are more likely to gain knowledge from the training. Another disadvantage of off-the-job training is that employees are not using the exact equipment used in the workplace when being trained - this may make it difficult to transfer skills learnt to the workplace (thus, reducing productivity).

Overall<sup>①</sup>, off-the-job training is an effective training option for the achievement of business objectives because its advantages (improved knowledge and reduced distractions) outweighs its disadvantages (high expenses).

Extension notes:

- ① Remember that, for 'Evaluate' questions, a final opinion must be given.

5.6 Compare the use of on-the-job training and off-the-job training. [4 marks]

One similarity between on-the-job training and off-the-job training is that they are both training options. This means they both aim to increase the skills and knowledge of employees. Another similarity is that both training options aim to achieve business objectives. For example, achieving the business objective 'to make a profit' as there will be reduced operational costs (decreased cost per unit of making a product) due to having a more productive employee.

One difference is that on-the-job training occurs at the workplace (using machinery and equipment that is specific to the workplace), whereas off-the-job training occurs away from the workplace (at a specialised training institution). Another difference is that on-the-job training occurs with an existing senior employee; whereas, off-the-job training is conducted with an expert in the field who has specialist knowledge.



6.1 Define the term performance management strategies. [1 mark]

Performance<sup>①</sup> management strategies are strategies used to assess and evaluate the performance of employees in the workplace against specific pre-determined criteria<sup>②</sup>.

Extension notes:

- ① Many students tend to confuse motivation strategies with performance management strategies! Just remember that:
- performance management strategies → measure the **PERFORMANCE** of employees in the workplace
  - motivation strategies → are used to **MOTIVATE** employees in the workplace
- ② Think of the "pre-determined criteria" as a **checklist** which managers use to assess employee performance - it is similar to how teachers have checklists (marking guides) when marking your responses!

6.2 Define the term management by objectives. [1 mark]

Management by objectives refers to a performance management strategy that involves a manager and employee working together collaboratively to create specific and measurable employee and business objectives in a given period of time.

6.3 Define the term appraisals. [1 mark]

Appraisals refer to a performance management strategy which involves managers formally evaluating an employees' performance against a specific set of pre-determined criteria.

6.4 Define the term self-evaluation. [1 mark]

Self-evaluation refers to a performance management strategy that involves employees evaluating their own performance against a specific set of pre-determined criteria.

6.5 Define the term employee observation. [1 mark]

Employee observation refers to a performance management strategy that aims to gain a holistic perspective of an employees' performance using 360° f=edback from customers and other employees.





6.6 Discuss the use of management by objectives in terms of achieving business objectives. [4 marks]

One advantage of management by objectives is that training needs can be identified based on weaknesses. Thus, improving employee productivity and reducing operational costs (leading to the achievement of the business objective 'to make a profit'). One disadvantage of management by objectives is that it may be time-consuming for managers to work together with employees - this is disadvantageous because it may distract managers from core business objectives.

Another advantage of management by objectives is that positive relationships can develop between managers and employees to create and monitor specific objectives. This can lead to a more unified workforce. Another disadvantage of management by objectives is that managers may lack adequate communication skills - this may compromise the ability of managers to form positive relationships with employees. Thus, in the long-term, business objectives may not be achieved.

6.7 Discuss the use of appraisals in terms of achieving business objectives. [4 marks]

One advantage of appraisals is that training needs can be identified based on weaknesses. This is advantageous because it means employee productivity can improve, leading to the achievement of business objectives. One disadvantage of appraisals is that it may be time-consuming for the manager to observe the employees' performance and evaluate it against pre-determined criteria - thereby, distracting managers from core business objectives.

Another advantage of appraisals is that employee morale may improve from positive feedback provided - this is because employees may feel as if their efforts are being recognised and rewarded. Another disadvantage of appraisals is that employees may be demotivated from negative feedback provided by the manager. This could reduce employee morale and productivity (thus, compromising the ability of the business to achieve business objectives).



6.8 Discuss the use of self-evaluation in terms of achieving business objectives. [4 marks]

One advantage of self-evaluation is that it is time-efficient for the manager. This is because the employee is evaluating their own performance, which allows the manager to focus on core business objectives. One disadvantage of self-evaluation is that employee productivity may reduce - this is because the employee will be evaluating their own performance rather than completing business tasks.

Another advantage of self-evaluation is that employees can identify any differences between their views of their performance and the managers' view of their performance. This allows employees to have a better understanding of what is expected of them in the workplace. Another disadvantage is that self-evaluation is likely to be biased - this is because the employee is reflecting on their own performance (and thus, is not a reliable evaluation).

6.9 Discuss the use of employee observation in terms of achieving business objectives. [4 marks]

One advantage of employee observation is that training needs can be identified based on weaknesses - thus, expanding their skill set and improving their productivity rates (such that business objectives can be achieved). One disadvantage of employee observation is that it may be time-consuming for manager to collect all the opinions - this may distract them from core business objectives being achieved.

Another advantage of employee observation is that a large number of opinions regarding the employees' performance is collected. This means that accurate feedback (free from bias) can be provided to the employee. Another disadvantage of employee observation is that staff may be demotivated from negative feedback - this can lead to reduced morale and productivity (this could be detrimental to the achievement of business objectives).



6.10.1 Describe the term 'performance management'. [2 marks]

Performance management refers to strategies used to assess and evaluate the performance of employees in the workplace against specific pre-determined criteria. This is so that employee weaknesses are overcome, their skills and knowledge increase and their future workplace performance is improved.

6.10.2 Propose<sup>①</sup> a performance management strategy and evaluate the strategy in relation to the issues at Patrick's Pyjama's Pty Ltd. [6 marks].

One performance management strategy that can be used is employee observation.

One advantage of employee observation is that a large number of opinions regarding the employees' performance can be collected. This means that accurate feedback (that is free from bias) can be provided to the employee, and so the most effective strategies (such as motivation or training strategies) can be implemented in order to increase productivity above 3%<sup>②</sup> in 2021. One disadvantage of employee observation is that it may be time-consuming for the manager to collect all the opinions from customers and other employees providing 360° feedback. This may distract the manager from core business activities, leading to further reductions in productivity below 3% in 2021.

Another advantage of employee observation is that training needs can be identified based on weaknesses. This can lead to the skills and knowledge of employees at Patrick's Pyjama's improving, leading to the quality of interactions between customers and employees improving. Thereby, customer satisfaction should increase above 32%<sup>③</sup> in 2021. Another disadvantage is that employees may be demotivated by negative feedback provided. This may lead to reduced morale amongst workers at Patrick's Pyjama's and hence, employees may be less productive in the workplace, leading to productivity levels reducing below 3% in 2021.

Overall, employee observation is a suitable performance management strategy to address reduced productivity and customer satisfaction because the benefits of its use (increased skills from accurate 360° feedback) outweighs its disadvantages (potential for negative feedback being demotivating and the time-consuming nature of feedback collection).<sup>④</sup>

Extension notes:

① The question requires you to 'Propose' a performance management strategy and this should be the first sentence of your response!

② The advantages and disadvantages of the chosen performance management strategy can be linked to the data provided in the question.

For example, the advantages of the performance management strategies can lead to productivity increasing above 3% in 2021 or customer satisfaction increasing above 32% in 2021.

③ Ensure that you provide a final opinion as this question requires you to 'Evaluate' a performance management strategy. Below are two templates you can adopt for writing your final opinion:

"[Strategy 1] is suitable because the advantages of its use [examples] outweigh its disadvantages [examples]"

"[Strategy 2] is unsuitable because the disadvantages of its use [examples] outweigh its advantages [examples]"



7.1 Define retirement. [1 mark]

Retirement is where an individual voluntarily decides to leave the paid workforce permanently.

7.2 Define redundancy. [1 mark]

Redundancy<sup>ⓐ</sup> is where an individual's job position is no longer available.

Extension notes:

ⓐ Note that there are two types of redundancy: voluntary and involuntary! Businesses that undergo downsizing (reducing the workforce) often incentivise employees with a 'redundancy package' which employees can take if they wish to be voluntarily redundant.

7.3 Define resignation. [1 mark]

Resignation is where an individual voluntarily decides to leave a business to go to another.

7.4 Define dismissal. [1 mark]

Dismissal refers to the termination of an employee, against their will, in an ethical and legal manner.

7.5 Define entitlements and transition services. [2 mark]

Entitlements refer to legally required benefits that an employee receives when they are terminated. Transition services refer to optional (voluntary) support services given to employees when their position is terminated.

7.6 Outline one entitlement and one transition service that a recently redundant employee might receive. [2 marks]

One entitlement that a redundant employee will receive is having all their outstanding payments paid off by the business (employer). One transition service that a redundant employee may receive is outplacement services such as resume writing courses (to help the redundant employee find employment elsewhere).



8.1 Define human resources manager. [1 mark]

The human resources manager is responsible for managing and maintaining a positive relationship between the business and employees.

8.1.1 Outline one activity of the human resources manager in relation to dispute resolution. [1 mark]

One activity of the human resources manager<sup>①</sup> is to facilitate discussion between the employee and employer during the good-faith bargaining process.

Extension notes:

- ① The human resources manager acts as a **mediator** during the process of good-faith bargaining (mediation) between employees and employers. During the good-faith bargaining process, the human resource manager will **facilitate positive negotiations** between disputing parties and ensure they are **fairly** dealt with. This is to ensure that the mediation process has limited conflict such that a mutual decision can be agreed upon (that the dispute is **resolved successfully** and **fairly**).

8.2 Define employees. [1 mark]

Employees are individuals who provide labour in exchange for a monetary reward and normally act as the complainant during disputes.

8.2.1 Outline one activity of employees in relation to dispute resolution. [1 mark]

One activity of employees is to act as the complainant (individual with the grievance during disputes).

8.3 Define employer associations. [1 mark]

Employer associations refer to a group of employers who unite to provide a range of advice to employers and protect their rights during workplace relations disputes.

8.3.1 Outline one activity of employer associations in relation to dispute resolution. [1 mark]

One activity of employer associations<sup>①</sup> is to act as representatives of employers (by advising them of their legal rights during disputes).

Extension notes:

- ① Employer associations act as **employer representatives**. They aim to ensure that the specific dispute is **resolved successfully** and in **favour** of the **employers they represent**. Furthermore, employer associations aim to ensure that the employers they represent are **treated fairly** during the dispute resolution process.

8.4 Define unions. [1 mark]

Unions refer to an organisation formed to represent and protect the rights of workers in relation to their pay and working conditions in a specific industry.



8.4.1 Outline one activity of unions in relation to dispute resolution. [1 mark]

One activity of unions<sup>①</sup> is to act as representatives of employees (by advising them of their legal rights).

Extension notes:

- ① Unions act as **employee representatives** when undergoing **good-faith bargaining** (mediation process). They aim to ensure that the good-faith bargaining process occurs **smoothly** and in **favour** of the employees they represent. Furthermore, they aim to ensure that the employee-workplace relations dispute is **fairly** and **successfully** resolved.

8.5 Define the Fair Work Commission. [1 mark]

The Fair Work Commission is Australia's independent national workplace relations tribunal.

8.3.1 Outline one activity of the Fair Work Commission in relation to dispute resolution. [1 mark]<sup>②</sup>

One activity of the Fair Work Commission<sup>②</sup> is appointing an arbitrator to listen to the arguments presented by the disputing parties and come to a legally binding decision during the process of arbitration.

Extension notes:

- ① If the dispute specifically relates to the terms of a new agreement, then the role of the Fair Work Commission would be to ensure that the terms of the new agreement pass the '**better off overall test**' — that employees will be 'better off overall' if the employees at a business are covered by the new agreement compared to being covered by a modern award.
- ② The Fair Work Commission **SETS** and **APPROVES** of the **terms** of modern awards and **APPROVES** of the terms of enterprise agreements (which are set during the good-faith bargaining process).

9.1 Define the term award. [1 mark]

Awards are industry-specific documents that outline the minimum wages and conditions for a specific industry as set by the Fair Work Commission.

9.2 Define the term agreement. [1 mark]

Enterprise agreements are a type of agreement that has been directly negotiated by an employer and employees by good-faith bargaining at an enterprise level.



9.3 Explain how awards can be used as a method of determining wages and conditions of work. [3 marks]

Awards are industry-specific documents that outline the minimum wages and conditions for a specific industry. Awards provide a safety net of minimum standards called the 10 National Employment Standards<sup>②</sup> that must be legally complied by (for example, there is a maximum 38 hours in a week that employees can work). Periodically, the Fair Work Commission must review these minimum standards and set new conditions for employment in industries. Thus, awards can be used as a means<sup>③</sup> of determining wages and conditions of work.

Extension notes:

① A suitable structure to respond to this question is to:

- Define awards
- Briefly outline the **terms** of awards
- Outline **how** awards are set

② The National Employment Standards are the 10 minimum entitlements that must be provided to ALL employees in Australia.

③ Note that the final sentence here links to the limiting phrase in the question.

9.4 Explain how agreements can be used as a method of determining wages and conditions of work. [3 marks]

Enterprise agreements are agreements that have been directly negotiated by good-faith bargaining at an enterprise level. Enterprise agreement provide additional entitlements to employees (such as better pay rates) compared to modern awards; however, the 10 National Employment Standards (NES) must still be covered in the terms of the agreement. As a consequence, agreements can leave employees at a business better off overall<sup>②</sup> compared to being covered by the terms of an award. After the terms of the agreement have been negotiated, the Fair Work Commission must then provide approval for the terms of the agreement. Thus, agreements can be used as a means of determining wages and conditions of work.<sup>③</sup>

Extension notes:

① A suitable structure to respond to this question is to:

- Define agreements
- Briefly outline the **terms** of agreements
- Outline **how** agreements are set

② The Fair Work Commission conducts the 'better off overall test' (commonly referred to as BOOT) to assess if agreements should be approved or not.

③ Note that the final sentence here links to the limiting phrase in the question.



9.5 Discuss the use of awards as a method of determining wages and conditions of work. [4 marks]

One advantage of awards is that it is an inexpensive method of determining wages and conditions for work. This is because they outline the minimum pay and working conditions and, thus, expenses can be reduced for a business. One disadvantage of awards is that the minimum pay and conditions may not be enough to attract highly skilled employees. This is disadvantageous if competitors are offering agreements (as they will be gaining a competitive edge).

Another advantage of using awards is that there is a reduced risk of disputes arising compared to if the employees are covered by an agreement. This is because awards are set by the Fair Work Commission whilst agreements are negotiated by good-faith bargaining at an enterprise level. Another disadvantage of using awards is that they may be inflexible in terms of meeting the unique needs of a specific business (because the terms of awards cover the entire industry rather than enterprises).

9.6 Discuss the use of agreements as a method of determining wages and conditions of work. [4 marks]

One advantage of enterprise agreements is that the higher wages and better working conditions attract highly skilled employees. These employees would have greater knowledge in their respective roles which can improve productivity in specific fields. One disadvantage of enterprise agreements is that they may be more expensive as they involve higher wages and better working conditions (compared to modern awards). Thus, increasing labour costs (expenses) for a business.

Another advantage of enterprise agreements is that there is greater flexibility in terms of meeting the unique needs of the business. This is because the terms of the agreement are directly negotiated between employees and employers by good-faith bargaining. Another disadvantage of enterprise agreements is that there is a risk of industrial action occurring (such as strikes) if the good-faith bargaining process is unsuccessful. This may result in a negative reputation for the business.





9.7 Distinguish between awards and agreements. [3 marks]

Awards are industry-specific documents that outline the minimum wages and conditions for a specific industry, whereas, enterprise agreements are a type of agreement that has been directly negotiated by an employer and employees at an enterprise level by good-faith bargaining. The difference is that awards are set (and periodically reviewed) by the Fair Work Commission, whereas, the terms of agreements are set between employees and employers and approved by the Fair Work Commission.

10.1 Outline the grievance procedure. [4 marks]

The grievance procedure is a systematic and formal process that should be followed to resolve a dispute when a grievance (complaint) arises. First, the employee should raise the grievance informally to their direct supervisor. If the grievance cannot be resolved, then it is discussed formally with senior management for a grievance committee. Further failure to resolve the dispute can lead to mediation being employed, whereby an independent third party member facilitates discussion between the disputing parties. If no outcome is decided by mediation then the dispute is taken to the Fair Work Commission for arbitration, whereby an arbitrator comes to a legally binding decision to resolve the dispute.

10.2 Define mediation. [1 mark]

Mediation is a dispute resolution method whereby an independent third party member, a mediator, facilitates discussion between disputing parties in order to help resolve the dispute.

10.3 Define arbitration. [1 mark]

Arbitration is a dispute resolution method whereby an arbitrator listens to the arguments presented by the disputing parties and comes to a legally binding decision.



10.4 Discuss the use of mediation as a dispute resolution process. [4 marks]

One advantage of mediation is that it is an inexpensive dispute resolution method (as there are no use of external bodies to facilitate discussion) - thus, reducing expenses for a business. One disadvantage of mediation is that the final decision made is not legally binding - this is disadvantageous because it means the same dispute may arise again in the future (as one of the parties may fail to uphold their part of the agreement).

Another advantage of mediation is that the parties involved have to agree on a mutual outcome of their dispute. This means that both parties can leave satisfied with the decisions made. Another disadvantage of mediation is that there is no guarantee that a decision will be made at the end of the mediation process. This can make the process very time-consuming and stressful.

10.5 Discuss the use of arbitration as a dispute resolution process. [4 marks]

One advantage of arbitration is that the final decision made is legally binding. This is disadvantageous because it can prevent the same dispute from arising again in the future. One disadvantage of arbitration is that it is an expensive dispute resolution method - this is because it can involve additional expenses such as transport to the tribunal.

Another advantage of arbitration is that a guaranteed decision is made at the end of the arbitration process. Thereby, saving time for the business (making it an effective process). Another disadvantage of arbitration is that the final decision is taken out of the hands of both parties - this is disadvantageous because it may lead to one or more disputing parties being dissatisfied.



# Questions: Unit 3 AOS 3

1.1 Define operations management. [1 mark]

Operations management refers to the business area that is responsible for transforming inputs (resources) into outputs (final products) and maximising efficiency and effectiveness in relation to technology developments, quality, materials and waste minimisation.

1.2 Explain the relationship between operations management and business objectives. [2 marks]

Operations management refers to the business area that is responsible for transforming inputs (resources) into outputs (final products); Business objectives refer to stated outcomes which a business wishes to achieve in a given period of time. The relationship between the two is that maximising the efficiency and effectiveness can lead to the achievement of business objectives. For example<sup>①</sup>, implementing automated production lines can reduce expenses (operational costs) as the cost per unit of making the product decreases. Thus, achieving the business objective 'to make a profit'.<sup>②</sup>

Extension notes:

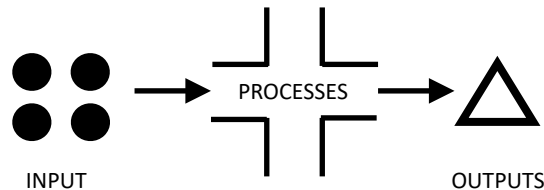
- ① After stating the relationship between operations and business objectives, you can explain the relationship through an example — that a specific objective is being achieved (such as 'to make a profit') and a specific operations strategy is being implemented (automated production lines).
- ② Operations can also be linked to the business objective 'to increase market share'. For an example response please see question 4.11 from AOS1.



1.3 Define efficiency and effectiveness. [2 marks]

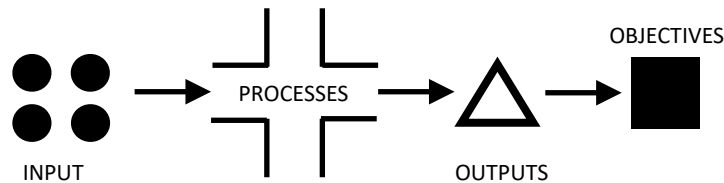
Efficiency<sup>Ⓢ</sup> refers to how well resources are used to create the final product (output). Effectiveness<sup>Ⓢ</sup> refers to how well resources are used to achieve business objectives.

Ⓢ Let's say a business uses four black circles (inputs) to create one white triangle (output) like the diagram below:



Efficiency is **how well** the four black circles are used to create the white triangle (ie. that there is no defected triangle being produced, time is not being consumed unnecessarily and expenses are being reduced). In other hands, **efficiency** is a **measure of how well resources are used to create outputs**.

Ⓢ Let's say we have the same example from extension note 1 however, this time, we add an additional step — let's say that a black square represents business objectives!



Effectiveness is **how well** the four black circles are used to create the black square. In other words, **effectiveness** is a **measure of how well resources are used to achieve business objectives**.

One **memory trick** is that there is an 'ive' in effectiveness and an 'ive' in the term objective. This is a useful way to remember that effectiveness relates to the achievement of business objectives.

2.1 Identify all the key elements of an operations system. [1 mark]

The key elements of an operations system are: inputs, processes and outputs.

2.2 Define all the key elements of an operations system. [3 marks]

Inputs refer to the resources used by a business to create the final product.  
Processes refer to the transformational activities associated with transforming inputs into outputs.  
Outputs refer to the finalised product (tangible or intangible) that is presented to consumers and meets customer expectations.



2.3 Using a contemporary manufacturing<sup>①</sup> business, explain the key elements<sup>④</sup> of an operations system. [6 marks]

One example of a contemporary manufacturing company is Yakult.

②

Inputs refer to the resources (natural, labour and capital) used by a business to produce the final product. The inputs used by a business such as Yakult include natural resources such as: stevia, plastics, enzymes and milk powders.

Processes refer to the transformational activities associated with transforming inputs into outputs. The processes used by Yakult include: enzyme-catalysed reactions, the pouring of the probiotic drink into bottles and the storing of the bottles.

Outputs refer to the finalised product (good or service) that is produced by a business and presented to consumers. The output manufactured by Yakult is a tangible<sup>③</sup> (can be physically touched) good - a probiotic drink that aids in a healthy digestive system.

Extension notes:

- ① This is a restriction in the question which implies you cannot use a **contemporary manufacturing business** in your response.
- ② You should **paragraph** your response for each key element.
- ③ Whenever you refer to **tangibility** (tangible vs intangible), you should define it (ie. a tangible good is something that can be physically touched).
- ④ A suitable structure for "**explaining key element questions**" is:
  - Define inputs and then make reference to a contemporary manufacturing business
  - Define processes and then make reference to a contemporary manufacturing business
  - Define outputs and then make reference to a contemporary manufacturing business



2.4 Using a contemporary service business, explain the key elements of an operations system. [6 marks]

One example of a contemporary service business is Lynda.com.

Inputs refer to the resources (natural, labour, capital) used by a business to produce the final product. The inputs used by Lynda.com are primarily labour-intensive, as creators (humans) are creating content for the website.

Processes refer to the transformational activities associated with transforming inputs into outputs. The processes used at Lynda.com include creating the informational tutorial courses and uploading them for online viewership.

Outputs refer to the finalised product (good or service) that is produced by a business and presented to consumers. The output created by Lynda.com is an intangible (cannot be physically touched) service - informational tutorial courses covering different fields (economics, artificial intelligence, history).

3.1 Outline two characteristics of a manufacturing business. [2 marks]

One feature of a manufacturing business is that the resources used to produce the good is primarily capital-intensive (such as through the use of machinery and automated technology). Another feature of a manufacturing business is that they produce tangible (can be physically touched) goods.

3.2 Outline two characteristics of a service business. [2 marks]

One feature of a service business is that the resources used to produce the service are primarily labour-intensive (such as through the use of human labour). Another feature of a service business is that they produce intangible (cannot be physically touched) services.



3.3 Compare the characteristics of a service and manufacturing business. [2 marks]

One similarity between a manufacturing and service business is that they both aim to maximise the efficiency and effectiveness of their operations such that business objectives (such as 'to make a profit') can be achieved. The difference<sup>①</sup> is in relation to the type of product produced - manufacturing businesses produce tangible (can be physically touched) goods; whereas, service businesses produce intangible (cannot be physically touched) services.

① Manufacturing and service businesses also differ in that manufacturing businesses tend to use more machine-associated resources, whereas service businesses use more labour-associated resources!

4.1 Define automated production lines. [1 mark]

Automated production lines refer to machinery and equipment arranged in a sequence to produce goods automatically.

4.2 Define robotics. [1 mark]

Robotics refers to computer-programmed machines that are capable of performing basic and complex tasks that assist humans.

4.3 Define computer-aided design. [1 mark]

Computer-aided design refers to a computerised design tool (software) that allows a business to create and view potential products without the costs of building it.

4.4 Define computer-aided manufacturing. [1 mark]

Computer-aided manufacturing refers to a systematic production technique in which the manufacturing processes are controlled by computer systems.

4.5 Define artificial intelligence. [1 mark]

Artificial intelligence refers to intelligent computer systems that can perform human-like tasks by learning from new user input.



4.6 Define online services. [1 mark]

Online services refer to internet-based systems, such as website-based applications, that provide value to its users.

4.7 Discuss the use of automated production lines. [4 marks]

One advantage of automated production lines is that it can improve the speed and volume of production (as machinery operates faster than human labour resources). Thus, increasing productivity. One disadvantage of automated production lines is that it can pose a high initial start-up cost if implementing in the workplace - this can increase expenses and negatively affect profits.

Another advantage of automated production lines is that it can reduce wastage created because the technology has high precision - thus, the efficiency of operations is improved. Another disadvantage of automated production lines is that, if the technology breaks down, then the manufacturing process will stop. Thus, reducing productivity in the workplace.





4.8 Discuss the use of robotics. [4 marks]

One advantage of robotics is that it can reduce wastage because the technology has high precision (compared to human labour). Thus, reduced errors will lead to the development of a more efficient operations system. One disadvantage of robotics is that, if there are malfunctions in the technology or it breaks down, then the manufacturing process will stop. Thus, reducing productivity in the workplace.

Another advantage of robotics is that it can improve the speed and volume of production (as robotics operates faster than human labour). Thereby, improving productivity and reducing expenses for a business (cost per unit of manufacturing decreasing). Another disadvantage of robotics is that there is a high initial startup cost to create or purchase the robotics - this high expense may compromise profitability for a business in the short-term.

4.9 Discuss the use of computer-aided design. [4 marks]

One advantage of computer-aided design (CAD) is that it can reduce wastage levels for a business because they can test potential product prototypes before they are physically created (and so, less resources are discarded). Thus, the efficiency of the operations system is improved. One disadvantage of CAD is that it can pose a high initial start-up cost for a business to implement the technology (these expenses come from the purchasing of the technology and changes to infrastructure).

Another advantage of CAD is that creativity is encouraged during the design phase, which can lead to the development of innovative products. Consequently, sales can improve for a business due to greater customer satisfaction. Another disadvantage of CAD is that employees will have to undergo extensive training to use the computer software - this is time-consuming and, thus, may distract employees from completing set business activities.



## 4.10 Discuss the use of computer-aided manufacturing. [4 marks]

One advantage of computer-aided manufacturing is that it can increase the speed and volume of production because the manufacturing process is controlled by computers (thus, increasing productivity). Another advantage of computer-aided manufacturing is that it can reduce wastage levels due to the high precision of the technology - this can reduce expenses (costs) for a business.

One disadvantage of computer-aided manufacturing is that it can pose a high initial start-up cost to implement in the workplace. Thus, increasing technology-related expenses for a business and negatively affecting profits. Another disadvantage is that, if the computer-aided manufacturing technology breaks down, the production process can stop - this is disadvantageous because it can reduce productivity.

## 4.11 Discuss the use of artificial intelligence. [4 marks]

One advantage of using artificial intelligence (AI) is that the time required to complete business activities will reduce as the AI learns from more user input (improved speed) - this will lead to the development of a more efficient operations environment. One disadvantage of using AI is that there will be a high initial startup cost associated with hiring an AI engineer to program and implement AI solutions in the workplace. This will increase operational expenses and hence, may negatively impact profitability for businesses in the short-term.

Another advantage of using AI is that the quality of the final products (good or service) produced will improve. This is because intelligent AI systems will have low error-rates compared to humans when manufacturing goods or interacting with customers (such as via AI chatbots), thereby leading to an overall better customer experience. Another disadvantage of using AI is that it may be met with confusion or fear from employees - confusion about how the AI technology complements the workplace or they may fear their job security is compromised (leading to reduced staff morale and increased staff turnover).



4.12 Discuss the use of online services. [4 marks]

One advantage of online services (OS) is that it can increase sales for businesses because customers can purchase a business' products outside normal operating hours. Thereby, increasing the profitability of the business. One disadvantage is that, if the OS suffers technological problems (such as a server crashing), then the processing of orders may come to a halt - thus, hindering productivity at a business.

Another advantage of using OS is that wastage levels can reduce because products can be manufactured once orders are processed (rather than being in an idle state and risk being spoiled or contaminated). Another disadvantage of OS is that it poses a high initial start-up cost, because the OS may require extensive ITC support to be programmed - this may carry high short-term expenses for a business.

4.13 Explain how automated production lines can be used to improve the efficiency and effectiveness of operations. [3 marks]

Automated production lines (APL) refer to machinery and equipment arranged in a series to produce goods automatically. APLs can improve the efficiency of operations due to the high precision of the technology which can limit errors created and, hence, reduce waste created - meaning there is more efficient use of resources to manufacture outputs. APLs can improve the effectiveness of operations because of reduced expenses (the cost per unit of manufacturing the goods decreasing). Thus, revenue can exceed expenses in a given period of time, leading to the achievement of the business objective 'to make a profit'

Extension notes:

① A suitable structure for "operations strategies and efficiency and effectiveness" questions is:

- define the operations strategy
- outline how the operations strategy can be used to improve efficiency, with reference to wastage being reduced
- outline how the operations strategy can be used to improve effectiveness, with reference to business objective being achieved



4.14 Explain how robotics can be used to improve the efficiency and effectiveness of operations. [3 marks]

Robotics refers to computer-programmed machines that are capable of performing basic and complex tasks that assist humans. Robotics can improve the efficiency of operations due to the high precision of the technology which can limit errors created (due to the way they are programmed) and, hence, reduce waste<sup>①</sup> created - meaning there is more efficient use of resources to create outputs. Robotics can improve the effectiveness of operations because there will be reduced expenses (due to the cost per unit of manufacturing goods decreasing). Thus, revenue can exceed expenses in a given period of time, leading to the achievement of the objective 'to make a profit'.

Extension notes:

① Note that many of the strategies you'll learn will improve the **efficiency** of operations through **reducing** **wastage** created.

4.15 Explain how computer-aided design can be used to improve the efficiency and effectiveness of operations. [3 marks]

Computer-aided design (CAD) refers to a computerised design tool (software) used to create potential product prototypes without the costs of building it. CAD can improve the efficiency of operations because products can be tested before production occurs - thus, wastage levels can reduce because resources will not be discarded. CAD can improve the effectiveness of operations because creativity is encouraged during the design phase, which can lead to the development of innovative products. This can improve customer satisfaction and, thereby, lead to improved sales compared to competitors (the achievement of the business objective 'to increase market share').



4.16 Explain how computer-aided manufacturing can be used to improve the efficiency and effectiveness of operations. [3 marks]

Computer-aided manufacturing (CAM) refers to a systematic production technique in which manufacturing processes are controlled by computer systems. CAM can improve the efficiency of operations through reducing wastage levels. This is because of the high precision of the technology which can limit errors (thus, there is more efficient use of resources). CAM can improve the effectiveness of operations by reducing the cost per unit of making the good and, hence, decreasing expenses. Thus, allowing the business to achieve the business objective 'to make a profit'.

4.17 Explain how artificial intelligence can be used to improve the efficiency and effectiveness of operations. [3 marks]

Artificial intelligence (AI)<sup>①</sup> refer to intelligent computer systems that can perform human-like tasks by learning from new user input. AI can improve the efficiency of operations because, as the AI learns from more user input, the time required for the AI to complete business tasks will reduce (improved speed of operations and time will be saved). Thus, improving the efficiency of operations AI can improve the effectiveness of operations because the overall quality of products delivered to consumers will increase (due to the intelligent nature of AI systems and low error-rates). Thereby, leading to less wastage and hence, reduced expenses (costs) associated with discarding the waste relative to revenue in a given period of time (achievement of the objective 'to make a profit').

Extension notes:

- ① It's important to know some examples of artificial intelligence (AI) so you can better visualise it! Examples of AI in everyday life include chatbots (such as those you'll see on ecommerce websites), virtual assistants (such as Amazon Alexa, Siri and Google Home), face detection software, self-driving cars and Google Search!



4.18 Explain how online services can be used to improve the efficiency and effectiveness of operations. [3 marks]

Online services (OS) refer to internet-based systems, such as website-based applications, that provides value to its users. OS can be used to improve the efficiency of operations by reducing wastage levels for a business - this is because products can be manufactured only once orders are processed rather than being in an idle state (and risk being spoiled or contaminated). OS can be used to improve the effectiveness of operations by implementing a customer feedback form with the OS to determine customer satisfaction regarding products sold - this will allow a business to only manufacture goods which consumers find are of the highest quality, which can reduce operational expenses associated with producing products that are less likely to be purchased. Thus, achieving the objective 'to make a profit' (effectiveness improvement).

5.1 Define forecasting. [1 mark]

Forecasting refers to the analysis of past sales data to predict seasonal events that may account for an increase or decrease in the number of sales in the future.

5.2 Define master production schedule. [1 mark]

Master production schedule refers to a plan or manual of what products are being manufactured and when it is being produced, based on forecasted demands.

5.3 Define materials requirement planning. [1 mark]

Materials requirement planning refers to the development of an itemised list of all materials required to make a product using a computer inventory management system.

5.4 Define Just In Time. [1 mark]

Just in time refers to a system that aims to avoid having any stock (materials) in inventory by transforming inputs as they arrive from delivery and transporting goods to points of sale as they are manufactured.



5.5 Discuss the use of forecasting. [4 marks]

One advantage of forecasting is that it can prevent the risk of over-ordering stock - this is advantageous in ensuring that stock is not subject to contamination or spoilage (because materials are not left idle). One disadvantage of forecasting is that the analysis of past sales data may not account for all events in the future (unexpected trends), leaving the business with an over-supply or under-supply of materials.

Another advantage of forecasting is that it can prevent the risk of under-ordering stock - this is advantageous in ensuring that there is enough materials to meet the demands of all consumer orders. Another disadvantage of forecasting is that it may be a time-consuming process because it requires the collection and analysis of past sales data - this could potentially distract operations management from core business.

5.6 Discuss the use of master production schedule. [2 marks]

One advantage<sup>①</sup> of using the master production schedule is that it can result in the correct quantity of outputs being manufactured which can limit the chance of stock being in excess. As a consequence, wastage levels can reduce because outputs are less likely to be damaged or contaminated.

One disadvantage<sup>②</sup> of using the master production schedule is that it can be time-consuming to develop the plan (statement) of what is being produced and when it is being manufactured. This is disadvantageous because it can potentially distract managers from core business objectives.

Extension notes:

- ① This question is worth 2 marks and so, only **one advantage** and **one disadvantage** of master production schedule needs to be explained.
- ② Another **advantage** of using master production schedules is that they can prevent the risk of under-ordering stock due to the systematic way in which the instructional manual is set out.
- ③ Another **disadvantage** of using master production schedules is that the master production schedule may not account for all miscellaneous events (such as a global pandemic...) and thus, the business will be unable to account for increases (unable to meet demand) or decreases (resulting in waste) in sales.



5.7 Discuss the use of materials requirement planning. [2 marks]

One advantage<sup>①</sup> of materials requirement planning is that it can prevent the risk of having excess resources in inventory due to only ordering the materials required to make the product. Thus, reducing the chance of stock being damaged (and decreasing waste), which is an efficiency improvement.

One disadvantage<sup>②</sup> of materials requirement planning is that it is an expensive materials management strategy because it requires purchasing a computer inventory management system software. Thus, increasing expenses for a business.

Extension notes:

- ① This question is worth 2 marks and so, only one advantage and one disadvantage of materials requirement planning needs to be explained.
- ② Another **advantage** of using master production schedules is that they can prevent the risk of under-ordering stock due to the technical nature of the computerised inventory management system.
- ③ Another **disadvantage** of using master production schedules is that the master production schedule may not account for all miscellaneous events (such as a global pandemic...) and thus, the business will be unable to account for increases (unable to meet demand) or decreases (resulting in waste) in sales.

5.8 Discuss the use of Just In Time. [4 marks]

One advantage of just in time is that storage expenses can be reduced because resources are used as they arrive from delivery and outputs (products) are delivered once produced. Thus, stock is not left idle and a business can improve their profitability. However, one disadvantage of just in time is that delivery costs (expenses) will increase for a business because of the extensive use of trucks to deliver resources and products. This may negatively impact profitability in the short-term.

Another advantage of just in time is that resources are less likely to be subjected to contamination, spoilage or damage because stock is not left idle (immobile). Thus, wastage levels are reduced (which is an improvement to the efficiency of operations). Another disadvantage of just in time is that the extensive use of delivery trucks increases CO<sub>2</sub> emissions. This is disadvantageous because emissions can have a negative impact on the environment.





5.9 Explain how forecasting can be used to improve the efficiency and effectiveness of operations. [3 marks]

Forecasting refers to the analysis of past sales data to predict future seasonal increases or decreases in sales. Forecasting can improve the efficiency of operations by preventing stock from being over-ordered. This can reduce wastage levels because stock is less likely to be left idle and so will not be subject to contamination, spoilage or damage. Forecasting can also prevent stock from being under-ordered, which ensures there is enough inventory available to meet all customer orders. Thus, generating sales compared to competitors (the achievement of the business objective 'to increase market share') - this is an improvement to the effectiveness of operations.

5.10 Explain how master production schedule can be used to improve the efficiency and effectiveness of operations. [3 marks]

Master production schedule refers to a plan or manual of what products are being manufactured and when it is being produced, based on forecasted demands. Master production schedules can result in the correct quantity of outputs being manufactured which can limit the chance of stock being in excess. This reduces the chance of outputs being damaged and consequently, wastage levels can decrease (which is an improvement to the efficiency of operations). Furthermore, the correct quantity of outputs being available means there is sufficient stock to meet all customer orders - thus, a business can generate the maximum number of sales compared to competitors in a given period of time (achieving the objective 'to increase market share'). This is an improvement to the effectiveness of operations.



5.11 Explain how materials requirement planning can be used to improve the efficiency and effectiveness of operations. [3 marks]

Materials requirement planning (MRP) refers to the development of an itemised list of all materials required to manufacture a product using a computer inventory management system. Having a specific list of materials required means that the correct quantity of stock can be ordered. This can reduce wastage levels because inventory is less likely to be idle (and hence, contaminated) - this is an efficiency improvement. Furthermore, the correct quantity of materials being available means there is sufficient stock to meet all customer orders (which can improve sales for the business) - this is an effectiveness improvement.

5.12 Explain how Just In Time can be used to improve the efficiency and effectiveness of operations. [3 marks]

Just in time is a materials management strategy that avoids having stock in inventory by using inputs for production as they arrive and delivering outputs once they are produced. Just in time can improve the efficiency of operations because stock is not left idle and so, is not subject to spoilage, contamination or damage. Consequently, wastage levels are reduced (which is an efficiency improvement). Furthermore, because stock is not left idle, storage expenses are reduced. Thus, revenue can exceed costs in a given period of time, leading to the achievement of the business objective 'to make a profit' (which is an effectiveness improvement).



6.1 Define quality. [1 mark]

Quality refers to the degree of fitness of a product and whether it can meet consumer expectations.

6.2 Define quality control. [1 mark]

Quality control refers to a reactive quality management strategy that involves conducting random inspections of the production line to check for quality issues or defects.

6.3 Define quality assurance. [1 mark]

Quality assurance refers to a proactive quality management strategy that involves attaining an accreditation (such as ISO9000) which indicates the highest set quality in production.

6.4 Define Total Quality Management. [1 mark]

Total quality management refers to a holistic quality management strategy which involves an organisational commitment to maintaining quality and product fitness.

6.5 Discuss the use of quality control. [4 marks]

One advantage of quality control is that it can identify problems or defects in the quality of the final product, through conducting inspections. Thus, maintaining product fitness by preventing consumers from receiving poor quality outputs in future. One disadvantage of quality control is that goods that are identified as defective will end up as wastage - this is disadvantageous because it can incur additional expenses for a business.

Another advantage is that quality control is a relatively inexpensive quality management strategy. This is because the inspection measures are internally controlled by the business (which can reduce expenses). Another disadvantage is that some defective goods may 'slip' through the inspection measures. This means product fitness is not being maintained because goods with quality issues may end up in the hands of consumers.



6.6 Discuss the use of quality assurance. [2 marks]

One advantage<sup>②</sup> of quality assurance is that it can be used to reduce wastage levels. This is because there is a proactive focus on quality which means there is a focus on preventing defects before they occur.

One disadvantage of quality assurance is that it is an expensive quality management strategy because it requires a business to pay an independent body to perform audits and check product quality - thus, increasing expenses.

Extension notes:

- ① This question is worth 2 marks and so, only one advantage and one disadvantage of quality assurance needs to be explained.
- ② Another advantage of quality assurance is that it can improve the **overall quality** of products produced, which can lead to greater consumer satisfaction and hence, sales!

6.7 Discuss the use of Total Quality Management. [4 marks]

One advantage of Total Quality Management (TQM) is that zero defects are produced due to the organisational focus on continuous improvement (Kaizen). Thereby, reducing expenses (costs) for a business. One disadvantage of TQM is that it may be time-consuming to see results because the whole business is required to shift to a 'quality focus' that is holistic. This is disadvantageous because business' may discontinue the use of TQM if they do not see tangible results.

Another advantage of TQM is that the overall quality of the production process is improved. This is because products identified as faulty are only returned to production once its quality is of high standard. Another disadvantage of TQM is that it is an expensive quality management strategy because it involves training employees and infrastructural development costs. Thereby, incurring additional expenses.



6.8 Explain how quality control can be used to improve the efficiency and effectiveness of operations. [3 marks]

Quality control (QC) refers to a reactive strategy that involves conducting inspections throughout the manufacturing process to check for quality issues. QC can improve the efficiency of operations because corrective action<sup>①</sup> is taken after a faulty product is identified to prevent the same quality issue from arising in the future. Thus, reducing wastage (which is an efficiency improvement). QC can improve the quality of production and thus, maximise customer satisfaction. This can lead to improved sales (compared to competitors) in a given period of time; hence, achieving the business objective 'to increase market share' (which is an effectiveness improvement).

Extension notes:

- ① **Corrective action** (CA) has to be mentioned as an efficiency improvement otherwise full marks cannot be awarded. This is because if CA was not included then wastage would not be reduced in the future (and so, efficiency would not improve).

6.9 Explain how quality assurance can be used to improve the efficiency and effectiveness of operations. [3 marks]

Quality assurance (QA) refers to a proactive quality management strategy that involves attaining an accreditation which indicates the highest set quality in production. QA can improve the efficiency of operations by building quality into 'work processes' and thus, mitigating errors before they occur. This can reduce the number of defects created (and hence, wastage) which is an efficiency improvement. QA provides a guaranteed quality to consumers (through following international quality standards such as ISO 9001) which can improve customer satisfaction. This can generate greater sales (revenue) compared to expenses incurred in a given period of time; thus, achieving the business objective 'to make a profit' (which is an effectiveness improvement).



6.10 Explain how Total Quality Management can be used to improve the efficiency and effectiveness of operations. [3 marks]

Total quality management (TQM) is a holistic quality management strategy that involves a business-wide commitment to excellence and maintaining product quality. TQM attempts to improve quality at every stage of the production process - if products are defective, they are removed from the production line and can only return once they are of a suitable quality. This can, consequently, lead to zero defects being produced, which is an efficiency improvement. Furthermore, the mitigation of errors can lead to the quality expectations of consumers being exceeded which can generate greater sales compared to competitors in a given period of time. Thus, a business can achieve the business objective 'to increase market share' (which is an effectiveness improvement).

6.11 Explain how Hubris Airlines could use quality control to ensure that the quality of its aircrafts are maintained. [4 marks]

Quality control refers to a reactive quality management strategy that involves conducting inspections throughout the production process to check for quality issues. First, Hubris Airlines must establish specific pre-determined criteria for quality called quality standards (such as aircrafts having a certain volume of fuel, durable tires and safety equipment). Samples are then randomly chosen from the total population of aircrafts. The quality (fitness) of these sample aeroplanes are compared against the pre-determined quality standards. If it is determined that the sample is of suitable quality, then it can be returned to the aerodrome. However, if it is found that the aeroplane chosen is not of adequate quality then it is rejected from the production line. Hubris Airlines can then perform corrective action to prevent the same issue from occurring in the future which, therefore, ensures that the quality of the aircrafts are maintained (by meeting or exceeding industry standards and consumer expectations).

Extension notes:

① This question requires knowledge of the **steps of quality control**. The steps are:

1. The business must create pre-determined criteria for quality (to compare samples to)
2. Samples are randomly chosen from the production line
3. The quality (fitness) of the samples are compared to the pre-determined criteria — if it is found that the quality is not adequate, then it is removed from the production line
4. Corrective action is then taken to prevent the same quality issue from arising again in the future



7.1 Explain the relationship between waste minimisation and business objectives. [3 marks]

The relationship between waste minimisation and business objectives is that the implementation of effective waste minimisation strategies can lead to the achievement of business objectives, such as 'to make a profit'. For example, products which are defective (due to errors in machinery) will contribute to waste. A business can modify their technology hardware (a form of corrective action) in order to prevent the same defects from being produced. Thereby, reducing wastage levels (through zero defects) which can lead to reduced operational expenses (decreased costs in terms of disposal of wastage and reduced loss of potential sales). Thereby, revenue will exceed expenses in a given period of time, leading to the achievement of the objective 'to make a profit'.

8.1 Define lean management. [1 mark]

Lean management refers to a systematic approach that aims to reduce wastage created whilst appealing to the perspective of customers.

8.2 Explain how lean management can be used to improve the efficiency and effectiveness of operations. [3 marks]

Lean management refers to a systematic approach that aims to reduce wastage created in the production process whilst appealing to the perspective of consumers. Lean management principles can improve the effectiveness of operations because reduced wastage leads to less expenses being incurred in the production process relative to revenue earned. Thus, the business objective 'to make a profit' can be achieved (which is an effectiveness improvement). Furthermore, specific lean management principles such as TIMWOOD aims to reduce inefficiencies in relation to the seven types of wastage (transport, inventory, motion, waiting, overprocessing, overproducing and defects). By implementing operations strategies, a business can reduce these wastage types and hence, improve the efficiency of operations.



8.3 Explain how lean management principles can be implemented to reduce wastage levels at Phonez N Stuff. [5 marks]Ⓢ

Lean management refers to a systematic approach that aims to reduce wastage created in the production process whilst appealing to the perspective of consumers.

One lean management principle is pull, which refers to customer demand determining the amount of products and services produced by a business. This prevents excess "mobile phones and tablets" being manufactured by Phonez N Stuff (that are not sold to consumers) being discarded as waste because the volume of consumers that desire a device will determine the amount of them that are manufactured. Therefore, leading to there being less idle stock in inventory (reduced chance of spoilage and contamination) and, hence, reduced wastage levels.

Another lean management principle is zero defects, which refers to preventing defective goods from being manufactured in the production process. If a defective device is found in the product population at Phonez N Stuff, then the production process will be halted and the defect will not continue through to the next manufacturing stage. Corrective action is applied to the primary cause of the defect to prevent the same error (quality issue) from occurring in the future. Thereby, preventing defective phones from being produced and discarded - thus, reducing wastage levels at Phonez N Stuff.

Extension notes:

Ⓢ I have chosen the lean management principles of Pull and Zero Defects for my response. Below is an explanation of how you could alternatively use **One-Piece-Flow** and **Takt**.

- (1) **One-Piece-Flow**: this refers to a **single product** moving through **all stages** of production at a time. This will **reduce** the **number of errors** made by Phonez N Stuff because they will only be producing one unit at a time. Furthermore, **customers** will receive their phone in the **shortest time possible**.
- (2) **Takt**: this refers to **synchronising manufacturing steps** to meet **customer demand**. This means that the phone manufacturing sequence is **coordinated** in such a way that once the phone parts are prepared, they are **efficiently transferred** to the **next stage** (from making phone parts to assembling them **without any waiting time**).





8.4 Propose and apply lean management principles that can be used to improve the efficiency of P-Balls' operations. In your response, refer to 'Figure 1'. [4 marks]①

One Lean management principle is pull, which refers to customer demand determining the amount of goods (protein powder) produced by a business. This prevents overproduction of the protein powder containers at P-Balls (excess stock that is not sold to consumers) being discarded as waste because the number of consumers that demand protein powder will determine the amount of containers that are manufactured (demand drives production). Therefore, leading to there being less idle stock in inventory (less spoilage) and hence, reduced wastage levels. Thus, the level of wastage should decrease below 9% by the end of 2021.

Another Lean management principle is one-piece-flow, which refers to a single product (protein powder container) moving through all stages of production at a time. This will reduce the number of errors in the manufacturing of the protein powder as one protein powder container (one unit) is produced at a time. The reduction in errors (mistakes) means there will be less wastage created in the manufacturing process and so, the level of wastage can be reduced to less than 9% by the end of 2021 (according to Figure 1).

Extension notes:

① This question requires you to **refer to data** in your response ("refer to 'Figure 1'"). Since the primary aim of lean management is to reduce wastage, you should like the selected principles of lean management to **reducing wastage below 9% in the future**.



9.1 Define the term 'corporate social responsibility'. [2 marks]

Corporate social responsibility refers to the practice of businesses to go above and beyond legal obligations to consider the environment, the community and the economy - the triple bottom line.

9.2 Using the key elements of an operations system, explain how a business can engage in corporate social responsibility. [6 marks]

Inputs refer to resources (natural, labour and capital) that can be used to produce the final product. A business can engage in corporate social responsibility (CSR) in relation to inputs by sourcing resources from local suppliers. This is because there will be less distance travelled by suppliers to deliver materials to manufacturing sites. This can reduce CO<sub>2</sub> emissions which is environmentally advantageous.

Processes refer to the transformational activities involved in transforming inputs into outputs. A business can engage in CSR in relation to processes by modifying technology such that they are powered by renewable resources rather than non-renewable ones. This is because their use improves the sustainability of finite resources (and produces less pollution) which is beneficial for the environment.

Outputs refer to the final product produced by a business that is presented to consumers. A business can engage in CSR in relation to outputs by using biodegradable packaging to package goods sold to consumers. This is eco-friendly because the packaging will be broken down naturally by microbes, meaning there is less wastage (in the form of landfill from alternative packaging forms) being created, which means there is less environmental destruction.



10.1 Define global sourcing of inputs. [1 mark]

Global sourcing of inputs refers to the sourcing of the most cost-competitive resources from overseas countries.

10.2 Define overseas manufacture. [1 mark]

Overseas manufacture refers to the manufacturing and production of a good that is different to the primary operations site.

10.3 Define global outsourcing. [1 mark]

Global outsourcing refers to the contracting of a specific business activity to an external body (organisation), such as a business in another country.

10.4 Explain one advantage and one disadvantage of employing global sourcing of inputs as a global consideration. [2 marks]

One advantage of global sourcing of inputs is that it can be an effective strategy to reduce manufacturing expenses because cost-effective (inexpensive) resources are sourced from overseas. Thereby, allowing a business to improve their profitability in the long-term.

One disadvantage of global sourcing of inputs is that the production process could come to a halt due to transportation disruptions such as cargo ship damage or ports shutting down. Thereby, reducing productivity.

10.5 Explain one advantage and one disadvantage of employing overseas manufacture as a global consideration. [2 marks]

One advantage of overseas manufacturing is that production expenses can reduce because labour costs (wages) tend to be lower in overseas countries. Thereby, improving a business' profitability.

One disadvantage of overseas manufacturing is that the business is not seen as socially responsible due to the loss of local employment opportunities. This may worsen a business' reputation (which may negatively affect sales).



10.6 Explain one advantage and one disadvantage of employing global outsourcing as a global consideration. [2 marks]

One advantage of global outsourcing is that it can reduce expenses for a business - this is because there are lower labour costs during manufacturing, meaning that overall operational expenses for the business seeking the outsourcing will decrease (allowing a business to generate a profit).

One disadvantage of global outsourcing is that the quality of the manufacturing of a good or delivery of a service is taken out of the hands of the business (as the external organisation performs the outsourced activity). This poses a risk to the business' reputation if the external organisation employs low-quality practises.

10.7 Explain how one global strategy can be used to improve the efficiency and effectiveness of operations. [3 marks]

One global strategy is overseas manufacturing, which refers to the production of a good in a location that is different to the primary operations site. Overseas manufacturers produce goods for global consumption and so, utilise high-quality facilities for their manufacturing processes. This leads to reduced wastage levels because of less errors being made (which is an efficiency improvement). Overseas manufacturing can improve the effectiveness of operations because overseas manufacturers have competitive pricing compared to local manufacturers (due to reduced labour costs), thereby decreasing overall operational (manufacturing) expenses for a business relative to revenue in a given period of time. Thus, allowing a business to achieve the objective 'to make a profit' (an effectiveness improvement).



# Solutions: Unit 4 AOS 1

## 1.1 Define business change. [2 marks]

Business change refers to an alteration<sup>①</sup> to the internal or external environment of a business, resulting in a change to the operation of a business over time.

Extension notes:

- ① Businesses have two components: an **internal** and **external** business environment. And so, business change would, logically, refer to an alteration (change) to either of these components.
- ② Note that this question is worth two marks and so, two distinct points need to be mentioned in your definition: a) that business change is an alteration to a business' environment and b) that business change results in a difference in the operation of a business.

## 1.2 State two examples of business change. [2 marks]

One example of business change is implementing automated production lines in the workplace. Another example is downsizing the business by reducing the size of the workforce.

Extension notes:

- ① Other examples of business change include:
  - moving a business' operations to a new location
  - change in leadership or management
  - two businesses undergoing a merger
  - change in corporate culture

## 2.1 Explain one example of a proactive approach to change and a reactive approach to change. [4 marks]

A proactive approach to change is an approach that involves preparing for change before it occurs. An example of a proactive approach to change is a business implementing a policy before it is required by legislation (such as Woolworths implementing a ban on single-use plastic bags in 2018 before the legislation passed in 2019).

A reactive approach to change is an approach that involves reacting to change after it occurs. An example of a reactive approach to change is observing the actions of competitors (such as rivals implementing new technology or product lines) and then matching them by implementing similar processes and ideas.



2.2 Explain why using a proactive approach to change is more appropriate than a reactive approach to change. [3 marks]

By preparing for change before it occurs, a proactive approach to change allows managers to recognise where change is required, what is required for successful change and what the business will look like after the specific change is implemented. This means there are no unexpected surprises when a proactive approach to change is adopted compared to a reactive one, meaning that the specific change is more likely to be successfully implemented. Thus, a proactive approach to change is more appropriate to use compared to a reactive approach to change because there is a greater chance of the change being successful in the long-term.

3.1 Define the term 'key performance indicator' and outline their purpose. [2 marks]

Key Performance Indicators (KPI's) are a specific set of criteria used to measure a business' performance in terms of its efficiency and effectiveness. Their purpose is to act as sources of data - KPI's are analysed before and after implementing change to determine if the change was successful in achieving pre-determined business objectives.<sup>①</sup>

Extension notes:

- ① The key term to use when outlining the purpose of KPI's is "business objectives", however, the purpose can be explained in terms of businesses wanting to see if they are meeting targets (and not just see if a specific business change is successful).

3.2 Define the key performance indicator 'percentage of market share'. [1 mark]

Percentage of market share refers to the proportion of sales attained by a business in a specific industry compared to competitors in a given period of time.<sup>①</sup>

Extension notes:

- ① When defining key performance indicators (KPI's), specific reference to a time component has to be made. This can be accomplished by simply concluding your response with "in a given period of time."



3.3 Define the key performance indicator 'net profit figures'. [1 mark]

Net profit figures refer to what a business has earned after all the expenses have been deducted from the revenue in a given period of time.

3.4 Define the key performance indicator 'rate of productivity growth'. [1 mark]

Rate of productivity growth refers to how efficient an operations system is by comparing the amount of inputs used to create outputs in a given period of time.

3.5 Define the key performance indicator 'number of sales'. [1 mark]

Number of sales refers to the total number of products (goods or services) sold by a business in a given period of time.

3.6 Define the key performance indicator 'rate of staff absenteeism'. [1 mark]

Rate of staff absenteeism refers to the number of days employees are absent from work out of their total possible working schedule in a given period of time.

3.7 Define the key performance indicator 'level of staff turnover'. [1 mark]

The level of staff turnover refers to the number of employees that leave a business and need to be replaced<sup>ⓐ</sup> in a given period of time.

Extension notes:

- ⓐ A key point that needs to be made in the definition is that employees who leave a business are **replaced** by new employees - many students may forget this! So, this point can be a 'trick' in the question that can be used to separate students.

3.8 Define the key performance indicator 'level of wastage'. [1 mark]

Level of wastage refers to the amount of faulty products or resources (inputs) discarded as waste by a business in a given period of time.

3.9 Define the key performance indicator 'number of customer complaints'. [1 mark]

Number of customer complaints refer to the number of defaults or faulty products reported by consumers in a given period of time.

3.10 Define the key performance indicator 'number of workplace accidents'. [1 mark]

Number of workplace accidents refers to the number of worker-related injuries reported in a given period of time.



3.11 Analyse<sup>①</sup> the extent<sup>③</sup> to which the changes at Sharples affected its performance after one year of trading using data in Figure 3. [4 marks]<sup>②</sup>

The rate of staff absenteeism refers to the number of days employees are absent from work out of their total working schedule in a given period of time. According to Figure 3, the rate of staff absenteeism unfavourably increased from an average of 5 days absent per year per staff member (in 2019) to an average of 14 days absent per year per staff member (in 2020). This could have been caused by the downsizing<sup>④</sup> of the workforce at Sharples, whereby employees become concerned or distressed due to their reduced job security or due to the breakdown of previously existing teams. Reduced employee morale may have increased the number of days employees are absent from work. Thus, to a large extent, the changes (downsizing) at Sharples may have negatively affected business performance.<sup>⑤</sup>

The level of wastage refers to the amount of resources and faulty products discarded as waste in a given period of time. At Sharples, the level of wastage favourably decreased from 7% in 2019 to 2% in 2020. This could have been due to the use of just in time<sup>④</sup> at Sharples - a materials management strategy that avoids having stock in inventory by using resources as soon as they arrive in production and delivering products once they are manufactured. This can reduce the chance of "stationary materials" being subject to contamination, spoilage or damage because stock is not left idle. Thus, the reduced level of wastage indicates that, to a large extent, the changes (use of just in time) at Sharples has positively improved business performance.<sup>⑤</sup>

Extension notes:

- ① **Analyse**, in the context of the KPI question, requires you to interpret data provided and relate this data to the case study provided. This analysis also means you are required to refer to whether the data changes unfavourably or favourably for Sharples and in what direction (an increase or decrease).
- ② This question is worth 4 marks and so, reference to only two out of the four KPI's have to be made. However, you will notice in my response that I have chosen one KPI that favourably changes and one that unfavourably changes — although not required, this gives my response structure.
- ③ The word "**extent**" is a key trick in the question which requires you to mention whether the changes in KPI data indicate to a large or small extent that Sharples' performance has been affected.
- ④ To ensure you are achieving marks for linking to Sharples you can associate the reason for business performance being affected to the changes listed in the case study, as I have done here.
- ⑤ A suitable structure when analysing each KPI is:
  1. **Define** the specific KPI
  2. State the **trend** - whether the KPI unfavourably or favourably increased or decreased using **data** from **Figure 3**
  3. Outline a potential **reason** why the KPI changed
  4. State the **extent** (large or small) to which the changes at Sharples affected business performance





3.12 State what changes have occurred to key performance indicator data in Figure 1 and whether these changes are favourable or unfavourable. [4 marks]

According to Figure 1<sup>①</sup>, the level of wastage has favourably decreased from 4% in 2018 to 3% in 2019. The number of customer complaints have also favourably decreased from 7 complaints per week in 2018 to 2 complaints per week in 2019.

②

Net profit figures have unfavourably decreased from \$13,000 per annum in 2018 to \$10,000 per annum in 2019. The number of sales has also unfavourably decreased from 42 sales per day in 2018 to 29 sales per day in 2019.

Extension notes:

- ① In order to show the examiner you are aware of the presence of data, you can actively signpost like this ("According to Figure 1").
- ② Although the response is short in content, I have paragraphed to improve clarity for the examiners. Note that you can paragraph your response by favourable and unfavourable trends, as I have done here.



3.13 Analyse the extent to which the implementation of Total Quality Management has improved the performance of Banana Pty Ltd using data in Figure 2. [6 marks]<sup>①</sup>

Net profit figures refer to what a business has earned after all expenses have been deducted from the revenue earned in a given period of time. At Banana Pty Ltd, net profit figures unfavourably decreased from \$80,000 in 2018 to \$55,000 in 2021. This could be because the implementation of Total Quality Management (TQM)<sup>③</sup> incurs additional expenses for Banana Pty Ltd - such as training costs, infrastructural changes costs and consultant fees. These expenses, when accumulated over time, may have unfavourably reduced profit earned. Thus, to a large extent, the use of TQM has not improved financial performance at Banana Pty Ltd.<sup>⑤</sup>

The number of sales refers to the total number of products sold by a business in a given period of time. According to Figure 2, the number of sales favourably increased from 200 sales per day in 2018 to 400 sales per day in 2021. This could have been a consequence of the improved quality<sup>④</sup> of the production process due to the implementation of TQM. And so, customer satisfaction may have improved because of the 'fitness' of the 'mobile phones' being enhanced. This leads to greater sales over time and thus, to a large extent, the implementation of TQM has improved the performance of Banana Pty Ltd.

The level of staff turnover refers to the number of employees leaving a business that need to be replaced in a given period of time. At Banana Pty Ltd, the level of staff turnover unfavourably increased from 4% in 2018 to 8% in 2021. This could have been because of the organisational change in culture that is required as a result of using TQM - this is because long-term and continual involvement is required by employees to plan and execute the use of this holistic quality management strategy. The increased workload<sup>⑥</sup> may have reduced staff morale and consequently, employees at Banana Pty Ltd would have left and been replaced (which increases the level of staff turnover over time). Thus, to a large extent, perhaps the implementation of TQM has not improved the performance of employees at Banana Pty Ltd.

Extension notes:

- ① This question is worth 6 marks and so each of the three KPI's must be analysed.
- ② I have structured my response in **three paragraphs** with each paragraph analysing a specific KPI from Figure 2.
- ③ I have **abbreviated** Total Quality Management in brackets because it is a term I will be continuously using in my response.
- ④ Note that a **definition** of TQM should be given however, this can be **explicitly** or **implicitly** done in the response.  
  
I have strategically opted to implicitly define TQM because I can **couple** the definition with the reasoning for KPI changes (as I have done in paragraph 2 and 3).
- ⑤ As a reminder, a **suitable step-by-step structure** to analyse each KPI is:
  1. **Define** the specific KPI
  2. State the **trend** — whether the KPI unfavourably or favourably increased or decreased using **data** from Figure 3
  3. Outline a potential **reason** why the KPI changed
  4. State the **extent** (large or small) to which the changes at Banana Pty Ltd affected business performance



3.14.1 Analyse the extent to which the implementation of staff motivation strategies improved business performance at Forks R Us from 2018 to 2019 using Figures 1 or 2 [3 marks].

The level of staff turnover<sup>①</sup> refers to the number of employees that leave a business and need to be replaced in a given period of time. The level of staff turnover favourably decreased from 10% in 2018 to 5% in 2019. This could have been due to the implementation of motivation strategies (such as career advancement<sup>②</sup>) which can improve the morale and, hence, satisfaction levels of employees. And so, employees at Forks R Us would be less likely to leave the business and need to be replaced. Hence, to a large extent, the implementation of staff motivation strategies has improved the performance of Forks R Us (according to Figure 1).<sup>③</sup>

Extension notes:

- ① I have chosen to analyse Figure 1 (the level of staff turnover), however, it would be correct to alternatively analyse Figure 2 (the rate of productivity growth) — choose what you are most comfortable with!
- ② I have stated a specific example of a motivation strategy in brackets; however, this not required given that the question is only worth three marks! If a similar question is worth more marks, then you would be required to briefly explain how the specific motivation strategy can be applied.
- ③ I have added “according to Figure 1” here to show the examiner that I am referring to the correct set of data (and not Figure 2).
- ④ If Figure 2 is instead analysed, you can use a similar explanation to the above response by associating increased morale with improved work performance (higher level of outputs in a reduced timeframe) and hence, a greater rate of employee productivity.

3.14.2 Analyse the extent to which the implementation of staff training improved business performance at Forks R Us from 2019 to 2020 using Figures 2 or 3. [3 marks]

The number of workplace accidents refers to the number of worker-related injuries reported in a given period of time. According to Figure 3, the total number of workplace accidents favourably decreased from 12 accidents in 2019 to 4 accidents in 2020. This could have been because the staff training strategies expanded the skills and knowledge of employees at Forks R Us — thus, employees have a greater understanding of how to use equipment and machinery. This reduces the number of errors made by staff which, by extension, decreases the number of workplace accidents over time. Thus, to a large extent, the implementation of staff training strategies (such as on-the-job or off-the-job training<sup>②</sup>) has improved the performance of Forks R Us.

Extension notes:

- ① If Figure 2 is instead analysed, you can use a similar explanation to the above response by associating increased skills and knowledge with improved work performance (reduced time when performing business activities) and hence, a greater rate of employee productivity.
- ② I have stated specific examples of training options in brackets to elevate my response.



4.1 Define Lewin's Force Field Analysis theory. [1 mark]

Lewin's Force Field Analysis theory is a decision-making tool used to determine the forces that drive change (driving forces) and restrict change (restraining forces).

Extension notes:

- ⊙ If this question was worth two marks, then a second point you have to mention would relate to the **purpose** of Lewin's Force Field Analysis theory — which is to ensure change is **successful** in the **long-term**.

4.2 Describe the steps of Lewin's Force Field Analysis Theory. [4 marks]

First, a manager must define the target of change. Then, the manager will identify the forces that drive change to occur (driving forces) and the forces that prevent change from occurring (restraining forces). The manager can then rank or weigh the forces based on order of prioritisation to ensure that driving forces are promoted and restraining forces are restricted (this is to rid of the equilibrium). Finally, an action plan can be formed and applied in the workplace.

Extension notes:

- ⊙ An acronym you can use to remember the **driving** forces is **MCR PIGLETS** (which sounds like minecraft piglets) and an acronym you can use for **restraining** forces is **METLOF** (which sounds like meatloaf).

4.3 Explain how the manager at Ballz could apply Lewin's Force Field Analysis theory to ensure the change is successful. [5 marks]

First the manager must define the target of change, which is to source new product lines for more niche sports. The manager must then identify the driving forces and restraining forces for the proposed change. One driving force is the pursuit of profit, which refers to the growing of sales (revenue) relative to expenses incurred such that a profit can be earned. This is a driving force for change because profits can be used to expand businesses and generate innovation. One restraining force is financial considerations, which refers to the dollar cost of implementing change. This is a restraining force for change because sourcing unique product lines can incur additional short-term expenses which may hinder profit generation. From this, the manager at Ballz can rank the forces by order of prioritisation to ensure driving forces are promoted and restraining forces are reduced (to rid of the equilibrium). An action plan is then implemented - the manager at Ballz may reduce the restraining force of financial considerations by sourcing a bank loan or implementing cost-cutting measures (such as cost containment) in operations.

Extension notes:

- ⊙ This question requires knowledge of the **steps** of Lewin's Force Field Analysis theory, which can be seen in the response above (question 3.2).
- ⊙ When identifying driving and restraining forces for change, you respectively should explain **WHY** they are driving and restraining forces for change.
- ⊙ The **action plan** should focus on either reducing restraining forces or promoting driving forces. And so, the action plan can involve promoting the driving force of 'pursuit of profit' or reducing the restraining force of 'financial considerations'.



4.4 Apply the principles of Lewin's Force Field Analysis theory to a contemporary business example. [6 marks]

Lewin's Force Field Analysis theory is a decision-making tool used to determine the forces that promote change (driving forces) and prevent change (restraining forces). One contemporary business example is Woolworths and their recent plastic bag ban in June 2018 (and adoption of reusable bags).

First, Woolworths must define their target of change, which is to introduce a plastic bag ban policy across all Woolworths stores and instead use reusable bags. Then, Woolworths must identify driving and restraining forces for change. One driving force for the plastic bag ban is societal attitudes, which refers to ingrained values within a community. This is a driving force for change because responding to societal beliefs allows businesses to maintain a customer base (by meeting consumer expectations). One restraining force for the plastic bag ban is employees, which are individuals who provide labour in exchange for a monetary reward. This is a restraining force for change because employees may fear how their relationship with customers may progress - for example, disgruntled customers may take out their negative feelings on Woolworths employees.

From this, Woolworths can rank the forces based on order of prioritisation with the aim of promoting driving forces and restricting restraining forces (rid of the equilibrium). An action plan can then be formulated and implemented - for example, Woolworths can provide on-the-job communications training to staff so they are better able to handle frustrated customers (thus, reducing the restraining force of employees). This allows the plastic bag ban policy to be more successful in the long-term.



5.1 Define the driving <sup>①</sup> force of managers and explain how managers is a driving force for change. [2 marks]

Managers are the 'leaders' (change role models) that are responsible for coordinating business activities. Managers can be a driving force for change because they have responsibility over the business' future success. If the proposed change is able to improve the success of the business (such as financial performance), a manager is more likely to encourage that change to improve their own reputation amongst the owners. Thus, managers can be a driving force for change. <sup>②</sup>

Extension notes:

- ① A **driving force** for change is one that promotes or **encourages** proposed change to occur. However, you do not need to mention this in your response because the question asks for a definition of a specific driving force for change (managers).
- ② A suitable structure to respond to questions like these is to:
  1. **Define** the driving force for change
  2. Explain **why** the specific force is a driving force \*note this could also be achieved by explaining why the specific force is not a restraining force\*

5.2 Define the driving force of employees and explain how employees is a driving force for change. [2 marks]

Employees refer to individuals that provide labour in exchange for a monetary reward (such as a salary or wage). Employees can be a driving force for change because they may want to promote a change that has tangible benefits for themselves. For example, employees at a business may feel 'empowered' to negotiate new terms for an agreement (such that they can receive better wages and conditions) if they are dissatisfied with the current terms they are covered by. Thus, employees can be a driving force for change.

5.3 Define the driving force of competitors and explain how competitors is a driving force for change. [2 marks]

Competitors refer to rival businesses in the same industry that offer a similar product or service. Competitors can be a driving force for change because businesses need to respond to pressures in the market in order to maintain business competitiveness. For example, <sup>①</sup> if a competitor introduces a new product line, then a business may decide to source a similar product line in order to compete with them. Thus, competitors can be a driving force for change.

Extension notes:

- ① Note that alternative examples can be used, such as:
  - competitors implementing promotion strategies (such as advertising)
  - competitors complementing in-store purchasing with an online means (such as websites)



5.4 Define the driving force of legislation and explain how legislation is a driving force for change. [2 marks]

Legislation refers to the laws which regulate business activities and that they must comply with. Legislation can be a driving force for change because restrictions have to be legally complied with. And so, since legislation cannot be ignored, any internal or external business changes must occur in response to any new laws introduced by the Australian government. Thus, legislation can be a driving force for change.

5.5 Define the driving force of pursuit of profit and explain how pursuit of profit is a driving force for change. [2 marks]

Pursuit of profit refers to the increasing of sales (revenue) relative to expenses incurred in a given period of time. The pursuit of profit can be a driving force for change because it is a primary business objective for most businesses (the business objective 'to make a profit'). This profit can be used by businesses to expand the business or generate innovation. Thus, the pursuit of profit can be a driving force for change.

5.6 Define the driving force of reduction of costs and explain how reduction of costs is a driving force for change. [2 marks]

Reduction of costs refers to the decreasing of expenses such that a business can earn a profit. Reduction of costs can be a driving force for change because, by reducing costs, a business is able to ensure that revenue exceeds expenses in a given period of time (thus, the business objective 'to make a profit' can be achieved). Hence, the reduction of costs can be a driving force for change.



5.7 Define the driving force of globalisation and explain how globalisation is a driving force for change. [2 marks]

Globalisation refers to the reduction in trade barriers between countries, allowing a business to move their competitive positions from a national to international spectrum. Globalisation can be a driving force for change because it allows businesses to outcompete rivals in the international market and this is important in gaining a competitive advantage. Thus, globalisation can be a driving force for change.

5.8 Define the driving force of technology and explain how technology is a driving force for change. [2 marks]

Technology refers to the modification of the natural world for practical purposes. Technology can be a driving force for change because it can improve the efficiency and effectiveness of the operations system of a business. For example, automated production lines (a technology development strategy) can improve the speed and volume of the production process (thus, increasing productivity). Hence, technology is a driving force for change.

5.9 Define the driving force of innovation and explain how innovation is a driving force for change. [2 marks]

Innovation refers to new ideas or processes that can change the operation of a business. Innovation can be a driving force for change because it can lead to the achievement of business objectives. For example, businesses can be innovative by implementing energy-efficient processes that can reduce energy consumption and limit environmental damage - thus, leading to the achievement of the objective 'to fulfil a social need'. Thus, innovation can be a driving force for change.





5.10 Define the driving force of societal attitudes and explain how societal attitudes is a driving force for change. [2 marks]

Societal attitudes refer to the beliefs and values shared within a community. Societal attitudes can be a driving force for change because community values can influence consumers' purchasing behaviours. Consequently, responding to changes in societal beliefs can help maintain a customer base and a competitive advantage over rival in the market. Thus, societal attitudes can be a driving force for change.

6.1 Define the restraining<sup>①</sup> force of managers and explain how managers are a restraining force for change. [2 marks]

Managers are the 'leaders' (change role models) that are responsible for coordinating business activities. Managers can be a restraining force for change because they may not have adequate management skills to enable change to occur. For example, the lack of strong leadership skills may make businesses struggle to progress through the difficult process of business transformation. Thus, managers can be a restraining force for change.<sup>②</sup>

Extension notes:

- ① A restraining force for change is one that prevents proposed change from occurring. However, you do not need to mention this in your response because the question asks for a definition of a specific restraining force for change (managers).
- ② A suitable structure to respond to questions like these is to:
  1. Define the restraining force for change
  2. Explain why the specific force is a restraining force \*note this could also be achieved by explaining why the specific force is not a driving force\*

6.2 Define the restraining force of employees and explain how employees are a restraining force for change. [2 marks]

Employees refer to individuals who provide labour in exchange for a monetary reward (such as a salary or wage). Employees can be a restraining force for change due to any fears or insecurities they may have about the transformation. For example, employees may have fears for their job security being affected by the proposed change. Consequently, employees may have fears for their job security being affected by the proposed change. Consequently, employees may not feel 'empowered' to encourage the change and so, employees can be a restraining force for change.



6.3 Define the restraining force of time and explain how time is a restraining force for change. [2 marks]

Time refers to the measurable period (timeframe) available to respond to pressures of change. Time can be a restraining force for change because a lack of time may mean businesses cannot thoroughly prepare for the change (transformation) process. This will, eventually, make the change process ineffective since planning has not been undertaken. Thus, time can be a restraining force for change.

6.4 Define the restraining force of organisational inertia and explain how organisational inertia is a restraining force for change. [2 marks]

Organisational inertia refers to the inability of businesses to react to external and internal pressures of change as it continues on its current path. Organisational inertia can be a restraining force for change because businesses may be hesitant to change from the status quo (values and beliefs they are comfortable with). This leads to a culture of resistance and inflexibility, which can prevent proposed change from occurring. Thus, organisational inertia can be a restraining force for change.

6.5 Define the restraining force of legislation and explain how legislation is a restraining force for change. [2 marks]

Legislation refers to the laws which regulate business activities and that businesses must comply with. Legislation can be a restraining force for change because alterations to Australian law can be unexpected or expensive for businesses. This can make it difficult to respond quickly and positively. Thus, legislation can be a restraining force for change.



6.6 Define the restraining force of financial considerations and explain how financial considerations can be a restraining force for change. [2 marks]

Financial considerations refer to the dollar cost of implementing change. Examples of financial considerations include: training costs, operational expenses and wages for employees; financial considerations can be a restraining force for change because of a business' inability to obtain funds to implement the transformation. Furthermore, high financial expenses may hinder the ability of a business to achieve the objective 'to make a profit'. Thus, financial considerations can be a restraining force for change.

7.1 Define porter's generic strategy of lower cost. [1 mark]

Porter's generic strategy of lower cost is where a business aims to become the low-cost producer of an industry in order to gain a competitive advantage.

7.2 Define porter's generic strategy of differentiation. [1 mark]

Porter's generic strategy of differentiation is where a business aims to become a unique innovator in an industry in order to gain a competitive advantage.

7.3 Define the term competitive advantage. [1 mark]

A competitive advantage refers to obtaining a superior business position over rivals (competitors).



7.4 Distinguish between porter's generic strategy of lower cost and differentiation. [3 marks]

Porter's generic strategy of differentiation is where a business aims to become a unique innovator in an industry in an industry in order to gain a competitive advantage, whereas<sup>①</sup>, Porter's generic strategy of lower cost is where a business aims to become the low-cost producer of an industry in order to gain a competitive advantage. The difference is that Porter's generic strategy of lower cost focusses on internal factors such as reducing production costs, whereas<sup>①</sup>, Porter's generic strategy of differentiation focusses on external factors such as branding, advertising and marketing to display how unique the product.

Extension notes:

① Note that if the word "whereas" is excluded from your response when distinguishing from porter's generic strategies of differentiation and lower cost, full marks cannot be awarded.

7.5 Using a contemporary<sup>①</sup> business example, explain how porter's generic strategy of differentiation can be used to gain a competitive advantage. [3 marks]<sup>②</sup>

Porter's generic strategy of differentiation is where a business aims to become a unique innovator in the industry in order to gain a competitive advantage. This could be achieved by creating a product that provides a business with a unique point of difference. For example, Apple has recently introduced Apple AirPods which contains a H1 chip that enables voice-activated Siri and faster connect times. Apple have created the H1 chip themselves, which allows them to charge a premium pricing on their AirPods - this is because cost would not be an important consideration to consumers who want a unique and different product. Thus, Apple can gain a competitive advantage through improving their profitability in the long-term.

Extension notes:

① Note that any relevant contemporary business example can be used.

② The **limiting phrase** is in terms of "gain[ing] a competitive advantage" and so your whole response (particularly the last sentence) should link to this.

③ Since the question is only worth three marks, only a brief description of the chosen contemporary business example is required.



7.6 Using a contemporary business example, explain how porter's generic strategy of lower cost can be used to gain a competitive advantage. [3 marks]

Porter's generic strategy of lower cost is where a business aims to become a low-cost producer in their specific industry in order to gain a competitive advantage. This is achieved through implementing cost cutting measures (such as global outsourcing<sup>①</sup>) in the operations system to reduce expenses. For example, Jetstar Airlines have recently introduced the new Airbus A321neo LR which has a high fuel efficiency - this reduces fuel costs (expenses). This can improve the airlines' price competitiveness because the cost of a seat can be sold at or near the industry average. Thereby, improving profitability in the long-term by maximising consumer buying power and gaining a competitive advantage over rival airline businesses.

Extension notes:

① Outsourcing refers to the contracting of a specific business activity to an external body (organisation), particularly in overseas countries. This can reduce expenses because overseas manufacturers tend to have cheaper labour rates.

7.7 Compare porter's generic strategy of lower cost and porter's generic strategy of differentiation. [4 marks]

One similarity between Porter's generic strategy of lower cost and differentiation is that they both aim to achieve business objectives, such as 'to make a profit' - as improved profitability in the long-term allows a business to maximise their competitiveness relative to rival businesses. However, these strategies differ by how they achieve this profitability - for example, Porter's generic strategy of differentiation achieves long-term profitability through charging customers a premium price on unique products whereas, Porter's generic strategy of lower cost achieves long-term profitability through reducing operational costs and charging consumers a price that is at or near the industry average (in order to maximise buying power).

One similarity between Porter's generic strategy of lower cost and differentiation is that they both aim to gain a competitive advantage for businesses - this refers to gaining a superior business position over rivals (competitors) thereby maximising business competitiveness. One difference is that Porter's generic strategy of lower cost focusses on internal factors such as reducing production costs, whereas Porter's generic strategy of differentiation focusses on external factors such as branding, advertising and marketing to demonstrate how unique a product is.



7.8 Discuss the use of porter's generic strategy of lower cost in terms of gaining<sup>①</sup> a competitive advantage. [4 marks]

One advantage of porter's generic strategy of lower cost is that, by being a low-cost producer in an industry, a business can increase their market share through attracting price-conscious consumers. Thereby, gaining a competitive advantage amongst rivals in the same industry (becoming a brand leader). One disadvantage of porter's generic strategy of lower cost is that consumers may associate reduced prices with low quality (fitness). This is disadvantageous because consumers may believe the business' products won't meet their expectations - thus, reducing sales and losing the competitive edge.

One advantage of porter's generic strategy of lower cost is that the growing sales relative to expenses incurred can lead to improved profitability in the long-term for a business - this profit can be used to expand a business or generate innovation. Thereby, gaining a competitive advantage. One disadvantage of porter's generic strategy of lower cost is that low-cost products may not be innovative or unique enough to appeal to consumers who want something different. This may reduce sales and thus, the business may lose a competitive advantage.

Extension notes:

- ① The limiting phrase of this question is "in terms of gaining a competitive advantage" and so, the advantages and disadvantages written should link to whether a competitive edge is being gained or not.

7.9 Discuss the use of porter's generic strategy of differentiation in terms of gaining<sup>①</sup> a competitive advantage. [4 marks]

One advantage of porter's generic strategy of differentiation is that premium pricing can be charged because cost would not be an important consideration to consumers who want something unique. Thereby, a business can improve their profitability in the long-term and gain a competitive edge. One disadvantage of porter's generic strategy of differentiation is that the high pricing of products may not attract price-conscious consumers. This is disadvantageous because it limits a potential customer base (and thus, reduce sales) - which can reduce a business' competitive advantage.

Another advantage is that stronger business-consumer relationships can be formed due to the uniqueness of the products. This is advantageous in growing sales by building brand loyalty (which can lead to a competitive edge being gained). Another disadvantage is that the unique features of the particular product may be copied (mimicked) by other products - this can reduce a business' competitive advantage due to the value of the product reducing over time.

Extension notes:

- ① The limiting phrase of this question is "in terms of gaining a competitive advantage" and so, the advantages and disadvantages written should link to whether a competitive edge is being gained or not.



## Questions: Unit 4 AOS 2

1.1 Explain how leadership can be used during the change process. [3 marks]

Leadership refers to the ability to positively influence and motivate employees towards the achievement of business objectives. Change refers to any alteration to the internal or external environment of a business and can be a period of significant confusion or fear for employees at a business - this is because fear is a natural reaction to any change and thus, must be accounted for by leaders during change management. Leadership can be useful in addressing any concerns (or other stakeholders such as customers) have about the change. Thus, increasing the likelihood of success for the change in the long-term because key stakeholders are more likely to embrace the change rather than work against it.



1.2 Using a contemporary business example, explain how leadership can be used during times of change.  
[6 marks]①

Leadership refers to the ability to positively influence and motivate employees towards the achievement of business objectives. Change refers to any alteration to the internal or external environment of a business and can be a period of significant confusion or fear for employees at a business – this is because fear is a natural reaction to any change and thus, must be accounted for by leaders during change management. Leadership can be useful in addressing any concerns (or other stakeholders such as customers) have about the change. Thus, increasing the likelihood of success for the change in the long-term because key stakeholders are more likely to embrace the change rather than work against it.

One contemporary business example is Woolworths and their recent plastic bag ban in June 2018, followed by adopting green reusable bags (a commitment by Woolworths to the environment). During the change process Mr Banducci – the CEO of Woolworths – noticed resistance from customers who were frustrated and disgruntled by the fact they had to purchase the reusable bags. As a consequence, Mr Banducci used effective decision-making skills② by extending a free 10 day trial for the reusable bags such that customers can adapt to the single-use plastic bag ban. Hence, Leadership is important because it allows for resistance to business transformation to reduce and so, the change at Woolworths can be more successful in the long-term.

Extension notes:

① A suitable structure to respond to this question is:

1. Explain why leadership is important
2. Explain the relevance of a contemporary business example, using key words from the previous paragraph

② A **specific management skill** must be referred to in your response – this is because leaders have to use a variety of **different** management skills in order to demonstrate their leadership abilities.





2.1 Define the term 'key performance indicator'. [1 mark]

Key Performance Indicators are a specific set of criteria used to measure the efficiency and effectiveness of a business' performance.

2.2 Define the management strategy of staff training. [1 mark]

Staff training is a strategy used to increase the skills and knowledge of employees such that they perform their jobs more efficiently than before.

2.3 Define the management strategy of staff motivation. [1 mark]

Staff motivation is a strategy used to improve the energy and commitment levels of employees such that they feel greater motivation to achieve business objectives.

2.4 Define the management strategy of change in management styles. [1 mark]

A change in management styles refers to a shift in the leadership approach used by managers to direct employees.

2.5 Define the management strategy of change in management skills. [1 mark]

A change in management skills refers to a shift in the way a specific skill is used by a manager to influence the performance of a business.

2.6 Define the management strategy of increased investment in technology. [1 mark]

Increased investment in technology is a strategy that involves the implementation and operation of technology to improve the speed and safety in production.

2.7 Define the management strategy of improving quality in production. [1 mark]

Increased quality in production is a strategy that involves the implementation of quality management strategies in the production process (such as total quality management) to ensure that goods and services meet the needs of consumers.



2.8 Define the management strategy of cost cutting. [1 mark]

Cost cutting is a strategy used to reduce expenses (costs) incurred in the production process whilst maintaining the products' value and quality.

2.9 Define the management strategy of initiating lean production techniques. [1 mark]

Initiating lean production techniques refer to systematic business-wide strategies used in operations that reviews all processes with the aim of maximising customer value whilst reducing wastage created.

2.10 Define the management strategy of redeployment of resources. [1 mark]

Redeployment of resources refers to the reallocation of resources (natural, labour and capital) from one part of the business to another, allowing for more efficient use of resources.

Explain how the following management strategies could be used by a business to respond to changes in Figure 1 and position the business for 2019:

2.11.1 Initiating lean production techniques. [3 marks]

Initiating lean production techniques refers to a systematic business-wide strategies used to reduce wastage created whilst maximising customer value. The manager at Fred's Fridges can implement TIMWOOD (the seven types of wastage) as a lean management principle. For example, quality control (a reactive quality management strategy) can reduce 'defects' because corrective action can be taken after quality issues are identified to prevent the same issue occurring in the future. Thus, the number of defective fridges produced should reduce in future - consequently, the level of wastage at Fred's Fridges should be less than 4% in 2019.

Extension notes:

⊙ For questions that involve responding to changes in KPI data and positioning the business for the future, a **suitable structure** is:

- Define the management strategy
- Outline how the management strategy can be used to favourably change the KPI data in future
- Outline how the KPI data will favourably change in the future, with reference to KPI data

⊙ The limiting phrase "position the business for 2019" indicates that you must make a **prediction** about KPI data changing favourably. 138



### 2.11.2 Staff training. [3 marks]

Staff training is a strategy used to increase the skills and knowledge of employees in the workplace. The manager at Fred's Fridges can implement on-the-job training, which is a type of training that occurs at the workplace. Employees can be educated on how to best optimally operate the "second-hand" technology at the manufacturing site via job shadowing or job rotation - and so, employees should be able to perform their job more efficiently than before. Consequently, in 2019, the rate of productivity growth<sup>①</sup> (a measure of how efficiently resources are converted into outputs) should be greater than 5%.

- Extension notes:
- ① Staff training can be used to respond to other key performance indicators, including:
- Number of sales
  - Number of customer complaints
  - Level of wastage

### 2.11.3 Improving quality in production. [3 marks]

Improving quality in production refers to the implementation of quality management strategies in the production process to ensure that goods and services meet the needs of consumers. The manager at Fred's Fridges can use total quality management (TQM), which refers to an organisational commitment to improving product quality by checking the fitness of the fridges at every stage of production. If a faulty fridge is identified, corrective action is taken - this means the defect will not undergo any further transformations until its quality is suitable again. This can lead to greater consumer satisfaction and so, the number of customer complaints should be less than 8 complaints per month in 2019.

- Extension notes:
- ① Improving quality in production can be used to respond to other key performance indicators, including:
- Level of wastage
  - Number of sales

### 2.11.4 Cost cutting. [3 marks]

Cost cutting is a strategy used to reduce expenses (costs) incurred in the production process whilst maintaining the quality and value of the product. The manager at Fred's Fridges can implement outsourcing as a cost-cutting measure, which refers to the contracting of specific business activities (such as the partial assembling of the fridges) to an external organisation in another country. This can be beneficial in reducing wage-associated expenses because labour costs tend to be lower overseas. Thus, expenses are reduced relative to revenue earned in a given period of time and so, in 2019, net profit figures should be greater than \$100,000.



## 2.12.1 Increased investment in technology. [3 marks]

Increased investment in technology refers to the implementation of technology to improve the speed and quality of the manufacturing process. The manager at Chris' Christmas Store can implement computer-aided manufacturing (CAM) which refers to the interaction between computer-controlled machines and software to create goods. CAM can improve the speed and volume of production of the "Christmas ornaments and decorations" because machinery operates faster than human labour. Thus, the rate of productivity growth<sup>①</sup> (a measure of how well resources are transformed into outputs in a given period of time) should be greater than 3% in 2020.

Extension notes:

- ① Increased investment in technology can be used to respond to other key performance indicators, including:
- Number of sales
  - Percentage of market share

## 2.12.2 Improving quality in production. [3 marks]

Improving quality in production refers to the use of quality management strategies to ensure that goods and services meet the needs of consumers. The manager at Chris' Christmas Store can implement quality control (QC), which refers to a reactive quality management strategy whereby inspections are carried out in the production process to identify quality issues. Defective Christmas ornaments are removed from the production line, which prevents consumers from receiving poor quality decorations. As a byproduct, customer satisfaction should improve and so, in 2020, the number of sales<sup>①</sup> (the number of goods or services sold in a given period of time) should be greater than 500 sales per month.

Extension notes:

- ① Improving quality in production can be used to respond the percentage of market share as well.



## 2.12.3 Staff motivation. [3 marks]

Staff motivation refers to strategies used to improve the energy and commitment levels of employees such that they feel greater motivation to achieve business objectives. The manager at Chris' Christmas Store can implement the motivation strategy of career advancement, which refers to the development of a clear career pathway by taking on new job positions. For example, employees can be promoted to roles that involve more decision-making authority (such as ordering new ornaments and sourcing new product lines), which provides increased job security. Thus, improving employee morale in the workplace and so, in 2020, the rate of productivity growth (how well resources are used to create the Christmas ornaments) should be greater than 3% in 2020.

2.13.1 Staff training. <sup>ⓐ</sup>[2 marks]

The number of workplace accidents refers to the number of worker-related injuries reported in a given period of time. If the number of workplace accidents favourably decreases, then this may indicate that staff training was effective because the skills and knowledge of employees increased; and so, they were less likely to make errors in the workplace when completing business tasks (thus, resulting in less injuries occurring).

If the number of workplace accidents unfavourably increases, then this may indicate that staff training was not effective. This could be because the training was not executed properly (for example, workplace interruptions such as job meetings affecting on-the-job training) and so, employee skills were not expanded (leading to more injuries occurring).

Extension notes:

- ⓐ Staff training can also be used to respond to other key performance indicators, including:
- Rate of productivity growth
  - Number of sales
  - Number of customer complaints
- ⓑ A suitable structure to respond to this question is to:
- Define the chosen key performance indicator (KPI)
  - Outline how the management strategy can favourably change the chosen KPI
  - Outline how the management strategy can unfavourably change the chosen KPI



2.13.2 Improving quality in production. <sup>①</sup> [2 marks]

Number of sales refers to the total number of products (goods or services) sold by a business in a given period of time. If the number of sales favourably increases, then this may mean that improving quality in production was effective because improved quality (fitness) of products can lead to greater customer satisfaction (and hence, sales).

If the number of sales unfavourably decreases, then this may indicate that improving quality in production was not effective. This could be because the quality management strategies were not used correctly (such as corrective action not being taken after quality control) and so, the fitness of the products was not improved (thus, reducing sales).

Extension notes:

- ① Improving quality in production can also be used to respond to other key performance indicators, including:
- Percentage of market share
  - Level of wastage

2.13.3 Increased investment in technology. <sup>①</sup> [2 marks]

The rate of productivity growth refers to a measure of how well resources are transformed into outputs in a given period of time. If the rate of productivity growth favourably increases, then this means increased investment in technology was effective because it was able to increase the speed and volume of the manufacturing process whilst reducing errors (thus, improving efficiency).

If the rate of productivity growth unfavourably decreases, then this indicates that increased investment in technology was not effective. This could be because of technology breakdowns which can prevent inputs from being converted into outputs (and thus, productivity rates reduce).

Extension notes:

- ① Increased investment in technology can also be used to respond to the number of workplace accidents.

2.14.1 Identify two management strategies <sup>①</sup> that could be applied in 2020 to respond to Figures 1 and 2. [2 marks]

Two management strategies that could be applied are: staff training and staff motivation.

Extension notes:

- ① Other management strategies that could have been identified include:
- Staff motivation
  - Initiating lean production techniques
  - Increased investment in technology



2.14.2 Describe how one<sup>①</sup> of the management strategies identified in part 2.14.1 could be applied in 2020 to respond to Figures 1 and 2 and position the car manufacturing company for the future. [5 marks]

Staff training can be used by the car manufacturing company. This is a strategy used to increase the skills and knowledge of employees such that they can perform their jobs more efficiently than before.

For example, on-the-job training can be applied to respond to Figure 2 through employees undergoing job shadowing or job rotation at the car manufacturing site. By increasing the knowledge of employees, they will be able to use the resources required to assemble the cars (such as metal, plastic and rubber) in a more efficient manner. Thus, in 2021, the rate of productivity growth should be greater than 2%.

Staff training can also be applied to respond to Figure 1 because the improved skills and knowledge can lead to the correct operation of machinery when manufacturing cars. Thus, less errors will be made by employees when assembling cars which can lead to a reduction in workplace injuries. And so, in 2021, the total number of workplace accidents should be less than 12.

Extension notes:

① If staff motivation was chosen (from 2.14.1), then **specific motivation strategies** (such as performance related pay, career advancement, investment in training support and sanctions) can be used as examples for responding to Figures 1 and 2.

2.14.3 Identify two management strategies that could be applied in 2020 to respond to Figures 3 and 4. [2 marks]

Two management strategies that could be applied are: staff training and improving quality in production.

Extension notes:

① Other management strategies that could have been identified include:

- Change in management skills
- Change in management styles
- Increased investment in technology



2.14.4 Describe how one of the management strategies identified in part 2.14.3 could be applied in 2020 to respond to Figures 3 and 4. [4 marks]

Improving quality in production refers to the implementation of quality management strategies to improve the fitness of goods and services and can be used by the car manufacturing company.

For example, quality control can be applied to respond to Figure 3. Sample cars can be randomly chosen from the production lines and their quality can be compared to quality standards - cars that are not of adequate fitness are removed from undergoing further transformations. Corrective action can then be taken to prevent the same quality issue from occurring again in the future.

Since the quality of the cars manufactured is maintained, consumer satisfaction will improve. Consequently, the number of sales should be greater than 50 sales per month in 2021. Furthermore, consumers are less likely to purchase defective cars which reduces the likelihood of them complaining to the company (thus, Figure 4 can also be responded to) - and so, the number of customer complaints should be less than 30 complaints in 2021.





3.1 Define the term corporate culture. [1 mark]

Corporate culture refers to the beliefs and values shared<sup>①</sup> by all<sup>①</sup> members of an organisation.

Extension notes:

① Note that if the key words "shared" and "all" are not included in the definition, then full marks cannot be awarded.

3.2 Explain two strategies that can be employed to develop a more positive corporate culture. [4 marks]

One strategy to develop a more positive corporate culture is to implement rites and rituals. This refers to routine patterns of behaviour such as 'Friday Night Drinks' or 'Monday Morning Tea'. This serves to develop open communication amongst employees which can lead to greater stability in the workplace relations. Thus, a more inclusive and unified work environment can be fostered, leading to a more positive corporate culture.

Another strategy to develop a more positive corporate culture is to develop a rewards and recognition system in the workplace. This would act to reward employees (via tangible or intangible means) for their efforts and actions. This may lead to a more unified and driven workforce because employees may feel as if their efforts are being recognised and rewarded. Thus, leading to a more positive corporate culture.

Extension notes:

① Alternative strategies that could be explained include:

- implementing a casual dress code system
- fostering team bonding exercises

② The **limiting phrase** of this question relates to development of a **more positive corporate culture** and so, your response should link to achieving this.



4.1 Describe the term 'Learning Organisation'. [3 marks]

A 'Learning Organisation' refers to businesses that aim to continuously transform themselves by fostering a culture of learning amongst members of the organisation. A 'Learning Organisation' encompasses five key principles, including: Systems Thinking, Personal Mastering, Mental Models, Shared Vision and Team Learning. Senge stated that, for a business to be a 'Learning Organisation', all five principles must be met.

4.2 Define the five principles of Senge's 'Learning Organisation'. [5 marks]

Systems Thinking recognises the importance of understanding that each area of a business is interconnected - this is because one business department can impact another.

Mental Models refers to the pre-existing ingrained attitudes and beliefs that influences how individuals act.

Personal Mastery refers to the commitment of individuals within a business to expand their knowledge and skills.

Team Learning refers to the process of fostering a collaborative learning environment whereby common goals can be achieved by team members.

Shared Vision refers to developing a vision that gives employees a common objective to work towards.



4.3 Explain one advantage and one disadvantage of being a 'Learning Organisation', with reference to specific principles. [4 marks]

One advantage of a 'Learning Organisation' is that a more productive workforce can be created. This is because individual learning can be fostered through 'Personal Mastery', which will lead to employee skills and knowledge being expanded. This is advantageous because employees will grow and perform their roles more efficiently than before - improved employee performance can lead to improved business performance.

One disadvantage of being a 'Learning Organisation' is that it may be expensive for businesses to become one. For example, individual learning through 'Personal Mastery' is achieved through training programs and this may incur additional expenses for a business. This is disadvantageous because these costs may negatively hinder a business' ability to achieve the business objective 'to make a profit'.

4.4 Explain how being a 'Learning Organisation' allows a business to implement change successfully. [2 marks]

Being a 'Learning Organisation' allows a business to implement business change successfully because the five principles fulfilled in the workplace fosters a culture of continual learning. This means that the business is more flexible during periods of change which limits the impact that any random disruptions will have on the business during the transformation period.



4.5 Identify three <sup>ⓐ</sup>principles of Senge's Learning Organisation and outline the significance of the identified principles. [6 marks]

One principle of Senge's Learning Organisation is Personal Mastery, which refers to the commitment of individuals within a business to expand their skills and knowledge. This is significant for businesses because it allows employees to understand their strengths and weaknesses. Consequently, employees can overcome weaknesses and become more valuable to the business.

Another principle is Systems Thinking, which recognises the importance of understanding that each area of the business is interconnected. This is significant for businesses because it enables a business to identify where change is required and how a specific change will impact a business and its different departments.

Another principle is Team Learning, which refers to fostering a collaborative learning environment where common goals can be achieved by team members. This is significant for businesses in building corporate synergy through fostering open communication. Consequently, a more positive corporate culture can be formed because ideas can be openly shared between employees.

Extension notes:

ⓐ Below are two principles that were not explained in the response above and an explanation of their significance should you choose to write about these.

- **Shared Vision** → refers to the development of a vision that gives employees a common objective to work towards. This is significant because if there was no shared vision then it would be difficult for employees to visualise what they are working towards. A common goal can also lead to greater commitment from employees.
- **Mental Models** → refers to the ingrained attitudes and beliefs that influence how individuals act. This is significant because stakeholders at a business should challenge their entrenched views because personal beliefs can cloud one's judgement — thus, leading to inflexibility.



4.6 Explain the relationship between being a 'Learning Organisation', as identified by Senge (1990), and the concept of business change. In your response, refer to two principles of Senge. [5 marks]

A 'Learning Organisation' refers to businesses that aim to continuously transform themselves by fostering a culture of learning amongst members of the organisation. A 'Learning Organisation' encompasses five key principles<sup>①</sup>, including: systems thinking, personal mastery, mental models, shared vision and team learning. Business change refers to an alteration to the internal or external environment of a business, resulting in a change to the form or operation of a business over time.

The relationship<sup>①</sup> between being a 'Learning Organisation' and business change is that being a 'Learning Organisation' allows a business to implement business change successfully. This is because the five principles fulfilled in the workplace fosters a culture of continual learning. This means that a business will be more flexible during periods of change which limits the impact that any random disruptions will have on the business during the transformation period.

Team Learning refers to fostering a collaborative learning environment where common goals can be achieved by team members. This is significant for businesses in building corporate synergy through fostering open communication - this increases the chance of change being successful as employees would be more willing to work together as a collective to share ideas openly and achieve objectives.

Systems Thinking recognises the importance of understanding that each area of the business is interconnected. This is significant for businesses because it enables a business to identify where change is required and how a specific change will impact a business and its different departments. Consequently, businesses can be more proactive in their approach to implementing a change, increasing the chance of it being more successful in the long-term.

Extension notes:

- ① When responding to "explain the relationship" questions, ensure that you first state **WHAT** the specific relationship is between two concepts before explaining **HOW** and **WHY** the relationship works.
- ② Remember that **ALL** five principles must be met for a business to be considered a 'learning organisation'.
- ③ Below are three principles that were not outline in the response to the left and an explanation of their relevance to the concept of 'business change':
  - **Shared Vision:** the development of a common objective for employees to work towards increases the chance of business change being successful in the long-term as employees are more likely to know what is required for change, where change is required and what the business will look like after change occurs.
  - **Mental Models:** breaking down entrenched beliefs and values can lead to a more flexible business environment. Thereby, increasing the chance of change being successful in the long-term as a business will be more adaptable when facing new pressures.
  - **Personal Mastery:** expanding skills and knowledge can lead to weaknesses being overcome. Thereby, increasing the chance of change being successful in the long-term as employees are more likely to use their newly found strengths to make a valuable contribution to the business change.



5.1 Define the low-risk strategy of 'communication'. [1 mark]

Communication, as a low-risk strategy, refers to the process of creating and exchanging information from sender to receiver, allowing feedback to occur.

5.2 Define the low-risk strategy of 'empowerment'. [1 mark]

Empowerment refers to the low-risk strategy of sharing power and information with employees in order to 'empower' them to make decisions and solve problems.

5.3 Define the low-risk strategy of 'support'. [1 mark]

Support refers to a low-risk strategy that involves forming a relationship of mutual trust and respect between employees and management.

5.4 Define the low-risk strategy of 'incentives'. [1 mark]

Incentives refers to a low-risk strategy that involves providing rewards to employees who have demonstrated specific workplace behaviours.

5.5 Explain how the low-risk strategy of communication can be used to overcome employee resistance at Sri Lanka at Home Pty Ltd. [3 marks]

The low-risk strategy of communication refers to the ability to create and exchange information from sender to receiver, allowing feedback to occur. The manager at Sri Lanka at Home can employ two-way communication as a way to learn the concerns of employees about the warehouse location shift change (for example, employees may be concerned about travel arrangements to the work site). By using communication skills and addressing these concerns, employee confusion or fear may reduce - hence, reducing the "possibility" of resistance from the "50 staff members" at Sri Lanka at Home.



6.1 Define the high-risk strategy of 'manipulation'. [1 mark]

Manipulation is a high-risk strategy that involves persuasion to convince an employee to accept a specific change.

6.2 Define the high-risk strategy of 'threat'. [1 mark]

Threats refers to a high-risk strategy that forces an employee to do what management wants against their will.

6.3 Explain how the high-risk strategy of manipulation can be used to overcome employee resistance at Sri Lanka at Home Pty Ltd. [3 marks]

The high-risk strategy of manipulation refers to a form of persuasion that aims to coerce employees into embracing a specific change. The manager at Sri Lanka at Home can employ manipulation by only detailing to the "100 staff members" the benefits of shifting the "warehouse to a rural area" without detailing the disadvantages (consequences) of this specific change for them. Thereby, employees are more likely to embrace the warehouse location shift (as a result of the persuasion, which reduces their resistance).



7.1 Identify the three steps of Lewin's Three Step Change Model. [1 mark]

The three steps are, in order: Unfreeze, Change and Refreeze.

7.2 Define Lewin's Three Step Change Model and each of the steps identified in 3.1. [4 marks]

Lewin's Three Step Change Model provides a framework (step-by-step guide) which businesses can follow to ensure change is successful in the long-term. The three steps are: Unfreeze, Change and Refreeze.

Unfreeze refers to preparing and disrupting the business' current position to a point where it can undergo change. Change refers to the implementation of the actual change after unfreezing by moving the business' position towards the desired state. Refreeze refers to the embedding of the change into the general culture such that it can stabilise in the long-term.

7.3 Apply the principles of one step<sup>①</sup> of Lewin's Three Step Change Model to the decision to shift Snacks 4 Pet's warehouse rurally. [3 marks]

The first step is Unfreeze, which refers to preparing and disrupting the business' current position such that it has the capability to undergo change. Snacks 4 Pets would have first unfrozen by communicating the vision of "shifting the manufacturing warehouses from metropolitan Melbourne to a more rural area" to employees. The manager would have also outlined the benefits and consequences of not shifting to a rural area - this serves to reduce employee resistance at Snacks 4 Pets because they are more likely to embrace the change (of shifting to a rural region) rather than condemn it.

Extension notes:

① If 'change' was the step that was applied, then it can be mentioned how Snacks 4 Pet's would focus on ensuring any **problems** associated with moving rurally are addressed.

If 'refreeze' was the step that was applied, then **rewards and recognition** programs or **long-term job contracts** can be used as strategies to stabilise the change of shifting to a rural area.





7.4 Apply the key principles of Lewin's Three Step Change Model using a contemporary business example. [6 marks]

Lewin's Three Step Change Model provides a framework (step-by-step guide) which businesses can follow to ensure change is successful in the long-term. The three steps of Lewin's Three Step Change Model are, in order: Unfreeze, Change and Refreeze. One contemporary business example is Woolworths and their recent plastic bag ban policy in June 2018.

The first step is Unfreeze, which refers to preparing and disrupting the business' current position such that it can undergo change. Under the leadership of CEO Mr Banducci, Woolworths would have first unfrozen by communicating the vision of banning single-use plastic bags to stakeholders such as employees and consumers. He would have also outlined the benefits and consequences of transitioning towards the ban, which serves to reduce employee resistance.

The second step is Change, which refers to the process of transitioning towards the desired state by implementing the actual change. During this step, Woolworths management would constantly evaluate the change and the strategies used to achieve the change. For example, Mr Banducci noticed resistance from consumers regarding the banning of single-use plastic bags (particularly the purchasing of green reusable polypropylene-based bags). Woolworths overcame this resistance by allowing for these reusable bags to be free for a 10 day extension such that consumers can adapt to the change.

The final step is Refreeze, which refers to the embedding of the change into the general culture such that it can stabilise in the long-term. For example, Woolworths explained the environmental advantages of implementing the plastic bag ban (and instead adopting reusable bags) on their website. Thus, reinforcing the change and allowing it to be successful at Woolworths in the long-term.



8.1 Define the term 'business change'. [2 marks]

Business change refers to an alteration<sup>①</sup> to the internal or external environment of a business, resulting in a change to the operation of a business over time.

Extension notes:

- ① Businesses have two components: an internal and external business environment. And so, business change would, logically, refer to an alteration (change) to either of these components.
- ② Note that this question is worth two marks and so, two distinct points need to be mentioned in your definition: a) that business change is an alteration to a business' environment and b) that business change results in a difference in the operation of a business.

8.2 Define the stakeholder 'managers' and outline the effect that business change can have on managers. [3 marks]

Managers are change role models that are responsible for managing the activities of a business such that business objectives can be achieved. One positive effect that change (such as implementing a new business department) can have on managers is new job opportunities, which is beneficial for them because it can lead to a more clear career pathway for them. One negative effect that change (such as implementing a new business department) can have on managers is increased stress due to an increased workload.

8.3 Define the stakeholder 'employees' and outline the effect that business change can have on employees. [3 marks]

Employees are individuals who provide labour in exchange for a monetary reward (such as a salary or wage). One positive effect that change (such as implementing new technology) can have on employees is increased opportunities to learn new skills via technology training - thus, becoming a more valuable employee. One negative effect that change (such as implementing new technology) can have on employees is the potential for the employee to be made redundant if their job position is replaced (thus, losing an income source).



8.4 Define the stakeholder 'suppliers' and outline the effect that business change can have on suppliers. [3 marks]

Suppliers are individuals who provide the raw materials needed in order for a business to produce goods or services. One positive effect that change (such as opening more stores) can have on suppliers is additional volume orders or contracts to meet the demands of newly opened stores. One negative effect that change (such as opening more stores) can have on suppliers is that, if there is a disruption to the supply chain that raw materials travel by, then customer orders will not be fulfilled - this reflects poorly upon suppliers.

8.5 Define the stakeholder 'owners' and explain the effect that business change can have on owners. [3 marks]

Owners are individuals who have legal possession and control over a business. One positive effect that change (such as expanding a business globally) can have on owners is that it can lead to them accessing new markets and gaining international market share - thus, leading to their business becoming more globally recognised over time.

One negative effect that change (implementing technology) can have on owners is that expenses will be increased for them in the short-term; as purchasing technology and integrating it is an expensive business activity (which may negatively affect profits for the owner in the short-term).

8.6 Define the stakeholder 'customers' and explain the effect that business change can have on employees. [3 marks]

Customers are individuals who purchase products to satisfy their needs. One positive effect that change (such as implementing a new product line) can have on customers is that it can lead to their unique needs being satisfied - this is because new products fulfil customers' desire to purchase new goods or services.

One negative effect that change (such as raising product prices) can have on customers is that it can lead to them being dissatisfied. This is because product price increases reduces customer buying power, which will impact price-conscious consumers.



9.1 Define corporate social responsibility. [1 mark]

Corporate social responsibility refers to the practice of businesses to go above and beyond legal obligations to consider the triple bottom line - the environment, the community and the economy.

9.2.1 Implementing technology. [2 marks]

One corporate social responsibility consideration that may be considered in relation to 'implementing technology' is to have the technology be powered by renewable resources rather than non-renewable ones. This is because their use results in less pollution being produced which is environmentally advantageous.

9.2.2 Downsizing the workforce. [2 marks]

One corporate social responsibility consideration that may be considered in relation to 'downsizing the workforce' is to provide outplacement services to terminated employees. This can include resume writing courses or interview training to assist the employee in finding employment elsewhere.

9.2.3 Changing suppliers. [2 marks]

One corporate social responsibility consideration that may be considered in relation to 'changing suppliers' is to source resources from local (domestic) suppliers. This is because there will be less distance travelled by suppliers to deliver materials which results in reduced CO<sub>2</sub> emissions. This is environmentally advantageous.



10.1 Explain how key performance indicators can be used to evaluate the effectiveness of business transformation. [2 marks]

Key performance indicators can be analysed before and after the business transformation occurs to identify favourable or unfavourable trends which can indicate the effectiveness of the change. A favourable trend indicates the change was effective, whereas, an unfavourable trend indicates the change was ineffective.

10.2 Explain the importance of key performance indicators in evaluating the effectiveness of business transformation. [2 marks]

Specific strategies can be implemented to address unfavourable trends in key performance indicator data. Thus, leading to a more successful business position in the future due to the performance of the organisation improving and business objectives being achieved.



# SECTION B: SUGGESTED SOLUTIONS

## Question 1 (U3 AOS 1)

1.1 Identify the type of business structure being used by VCEFlashCards. [1 marks]

VCE FlashCards Pty Ltd<sup>②</sup> is a private limited company.

Extension notes:

- ① Identify is a task word which requires you to present an answer from the alternatives.
- ② 'Pty Ltd' means proprietary limited and can be seen following the business' name in the context information for this question — this indicates it is a **private limited company**. NOTE: the presence of only 'Ltd' following a business' name indicates it is a public listed company!

1.2 Define the business structure identified in question 1.1 and outline one feature of this business structure. [2 marks]

A private limited company is a private sector business that is owned<sup>①</sup> by 1-50 private shareholders. One feature of a private limited company is that it is an incorporated business, which means it is a separate legal entity to the private shareholders.

Extension notes:

- ① Reference to **ownership** has to be made otherwise full marks cannot be awarded.

1.3 Discuss the use of the business structure identified in question 1.1. [4 marks]

One advantage of VCEFlashCards using a private limited company structure is that there is more access to finances due to the presence of 1-50 private shareholders who can provide funding - this can be used to fund expansion plans for VCEFlashCards (such as interstate secondary school curricula). One disadvantage of using a private limited company is that there are ongoing administrative costs which means money is stifled out of VCEFlashCards to pay for these expenses (this may negatively affect their profits).

Another advantage is that there is more knowledge available in the decision-making process due to the presence of 1-50 private shareholders. This would be advantageous for VCEFlashCards because there is greater refinement of decisions made (leading to improved quality of decisions). Another disadvantage of a private limited company is that it is subject to extensive government regulation - thus, increasing the number of reporting tasks that managers at VCEFlashCards will perform. This is time-consuming and may distract them from achieving core business objectives.

Extension notes:

- ① **Discuss** is a task word which requires you to present advantages and disadvantages. Note that for all discuss questions, full marks cannot be awarded if there is no explanation as to **WHY** a specific advantage is advantageous and a specific disadvantage is disadvantageous.



1.4 Define the business objective 'to make a profit'. [2 marks]

The business objective 'to make a profit' is where a business aims to ensure that revenue exceeds expenses incurred in a given period of time.<sup>①</sup>

Extension notes:

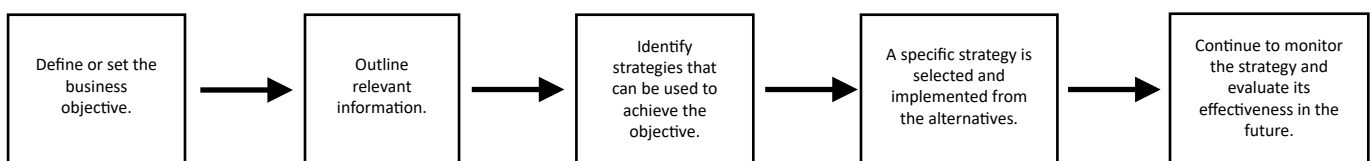
① Reference to 'time' has to be made otherwise full marks cannot be awarded.

1.5 Explain how planning skills can be used by VCEFlashCards Pty Ltd to achieve their primary objective for the next financial year. [3 marks]<sup>③</sup>

Planning<sup>①</sup> refers to the ability to define business objectives and then choose strategies or methods to achieve them. First, VCEFlashCards should define their business objective (which is to "earn... \$50,000 in profit"<sup>②</sup> in the "next financial performance") and then identify a range of strategies to achieve the objective; such as: advertising to generate sales or implement cost cutting measures to reduce expenses incurred. The manager at VCEFlashCards can then select a strategy (such as advertising), implement it and monitor its success in the future to determine if their "primary objective of earning \$50,000 in profit" is achieved.

Extension notes:

① The steps of the planning process can be mapped out using the following flow chart:



② Note that I have linked to the case study by **quoting** from the material provided.

③ A suitable structure for this response would be to **define** the term planning and then use the above flow chart to **apply** how VCEFlashCards can use planning skills to achieve their primary objective.



## Question 2 (U3 AOS 2)

2.1 Describe the Four Drive Theory and explain how it could be applied at Cassidy's hairdressing parlour to motivate employees. [6 marks]①

Lawrence and Nohria's Four Drive Theory is a motivation theory which states that all humans have four fundamental human drives and that the fulfilment of these drives can lead to increased motivation levels. These drives include the drive to bond, acquire, learn and defend. Each drive acts independently of each other.

The drive to defend relates to the human desire to protect themselves and the people for whom they care. The "parlour" manager can fulfil this drive through creating an anonymous suggestions box whereby hairdressing employees can voice their concerns in relation to the "internal conflict" between staff members. Cassidy can then form solutions to address these issues, such as acting as a mediator to facilitate discussion between disputing employees. Addressing these concerns (the "internal conflict") can create a safe and non-threatening work environment free from fear - removal of this fear can lead to an improvement to the motivation levels of employees at this parlour.

The drive to learn relates to the human desire to increase skills and knowledge. This drive could be fulfilled by Cassidy through implementing on-the-job equipment training at the "hairdressing parlour" so that employees can expand their skill set when hairdressing and they can efficiently use "new hairdressing tools". Consequently, employees will no longer "struggl[e]" to utilise new hairdressing equipment and so will feel as if they have experienced self-growth. Thus, employee motivation is likely to improve because staff will feel more valuable as an employee.

Extension notes:

① A suitable structure to respond to this question is to:

1. Outline the Four Drive Theory
  - Reference needs to be made to the drives being independent of each other
  - Reference needs to be made to all the four drives
2. Explain any two of the drives from Lawrence and Nohria's theory (given the number of marks of the question)





2.2 Identify and outline the relationship between managing employees and the business objective to increase market share. In your response, refer to Cassidy's hairdressing parlour. [3 marks]

The relationship between managing employees and the business objective 'to increase market share' is that the effective management of employees can lead to the achievement of the objective 'to increase market share'. For example, if Cassidy uses on-the-job training (via job shadowing) to train employees to improve their hairdressing skills (and use of hairdressing equipment), then the quality of the hairdressing service will improve. This will lead to increased customer satisfaction and consequently, increased sales compared to competitors in a given period of time - the achievement of the objective 'to increase market share'.

2.3 Describe how on-the-job training can be used to improve employee productivity at Cassidy's hairdressing parlour. [3 marks]

On-the-job training refers to a type of training that occurs at the workplace, using equipment and machinery that is specific to the workplace. On-the-job training can be used to increase the skills and knowledge of hairdressers at Cassidy's hairdressing parlour through job shadowing or job rotation, whereby Cassidy can educate her employees on how to cut new hairstyles and use new "tools". This improved hairdressing skillset will increase productivity at Cassidy's hairdressing parlour as the employees will perform their roles more efficiently compared to before.

2.4 Explain how one motivation strategy, other than investment in training, can motivate employees at Cassidy's business. [3 marks]

Career advancement (CA) refers to the development of a career pathway through job promotions. Cassidy can provide specific hairdressers with long-term job contracts or promote them to roles that requires more expertise. This can develop the specific employees' sense of long-term motivation due to improved job security and satisfaction from the fact that their efforts are being recognised and rewarded - that they feel valued at the salon for their contributions. Therefore, CA can be used to build intrinsic motivation at Cassidy's business.



## Question 3 (U3 AOS 3)

3.1 Explain the key elements of the operations system of Pancakes R Us. [6 marks]

Inputs refer to the resources (natural, labour and capital) used at a business to produce the final product. Inputs at Pancakes R Us would refer to natural resources such as the ingredients (flour, eggs, milk, sugar, flavouring powders) used to make the pancakes and capital resources such as automated production lines used to assemble and organise the pancakes into packaged containers.

Processes refer to the transformation of inputs into outputs. Processes at Pancakes R Us would include the mixing of the ingredients used to create the pancake mixtures, the storing of the pancake mixtures to prevent spoilage and the actual cooking of the pancake mixtures such that it is edible for consumers.

Outputs refer to the final product (good or service) that is produced by a business and is presented to consumers. The output at Pancakes R Us would be the "pre-made packaged pancakes" which is a tangible good (meaning it can be physically touched) and appeals to the culinary (dietary) needs of its consumers.

3.2 Explain the relationship between the operations of Pancakes R Us and their primary business objective. [3 marks]

Operations is responsible for transforming inputs into outputs, whereas the business objective 'to make a profit' is where a business aims to grow their sales relative to expenses in a given period of time. The relationship between these two is that effective management of operations can lead to the achievement of the objective 'to make a profit'. For example, operations at Pancakes R Us may implement automated production lines in the workplace in order to improve the speed and volume of the production of pancakes. Thereby, reducing operational expenses (due to reduced cost per unit of manufacturing the pancakes) relative to revenue earned in a given period of time, leading to the achievement of the business objective 'to make a profit' at Pancakes R Us.



3.3 Compare the key characteristics of Pancakes R Us with a contemporary service business. [2 marks]

One similarity<sup>①</sup> between a manufacturing business like Pancakes R Us and a contemporary service business like Lynda.com (which provides online educational courses to consumers) is that they both have key elements - inputs, processes and outputs - which they aim to maximise the efficiency and effectiveness of.

However, one difference<sup>②</sup> is that Pancakes R Us (a manufacturing business) manufactures tangible goods (pancakes which can be physically touched), whilst Lynda.com (a service business) produces intangible services (online courses which cannot be physically touched).

Extension notes:

- ① Other similarities include:
- both manufacturing and service businesses aim to improve the efficiency and effectiveness of operations
  - both manufacturing and service businesses have the business objective 'to make a profit'
- ② Other differences include:
- manufacturing businesses tend to use capital-intensive resources (such as machines), whereas, service businesses tend to use labour-intensive resources



## Question 4 (U4 AOS 1)

4.1 Define the term key performance indicator. [1 mark]

Key Performance Indicators (KPI's) are a specific set of criteria used to measure a business' performance in terms of its efficiency and effectiveness.

4.2 Apply<sup>①</sup> the principles of Lewin's Force Field Analysis theory to the implementation of on-the-job training at Face-COV. [5 marks]

First the manager at Face-COV must define their target for change, which is to "implement on-the-job training" in the workplace. The manager must then identify driving and restraining forces for this specific change. One driving force is competitors, which refers to rivals in the same industry that sell a similar product. Competitors can be a driving force for change because<sup>②</sup> businesses like Face-COV need to respond to pressures in the market (by training employees) in order to improve business competitiveness. One restraining force is employees, who are individuals<sup>②</sup> that provide labour in exchange for a monetary reward. Employees can be a restraining force for change because they may have fears or confusions in relation to "on-the-job training" being too difficult for them. From this, the manager at Face-COV can rank the forces based on order of prioritisation to ensure driving forces are promoted and restraining forces are reduced (to rid of the equilibrium). An action plan<sup>③</sup> is then implemented; the manager at Face-COV can utilise two-way communication skills to identify the concerns that employees may have about being trained via "on-the-job" training (such as finding the training too difficult). Subsequently, the manager can implement strategies to address these concerns (such as reducing training complexity).

Extension notes:

- ① In order to effectively 'apply' the principles, you must concurrently outline a step of the theory and relate it to Face-COV.
- ② When identifying driving and restraining forces for change, you respectively should explain WHY they are driving and restraining forces for change.
- ③ The action plan should focus on either reducing restraining forces or promoting driving forces. And so, the action plan can involve promoting the driving force of 'competitors' or reducing the restraining force of 'employees'.



4.4 Analyse<sup>①</sup> the extent<sup>②</sup> to which implementing on-the-job training was successful for Face-COV with reference to the key performance indicator data above. [6 marks]<sup>③</sup>

The rate of productivity growth refers to a measure of the efficiency of a business' operations by comparing the amount of resources used to create outputs in a given period of time. The rate of productivity growth has favourably increased from 3% before implementing on-the-job training in April to 5% after implementing on-the-job training in July. This could be because on-the-job training (such as via job shadowing or job rotation) can increase the skills and knowledge of employees at Face-COV through learning how to operate machinery with an existing senior employee. Thus, employees have a greater understanding of how to use equipment and machines when creating "face masks." This means that a greater number of outputs (face masks) can be created by Face-COV in a given period of time. Thus, to a large extent, the implementation of on-the-job training was successful for Face-COV as business performance (as indicated by the increased rate of productivity growth) improved.

The number of workplace accidents refer to the number of injuries sustained by employees in a given period of time. The total number of workplace accidents favourably reduced from 4 accidents in April (before on-the-job training) to 1 accident in May (after on-the-job training). This could be because on-the-job training can improve employees' understanding of the sequences and steps required to operate machinery (as they are being trained with machines at the manufacturing site). Consequently, this means there will be a reduction in the number of errors made by staff which, by extension, will also decrease the number of workplace accidents over time. Thus, to a large extent, the implementation of on-the-job training was successful for Face-COV as business performance (as indicated by the reduced number of workplace accidents) improved.

Extension notes:

① Analyse, in the context of the KPI question, requires you to interpret data provided and relate this data to the case study provided.

You can interpret this data using the 'DTR' approach which means:

- **D:** Define
- **T:** Trend
- **R:** Reason

② The word "extent" is a key trick in the question which requires you to state whether the changes in KPI data indicate to a large or small extent that on-the-job training was successful for Face-COV.

③ Below is an elaboration of the DTR approach for this question:

1. Define the specific KPI
2. State the trend — whether the KPI unfavourably or favourably increased or decreased using data provided
3. Outline a potential reason why the KPI changed

+ State the extent (large or small) to which on-the-job training was successful for Face-COV → this step is required if "the extent" is present in the question.



4.5 Identify and define one key performance indicator, other than the ones already analysed, that FaceCOV could have used to evaluate the success of the change. [2 marks]

One key performance indicator<sup>①</sup> that could have also been analysed is the number of customer complaints. This refers to the number of defects or quality issues reported by customers in a given period of time.

Extension notes:

① Other Key Performance Indicators that could have been identified include:

- net profit figures
- percentage of market share
- number of sales
- level of wastage

## Question 5 (U4 AOS 2)

5.1 Explain how staff motivation can be used to respond to Figure 1 and position<sup>②</sup> Bhatia's Boomerangs for the future. [3 marks]<sup>①</sup>

Staff motivation refers to strategies used to improve the energy and commitment levels of employees such that they feel greater motivation to achieve business objectives. The manager of Bhatia's Boomerangs, Bhatia, can implement the motivation strategy of support, which refers to the development of positive relationships with employees in order to help overcome problems they may face in the workplace. By extension, an atmosphere of mutual trust and respect can be developed because employees know they have a support network to rely on. This can lead to improved job satisfaction and hence, a more motivated workforce at Bhatia's Boomerangs (which is particularly important given that employees may have reduced morale due to the business "downsizing" in May. Thus in future months (such as August), the rate of staff absenteeism (the number of days employees are absent from work in a given period of time). should be less than 7 days absent per month per staff member.

Extension notes:

① For questions that involve responding to changes in KPI data and positioning the business for the future, a **suitable structure** is:

- Define the management strategy
- Outline how the management strategy can be used to favourably change the KPI data in future
- Outline how the KPI data will favourably change in the future, with reference to KPI data

② The limiting phrase "position Bhatia's Boomerangs for the future" indicates that you must make a **prediction** about KPI data changing favourably.



5.2 Explain how staff training can be used to respond to Figure 2 and position Bhatia's Boomerangs for the future. [3 marks]

Staff training is a strategy used to increase the skills and knowledge of employees in the workplace. Bhatia can implement on-the-job training, which is a type of training option that occurs at the workplace. Employees can be trained with an existing senior employee on how to operate "computer-aided design" (this is a computerised design tool used to create potential product prototypes without the costs of building it). This can lead to the development of more creative and innovative boomerangs (perhaps of different sizes or with more diverse patterns). This can lead to the development of boomerangs that exceed customer expectations - consequently, in future years (such as 2021), the number of sales (the number of goods or services sold to consumers in a given period of time) should be greater than 250 sales per month at "Bhatia's Boomerangs."

5.3 Explain one strategy that can be used to respond to Figure 3 and position Bhatia's Boomerangs for the future. [3 marks]<sup>①</sup>

Cost cutting is a strategy used to reduce expenses (costs) incurred in the production process whilst maintaining the quality and value of the product. The manager at Bhatia's Boomerangs can implement global sourcing of inputs as a cost-cutting measure, which refers to the sourcing of the most cost-effective resources from overseas countries. For example, inexpensive wood or paint products can be sourced from overseas countries in order to reduce operational expenses when manufacturing boomerangs. Thus, expenses are reduced relative to revenue earned in a given period of time and so, in future months (such as August), net profit figures should be greater than \$65,000.

Extension notes:

① Note that Figure 3 is data for 'the rate of productivity growth' and 'net profit figures'.

② Since this question is worth 3 marks, you should only refer to one of the Key Performance Indicators from Figure 3.



5.4 Describe the importance of reviewing key performance indicator data in terms of evaluating the effectiveness of business change. [3 marks]

Key Performance Indicators (KPI's) refer to a specific set of criteria used to measure the efficiency and effectiveness of a business' performance. By analysing KPI data before and after business change occurs, a business can identify areas where they performed successfully and areas where additional effort is required. Specific strategies can be implemented by managers to address unfavourable trends in KPI data. Thus, analysing KPI data is important for businesses because it can lead to a more successful business position in the future as the performance of the organisation will improve and business objectives will be achieved.

## Question 6 (U3 AOS 3, U4 AOS 1)

6.1 Outline two characteristics of a manufacturing business like Luscious Lips. [2 marks]

One characteristic of a manufacturing business like Luscious Lips is that they produce tangible goods - the "lip balms" which can be physically touched. Another characteristic is that resources used to produce the lip balms would be capital-intensive (such as machines).

6.2 Define the key performance indicator from Figure 1. [2 marks]

Level of wastage refers to the amount of faulty products or resources (inputs) discarded as waste by a business in a given period of time.





6.3 Analyse the extent to which the implementation of Just in Time has improved business performance at Luscious Lips. [4 marks] ①

The level of wastage refers to the amount of defective resources discarded as waste in a given period of time. According to Figure 1, the level of wastage has favourably reduced from 6% before just in time to 3% after just in time. This is because just in time avoids holding stock in inventory and so, resources to manufacture the "lip balms" are not subject to spoilage, contamination or damage. Consequently, wastage levels are reduced. Thus, to a large extent, the implementation of just in time has improved business performance at Luscious Lips.

Extension notes:

① For all **analyse** key performance indicator questions, you should opt for the following response:

- **Define**: what is the meaning of the specific key performance indicator?
- **Trend**: what is the trend being shown — does the key performance indicator increase or decrease and does this happen favourably or unfavourably?
- **Reason**: why did the key performance indicator data change in that specific way?
- **Extent**: to what extent does the key performance indicator data show the change improved business performance — is it to a **large extent** or a **small extent**?

6.4 Justify a quality management strategy that can be used to address the wastage issues at Luscious Lips. [3 marks]

Quality control (QC) refers to a reactive quality management strategy that involves conducting inspections throughout the production process to check for quality issues. The manager at Luscious Lips can then randomly choose "lip balms" from the production line to compare to pre-determined quality standards. If the quality of these samples is not adequate then they are rejected from the production line. The manager at Luscious Lips can then perform corrective action to prevent the same defective lip balms from being produced in the future. Thereby, reducing wastage being created at the manufacturing site.



## Question 7 (U3 AOS 2, U3 AOS 3, U4 AOS 1, U4 AOS 2)

7.1 Explain the key elements of this hospital's operations system. [6 marks]

Inputs refer to the resources (natural, labour and capital) used by a business to create the final product. Inputs at this new hospital would include labour resources such as healthcare workers (doctors, nurses and allied health staff) and capital resources such as medical equipment.

Processes refer to the transformational activities associated with transforming inputs into outputs. Processes at this new hospital would include communicating with ill patients, moving patients between wards, storing medical tools and operating on patients.

Outputs refer to the final product produced by a business that is presented to consumers. The output at this hospital is an intangible (cannot be physically touched) service - providing medical services to patients that are ill such that they come out healthy.

Extension notes:

- ⓐ A suitable structure to respond to this question would be:
1. Define inputs and then outline the specific inputs at the hospital
  2. Define processes and then outline the specific processes at the hospital
  3. Define outputs and then outline the specific outputs at the hospital.

7.2 Describe how on-the-job training can be used to train healthcare workers at this hospital. In your response, explain one advantage and one disadvantage of on-the-job training. [5 marks]

On-the-job training refers to a type of training option that occurs at the workplace (such as via job shadowing or job rotation). In order to train healthcare workers at this hospital, an existing senior employee (senior doctor) will perform the skills required such as how to perform hand hygiene or perform a specific medical procedure. The healthcare worker being trained will observe and replicate the skills being taught, leading to their knowledge improving. Consequently, their productivity will increase.

ⓑ One advantage of on-the-job training is that it is a cost-effective training option because there are no additional expenses incurred - this is advantageous because the hospital can distribute profits earned to purchase more medical equipment or improve infrastructure. One disadvantage of on-the-job training is that workplace interruptions may occur, which is particularly disadvantageous considering the high number of cases of COVID-19 in Victorian hospitals. This is disadvantageous because it may compromise the learning of the healthcare workers and thereby, affect the ability to meet "healthcare objectives".

Extension notes:

- ⓐ Please note that you should pay attention to the type of training program you must make reference to - you must respond using "on-the-job" training and **NOT** "off-the-job" training.
- ⓑ Since this question contains a number of 'mini' questions, you should respond using paragraphs!



7.3 Propose and describe one key performance indicator that can be used to determine the effectiveness of COVID-19 safety training at the hospital. [3 marks] ①

One key performance indicator (KPI) to determine if COVID-19 safety training is effective is the rate of productivity growth. If the rate of productivity growth favourably increases, then this means that COVID-19 safety training was effective because employee skills and knowledge would have increased (thus, leading to more patients being treated). If the rate of productivity growth unfavourably reduces, then this means that COVID-19 safety training was ineffective - this could be due to the increased workload being placed on healthcare workers as a result of the high "case numbers" of COVID-19 which has affected the ability to provide safety training.

Extension notes:

① Other key performance indicators you could have used include:

- The number of workplace accidents
- The level of wastage
- The level of staff turnover

7.4 Explain the importance of leadership ① with reference to the case study. [4 marks]

Leadership refers to the ability to positively influence and motivate employees towards the achievement of business objectives. Leadership can be useful during a stressful period of time (such as the "coronavirus disease" outbreak) because it can be used to identify any disruptions that could compromise the success of the business (hospital). For example, leaders such as senior registrars at the hospital can identify the concerns of healthcare teams in regards to COVID-19 using two-way communication skills - perhaps staff are worried about contracting the virus. Leaders can then address these concerns using specific solutions (in this case the manager could perhaps provide COVID-19 safety training), which will increase the likelihood of the hospital's performance being improved. Hence leadership is significant during times of stress because it can be used to ensure the business remains successful in the long-term.

Extension notes:

① For ALL 'importance of leadership' questions, you should:

- define leadership
- explain the management skills used by leaders



7.5 Justify one performance management strategy that can be used to assess the performance of the healthcare workers. [3 marks]

Employee observation refers to a performance management strategy that aims to gain a holistic perspective of an employees' performance using 360° feedback from other employees. At the "new hospital", this can involve healthcare workers such as doctors, nurses and allied health staff evaluating and assessing the performance of a single healthcare worker against a specific set of pre-determined criteria. The manager of the healthcare team can then collect all these differing opinions, analyse them and identify training needs based on weaknesses.

## Question 8 (U4 AOS 1, U4 AOS 2)

8.1 Distinguish between a persuasive and participative management style. [3 marks]

The autocratic management style is a centralised decision-making style in which managers tell employees what to do by one-way communication. Whereas, a participative management style is a decentralised decision-making style in which managers and employees work together collaboratively by two-way communication to come to specific decisions. The difference between the two is in relation to who has decision-making capability - for example, an autocratic management style involves centralised decision-making in which a manager tells employees what to do; whereas, the participative management style involves decentralised decision-making in which managers and employees work together to form decisions.



## 8.2 Assess the suitability of the manager at Face-COV using a persuasive management style. [4 marks]

An autocratic management style is a centralised decision-making management style in which managers tell employees what to do by one-way communication.

The "business restructure" may have contributed to "employee productivity"... significantly" reducing at Face-COV because non-terminated employees may feel demoralised by the fact that they cannot rely on their colleagues on what specific activities to complete in the workplace. If the manager at Face-COV shifts from a participative to an autocratic management style then they can use one-way communication to tell employees at the manufacturing site what to do. Consequently, employees will have a greater understanding of their activities when producing "face masks" and as a byproduct, staff productivity should increase. This would make an autocratic management style suitable to use during this time.

However, since the Face-COV manager normally uses a "participative management style" then perhaps the shift to an autocratic management style would be inappropriate - this is because they would be less comfortable being an autocratic manager (because it is not used on a daily basis). This means the reduction in employee productivity may not be effectively addressed - and so, shifting to an autocratic management style may not be suitable for Face-COV.

Extension notes:

- ① Please note that if a question makes reference to the **suitability** of management styles, then you must explain your answer in terms of the factors of suitability:
- nature of task
  - employee experience
  - time
  - preference of managers



8.3 Analyse the extent to which the shift from a participative to persuasive management style was suitable using Figure 1. [4 marks]

The rate of productivity growth refers to a measure of the efficiency of a business' operations by comparing the amount of inputs used to make outputs in a given period of time. According to Figure 1, the rate of productivity growth has favourably increased from 3% before shifting management styles to 8% after shifting management styles. This could be because the shift from a participative to autocratic management style involves a transition from two-way communication and decentralised decision-making to one-way communication and centralised decision-making. Since the manager tells employees what to do by one-way communication, employees have a greater understanding of what is expected of them in the workplace. Thereby increasing the productivity of employees at Face-COV (which is why the rate of productivity growth favourably increased). This indicates that, to a large extent, the shift from a participative to autocratic management style has improved business performance at Face-COV.

## Question 9 (U3 AOS 1, U3 AOS 2, U4 AOS 1, U4 AOS 2)

9.1 Identify one business objective that Le Salād would have, other than to make a profit, and explain how planning skills can be used by the manager to achieve this business objective. [5 marks]

One business objective that Le Salād would have is to increase market share (which is where a business aims to grow sales relative to competitors in a given period of time). Planning refers to the ability to define business objectives and then choose strategies or methods to achieve them. The manager at Le Salād must first define the business objective ('to increase market share') and then identify a range of strategies to achieve this objective, such as advertising salads on billboards or using TV promotions. The manager can then select a strategy (such as billboard advertising), implement it and monitor its success in the future to determine if the objective 'to increase market share' is achieved. Thus, planning skills can be used by the manager at Le Salād to achieve the business objective 'to increase market share'.



9.2 Explain how Le Salād can apply the principles of the Four Drive Theory to motivate employees. [6 marks]

Lawrence and Nahriás Four Drive Theory is a motivation theory which states that all humans have four fundamental drives and that the fulfilment of these drives can lead to improved motivation levels. These drives include the drive to acquire, drive to bond, drive to learn and drive to defend. Each drive acts independently of each other.

①

The drive to learn relates to the human desire to increase skills and knowledge. Perhaps employees at Le Salād felt demoralised because of the lack of experience in using or operating websites. And so, the manager at Le Salād can employ on-the-job (at the workplace with an existing employee or off-the-job (away from the workplace with an expert) website development training so that employees better understand how to use the "new [Le Salād] website" being implemented. Consequently, employees will be able to use and operate the website more efficiently than before - this feeling of self-growth should, in turn, lead to improved motivation<sup>②</sup> levels.

①

The drive to defend relates to the human desire to protect themselves and the people for whom they care. The manager at Le Salād can fulfil this drive through creating an anonymous suggestions box whereby employees can voice their concerns in relation to the "implementation of the new website". The manager can then form solutions to address these issues, such as providing long-term contracts to staff such that they no longer feel as if the new website will replace their jobs. This will consequently address the issue of "reduced staff motivation"<sup>②</sup> at Le Salād.

Extension notes:

- ① Please note that I have paragraphed my response using each drive as a separate paragraph — this is beneficial in providing my response with **structure**.
- ② You should link each paragraph (for each drive you write about) back to addressing the issue of reduced motivation or, alternatively, the fact that motivation levels will improve.



9.3 Explain how Le Salād can use Porter's generic strategy of differentiation to gain a competitive advantage. [4 marks]

Porter's generic strategy of differentiation is where a business aims to create an innovative product that provides them with a unique point of difference compared to competitors such that a business can gain a competitive advantage. To become more diversified in the salad market, Le Salād can source gourmet salads that appeal to consumers (such as more niche markets) who want something different. This is advantageous for Le Salād because these consumers would not care about the dollar cost of the products being sold (as price is not an important consideration to these consumers). Thereby, increasing consumer satisfaction and improving business competitiveness. This allows Le Salād to charge a premium price on their products and thus, improve their profitability in the long-term (gaining a competitive advantage).

9.4 Describe one driving force and one restraining force for the change at Le Salād. [4 marks]

One driving force for the implementation of the "new website" at Le Salād is the pursuit of profit - this refers to the increasing of sales (revenue) relative to expenses incurred in a given period of time. The pursuit of profit is a driving force for change for Le Salād because it is a primary business objective for most businesses (the business objective 'to make a profit'). This profit can be used to expand Le Salād or generate innovation. Thus, the pursuit of profit can be a driving force for change.

One restraining force for the implementation of the "new website" is employees. This refers to individuals who provide labour in exchange for a monetary reward. Employees at Le Salād can be a restraining force because they may have fears or insecurities about the transformation. For example, staff may have fears for their job security (if their job will be replaced by a website), and so may not feel empowered to encourage the change to occur. Thus, employees can be a restraining force for the implementation of the new website.





## Question 10 (U3 AOS 1, U3 AOS 2, U4 AOS 2)

10.1 Define the term 'autocratic management style'. [2 marks]

The autocratic management style is a centralised decision-making style in which managers tell employees what to do by one-way communication.

10.2 Explain one business objective that Pizzeria Plaza would have, other than to make a profit. [2 marks]

One business objective that Pizzeria Plaza may have is 'to increase market share'. This is where Pizzeria Plaza aims to grow the total proportion of sales attained compared to competitors (other pizza "restaurants") in a given period of time. This business objective is closely linked with the desire of Pizzeria Plaza's manager, Joseph, "to create brand loyalty amongst different consumer groups."

10.3 Discuss the use of the management style <sup>②</sup> that Joseph currently employs in terms of achieving <sup>①</sup> business objectives. [5 marks]

Joseph currently employs an autocratic management style.

One advantage of Joseph using the autocratic management style is that instructions set can be clear. Thus, business objectives are more likely to be achieved (such as 'to make a profit') because employees have a greater understanding of the requirements and activities of the business. One disadvantage of Joseph using the autocratic management style is that employees are not included in the decision-making process and so, employee morale may reduce - thus, employee productivity at Pizzeria Plaza may decrease (which hinders the ability to achieve business objectives).

Another advantage is that quick and effective decisions can be made by Joseph. This is useful for when Pizzeria Plaza finds itself in a negative predicament (such as negative media coverage), allowing them to come out successful and still achieve business objectives. Another disadvantage is that employees are not included in the decision-making process and so innovation is limited (such as ideas for new pizza toppings). This may hinder the ability of Pizzeria Plaza to achieve business objectives (such as 'to increase market share').

Extension notes:

- ① The **limiting phrase** in the question is "in terms of achieving business objectives" and so, you should link your advantages and disadvantages back to this limiting phrase.
- ② The question does not state what management style Joseph currently uses; however, this information can be learnt using the context information provided.



10.4 Outline one transition issue and one transition service in relation to the chef's retirement. [2 marks]

One transition issue in relation to the chef's retirement is a decline in morale - this is because retirement is a commitment that can take a toll on one's emotional health. One transition service is to have the retiring chef train new chefs before he or she leaves, allowing them to better cope with the retirement phase.

10.5 Explain how Joseph can apply Maslow's Hierarchy of Needs to motivate employees. [5 marks]

Maslow's hierarchy of needs is a sequential motivation theory which states that all individuals have needs and that these individuals will be motivated once these needs are satisfied. These needs are, in order: physiological, safety, social, self-esteem and self-actualisation.

Safety needs refer to protection from physical and psychological harm. Perhaps the "low staff motivation" could stem from the fact that employees relied on the "experience" of the chef to perform their tasks adequately. And so, Joseph can provide employees with on-the-job training (at the workplace) or off-the-job training (away from the workplace) in order to increase the knowledge of staff members at this restaurant. Consequently, Pizzeria Plaza employees will feel as if they can perform their daily activities without the need for the retiring chef - this will address the issue of "low staff motivation" amongst staff members.

Social needs refer to the human desire to form positive relationships within friendship groups. Joseph can fulfil social needs by implementing 'rites and rituals' in the workplace, which refers to routine patterns of behaviour such as Friday Night Drinks. This serves to develop open communication amongst Pizzeria Plaza employees and can lead to greater stability in workplace relations. Thus, a more inclusive and unified work environment can be fostered at this restaurant which can consequently lead to the issue of "low staff motivation" being addressed.



## Question 11 (U3 AOS 2, U4 AOS 1)

11.1 Explain one KPI, other than the ones analysed above, that can be used to assess the performance of CamMan before and after undergoing business change. [2 marks]

One KPI that can be used to assess the performance of CamMan before and after shifting rurally is the rate of staff absenteeism, which refers to the number of days that employees are absent from work out of their total possible working schedule in a given period of time. If the rate of staff absenteeism favourably decreases, then this indicates that the performance of CamMan has improved because staff are less likely to take absent days from work (leading to a more productive workforce). If the rate of staff absenteeism unfavourably increases, then this indicates that the performance of CamMan has reduced because employees may be unmotivated to continue working in a rural environment with less access to urban facilities.

11.2 Outline how managers can be a driving force for the shift to a rural manufacturing site. [2 marks]

Managers are 'leaders' (change role models) that are responsible for coordinating business activities. Managers at CamMan can be a driving force for the shift to a rural manufacturing site because they have responsibility over the business' future success. If the shift to a rural manufacturing site is able to improve the success of CamMan (such as financial performance) a manager is more likely to encourage that change to improve their own reputation amongst the owners. Thus, managers can be a driving force for the change at CamMan.



11.3 Analyse the extent to which the shift to a rural site has improved CamMan's business performance, with reference to Figures 1 and 2. [4 marks]<sup>①</sup>

Net profit figures refer to what a business has earned after all expenses have been deducted from the revenue in a given period of time. According to Figure 1, net profit figures have favourably increased from \$50,000 in 2019 to \$80,000 in 2020. This could be because the rural shift has reduced property expenses for CamMan, allowing them to rent out a manufacturing site at a cheaper cost. By reducing their expenses relative to revenue in a given period of time, CamMan has increased their net profit figures since shifting. Thus, to a large extent, the shift to a rural manufacturing site has improved financial performance at CamMan.

The level of staff turnover refers to the number of employees leaving a business that need to be replaced in a given period of time. At CamMan, the level of staff turnover unfavourably increased from 4% in 2019 to 10% in 2020. This could have been because the shift to a rural manufacturing site has reduced morale and motivation levels of employees in the workplace who may be dissatisfied working in a rural area (and away from a traditional urban area). Consequently, more employees would have left CamMan and been replaced (which increases the level of staff turnover over time). Thus, to a large extent, perhaps the shift to a rural manufacturing site has reduced business performance at CamMan.

Extension notes:

① A suitable structure when analysing each key performance indicator is to:

1. **DEFINE** the specific key performance indicator
2. Identify the **TREND** indicated by the key performance indicator data
  - Reference to whether the change is favourable or unfavourable must be made
  - Reference to whether the change was an increase or decrease must be made
3. Outline a **REASON** as to why the key performance indicator changed in the specific way it did
4. State, whether to a **LARGE OR SMALL EXTENT**, the performance of the business has improved or not based on the key performance indicator data trend.



11.4 Explain one management strategy that can be used to respond to one KPI from above and position CamMan for the future. [3 marks]

One management strategy<sup>①</sup> to respond to the Level of staff turnover is staff motivation, which refers to strategies used to improve the energy and commitment levels of employees such that they feel greater motivation to achieve business objectives. The manager at CamMan can implement the motivation strategy of support, which refers to the development of positive relationships with employees in order to help overcome problems and develop a more inclusive working environment. Building an atmosphere of mutual trust and respect at CamMan is particularly important given the shift to a rural site could be quite emotionally taxing on employees. Therefore, the strategy of support provides a network for employees to rely on, which can improve job satisfaction and morale at CamMan. Therefore, employees are less likely to leave the business and be placed in a given period of time. and so, in future years (such as 2021) the Level of staff turnover should be less than 10%.

Extension notes:

- ① Alternative management strategies that can be used to respond to the level of staff turnover include a change in **management styles**, a change in **management skills** and **staff training**! See below for an explanation:
- **Change in management styles:** for example, shifting to a participative management style can increase staff morale as employees feel more included in the workplace (and thereby, would be less likely to leave and be replaced).
  - **Change in management skills:** for example, two-way communication skills can be used (instead of one-way communication) to identify reasons why employees are leaving (and being replaced) - solutions can then be implemented to address these concerns.
  - **Staff training:** the reason why more employees may be leaving (and being replaced) is due to unfamiliarity with new operating machinery at the rural manufacturing site. Hence, staff training can be used to correct the confusion and uncertainty that employees may have.

12.5 Describe how the high-risk strategy of manipulation can be used to reduce employee resistance to the shift to a rural site. [3 marks]<sup>①</sup>

The high-risk strategy of manipulation refers to a form of persuasion that aims to coerce employees into embracing the specific change. The manager at CamMan can employ manipulation by only detailing to employees the benefits of shifting to a rural manufacturing site without detailing the disadvantages (consequences) of the specific change for them. Thereby, employees are more likely to embrace the manufacturing site location shift (as a result of this persuasion), which reduces their resistance to this change.

Extension notes:

① A suitable structure when responding to “explaining high-risk strategies” questions is to:

1. **DEFINE** the specific high-risk strategy.
2. Explain **HOW** it can be employed by managers.
3. Outline how this will lead to **REDUCED EMPLOYEE RESISTANCE**.



## Question 12 (U3 AOS 3, U4 AOS 1, U4 AOS 2)

12.1 Explain how artificial intelligence can be used by Crops4Everyone to improve the efficiency and effectiveness of their operations. [3 marks]

Artificial intelligence (AI) refers to intelligent computer systems that can perform human-like tasks by learning from new user input. AI can improve the efficiency of operations at Crops4Everyone because soils and crops that are identified as having specific diseases can be removed from the crop population to prevent further spreading of the disease on the farm. This will lead to less discarding of diseased soils over time (due to reduced contamination of soils) and consequently, reduced wastage at Crops4Everyone (improved efficiency). AI can improve the effectiveness of operations because reduced spreading of the plant viruses will reduce expenses associated with discarding virally-infected crops. Thereby, leading to the achievement of the objective 'to make a profit' at Crops4Everyone because revenue will exceed expenses in a given period of time (improving effectiveness).

12.2 Define the term 'business change' and apply one principle of Lewin's Three Step Change Model theory to the implementation of artificial intelligence at Crops4Everyone. [4 marks]

Business change refers to an alteration to the internal or external environment of a business, resulting in a change to the form or operation of a business over time.

The first step of Lewin's Three Step Change Model is Unfreeze, which refers to preparing and disrupting the business' current position such that it has the capability to undergo change. Crops4Everyone would have first unfrozen by communicating the vision of implementing artificial intelligence (AI) to employees. Samuel would have also outlined the benefits and consequences of implementing AI technology at Crops4Everyone (for example, reducing the spread of disease on the farm). This serves to reduce employee resistance at Crops4Everyone because employees are more likely to embrace the change (of implementing the AI) rather than condemn it.



12.3 Explain the effect that implementing artificial intelligence will have on employees at Crops4Everyone. [3 marks]

Employees are individuals who provide labour in exchange for a monetary reward. One positive effect that the implementation of artificial intelligence (AI) will have on employees is increased opportunities to learn new skills via AI technology training - thus, becoming a more valuable employee at Crops4Everyone. One negative effect that the implementation of AI can have on employees is the potential for the employee to be made redundant if their job role is replaced by the AI technology (thereby, the employee would lose an income source).

12.4 Propose and describe how one low-risk strategy can be used by Samuel to reduce employee resistance at Crops4Everyone. [3 marks]

One low-risk strategy is communication - this refers to the ability to create and exchange information from a sender to a receiver, allowing feedback to occur. Samuel can employ two-way communication as a way to learn the concerns of employees about the implementation of artificial intelligence (AI) at Crops4Everyone (for example, employees may be concerned about their job security as they may fear being replaced). By using communication skills and addressing these concerns (by explaining to them the benefits of AI and how it can complement their roles), employee confusion and fear at Crops4Everyone can reduce - therefore, employees are more likely to embrace the implementation of AI rather than condemn it, which leads to decreased employee resistance.



# SECTION C: SUGGESTED SOLUTIONS

## Question 1. [10 marks]

Explain the above statement with reference to a contemporary business example. In your response, discuss the use of engaging in corporate social responsibility.

Corporate social responsibility (CSR) refers to the practice of businesses to go above and beyond legal obligations to consider the triple bottom line - the economy, the environment and the community; change refers to any alteration to the internal or external environment of a business, such as the adoption of a new idea that impacts the operation or form of a business over time. Indeed, in an increasingly global world, individuals and institutions need to be more considerate of their actions on the environment and the broader community. It is imperative that businesses abide by CSR, regardless of whether it is a manufacturing or service business, to ensure the triple bottom line is considered.

One contemporary business example is Woolworths and their recent restructure in June 2019. Woolworths underwent a restructure in which they created two new departments - a fresh service and fresh convenience department - which has caused the layout of stores to change. This saw a number of voluntary redundancies take place for those who were not wishing or not able to be retrained or be redeployed to new departments. Woolworths provided outplacement services to these redundant employees such as interview training courses following the restructure such that they can find new employment elsewhere.

One advantage of engaging in CSR for Woolworths is that they will be viewed by the general public as a business of choice. This is because Woolworths would have offered redundant employees outplacement services such as interview training or resume writing courses such that they could seek job opportunities elsewhere. Consequently, consumers may have seen Woolworths as socially responsible and may choose to shop there over rival businesses. Thereby, generating greater sales and increasing market share (improving Woolworths competitiveness and leading to the achievement of business objectives).



One disadvantage of engaging in CSR for Woolworths is that it was expensive to provide outplacement services to voluntary redundant employees. Transition services such as financial counselling and outplacement services such as providing resume writing courses would be expensive if a large number of employees became redundant. Thereby increasing expenses and potentially affecting profit margins.

The benefits of engaging in CSR are wide-range and can improve the state of society as a whole as these considerations are an avenue to creating a more environmentally-friendly world. Evidently, the social and environmental benefits of engaging in CSR outweigh the financial disadvantages. Thus, all businesses should consider and engage in CSR when implementing change.

Extension notes:

① Your introduction should contain:

- **Definitions** of 'key terms' in the question, such as **corporate social responsibility** and **change!**
- A brief outline of the significance of corporate social responsibility in the real world
- Whether you agree or disagree with the question

② Before outlining the advantages and disadvantages of corporate social responsibility, you should summarise (in paragraph form) what contemporary business example you will be using in your response. Specifically, you should relate your contemporary business to **engaging in corporate social responsibility**.

③ Your conclusion, similar to the introduction, should contain the following:

- A broad statement on the importance of engaging in corporate social responsibility
- Whether it is worth it for businesses to engage in corporate social responsibility and why



## Question 2. [10 marks]

Evaluate two different operations strategies - one in relation to technological developments and the other in relation to quality management. Explain how one of these strategies can be used to improve the efficiency of operations and how the other can be used to improve the effectiveness of operations.

Operations refers to the area of management responsibility that is responsible for transforming inputs into outputs. Undoubtedly one of the most important fields of any business, it is important that managers maximise the efficiency (how well resources are used to create outputs) and effectiveness (how well resources are used to achieve business objectives) of their operations in order to maintain business competitiveness and improve business performance.

One operations strategy in relation to technological developments is automated production lines (APLs). One advantage of APLs is that they can improve the speed and volume of production - this is because machinery is faster than human labour resources. Thus, improving the productivity of a business' operations. One disadvantage of APLs is that they can pose a high initial start up cost if implementing them in the workplace. This is disadvantageous for a business because it can increase operational expenses and thereby, negatively affect profits.

Another advantage of APLs is that they can reduce wastage created because the technology has high precision (compared to human labour resources). Thus, improving the efficiency of a business' operations. Another disadvantage of APLs is that, if the technology breaks down, then the manufacturing process will come to a halt. This is disadvantageous for a business because it will reduce workplace productivity when creating the final product.

Overall, despite the disadvantages of APLs they are advantageous in improving the efficiency of a business' operations due to their high speed and precision.



One operations strategy in relation to quality management is quality control (QC). One advantage of QC is that it can be used to identify problems or defects in the quality of the final product (through conducting inspections). Thus, maintaining product fitness by preventing consumers from receiving poor quality outputs in the future. One disadvantage of QC is that goods that are identified as defective will end up as waste - this is disadvantageous because it can incur additional expenses for a business.

Another advantage of QC is that it is relatively inexpensive as a quality management strategy. This is because the inspection measures are internally controlled by the business (which can reduce expenses). Another disadvantage of QC is that some defective goods may 'slip' through the inspection measures - this means that product fitness is not being maintained because goods with quality issues may end up in the hands of consumers.

Overall, despite the disadvantages of QC, it is a suitable strategy to improve the quality of a business' production line.

QC can improve the efficiency of a business' operations because corrective action is taken after a faulty product is identified to prevent the same quality issue from arising in the future. Thereby, reducing wastage levels (which is an efficiency improvement). APLs can improve the effectiveness of operations by reducing the cost per unit of manufacturing a product - thus, revenue can exceed expenses in a given period of time (achievement of the business objective 'to make a profit!')

Overall, operations is a vital part of any business and so its efficiency and effectiveness should be optimised to improve business performance as a whole.

Extension notes:

- ① **Evaluate** is a task word which requires you to present advantages and disadvantages along with a final opinion.
- ② There are **many operations fields** you can refer to, including:
  - Technological developments
  - Quality management
  - Materials management
  - Waste minimisation



## Question 3. [10 marks]

Define the term business change and apply the principles of one of Lewin's change models to a contemporary business which has undergone a business change. In your response, evaluate the effectiveness of following a change model to implement change successfully.

Business change refers to an alteration to the internal or external environment of a business, resulting in a change to the operation of a business over time. In a world that is constantly altering its views and values, it is important for businesses to engage in business change in order to maintain a competitive advantage in the industry and continuously appeal to their consumers. One contemporary example is India At Home (an Indian grocery chain) and their 2022 transition to importing Indian sweets (Jalebi) from within Australia.

Lewin's Force Field Analysis Theory is a step-by-step guide used to determine the forces that drive change (driving forces) and restrict change (restraining forces). First, India At Home must define their target of change, which is to locally source Indian sweets (Jalebi) from Australian manufacturers as opposed to sourcing them from India. Then, India At Home must identify driving forces and restraining forces for this change (shifting suppliers).

One driving force for this change is societal attitudes, which refers to the ingrained values within a community. Initially, India At Home sourced Jalebi from overseas suppliers, but recognised that the continual ordering of large amounts of stock would be damaging to the environment. Thereby, societal attitudes acts as a driving force for change because India At Home can meet the expectations of an environmentally-conscious customer base. One restraining force for this change would be financial considerations, which refers to the dollar cost of implementing change. This is a restraining force for change because sourcing Jalebi (Indian sweets) from local suppliers (compared to international suppliers) would be more expensive as international suppliers wholesale Indian sweets at a comparatively cheaper price per unit - this may incur additional expenses for India At Home.



From this, India At Home may rank the forces based on order of prioritisation with the aim of promoting driving forces and restricting restraining forces (rid of the equilibrium). An action plan can then be formulated and implemented - for example, India At Home may limit the impact of the restraining force of financial considerations by implementing budgeting strategies (such as purchasing Indian sweets by bulk in order to reduce the price per unit when ordering stock) that will allow the Indian grocery chain to not be financially strained from the local sourcing of Indian sweets.

Following a change model may be problematic for businesses because random and unplanned events (such as the onset of a global pandemic) may interrupt and compromise the ability of a business to effectively change. However, despite this disadvantage, it is imperative that businesses implement change models (such as the Force Field Analysis theory) in order to implement business change successfully. This is because following a change model provides a step-by-step guide (outline) of the transformation process, which allows a business to proactively prepare for the change - this is because the business will be aware of where change is required, what is required for successful change and what the business will look like after the change occurs. This can lead to a more carefully planned and executed management of change; thereby, increasing the chance of the specific transformation being successful in the long-term.



## Question 4. [10 marks]

Analyse the relationship between managing employees and business objectives. In your response, refer to the strategies listed below:

- one performance management strategy
- ① • one motivation strategy, other than investment in training
- on-the-job training

Employees refer to the individuals that provide labour in exchange for a monetary reward. Managing employees refers to management of the employment cycle of hiring, training and terminating. Without a doubt, employees are the backbone of operating a successful business and, without a strong employee network, basic and complex business tasks would not be completed effectively. Business objectives refer to stated outcomes which a business wishes to achieve in a given period of time. The relationship between managing employees and business objectives is that the effective management of employees can lead to the achievement of business objectives.

One performance management strategy is management by objectives. Management by objectives involves a manager and employee collaborating to create specific and measurable employee and business objectives in a given period of time. Management by objectives allows employees to align their objectives with the business' objectives, which can lead to the development of positive relationships between managers and employees as they will work together to set specific objectives. This consequently leads to the development of a stronger and unified corporate culture, which can lead to the achievement of the business objective 'to meet shareholder expectations' (aiming to fulfil the financial and social expectations of shareholders in a given period of time), as shareholders of a business may value unity and trust amongst the workforce. Management by objectives can be used to overcome employee weaknesses through the identification of employee errors and mistakes - thus, leading to increased productivity and reduced operational expenses in the long-term (achieving the objective 'to make a profit').<sup>③</sup>

On-the-job training is a type of training program that occurs at the workplace, using equipment and machinery that is specific to the workplace. On-the-job training can be used to improve the skills and knowledge of employees in regards to their customer service skills. This will lead to the quality of interactions between customers and employees improving, which can translate to greater sales of products (goods or services). Thereby, sales will grow compared to competitors (who perhaps don't offer on-the-job training) in a given period of time, allowing a business to achieve the objective 'to increase market share'.<sup>③</sup>

One motivation strategy is career advancement, which refers to the development of a clear career pathway through job promotions. Career advancement can be used to promote employees to more important positions or provide employees with long-term job contracts, which serves to retain highly-skilled employees (due to increased job security). As a consequence, employee morale will improve and this will lead to the development of a more productive workforce. In the long-term, this will reduce operational expenses (costs) for a business because having more productive employees will decrease inefficiencies during day-to-day activities. And so, the management and retaining of highly knowledgeable employees will lead to the achievement of the objective 'to make a profit'<sup>③</sup> because revenue will exceed expenses (due to operational costs decreasing) in a given period of time.

Other components<sup>②</sup> of operating a business undoubtedly play an important role in a business' success, such as the use of automated production lines to efficiently stream-line the manufacturing and assembling of certain goods. Furthermore, financial bookkeeping and accounting softwares are significant in ensuring expenses and inventory are tracked such that budgeting strategies can be implemented to grow profits. However, employees are undoubtedly the most important component as they manage the natural resources and operate the capital resources required for a business to thrive in competitive industries. And so, the activities of employees not only leads to the achievement of a single business objective, but multiple business objectives. Overall, the relationship between managing employees and business objectives is that the effective management of employees (through motivating, performance management and training strategies) can ultimately lead to the achievement of business objectives.

Extension notes:

- ① A **tip** for ensuring that you **respond** to **all the requirements** of the question is to **tick off** each dot point after you write a paragraph covering that topic!
- ② In this last paragraph, I present the '**opposite side**' of the topic - this means writing about how employees are not the sole factor in **achieving business objectives** (other strategies such as automated production lines play a role too).
- ③ You should link your paragraphs back to **specific business objectives** to **strengthen your response**.



## Question 5. [10 marks]

With reference to the data above, analyse the extent to which the implementation of the artificial intelligence has assisted SunGlassX in improving their business performance and explain how one management strategy can be used to respond to one key performance indicator above and position the business for the future. In your response, explain the importance of SunGlassX analysing their key performance indicator data.

Key performance indicators (KPI's) are a specific set of criteria used to measure a business' performance in terms of its efficiency and effectiveness. Their purpose is to act as sources of data - KPI's are analysed before and after implementing change to determine if the change was successful in achieving pre-determined business objectives.

The number of sales<sup>①</sup> refer to the total number of products (goods or services) sold by a business in a given period of time. According to the figure, the number of sales at SunGlassX has favourably increased from 4,000 sales per month in 2019 to 22,000 sales per month in 2021. This could be because of the accuracy of the artificial intelligence (AI) technology in designing sunglasses that exceed the expectations of consumers purchasing sunglasses, leading to greater sales as a result of increased customer loyalty and word of mouth (from the high quality). Thus, to a large extent, the implementation of AI technology at SunGlassX has improved their business performance.

The level of staff turnover refers to the number of employees that leave a business and are replaced in a given period of time. According to the Figure, the level of staff turnover at SunGlassX has unfavourably increased from 4% in 2019 to 12% in 2021. This may indicate that employees are dissatisfied with the implementation of the new AI technology as they may fear that their job security is compromised (that the AI technology may replace their jobs in the future). This dissatisfaction would have resulted in more employees leaving SunGlassX in 2021 and being replaced in a given period of time. Thus, to a large extent, the implementation of the AI technology at SunGlassX has not improved their business performance.



One management strategy is staff motivation, which refers to strategies used to improve the energy and commitment levels of employees such that they feel greater motivation to achieve business objectives. Marty can implement career advancement, which refers to the development of a clear career pathway through providing job contracts and promotions. For example, employees at SunGlassX retail stores can be promoted to more senior positions, or can be given long-term job contracts (which provides them with job security). Consequently, employee morale at SunGlassX will improve and so, employees will be less likely to leave SunGlassX and be replaced in a given period of time. Therefore, in future years (such as 2022) the level of staff turnover should be less than 12%.

Ultimately, it is imperative that businesses analyse their KPIs in order to guide their strategic direction - this is because evaluating KPIs allows businesses to implement specific strategies to proactively respond to unfavourable trends in KPI data, leading to a more successful business position due to the performance of the organisation improving and business objectives being achieved. Thereby, leading to long-term success of the business.<sup>ⓐ</sup>

Extension notes:

ⓐ Below is an elaboration of the DTR approach for this question:

1. **DEFINE** the specific KPI
2. State the **TREND** — whether the KPI unfavourably or favourably increased or decreased using data provided
3. Outline a potential **REASON** why the KPI changed

+ State the **EXTENT** (large or small) to which the implementation of artificial intelligence was successful for SunGlassX → this step is required if “the extent” is present in the question.

ⓑ In addition to analysing the KPI data in this question, you are required to explain the importance of evaluating KPIs. Remember that KPIs are analysed so that the **strategic direction** of a business can be guided - this means that if there are any **unfavourable trends** identified (such as net profit figures unfavourably decreasing over time), then a business can implement **strategies** to **correct** this.



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