

Business Management Units 3 & 4

Copyright © Insight Publications 2025

First published in 2025 by Insight Publications

Insight Publications Pty Ltd
3/350 Charman Road
Cheltenham VIC 3192
Australia

Tel: +61 3 8571 4950

Email: books@insightpublications.com.au

www.insightpublications.com.au

No part of this book may be used or reproduced in any manner for the purpose of training artificial intelligence technologies or systems.

Copying for educational purposes

The Australian *Copyright Act 1968* (Cth) (the Act) allows a maximum of one chapter or 10 per cent of this book, whichever is greater, to be copied by any educational institution for its educational purposes provided that the educational institution (or the body that administers it) has given a remuneration notice to the Copyright Agency under the Act.

www.copyright.com.au

Copying for other purposes

All rights reserved. Except as permitted under the Act (for example, any fair dealing for the purposes of study, research, criticism or review), no part of this book may be reproduced, stored in a retrieval system, or transmitted in any form or by any means without prior written permission. All inquiries should be made to the publisher at the address above.

Insight VCE Revision Questions: Business Management Units 3 & 4

ISBN: 9781923016927

VCE is a registered trademark. The VCAA does not endorse or make any warranties regarding this study resource. Current VCE Study Designs, exam specifications and past VCE exams can be accessed directly at www.vcaa.vic.edu.au.

Publisher: Robert Beardwood
Project manager: Olivia Shenken
Reviewer and writer: Kathy Ambatzis
Copy editor: Alice Watson
Proofreader: Anica Boulanger-Mashberg
Cover designer: Melisa Paredes
Text designer: Bec Yule @ Red Chilli Design
Typesetter: Aptara®, Inc.
Printed by Markono Print Media Pte Ltd

Insight Publications acknowledges the Traditional Custodians of the Country on which we meet and work, the Boonwurrung People of the Kulin Nation. We pay our respects to their Elders past and present, and extend that respect to all Aboriginal and Torres Strait Islander peoples.

● Contents

Introduction	iv
Questions	1
Unit 3, Area of Study 1: Business foundations	1
Section A	1
Section B	20
Unit 3, Area of Study 2: Human resource management	22
Section A	22
Section B	39
Unit 3, Area of Study 3: Operations management	44
Section A	44
Section B	54
Unit 4, Area of Study 1: Reviewing performance – the need for change	65
Section A	65
Section B	75
Unit 4, Area of Study 2: Implementing change	84
Section A	84
Section B	94
Suggested responses	112
Unit 3, Area of Study 1: Business foundations	112
Section A	112
Section B	127
Unit 3, Area of Study 2: Human resource management	128
Section A	128
Section B	145
Unit 3, Area of Study 3: Operations management	149
Section A	149
Section B	158
Unit 4, Area of Study 1: Reviewing performance – the need for change	166
Section A	166
Section B	177
Unit 4, Area of Study 2: Implementing change	183
Section A	183
Section B	193
Acknowledgements	203

● Introduction

Insight's *VCE Revision Questions: Business Management Units 3 & 4* contains questions, sample responses and tips to help you develop skills for assessment. The questions cover all areas of study in Units 3 and 4 of VCE Business Management. A good habit to implement is to test yourself by working through this resource. The process of actively recalling information assists with deeper learning, and you will be able to compare your answers with the provided sample responses.

By using this resource as part of your study regimen throughout the year, you will be prepared for questions you may encounter in your end-of-year VCE exam.

We wish you well with your studies.

The Insight Team

Question 4 (9 marks)

Take Care is a small business operating as a social enterprise. Founder and Senior Manager Emma Cain announced a 12% increase in profit for the most recent financial period and stated that the business was on track to meet its long-term objective of an annual profit of \$10 million by 2025.

a. Define the term 'business objective'.

1 mark

b. Long-term objectives are set by managers during planning.

Describe planning as a management skill.

2 marks

Question 7 (8 marks)

On 1 July 2024, Ready Transport was established by the Australian Government to create and oversee a properly integrated transport department in step with other countries.

Under Ready Transport, Australia's separate road, tram and rail systems will be combined into one transport network.

This new government body will provide a singular, integrated focus on tackling the big issues, including improving bus services in growing suburbs, embracing new technology and making it easier to walk and cycle.

a. Outline **two** characteristics of a government business enterprise.

2 marks

b. Describe **one** business objective relevant to Ready Transport.

2 marks

Question 9 (8 marks)

FreshAsFoods is a small cafe, owned by Gary Rattan and Nikki Amber, that sells fresh, organic food to customers and fresh food packages through its online facility. It opened its doors in 2019 and, after a slow start, built a solid customer base during the first 12 months of operations.

- a.** Describe the interests of **two** stakeholders of the business. 4 marks

Stakeholder 1 _____





Stakeholder 2 _____

- b. Like many businesses, FreshAsFoods suffered during the global COVID-19 pandemic and lockdown of 2020. It initiated measures to protect staff and customers by introducing limits on items, designated shopping hours for elderly customers and contactless delivery.

Describe how these changes may have affected **two** stakeholders. Do not refer to either of the stakeholders you used in your answer to **part a**.

4 marks

Stakeholder 1 _____

Stakeholder 2 _____

Question 10 (4 marks)

Staff at Acton Ltd have been working remotely for the past two years. Adam Homul, the operations manager at Acton Ltd, recently sent an email to all employees informing them that they will no longer be allowed to work remotely. Adam hopes this will improve productivity and assist in achieving business objectives.

- a. Identify the type of business structure used by Acton Ltd and outline **one** feature of this type of business structure. 2 marks





- b.** Outline how the interests of Adam and his employees may conflict as a result of his decision to not allow employees to work remotely.

2 marks

Question 11 (6 marks)

Explain the impact of career advancement and investment in training as motivation strategies on short-term and long-term employee motivation.

Section B

Case study

Patti's Grocery is a small chain of supermarkets that was introduced to Australia in 2012. Based in Europe, it has been trying to establish itself in the highly competitive Australian market through its innovative practices.

To that end, Patti's Grocery has rolled out another self-serve option for shoppers. The supermarket chain opened a trial self-serve check-out counter for trolleys, equipped with a conveyor belt, at its new store at Evandale in Melbourne. This follows another trial Patti's Grocery launched at its Hampton Hills store in Sydney earlier this year.

The supermarket chain said that the main aim of the check-out is to make shopping easier and quicker when customers have a lot of shopping in their trolleys and it gets busy in the store.

'It's about providing another convenient option for customers and is designed to complement the manned check-outs and traditional self-serve options at the store,' a Patti's Grocery spokesperson told *Business Daily Australia* in an email.

'We're giving our customers a choice so they can pick the check-out option that works best for the shop they're doing on any given day.'

Employees were informed of the introduction of the new self-serve counters, and the reasons behind their introduction, through an email last week. While Patti's Grocery is considering rolling out these check-outs elsewhere, the stores are going to look at customer feedback first.

But this isn't the only innovation. Also heading to the new Patti's Grocery store in Victoria is a 'safety robot' named Rex which scouts the store for spills and triggers an alert to workers. Rex will then be launched at the store in Sydney.

'We treat the safety of our customers and team seriously, so we're excited to trial this innovative technology at our Evandale store. The team has really embraced Rex, and we'll be keen to hear local customer feedback as well,' the spokesperson said.

Earlier this year, Patti's Grocery began offering recyclable brown paper bags at some of its stores. But at a cost of 20 cents each, the paper bags cost 5 cents more than the supermarket chain's reusable plastic bags.

Question 1 (6 marks)

Evaluate the use of the persuasive style of management during the introduction of the new self-serve counters.

Section B

Case study

Dell's Foods is an Australian-owned manufacturer of packaged meats (smallgoods). The business has been operating for a number of years and has a very loyal staff, reflected in very low rates of absenteeism and turnover.

However, not all areas of the business have been performing as well as management would like. Recent expansion into the global market has seen an increase in sales but also some worrying signs from other key performance indicators (KPIs).

The Finance Manager produced the following data:

	2016	2017	2018
Sales	\$17.4m	\$22.1m	\$29.6m
Net profit	\$3.8m	\$4.2m	\$6.6m
Level of wastage (% of inputs)	3%	5%	11%
Number of customer complaints (per 1000 sales)	15	87	142

Senior Managers have become concerned about these figures and would like to see a 10% decrease in the level of wastage and in the number of customer complaints for 2019, and further reductions over the subsequent five years back to 2016 levels.

Question 1 (10 marks)

To improve the performance of employees, the owner of Dell's Foods is considering adopting a motivation strategy and introducing a performance management system.

- a. Evaluate **one** motivation strategy the business could adopt.

6 marks

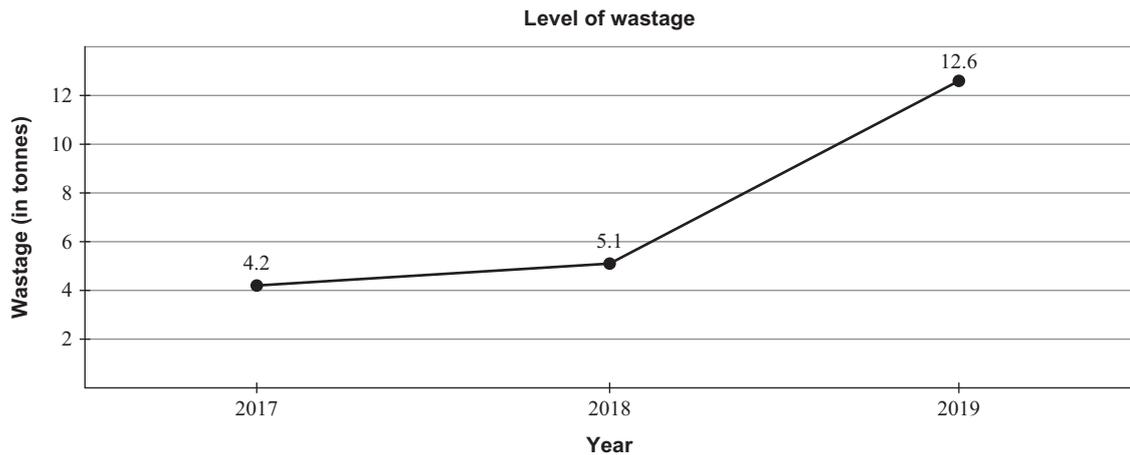


Unit 3 | Area of Study 3 Operations management

Section A

Question 1 (2 marks)

Dollhouse Pty Ltd is a business operating as a private limited company in Melbourne. The business manufactures playground equipment and has recently been the subject of negative press regarding its waste management system. The graph below shows Dollhouse Pty Ltd's level of wastage, in tonnes, from 2017 to 2019.



Describe how **two** of the principles of the reduce, reuse, recycle strategy could be used by Dollhouse Pty Ltd to minimise waste.

Question 7 (5 marks)

Yaren operates a small financial services firm providing financial advice, completion of tax returns and investment modelling to customers. Operating for seven years as a private limited company with six other shareholders, the business has grown steadily; however, the move to using online meeting platforms during 2020 and 2021 saw a drop in market share and a rise in customer complaints.

- a. Describe the relationship between operations management and achieving business objectives.

2 marks

- b. Describe **one** quality management strategy Yaren could implement to improve the effectiveness of business operations.

3 marks

Question 4 (2 marks)

Outline **one** corporate social responsibility consideration associated with overseas manufacturing that Michaels Holdings may face.

Case study

Dell's Foods is an Australian-owned manufacturer of packaged meats (smallgoods). The business has been operating for a number of years and has a very loyal staff, reflected in very low rates of absenteeism and turnover.

However, not all areas of the business have been performing as well as management would like. Recent expansion into the global market has seen an increase in sales but also some worrying signs from other key performance indicators (KPIs).

The Finance Manager produced the following data:

	2016	2017	2018
Sales	\$17.4m	\$22.1m	\$29.6m
Net profit	\$3.8m	\$4.2m	\$6.6m
Level of wastage (% of inputs)	3%	5%	11%
Number of customer complaints (per 1000 sales)	15	87	142

Senior managers have become concerned about these figures and would like to see a 10% decrease in the level of wastage and in the number of customer complaints for 2019, and further reductions over the subsequent five years back to 2016 levels.

Question 5 (6 marks)

A KPI showing a negative trend is the level of wastage.

Evaluate **two** technology strategies Dell's Foods could implement to reduce the level of wastage.

Case study

Happy Kooka Foods is a cafe business that also produces its own gourmet grocery items that customers can purchase (for consumption at home), including sauces, pastas, juices, cakes and biscuits.

The following email was sent to all employees from the CEO of Happy Kooka Foods, Adam Anton:

The past two years have been difficult for Happy Kooka Foods – the increase in the number of competitors, a decrease in demand for our products and issues with suppliers of many of our boutique foods.

Together with a higher-than-normal level of staff turnover, our growing business has hit a bump in the road.

That is why I am pleased to announce the re-branding of Happy Kooka Foods. Here we introduce our new business logo displaying a native kookaburra – a salute to our unique Australian heritage.

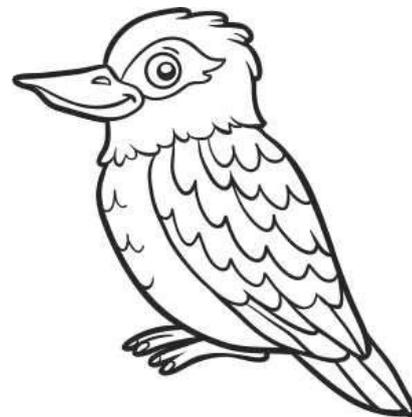
A new uniform for our staff will incorporate the logo and project a sleek, young and united team.

Staff will become our focus.

Team will become our focus.

Customers will become our focus.

Our move towards using recyclable packaging, removing plastic straws and sourcing the highest quality ingredients will demonstrate our commitment to ensuring our community remains our focus.



Case study

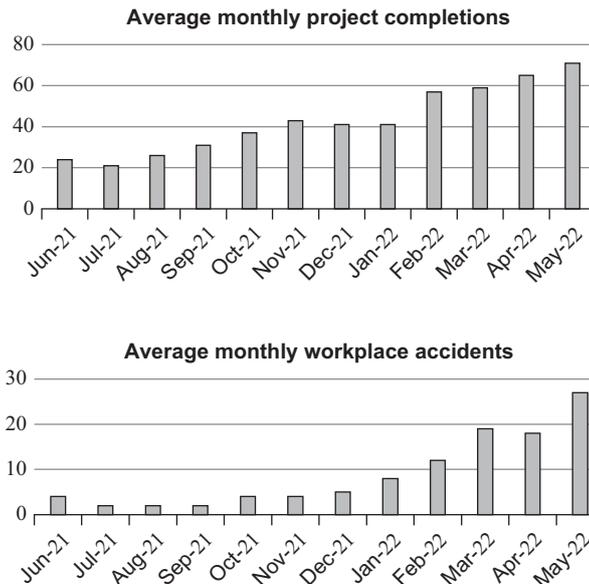
Sutton Constructions is a medium-sized business operating in the housing and commercial construction industry. The business has shown steady growth over the past few years; however, the onset of the global COVID-19 pandemic and lockdown restrictions saw progress stall over 2020–21.

The easing of restrictions in the latter months of 2021 allowed Sutton Constructions to increase its operations system to remove the backlog of incomplete construction projects across Australia.



Sutton Constructions

Senior management was presented with the following data:



In response to the increasing number of workplace accidents, management is making changes to its operations system. The business will move to fully automate its frame construction factory to remove some of the more dangerous parts of its operations system. This upgrade will take 13 months and cost \$30 million.

Sutton Constructions generated a profit of \$17 million in the year ending June 2022, with shareholders receiving a 2% dividend.

Question 7 (4 marks)

Analyse how the introduction of computer-aided manufacturing could improve the effectiveness of Sutton Constructions' operations system.

Section B

Case study

Dell's Foods is an Australian-owned manufacturer of packaged meats (smallgoods). The business has been operating for a number of years and has a very loyal staff, reflected in very low rates of absenteeism and turnover.

However, not all areas of the business have been performing as well as management would like. Recent expansion into the global market has seen an increase in sales but also some worrying signs from other KPIs.

The Finance Manager produced the following data:

	2016	2017	2018
Sales	\$17.4m	\$22.1m	\$29.6m
Net profit	\$3.8m	\$4.2m	\$6.6m
Level of wastage (% of inputs)	3%	5%	11%
Number of customer complaints (per 1000 sales)	15	87	142

Senior managers have become concerned about these figures and would like to see a 10% decrease in the level of wastage and in the number of customer complaints for 2019, and further reductions over the subsequent five years back to 2016 levels.

Question 1 (3 marks)

Define 'number of customer complaints' and explain how the trend in this KPI may affect the percentage of market share.





Case study

Glanfield Holdings is a business operating in the hospitality industry. It operates 17 hotels across Victoria, including:

- eleven hotels with gaming facilities (including poker machines and betting agencies)
- four designated 'family-friendly' hotels (which include family dining areas and playground facilities)
- two older hotels which operate as live music venues on Friday evenings and weekends.

An analysis of KPIs for the business over the past two years provided the following data:

	Year	Gaming venues	Family-friendly venues	Music venues	Total group performance
Sales	2018	\$27m	\$7m	\$2m	\$36m
	2019	\$32m	\$6m	\$1m	\$39m
Net profit	2018	\$7m	\$2m	\$1m	\$10m
	2019	\$11m	\$1.4m	\$0.6m	\$13m
Level of staff turnover (% of full-time staff)	2018	15%	1%	1%	10%
	2019	24%	1%	1%	18%
Number of customer complaints (per 1000 sales)	2018	98	7	18	123
	2019	137	12	21	170

Recent media reports and public protests have highlighted the issue of problem gambling in society, and this has caused debate at the board meetings of Glanfield Holdings.

Alyvia Rallis, the newly appointed CEO of Glanfield Holdings, is known in the industry for her ability to turn around poorly performing businesses, as well as for her strong commitment to corporate social responsibility.

She is proposing the phasing out of gaming venues, introducing more family-friendly hotels and creating two more live music venues.

The Chief Financial Officer (CFO) has been tasked with preparing data on the costs involved in making these changes and is due to table their report in three months.

Case study

Patti's Grocery is a small chain of supermarkets that was introduced to Australia in 2012. Based in Europe, it has been trying to establish itself in the highly competitive Australian market through its innovative practices.

To that end, Patti's Grocery has rolled out another self-serve option for shoppers. The supermarket chain opened a trial self-serve check-out counter for trolleys, equipped with a conveyor belt, at its new store at Evandale in Melbourne. This follows another trial Patti's Grocery launched at its Hampton Hills store in Sydney earlier this year.

The supermarket chain said that the main aim of the check-out is to make shopping easier and quicker when customers have a lot of shopping in their trolleys and it gets busy in the store.

'It's about providing another convenient option for customers and is designed to complement the manned check-outs and traditional self-serve options at the store,' a Patti's Grocery spokesperson told *Business Daily Australia* in an email.

'We're giving our customers a choice so they can pick the check-out option that works best for the shop they're doing on any given day.'

Employees were informed of the introduction of the new self-serve counters, and the reasons behind their introduction, through an email last week. While Patti's Grocery is considering rolling out these check-outs elsewhere, the stores are going to look at customer feedback first.

But this isn't the only innovation. Also heading to the new Patti's Grocery store in Victoria is a 'safety robot' named Rex which scouts the store for spills and triggers an alert to workers. Rex will then be launched at the store in Sydney.

'We treat the safety of our customers and team seriously, so we're excited to trial this innovative technology at our Evandale store. The team has really embraced Rex, and we'll be keen to hear local customer feedback as well,' the spokesperson said.

Earlier this year, Patti's Grocery began offering recyclable brown paper bags at some of its stores. But at a cost of 20 cents each, the paper bags cost 5 cents more than the supermarket chain's reusable plastic bags.

Question 5 (2 marks)

Define the concept of 'business change' as it relates to Patti's Grocery.



Section B

Case study

Michaels Holdings is a small private limited company that manufactures baby prams, strollers and other such items.

Recent performance of the business has seen mixed results. Some data of concern to shareholders is summarised below:

	2016	2017
Sales	\$17.4m	\$19.2m
Net profit	\$3.8m	\$3.6m
Level of wastage (% of inputs)	4%	5%
Number of customer complaints (per 1000 sales)	25	32

CEO (Chief Executive Officer) Mark Edwards has identified operations as a key area where changes need to be made in order to improve performance.

Question 1 (6 marks)

The KPIs suggest that cost is an area of concern for Michaels Holdings. The business is now considering outsourcing the majority of its manufacturing operations to a business overseas.

With reference to the relevant KPIs, discuss the advantages and disadvantages of adopting this business strategy.

Case study

Dell's Foods is an Australian-owned manufacturer of packaged meats (smallgoods). The business has been operating for a number of years and has a very loyal staff, reflected in very low rates of absenteeism and turnover.

However, not all areas of the business have been performing as well as management would like. Recent expansion into the global market has seen an increase in sales but also some worrying signs from other KPIs.

The Finance Manager produced the following data:

	2016	2017	2018
Sales	\$17.4m	\$22.1m	\$29.6m
Net profit	\$3.8m	\$4.2m	\$6.6m
Level of wastage (% of inputs)	3%	5%	11%
Number of customer complaints (per 1000 sales)	15	87	142

Senior managers have become concerned about these figures and would like to see a 10% decrease in the level of wastage and in the number of customer complaints for 2019, and further reductions over the subsequent five years back to 2016 levels.

Question 2 (3 marks)

Analyse **one** global consideration that Dell's Foods could adopt to reduce the number of customer complaints.

Case study

Glanfield Holdings is a business operating in the hospitality industry. It operates 17 hotels across Victoria, including:

- eleven hotels with gaming facilities (including poker machines and betting agencies)
- four designated 'family-friendly' hotels (which include family dining areas and playground facilities)
- two older hotels which operate as live music venues on Friday evenings and weekends.

An analysis of KPIs for the business over the past two years provided the following data:

	Year	Gaming venues	Family-friendly venues	Music venues	Total group performance
Sales	2018	\$27m	\$7m	\$2m	\$36m
	2019	\$32m	\$6m	\$1m	\$39m
Net profit	2018	\$7m	\$2m	\$1m	\$10m
	2019	\$11m	\$1.4m	\$0.6m	\$13m
Level of staff turnover (% of full-time staff)	2018	15%	1%	1%	10%
	2019	24%	1%	1%	18%
Number of customer complaints (per 1000 sales)	2018	98	7	18	123
	2019	137	12	21	170

Recent media reports and public protests have highlighted the issue of problem gambling in society, and this has caused debate at the board meetings of Glanfield Holdings.

Alyvia Rallis, the newly appointed CEO of Glanfield Holdings, is known in the industry for her ability to turn around poorly performing businesses, as well as for her strong commitment to corporate social responsibility.

She is proposing the phasing out of gaming venues, introducing more family-friendly hotels and creating two more live music venues.

The Chief Financial Officer (CFO) has been tasked with preparing data on the costs involved in making these changes and is due to table their report in three months.

Case study

Patti's Grocery is a small chain of supermarkets that was introduced to Australia in 2012. Based in Europe, it has been trying to establish itself in the highly competitive Australian market through its innovative practices.

To that end, Patti's Grocery has rolled out another self-serve option for shoppers. The supermarket chain opened a trial self-serve check-out counter for trolleys, equipped with a conveyor belt, at its new store at Evandale in Melbourne. This follows another trial Patti's Grocery launched at its Hampton Hills store in Sydney earlier this year.

The supermarket chain said that the main aim of the check-out is to make shopping easier and quicker when customers have a lot of shopping in their trolleys and it gets busy in the store.

'It's about providing another convenient option for customers and is designed to complement the manned check-outs and traditional self-serve options at the store,' a Patti's Grocery spokesperson told *Business Daily Australia* in an email.

'We're giving our customers a choice so they can pick the check-out option that works best for the shop they're doing on any given day.'

Employees were informed of the introduction of the new self-serve counters, and the reasons behind their introduction, through an email last week. While Patti's Grocery is considering rolling out these check-outs elsewhere, the stores are going to look at customer feedback first.

But this isn't the only innovation. Also heading to the new Patti's Grocery store in Victoria is a 'safety robot' named Rex which scouts the store for spills and triggers an alert to workers. Rex will then be launched at the store in Sydney.

'We treat the safety of our customers and team seriously, so we're excited to trial this innovative technology at our Evandale store. The team has really embraced Rex, and we'll be keen to hear local customer feedback as well,' the spokesperson said.

Earlier this year, Patti's Grocery began offering recyclable brown paper bags at some of its stores. But at a cost of 20 cents each, the paper bags cost 5 cents more than the supermarket chain's reusable plastic bags.

Case study

Happy Kooka Foods is a cafe business that also produces its own gourmet grocery items that customers can purchase (for consumption at home), including sauces, pastas, juices, cakes and biscuits.

The following email was sent to all employees from the CEO of Happy Kooka Foods, Adam Anton:

The past two years have been difficult for Happy Kooka Foods – the increase in the number of competitors, a decrease in demand for our products and issues with suppliers of many of our boutique foods.

Together with a higher-than-normal level of staff turnover, our growing business has hit a bump in the road.

That is why I am pleased to announce the re-branding of Happy Kooka Foods. Here we introduce our new business logo displaying a native kookaburra – a salute to our unique Australian heritage.

A new uniform for our staff will incorporate the logo and project a sleek, young and united team.

Staff will become our focus.

Team will become our focus.

Customers will become our focus.

Our move towards using recyclable packaging, removing plastic straws and sourcing the highest quality ingredients will demonstrate our commitment to ensuring our community remains our focus.



Question 9 (2 marks)

Define official corporate culture with reference to Happy Kooka Foods.

Case study

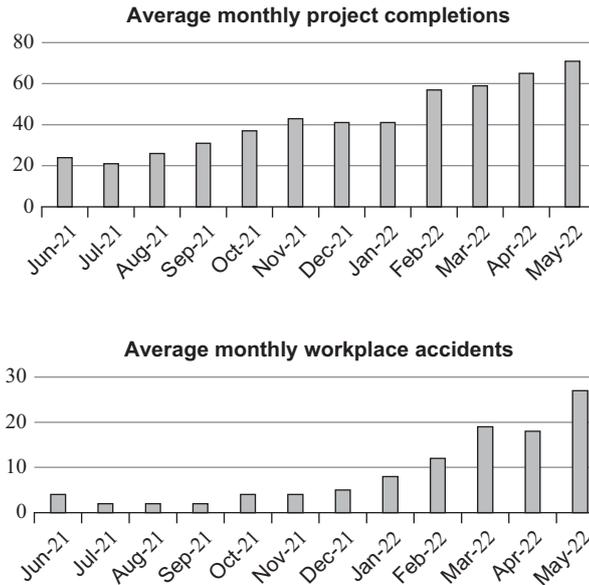
Sutton Constructions is a medium-sized business operating in the housing and commercial construction industry. The business has shown steady growth over the past few years; however, the onset of the global COVID-19 pandemic and lockdown restrictions saw progress stall over 2020–21.

The easing of restrictions in the latter months of 2021 allowed Sutton Constructions to increase its operations system to remove the backlog of incomplete construction projects across Australia.



Sutton Constructions

Senior management was presented with the following data:



In response to the increasing number of workplace accidents, management is making changes to its operations system. The business will move to fully automate its frame construction factory to remove some of the more dangerous parts of its operations system. This upgrade will take 13 months and cost \$30 million.

Sutton Constructions generated a profit of \$17 million in the year ending June 2022, with shareholders receiving a 2% dividend.

● Suggested responses

Unit 3 | Area of Study 1 Business foundations

Section A

Question 1a.

Sample response

A partnership is a business owned by two or more people, with most partnerships having a maximum of 20 partners.

A partnership does not operate as a separate legal entity from the owners. Therefore, the owners are subject to unlimited liability, making them personally responsible for the debts of the business.

Each partner contributes capital to the establishment of the business and shares in the profits of the business in proportion to the capital contributed. Hence the partners need not be equal and some partners may contribute capital only and not work in the business (a 'silent partner'). With multiple owners, a partnership allows for shared decision-making, shared responsibility and a share of the workload in operating the business, making it easier for the business to operate.

Mark allocation: 4 marks

- 2 marks for describing unlimited liability as a feature of a partnership
- 2 marks for describing shared responsibility and decision-making as a feature of a partnership



TIP

- » To 'describe' means to provide information about the topic – more than just a statement. Always try to provide more than a basic summary in your response.

Question 1b.**Sample response**

By operating as a private limited company, Glen and Aimee would benefit from limited liability. This means that, should the business have to fold due to financial problems, the two owners would be limited in their liability for the debts of the business to the amount of their investment in the business. If they were to operate as a partnership, they would not have that protection and so would be liable for all the debts of the business, to the extent that their personal assets could be used to pay these debts.

Secondly, the tax paid by a company could be lower than the tax paid by the two owners as partners in the business. Company tax is a flat rate (a fixed percentage) whereas the partners in a partnership are subject to PAYG income tax, which is a progressive tax, and the percentage of tax incurred increases as the incomes of the partners increase (as the profits of the business increase).

Mark allocation: 4 marks

- 2 marks for each aspect (up to 4 marks):
 - › 1 mark for explaining a feature of operating as a private limited company
 - › 1 mark for explaining how this aspect is different for a partnership

Note: A comparison must be made; therefore, an explanation of how each aspect operates under each type of business must be included.



- » To 'compare' means to provide similarities as well as differences. It is important to balance your response to cover both aspects of the two ownership types.

Question 1c.**Sample response**

Planning is the ability of a manager to define business objectives and decide on the methods or strategies to achieve them.

In establishing a business, there is a range of tasks that need to be performed and a number of legal requirements that must be met. Through planning, the two owners can determine which task needs to be completed first, and prioritise accordingly. There are three types of planning – strategic, tactical and operational – which ensure that tasks are completed in order of importance and urgency.

Using these three levels of planning, Glen and Aimee could establish a business plan and consider strategies for growth. In addition, they could plan for the recruitment of staff who would complete the necessary tasks and responsibilities, and plan for effective marketing strategies that would communicate their new business to their potential target market.

Mark allocation: 4 marks

- 1 mark for describing planning
- 1 mark for identifying the levels of planning
- 2 marks for explaining how planning could be used by Glen and Aimee to help establish their business

**TIP**

- » **On first glance this question is straightforward – explaining a skill. However, the second part of the question asks you to apply your knowledge of the skill to explain how it can be used.**

Question 2a.**Sample response**

A social enterprise is a business that produces goods and services for the market but operates with the primary objective of fulfilling a social need. This type of business distributes at least 50% of its profit to benefit the community rather than individual shareholders. A social enterprise wants to make a profit and reinvest it into the business so that it can continue to fulfil the social need.

Filling a social need means producing and/or selling goods and services for the purpose of making the world a better place and can target improved social outcomes such as: the creation of employment opportunities for disadvantaged or marginalised people; the donation of profits back to the community; and positive environmental outcomes.

Mark allocation: 3 marks

- 2 marks for defining a social enterprise
- 1 mark for outlining what it means to fill a social need

Question 2b.**Sample response**

As a social enterprise, Andrew Thomas' business will seek to fill a social need. The community where Andrew plans to operate his business will have a vested interest in ensuring that Andrew's business operations are environmentally responsible and sustainable.

The employees of the new business will also have a vested interest in the business. As employees, they will receive an income from the business, and its continued success will provide a degree of job security for them, so they will want the business to succeed.

Mark allocation: 4 marks

- 2 marks for each stakeholder (up to 4 marks)
 - › 1 mark for explaining the stakeholder
 - › 1 mark for explaining their interest in this business

**TIP**

» **When asked to describe the interests of a stakeholder, the best approach is to ask, 'What does the stakeholder want from the business?'**

Question 3**Sample response**

A new business owner could adopt the consultative style of management.

The consultative style involves the manager seeking input from staff, and asking for their advice and ideas regarding key questions about establishing a business. It will involve open, two-way communication. However, once this input has been collated, the manager will make the final decision, hence, using centralised decision-making.

This style is appropriate when starting a business because the owner often does not have experience in all aspects of establishing a business. Obtaining advice from employees and other stakeholders can help the owner to establish the business in the correct manner and ensure that nothing is overlooked; and employees are also likely to feel valued due to their involvement in the decision-making process. Although the owner makes the final decision, employees put their 'stamp' on the business.

Note: You may select autocratic, persuasive or consultative as appropriate management styles. Participative and laissez-faire are not appropriate when commencing a business.





Mark allocation: 4 marks

- 2 marks for explaining the management style; at least two features of the selected style must be provided
- 2 marks for a justification of the identified management style



- » In questions that ask you to justify a concept that you have selected, it is important to explain how this concept (in this case, a management style) would allow the business manager to achieve their intention (in this case, starting a business).

Question 4a.

Sample response

A business objective is a defined goal that a business sets as a target for achievement over a given period of time.

Mark allocation: 1 mark

- 1 mark for reference to goal or target and some reference to a time period for achievement



- » When asked to 'define' a term, you must be exact with your response. Vague responses will not be awarded marks.

Question 4b.

Sample response

Management skills are the abilities or competencies that managers use to help them to complete the tasks that are necessary to achieve business objectives. Planning is the ability to define the objectives a business seeks to achieve and then determine methods or implement strategies that will be used to achieve those objectives.

Mark allocation: 2 marks

- 1 mark for defining 'planning'
- 1 mark for mentioning implementing strategies or determining methods

Question 4c.**Sample response**

A social enterprise is a private sector business that produces goods and services for the market and distributes at least 50% of its profit to benefit the community rather than individual shareholders. The business wants to make a profit to reinvest it into the business so that it can continue to fulfil the social need.

Social enterprises are often run just like commercial businesses and, unlike charities, they do not rely on donations as their main source of income. Some social enterprises may seek funding from the government to support their social objective(s); however, social enterprises exist to benefit society, rather than owners. These types of enterprises are established to offer opportunities for local unemployed people, to provide vocational training or lifelong learning opportunities for disadvantaged people in the community and to focus on waste minimisation and recycling projects.

Both social enterprises and private limited companies seek to make a profit; however, a private limited company distributes some or all of its profit back to the shareholders of the business – as shareholders often require this profit share as their income – whereas a social enterprise distributes profits back to the owners and also to the community who it is trying to benefit. Another difference is that social enterprises are more likely to operate as unincorporated businesses such as a sole trader or partnership, while shareholders in incorporated businesses, such as companies, seek a return on their investment – higher dividends from higher profits.

Mark allocation: 6 marks

- While it is expected that questions worth 6 marks will be marked globally, the nature of this question allows you to break the question into specific parts that must be addressed.
 - › 4 marks for stating the features of a social enterprise
 - › 2 marks for distinguishing this business structure from the other structure identified – only one distinction required as a minimum

Note: Responses with more points of distinction do not automatically receive more marks.

**TIP**

- » **Features are different to advantages and you must ensure that you know the difference, as it affects the way the response is read and hence assessed.**

Question 5**Sample response**

Whereas there is no limit to the number of shareholders in a public listed company, a private limited company is a type of business that is owned by between 2 and 50 shareholders.

It differs from a public listed company as it is not listed on the Australian Securities Exchange (ASX), meaning its shares cannot be freely traded.

Mark allocation: 3 marks

- 1 mark for identifying that a private limited company is 'owned' by between 2 and 50 shareholders/people
- 1 mark for identifying that a public listed company is owned by an unlimited number of shareholders
- 1 mark for further distinguishing between a private limited and a public listed company
 - › **Note:** This may be one point explained in detail or a number of points. You must provide information about both forms of ownership for a distinction to be made. For example:
 - › a private company trades its shares privately and invites potential shareholders to invest in the company, whereas a public company trades its shares on the ASX and is open to the Australian public to buy and invest in
 - › public companies publish reports whereas private companies do not have to

Question 6a.**Sample response**

Anne is using an autocratic management style.

This style is characterised by one-way communication from the top down, with no staff input into the decisions made by management, hence using centralised decision-making. Employees are required to do as instructed and are not able to offer advice or an opinion on the decision made, as this decision to make staff redundant directly impacts the employees and is not suited to staff being involved in decision-making.

Mark allocation: 3 marks

- 1 mark for identifying the style (the only answer possible is autocratic)
- 2 marks for explaining one characteristic – you may refer to control, communication or decision-making

**TIP**

» Questions such as this one require a specific response. Read the information carefully to ensure you have identified the correct style and can earn the marks for describing the characteristics.

Question 6b.**Sample response**

The way managers interact with employees can affect the way employees perform and their level of motivation. If a manager is autocratic then they often do not have the trust of employees. If a manager is autocratic and employees do not feel a connection to the business, employee productivity may fall, raising costs and hence worsening the profit performance of the business.

Adriana Industries could move to a consultative management style, where managers seek input from employees, which creates trust between the two stakeholders. If employees feel they have some voice in the business, they will respond by being more positive about the business. They will be more motivated at work and this is likely to improve their productivity. This should have a flow-on effect and lead to higher profit figures in future periods.

However, the consultative style requires more communication between management and employees, and this can be time-consuming. If the need to change is urgent, managers may not have the time to consult with employees. Introducing automation and improving profit could be deemed more urgent, and employee consultation may worsen the situation due to the time needed to consult.

Overall, while changing management style may be an effective response to a drop in profits in some circumstances, it may not be so useful if the situation is urgent.

Mark allocation: 6 marks

- Questions such as this are usually marked globally. Alternatively:
 - › 2 marks for explaining how an autocratic style may result in poor profit performance
 - › 2 marks for identifying an alternative style (consultative is most appropriate, although persuasive or participative could be used) and explaining how this style may improve profit performance
 - › 2 marks for evaluating the strategy – for example, providing a negative aspect of adopting the selected style

Question 7a.**Sample response**

A government business enterprise is owned and operated by the government. All profits made by the enterprise are returned to the government. These businesses often carry out government policies.

Mark allocation: 2 marks

- 1 mark for identifying that a government business enterprise is owned by the government
- 1 mark for identifying that a government business enterprise exists to carry out government policy or that all profits are returned to the government

Question 7b.**Sample response**

The primary objective of a government business enterprise is to fulfil a market need. In the case of Ready Transport, it provides an essential service to the community in the provision of accessible and affordable public transport options for the population. If Ready Transport did not exist, the service they provide might only be offered by a for-profit business, and as such may be more expensive and out of reach for many Australians.

Mark allocation: 2 marks

- 1 mark for identifying an appropriate objective
- 1 mark for providing some detail relating to that objective and stating why it is relevant for the specified business

**TIP**

- » When questions ask you to refer to a specific business (such as the one in the scenario), it is important to do so. In this case, you must select an objective that is appropriate for Ready Transport – meeting shareholder expectations and/or increasing market share would not be appropriate for this business.

Question 7c.**Sample response**

The Australian Government, as the owner/manager of Ready Transport, has a vested interest in the profitability of the business. The prices they charge consumers determine the amount of profit the business makes and returns to the government. The government would like to use that profit to provide more services for Australians.

The vested interest of customers, which includes Australian public transport users, is to have high quality products and services, in this case improved public transport services for the community, which would arise from profits being redistributed by the Government back to this essential service.

A key similarity is that the government's interest is to ensure that the needs of the market or society are met with reliable transportation, and this matches the customers' interest which is focused on their own satisfaction with the public transport service. A difference is that the government would be seeking to charge higher prices for the public transport service to gain profits, whereas the customer would be seeking to pay low prices in order to save money.

Mark allocation: 4 marks

- 1 mark for describing the interests of one stakeholder
- 1 mark for describing the interests of a second stakeholder
- 2 marks for describing the similarity and the difference between the two interests



- » **'Compare' questions require an examination of the similarities and differences. Better responses will select two stakeholders with an identifiable clear difference.**

Question 8

Sample response

The laissez-faire management style involves the manager relinquishing day-to-day control of decision-making, allowing subordinates and team leaders to be responsible for what occurs within their division/department/team – including determining their roles and carrying out their work – without the manager participating in the process themselves. The decision-making is highly decentralised and so is power and the business structure.

An advantage of this style is that employees feel a sense of ownership, which can promote outstanding results, and there is continual encouragement of creativity, which is conducive to a dynamic working environment. Communication among employees is completely open, and ideas are both discussed and shared.

However, a disadvantage is a loss of control by management, and consequently there is potential for misuse of resources. This style can also breed personal conflicts as there is no cooperation and the focus on meeting business objectives can be easily eroded.

This is evident in Greg's case as he has exercised little control over his department and this may explain the large discrepancy between planned and actual spending. The lack of control has meant that no one has been accountable for the spending, which has created an issue for the business. This issue suggests this style is not suitable for this department.

Mark allocation: 5 marks

- 2 marks for describing the strengths of the management style
- 2 marks for describing the weaknesses of the management style
- 1 mark for providing a conclusion linked to the suitability of the style

Note: You are not required to suggest or promote another management style – to do this would likely see the final mark not awarded.



TIP

- » **Evaluating requires you to describe the strengths and weaknesses or costs and benefits of the concept in the question. It also requires a conclusion and, in questions such as this, the conclusion must link to the scenario provided.**

Question 9a.**Sample response**

Stakeholder 1: One stakeholder is the owners of FreshAsFoods. They have a vested interest in their business earning a profit that will likely be their income. They will have invested time and their own money in the business and will expect to see a return on this investment.

Stakeholder 2: A second stakeholder is the suppliers of FreshAsFoods. Suppliers of FreshAsFoods have a vested interest in a long-term relationship with the business. Suppliers would hope FreshAsFoods is successful and that it continues to use them to provide various fruit and vegetable supplies, in order to increase suppliers' profits and assist them in achieving their objectives.

Mark allocation: 4 marks

- 2 marks for each stakeholder (up to 4 marks)

Notes: The response must outline the interest and then go further with an additional statement.

Other stakeholders include employees, competitors, customers and society as a whole.



- » **It is important to consider what each stakeholder 'wants' from the business. This should form the basis of your response.**

Question 9b.**Sample response**

Stakeholder 1: The employees' vested interest is to be able to complete their job tasks and be rewarded for their effort. They would have been affected as they would likely need to undertake their job differently and/or be required to undertake new or different tasks compared with what they were doing before the changes. Their new task of enforcing limits on items could have upset customers, and employees would have needed to develop skills to deal with these situations.

Stakeholder 2: The customers' vested interest is to receive high-quality products, at reasonable prices and with high customer service. Customers would also have been affected as they might have had to change their shopping habits and might not have received the quantity of items needed to satisfy them. Having restrictions placed on items and shopping hours means that customers might have had to change their expectations and schedules.

Mark allocation: 4 marks

- 2 marks for each stakeholder (up to 4 marks)

Notes: The response must outline the interest and then go further with an additional statement.

Other stakeholders include owners, competitors, suppliers and society as a whole.

**TIP**

- » You need to be careful when a question places a constraint on what responses can be used. If you refer to a stakeholder already used in part a., you will not be awarded any marks for their subsequent use.

Question 10a.**Sample response**

Acton Ltd is a public listed company. Public listed companies:

- have an unlimited number of shareholders
- have limited liability
- are listed on the ASX.

Mark allocation: 2 marks

- 1 mark for identifying Acton Ltd as a public listed company
- 1 mark for outlining one feature (this can be from the list above or be another relevant feature)



» **'Identify' and 'outline', as task words, require nothing more than a statement or a term. No elaboration is needed.**

Question 10b.**Sample response**

Adam's interest as an operations manager is to ensure that business operations are conducted efficiently to provide a quality product or service for a reasonable price, allowing the business to generate a profit. Adam has decided that allowing employees to work from home is no longer in line with this interest. Adam's decision to disallow remote working may conflict with the interests of employees, who have become accustomed to working from home and may prefer to continue to do so in order to maintain a better work-life balance.

Mark allocation: 2 marks

- 1 mark for outlining Adam's interests in the business
- 1 mark for outlining how Adam's interests may conflict with those of employees

Question 11

Sample response

Career advancement refers to the assignment of more responsibilities/ authority to employees or the promotion of employees to positions that bring rewards, such as an increase in salary and fringe benefits, and increased duties. Career advancement may occur as a reward to employees at a business for past performance and would coincide with the business teaching these employees more skills and developing their expertise within the business.

The challenges associated with career advancement can be great motivators for individuals as they are given the opportunity to increase their contribution to the business. In the short-term, career advancement will usually result in a pay rise and greater job security, which should influence employees who are motivated by lower-order needs. The opportunity to be involved in decision-making in a leadership position, or to hold a more challenging or stimulating position with greater responsibility or authority, can influence employees who are motivated by higher-order needs, positively influencing long-term motivation and increasing commitment to the business.

Investment in training involves the business directing finances or time into the teaching of skills to employees. Investment in training offers employees at a business the opportunity to gain new skills and knowledge, allowing them to develop both professionally and personally. They are therefore more likely to feel valued by the business and empowered to do their best.

In the short-term, investment in training will usually allow an employee at a business to perform a more highly skilled job, which will typically pay more; therefore, employees are likely to feel valued and empowered to strive to do their best, allowing for greater job satisfaction. In the long-term, investment in training is likely to provide a sense of accomplishment to those employees who have successfully completed the training. Providing the opportunity to learn new skills will also allow for personal growth in employees. This is very likely to satisfy employees with higher-order needs. The use of this motivation strategy should result in the business demonstrating that it values employees and is prepared to support them in advancing their careers.

Mark allocation: 6 marks

- Marked globally. Alternatively:
 - › 1 mark for defining each motivation strategy (up to 2 marks)
 - › 1 mark for stating the link to short-term motivation for each motivation strategy (up to 2 marks)
 - › 1 mark for stating the link to long-term motivation for each motivation strategy (up to 2 marks)



TIP

- » You need to demonstrate the features of both motivation strategies and must make specific reference to how each strategy achieves both short-term and long-term motivation for employees.

Section B

Question 1

Sample response

The persuasive management style features one-way communication that is top-down, with centralised decision-making as the human resource manager makes all the decisions and communicates the reasons behind them to employees, without their input.

This management style promotes fast decision-making and provides clear direction for employees to follow. This is facilitated by management at Patti's Grocery by providing employees with a reason why the introduction of the self-serve counters is needed and how it will benefit the business in the long run. The persuasive style should minimise resistance to the change from employees as they are provided with a compelling reason.

However, this style can also have a demotivating effect on employees, as there is little room for consultation or feedback. Experienced employees often feel they can contribute to decision-making, and if they are deliberately kept out of the decision-making process, they may feel undervalued.

This style may be suitable during the implementation of the new self-serve counters, because a decision may need to be made quickly if the business is attempting to become a market leader or to keep up with competitors.

Mark allocation: 6 marks

- 3 marks for describing the management style and its advantages and strengths
- 2 marks for describing the weaknesses and disadvantages of the style
- 1 mark for describing the appropriateness of the style



- » **When asked to evaluate a specific style, it is important that responses focus solely on that style. Do not introduce a second style as an alternative – this is not the purpose of an evaluation.**

Unit 3 | Area of Study 2 Human resource management

Section A

Question 1

Sample response

The 'drive to defend' is what Lawrence and Nohria identified as a latent drive – there needs to be some form of threat for the drive to become active. Threats to the individual, their group, or the business as a whole can trigger the drive to defend. When this drive is activated, employees have the desire to remove those threats to their safety and security, and to protect what they regard as 'theirs'. Referring to this drive, motivation comes from removing fears and insecurities from the workplace.

The drive to defend may apply to a business in that managers and employees seek to create a workplace that is welcoming and supportive, and one where intimidation, threats and manipulation are not used as management techniques. There is consistency and fairness in the treatment of employees, and any system for determining rewards and recognition is fair and transparent, so that no one feels that any other employee is the subject of favouritism or that they have been discriminated against. Overall, there is a level of trust between managers and employees, and they are free (and even encouraged) to speak up and offer suggestions. If these forces are not present, then staff are not motivated to do their best work.

Mark allocation: 4 marks

- 3 marks for the description of the 'drive to defend'
 - › 1 mark for explaining how the latent drive is roused when an employee is threatened
 - › 1 mark for explaining employees' drive to protect themselves from any perceived threat
 - › 1 mark for explaining how the drive to defend is used to motivate
- 1 mark for explaining how this could affect a business

Question 2

Sample response

Staff turnover refers to the number of staff employed in a business who leave the business and need to be replaced. If staff turnover is increasing, it suggests that staff are unhappy with various aspects of the business. This could include pay and working conditions, hours of work or opportunities for promotion. Staff turnover is a cost to the business because the process of recruiting and selecting new staff is time-consuming and expensive. A business should therefore seek to minimise the level of staff turnover.

One means of reducing the level of staff turnover is to improve the motivation of staff. Motivation is the individual, internal process that directs, energises and sustains a person's behaviour. It is individual to each person, so a manager must determine what will motivate each employee so that they are satisfied with their job and are working towards achieving business objectives.

To help motivate employees, the manager might implement a motivation theory. Two such theories are Maslow's Hierarchy of Needs and Locke and Latham's Goal Setting Theory. Maslow recognised that each employee has five levels of needs, and to motivate an employee it is the responsibility of a manager to identify which level of need is not being met and then develop strategies to meet that need. Once a particular level of need has been met, the manager will need a new strategy to fill the next level of need. Each employee is individual and will therefore be at a different level, so the strategies will need to be set to suit the level of each individual employee.

Another theory is Locke and Latham's Goal Setting Theory. This theory suggests that employees can be motivated by having a goal that they have helped to set. In setting these goals, employees can work with management to ensure that the goals are clear, provide some challenge for the employee, engender a commitment to both the business and the goal, have some element of complexity and can be achieved through regular feedback on progress.

These theories both seek to motivate employees through the use of various strategies. However, Maslow's theory is more generic as it places each employee into one of five groups (levels) and the strategies are linked to each level. Locke and Latham recognise that each employee requires individual methods of motivation and therefore each employee will require a different goal. Maslow's theory also ranks the levels, and states that employees move from one level to the next after each one has been met. Locke and Latham state that once the goal has been achieved, a new goal will need to be set as the cause of the motivation will no longer exist.

Locke and Latham's theory could be used to reduce staff turnover by working with staff to develop goals appropriate to their position within the business. The goals would be clear so that employees would know what is expected of them. The management would sit with staff to develop these goals collaboratively so that staff feel some level of ownership of the goal. Management would provide feedback during the period so staff are kept on track, and small milestones would be identified and celebrated so staff see achievement occurring. As a result, staff may decide to see the goal through to the end and, if satisfied, may continue with the business, reducing turnover.

Regardless of which theory is adopted, managers will devise strategies to increase motivation according to how they believe employees are best motivated.



**Mark allocation:** 10 marks

- Responses are marked globally according to the following guide.
 - **9–10 marks**
 - › Includes very high level of comparison between the two theories
 - › Shows in-depth understanding of key terms and concepts
 - › Includes definition of staff turnover
 - › Shows detailed understanding of the basics of each theory
 - › Clearly links a theory to an improvement in staff turnover
 - **7–8 marks**
 - › Includes high level of comparison between the two theories
 - › Shows understanding of key terms and concepts
 - › Includes definition of staff turnover
 - › Shows understanding of the basics of each theory
 - › Links a theory to an improvement in staff turnover
 - **5–6 marks**
 - › Includes good comparison between the two theories
 - › Shows some understanding of key terms and concepts
 - › Includes definition of staff turnover
 - › Shows some understanding of the basics of each theory
 - › Includes some link between a theory and an improvement in staff turnover
 - **3–4 marks**
 - › Includes satisfactory level of comparison between the two theories
 - › Shows basic understanding of key terms and concepts
 - › Includes weak definition of staff turnover
 - › Shows limited understanding of the basics of each theory
 - › Includes poor link between a theory and an improvement in staff turnover
 - **1–2 marks**
 - › Includes basic/limited level of comparison between the two theories
 - › Shows limited understanding of key terms and concepts
 - › Includes weak definition of staff turnover
 - › Shows very limited understanding of the basics of each theory
 - › Lacks any link between a theory and an improvement in staff turnover
 - **0 marks**
 - › No response is attempted
- OR**
- › Response addresses none of the concepts/issues identified in the question or suggested marking guide

**TIP**

- » These questions are marked globally – assessors read the response from start to finish and award a mark based on the criteria above. They do not ‘check off’ points. Ensure that you write one response, not three short-answer responses.

Question 3a.

Sample response

Redundancy is an involuntary form of termination and occurs when the job a person does is no longer necessary, usually due to technological changes, restructuring, or a merger or acquisition. Unless the employee can be retrained for another job, he or she will be made redundant.

Employees may also retire. This is where they voluntarily leave not only the business, but also the workforce itself, with no intention of working again.

Mark allocation: 3 marks

- 1 mark for defining ‘redundancy’
- 1 mark for going further – providing more information relating to the reasons for redundancy
- 1 mark for identifying and defining a second form of termination

**TIP**

- » ‘Explain’ is a task word that requires you to ‘go further’ in your response, and questions that ask you to explain are generally worth 2 marks. The addition of the second part to the question – asking you to identify and define – adds the third mark.

Question 3b.**Sample response**

A union (often referred to as a trade union) is an organisation of workers or employees who have joined together to achieve common goals. These goals can include seeking higher pay and better working conditions, fighting for job security and protecting the integrity of a job.

A union, through its officials and delegates, bargains with the employer on behalf of union members, and negotiates to reach agreements with employers. This bargaining includes the negotiation of wages and the conditions of work that are currently being discussed at Rosefest Ltd.

Employer associations serve a similar function to unions; however, they represent the interests of employers. Employer associations were formed to counteract unions in particular industries. They assist employers in formulating policies and processing claims served on their members by unions. In this case, the employer association would be concerned with what this new agreement could contain in terms of wages and conditions. If the conditions are above award, then other businesses may face claims by their employees for better conditions; so, the employer association will assist in providing a unified approach to such negotiations.

Mark allocation: 4 marks

- 2 marks for the description of unions
- 2 marks for the description of employer associations

Note: You must link to the negotiations for an agreement.



- » To gain full marks, you will need to display a confident understanding of how unions and employer associations can assist in negotiations.

Question 4

Sample response

Mediation and arbitration are both methods of dispute resolution employed by a business to resolve disputes that occur within the workplace. Both methods involve the use of an independent third party whose basic role is to assist the parties to come to a mutually agreeable resolution. However, there are some specific differences between the two methods and, in particular, the role of the third party.

In mediation, the third party is tasked with ensuring that communication flows between the two principal parties – the mediator facilitates communication between both parties to resolve a dispute. The third party does not offer advice, suggestions or possible solutions but attempts to ensure that each party has the opportunity to have their say.

In arbitration, the third party listens to both parties and encourages a joint resolution. However, if the parties cannot agree themselves, the third party makes a decision that both parties must abide by. In many cases where the dispute involves an award or an enterprise agreement, the third party is the Fair Work Commission.

While arbitration will always result in a legally binding agreement, mediation will only sometimes end in this way.

Mark allocation: 4 marks

- 1 mark for describing mediation
- 1 mark for describing arbitration
- 2 marks for the comparison – similarities and differences



TIP

- » **The Study Design specifically mentions 'mediation' and 'arbitration', so do not refer to 'conciliation'.**

Question 5

Sample response

On-the-job training is where employees learn specific or new skills and tasks as they continue their normal job. They may watch an experienced mentor or co-worker performing a task in order to identify areas for improvement. This type of training allows for common mistakes to be corrected through instant feedback, so productivity is not compromised. However, this training is not conducted by a professional or certified external body, so incorrect procedures could be passed down.

On the other hand, off-the-job training allows employees to learn specific or new skills and tasks by attending a course or workshop at a venue away from their normal place of work. Industry experts run these courses to help employees develop their skill base. This type of training avoids workplace distractions so employees can focus on the training to improve their skills. However, there is a loss of productivity, as employees are sent off-site to complete the training and are not at work to carry out their normal duties.

Mark allocation: 4 marks

- 2 marks for explaining each type of training
- 2 marks for making a distinction between the two types of training

Note: The number of points of distinction are not set – when marking, consider the depth of the response against the breadth of the response. Both approaches provide the possibility for full marks.

Question 6

Sample response

An award is a legal document that sets out the minimum pay and working conditions for the employees in a particular industry. Awards are set by the Fair Work Commission (FWC): an independent, centralised national tribunal that acts as a safety net. An award is inflexible, with everyone receiving the same pay across an industry. Any award is usually set for a period of four years, and there is generally no alteration to these awards during their life cycle. Prior to the expiry of an award, negotiations commence for the next award. Owing to the scale of an award, employees are usually represented by their respective trade unions, and employers are represented by the relevant employer associations. The government is also involved.

An alternative to an award is an agreement. An agreement is a legally enforceable arrangement that sets out the pay and working conditions of the employees at a specific workplace. Agreements have been negotiated by the employer and the employees, with or without union involvement. An agreement must be ratified by the FWC before being implemented. An agreement can include links to productivity gains and have a greater degree of flexibility than an award, as it can be designed to meet the specific needs of a business. As a result, an agreement usually provides for higher wage rates and/or better working conditions than an award – in fact, prior to being signed off by the FWC, an agreement must pass the ‘better off overall test’. This test compares the agreement with the relevant award and determines whether employees will be better off overall under this agreement.

Negotiations over an agreement can lead to disputes. Each side involved in the negotiations will have their own agenda and list of what they want the new agreement to achieve. Disputes can arise when these agendas are at odds with each other.

When the negotiations for an agreement result in a dispute, both the human resource manager and the relevant trade union participate in dispute resolution.

The human resource manager acts as an intermediary between employees and management to ensure a harmonious workplace, free of disputes. However, ultimately they look after the interests of the employer.

Trade unions have members who are employed by a business, and who have a direct stake in the employee relations processes of that business. They are often called to represent their members in the development of an agreement, with the aim of getting the best possible deal for the employees.

Both parties seek a resolution, but both parties are also cognisant of relevant laws and what industrial action can be taken to further their claims. They also know that an escalation of the dispute can see the FWC intervene and determine a resolution, and so the parties try hard to settle the dispute in a manner that is satisfying to both sides.

Note: The response above is more detailed than a typical high-scoring response. You are not expected to include all the points listed above to achieve full marks.



**Mark allocation: 10 marks**

- Responses are marked globally according to the following guide.
 - **9–10 marks**
 - › Includes very high-level explanation of the two wage-setting systems with multiple points of comparison
 - › Shows in-depth understanding of key terms and concepts
 - › Shows understanding of the role of both unions and human resource managers
 - › Shows understanding of the causes of conflict in negotiations
 - **7–8 marks**
 - › Includes high-level explanation of the two wage-setting systems with multiple points of comparison
 - › Shows good understanding of key terms and concepts
 - › Shows understanding of the role of both unions and human resource managers
 - › Shows understanding of the causes of conflict in negotiations
 - **5–6 marks**
 - › Includes good explanation of the two wage-setting systems with some points of comparison
 - › Shows some understanding of key terms and concepts
 - › Shows some understanding of the role of both unions and human resource managers
 - › Shows understanding of the causes of conflict in negotiations to some degree
 - **3–4 marks**
 - › Includes limited explanation of the two wage-setting systems with few points of comparison
 - › Shows limited understanding of key terms and concepts
 - › Shows limited understanding of the role of both unions and human resource managers
 - › Shows understanding of the causes of conflict in negotiations to a limited degree
 - **1–2 marks**
 - › Includes poor explanation of the two wage-setting systems with no points of comparison
 - › Shows no understanding of key terms and concepts
 - › Shows no understanding of the role of both unions and human resource managers
 - › Shows no understanding of the causes of conflict in negotiations
 - **0 marks**
 - › No response is attempted
- OR**
- › Response addresses none of the concepts/issues identified in the question or suggested marking guide

Question 7

Sample response

Locke and Latham's Goal Setting Theory focuses on motivating employees by setting specific and challenging goals that have some level of task complexity, which the employee can commit to fulfilling. Ongoing feedback by the manager is also critical to goal achievement.

A human resource manager could apply this theory at their business by meeting with each of their employees and collaboratively setting specific goals regarding their performance in a certain time period. Employees could then receive positive feedback (or even a monetary reward) if they achieve their goals. If employees are struggling to achieve their goals, then further training could be offered. Employee performance should improve as employees will be more motivated.

However, Locke and Latham's theory may not be appropriate for every business as the process of setting goals can be time-consuming. This theory may be more suitable to businesses that have professional, highly-skilled employees who can form realistic goals that will motivate them to a higher level of performance.

Grill'd, a restaurant chain, was the subject of media reports that identified a number of issues at several franchises across Australia. Some issues included reports of underpaying staff, alleged bullying of one franchisee which resulted in their removal, issues with the quality of the food and inappropriate completion of food safety records. In circumstances such as this, staff may feel undervalued and concerned that these issues may be occurring in their workplace. The Goal Setting Theory could be used here to focus staff on positive outcomes, setting goals with tangible rewards, such as financial bonuses, that would motivate staff and address the issues raised in the media.

Mark allocation: 6 marks

- Responses are marked globally.
- Marks are awarded for the depth of understanding of the theory and how it may be applied.
- Full marks cannot be awarded if the response does not identify and refer to a contemporary business case study.
- The reference to a contemporary business case study is not expected to be detailed. It is not possible for you to know what theory a business may have used and how they used it.



TIP

- » **You do not need to go into great detail when describing the theory used. The response must focus on how the theory may be applied in a business circumstance.**

Question 8

Sample response

Motivation and performance management strategies both aim to improve the performance of employees in carrying out their tasks on behalf of the business. Motivation strategies can be defined as any action taken to improve the level of drive that allows a person to apply individual effort over a sustainable period of time, or how management encourages employees to be more productive. One motivation strategy is performance-related pay, where employees are rewarded with additional pay for achieving set levels of performance. A second motivation strategy is the investment in training for employees. If management invests in training, they are investing in their employees, increasing and broadening their employees' skills so they can be more productive.

On the other hand, performance management strategies can be defined as any action taken to improve business and individual performance by relating the business's performance objectives to the employee's performance objectives. If individuals are performing well, there is a greater likelihood that the business is achieving its objectives. Two performance management strategies are employee observation – where an employee's performance is monitored by another employee and feedback on performance is provided – and self-evaluation, where employees evaluate their own performance based on predetermined standards.

If a business has the objective of making a profit, any strategy that improves the performance of employees is likely to have a positive effect on achieving this objective. Having motivated employees will increase productivity, as the employees will be working at a greater rate. If they are provided with additional training, they will be more skilled, and if they are motivated by additional pay, their performance should improve. Output should increase, reducing costs and increasing profits.

In a similar manner, if the performance of employees is reviewed periodically, the business is able to identify areas where employees need to improve. This can mean employees will be provided with training to improve their skills. Employees, through self-evaluation, may identify their own areas of weakness and seek to improve their own performance. This improved performance should increase productivity, leading to reduced costs and greater profits.

Mark allocation: 10 marks

- Responses are marked globally according to the following guide.
- **9–10 marks**
 - › Very high-level and detailed distinction provided between the two types of strategies
 - › Relevant examples provided
 - › Very high level of analysis provided which clearly:
 - › outlines the strategies
 - › links the strategies to achieving business objectives
 - › demonstrates knowledge of the key business concepts involved in the question

- **7–8 marks**
 - › High level and detailed distinction provided between the two types of strategies
 - › Relevant examples provided
 - › High level of analysis provided which clearly:
 - › outlines the strategies
 - › links the strategies to achieving business objectives
 - › demonstrates knowledge of the key business concepts involved in the question
- **5–6 marks**
 - › Distinction provided between the two types of strategies
 - › Examples provided but one or more may not be relevant to the strategy areas
 - › Some analysis provided:
 - › outline is too brief or missing
 - › link between strategies and achieving business objectives is limited or missing
 - › some understanding of the key business concepts involved in the question is displayed
- **3–4 marks**
 - › Distinction between the two types of strategies is not clear
 - › Examples provided but one or more may not be relevant to the strategy areas
 - › Limited analysis provided:
 - › outline is too brief
 - › link between strategies and achieving business objectives is not clearly made
 - › limited understanding of the key business concepts involved in the question is displayed
- **1–2 marks**
 - › Distinction between the two types of strategies is not clear
 - › Examples not provided or may not be relevant to the strategy areas
 - › Analysis is not provided or is very poor:
 - › no outline of how the strategies can achieve business objectives
 - › very limited or no understanding of the key business concepts involved in the question is displayed
- **0 marks**
 - › No response is attempted **OR** response does not relate to any elements of the question

**TIP**

- » **The 10-mark question often involves multiple concepts from across the course. If you spend your time defining the key terms, you will not adequately address the question and may score poorly. You must focus on the task word used and address its requirements.**

Question 9

Sample response

The Fair Work Commission (FWC) is Australia's national workplace tribunal and has the power to carry out a range of functions under the *Fair Work Act 2009*.

The FWC's role during the negotiation of an agreement is to approve the agreement reached between FreshAsFoods and its employees. This approval requires the FWC to ensure the agreement does not breach any of the National Employment Standards (NES), does not provide conditions that are less than the award and satisfies the 'better off overall test' (BOOT), ensuring employees are not disadvantaged by moving from an award to an agreement.

Mark allocation: 3 marks

- 1 mark for describing the general role of the FWC
- 2 marks for the specific elements of the role in relation to agreements



- » **When you are asked to explain the role of a group or body it is important to focus on what they do and not on what they do not do. It is also important to focus on the elements of the role linked to the specifics of the question.**

Question 10

Sample response

Businesses that have an objective of making a profit may like to focus on employees' drive to acquire.

The drive to acquire suggests that people can be motivated by their desire to gain material possessions or achieve high status, whether in the form of a promotion or increased responsibilities. Employees could be set targets to achieve in relation to their production or sales and, if they achieve those targets, could receive bonuses, an increase in pay or some other form of recognition. The achievement of such targets could also benefit the business in terms of generating more profit.

The drive to bond could also be utilised through encouraging employees to engage in social interactions with each other in the workplace. This approach could help to foster a sense of belonging among employees and help them to feel connected to the business. This could be achieved by organising social events such as regular morning teas, allocating staff into teams, or arranging team-building activities to enable employees to connect with each other and management, and develop positive workplace relations. This approach could improve the productivity of employees as they would have a sense of camaraderie. This productivity could result in improved performance and profits.

Mark allocation: 4 marks

- 2 marks for each principle described (up to 4 marks)
 - › 1 mark for describing the principle
 - › 1 mark for describing how the principle can be linked to the achievement of an objective

Note: Other principles – the drive to learn and the drive to defend – could be used. Other business objectives – to increase market share, to fulfil a market need, to fulfil a social need and to meet shareholder expectations – could also be used.



TIPS

- » You should ensure that you focus on the drives and how they can be used rather than on providing a detailed description of the theory and/or a definition of a business objective.
- » You must identify a specific business objective and link both principles to the same objective.

Question 11

Sample response

Human resource managers need to monitor the performance of employees to ensure they are working at their best and contributing to the achievement of business objectives. One approach is to implement performance management strategies such as management by objectives. This is a process by which management and employees agree on a set of goals for each employee, with these individual goals all contributing to the objectives of the business as a whole. Included in the process is the means of measuring progress towards the achievement of these goals, as well as periodic reviews of the employee's progress towards achieving their goals. Each employee should be aware of the objectives of the business, as well as of their progress and their own responsibilities in achieving those objectives.

The role of the human resource manager in this process is to clearly outline the performance management strategy. Informing employees about how they can assist in achieving the business objectives should be the starting point. The human resource manager requires communication and negotiation skills in order to consult with employees to establish goals, timelines and progress points during the management period.

The role of the employee is to listen to the proposal, offer suggestions that will benefit them as well as the business and recognise that this system will ultimately benefit both parties. They should be prepared to undergo training to improve their skills and accept advice for improvement. They should also complete the relevant steps in the performance management process, aiming to achieve the goals set.

Human resource managers and employees also play a role in the termination of employees. Termination is when the employment relationship between the business and the employee ends. This can be voluntary or involuntary. Voluntary termination is when the employee ends the relationship through retirement or resignation. During these forms of termination, employees can assist the business by participating in an exit interview. An exit interview will allow the human resource manager to sit with the departing employee and discuss reasons why the employee is leaving, gain an insight into what the employee believes the business could improve upon in its management of employees and receive general feedback on the operations of the business.

The human resource manager will also need to ensure that an employee who is leaving the business is provided with their relevant entitlements. These are usually pay and leave – accumulated during the employee's period of employment – that have yet to be paid or accessed. Wages owing for work completed up to the employee's last day of employment must be paid and any accrued long service or annual leave, if applicable, must also be paid to the employee.

The business, through the human resource manager, may also offer transition services to the departing employee. These services are designed to assist the employee's adjustment from working in the business to not working in the business. Depending on the type of termination involved, this may include resume writing assistance, interview training and the provision of a reference or counselling for staff who may be struggling with their termination, often due to redundancy.

Mark allocation: 10 marks

- Responses are marked globally according to the following guide.
- **9–10 marks**
 - › Includes very high-level and detailed explanation of the roles of two participants in the workplace
 - › Clearly links roles of the selected participants to the performance management and termination of employees
 - › Includes high-level description of a performance management strategy
 - › Includes high-level description of entitlement and transition issues that occur during termination
- **7–8 marks**
 - › Includes high-level and detailed explanation of the roles of two participants in the workplace
 - › Links roles of the selected participants to the performance management and termination of employees
 - › Includes appropriate description of a performance management strategy
 - › Includes appropriate description of entitlement and transition issues that occur during termination
- **5–6 marks**
 - › Includes limited explanation of the roles of two participants in the workplace OR detailed analysis of the role of one participant in the workplace
 - › Somewhat links roles of the selected participants to the performance management and termination of employees
 - › Includes limited description of a performance management strategy
 - › Includes limited description of entitlement and transition issues that occur during termination
- **3–4 marks**
 - › Includes poor explanation of the roles of two participants in the workplace
 - › Contains a limited link between roles of the selected participants and the performance management and termination of employees
 - › Includes limited description of a performance management strategy
 - › Includes limited description of entitlement and transition issues that occur during termination
- **1–2 marks**
 - › Includes very poor explanation of the roles of two participants in the workplace
 - › Lacks any link between roles of the selected participants and performance management and termination of employees
 - › Includes very poor description of a performance management strategy
 - › Includes very poor description of entitlement and transition issues that occur during termination
- **0 marks**
 - › No response is attempted **OR** response does not relate to any elements of the question

Question 12

Sample response

Self-evaluation involves employees carrying out a process of self-assessment both in terms of their performance related to their predetermined objectives and their contribution to their business team or unit, based on a set of agreed criteria.

At Jazzie's Juice Bar, management can gain an employee's perception of their own strengths and weaknesses in making various juices to the required quality and standard in a set time period, and determine strategies on how they can improve their performance in the future to meet customer expectations.

Employees might keep documentary evidence of their achievements in order to inform their self-evaluation, such as their level of customer service from positive customer reviews, or their juice-making skills measured by sales targets met. Documentation provides a factual and measurable basis for their evaluation. Having a self-evaluation process creates an opportunity for two-way communication with managers because employees are checking in with them. This allows issues to be raised, and gives employees a chance to request training opportunities that can assist them to improve work performance and productivity.

Mark allocation: 4 marks

- 1 mark for defining self-evaluation as a performance management strategy
- 2 marks for a description of self-evaluation as a performance management strategy
- 1 mark for justifying how self-evaluation could improve the performance of employees at Jazzie's Juice Bar



TIP

- » You must make specific reference to self-evaluation as a performance management strategy and cannot refer to any other method.

Section B

Question 1a.

Sample response

With an increase in the level of wastage and the number of customer complaints, it would seem that an investment in training is required by Dell's Foods. It may be that new staff members have joined the business and the induction program is inadequate for the technology or processes used by the business. Investing money in the training of employees will improve the skills of the employees and/or provide them with more skills.

Better skilled staff will become more efficient in their role and should also become more productive. The improved efficiency will see the level of wastage decrease as staff members perform their roles better, causing fewer issues for the business. This improves productivity as well as output per employee.

However, training is a cost to the business and the training costs need to be weighed against the benefits to the business – if the cost outweighs the benefits, the business may need to look at other means of reducing complaints and waste.

In addition, well-trained employees become more employable and some staff may use their improved skills to seek positions (often promotions) at other businesses, meaning that skilled staff leave the business and new, inexperienced employees are hired to replace them, leading to a similar situation to that which currently exists.

Overall, training would be an appropriate motivation strategy for Dell's Foods to use, as better-trained staff will understand their job tasks and responsibilities to a higher standard and will offer enhanced customer service, which in turn will help reduce the number of customer complaints and the level of wastage that increased in 2017 and 2018.

Mark allocation: 6 marks

- Marked globally. Alternatively:
 - › 2 marks for describing a motivation strategy – one mark can be awarded for identifying a strategy
 - › 4 marks for the evaluation of that strategy – an evaluation requires you to look at the positives and negatives of the strategy and provide an overall opinion

Note: You are not required to provide an equal number of positives and negatives.



TIP

- » **The strategy must relate to the situation. When management tries to motivate employees to improve performance, in relation to waste or customer complaints, training and support would seem the most appropriate strategies. Selecting the most appropriate strategy will make responding to the question easier.**

Question 1b.**Sample response**

Dell's Foods could introduce 'management by objectives' as its performance management system.

Management by objectives is a process by which management and employees agree on a set of goals for each employee, with these individual goals all contributing to the objectives of the business as a whole. Included in the process are the means of measuring progress towards the achievement of these goals, as well as performance appraisals when goals have been achieved.

This system may be appropriate for Dell's Foods as the objectives set can be linked to areas of concern, such as the level of wastage and the number of customer complaints, so that these areas can be improved upon. Management by objectives can also lead to improved motivation, as employees have ownership of the goals (since they are involved in setting the goals).

However, feedback can be a time-consuming process, as management will need to meet with all employees, individually or in teams, to set the goals and then meet regularly to check progress and provide feedback.

Mark allocation: 4 marks

- 2 marks for identifying and explaining a performance management system (you may select management by objectives, self-evaluation, appraisals or employee observation)
- 2 marks for the discussion – this will involve at least one positive/advantage of the selected system and one negative/disadvantage of the same system

Note: Full marks cannot be awarded unless the performance management system is linked to Dell's Foods.

**TIP**

- » Careful reading of the case study can help you to respond to questions such as these. The case study provides a number of areas of concern that relate to employee performance, such as waste and customer complaints. Higher scoring responses will link to these areas of concern.

Question 2

Sample response

Lawrence and Nohria developed the Four Drive motivational theory which states that all individuals have four key drives. The four drives are the drive to acquire, the drive to learn, the drive to bond and the drive to defend. It is important that a business provides opportunities for employees to satisfy each of these drives. The level to which these needs are satisfied directly affects emotions and behaviour. This is a contingency theory, meaning there is no optimal way to motivate; it is entirely situational.

A strength of John Huang using this motivational theory at Cater2U Catering is that by aiming to meet each drive, he allows for individualised motivation of his catering staff. John can focus on each employee's specific four-drive profile, and what is most effective in motivating them. By focusing on satisfying each drive, this approach will be effective in not only motivating each employee, but also improving the corporate culture and productivity of the business as an overall entity. For example, managers can demonstrate reward and recognition to employees by offering job security to casual workers, and/or monetary rewards such as pay bonuses for outstanding job performance. This would improve the morale of employees who are motivated by the drive to acquire.

Ensuring that catering staff are offered programs for developing broader capabilities across the business, and specific education/learning targeted towards the needs of individuals – such as developing catering skills in the preparation of packaged ready-to-eat meals and grazing platters – would improve the morale of those employees who are motivated by the drive to learn.

However, a weakness of John using this motivation theory is that he must ensure that all drives are satisfied at the same time. If a drive is not satisfied, an imbalance in an employee's work could arise and may be detrimental to their motivation.

Another weakness of this motivation theory is that John may have to spend time determining which staff are not motivated due to insufficient remuneration (drive to acquire) or a lack of knowledge/skill (drive to learn) while the business pivots in a different direction with the catering. This can be a time-consuming process and may take John away from other work-related responsibilities. Furthermore, another disadvantage of using the Four Drive Theory is that continuously training and rewarding employees, to meet the drive to learn, can increase expenses and therefore decrease the business's financial performance overall.

Overall, despite the potential downfalls, Lawrence and Nohria's theory would be effective in managing employees at Cater2U Catering successfully, as the four drives convert into effort that is directed at improving overall performance. This also links to ambition as the more effort an employee puts into their job, the easier the achievement of business and personal objectives will be. This will ensure that Cater2U retains and/or gains customers, improving market share in the hospitality industry and improving profits.





Notes: You could also refer to Locke and Latham's Goal Setting Theory of motivation or Maslow's Hierarchy of Needs.

The response above is more detailed than a typical high-scoring response. You are not expected to include all the points listed above to achieve full marks.

Mark allocation: 5 marks

- 3 marks for describing the motivation theory selected with reference to at least 2 principles of each theory (2 drives from Lawrence and Nohria's Four-Drive Theory, 2 principles of Locke and Latham's Goal Setting Theory, or 2 needs from Maslow's Hierarchy of Needs)
- 2 marks for linking the theory to the change at Cater2U Catering

Unit 3 | Area of Study 3 Operations management

Section A

Question 1

Sample response

Dollhouse could implement the 'reduce' principle of the reduce, reuse, recycle waste minimisation strategy by linking production to demand and decreasing the volume of goods it produces. When production is linked to demand, only what will be sold will be produced. This means Dollhouse is less likely to overproduce, minimising the risk that surplus playground equipment will be discarded and contribute to waste.

Where surplus goods are produced, Dollhouse could also recycle some or all of the components to reuse in the manufacture of playground equipment in future periods, which would also minimise waste production.

Mark allocation: 2 marks

- 1 mark for describing how Dollhouse Pty Ltd could implement one principle of the reduce, reuse, recycle strategy to minimise waste
- 1 mark for describing how Dollhouse Pty Ltd could implement a second principle of the reduce, reuse, recycle strategy to minimise waste

Question 2

Sample response

Quality assurance

Quality assurance is a strategy that uses an external certification body to set international standards to which a business must adhere in improving its products. All processes are assessed, and once it is determined that they meet the required standard, this certification is awarded.

Such a system allows Hickling Housing to build quality into its work processes, by placing an emphasis on eliminating defects and reducing waste during the production process. Hickling Housing will require all employees and management to share the responsibility for improving quality. This strategy will improve Hickling Housing's operations as they will be more efficient, with fewer defective products made. This reduces costs, so the business is able to keep prices lower, which allows it to remain competitive.

Computer-aided design (CAD)

CAD is a software program that generates three-dimensional diagrams from a set of given input data. Once the design has been created, it can be viewed from multiple angles, assisting both the designer and the end user to visualise what will be produced.

Once the design is agreed upon, Hickling Housing will be able to accurately determine the quantity of materials to be used in a house, as well as the time needed for the task to be completed. CAD software can customise a series of options that meets the client's or customer's needs. CAD software can also design the sequence of steps that Hickling Housing will need to take to create the desired product in the shortest possible lead time using the least amount of materials. This ensures operations occur efficiently and there is little to no waste generated in the production process, as all parameters are determined to an exact specification. A reduction in waste reduces costs, and these reductions can be passed on to consumers to ensure the business remains competitive.

Mark allocation: 8 marks

- 2 marks for describing each strategy (up to 4 marks)
- 2 marks for linking each strategy to improving operations and maintaining competitiveness in the specific business (up to 4 marks)

Question 3

Sample response

Sourcing supplies from overseas has positive benefits for energy drink manufacturer Buzz Ltd. In general, overseas suppliers are able to provide supplies at a lower price, as wage rates are lower in some countries. When entering a new market such as soft drinks, Buzz Ltd may want to keep its costs low as it needs to price its products at a level that will attract customers.

However, businesses can also attract a reputation for their actions, and buying imported materials when local suppliers are available can be seen as socially irresponsible – profits and local jobs are all sent overseas, resulting in a negative reputation for the company. Buzz Ltd needs to consider the impact of its decisions: by sourcing supplies from overseas, the business is likely to lose customers who value Australian-made products and businesses that support their local communities.

Mark allocation: 4 marks

- 2 marks for mentioning the benefits of sourcing inputs from overseas
- 2 marks for mentioning the negative aspects associated with the decision

Note: These are sample benefits and negative aspects – you may select others such as the opportunity to access more suppliers (chance to ‘shop around’) or the loss of immediate contact with suppliers in the event something goes wrong.



- » **An analysis requires you to identify the main features and examine them closely: examine in parts, and show how the parts relate to the whole. The decision to source inputs from overseas is what is being examined, and you must present the positive and negative parts of this decision.**

Question 4a.**Sample response**

The characteristics of operations management refer to how the operations system is managed. The operations at Cleaner & Greener involve the transformation of inputs into outputs through a series of processes.

This involves the management of the inputs, which are primarily the labour and the machinery used to provide the cleaning service. Given that each cleaning job is unique, as each customer requires something different, operations at Cleaner & Greener often requires customer interaction during the provision of the service. In addition, the output provided is intangible.

Mark allocation: 3 marks

- 1 mark for the identification of operations management overseeing the operations system
- 2 marks for describing the format of the operations system, with specific reference to Cleaner & Greener

**TIP**

» **Operations management is different from an operations system. Be careful that you understand the distinction between them.**

Question 4b.**Sample response**

Businesses are always seeking to achieve their objectives. Conducting their operations in a socially responsible manner can assist a business in achieving these objectives. Socially responsible operations means that the business considers how their practices and activities impact on all stakeholder groups, the environment, and society's health and welfare beyond what is legally required.

Operations managers can consider social responsibility when making decisions about where they source their inputs from, how these inputs will be transformed into outputs and how those outputs are packaged and made available to customers. For example, a business can source supplies locally rather than from overseas. This can enhance the reputation of the business and can lead to greater sales and profit as customers may wish to support businesses that value the local community and environment.

In a similar manner, businesses that provide recyclable packaging or minimise their waste in production can reduce costs and/or increase their sales through their positive image. This assists in helping to achieve the objectives of the business.

Mark allocation: 3 marks

- 2 marks for explaining why acting in a socially responsible manner can improve the business performance with a link to the objectives
- 1 mark for linking socially responsible actions to operations

Note: Beginning with a definition of the key concept is not required.

Question 5

Sample response

Lean management is an approach designed to improve the efficiency and effectiveness of a business's operations by reducing the amount of unwanted or unusable resources created by the business's production process. This can be achieved by redesigning products and packaging, procuring materials made from recycled matter, reusing scrap material, improving quality control and exchanging waste with other businesses.

Lean management attempts to improve efficiency by eliminating waste and improving quality. According to the principles of lean management, waste is anything that reduces the speed of production or stops production occurring at the lowest possible cost. As waste is reduced, production times and costs are cut.

To improve efficiency of operations, a business using this approach would carefully analyse each stage of the operations system and remove any inefficiencies that do not add value to the product. For example, a business may use a one-piece flow strategy where items are produced in a continuous flow of inputs, from step to step with no time delay or idle resources in between, until an output is produced.

Alternatively, the business may use the zero defects strategy, where each item of output is checked at every stage of the production process to ensure any defects are found and addressed before the item goes any further. This strategy prevents waste from being produced by reducing the chance that defective products will reach customers.

Mark allocation: 6 marks

- This response should be marked globally.
- Response must refer to lean management.
- Response must refer to how at least one strategy related to lean management may be used to improve efficiency. Marks are awarded for the link between waste minimisation, the selected strategy and improving efficiency in operations.



- » **You are not required to refer to any principles of lean management in your response, but you are required to generally discuss the concept and link it to efficiency.**

Question 6**Sample response**

Total Quality Management (TQM) is an operations management strategy area designed to improve the efficiency of the operations system of a business. TQM is a holistic, business-wide approach to the management of quality where all members of the business commit to achieving excellence in every aspect of business operations. As such, this system requires employee commitment and continuous improvement to increase the quality of the product or service.

The aim of TQM is to create a defect-free production process – all waste and inefficiency in operations are eliminated, and 'perfection' is achieved in every single part of the operations system. This therefore means that all inputs are used to their best advantage and so the efficiency of the operations system is improved.

Mark allocation: 3 marks

- 2 marks for a description of TQM
- 1 mark for linking the quality system to an improvement in efficiency



- » You should focus on the 'how' in the question. The question does not ask for a definition of TQM and/or efficiency, so providing such a definition will not be rewarded with marks.

Question 7a.**Sample response**

Operations is the area of the business responsible for establishing the processes that transform the inputs of the business into the outputs, which are then sold to customers. Operations assist in the achievement of business objectives by providing a quality product, minimising costs and providing value for money. This should allow the business to generate a profit, which is a key business objective. The operations area contributes to these factors as operations involves a quality management system and a materials management system, and utilises technology to minimise costs and reduce waste. This allows the business to satisfy customers by providing value for money, increasing sales and profits.

Mark allocation: 2 marks

- 1 mark for describing the relationship
- 1 mark for providing a link to at least one business objective

Note: You should refer to reducing waste, improving quality, managing materials so as to reduce costs, or improving technology use. You must then link your response to supplying a product that meets customer needs and/or provides value for money in order to achieve a business objective. A response that only defines business objectives and operations without linking the two concepts, or provides a weak relationship, is worth 1 mark.



» You must focus on the relationship – not on providing two definitions.

Question 7b.**Sample response**

Total Quality Management (TQM) is an operations management strategy area designed to improve the efficiency of the operations system of a business. TQM is a holistic, business-wide approach to the management of quality where all members of the business commit to achieving excellence in every aspect of business operations. As such, this system requires continuous improvement and employee commitment to ensure that the quality of the product or service is at the highest standard.

The aim of TQM is to create a defect-free process – all waste and inefficiency in operations is eliminated, and 'perfection' is achieved in every single part of the operations system. This means that all inputs are used to their best advantage so the costs of providing the service are lowered. The time spent by financial services personnel is not wasted as customer enquiries are directed to the appropriate person and the financial advice is appropriate to the customer. The completion and submission of tax returns for clients is timely, and investment advice is current and appropriate for each individual client. This improvement in the quality of the service will reduce the number of customer complaints. Fewer complaints should see sales figures improve and an increase in the profit made by the business.

Mark allocation: 3 marks

- 2 marks for a description of a quality management strategy
- 1 mark for linking the quality management strategy to an improvement in effectiveness (the increase in profit made by the business)

Note: You may also refer to quality control or quality assurance in your response.

**TIPS**

- » You need to focus on drawing from the material in the scenario. You must refer to one specific business objective rather than make a vague reference to objectives. Possible objectives that could be discussed from this customer complaints-based scenario include reducing complaints or increasing sales and profits.
- » You are not being asked to provide a definition of a quality management strategy and/or evaluate its effectiveness, and you will not receive marks for doing so.

Question 8

Sample response

Efficiency relates to how well a business uses resources to achieve objectives.

Robotics is the combination of science, engineering and technology that produces machines, called robots, that are programmed to perform a variety of tasks autonomously. Businesses can consider introducing robotics on automated production lines, where a programmable machine capable of doing several different tasks can automate some of the processes to help reduce the number of defective products being produced and/or to reduce the production time. This helps improve efficiency as these tasks can be performed faster than by employees, allowing businesses to increase production output and meet customer demand while reducing labour inputs.

However, businesses will need to outlay a significant sum of money to purchase, install and program the robotics equipment. This can be a significant investment for owners which may place financial pressure in the short term. The business will also need qualified staff able to undertake the programming and maintenance of the robots to ensure they are operating effectively, hence increasing both labour and capital inputs, reducing efficiency.

Mark allocation: 4 marks

- 2 marks for an advantage of the use of robotics to improve efficiency
- 2 marks for a disadvantage of the use of robotics to improve efficiency



- » You must demonstrate an understanding of the features of robotics and link these features to efficiency by relating to an advantage and a disadvantage.

Section B

Question 1

Sample response

The first element of this system is the inputs. These are the resources (human, physical and natural), time, information and money that form the basis of the products the business manufactures. For Michaels Holdings, it would be the materials, wheels, metal and other components used.

The next element is the processes that the inputs are put through to create the product. This is a value-adding process where the inputs are combined, added to, altered or converted into another form. This involves welding, and putting the various components of the prams and strollers together.

Lastly there are the outputs – the finished products (prams and strollers), ready for sale.

Mark allocation: 4 marks

- 3 marks for clearly explaining each of the three elements of the operations system
- 1 mark for correctly applying the elements to examples from the case study



- » **Section B specifically asks you to link your responses to the business in the case study. While you are not expected to know everything about a business that manufactures prams, a reasonable attempt should be made.**

Question 2

Sample response

Customer complaints may stem from a deterioration in the quality of the product. Introducing a quality management system at Michaels Holdings could help to rectify issues with quality.

Quality control is a quality management system where products are selected at random at various points along the production line and these samples are checked against the required standard. Any items that vary from the standard are rejected, and problems in the production of the product are able to be identified and subsequently rectified. Hence all products have a minimum level of quality; if this meets customer expectations, there should be a reduction in the number of customer complaints for Michaels Holdings.

However, the use of quality control may not always have the desired outcome. Quality control limits its focus to production. If the complaints stem from the price of the product, the service provided during sales or after-sales, or some other aspect of the business, then quality control may not rectify those problems. In addition, as only random samples are selected for testing, there may be some defective products that are not sampled and that make it through to customers. Quality control often requires the appointment of a quality control manager and this is an added cost of production, which will raise prices for Michaels Holdings. It also means that with a dedicated person responsible for quality, other employees may be less vigilant in monitoring quality; therefore, further issues may arise.

Overall, quality control would not be an appropriate strategy to use as it is a reactive process, identifying defects after they have occurred, which results in high levels of wastage and would not assist Michaels Holdings in achieving this KPI or improving efficiency. The wastage and increased usage of both material and labour inputs would reduce efficiency.

Mark allocation: 4 marks

- 2 marks for proposing a quality management system and explaining how it links to efficiency
- 2 marks for an evaluation, including positives/negatives and an overall opinion



TIPS

- » **The Study Design clearly identifies three quality management strategies and you should base your response on one of those strategies, as they will have been studied in class. While other quality management strategies can be used, it is always best to use those concepts stated in the Study Design.**
- » **It is also important to link to the KPIs in the scenario. Care should be taken to link the quality management strategy with the most appropriate KPI.**

Question 3

Sample response

The level of wastage measures the amount of waste created by the production process. If the process is inefficient or the materials used are of a poor quality, poorly stored or handled, or the purchasing process is poor, the level of wastage is likely to rise. To overcome this, Michaels Holdings can consider implementing a materials management system. Materials management is the strategy that oversees the use, storage and delivery of materials to ensure that the right amount of inputs is available when required in the operations system. A system that can be implemented is the Just In Time (JIT) system.

JIT is a system whereby materials are ordered and delivered just as they are needed to enter the production process. This can reduce storage costs as no stock is actually held by the business, and it also reduces the risk of any waste occurring in storage, thus lowering costs and increasing competitiveness.

However, this system relies on the ability of suppliers to guarantee delivery of materials, both on time and in the quantities required. Any delay in delivery will result in production ceasing for a period and so sales may be lost.

Overall, JIT is an effective materials management strategy to use at Michaels Holdings as there could be a continuous flow in production because materials are on hand as they are needed. This reduces halts or slowdowns in production and could reduce the number of customer complaints and the level of wastage.

Mark allocation: 4 marks

- 2 marks for proposing a materials management system and explaining how it can improve efficiency
- 2 marks for an evaluation, including positives/negatives and an overall opinion



- » When asked to refer to one of the KPIs provided in the case study, it is important that you identify the most appropriate KPI to match the strategy selected. This allows for a full evaluation to be provided and therefore increases the chances of full marks being awarded.
- » Given a KPI was addressed in the previous question, it is better to select a different KPI for this question to avoid repetition.

Question 4

Sample response

When outsourcing the manufacturing of a product overseas, Michaels Holdings' management must consider the reasons why they are doing it. It is often due to the lower wage rate available overseas and, in these circumstances, it is important that the business pays its workers the legal minimum wages applicable in that country and does not exploit youth workers or other workers in the pursuit of lower costs and higher profits. Exploiting workers through the use of low-wage employees can give a business a poor reputation, which can negatively impact the sales and profits of a business – counteracting the gains made by outsourcing.

Mark allocation: 2 marks

- 1 mark for identifying a corporate social responsibility consideration associated with overseas manufacturing
- 1 mark for outlining what the business needs to consider



- » **This question requires you to briefly outline the issue referred to in the question. To outline a concept requires more detail than a definition, and you should avoid just defining the key term – in this case, corporate social responsibility.**

Question 5**Sample response**

The level of wastage refers to the amount of waste created during the production process, suggesting that not all resources are utilised efficiently in the production process. If the process is inefficient, then the level of wastage is likely to rise. There are two possible strategies the business could implement to minimise waste.

An automated production line comprises machinery and equipment arranged in a sequence with components added to the good as it proceeds through each step. The good usually moves along the line on a conveyer belt. An automated production line reduces waste as it does not need employees directly involved in its operation, since all or part of the process is controlled by automation; that is, it is self-operating or controlling. Computers manage the process, and humans are likely to be given the task of monitoring the operations system. The process allows for consistent performance, and each product will meet a minimum standard, resulting in waste being reduced. These systems do cost a substantial amount of money and often lead to redundancies of staff, further adding to the cost. Overall, automated production lines can assist Dell's Foods to reduce the level of wastage as they can offer improvements in precision and accuracy during production, reducing defects to enhance the overall quality of a product, which can also lead to an increase in sales.

Computer-aided manufacturing is a second strategy that could be used. This software is used to allow the manufacturing process to become computer-directed by designing and controlling the process. In this way, the exact number of units can be produced with the correct amount of materials ordered and used, so there are no excess materials required and none are wasted in the process. Again, this is a costly program to operate and can lead to output shortages if production problems occur. However, overall, it provides a useful guide as to the minimum and maximum amounts of materials required so waste can be reduced.

Mark allocation: 6 marks

- 2 marks for proposing two technology strategies and explaining how they will reduce wastage (up to 4 marks)
- 1 mark for an evaluation of each strategy, including positives/negatives and an overall opinion (up to 2 marks)

Question 6

Sample response

Happy Kooka Foods has announced a decision to stop the use of plastic straws in its products. This commitment to the environment is a recognition that businesses are expected to respond to the views of society and take their concerns into consideration when conducting operations.

The benefit to the business of conducting operations in this way is that the business gains a positive image and reputation in the community. The banning of plastic straws is a growing movement and follows the banning of single-use plastic bags. By volunteering to ban these items, Happy Kooka Foods shows itself to be a leader in the industry and this can result in like-minded people using its products, increasing sales and profits.

However, there is often a cost associated with such decisions. Replacing plastic straws with an alternative can lead to increased costs as the alternative may be more expensive. Therefore, the commitment to social responsibility can have a negative effect on profit. In addition, sourcing alternatives may bring the business in contact with less reputable businesses that use child labour, underpay employees, or have poor and wasteful processes involved in the production of paper, wooden or other type of straws.

Overall, Happy Kooka Foods' commitment to banning plastic straws will benefit the business as it demonstrates its dedication to like-minded customers, and society in general, and should outweigh any costs associated with the move.

Mark allocation: 5 marks

- 2 marks for explaining the benefits of Happy Kooka Foods' commitment
- 2 marks for explaining the costs or negatives of its commitment
- 1 mark for a conclusion

Question 7

Sample response

Effectiveness in the context of this business relates to how well the business is able to achieve its objectives. The case study identifies making a profit as an objective, and so the introduction of computer-aided manufacturing should assist in that aim.

Computer-aided manufacturing refers to the use of software and machinery that allow computers to direct and control the manufacturing process. Computer-aided manufacturing involves automated machinery being programmed by an operator and then performing the instructions with speed and precision. If Sutton Constructions implements this strategy, they will be able to produce house frames in a more timely manner, with few or no defective frames. This should reduce waste, increase production and improve quality. Computer-aided manufacturing also reduces the need for labour in what might be the most dangerous part of the operations system. If the number of workplace accidents can be reduced through the use of computers or robotics, the reduced impact of these accidents – in terms of time lost, money and injuries – will result in lower costs and increased profits.

Mark allocation: 4 marks

- 2 marks for analysing computer-aided manufacturing
- 1 mark for linking computer-aided manufacturing to improving effectiveness
- 1 mark for a link to Sutton Constructions

Question 8

Sample response

An operations system is the coordinated area of management responsible for the strategies that are used to create, operate and control the transformation of inputs from a variety of resources into outputs, or goods and services, to satisfy the demands of customers.

The three elements of an operations system are inputs, processes and outputs.

Inputs refer to the resources that are used to produce the business goods or services. They can include things such as natural resources, physical resources, human resources, information, time and financial resources. In terms of Sutton Constructions, the inputs include the wood they use to build houses, the labourers who do the building and the machinery or equipment they use. In a service business such as a hospital, the inputs are similar in that there are physical resources such as the beds, equipment and the building itself, as well as labour resources such as the doctors and nurses who work there. However, a service business does not make use of natural resources (such as raw materials or components), which are used by Sutton Constructions.

Processes are the value-adding steps that transform the inputs into outputs. At Sutton Constructions the processes are assembling the frame, laying tiles on the roof, plastering walls, and other jobs associated with building houses. In a hospital, processes involve examining patients, running tests, performing surgeries and administering medications. Both types of processes make use of the inputs provided. However, Sutton Constructions' processes involve little or no customer interaction, whereas in the case of a hospital the patient must be present for the process to occur.

At Sutton Constructions the output – the finished product ready for sale – is a completed house or building, which is a tangible item. In a hospital the output – patient treatment – is intangible.

Mark allocation: 6 marks

- 1 mark for each element of an operations system related to a service business (up to 3 marks)
- 1 mark for each element of an operations system specifically related to Sutton Constructions (up to 3 marks)



TIP

- » To be ready for any type of question in this area, you should prepare an example of the operations system of both a service and a manufacturing business.

Unit 4 | Area of Study 1 Reviewing performance – the need for change

Section A

Question 1

Sample response

As the operator of a social enterprise, Andrew would like his business to generate a profit so that it can be used to fill a social need. A KPI he should use is his net profit figures, which is the value of revenue remaining after all expenses have been deducted. If the business is making a certain level of profit, it has commenced successfully.

Mark allocation: 2 marks

- 1 mark for describing the key performance indicator (KPI)
- 1 mark for linking the KPI to the business

Note: You may identify other KPIs, such as number of sales or percentage of market share. However, you must be mindful that not all KPIs identified in the Study Design will be relevant for this scenario.



- » In questions that ask you to refer to a style, skill or KPI, you should ensure that you select the style, skill or KPI that is most appropriate to the scenario provided and not just the one you remember best.

Question 2

Sample response

Kurt Lewin developed a means of determining whether a proposed change would benefit a business – this is referred to as a Force Field Analysis. This analysis allows a business to identify those forces that drive and foster change, and those that resist a proposed change.

Lewin's Force Field Analysis provides a process for a business such as Beechey Ltd to evaluate how best to proceed with a change. The initial step is to identify the reason for the change – what has prompted the decision to consider a change. Management should then follow the following principles.

Weighting – this means leaders or managers in the business may need to identify the driving and restraining forces and then provide them with a number between 1 and 5 according to how important they are perceived to be.

Ranking – the considerations or forces are placed in order from the most important to the least important, in order to prioritise the driving forces that need to be promoted and the restraining forces that need to be minimised.

Implementing a response – once the business has weighed up the factors, it makes a decision as to whether to proceed with a change. Only when driving forces are greater than restraining forces should a business proceed with change.

Evaluating a response – once the response or decision has been made, the business must continue to monitor the situation, using changes to KPIs to ensure that the decision to change was the correct one.

Businesses believe in the significance of Lewin's Force Field Analysis as it establishes an accurate timeline to be followed and, as a result, additional resources can be assigned or reduced at each stage. This ensures that the change can be implemented smoothly, and the transition is positive. Moreover, management can make use of the timeline to see where the change is at and act accordingly.

In addition, force field analyses are important as they can be represented visually and therefore information can be conveyed in a friendlier way, particularly for those who possess an impediment, such as those who cannot read adequately. This reduces communication barriers within the business and, thus, change will be better embraced if more people can understand it, through different communication channels and methods.

Mark allocation: 6 marks

- Marked globally. Alternatively:
 - › 4 marks for describing the principles of Lewin's Force Field Analysis including weighting, ranking, implementing a response and evaluating the response
 - › 2 marks for stating the benefits of preparing an analysis for a business such as Beechey Ltd (1 mark for each benefit)

Question 3

Sample response

Employees are often the face of a business – they produce the product or interact with the customers. For employees, their job is their means of income, and earning a wage allows them to provide for themselves and their families. Any suggestion of a change can cause fear within an employee. Change can lead to job losses, the need to relocate, the need for additional training or the break-up of teams within a business. This causes stress for an employee and can lead to a negative culture if the change is not handled well by management.

To overcome employee resistance, management has a number of strategies available – whether they be high-risk or low-risk strategies. One low-risk strategy would be communication – the sharing of information with employees – so they better understand the need for change and the process involved. The more sharing of information that occurs during the change process, the greater the level of trust between management and employees. Maintaining open lines of communication assists in the sharing of information at all levels of the business. As communication is a two-way process, leaders and managers also need to ensure that they provide all employees with the means to communicate their feedback, both positive and negative, to those leading the change.

Mark allocation: 4 marks

- 2 marks for explaining why employees are a restraining force – fear of job loss and/or uncertainty of the future
- 2 marks for describing the low-risk strategy to overcome resistance – maximum one mark if a strategy only is identified



- » **Questions such as this require you to link a strategy to change – you must refer to change and select an appropriate strategy that can be linked to why employees may resist change.**

Question 4

Sample response

Porter believed that, when faced with change, a business could adopt one of two approaches to maintain or gain a competitive advantage over competitors: the lower cost approach or the differentiation approach.

The lower cost approach requires a business to produce its output at the lowest possible cost. Reductions in cost are made to inputs, production, packaging, marketing and any other area where cuts can be made. This allows the business to pass these lower costs onto customers and become known for having the lowest priced product in the market. This lower price will attract price-conscious consumers, allowing the business to remain competitive.

Alternatively, the business can differentiate its product (find a means of making its product unique in some way to gain a competitive edge) thereby allowing the business to market itself as a leader or innovator in that industry. Some strategies include making the product more durable, providing better customer support, extending warranties or launching different brands within the same market. This can allow the business to sell its product at a higher price, as consumers feel they are getting value for money.

In a highly competitive market such as soft drinks, it is most likely that businesses are competing on price, and so Buzz Ltd should adopt a differentiation strategy. By being unique, possibly making 'healthy' soft drinks and trading on its reputation in its current market, the company could develop an advantage over its competitors that would enable it to increase its market share and gain more customers over its other soft drink competitors.

Mark allocation: 6 marks

- Questions worth this many marks are usually marked globally. Alternatively, in this question the marks can be broken down in the following way:
 - › 2 marks for explaining each approach from Porter's Generic Strategies (up to 4 marks)
 - › 2 marks for justifying the particular approach recommended

Note: The justification must be more than just a statement about which approach to adopt; you must provide a reason for choosing the strategy and link it to the specific business.

Question 5

Sample response

Societal attitudes can be considered a driving force for change. Society's attitudes about what is right and wrong are constantly changing, and this affects the ways in which businesses operate and can drive them to change.

Toyota is such an example. Toyota has embraced societal change by increasing its production of electric vehicles rather than just producing petrol-powered vehicles. In 2022, the company introduced a new all-electric car called the Toyota bZ4X, in response to a change in society's values and behaviours towards electric cars. Cultural attitudes towards the environment have significantly impacted the embrace of electric vehicles, owing to a strong eco-conscious ethos, viewing electric vehicles as a way of mitigating pollution and combating climate change.

Mark allocation: 4 marks

- 2 marks for demonstrating a clear understanding of what is meant by the driving force selected (in this sample response it is 'societal attitudes')
- 2 marks for linking the driving force to a contemporary business example

Note: Other driving forces that could be selected include managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and any other appropriate force.



- » **Contemporary business examples are those businesses where the change was initiated within the last four years. Responses using older examples or hypothetical businesses may only gain a maximum of 2 marks.**

Question 6

Sample response

A driving force that has impacted Coles supermarkets is the reduction in costs. For example, Coles are beginning to completely automate their warehouse operations at major depots in an attempt to reduce costs. This includes robots doing most of the warehouse duties that were previously performed by humans. This will reduce labour costs in the long term as fewer employees may be needed (which will improve profits), and dispatch and delivery times will decrease.

However, with any change there are restraining forces to consider. These are the factors that work against the change and provide resistance to it. In reference to Coles, as they attempt to automate their warehouse facilities, employees may act as a restraining force. Employees are affected by such a business change and fear job losses that lead to a change in their financial position. Redeployment of some employees may also disrupt workplace routines and cause fear, leading to further resistance. Employees may seek support from unions, which may also act as a restraining force as they can create publicity around the issue and help it to gather momentum.

Note: You may provide a variety of contemporary case studies.

Mark allocation: 6 marks

- 2 marks for demonstrating a clear understanding of the driving forces selected – this sample response features forces such as the ‘pursuit of profit’ and ‘reduction of costs’
 - › **Note:** Other driving forces that could be selected include managers, employees, competitors, legislation, societal attitudes, globalisation, technology, innovation and any other appropriate force.
- 1 mark for linking the driving forces to a contemporary business example
- 2 marks for demonstrating a clear understanding of the restraining forces selected – in this sample response one such force is ‘employees’
 - › **Note:** Other restraining forces include managers, time, organisational inertia, legislation and financial considerations.
- 1 mark for linking the restraining force to a contemporary business example

Question 7

Sample response

Porter's differentiation strategy suggests that businesses can gain a competitive advantage over their rivals by differentiating their good or service from others in the market. Differentiation can be achieved through the use of brand names, a different or unique mode of delivery, advertising or other factors to establish differences between substitutable products. For example, in terms of the mode of delivery, the website of the business could be developed to provide accurate and up-to-date information to assist customers with enquiries. In a differentiation strategy a business makes its product different, unique or superior in some way to gain a competitive edge and allow the business to market itself as a leader or innovator in that industry. A business that is able to provide a service with a distinctive attribute will be able to charge a premium price for its product because it will usually be able to pass costs on to its customers.

Mark allocation: 3 marks

- 1 mark for describing differentiation – for example, unique product, unique features such as extended warranties etc.
- 1 mark for explaining how differentiation can be achieved – for example, advertising, brand names etc.
- 1 mark for explaining how a competitive advantage results from the strategy



- » **Avoid defining competitive advantage or referring to the second of Porter's strategies. Focus on the question asked.**

Question 8a.**Sample response**

A proactive approach to change refers to a situation in which a change is planned and occurs before a business is affected by pressures in its environment. A proactive approach is more effective in managing change as it allows the business to gain a competitive advantage because it is not affected negatively by the evolving environment.

A reactive approach, on the other hand, is where change is unplanned and occurs after the business has been affected by the pressures from its environment. A reactive approach is less successful in managing change for the business, as the business has already been affected, potentially causing a loss in productivity or sales resulting from failure to recognise that the change was imminent.

The key difference is when the change occurs – with a proactive approach the change occurs before pressures impact the business, while with a reactive approach the change occurs after the business has been affected.

Mark allocation: 3 marks

- 1 mark for a description of a proactive approach to change
- 1 mark for a description of a reactive approach to change
- 1 mark for a clear distinction between the two approaches

**TIP**

- » Your responses to questions such as this should include a 'comparison' word or phrase such as 'whereas' or 'on the other hand'.

Question 8b.**Sample response**

The Force Field Analysis theory is a means of evaluating what a business needs to do to change after considering a range of factors.

In a business facing change, management needs to determine if the change is necessary and/or if fully implementing the change is likely to succeed.

The first step in the analysis is to identify the forces driving the change and those restraining the change. Once identified, each force is given a weighting according to its importance or influence in affecting the change. These forces and their weightings are totalled to assist management in identifying the important driving forces that need to be promoted and the key restraining forces that need to be overcome or minimised. This process allows management to implement strategies that can target the forces in the manner described. This is often in the form of an action plan that includes a timeline for implementation and assigns responsibility to various people for managing the change.

However, the weightings assigned to each force can be subjective, and if incorrect or inappropriate weightings are provided, the business may focus its attention on the wrong area and so the change may not be implemented successfully. Given that the weightings determine the strategy and the action plan going forward, an inappropriate weighting can set the business back.

A further point to consider is that sometimes change is forced upon the business by stakeholders or legislation, and so the time taken to conduct a force field analysis may be a waste as the change will be occurring while the analysis is completed, further limiting the success of the change.

However, the overall benefit of conducting a force field analysis is the structure it provides, allowing for careful consideration of the factors and issues surrounding the change. This should lead to a more successful implementation of the change.

Mark allocation: 5 marks

- Responses are marked globally according to the following guide.
- **5 marks**
 - › Very high-level and detailed description provided of the Force Field Analysis theory
 - › Strengths of using this analysis provided
 - › Weaknesses of using this analysis provided
 - › A conclusion provided regarding the overall use of the Force Field Analysis theory
- **4 marks**
 - › High-level and detailed description provided of the Force Field Analysis theory
 - › Strengths of using this analysis provided
 - › Weaknesses of using this analysis provided
 - › No conclusion provided or a poor conclusion provided regarding the overall use of the Force Field Analysis theory

- **3 marks**
 - › A valid but limited description provided of the Force Field Analysis theory
 - › Strengths of using this analysis provided **OR** weaknesses of using this analysis provided
 - › No conclusion provided or a poor conclusion provided
- **2 marks**
 - › A poor description provided of the Force Field Analysis theory
 - › Strengths of using this analysis provided **OR** weaknesses of using this analysis provided
 - › No conclusion provided
- **1 mark**
 - › Poor description provided of the Force Field Analysis theory
 - › One of:
 - › Strengths of using this analysis provided**OR**
 - › Weaknesses of using this analysis provided**OR**
 - › Conclusion provided
- **0 marks**
 - › No response is attempted**OR**
 - › Response does not relate to any elements of the question

**TIP**

- » **Students often limit themselves to referring to the identification and weighting of the forces when explaining the Force Field Analysis theory. However, this is not the full extent of the analysis and you must go further to be awarded full marks.**

Question 9

Sample response

Number of sales refers to the amount or quantity of products sold in the normal operations of a business. Calculating the number of sales helps a business to determine whether it is meeting objectives related to sales and marketing – a business will typically be satisfied with its performance if the number of sales increases over a given period of time, even if this means poor financial performance in the short term, owing to higher marketing costs. The assumption is that such a strategy should lead to improved financial performance in the longer term.

Adverse weather conditions would result in a decline in the number of sales of swimwear, as fewer customers have swimming opportunities – if they rely on hotter weather to swim. This is likely to impact on the company's business objective of increasing net profit figures. 'Net profit figures' refers to the difference between sales revenue and business expenses for a specific period of time. The fall in swimwear sales would be consistent with a decline in net profit figures.

Mark allocation: 3 marks

- 1 mark for defining the KPI 'number of sales'
- 2 marks for demonstrating the relationship between declining number of sales and one chosen business objective



- » You can make reference to another business objective instead of 'increasing net profit', as long as it is relevant and applicable to the case study stimulus, e.g. 'improving effectiveness'.

Section B

Question 1

Sample response

Number of customer complaints is a key performance indicator (KPI) that measures the number of customers who contact the business and register their displeasure with the product, the service and/or the price of the product.

A rising number of customer complaints for Dell's Foods is likely to lead to a decrease in the market share held by the business. Dell's Foods customers who are unhappy are likely not to purchase from the business again and may even discourage others from purchasing from the business. This leads to a decrease in sales and a decline in market share, assuming the decrease in sales is proportionately less than that of its competitors.

Mark allocation: 3 marks

- 1 mark for defining the KPI – you must refer to customers contacting the business (if there is no contact then there is no formal complaint)
- 1 mark for identifying that the impact is likely to be a decline in the market share held by the business
- 1 mark for explaining how the decline in market share occurs – customers stop buying from the business, leading to a decline in overall sales of the business



TIPS

- » Definitions need to be accurate. Inclusion of the term 'contact the business' is crucial for full marks to be awarded.
- » When explaining the effect on market share, there is no need to define 'market share'. This may distract you from responding to the question.

Question 2

Sample response

Net profit is a key performance indicator (KPI) that determines the revenue remaining after expenses have been deducted. Percentage of market share is another KPI that Alyvia could use to assess business performance.

Mark allocation: 3 marks

- 1 mark for defining the determination of revenue as a KPI – the term 'revenue' (or 'income') must be included, rather than 'sales'
- 1 mark for stating that expenses are deducted from revenue
- 1 mark for identifying another KPI relevant to the business

Question 3

Sample response

The decision by Glanfield Holdings to remove gaming facilities from the hotels could be driven by societal attitudes. The economic and social cost of problem gambling has seen the issue of poker machines raised in the public forum. The desire to be seen as a good citizen may drive a business to undertake such a change.

Following on from societal attitudes, the government may make changes to the law relating to gaming venues and poker machines. The business may be driven to change because of these laws that affect the way gaming venues operate.

While this is occurring, the business may face restraining forces. Financial considerations may restrain the business from changing. The data in the table suggests that the hotels with gaming venues provide the majority of the revenue and profit for the business. To give up this revenue may have greater negative complications later – customers may go elsewhere, and so profits may fall and the business may suffer financial hardship.

Mark allocation: 6 marks

- 2 marks for explaining each force and linking them to the scenario (up to 6 marks)



TIPS

- » You should read the material carefully and identify the most relevant driving forces for the scenario provided. In this case, employees are unlikely to be a driving force.
- » Restraining forces are also listed in the Study Design. Selecting financial considerations is appropriate given the data in the table. You should draw on this data wherever possible.

Question 4

Sample response

Lewin's Force Field Analysis is based on the concept that for change to occur, driving forces need to overcome restraining forces. In order to do this, either the driving forces must be strengthened, or the restraining forces weakened until the equilibrium between the two is broken.

The first step is to identify the driving forces acting on the business, be they legislation, societal attitudes or the beliefs of Alyvia Rallis – the CEO. The next step is to identify the restraining forces. Forces that could hinder the success of expansion could include the financial costs, the legal requirements of cancelling licence fees and the attitudes of the managers and employees of the individual hotels, who may see their livelihoods disappear.

In order to apply the theory, the significance or importance of the driving and restraining forces to Glanfield Holdings and this proposed change would have to be analysed. The application of weights to the driving and restraining forces would indicate if the change is likely to be successful. If the restraining forces outweigh the driving forces, Alyvia would need to strengthen the driving forces (perhaps by generating greater demand for the new services in the business's local community), or lessen the restraining forces (perhaps by looking at cost-effective ways of proceeding), until the point is reached where it is viable to make the change. At this point Alyvia could consider the creation of an action plan and a timeline for proceeding with the change, as well as the allocation of responsibility to key personnel to lead the change.

Using Lewin's theory, however, is a subjective task; biases may be expressed by the person completing the analysis, and the restraining forces may not be weighted accurately, or the driving forces may be exaggerated. The presence of bias in this process can lead to the business undertaking change when the business is not ready for it, or when the forces are not adequately understood.

Overall, at Glanfield Holdings, Lewin's Force Field Analysis theory would be appropriate to use as it allows Alyvia and other stakeholders to prepare strategies to promote driving forces and build upon them to minimise the restraining forces that may limit the change from occurring successfully.

Mark allocation: 6 marks

- 2 marks for explaining how the theory operates
- 2 marks for linking the theory to the business
- 2 marks for evaluating the appropriateness of the theory



TIP

- » In evaluating how Lewin's Force Field Analysis theory could be used in this situation, you should write about more than just identifying and weighting driving and restraining forces. You need to go further and reference concepts such as developing an action plan, designing a timeline for change, assigning responsibility for change, and forming a guiding group. Not all of these points need to be made but at least two should be provided.

Question 5**Sample response**

Business change is any alteration to the processes, practices or structure of a business. In changing the manner in which Patti's Grocery serves its customers, it can be understood that Patti's Grocery is undergoing a proactive change: the introduction of the new self-serve technology, the safety robot and recyclable brown paper bags is an attempt to respond to changes in societal attitudes and to be able to meet business objectives.

Mark allocation: 2 marks

- 1 mark for 'alteration to processes, practices or structure'
- 1 mark for the link to Patti's Grocery

**TIP**

- » **Regardless of whether the question explicitly states so or not, all your responses to Section B questions must refer to the business in the case study.**

Question 6**Sample response**

Pursuit of profit refers to a business seeking to increase sales and reduce business expenses in order to improve the return on investment for owners of the business. By introducing new, larger self-serve counters, the business could reduce the number and cost of check-out employees needed to process customers' shopping. The 'safety robot' could also prevent employee injuries that could further save Patti's Groceries the health care costs incurred from injured employees. The recyclable brown paper bags offered may appeal to environmentally conscious customers and increase their sales, further supporting a growth in profits.

The actions of competitors can also drive change as they may introduce new technology or new processes that could give them the edge over Patti's Grocery. If competitors follow Patti's Grocery, then the supermarket chain will constantly need to innovate and change to keep ahead of their competition.

Mark allocation: 4 marks

- 1 mark for explaining each driving force (up to 2 marks)
- 1 mark for making a specific link for each force to the situation at Patti's Grocery (up to 2 marks)

Question 7

Sample response

Lewin's Force Field Analysis theory is a means of evaluating what a business like Patti's Grocery needs to do to change, such as when introducing new self-serve counters after considering a range of factors.

The first step in the analysis is to identify the forces that are driving the change and those that are restraining the change. Each force is given a weight according to their importance or influence in affecting the change. These forces and their weightings are totalled to assist management at Patti's Grocery to identify the important driving forces that need to be promoted and the key restraining forces that need to be overcome or minimised. This allows management to implement strategies that can target the forces in the manner described. This is often in the form of an action plan that includes a timeline for implementation and the assignation of responsibility to various people for managing the change.

Weighting refers to assigning importance or value to the driving and restraining forces. This helps in understanding the impact each force has on the decision-making process. The senior managers at Patti's Grocery could assign weights to the various factors driving the need to offer larger self-serve counters (e.g. competitors, in order to gain a competitive advantage) and restraining forces (e.g. financial considerations; potential employee resistance). By doing so, the managers can better understand the forces for and against the change that faces them. The resulting plan would identify the driving forces and attempt to harness and maximise them while attempting to minimise any apparent restraining forces. Managers might also be able to identify key people in the business who can assist with the change and form a timeline for the change.

Ranking involves ordering the driving and restraining forces based on their weight, importance, or impact. This helps in prioritising the forces that need to be addressed to facilitate the desired change. Patti's Grocery can use this principle to rank the forces identified at the weighting stage. By focusing on the top-ranked forces, the company can allocate resources and efforts strategically to overcome the most significant barriers to the proposed offering of larger self-serve counters.

For each force, management should assign a numerical score of 1–5 relative to the perceived strength of the force (with low scores of 1–2 suggesting a weak force and high scores of 4–5 suggesting a strong force). This allows management to decide which restraining forces to deal with first and which driving forces to promote and encourage. If the weighting of the driving forces exceeds the restraining forces, it suggests that the change will be successful. At this point, the business could move forward with the change, creating a group to lead the change and begin introducing an action plan for strengthening the driving forces and overcoming the restraining forces.

Managers then need to **implement a response**. This principle refers to developing and executing a plan of action to address the driving and restraining forces. The managers can use insights gained from weighting and ranking to create an action plan that looks to strengthen the driving forces and reduce the strength of the restraining forces.





After implementing a response, the managers need to **evaluate the response**. This involves monitoring progress, gathering feedback, and analysing results to determine whether the response has been successful in reducing the restraining forces, improving the chances of the change being implemented successfully. Patti's Grocery could review the strength of the forces after the response has been implemented to see if the new larger self-serve counters being offered have a greater chance of success.

Note: The response above is more detailed than a typical high-scoring response. You are not expected to include all the points listed above to achieve full marks.

Mark allocation: 5 marks

- Marked globally.
- The response is assessed in terms of the level of understanding of the analysis and the link to the business.
- The discussion of Lewin's Force Field Analysis theory must be more than a reference to identifying a driving and restraining force. You should refer to weighting, ranking, implementing a response and evaluating the response: the key principles of the theory.

Question 8

Sample response

Porter developed a theory that businesses could undergo change and gain a competitive advantage by adopting one of two generic approaches: the lower cost approach or the differentiation approach.

Management at Patti's Grocery has adopted the differentiation approach. Differentiation is the process of distinguishing a product or service from those available from competitors, which allows the business to gain a competitive advantage. At present, supermarkets have introduced self-serve check-outs that customers with small quantities of shopping can use.

Introducing the self-serve counters means that customers with larger quantities will have the space to check out their shopping at their own pace, by themselves. This can reduce customer waiting time, speeding up the service they receive. As the first business to do this, Patti's Grocery can gain an advantage as more customers may now use the store. If successful, they will likely introduce similar counters at other stores. Differentiation in this way may lead to increased sales revenue and profits.

Mark allocation: 4 marks

- 1 mark for identifying one of Porter's Generic Strategies adopted by the business
- 1 mark for describing the strategy selected
- 2 marks for analysing how it has been used in the case of Patti's Grocery

Unit 4 | Area of Study 2 Implementing change

Section A

Question 1

Sample response

Lewin's Three-step Change Model provides a structure for businesses to follow as they attempt to undergo change. Lewin identified that businesses become set in their ways – their policies and practices become rigid and the businesses themselves become reluctant to change. Lewin suggests that, at this point, a business needs to 'unfreeze' – this involves identifying why a change is needed and what needs to change. Employees are informed that support is available from management to assist in the change process and that the status quo – the conditions under which the business currently operates – is no longer applicable.

Once the business is unfrozen, it has the opportunity to make the necessary changes. Policies, practices and processes can be changed and, if management has put the appropriate support in place (be it training, communication, team-building, redundancy packages or transition services if jobs are lost), the business is moved into the new position that was identified when the need for change arose.

Finally, Lewin identified that the business now needs to 'refreeze'. Once the change has occurred, it needs to become part of the culture of the business or else there is a temptation to revert to the 'old way' of doing things. Lewin suggests that refreezing can involve developing strategies to sustain and celebrate the change, such as creating some ritual that can be referred to as a means of reminding staff of the change. It can also involve rewriting the mission and vision statements so that the change is formally recognised.

Mark allocation: 3 marks

- 1 mark for describing each of the features/steps in the model (up to 3 marks)



TIP

- » You must be familiar with all theories, as examiners may ask directly about any particular theory in the Study Design.

Question 2

Sample response

Senge developed the concept that all businesses are 'learning organisations'; all businesses are dynamic entities, constantly having to adapt and improve in an effort to develop into the type of business they aspire to be, often as outlined in their mission and vision statements.

He theorised that learning organisations are those businesses where managers and staff continually seek to expand their capacity to achieve the results they desire.

One principle of a learning organisation is the concept of systems thinking. Systems thinking is the ability to see the 'big picture' – to look past what is happening within the business, observe what is happening in the external environment and adapt. Businesses do not operate in isolation, and change can arise from patterns outside a business, not just from events specific to a business.

Another principle of Senge's Learning Organisation theory is the concept of building a shared vision. Having a shared vision will motivate all members of the business. It encourages risk-taking, experimentation and innovation because as the business seeks to continually learn, it must take risks to grow and adapt to the changes occurring. Staff who adopt this shared vision will see the long-term objectives and plan for the business, and so a commitment to the business and to learning will further develop.

Team learning is another of the five principles of Senge's Learning Organisation. It is described as the process of aligning and developing the capacities of a team to create the results its members truly desire. Staff within a business need to act together so that the goals of the team members, the team itself and the business are all aligned.

Mark allocation: 8 marks

- 2 marks for explaining the term 'learning organisation'
- 2 marks for each principle identified and explained (up to 6 marks)

Question 3

Sample response

Lewin developed a model for change that complemented his Force Field Analysis. He theorised that, in order to change effectively, a business required some structure to the change process. Having a three-step model to follow allows a business to set a timeline for the change process, and having a structure allows all stakeholders to see the path the business is on and the progress it is making to undertake the change. This allows the stakeholders to buy into the change process.

To implement the change, Lewin recognised that existing policies, procedures and processes that are long established need to be removed. These are factors that are likely to be holding back change – a form of organisational inertia. These entrenched processes and policies need to ‘unfreeze’ – this means identifying both why a change is needed and what needs to change.

Once the business has recognised what needs to change and has put all policies, processes and procedures ‘on the table’ for change, the business can actively make the necessary changes. To ease the process, management should ensure that the appropriate support is in place (be it training, communication, team-building, redundancy packages or transition services if jobs are lost), so the business can be moved into the new position that was identified when the need for change arose. This is the ‘move’ step in the model.

With the change now in place, it is imperative that the business does not slide back into its old ways. This can be achieved by making sure the change is embedded in the corporate culture of the business. Lewin believed that ‘refreezing’ requires strategies to sustain and celebrate the change such as creating rituals that can be referred back to as a means of reminding staff of the change. It should also result in the rewriting of the mission and vision statements to reflect the change made.

Mark allocation: 4 marks

- 1 mark for providing a rationale for adopting a model/theory for change – structure, timeline, progress of change etc.
- 1 mark for a description of each of the three steps in Lewin’s model (up to 3 marks)

Question 4a.**Sample response**

A key performance indicator (KPI) that a business may react to is the level of employee turnover. A rising level of employee turnover would suggest that employees are unhappy with the way the business is operating, the way they are treated by management or a lack of opportunities within the business.

In this situation, a manager may adopt a different management style. In adopting a more inclusive approach, such as a consultative style, employees may feel more valued as they may understand that they are contributing to the decision-making process by providing input to management. This can assist employees in their own growth, as they are using their initiative and experience.

A second strategy may be to invest in training for the employees. Training may make employees feel valued as they can recognise that management is investing money into their skill development, making them better employees and helping them to be more productive.

By using either strategy, rate of staff turnover is likely to reduce as the employees' satisfaction with the business increases.

Note: Other KPIs and strategies could be discussed instead of those in this sample answer.

Mark allocation: 5 marks

- 1 mark for the identification of a KPI
- 2 marks for describing a management strategy to respond to the identified KPI; the strategy must be directly linked to that KPI
- 2 marks for describing a second management strategy to respond to the identified KPI; the strategy must be directly linked to that KPI



» **When asked to provide strategies linked to a KPI, it is important to select them carefully – the link is the important part of the question. If the link is not made, full marks cannot be awarded.**

Question 4b.**Sample response**

Leadership is crucial for the success of a business, particularly during a period of change. Leaders should possess a range of skills and leadership qualities that help to ensure the long-term success of the process. For example, a leader is likely to be able to develop and articulate a clear vision for the change. In order for business change to be successful, it is essential that the employees have a good understanding of exactly where they are heading. Similarly, effective leaders possess strong communication skills. This helps to ensure that they clarify the vision for those around them.

If there is no leadership from management during a period of change, there may be confusion among employees as to what is happening, when certain stages need to be completed by and what the change will result in. Leadership ensures that employee concerns are addressed, resistance is overcome and a clear direction is articulated to all relevant stakeholders. Leaders, during times of organisational transformation, are often the agent driving the change.

Mark allocation: 4 marks

- 2 marks for describing the need for leadership during a period of change
- 2 marks for describing the impact on change if there is no leadership and why leadership is important



- » **'Analyse' questions require you to examine in detail the relationship between the concept and the aim. In this case, it is the concept of leadership and the aim of implementing change. You must make a link between the two.**

Question 5

Sample response

Senge recognised that all businesses must continually go through change, and how they prepare for that process determines how successfully they change. Senge developed his theory that businesses must be dynamic entities: they constantly have to adapt and improve in an effort to develop into the business they aspire to be, as outlined in their mission and vision statements. Senge theorised that learning organisations are those businesses where managers and staff continually seek to expand their capacity to achieve the results they desire.

His theory suggested that a business adopt five principles, two of which are building a shared vision and developing mental models.

Mental models refer to the deeply ingrained assumptions, generalisations and preconceptions we have about the world. To be a learning organisation these ingrained behaviours have to be reviewed and, where necessary, broken down so the business is not held back from changing into what it wants to become. This principle is about creating a business culture of openness, enquiry and trust where employees are encouraged to challenge old assumptions and mindsets in order to feel empowered to create something new and better.

If a business can let go of these preconceived notions then, as a team, the business is able to develop a shared vision. Building a shared vision involves managers and employees working together to create a clear, shared sense of direction that allows them to work towards a common goal. Without a clear vision, cooperation and commitment to any change is unlikely, making change difficult or even impossible. Having a shared vision encourages risk-taking and experimentation, which can foster learning, innovation and genuine commitment to a long-term vision, rather than compliance (being told to learn and change).

Businesses that adopt Senge's Learning Organisation principles will find themselves better prepared to change as they will have developed a proactive mindset.

Note: Other principles include systems thinking, team learning and personal mastery.

Mark allocation: 6 marks

- Marked globally. Alternatively:
 - › 2 marks for analysing one of the principles
 - › 2 marks for analysing a second principle
 - › 2 marks for analysing the suitability of adopting Senge's Learning Organisation principles



TIP

» **Analysis requires you to explain the relationship between concepts. In this question, you need to analyse how adopting these principles is a suitable approach when dealing with change.**

Question 6

Sample response

There are several reasons why the profit of a business may decline over a period of time.

One reason is that sales may decline. This may be the result of a perceived decline in the quality of the good or service provided. The business could respond by improving the quality of production. This could be achieved through implementing a quality management system such as quality control or quality assurance. It could also involve changing suppliers, finding one that also utilises a quality management system. This could allow the business to advertise the change in supplier and/or the new quality management system and restore customers' faith in the business and the product they sell.

A second reason profits may fall is that costs have increased and the business has not passed on those rising costs to the customer. The appropriate strategy in this scenario would be to cut costs where possible. Cost-cutting could involve downsizing, where the business makes excess employees redundant or replaces some areas of the operations system with technology, reducing labour costs. If costs can be lowered, the business would regain its profit margin and profits may rise again.

A third strategy might be to initiate lean production. Eliminating waste through recycling or re-using inputs could lower the costs of production and raise profits. Alternatively the business could implement a lean management system such as pull, one-piece flow, takt or zero defects. All of these principles would minimise waste during production and increase efficiency in operations.

Regardless of which strategies are implemented by the business, it is important for the business to review its performance in the future. The business has identified a 17% decrease in its profit figures and has implemented strategies to correct this issue to get back to achieving its objectives. This review of subsequent business performance will allow the business to identify areas where the strategies have had a positive impact, or areas where the change may have had a negative impact. This can assist the business in deciding whether to stay the course or implement alternative strategies that may be needed because the profit figures are yet to respond favourably.

Note: You may refer to other strategies such as staff training, staff motivation, change in management styles or management skills, increased investment in technology or redeployment of resources (natural, labour and capital). You may also refer to management strategies to seek new business opportunities, both domestically and globally.

Mark allocation: 10 marks

- Responses are marked globally.
- **9–10 marks**
 - › Very high-level and detailed description of three appropriate management strategies
 - › Linkage of selected strategies to the issue of a decline in profit figures
 - › Comment on the importance of reviewing KPIs
 - › Reference to the relevant KPI of the business (net profit)
 - › Explanation as to how the review may be used by a business: make further change, maintain course of action, wait for further data etc.





- **7–8 marks**

- › High-level and detailed description of three appropriate management strategies
- › Linkage of selected strategies to the issue of a decline in profit figures
- › Comment on the importance of reviewing KPIs
- › Limited reference to the relevant KPI of the business (net profit)
- › Brief reference as to how the review may be used by a business: make further change, maintain course of action, wait for further data etc.

- **5–6 marks**

- › Some description of three appropriate management strategies
- › Linkage of some of the three selected strategies to the issue of a decline in profit figures
- › Mention of the importance of reviewing KPIs
- › Limited reference to KPIs of the business
- › Brief reference as to how the review may be used by a business: make further change, maintain course of action, wait for further data etc.

- **3–4 marks**

- › Some description of appropriate management strategies – likely only one or two strategies referred to
- › Linkage of some of the selected strategies to the issue of a decline in profit figures
- › Mention of the importance of reviewing KPIs
- › Limited reference to KPIs of the business

OR

- › No reference as to how the review may be used by a business: make further change, maintain course of action, wait for further data etc.

- **1–2 marks**

- › Identification but no description of appropriate management strategies
- › No linkage of the selected strategies to the issue of a decline in profit figures
- › Limited mention of the importance of reviewing KPIs
- › No reference to KPIs of the business

OR

- › No reference as to how the review may be used by a business: make further change, maintain course of action, wait for further data etc.

- **0 marks**

- › No attempt at a response

OR

- › Response does not relate to any elements of the question

Question 7

Sample response

Stakeholder 1: The first stakeholder to be affected is likely to be employees. Their vested interest is to have job security and job satisfaction. The move back to working on-site will require an adjustment as employees may have developed patterns and routines which will be disrupted. This may require employees to source childcare facilities, and to arrange transportation requirements and other aspects of their workday. It may also mean they have to bring equipment from home to work and vice versa – an issue that may not have existed prior to lockdowns. This may cause some resentment in the initial stages. In addition, the compulsory training sessions may cause disruptions to established routines and employees may feel they do not require these sessions. Again this could be a cause of resentment among employees and lead to a decline in morale.

Stakeholder 2: A second stakeholder affected by these changes is customers. Customers may benefit from the ability to meet with staff face-to-face now that employees are in the office. This could reduce the number of issues that may have led to the rise in complaints. In addition, if employees are still working remotely three days per week, the compulsory training sessions may improve the skills of employees, further reducing the issues that saw complaints rise. Customers are likely to be supportive of the changes as they will benefit from them.

Mark allocation: 6 marks

- 3 marks for the analysis of the effects on each stakeholder selected (up to 6 marks)
 - › 2 marks for describing how the changes may impact each stakeholder
 - › 1 mark for the specific link to the events at the business

Note: You may select other stakeholders such as managers, competitors and the community.



TIP

- » **When asked to refer to a specific concept such as stakeholders, it is important that you read the scenario and identify the most appropriate stakeholders to be analysed.**

Question 8

Sample response

Corporate social responsibility (CSR) is the commitment of a business, above and beyond the law, to take responsibility for the consequences of their actions and remain accountable to their stakeholders.

One CSR consideration that Volt should address is honesty, which would involve two-way communication between the managers and staff, in order to address any potential rumours and alleviate staff stress about the changes. The expansion into the electric vehicle market may bring uncertainty, and staff would want to know what the changes mean for their job security. Therefore, the honesty from managers and strong communication would demonstrate that Volt does value their staff, and that they are making an effort to remain accountable to all their employees.

Another CSR consideration of Volt during this change could be sustainability, as they should be considering the effects of their manufacturing on the environment. Volt could focus their research and development on sustainability to ensure they only implement clean production techniques that reduce their emissions and benefit the environment. The fact that they are expanding into the electric vehicle industry suggests that they value their CSR contributions and want to positively impact the environment while doing so.

Mark allocation: 4 marks

- 2 marks for explaining each CSR consideration when implementing change that directly applies to the case stimulus (up to 4 marks)



- » You should ensure that your answer demonstrates that CSR considerations go above and beyond the legal requirement, and ensure you do not mention items that would be deemed legal obligations.

Section B

Question 1

Sample response

When a business measures its performance, it may identify areas of concern. If Michaels Holdings' management has identified that the level of wastage and the number of customer complaints have risen, these factors may suggest problems with the materials being used and/or the method of production being used. The business may then seek to change the means of production, with one option being manufacturing overseas. Overseas manufacturing (also referred to as offshoring) refers to the production of a good in a country that is different to the location of the business's headquarters.

Businesses may offshore their manufacturing because they can achieve certain advantages over their competitors. It is often cheaper to manufacture overseas because the labour costs are lower, consequently reducing costs to the business. This approach could improve the net profit figures for Michaels Holdings. The business may also consider that, if the supplies are from overseas, it may make financial sense to manufacture in the country from which the supplies are sourced. This would reduce transport costs (although the product would eventually be transported to Australia). In a similar manner, if the business exports its products, then overseas manufacturing may lower transport costs, as the location of the manufacturing may be closer to the export market.

However, overseas manufacturing could cause issues for Michaels Holdings. The business could lose control of the quality of the production process when it is outsourced to another business. The level of waste would be difficult to control, as Michaels Holdings may have no say in the method of operation, so costs could increase, which would defeat the purpose of the move to overseas manufacturing.

If Michaels Holdings makes the decision to move manufacturing offshore, there is also the possibility of a public backlash against the business. The loss of jobs, incomes and spending in Australia could create a negative image of the business, and future sales and profits could be affected if the public stops buying from Michaels Holdings.

The decision to manufacture overseas is one that must be considered carefully, as there are negatives as well as the expected benefits of such a decision.

Mark allocation: 6 marks

- 2 marks for defining and explaining overseas manufacturing
- 2 marks for the discussion of advantages and disadvantages
- 2 marks for linking discussion to the relevant KPIs



TIP

- » **When asked to 'discuss', you are required to provide arguments for and against the issue – in this case, the use of outsourcing. You should link your response to the relevant KPIs for both the argument for and the argument against outsourcing.**

Question 2

Sample response

Given that Dell's Foods has recently expanded overseas, an appropriate consideration might be to introduce overseas manufacturing.

Employing this consideration, Dell's Foods would open a processing plant in another country and produce their packaged meats in that plant.

This plant could be responsible for producing the goods for the overseas market, reducing the cost of transportation and possibly the time taken to deliver products. This could improve the quality of the products, as there would be less chance of spoilage between production and delivery.

However, with manufacturing occurring overseas, it may be problematic to ensure the same quality standards are upheld in the overseas plant as in the local plant. Additional complaints may arise because the standards are not the same. It is also possible that local customers of Dell's Foods would object to some manufacturing moving overseas, leading to possible local job losses.

Mark allocation: 3 marks

- 1 mark for outlining one global consideration
- 1 mark for stating the benefits of this consideration for Dell's Foods
- 1 mark for discussing the costs/negatives of this consideration for Dell's Foods



- » **The Study Design identifies three global considerations for operations management. You are advised to use one of these three considerations as the question is directed towards those considerations and therefore it is easier to provide a more appropriate response.**

Question 3

Sample response

Customers may express their dissatisfaction with the business for a number of reasons. These reasons may include a decline in the quality of the product being sold, an unreasonable increase in price or a decline in the standard of service. If the reason is due to a deterioration in the quality of the product, then the business could consider introducing a quality management system at Dell's Foods.

A quality management system seeks to ensure a minimum level of quality for all products sold. This could be achieved through quality control. This is a quality management system where products are selected at random at various points along the production line and then checked against a predetermined standard. Items that do not meet the standard are discarded, and the issue with the production process can be identified and rectified. This system would provide Dell's Foods with confidence in the quality of their output.

However, quality control limits its focus to production, and it could be that other areas of the business – such as the quality of inputs – are the actual cause of the deterioration in quality. Quality control is not able to address complaints that stem from the price of the product, the service provided during or after sales, or some other aspect of the business. A further issue is that the effectiveness of quality control is limited by only looking at selected samples – not all products are tested, and so some defective products may make it onto the shelves.

Mark allocation: 3 marks

- 1 mark for explaining another strategy
- 1 mark for explaining the benefit of this strategy for Dell's Foods
- 1 mark for explaining the cost/disadvantage of this strategy for Dell's Foods

Note: You may select strategies from other areas including:

- materials management – such as the Just In Time (JIT) system
- technology strategy – such as automated production line to ensure minimum standards are met through consistency in output
- waste minimisation – analysis of a principle of lean management
- training – improving skills of employees to better manufacture the product or deal with customers.



TIP

- » **When selecting strategies, you must first ensure that you select one that is appropriate to the scenario – in this case, the strategy must be appropriate for a business which manufactures packaged meats. Secondly, your response must be linked to the business in the case study.**

Question 4

Sample response

Senge developed the concept that all businesses are 'learning organisations' – that all businesses are dynamic entities, constantly having to adapt and improve, in an effort to develop into the type of business they aspire to be, often as outlined in their mission and vision statements.

A key principle of this theory is the concept of building a shared vision. If Glanfield Holdings were to have a shared vision, this would motivate all members of the business. It would encourage risk-taking and experimentation, and foster innovation. The business must take risks to learn, grow and adapt to the changes it faces. Staff who adopted this shared vision would comprehend the long-term objectives and plan for the business, which would, in turn, further develop their commitment to the business and to learning. In this situation, Alyvia Rallis needs her employees to understand that if the business is to grow, it must remove the gaming machines. If all employees are on board with this philosophy, then the change will occur more effectively, and the business will be able to deal with this and other future changes.

A second principle developed by Senge was that businesses need to develop systems thinking. Systems thinking is the ability to see the 'big picture' – to look past what is happening within the business, observe what is happening in the external environment and adapt. Businesses do not operate in isolation, and change can arise from patterns outside the business, not just from events specific to a business. Societal attitudes and legislation are big-picture forces that impact on the economy and society as a whole and not just Glanfield Holdings, and so the business needs to be proactive in developing the capacity to always consider the future.

Mark allocation: 4 marks

- 2 marks for explaining the concept of a shared vision and linking the concept to Glanfield Holdings
- 2 marks for explaining a second principle and linking it to Glanfield Holdings



TIP

- » **Senge's theory involves five principles. When asked to select an additional principle, you should select the most appropriate to the scenario. A definition or rote-learned description of the principles selected will not always address the actual question, and will therefore not earn more marks.**

Question 5

Sample response

If the business removes its gaming facilities and moves more into family-friendly venues and live music venues, it may result in some job losses. As these venues seem to be less profitable, there may be less need for staff. Employees will therefore be affected by the proposed change and may therefore resist the change.

One low-risk strategy that Alyvia might use during this period is communication. Communication is a two-way process between management and employees which means both parties engage in open and honest dialogue. Ideally, since the communication is two way, everyone is able to contribute to the discussion. Clear communication can reduce employee resistance and reduce the fear that might otherwise occur during a period of change. Open communication would allow Alyvia to explain clearly to staff what the closing of the gaming venues will mean and how it could affect them. Through being able to ask questions and contribute to the discussion, employees may feel more comfortable with the change and be much more likely to support it.

A second low-risk strategy that Alyvia could use is support. If employees are made redundant or require training because their role has altered due to the venue-changing focus, support would allow employees to ease into their new roles. Managers would accept that employees need time to adapt to a new environment, and by informing them that the support is there, the employees would feel as though they are valued. This will allow employees to feel more comfortable with the change and they would be much more likely to support it.

Mark allocation: 6 marks

- Questions such as this are usually marked globally. Alternatively:
 - › 2 marks for explaining the impact on employees
 - › 2 marks for explaining one low-risk strategy
 - › 2 marks for explaining a second low-risk strategy

Question 6

Sample response

Employees are likely to be fearful of the proposed change at Patti's Grocery. They may fear job losses or a change in their roles.

To overcome any resistance that stems from this fear, management may provide incentives to employees. Offering some form of reward to employees who volunteer to oversee the new self-serve counters may encourage more employees to accept the change. This should reduce resistance, as employees see some tangible benefit for themselves.

A second strategy management could implement is the use of communication. Informing employees of the reason for the change, its extent and its impact on them would be beneficial. Communication also involves listening and responding to employee concerns. In doing so, employees may feel more valued and less concerned, once they are aware of what is occurring. This should reduce any resistance they may have towards the change.

Mark allocation: 4 marks

- 2 marks for explaining each strategy (up to 4 marks)

Note: Strategies must be explained in the context of how the change may create resistance.

Question 7

Sample response

Leadership is important during change. Adam can act as a type of bridge between the business as it currently is and what it will look like once the change has occurred. It is important that, as an effective leader, Adam communicates the need for the change at Happy Kooka Foods and how the change will help the business to overcome its recent poor performance. Effective leadership will outline the issues the business has had with its sales and customers and energise the business in order for the change to be successful.

Mark allocation: 3 marks

- 2 marks for the analysis of the importance of leadership
- 1 mark for the link to Happy Kooka Foods



TIP

- » **An analysis requires you to consider the relationship between stated concepts. In this question it is leadership and change. You must make the connection and support it rather than just state it.**

Question 8

Sample response

In overcoming employee resistance to a change, the business could adopt the low-risk strategy of communication or the high-risk strategy of threats.

Communication would be concerned with informing Happy Kooka Foods' employees as to the reasons behind the change and the impact it would have on employees. The aim would be to get the employees on board with the change by talking about the benefits to them as well as to the business. Responding to queries would be part of this approach so employees could feel comfortable with the change and the support they would receive from management.

On occasion, changes need to occur quickly and management does not have the time to take a low-risk approach to employee resistance. In these instances management may need to implement high-risk strategies such as threats as a means of overcoming resistance. The tactic of threats usually involves some type of direct or indirect threat such as the loss of promotion, transfer or overtime or, ultimately, the threat of termination. A business facing increased competition and declining profits, as Happy Kooka Foods is, may advise its staff of the need to change work practices, or job losses may occur. This can often lead to compliance from employees who fear that outcome.

Mark allocation: 5 marks

- 1 mark for proposing two strategies (one low-risk and one high-risk)
- 2 marks for justifying a low-risk strategy to overcome resistance
- 2 marks for justifying a high-risk strategy to overcome resistance



- » **The question is explicit in its reference to employee resistance. For full marks you must link the strategy to how its use will overcome employee resistance. If the link is not made for either strategy, a maximum of 3 marks is likely to be the result.**

Question 9**Sample response**

Official corporate culture is the shared values, beliefs and ideals of the members of a business, and these are formalised in business documents and images such as mission and vision statements, uniforms, logos and so on. An example is the new uniform and logo portrayed by the Happy Kooka Foods email.

Mark allocation: 2 marks

- 1 mark for 'shared values' and 'formalised'
- 1 mark for the link to Happy Kooka Foods and the material provided

**TIP**

- » **The definition must link to the case study. Here a basic definition is provided, then examples are used to make a specific link to Happy Kooka Foods.**

Question 10**Sample response**

A low-risk strategy that could be used by Sutton Constructions to reduce resistance to change from employees is communication. Communication can be used to inform employees clearly and openly about the introduction of computer-aided manufacturing. As the introduction of this technology may cause some concern over job security for employees, James can be proactive and inform employees of the impact on their position within the business.

Open and honest communication can ease concerns or allow employees to be aware of what is occurring and when to prepare for the change. Communication possibly encourages employees to be more supportive.

Mark allocation: 3 marks

- 1 mark for the low-risk strategy proposed
- 1 mark for the justification as to how employee resistance may be overcome
- 1 mark for the link to Sutton Constructions

**TIP**

- » **The Study Design provides a number of low-risk strategies. You are best served by reading the scenario carefully and selecting the most appropriate strategy based on the material provided.**

Question 11

Sample response

The first step in the Three-step Change Model is to unfreeze. This is where all existing policies and practices are put on the table to be reviewed. Practices such as the use of technology and the type and frequency of training can be examined to determine if improvements can be made or gaps filled to reduce the number of workplace accidents. James can communicate the need for the introduction of computer-aided manufacturing to encourage employees and other stakeholders to contribute their thoughts and embrace the change.

The second step is to 'move': to actually make the change. In this phase Sutton Constructions purchases and implements the new computer-aided manufacturing technology. Relevant employees are trained in its operation and other employees may be redeployed into other areas of the business.

Mark allocation: 4 marks

- 1 mark for describing one step in the Three-step Change Model (Lewin) (up to 2 marks)
- 1 mark for linking a step to Sutton Constructions (up to 2 marks)



- » **As with all questions in Section B, you must link this response to the case study. Simply describing the selected steps in general is not sufficient.**

Question 12

Sample response

One appropriate strategy that could be implemented at Sutton Constructions is an increase in staff training. The number of workplace accidents has increased, which suggests current employees are taking shortcuts and/or new employees are not being trained correctly. An increased investment in training could resolve some of the issues, and the business would not need to invest in technology. Training would improve skills and techniques and provide a safer workplace.

Sometimes accidents occur because employees become lazy in their work or demotivated. Sutton Constructions could seek to improve the motivation of its employees, for example, by providing celebrations for safety milestones – such as 50 days without an accident – or bonuses to employees who reach a milestone without an accident. This strategy can focus employees' attention on the task at hand and result in more motivated staff who operate machinery and equipment more appropriately and safely, reducing workplace accidents.

Note: The Study Design provides a number of management strategies that can be used to respond to data from KPIs.

Mark allocation: 6 marks

- 3 marks for each analysis of a management strategy that could be implemented to respond to the increase in the number of workplace accidents (up to 6 marks)
 - › 2 marks for the description of the selected strategy
 - › 1 mark for the specific link to Sutton Constructions and the increase in the number of workplace accidents



- » As with all questions where strategies can be drawn from a varied list, you must select the most appropriate strategy for the scenario. In this case, a strategy such as a change in management style or skills may not be appropriate.
- » It is also important to recognise the constraint in the question – you should not select increased investment in technology as one of your management strategies.

● Acknowledgements

Insight Publications thanks Kathy Ambatzis for reviewing this resource.

Additional images from Shutterstock.

Disclaimer: Every effort has been made to trace the original source of material used in this book, and to obtain permission from copyright owners prior to publication. Where the attempt has been unsuccessful, the publishers would be pleased to hear from the copyright owners to rectify any errors or omissions.

URLs and links to websites contained in this book are correct at the time of publication; Insight Publications disclaims responsibility for the content of third-party websites referenced in this publication.

