THE CPAP STUDY GUIDE TO VCE BUSINESS MANAGEMENT

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ABOUT THE AUTHOR

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The Unit 3 Outline: Managing a Business

This unit focuses on the key processes and considerations for managing a business efficiently and effectively to achieve business objectives. Students will examine different types of businesses and their respective objectives and stakeholders. Students will also investigate different strategies to manage staff and operations to meet objectives, and develop understanding of the complexities and challenges of managing a business. Students will need to compare theoretical perspectives with current practice through the use of contemporary Australian and global business case studies from the past four years.

AREA OF STUDY 1: Business foundations
In this area if study, students are introduced to the key characteristics of businesses and their stakeholders. Students will investigate potential conflicts between different business stakeholders. They will examine corporate culture and a range of management styles and management skills that may be used when managing a business and apply these to contemporary business case studies from the past four years.

Outcome 1

On completion of this unit the student should be able to analyse the key characteristics of businesses, their stakeholders, management styles and skills, and corporate culture.

Key knowledge
- types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises
- business objectives including to make a profit, to increase market share, to improve efficiency, to improve effectiveness, to fulfil a market, to fulfil a social need and to meet shareholder expectations
- stakeholders of businesses including owners, managers, employees, customers, suppliers and the general community
- characteristics of stakeholders of businesses including their interests and potential conflicts between stakeholders
- management styles including autocratic, persuasive, consultative, participative and laissez-faire
- the appropriateness of management styles in relation to the nature of the task, time, experience of employees and manager preference
- management skills including communication, delegation, planning, leadership, decision-making and interpersonal
- the relationship between management styles and management skills
- corporate culture both official and real

AREA OF STUDY 2: Human resource management

In this area of study, students will investigate considerations for the effective management of employees to ensure that business objectives are achieved. Students will consider the motivation theories of Maslow's Hierarchy of Needs, Locke and Latham's Goal Setting Theory and Lawrence and Nohria's Four Drive Theory. Students will then use these theories and motivation strategies to propose and justify possible strategies for employee management in contemporary business case studies from the past four years. Students will also study an overview of workplace relations, including the main participants and their roles in the dispute resolution process.

Outcome 2

On completion of this unit the student should be able to explain theories of motivation and apply them to a range of contexts, and analyse and evaluate strategies related to the management of employees.

Key knowledge
- the relationship between human resource management and business objectives
- key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria)
- motivation strategies including performance related pay, career advancement, investment in training, support strategies and sanction strategies
- advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation
- training options including on-the-job and off-the-job training, and the advantages and disadvantages of each
- performance management strategies to achieve both business and employee objectives, including management by objectives, appraisals, self-evaluation and employee observation
- termination management including retirement, redundancy, resignation and dismissal, entitlement considerations and transition considerations

- the roles of participants in the workplace including human resource managers, employees, employer associations, unions, and the Fair Work Commission
- awards and agreements as methods of determining wages and conditions of work
- an overview of the dispute resolution process including mediation and arbitration

AREA OF STUDY 3: Operations Management

Students will look at the effective management of the process of transforming inputs into outputs as being vital to the success of a business, both in terms of maximising the efficiency and effectiveness of the production process and meeting the needs of stakeholders. Students examine operations management and consider the best and most responsible use of available resources to produce quality goods or services in a competitive, global environment.

Outcome 3

On completion of this unit the student should be able to analyse the relationship between business objectives and operations management, and propose and evaluate strategies to improve the efficiency and effectiveness of business operations.

Key knowledge
- the relationship between operations management and business objectives
- key elements of an operations system: inputs, processes and outputs
- characteristics of operations management within both manufacturing and service businesses
- strategies to improve both the efficiency and effectiveness of operations related to technological developments, including the use of automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence and online services
- strategies to improve both the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just In Time
- strategies to improve both the efficiency and effectiveness of operations related to quality, including quality control, quality assurance and Total Quality Management
- strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including reduce, reuse, recycle
- the pull, one-piece flow, takt, zero defects strategy to improve the efficiency and effectiveness of operations related to lean management
- corporate social responsibility considerations in an operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs
- global considerations for operations management including global sourcing of inputs, overseas manufacture and global outsourcing

CHAPTER 1: BUSINESS FOUNDATIONS

A business is a type of organisation that is involved in the provision of goods and/or services. While businesses have many varying objectives, they share a common goal, which is to make a profit. Businesses in Australia vary in size, ranging from micro-businesses with one owner/employee all the way to large businesses such as Wesfarmers, which is one of Australia's largest employers with over 110,000 employees. Businesses play a major role in the economy and help to improve our standard of living. There are currently over 2.5 million businesses registered in Australia with many of them having a significant contribution to employment and income generation.

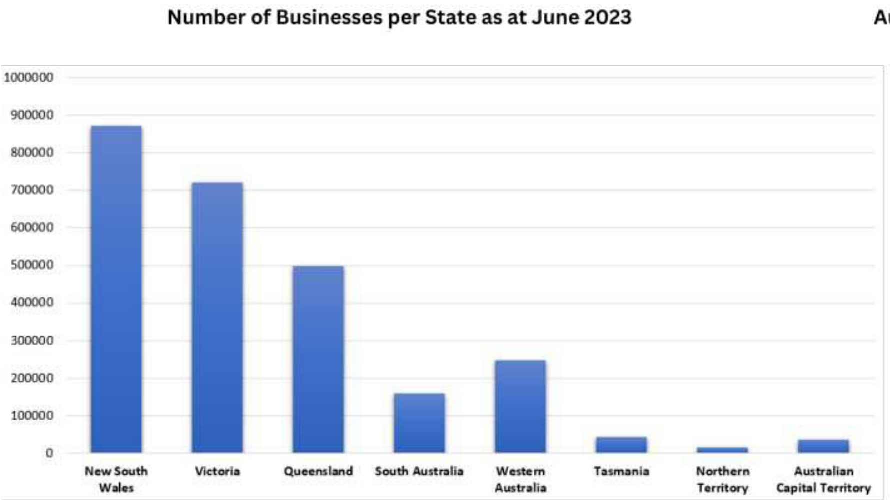
Exam Tip: The VCE Business Management study design does not require students to distinguish between small, medium and large businesses and therefore this concept cannot be assessed. However, it is likely that students will study a variety of businesses throughout the year and these businesses may come in a variety of sizes, from small one person businesses to large multinational corporations.

Small businesses in Australia are typically defined as those that have fewer than 20 employees and are often privately owned. These types of businesses are an important part of the Australian economy, as they provide jobs and contribute to the community through the production of their goods and services.

Medium-sized businesses in Australia are those that have between 20 and 199 employees. These types of businesses typically operate on a larger scale than small businesses, but still small enough to be agile and responsive to market changes. They may operate on a regional or national scale and may have more resources and infrastructure in place than small businesses.

Large businesses in Australia are those that have 200 or more employees. Some may operate solely in Australian, however, many operate on a global scale. These businesses are typically well-established and have significant resources and infrastructure in place, including research and development departments, marketing and advertising teams, and large production facilities. Examples of large businesses in Australia include major multinational brands such as Wesfarmers, Telstra and the Commonwealth Bank.

According to the Australian Bureau of Statistics, as of June 2023, there were approximately 2.58 million businesses operating in Australia. This is an increase of approximately 20,000 from the previous year (11,031 of these in Queensland). Of all businesses, around 97% were small businesses, 2.5% were medium-sized businesses, and 0.2% were large businesses.



Source: www.abs.gov.au (Cat 8165.0)

Businesses operate in one of two key sectors. The private sector, which includes businesses that are owned and operated for profit. The common types of business legal structures that operate in the private sector include sole traders, partnerships and companies (both private and public companies). Australia also has a public sector, which are organisations that are owned by the government, such as public schools and public hospitals. It also includes government businesses enterprises (GBEs) that provide services such as postal (e.g. Australia Post), telecommunications (e.g. NBN Co Limited) and transport (e.g. Australian Rail Track Corporation).

Managing a business is important in order to achieve success and generate profits. This involves carefully managing resources such as finances, personnel, and production processes, as well as being responsive to the needs and preferences of customers and the competitive landscape in which the business operates. By effectively managing a business, an entrepreneur or business entity can create value for stakeholders, including employees, customers, and shareholders. Throughout this course you will learn different strategies to manage a business to help meet the needs of the stakeholders mentioned.

Types of Businesses

Sole Trader

A **sole trader** (also known as a **sole proprietor**) is an unincorporated business that is owned by one person. It may have more than one employee working in the business, however the sole owner provides the finance and makes the decisions on the direction of the business. The sole trader is the most common type of business due to the ease of establishment. A sole trader will require an Australian Business Number (ABN) and will need to register a business name with the Australian Securities & Investments Commission (ASIC) if the business's name is different to that of the owner. A sole trader has the same legal entity as its owner. The owner is legally responsible for all aspects of the business including **unlimited liability**. Unlimited liability means that the owner of the business is personally responsible for any of the debts incurred by the business. If the business is unable to pay its debts, the owner may have to sell their personal assets such as properties or motor vehicles to raise enough money to pay off the liability.

SOLE TRADER	
Advantages	**Disadvantages**
Inexpensive to set up	Unlimited liability (personal assets at risk)
Owner has complete control over decisions and direction of the business	Business often relies heavily on the owner, resulting in long hours
Owner can keep all the profits themselves	Work/life balance may be affected (less holidays etc.)
No partner conflict	Owner usually puts up capital (financial risk)
Business can be sold without consent from partners	Capacity to raise capital can be difficult

Exam Tip: In the 2017 exam, students where asked to define a sole trader. While many students wrote about unlimited liability and many other factors relating to a sole trader, some did not mention that a sole trader is a business that is owned by one person. In order to obtain full marks, students needed to address the concept of ownership.

Partnership

A **partnership** is a business that is owned by between 2 and 20 people. Just like a sole trader, a partnership has the same legal entity to the owners and therefore has unlimited liability. There are some businesses that are permitted to have more than the typical 20 partners (e.g. accountants and solicitors are able to have more than the maximum 20 partners). However, the majority of partnerships have between 2 and 20 owners.

A partnership can help a business access larger amounts of capital as all partners can pool their funds together. It can also be beneficial if the partners have varying expertise. This can help provide the business with a range of skills and experiences that can contribute to the success of the business. As well as sharing in the liabilities of the business, the partners share in any profits the business generates. The amount each partner receives is proportionate to the percentage of the business the partner owns. For example, if a business has three partners, Sally, Eugene and Cassandra, where Sally owns 50% of the business while Eugene and Cassandra have 25% each, the profits paid to the partners will reflect those percentages.

While a sole trader often needs to carry the burden of most of the work in a business, a partnership can allow the partners to share the workload. This can relieve some of the daily pressure that the owners face, as each partner can be responsible for their own area of the business.

When starting a partnership, there should be a partnership agreement set out so that each partner knows their clearly defined role in the business. Although this is not a legal obligation, it can help prevent conflict down the track as each partner will know their roles and responsibilities in the business. Some businesses will have a **silent partner**. A silent partner (also known as a limited partner) is one that has a financial stake in the business yet has no role in the day to day operations of the business.

PARTNERSHIP	
Advantages	**Disadvantages**
Inexpensive to set up	Unlimited liability (personal assets at risk)
Workload is shared among partners	Profits are shared among partners
Debts and obligations are shared among partners	Potential for disagreements over key decisions (resulting in slow decision making). It can also be difficult to find suitable partners
Easier to raise more capital compared to a sole trader (pooled funds from the partners)	Can be difficult to remove a partner
Different skills and experience brought to the business	All partners are liable for the actions of each individual partner
If a partner leaves the business, it can continue to operate	
Often easier to take time off sick or for holidays	

Exam Tip: When describing a sole trader or a partnership, it is important that you refrain from writing about shareholders. The owners of a partnership are simply owners, not shareholders. Shareholders are the owners of companies.

Exam Tip: In the 2018 exam, students were asked to define a partnership. It is important to state the amount of owners that a partnership has. While there are some situations where a partnership can have more than 20 partners (such as solicitors and accountants), the best responses will be those that state a partnership is typically a business that is owned by between **2 and 20 owners**.

Company

A **company** is an independent legal entity that is able to conduct business in its own right. A company has members that own the company. These owners are referred to as shareholders. These shareholders are entitled to share in the profits of the business (through dividends). Shareholders elect company directors to manage and run the company. The directors can (and often are) also be shareholders of the company.

The process of establishing a company is known as **incorporation**. The company will be registered with the Australian Investments and Securities Commission (ASIC) and will establish its own legal identity, with similar rights to that of a natural person. Like a person, this new company is able to incur debt, sue or be sued, and can continue beyond the life of its owners. The company must keep financial records of its business dealings and must also lodge a tax return with the Australian Tax Office.

Companies provide the owners with **limited liability**, meaning the shareholders' legal liability is limited to the extent of the value of their shareholding. This is very different to the sole trader and partnership businesses given that the limited liability protects the personal assets of the shareholders in the event that the company is unable to pay off its debts. Despite this limited liability, directors of the company can be personally liable if found to be fraudulent, negligent or reckless.

It is more expensive to set up a company structure and the company must provide financial reports to its shareholders and the ASIC. There are two types of companies: private limited companies and public listed companies.

Private Limited Company

A **private limited company** (also known as proprietary limited company) is an incorporated business that is owned by between 1 and 50 non-employee shareholders. Shares in a private limited company are sold privately and are not open to being freely traded to the public. Only the other directors of the company can approve a new shareholder. A private limited company must have at least one shareholder, one director and one secretary. These roles can be carried out by the same person, hence the requirement for only one owner. At least one director and one secretary in a private limited company must ordinarily reside in Australia.

While private limited companies are often small or medium sized businesses, some large businesses use this structure. For example, Visy, which employs over 7,000 people, is one of Australia's largest private limited companies. A private limited company will have the letters 'Pty Ltd' after its name, meaning 'Proprietary Limited'.

PRIVATE LIMITED COMPANY	
Advantages	**Disadvantages**
Limited liability – separate legal entity	More expensive to set up
May be easier to raise capital by offering shares to investors	More reporting requirements to shareholders and ASIC
Legacy of the company can carry on long after owners or directors are gone (perpetuity)	Restricted number of shareholders
Pay company tax rate rather than income tax rate on profits	Shares cannot be traded freely, which may make it more difficult to raise capital compared to a Public Listed Company

Public Listed Company

The other form of company structure is a **public listed company**. A public listed company is an incorporated business that is owned by a minimum of 1 public shareholder and is listed on a public exchange such, as the Australian Securities Exchanges (ASX). There is no limit to the amount of shareholders a public listed company can have and its shares are freely traded (bought and sold) on a public exchange such as the ASX. Companies are able to raise money by offering shares to the public in exchange for money. The company decides how to use the money to improve the business and aims to make a return for the shareholders. In exchange, the shareholder owns part of the company and gets to share in any profits through dividends and any capital gains in share price.

Creating a public listed company is far more complex than any other structure. The process of listing on an exchange is both time consuming and costly and should be considered carefully. Because the public can purchase shares, the business's performance is open for public scrutiny and all audited financial reports must be available for the public to view. Unlike a private limited company, the directors have no say in who owns shares in a public listed company.

Public companies are legally obliged to report on their activities so the market is aware of anything that may affect the company's performance positively or negatively. The word 'Limited or Ltd' is at the end of the company's name which means the shareholder's liability is limited by the value of their shares.

While other business types are able to raise capital through investors, public listed companies often have a greater ability to do this, and they can then use this capital to maintain or improve the business. For example, in October 2023, Australia's largest oil and gas company, Woodside Energy Group raised $18.295 billion in a capital by issuing new shares to shareholders. This was the largest capital raise in Australia's history and the company is looking to use the funds to finance their growth plans and acquisition of other businesses.

PUBLIC LISTED COMPANY	
Advantages	**Disadvantages**
Greater ability to raise large amounts of capital through share offers	Complex and expensive to establish
Limited liability – separate legal entity	No longer have full control over who is on the board of directors as shareholder vote in the directors
Legacy of the company can carry on long after owners or directors are gone	Large reporting requirements to shareholders and the wider market
Pay company tax rate rather than income tax rate on profits	Loss of control over who owns shares in the company
	Financial performance is open for public scrutiny

Exam Tip: In the 2023 exam, students were asked to justify a decision of a business to change from a partnership to a public listed company. Many students addressed this question by writing about features of a private limited company (e.g. having up to 50 shareholders). This made it challenging to receive full marks. It demonstrates the importance of knowing each of the business types, their features, as well as their advantages and disadvantages.

Social Enterprise

A **social enterprise** is a business that exists primarily to fulfil a vision that benefits the public or community rather than shareholders. Like other businesses, they sell goods and/or services, however they primarily trade to have a positive social impact on the community or the environment.

Many businesses consider themselves to have social objectives and work to benefit the community, however these objectives are ultimately designed to improve the business' bottom line. Therefore, while a business can behave in a socially responsible manner, this alone does not make it a social enterprise. To be deemed a social enterprise, the business must be selling goods and/or services to the marketplace with the primary purpose to fulfil a vision that benefits the community. While a social enterprise will often have an objective to make a profit, this is not their *primary* aim.

According to the Victorian Government, there are more than 3,500 social enterprises in operation throughout Victoria. These businesses employ approximately 60,000 people. There is no specific business structure that a social enterprise must take (e.g. sole trader or private limited company). Social enterprises often make use of donations or government funding, however, they differ from charities in that the majority of their funds come from commercial operations, rather than from these types of donations.

Exam Tip: It is useful to remember that a social enterprise is not necessarily a charity. It is common for students to think of a social enterprise as a non-profit organisation. While a portion of their income may come from donations, the Victorian government states that a social enterprise derives most of its funds from commercial operations (sale of goods/services). A social enterprise aims to make a profit through the selling of its goods and/or services. What sets it apart from other businesses is that the primary aim of the business is to benefit it's social cause. This often means a large percentage of these profits go towards helping the chosen social cause.

Some examples of the types of causes that social enterprises may look to impact positively:

- Businesses that operate to benefit the community or social cause
- Businesses developed to employ people with disabilities that are unable to work in mainstream businesses
- Businesses that are committed to fair trade and exist to benefit producers in developing countries
- Businesses that aim to train, support and employ disadvantaged job seekers and then transition them into mainstream employment
- Financial institutions that provide products and services to individuals, communities and organisations that have difficulty accessing finance from mainstream institutions
- Businesses that are set up to benefit the community in which they are primarily located

Case Study

Good Cycles: Pedaling Positive Change

Good Cycles is a social enterprise with a mission to harness the potential of bicycles to drive social and environmental impact. Their model revolves around promoting sustainable urban mobility while empowering young people facing barriers to employment.

Youth Employment Program (YEP)

A cornerstone of Good Cycles' social mission is the Youth Employment Program (YEP), which adopts a work-first approach. The program offers real jobs and income to young people aged 18-29, coupled with tailored coaching and support. This unique 'learn by doing' method ensures the development of both technical and transferable skills, enhancing job-readiness and reducing those facing employment barriers. In 2022, the program benefited 29 participants, demonstrating Good Cycles' commitment to inclusive employment opportunities.

Building Resilience and Confidence

Good Cycles believes in long-term employment as a key to building confidence, stability, and networks. This approach helps young people overcome barriers and realise their full potential. Maintaining employment for more than six months is considered a crucial milestone for participants who have previously faced challenges in securing stable work.

Innovative City Services

Good Cycles' City Services exemplify the blend of social and environmental impact. They utilise e-bikes, which have prevented approximately 20,000kg of CO2 emissions and reduced road congestion by replacing about 50 light commercial vehicle movements weekly. Additionally, their car services team has adopted a waterless cleaning methodology, saving over 350,000 liters of water.

www.goodcycles.org.au/impact/

SOCIAL ENTERPRISE	
Advantages	**Disadvantages**
Being a social enterprise may enable the business to attract government funding or community donations	May be difficult to attract investors due to the lack of profits distributed to owners
Having a primary aim to benefit a social cause may attract customers to purchase goods/services from the business	May be difficult to use funds to grow the business due to money being used on the social cause

Government Business Enterprise

A **Government Business Enterprise** (GBE) is a business that is owned by the Government and operates commercially with the aim of making a profit. There are GBEs at both Federal and State levels of government. Although GBEs are owned by the government, they are run just like any other corporation. Examples of GBEs include the Australian Postal Corporation, NBN Co Limited and Australian Rail Track Corporation. Like other businesses, GBEs have a board of directors, a CEO and also aim to make a profit. Being owned by the government, GBEs will also have the objective to help satisfy the broader and/or social objectives of the government. For example, Australia Post has a 'community service obligation' to provide letter services to all parts of Australia at a single uniform rate, which helps to ensure that remote communities are not disadvantaged.

The government is not normally involved in the day-to-day operations of the GBE but are involved through the shareholder ministers who represent the government. The shareholder ministers that are involved in the running of a GBE are the Finance Minister and the portfolio Minister. The Finance minister takes a lead role in the GBE financial matters, with the portfolio Minister focusing on the operational issues. These shareholder Ministers represent the government and are responsible for areas such as:

- Providing GBEs with their objectives
- Proposing changes to GBE corporate objectives if necessary
- Selecting and removing GBE directors
- Assessing the financial performance of GBEs.

In recent times, many GBEs have been privatised, including the privatisation of Telstra. This means the government has sold the GBE to shareholders in the private sector. Because the objectives are often set by the minister who is a member of the government, the direction of a GBE can sometimes change if a new political party is elected into government or if the political objectives of the government change.

Exam Tip: Students often forget that a GBE still aims to make a profit. Although it is owned by the government, it is different to a government department. GBEs have similar aims to other businesses. They aim to make a profit and increase market share.

Exam Tip: When defining or describing these business types, it is important to address the concept of ownership and where relevant, the number of owners. As mentioned earlier, in the 2017 exam, students needed to address that a sole trader had **one owner**. Similarly, in the 2018 exam, it was expected that students addressed that a partnership has between **2 and 20 owners**.

Exam Tip: It is important that students are prepared for 'higher order' questions. You could be asked to evaluate, discuss, or compare these types of businesses. It is important that you are comfortable with any of these instructions in the examination, therefore know your advantages and disadvantages of each business type.

Exam Tip: Ensure you are practising with different types of case studies. You never know what the case material will be in the exam. The case study may or may not specify the type of business it is, so you had best be prepared. The business in the case material could be a sole trader, partnership, private company etc. Ensure you have practised all types of scenarios. In the 2018 exam, the larger case study in Section B was on a social enterprise. This altered student responses slightly and many students did not cope with this well. A similar thing occurred in the 2022 exam where the opening case study was about a government business enterprise. While knowing each business type is important, it is also advisable that you think about each of these business types throughout the remainder of the course.

Business Objectives

Business objectives are the stated goals a business is aiming to achieve in a specified period of time. Objectives help give the business and its employees direction. The types of objectives businesses have will vary, depending on the time frame. They can be long, medium or short-term objectives and it is important that they are specific and measurable so the business knows if they are being achieved.

It is important for businesses to set some kind of purpose so that the key stakeholders such as owners, directors, managers and employees know what the business is aiming to achieve in the long term. This type of objective can be set with a **vision statement** or a **mission statement**. A vision statement is a broad objective that states the overall aspirations of the business in the future. A mission statement is a little more specific than the vision statement. A mission statement is an objective that states a business's purpose and the way it will aim to achieve that purpose.

While not all businesses will have a vision and/or mission statement, they can help provide the people within the business direction and get them working for a common cause. By providing this direction, it can also help managers with their decision making, as the decisions that are made should have the vision and mission in mind.

Below are some common business objectives. Each of these are listed in the study design.

To Make a Profit

Profit is the amount of money left over once expenses have been deducted from the revenue earned (revenue – expenses = profit). It is important for a business to remain profitable if it is going to survive long term. Businesses can boost profitability by:

- increasing revenue (the money they bring into the business through sales of goods and/or services); and
- minimising their expenses (the money spent to operate the business such as employee wages, materials, energy and other resources).

Making a profit consistently allows the business to grow and expand. It also gives the employees within the business some form of job security as they know the business is more likely to survive long term if it is profitable.

Increase Market Share

Market share is the portion of the total sales the business has compared to the total sales for that industry, expressed as a percentage. For example, the pie chart to the right highlights that Woolworths has 37.1% share of grocery sales within Australia, with Coles having 27.9% of the market, while Aldi (10.9%) and IGA (8.6%) hold a smaller share of the market. This means that of all the money spent at supermarkets, 37.1% is spent at Woolworths, 27.9% at Coles, and so on.

Businesses often have the objective to increase their market share. Businesses will compete against each other to increase their market share as it means a larger portion of the sales in the market is being earned by the business (or more simply, it means that consumers are spending relatively more money on the goods and/or services provided by the business). How businesses are able to boost market share will vary greatly. Some strategies include, aggressive marketing, opening up more stores or even implementing newer or more advanced technology.

Of course, if a business is able to increase its market share it means that other businesses must be losing market share. For example, in 2022, according to statcounter.com, Woolworths and Coles had a combined market share of over 66%, while Aldi had approximately 9%. However, in 2023, Aldi increased its market share to 10.9%, potentially as a consequence of the rise in the cost of living as some Australians sought cheaper grocery alternatives. All competitors will typically work hard to introduce new and improved customer offerings with the aim of attracting more customers and increasing market share.

To Improve Efficiency

Efficiency is a measurement of how well a business is using its resources. These resources can include raw materials, time, human labour, machinery and other technologies. The more efficient the business is, the greater its ability to make use of the resources it has. To improve efficiency, managers can look to reduce the amount of resources (also known as 'inputs') used to produce the final good or service (also known as 'outputs'). Alternatively, managers can look to increase the amount of outputs they produce with the same amount of inputs they use.

Each resource used in a business costs money and money is a finite resource for all businesses. Therefore, improving efficiency of the business allows them to reduce their costs and helps them gain a competitive advantage.

Some examples of how businesses can improve efficiency include:
- Reducing the amount of waste generated when producing the final product
- Increasing the speed in which products are produced allowing more products to be produced in the same time
- Implementing technologies that can reduce the amount of resources used
- Using energy efficient equipment
- Recycling materials that are not used
- Having highly skilled employees that can perform their work quickly and with fewer errors.

To Improve Effectiveness

Effectiveness is the extent to which a business is achieving its set objectives. If a business has set a specific objective such as to be carbon neutral by the year 2027 and it is able to achieve this objective, then it would be deemed to be effective in this area. However, if it has not achieved this objective then it has not been as effective as it would have desired and corrective action would need to be taken to ensure it is more effective in the future.

Businesses have many different objectives they are aiming to achieve and the ability of the business to achieve the objectives, determines how effective it has been. Once an objective has been set, the managers will implement specific strategies to help them achieve the objective and they will use key performance indicators to determine if the business has been effective and achieved the objective.

To Fulfil a Market

Within society there are groups of people that will share similar interests and have similar needs and/or wants. If enough people have these similar wants and needs it creates a market that a business can try to satisfy or fulfil. If these needs and wants are not being satisfied, a business can look to satisfy the needs of that market.

For example, before the pandemic, video conferencing software was mostly used by businesses with remote teams, or for international meetings. However, the onset of the pandemic created an unprecedented need for reliable, user-friendly video conferencing software that could be used by a much broader audience. This audience included businesses, schools, universities, healthcare providers, and general consumers needing to stay connected with family and friends. Zoom was able to capitalise on this need by offering a platform that was significantly more user-friendly and accessible than many of its competitors. It invested in its infrastructure so it could scale its operations to meet the needs of the market during that time. This was beneficial to both the market and Zoom as it increased its revenues significantly as a result of fulfilling this need in the market.

To Fulfil a Social Need

Businesses can also look to fulfil social needs to improve the wellbeing of the community, which is typically the primary aim of a social enterprise. There may be a need within society where a business can work towards improving, and although businesses aim to generate income, many have a primary focus to improve the conditions of the world in which we live. Some businesses may look to improve the state of the environment, improve the living conditions of those less fortunate or provide employment to those in the local community that are unemployed. For example, the enterprise Thankyou was founded in 2008 in Melbourne with the primary mission of ending global poverty. It was born out of a desire to create a more equitable world where the wealth generated from consumer goods could be used to fund life-changing projects. Thankyou operates by selling consumer products, such as bottled water, personal care products, and baby care items. The unique aspect of its business model is that 100% of its profits are donated to fund projects that provide access to clean water, health and hygiene services, and basic human needs in impoverished communities, helping them fulfil a social need.

Meet Shareholder Expectations

Shareholders are the people who own a company, which will mean they have the expectation to make a return on their investment. Companies will often have the objective to meet these expectations which can influence the decisions and strategies that a manager uses. If the business is able to achieve this objective, and meet the expectations of shareholders, it may attract investment from other potential shareholders. The money generated from new investment can then be used to help grow the business. However, if the business does not meet the expectations of shareholders, they can sometimes sell their investment and invest their money elsewhere. This is often the case with public listed companies.

Achieving Business Objectives

Once a business objective has been set, managers will decide on the best strategies to implement so the business objective can be achieved. A strategy is a specific action that a business implements to achieve business objectives. For example, a business that sets the objective to increase market share, may decide to implement the strategy of a new national advertising campaign.

Once the strategy has been implemented, the manager needs to determine if the set objective has been achieved. It was mentioned earlier that an objective should be a measurable so that it can be determined if it has been achieved or not. Businesses will often use key performance indicators to assess if a business objective has been achieved. A key performance indicator (KPI) is a specific criterion or tool that can be used by a manager to measure if the business has achieved its set objectives. For example, if we look at the business that has set the objective to increase market share, the manager could use the KPI of percentage of market share to determine if the objective has been achieved. Alternatively, a business that is aiming to improve its customer satisfaction levels, may look at the number of customer complaints KPI to determine if the set objective has been achieved.

Note: Key performance indicators are not part of this area of study however, hopefully you can see their relationship to business objectives. We will address KPIs in more depth in Unit 4.

Exam Tip: The business objectives listed in the study design are to make a profit, increase market share, to improve efficiency, to improve effectiveness, to fulfil a market need, to fulfil a social need, and meet shareholder expectations. This means that they can be directly assessed and specifically included in a question. The study design does allow students to use other business objectives in their responses however. If you are looking to use an objective other than those lised in the study design, ensure it is an objective that is **measureable**. Objectives that are not measureable are less likely to be accepted.

Exam Tip: Be prepared to link these objectives to other sections of the course. For example, in Question 2b of the 2023 exam, students were asked to 'Explain how Blue Berry Juice could use Porter's Differentiation strategy to meet shareholder expecations.' We learn about Porter's differentiation strategy in Unit 4. This shows that these objectives can be applied to any of the strategies we cover throughout the Business Management course.

Case Study

Telstra: Adapting Strategies for Business Growth and Efficiency

Telstra is a leading Australian telecommunications and technology company. It has been working on transforming its business model to adapt to the rapidly changing telecommunications landscape.

Implementing Strategy to Achieve Objectives

To Increase Market Share:

5G Network Expansion: Telstra has been aggressively expanding its 5G network across Australia. This expansion is not just about having the latest technology; it's about capturing a significant share of the market that demands high-speed internet and better connectivity.

To Fulfil a Market Need:

Enhanced Customer Service: Recognising the need for better customer service in the telecom sector, Telstra has invested in improving its customer service channels, including digital platforms, to enhance user experience and satisfaction.

To Improve Efficiency:

Cost Reduction Initiatives: Telstra has launched a cost reduction program, aiming to streamline operations and reduce costs. This includes automating certain processes and rationalising its property portfolio.

To Meet Shareholder Expectations:

Sustainable Dividends: By maintaining a balance between reinvesting in the business and returning value to shareholders, Telstra has managed to keep its shareholders' interests aligned with the company's long-term growth plans. The dividends for Telstra has remained relatively consistent over the past 5 years and it continues to pay out approximately 70-90% of its underlying earnings to shareholders.

Outcomes and Achievements

The expansion of the 5G network has positioned Telstra as a leader in this space in Australia, allowing it to maintain the highest market share for 5G in Australia with approximately 53%. Telstra's strategic efforts in expanding its 5G network, enhancing customer service, implementing cost reduction measures, and maintaining shareholder returns reflect its commitment to adapting to market changes and technological advancements. These strategies demonstrate how a company can evolve to meet market needs, improve operational efficiency, and satisfy shareholder expectations in a competitive and fast-changing industry.

Sources: Telstra's Annual Reports and Press Releases available at https://www.telstra.com.au/aboutus/investors

Characteristics of Stakeholders

Stakeholders are those that have a vested interest in a particular business. This means that the performance of the business has a direct impact on the person or group. All businesses have stakeholders and the decisions made by managers can affect stakeholders in different ways. Stakeholders have differing interests in the business and a manager needs to consider these interests when making decisions. Business stakeholders can come from the internal environment (from within the business) or from the external environment (outside of the business). For the VCE Business Management course, students need to know:

- specific stakeholders listed in the study design
- the interests that each stakeholder has in the business
- the potential conflicts between the interest of differing stakeholders.

Below are the stakeholders listed in the current VCE Business Management study design.

Owners

Owners are the individuals or groups that control the assets of a business and profits from them. Depending on the size of the business, a business owner may or may not be involved in the day-to-day operations of the business. For example, a sole trader will likely be heavily involved in the daily activities of the business as well as setting the long-term direction of the business. However, in larger businesses, some owners may not be involved in the daily operations of a business and might act as an advisor when required. Many owners of public listed companies are not involved in the business at all, except for owning a small portion of the business and therefore sharing in profits through dividends.

Owners have typically invested financially in the business. This could be to establish the business themselves (or with partners), or they may have purchased shares in an existing business. Because of their financial investment, the overall performance of the business can have a significant impact on the owner. Business owners are mostly seeking a return on their financial investment. As they are whole or partial owners of the business, owners are entitled to share in the business's profits (e.g. through dividends). They also look to gain a return on their investment through capital gains. This means that the value of the business has increased, therefore the value of their ownership has increased (e.g. the share price has increased in the case of a company).

As outlined earlier, owners of companies are known as shareholders. Private limited companies can have between 1 and 50 shareholders, whereas a public listed company has no limit to the number of shareholders it can have. If the business makes a profit, the directors of the business decide how much of this profit is retained to operate and grow the business and how much is distributed to shareholders. The shareholders share in this profit through dividends. The dividends they receive will reflect the portion of the business they own. For example, for the financial year ending June 2023, retail giant Harvey Norman made a net profit of approximately $539 million. The directors decided to deliver approximately 35% of these profits to shareholders and retained the remaining profits to help grow the business. The dividends paid to shareholders was $0.25 per share of ownership in the company. If a shareholder owns 1000 shares in the company, they will have received $250 in dividends. While this may not appear to be a significant amount of money, many shareholders will own far more than 1000 shares.

Shareholders often place pressure on the managers of a business to continually improve profits and make decisions that will benefit the return for shareholders. With their ownership comes voting rights. This is where the shareholder is able to vote on important business matters at the annual general meeting.

Managers

Managers are those that are responsible for overseeing different areas of the business and for making decisions to ensure the business is achieving its set objectives. Once objectives have been set, the managers will implement the best strategies to achieve them and measure their success with the use of key performance indicators. The interest of a manager is to be involved in the decision making of the business and to receive fair remuneration and benefits.

Managers need to consider the impact of their decisions on all stakeholders, which can be a difficult task as often a decision will affect differing stakeholders in unique ways. Many managers understand the importance of implementing corporate social responsibility practices into their processes. Although one of their main aims is to improve profits of the business, they often aim to do so while also considering the impact each decision has on society and the environment.

Smaller businesses may only have one manager that is responsible for making decisions in all areas of the business. As the size of the business grows, there may be many managers. In these businesses, a manager will be responsible for a particular area of the business and will likely be leading a team of people to achieve specific objectives related to this area. For example, there may be a marketing manager that is responsible for all promotional activities of the business. Underneath this marketing manager could be other managers that lead smaller teams in different marketing areas such as social media, branding, product packaging or radio advertising.

Employees

Employees are those that complete work within the business in exchange for a wage or salary. They are the stakeholder that carry out tasks for the achievement of business objectives and are primarily interested in fair pay, good working conditions and ongoing employment. It is important that the business values the employees because happy and motivated employees are likely to work hard and be productive. The business needs to consider the impact that decisions will have on the employees. For example, the implementation of new technology to improve productivity may cause concern or anxiety amongst employees. Employees may fear they don't have the skills to use the new technology or even question their job security. The managers can be open and honest about the impact the new technology will have on the employees. This could include support in the form of training to ensure they have the skills to use the technology. Other considerations include working hard to help the employees feel a sense of job security by offering ongoing training or even promotion opportunities.

Customers

Customers are those that purchase goods or services from a business. The interest of the customers is they expect good quality products at fair prices. It is important that the business meets or exceeds the expectations of customers so that it can gain a customer for life – ones that will come back again and again. Generating repeat customers through customer satisfaction is often cheaper than attracting new customers.

Customers are becoming more aware of businesses impact on the community and the environment. Research shows that many customers factor this into their purchasing decisions. This is just one customer trend and therefore important that businesses are keeping up to date with any changes in customer tastes or preferences. This helps to ensure that the business is staying current or even driving consumer preferences, which helps to maintain a competitive advantage for the business. Businesses can also go above and beyond their legal obligations in delivering value for money to their customers. For example, a business can check the quality of its products regularly to ensure that only the products that meet a high quality standard make it to the end consumer.

Suppliers

Suppliers are the organisations that provide resources to a business. These resources will be used to run the business and many will be required for the production of the good or service. The quality of the resources provided to the business can have a significant impact on the quality of the final product delivered to the end consumer. Although quality resources can be costly, poorer quality resources may result in higher costs due to increased wastage or faulty products. Suppliers have a vested interest to have a strong relationship with the business, to receive ongoing business and to be paid on time. It is important that a business has a strong relationship with its suppliers so that supplies are delivered on time, in the right quantities and at the right cost. Resources that do not arrive on time can slow or halt production, which can greatly affect productivity and ultimately the satisfaction of customers. For example: a car manufacturer will need to stop production if their supplier has not delivered enough engine parts in time for production. Also, a local book retailer will upset customers if they are sold out of the latest best seller due to their supplier not delivering on time. To avoid issues with delayed deliveries, businesses often have a variety of suppliers they can use where possible.

It is important that a business has fair dealings with their suppliers. Suppliers expect to be paid on time and have fair dealings with the business. The supplier will want the business to thrive and increase sales so they can increase their own sales by supplying more to the business. Businesses can decide to support the local economy by using local suppliers or they can look to use global suppliers. Whichever supplier a business uses, it is important that the supplier is able to deliver high quality resources at the right cost and in a timely manner. Many businesses will also review the ethical and social responsibility practices of suppliers to ensure they meet standards around the treatment of employees and the environment.

General Community

The general community is the group of people that live in the same areas in which the business operates. Members of the community typically expect the business to treat its location with respect and give back to the community in some way. Many members of the community may be happy that a business is located near them as it not only allows them access to the goods and services they provide but also provides employment for the local area. The business should be considering the local community when it makes decisions.

Many businesses get involved in the community to help build a thriving local area. For example, a business may offer its goods or services at a cheaper rate to help support a local school or community event. Some businesses may provide their products to marginalised groups. Others may sponsor local sporting teams. All of these acts, along with others, help build a thriving community. This has benefits for those that live in the local area as it helps build a caring community, but it also benefits the business as a thriving community is one that is more likely to spend money at local businesses.

Canva is a large business that offers online design and publishing tools. It looks to give back to the community with its 'Canva Represents Fund'. This fund provides opportunities for talented artists from underrepresented communities around the world to provide content to Canva's platform. With a commitment to improving diversity in the community, Canva aims to inspire artists and creators to produce authentic content that represents the diverse communities we live in. All images and designs are provided free on the Canva platform to help promote these diverse communities.

The table below is a summary of the key stakeholders and their interests

Stakeholder	Definition	Interest
Owners	Owners are individuals or groups that control the assets of a business and profits from them.	Owners aim to make a return on their investment by sharing in the profits of the business. Owners are often interested in the value of their ownership increasing in value (capital gains) by increasing the value of the overall business.
Managers	Managers are those that are responsible for overseeing different areas of the business and for making decisions to ensure the business is achieving its set objectives.	To be involved in setting objectives and ensuring the business is achieving these objectives. Managers also want to be remunerated fairly for their level of responsibility within the business.
Employees	Employees are those that complete work within the business in exchange for a wage or salary.	To earn fair pay, have good working conditions and ongoing employment. Employees may wish to be included in the decision-making process within the business.
Customers	Customers are those that purchase goods and/or services from a business.	Expect to receive good quality product at fair prices. They expect to receive good value for the money they have spent at the business. Customers expect to receive a high-quality service (during purchase and potentially post purchase)
Suppliers	Suppliers are the organisations that provide resources to a business.	They want to see the business they are supplying increase sales so they can sell more supplies to that business. Suppliers want to have a long-term relationship with the business they are supplying and want to be paid on time.

General community	The general community is the group of people that live in the same areas in which the business operates	They wish to see local businesses thrive in order to provide employment opportunities for the local community members. The general community expect that businesses will contribute in some way to the community rather than simply taking profits. Many in the community will expect that businesses look to improve or at least minimise their impact on the local environment.

Potential conflicts between stakeholders

Although all stakeholders have a vested interest in the business, their interests often differ. These varying interests can be conflicting and it is important that managers take this into consideration when making decisions. An example of this could be a local retail store, where the employees have been asking for improved working conditions and higher wages. The manager may want to reward the employees for their hard work and offer a combination of higher wages and reduced hours. However, by deciding to do this, it increases the expenses of the business. This may result in the manager needing to increase prices to offset the increase in wages, which conflicts with the interests of customers (who are after lower prices). Instead of upsetting customers, the manager may decide not to increase prices and simply allow the higher expenses to reduce profits. However, this will tend to create a conflict with the owners (e.g. shareholders) who are focused on maximising profits.

Managers are faced with these types of situations regularly and it is important they are able to make decisions that take all stakeholders into consideration. This doesn't mean that they will be able to keep all stakeholders happy with every decision. In these situations, the manager will need to decide which stakeholders will be the major beneficiaries, and then aim to minimise the impact on those that are dissatisfied with the decision.

Exam Tip: In examinations and assessment tasks, students often describe particular stakeholders well, yet fail to explain their interest in the business. For example, the 2018 exam asked students to 'Outline the interests of two stakeholders at Ocean Skate Hub...' Many students could identify and describe the stakeholder e.g. "One stakeholder is customers. Customers are those that purchase goods and/or services from the business." However, this type of response does not fully answer the question. The response needed to be supplemented with something like: "The interest of customers is that they want to purchase good quality products at fair prices."

Exam Tip: Students should be prepared to demonstrate an understanding of the conflicts that can exist between stakeholders. For example, in the 2018 exam, students were asked the following question, "Outline the interests of two relevant stakeholders of Ocean Skate Hub. Explain how these interests may be in conflict". Many students found it difficult to clearly explain the conflicts between two stakeholders. It is important that students are prepared for a range of stakeholder conflict examples. While this section looked at an example between shareholders and employees, are you able to explain the conflict between customers and employees for example?

Exam Tip: When responding to a case study referring to stakeholders, it is important to think about the relevant stakeholders for that scenario. If you are given a case study of a sole trader or a partnership, it would not be acceptable to write about shareholders, because these business types are not owned by shareholders. In this situation, it would be more appropriate to write about owners.

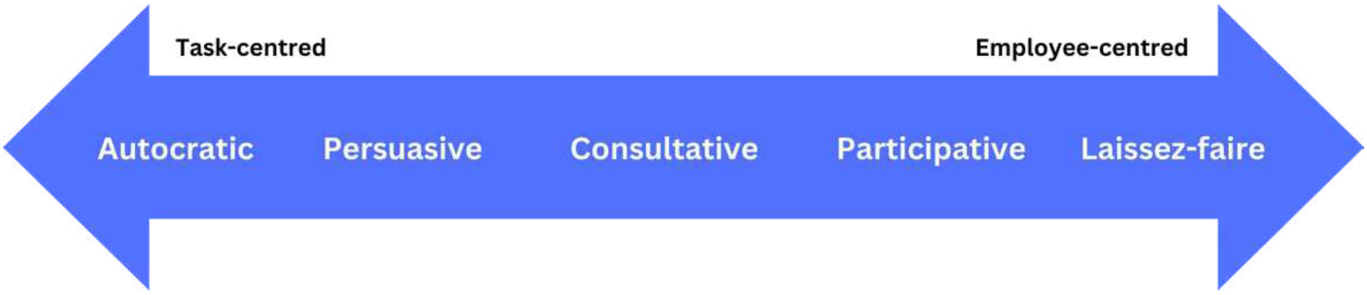
Management Styles

A management style is the way in which a manager makes decisions as well as how they lead and communicate with employees. Managers will differ in how they lead their teams. The 5 main management styles are autocratic, persuasive, consultative, participative and laissez-faire. The style a manager uses may come down to a number of factors such as:

- The personality of the manager
- The skills and experience of the employees
- The nature of the tasks that need to be performed
- The time available to make decisions.

Many leaders will use a variety of styles depending on the situation they are faced with. For example, a manager that has been informed that one of the business's products is faulty and has the potential to harm customers may use a very direct autocratic style where decisions can be made quickly. However, if the same leader is faced with a situation where they have more time and feel employee input would be beneficial, they may use a more participative management style and include the employees more. The 5 management styles can be placed on a continuum from styles that are more task-centred (the manager focuses on the tasks that need to be performed) to styles that are more employee-centred (employees are more empowered within the business). The further to the left you go on the continuum, the more control the manager has. If you move more to the right of the continuum, the less control the manager has and the more involved the employees are in decision making.

Exam Tip: The study design specifies that students must know when each management style is appropriate in relations to: the nature of the task, time, experience of employees, and manager preference. The 2022 exam asked students to propose and justify an appropriate management style to use in relation to the nature of the task (where employees were losing their jobs). This demonstrates the importance of students being able to justify each of the styles in relation to the above 4 areas.



Autocratic Management Style

The autocratic management style is where the manager makes the decisions and tells the employees what tasks to perform. The manager prefers to have full control of their area of responsibility, without any employee input into the tasks that need to be performed. The autocratic management style is very task-oriented, where the manager uses one-way communication to tell the employees what tasks they need to complete and when they need to be completed, without input from employees. The manager may even monitor the work of the employees closely while it is being performed. The directions provided to the employee are clear, which ensures they understand exactly what needs to be done. The making of decisions in isolation, without input from other parties, is often referred as ***'centralised decision making'***. Centralised decision making allows decisions to be made quickly as there is no time spent consulting employees or discussing ideas with others. However, because the manager does not seek feedback from others, it may prevent new ideas from being explored.

The key characteristics of this management style are:

- Manager makes the decisions alone without input from employees (also known as centralised decision making)
- One-way communication (top-down)
- Managers place little importance on employee involvement in the direction of the business
- Manager places importance on completing tasks.

Autocratic Management Style	
Advantages	**Disadvantages**
Decisions are made quickly	No opportunity for input from employees
Clear communication to employees, providing direction	May result in lower employee morale or poor motivation
Employees know exactly what their tasks are, often leading to improved task completion and/or improved productivity	Smaller pool of ideas
Decisions are made by an experienced manager	Very task focused with lack of employee development

When is it best used?

The autocratic management style is often best used when time is a significant factor because decisions are made quickly without consultation. It can also be an effective style to use when the employees lack skill and experience. In this situation the manager may rely on their own experience to make good decisions.

Nature of the task: The autocratic management style is often appropriate when the tasks are simple or lack complexity. This allows the manager to simply tell the employees what to do without the need for other considerations.
Time: Due to the speed of the decision-making, the autocratic management style can be appropriate when there is a lack of time available to make decisions. For example, during a crisis.

Employee experience: The autocratic style is often appropriate when the employees are inexperienced. In these cases, it can be best to direct the employees as they lack the experience to put forward ideas.
Manager preference: Some managers prefer to have complete control over the decision making so would use an autocratic style.

Persuasive Management Style

The persuasive management style is where the manager makes the decisions and then explains to employees why the decision has been made aiming to convince employees as to its appropriateness. This style is very similar to the autocratic management style in that the decisions are centralised (made by the manager). However, the key difference is that when a decision is made the manager tries to convince the employees as to why it is the best decision in the circumstances. Therefore, more information is provided to the employees about why the decision has been made. The persuasive management style uses one-way communication (top-down), however more information about the decision is provided to the employee. It is again a task orientated style, where the employees are told what tasks need to be performed and why. Using the persuasive management style can help make the employee feel more valued because the manager is providing more information. It can also help gain support for decisions if the employee is told why decisions are being made. The persuasive style may also help develop the knowledge of employees as they learn why certain decisions are made. However, the employees are still not involved in decision making which can result in poor job satisfaction. The key characteristics of a persuasive management style are:

- Manager makes decisions alone, but gives explanations as to why a decision has been made
- One-way communication (top-down)
- Manager places importance on completing tasks
- There is some importance on employees being valued yet employees are not involved in decisions.

Persuasive Management Style	
Advantages	**Disadvantages**
Decisions are made quickly	No opportunity for input from employees
Clear communication to employees	Workers can still have low morale/motivation due to lack of input
Decisions may be supported by employees as they are more informed	Small pool of ideas due to no consultation
Employees are clear about what it is they need to achieve	Task focused with lack of employee development (yet possibility for more employee development than the autocratic style)

When is it best used? Like the autocratic style, the persuasive style is best used when time is a significant factor. It can suit situations where decisions need to be made by senior management. For example: if a business is going to close down a particular department, senior management would make the decision, inform employees the reasons for the decision but not involve employees in the decision making. It can also be an effective style to use when employees lack skills, knowledge and experience.

Nature of the task: Similar to the autocratic style, the persuasive style is often appropriate when the tasks are simple or lack complexity.
Time: While the persuasive style may take slightly more time than an autocratic style due to more information being provided to the employees, decision-making is still fast and can therefore be appropriate when time is lacking.
Employee experience: The persuasive style is often appropriate when the employees are inexperienced.
Manager preference: Some managers prefer to have complete control over the decision making but feel the best way to gain employee support is to convince them of their decisions.

Consultative Management Style

The consultative management style is where the manager seeks the ideas and opinions of employees before making a final decision themselves. This management style understands that employees and other stakeholders have important ideas and uses two-way communication to allow them to share their ideas. This can improve the relationships between employees and management, which may improve the morale and culture of the workplace. While the employees are more involved in the decisions that are made, the decision-making is still centralised. After consulting with employees, the manager will consider all options and then make a final decision. The employees will then be informed about the decision that has been made.

This style of management may cause some employees to become upset or angry if the ideas they put forward have not been included in the final decision. Despite this, the consultative management style is seen to be more positive as it is more employee centred rather than simply task orientated. The autocratic and persuasive management styles demonstrated fast decision making, as the manager did not need to consult with employees before making a decision. However, with the consultative management style, the manager is spending time seeking out the opinions of employees before making a decision. This will increase the time it takes to come to a final decision.

The key characteristics of a consultative style include:

- Manager consults with employees before making decisions
- Two-way communication
- Centralised decision making
- Importance is placed on employee involvement yet management still maintains control.

Consultative Management Style	
Advantages	**Disadvantages**
Larger pool of ideas to choose from, helping make stronger decisions	More time consuming to make decisions
Increased motivation as employees are more involved in the decision-making process	Some employees may feel undervalued if their ideas are overlooked
Employees more likely to take ownership due to their involvement in decision making	Some employees may not want to be consulted regularly
Seeking feedback from employees, helps the manager make a more informed decision	

When is it best used?

The consultative management style is best used when the employees have a degree of skill and experience that a manager can use to gain knowledge before decisions are made. The extra information and ideas may help the manager get a better perspective on the elements of the issue. It can also be a positive style to use when there is enough time to consult with employees. When a business is going through change, the consultative style can help the business manage the change. Asking employees for their ideas regarding changes can help them take ownership of the change rather than resisting it.

Nature of the task: The consultative style may be appropriate where the tasks are more complex. This will allow more ideas to be generated from employees so that the most appropriate decision can be made.

Time: Because of the increased time of consulting employees, the consultative style can be appropriate when there is more time available.

Employee experience: The consultative style is often best when the employees have a higher level of experience which allows them to put forward strong ideas based on knowledge and experience.

Manager preference: A consultative manager is one that prefers to include the employees in the process of making decisions. Although the manager makes the final decision, this type of manager is one that values the input of employees.

Participative Management Style

The participative management style is where the manager and employees join together to make decisions as a team. This style is highly employee centred and the manager empowers employees to be involved in decision-making. This is known as ***'decentralised decision making'***. The manager understands that the employees are often in contact more often with customers so their ideas and decisions are an important element of a business' success. There is also an understanding that employee motivation can be increased if the employees have more of a say in what happens within the business. The participative management style uses two-way communication and encourages employees to give feedback and share ideas. This can help the employees to take ownership over decisions because of their heavy involvement in decision-making. Like the consultative management style, this style can be time consuming as ideas are discussed before a final decision is made. However, the benefits of team work and sharing ideas can help improve the morale and culture of the business. The key characteristics of the participative management style include:

- Decision making and authority being decentralised because managers and employees work in a team to make decisions together
- Two-way communication
- Employee-centred which can help develop employee skills, knowledge and experience
- Importance is placed on the idea that employees contribute significantly to the success of the business.

Participative Management Style	
Advantages	**Disadvantages**
Employees feel trusted and valued	It can be very time consuming as decisions are often discussed and debated
Improved morale and motivation due to employee involvement	Conflict may arise between workers if there are disagreements about the best decision to make
Often there are better decisions made as more experience is pooled together	Some employees may not want to be involved in decision making
Employees gain experience in decision making which can help with career development	

When is it best used?

The participative management style is often best used when there is an issue that will directly impact the employees. Allowing them to be involved in the decision being made can help reduce conflict or resistance to the final decision. It can also be a good style to use when the employees are highly skilled and experienced. Being able to draw on that experience can help the team make highly effective decisions. It is important that there is ample time for ideas to be discussed and debated before the final decision is made. The participative style is also effective during times of change as it allows employees to be involved in the change. If the employees are involved in the decisions regarding the change, they are more likely to accept it.

Nature of the task: The participative style may again be appropriate where the tasks are more complex. Including the employees in decision-making can allow decisions to be discussed and debated before the most appropriate decision is made.
Time: Decisions can often take a long period of time due to the level of discussion and debates that can occur. Because of this, it is often appropriate when there is ample time available.
Employee experience: The participative style is often appropriate when the employees have a high level of experience. This experience can be used to help make the most appropriate decision.
Manager preference: A participative manager is one that prefers to include employees in the decision-making. They often prefer to create an environment of collaboration and they value the skills and ideas of their employees.

Laissez-faire Management Style

The laissez-faire management style is where the manager leaves the majority of the decision making and authority with employees. The manager may provide some initial boundaries such as budget and timelines, and then leaves employees alone for them to achieve the objectives. This means that the day-to-day running of the business is left largely to the employees. This is the most employee-centred style meaning it is very decentralised. To use this management style, it is likely that the employees are highly skilled and knowledgeable. Using this style can enable these employees to utilise their skills and knowledge to work independently or collaboratively towards business objectives. This provides the employees with autonomy in their work which can increase their motivation. The key characteristics of the laissez-faire management style include:

- Employees being left alone to make their own decisions
- Authority and decision making are decentralised
- Communication is more often two-way as the initial objectives and constraints are set, however then there is normally only horizontal communication between employees in the team.

Laissez-faire Management Style	
Advantages	**Disadvantages**
Employees have a great deal of control which can help improve morale and motivation to achieve outcomes	Employees are not monitored regularly which can lead to a loss of management control
Encourages team work and creativity	There may be misuse of company resources
Communication is improved due to a team setting where ideas are constantly discussed	Increased freedom may lead to some employees being less productive

When is it best used?

The laissez-faire management style is often best used where a high level of creativity is important to the business. If employees are highly skilled and experienced, the creative freedom can lead to outstanding outcomes.

Nature of the task: The nature of the tasks can vary from simple tasks where the employees do not need supervision to more complex tasks where the employees have the skills and experience to perform their work and make decisions without input from management.
Time: While the time can vary, the laissez-faire style is often more appropriate when there is more time available.
Employee experience: Because employees are empowered to make their own decisions, it is often more appropriate if they have a high level of experience.
Manager preference: Some managers may prefer to empower their employees completely and allow them to solve their own problems.

Exam Tip: The 2022 exam asked students to propose and justify an appropriate management style in relation to the 'nature of the task' when employees are being made redundant. This demonstrates the importance of not only knowing each of thes styles, but also when they are appropriate in relation to the four areas in the study design: Nature of the task, Time, Experience of employees and Manager preference. This question also showed the importance of being able to apply the management styles to case material. The case study provided for this question referred to employees being made redundant (losing their job beause their job no longer exists). It was therefore difficult to justify a participative or laissez-faire management style as the employees likely aren't going to make decision themselves to lose their jobs. Those that achieved high marks, were able to justify the autocratic, persuasive or consultative styles.

Exam Tip: In examinations, it is common to ask students to discuss an appropriate management style given the specific scenario provided in the stimulus material at the beginning of a question. In past exams , students have been given some flexibility with the style that could be selected. However, often not **all** styles are accepted for a given scenario. Be sure you know all the styles well so you can select the most appropriate and be prepared to justify your selection where necessary.

Exam Tip: Students often mix up the name of the style and characteristics. For example, they may identify a persuasive style yet describe a participative style. In most instances, whichever style is identifed, it will be assumed that this is the one you are talking about. Ensure you have studied hard and know the correct characteristics for each style.

Exam Tip: It is very common for students to say that the consultative managment style uses decentalised decision-making. Although the manager consults with employees, the manager still makes the final decision (centralised decision-making)

Exam Tip: When asked to 'discuss' the use of a management style, ensure you look at both sides (benefits & limitations). It is very common for students to talk about the benefits of the style in the given situation. However, to maximise your chances of achieving full marks, it is necessary to mention the limitations.

Exam Tip: It is common that exam questions regarding management styles are applied to case material. For example, in Question 1 of the 2020 exam, students were provided a small case study where the manager was using an autocratic management style. Students were then asked to evaluate the appropriateness of this management style for the business achieving the objectives identified in the case material. While most students are able to look at both sides (advantages and disadvantages) of the autocratic management style in a question such as this, many will fail to apply their response to the case material. While it is important for students to learn the possible advantages and disadvantages (along with other key content) regarding the styles, it is important that students can apply this content to scenarios provided in the exam.

Management Skills

An effective leader will have a wide array of skills to draw upon in varying situations. While businesses are able to create vision/mission statements, little can be achieved unless the manager is able to get things done with the assistance of employees. The type of skills a manager possesses will heavily influence the extent to which they are able to get things done. Managers of all levels (senior, middle or front-line) will use a series of skills to try and achieve business objectives. Management skills include communication, delegation, planning, leadership, decision-making and interpersonal. Each of these will be examined below.

Communication

Communication is the transfer of information from a sender to receiver. Communication can be used both internally and externally. Internally, communication helps a manager to inform employees of the business's objectives, which then helps to provide employees with greater direction. The manager can encourage two-way communication to gather information from employees to help make more informed decisions.

External communication can be used to inform other key stakeholders about important information. For example, a senior manager in a company will need to communicate with shareholders about the performance of the business and its ability to deliver a return on investment in the future.

Managers who are able to communicate well with stakeholders, increase their chances of successfully achieving business objectives. Effective communication is typically **two-way communication** where the manager is able to send a message to the receiver as well as receive and listen to feedback. Two-way communication can improve morale within a business because employees feel valued as they are able to put their ideas forward. Managers need to be able to give concise directions and clearly articulate expectations and policies.

Communication can be **verbal** (written or spoken) or **non-verbal** (body language, visual). It is important that the correct method of communication is chosen for the scenario that faces the manager. For example, if a business has made the decision to downsize in order to cut costs, an email is not the most appropriate form of communication as the employees will likely have many fears and questions they need answered. Instead, a face to face meeting would be more appropriate so that the employees are able to have these concerns addressed directly.

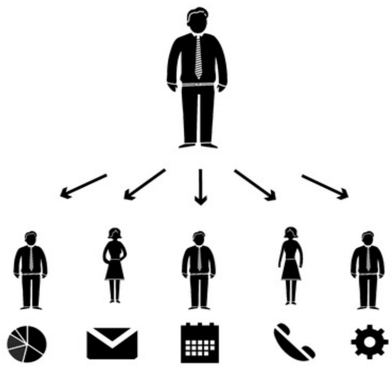
Delegation

Delegation is the passing of authority and responsibility from a manager to employee to achieve objectives. Delegation can help free up a manager's time so they can focus on their own (higher order) tasks. It helps to spread the load of work so that more can be achieved in the same period of time.

Some benefits of delegation include:

- The manager has more time to focus on longer term planning
- More can be achieved in less time by spreading the workload
- Employees are able to gain more experience and develop their skills by tasks being delegated to them
- Improved job satisfaction as the employees are trusted and relied upon to perform tasks

Managers need to be aware of the tasks they are delegating to employees. High risk decisions, confidential matters and strategic planning are not well suited to delegation as they can heavily impact the business if not done well. Tasks where delegation works well include interesting tasks, time-consuming tasks, routine tasks and tasks that will enhance the employee's skills and experience.



Tasks can be delegated to employees in three main ways:

1. To an employee that has the skills and experience to complete the task successfully. This will ensure the task is completed well.
2. To a group of employees. This allows the manager to set a challenge for a team where they can use each other's varying skills to complete the set task/project.
3. To an employee without the skills or experience to complete the task and provide support and mentorship to the employee. This can help the employee to develop their skills and experience for the future. If they are ever in need of advice they will have the support around them to ensure the task is completed successfully.

Planning

Planning is the ability to set objectives and determine the strategies to achieve them. Planning is an important skill for all managers, whether it be a manager at a large multi-national corporation or a small business about to launch a new product. Planning helps provide guidance to the business and its employees. Planning ensures that employees understand what the business is aiming to achieve and the steps that will be carried out to achieve it.

Planning can be time consuming which can cause it to be neglected, especially by small businesses. However, the direction it provides both the owners and the employees of the business far outweigh the time it takes to conduct. Without planning it is like setting off for a journey without a destination - you could end up in the wrong place! In the case of a business, this translates into a higher chance of making losses (or smaller profits) in the absence of planning.

There are three key levels of planning:

Strategic Planning: is long-term planning. It is the 'big picture' planning that looks to the future about where the business wants to be in the next 2-5 years. An example of strategic planning is developing a mission statement that the business wants to achieve.

Tactical Planning: is medium-term planning. These are medium term goals that help the business achieve its strategic plans. Tactical plans are set for a time frame of approximately 1-2 years. An example of a medium-term plan is to develop and implement a new training program to improve customer service skills for all employees within the next 12 months.

Operational planning: is short-term planning such as day-to-day or monthly planning. Operational plans should be in place to help the business achieve its medium-term plans. A common example of a short-term plan is the setting of a daily, weekly or monthly sales budget and the tasks that need to performed to achieve the goal.

It is important that the strategic, tactical and operational plans are aligned. This will ensure the entire business is heading in the one direction. It can also be good practice to notify all employees of the strategic plans so they understand the reasons as to why they are working on achieving short term operational goals.

Planning Process

When a manager conducts planning they will follow a logical process. Sometimes, with a strategic plan, this process may be quite formal, while some smaller goals may be very informal. Yet no matter what level of planning is being conducted, the manager will go through a set of steps in order to set the plan.

The common steps in a planning process are as follows:

1. **Set the objective:** Here the manager considers the outcome or goal the business is trying to achieve.
2. **Analyse the environment:** the manager will gather information to help them make an informed decision. For longer term plans, this may involve the manager conducting a SWOT analysis. SWOT stand for Strengths, Weaknesses, Opportunities and Threats. Here, the manager may consider the strengths and weaknesses of the business. This information can help them make decisions that will utilise the business' strengths and not expose their weaknesses. Then the manager can assess any opportunities the business can take advantage of that may help them achieve their set objective and any threats that they need to avoid.
3. **Develop alternatives:** Armed with information gathered in step 2, the manager is now able to develop some alternatives that will help the business achieve its objectives. Each alternative should be analysed and then the most appropriate one selected.
4. **Implement the plan:** Once the most appropriate alternative has been selected it is time to put it into place. The manager should communicate with key stakeholders to help provide direction. Resources need to be allocated to the right areas of the business so that the plan can be implemented effectively. For example, a clothing retail business that has the objective to expand and decides to open a 2nd retail store in Melbourne's CBD, would be unsuccessful if it didn't have employees and stock in place.
5. **Monitor and evaluate:** now that the plan has been put into action, it is important to monitor and determine if the set objective has been achieved. If the objectives are not met, the manager can look to take corrective action.

Exam Tip: The planning process listed here has been a common one used in past exams, however there is no specific planning process listed in the study design. That means it is fine to use a different planning process you have learned. A common acronym to remember the above process is SADIM.

Leadership

Leadership is the ability of a manager to influence and motivate employees to achieve business objectives. Effective leadership is vital to a business successfully achieving its objectives. Planning provides the direction for the business and its employees, then effective leadership works at getting employees working towards this direction. Without strong and effective leadership, it is difficult for a business to achieve its objectives as employees (and other stakeholders) may not see or accept the reasons for why they should be achieved.

Leaders are invaluable when it comes to communicating strategic direction of a business. Not only do they communicate the direction a business is heading, but they provide the motivation for accepting the importance of the direction. This helps to ensure that all employees are 'on the same page' - working in the same direction and towards a common cause.

Effective leaders are able to communicate well to a team and show support for those that are struggling to work towards the objectives. They are able to listen to the concerns of employees and other stakeholders, and make challenging decisions when required. Leadership is an important skill in all aspects of the business. Simple things like leading by example and demonstrating the desired values can help inspire others to follow suit. Giving employees time to adapt to change and supporting them through changes is all part of being an effective leader.

Leaders aim to get the best out of their employees and research shows that transformational leaders can be highly effective. Transformational leaders are those that value the abilities of employees and provide them with opportunities to demonstrate their ability to perform outstanding work. Showing this type of value to employees can create a positive culture where the employees are highly engaged and enjoy the challenges they face while at work. Showing trust in the employees can then lead to improved productivity and the achievement of business goals.

Decision-making

Decision-making is the ability to make a choice on a course of action from a range of alternatives. Decision-making is an important skill for managers at all levels. Managers need to make informed decisions so that the impact on the business is positive. Many decisions can have a significant impact on the business's future. Managers need to be able to assess available information and make a conclusion as to the best course of action. How decisions are made will greatly reflect the management style used at the time. Some managers will like to gather data and make decisions themselves without any employee input, while others would prefer to involve the employees in the decision-making process.

To make strong decisions the manager can use a 6-step decision-making process:

1. **Identify the problem:** In order to make a decision, the manager needs to understand what they are trying to solve or work towards.
2. **Gather information:** for the manager to make informed decisions they need to gather information. This would include investigating the reasons an issue has arisen or gathering information on the business' finances so that a decision isn't made that could jeopardise the business' future.
3. **Develop alternatives:** now that the manager has gathered enough information they can create some alternatives that will help him or her to solve the problem or issue identified in step 1.
4. **Analyse the alternatives:** Each alternative should be analysed for its strengths and weaknesses in achieving the set objective.
5. **Choose an alternative and implement:** Once the alternatives have been analysed, the most appropriate is chosen and put into action. The decisions should be clearly communicated with key stakeholders so that relationships remain positive and they are clear on where the business is heading and the role they play in helping it get there.
6. **Evaluate:** Getting feedback on the decision to ensure it has been a successful decision and making any necessary adjustments

Exam Tip: The decision-making process listed here has been a common one used in past exams, however there is no specific decision-making process listed in the study design. That means it is fine to use a different decision-making process you have learned.

Interpersonal

Interpersonal skills relate to the ability of a manager to communicate with a range of people while building strong relationships. Building strong relationships within a business helps to create a positive work environment, contributing to the achievement of business objectives. Interpersonal skills are often referred to as 'people skills' or 'social intelligence'. Utilising interpersonal skills shows a level of social understanding and allows managers to communicate accurately and honestly with employees without jeopardising the relationship.

Communication is about delivering a message from sender to receiver and the development of good interpersonal skills allows the relationship between the parties to be supported or even enhanced while the message is being delivered. Research has shown that businesses that have managers with good interpersonal skills and foster positive relationships benefit from higher productivity, enhanced problem solving, fewer conflicts and higher quality outputs. Interpersonal skills are not just a 'nice-person' attitude. The manager is still able to address any incompetency an employee is displaying. However, if there are positive relationships between the manager and employee there is likely to be a better outcome. The way the message is delivered is important, as is the accuracy of the information so that a positive or constructive relationship is maintained. If effective interpersonal skills are not used, then employees can become defensive or display discomfort and resentment when problems with their performance are being addressed.

While using interpersonal skills to build positive relationships within the business is beneficial, it is important that the relationships remain professional. For example, if a strong relationship between a manager and employee has been established through effective use of interpersonal skills, it may make it difficult to challenge an employee for not meeting standards if the relationship has become too friendly, informal or social, which potentially blurs the lines between a personal and professional relationship.

Exam Tip: The skills listed above are the ones students must know and are directly examinable. However you are able to learn other management skills if you feel necessary. Negotiation and time management (listed below) are other examples. You are welcome to ignore these if you desire, however ensure you know all of the skills listed in the study design (communication, delegation, planning, leadership, decision-making and interpersonal).

Exam Tip: When asked to apply how a manager will use certain skills, it is important you can differentiate between the skills. For example, in the 2019 exam, students were asked to explain two skills that the Human Resource Manager would require in the given situation. Many students used communication and interpersonal skills. Both skills were fantastic skills to use in the scenario as the HRM was involved in the process of closing down multiple retail stores. However, using both of these skills together created some problems for some students. They found it difficult to differentiate between the two skills and ended up writing about communication for both skills. This is common between communication and interpersonal, as they are both very reliant on effective communication. Be sure you can differentiate the skills you use in your responses.

Exam Tip: Students often find it difficult to explain how a manager will utilise the management skills. For example, when asked to explain how a human resource manager would use communication when a retail business is closing down some of its stores, you should think about what needs to be communicated and why. In this instance, the HRM would need to communicate which stores are closing down, when this is going to occur, how many staff will lose their jobs and the supports available for these employees. This allows your response to be specific to the situation rather than simply writing about communciation in general. This can help you provide a much stronger response when application is required.

Negotiation

Negotiation is where two or more parties come to an agreement through discussion. The outcome should be 'win/win' where all parties are satisfied with the outcome. There may be times where the parties need to compromise to come to an agreement. However, it will be more satisfying if the parties reach a solution where they all get what they want. This may require each party to think 'outside the box' so they can come up with an amicable solution.

Negotiation is an important skill in many situations. Businesses that are working on a deal with suppliers, vendors or unions use negotiation to ensure they get the best deal. For example, during a negotiation between an employer and employees about a wage increase, it is important that both parties win in this instance. If the business wins by not paying the employees what they want, the employees may be resentful. However, if the employees get what they want it could place the business under financial stress. This demonstrates why it is important that both parties are happy with the outcome. When negotiating it is important to:

- ***Establish shared goals*** so that the negotiating parties can establish what they have in common and work towards a solution that both is happy with
- ***Separate the people from the problem*** so that the issue is being negotiated rather than personalities. It is common for negotiations to break down due to personality clashes which can cloud a foreseeable solution
- ***Listen actively*** so that it is understood what the desires are of the other parties. It also helps if the manager is listening when something has been decided!
- ***Create options for mutual gains*** so that the manager is not only thinking from their own point of view. This may mean that some unusual solutions arise, however it can often result in a breakthrough.
- ***Be clear on the outcome*** so that there is no confusion as to what the terms of the agreement are. The final solution should be in writing and signed by all parties, with each taking a copy of the final agreement. This avoids any confusion and conflict down the track.

Time Management

Time management is the ability to organise and plan tasks to make the best use of available time. Part of time management is the ability to set deadlines and work to meet those deadlines in the most effective way possible. Managers in businesses of all sizes will have lots of tasks they need to perform. Time management allows them to achieve those tasks. Some managers will delegate tasks to other employees to help them leverage their time. Having poor time management skills can cause the manager stress and therefore negatively impact on their effectiveness.

Managing time effectively can improve the productivity of the business as more is achieved in the same amount of time. It can also improve the work-life balance of the manager as they are able to complete their tasks and still have enough personal time outside of work.

Many sole traders can have battles with time management as they often have small budgets and look to complete most tasks themselves to save on costs. Time management skills can therefore be a crucial skill that enables them to not only complete the tasks of running the day-to-day operations of the business, but also to work on expanding or growing the business.

Effective time managers are able to write down all of their tasks and make distinctions between those that are important to the business and those that are less important. They are then able to prioritise those tasks in order of importance and set time frames in which they will be completed. They are also able to use leverage to delegate those tasks to other employees, which can help to improve their management of time.

Relationship Between Management Styles & Management Skills

All managers have a particular style when making decisions and communicating with employees. In addition, all managers have a series of skills they use to get the job done. So what is the relationship?

The type of management style a manager decides to use will determine both the skills they rely upon and how these skills will be employed in any given situation. For example, all managers will make use of communication skills, however, the type of communication used will vary depending on the management style.

An autocratic manager will use one-way communication while a participative manager will use two-way communication. All management styles will use delegation to some degree also. The management styles that have centralised decision making will delegate tasks to employees while the styles that have decentralised decision making not only delegate tasks but also delegate decision making and responsibility to employees.

A manager can alter their style depending on the situation they face. However, those managers possessing strong communication and interpersonal skills will find it easier to use a consultative or participative style. In contrast, those managers with less developed communication and interpersonal skills (and/or those who like to take control of planning and decision-making) are more likely to use the autocratic or persuasive styles.

Corporate Culture

Corporate culture is the shared values and beliefs of the people within a business. All businesses have a culture no matter what their size. Each business has its own way of doing things which works towards creating its corporate culture. There are two types of culture within a business:

The official corporate culture: this is what the business wants the shared values and beliefs of the people in the business to be. This can be seen in the business's official documents such as the mission statement, stated values, written policies, slogans and objectives of the business.

The real corporate culture: this refers to the underlying values and beliefs and behaviours of the people within the business. It can be seen in how managers communicate with staff, the standard of the employee's dress and how they relate to one another at the workplace. Just because a business makes official statements about what its values are, does not mean the people within the business put them into practice. Successful businesses will work hard at developing their culture as they know that having a group of people with similar values will work well together in order to achieve a common goal. Some benefits of having a positive culture, where the employees share similar values are as follows:

- Reduced staff turnover
- Employer of choice which allows the business to select the best employees
- Improved productivity
- Higher morale within the workplace.

Elements of Corporate Culture

Listed below are some of the elements of a business's corporate culture. These elements could be used to indicate they type of culture a business has:

1. **Core Values:** these are what the business values most and will not change even when the business changes. They provide direction for the way the business operates. Core values act as guideposts that all employees should be aware of.
2. **Rituals & celebrations:** rituals are those things that occur regularly within a business. This could include a regular social gathering to enhance camaraderie or an annual awards ceremony to celebrate high achieving employees.
3. **Communication**: How management communicate with their subordinates and how employees communicate with each other is another element of culture. Businesses that have open two-way communication with managers and employees demonstrate they value relationships.
4. **Heroes**: heroes are those that the business 'looks up to' due to the way they demonstrate the business' desired values. This could be the founder of the business or an employee of the month. These heroes act as a person to look up to for others within the business.
5. **Physical environment**: the space in which employees work is another element of the corporate culture. Businesses that value team work are more likely to have a more open space, where teams could easily meet and interact with each other.

Envato – Our Values

Envato is a leading marketplace for creative assets and creative people to sell their digital assets such as templates for websites, presentations and many other digital products. With its headquarters based in Melbourne, Envato has developed 7 core values it aims to live by to help drive its creative mission. These core values form part of the official corporate culture and aim to make Envato a positive place to work. Envato's core values are:

1. **When the community succeeds, we succeed**: This ensures Envato always puts the interests of the community first
2. **Not just the bottom line**: Envato has a commitment to building a sustainable business for the long-term
3. **Focus on results**: Setting clear goals and doing things well to ensure they do their best work
4. **Diverse and inclusive**: Envato believes that everyone thrives if they champion diversity and inclusions across all levels of the business
5. **Tell it like it is**: placing high value on integrity, transparency and openness
6. **The right people, the right environment**: Empowers staff to trust their peers, supporting each other as they hone existing abilities and develop new skills
7. **Fair go**: All of Envato striving to be fair and consistent in everything they do

These 7 core values provide guidance on how all managers and employees should behave and what they should strive for. This is how they do things each day which helps to create the environment within the workplace they truly desire.

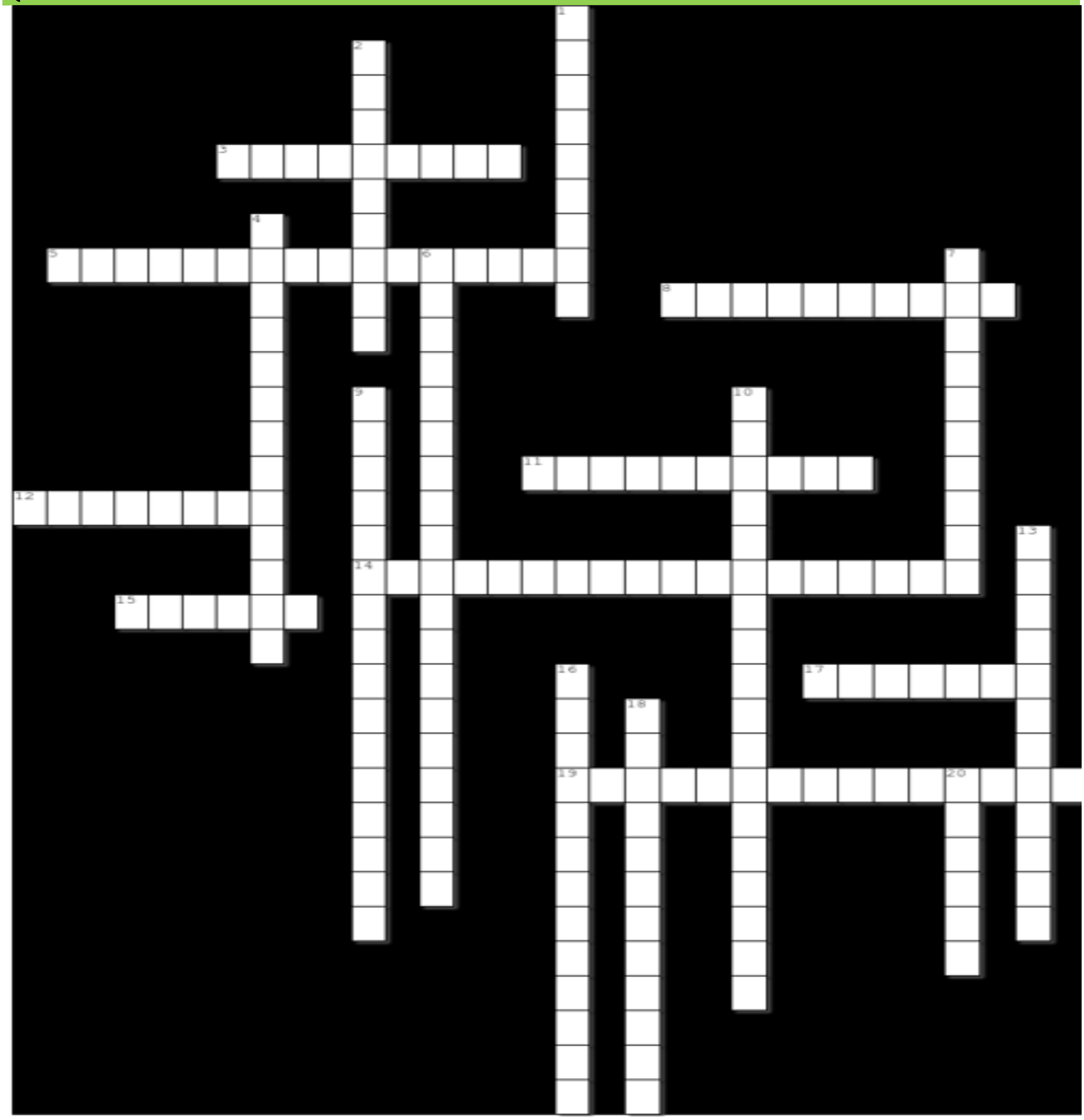
Source: https://www.envato.com/about/purpose/

Exam Tip: It is important that students are able to distinguish or explain the differences between the real corporate culture and the official corporate culture. The 2021 exam asked students to explain the differences and many responded by simply describing the two types of culture. To receive full marks, the differences between the types of culture need to be made clear to the examiners.

REVIEW QUESTIONS 1 – Business Foundations

1. **Outline three types of businesses**
2. **Explain the primary objectives of a social enterprise**
3. **Outline two characteristics of a public listed company**
4. **Outline one reason why a business owner would implement a private limited company over a sole trader**
5. ***Lucy is a sole trader that owns a local sporting goods store. She is considering bringing in partners to the business.* Discuss the use of a partnership for Lucy**
6. **List 3 advantages of a business becoming a publicly listed company**
7. **Distinguish between a private company and a sole trader**
8. **Define 'business objectives'**
9. **Outline three common business objectives**
10. **Define a 'mission statement' and explain the role it has in a business**
11. **Explain the interest of two stakeholders**
12. **Describe the possible conflicts between the interests of two key stakeholders**
13. **An advertising agency has a 2 week deadline to come up with a new advertising campaign for an important client. Evaluate 2 management styles that the team leader could use to ensure a successful campaign is produced by the deadline**
14. ***'Get Your Sparkle On' is a car detailing business. Recently, there has been a sharp rise in the number of customer complaints.* Discuss an appropriate management style to overcome the rise in customer complaints.**
15. **Compare the autocratic management style with one other management style**
16. **Define leadership**
17. **Distinguish between communication and interpersonal skills**
18. **Describe 3 management skills and explain their importance in assisting managers to achieve business objectives**
19. ***Damien is a local pizza shop owner. He is looking to expand the business by opening another store in a new location.* Justify two management skills Damien would need to use in this situation**
20. **Outline a decision-making process a manager can use to make effective decisions**
21. **Explain the relationship between communication and a participative management style**
22. **Define corporate culture**
23. **Outline 3 elements of corporate culture**
24. **Distinguish between 'official' and 'real' corporate culture**
25. **"The real corporate culture does not always reflect the official corporate culture." Analyse this statement**

Quick revision crossword No 1: Business Foundations



Across

3. Those that provide resources to a business
5. A business with the primary aim of fulfilling a community or social cause (2 words)
8. Transferring authority of a task from manager to employee
11. The ability to influence and motivate employees
12. Type of culture seen in a mission statement and policies
14. An expectation of shareholders is for this to increase (3 words)
15. Stakeholders have a ________ interest in a business
17. Step 2 in a planning process is to _______ the environment
19. The way in which a manager makes decisions and communicates with employees (2 words)

Down

1. Sole traders have this type of liability
2. Those whose interest is fair pay and good working conditions
4. Type of decision-making used in a participative management style
6. Type of business listed on the ASX (3 words)
7. ___________ Business Enterprise
9. The shared values and beliefs of the people in the business (2 words)
10. Specific goal the business wants to achieve in a specified period of time (2 words)
13. Owners of companies are known as__________
16. Transfer of information from sender to receiver
18. Management style with two-way communication and centralised decision-making
20. A partnership has between two and ________owners

MINI EXAM NO 1: UNIT 3 AREA OF STUDY 1 (40 MARKS)

STRUCTURED QUESTIONS

1. Define the following terms (6 marks)
- **a. Government Business Enterprise (GBE)**
- **b. Effectiveness**
- **c. Official corporate culture.**

2. Anthony is the owner of a fast food restaurant called Ripper Chicken. The business has two locations in Geelong, one in Werribee and one in Colac. Over the past 6 months, the number of sales at one of the Geelong locations has dropped by more than 15% and the number of customer complaints has risen sharply. Anthony is eager to overcome these issues quickly. However, because he only spends one day per fortnight at the location, he is unsure of the best way to do this.

- **a. Discuss the most appropriate management style for Anthony to use to overcome the issues at the Geelong location. (6 Marks)**
- **b. Explain the impact the management style used in Question 2a can have on the real corporate culture at Ripper Chicken. (4 marks)**

3. Distinguish between real corporate culture and official corporate culture (3 marks)

4. Outline one objective of a social enterprise. (1 mark)

5. Felicity is the Chief Executive Officer of Furniture manufacturer, Dinico. Dinico is a private limited company that has been in operation for 15 years. Felicity has decided to implement new automated technology into the business. The new technology will automate some of the processes involved in producing the furniture.
- **a. Justify two skills that Felicity will require when implementing this change. (6 marks)**
- **b. Explain how implementing this new technology may help Dinico achieve the objective of meeting shareholder expectations. (4 marks)**
- **c. Outline the interest of one of Dinico's stakeholders. Explain how the interest of this stakeholder may conflict with the interests of one other stakeholder. (3 marks)**

6. Outline the relationship between the management skill of communication and the consultative management style (3 marks)

7. Explain why the owners of a business would decide for a business to be a public listed company rather than a private limited company. (4 marks)

YOU BE THE ASSESSOR: UNIT 3 AOS 1

In this section, you are required to assess the responses presented for each of the questions. You should award the responses a score and justify your decision. Once complete, compare your assessment to that of the author [provided at the rear of the Study Guide].

Question 1

Bella's Boutique, a successful fashion retailer known for its unique and trendy clothing lines, has been operating as a sole trader under the ownership of Bella Johnson for five years. The boutique, which began as a small local store, has seen substantial growth, with a significant increase in customer base and revenue. Bella now plans to expand her business by opening additional stores in neighbouring cities and is considering converting her business into a private limited company.

Discuss the use of a private limited company for Bella's business. **4 marks**

Sample answer 1

Transitioning Bella's Boutique into a private limited company offers significant benefits, such as providing Bella with limited liability, protecting Bella's personal assets from business risks. This is crucial as the boutique grows and faces increased liabilities. Additionally, as a private limited company, Bella can attract investors by issuing shares, providing a vital source of capital for opening new stores. This structure also enhances credibility with suppliers and customers, aiding business growth.

However, shifting to a private limited company involves more complex legal and financial compliance, increasing administrative burdens. Regular financial reporting and audits are required, which will consume Bella's time and increase costs. Also, decision-making might become more complex if external investors are involved, potentially reducing Bella's direct control over her business.

Score out of 4 ______

Justification____

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Sample answer 2

Converting Bella's Boutique to a private limited company is an ideal move for Bella's expansion plans. The most significant advantage is limited liability, which protects Bella's personal assets from any business debts or legal issues. This change is especially important as the boutique grows and takes on more financial risks. Additionally, being a private limited company can attract additional investment through the sale of shares, providing essential funds for expanding to new locations. This corporate structure also tends to enhance the boutique's credibility among suppliers and customers, potentially leading to more business opportunities and growth. This transition seems to offer Bella a clear path to scaling her business effectively, with limited liability as a key benefit.

Score out of 4 ______

Justification____

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Question 2

Sleep Well Doggy is a partnership between Jane, Alex and Miriam. The business offers overnight accommodation for dogs when their owners are away and unable to look after them for a period of time. Sleep Well Doggy employs 20 staff and works hard to ensure they feel valued in the business.

Explain the interests of two stakeholders at Sleep Well Doggy and outline how these interests may conflict

5 marks

Sample answer 1

A stakeholder is a person with a vested interest in the business. One stakeholder of Sleep Well Doggy are the shareholders (Jane, Alex & Martin). Shareholders are those that own the shares in a business for which they have paid. They have unlimited liability which means they are personally responsible for any debts incurred by the business which can place their personal assets at risk if the business is unable to pay its liabilities.

Another stakeholder is the customers. Customers are those that purchase goods and services from the business. In the scenario of Sleep Well Doggy, the customers are those that bring their dogs into the business to look after. These two stakeholders can conflict because the customers want to bring the prices down for the service, but the shareholders want to force the price up.

Score out of 5 ______

Justification____

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Sample answer 2

One stakeholder is the owners (Jane, Alex and Miriam). The owners are the ones that have invested their money into the business and expect to make a return on their investment. They expect the business to make profits so they can share in these profits.
Another stakeholder is the twenty employees that work for Sleep Well Doggy. Employees are those that work for the business in exchange for a wage. The employees are interested in receiving fair pay, good working conditions and ongoing employment.
These two stakeholders can conflict because if the employees demand higher wages or improved working conditions, it can increase the costs of the business. This may result in less profits for the business which conflicts with the interest of the owners who want higher profits.

Score out of 5 ______

Justification____

____

Question 3

Mrs T is a cereal manufacturer with factories in Victoria, Queensland and Perth. The company produces 12 different varieties of cereals and sells in the major supermarkets. Due to increased competition for supermarket shelf space, Mrs T has just been informed that one major supermarket will be dropping 5 of their cereal varieties. As a result, CEO, Jenny Harvard has decided to close down the Perth manufacturing facility and produce all of the cereals in the Victoria and Queensland factories.

Explain two skills that Jenny will require during the closure of the Perth facility **4 marks**

Sample answer 1

One skill is communication which is the transfer of information from a sender to receiver with the ability to listen to feedback. Communication can be either one-way or two-way. Jenny will need use communication with the employees in the Perth factory as they will likely be losing their jobs. Jenny will need to be clear in when the closure will take place and any support that is available to the employees as they look for new employment opportunities.
Jenny will also need to use planning, which is the ability of a manager to set objectives and detail the ways to achieve them. In terms of the closure of the Perth factory, Jenny would be involved in both short-term and medium-term planning. This type of planning will be important for Jenny to set deadlines as to when the Perth closure will take place. She will then need to implement a plan on how to close the factory in a timely manner. Jenny would also need to set out a plan on how the business will be able to consolidate the manufacturing of all the business's cereals into only two factories.

Score out of 4 ______

Justification____

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Sample answer 2

Jenny could use two-way communication with her employees from the Perth factory. This will allow Jenny to not only provide the information about the closure of the Perth factory to employees, but it will also allow Jenny to listen to the concerns of the employees. This will help demonstrate that Jenny values the employees despite the closure of the factory.
Jenny will also need to use delegation. Delegation is where the manager hands over authority of tasks to an employee. Jenny can delegate many of her normal daily tasks to another senior manager to allow her to focus on the closure. This will give Jenny the time she needs to support staff and manage the closure of the factory without being interrupted with her normal tasks. This will help the factory close successfully.

Score out of 4 ______

Justification____

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Question 4

Mindy's Curtains & Blinds is a private limited company that sells and installs curtains & blinds to residential customers. The business has grown into a leader in the south eastern areas of Melbourne. It is known for having the most comprehensive range of furnishings along with outstanding customer service. Majority shareholder, Mindy, believes in hiring the best staff available to ensure the company's standards continue to exceed the rest of the market. However recently, Mindy has seen a rise in the number of customer complaints.

Justify an appropriate management style that Mindy could use to overcome the rise in customer complaints at the company **4 marks**

Sample answer 1

Mindy should use the consultative management style. The consultative style is where the manager seeks feedback from employees before making the final decision themselves. This style is characterised by two-way communication and centralised decision-making. The employees at Mindy's Curtains & Blinds (MCB) are highly skilled and knowledgeable which would provide a great opportunity for Mindy to seek feedback from them. These employees may have information on why the customer complaints have been rising and may even come up with new ideas on how to overcome them. This would allow Mindy to make a more informed decision as she will have the required details. With the employees making suggestions on how to overcome the customer complaints, Mindy will receive a larger pool of ideas which will help her make a stronger decision, helping MCB overcome the rise in customer complaints.

Score out of 4 ______

Justification____

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Sample answer 2

Mindy could use the consultative management style. The consultative style is where the manager seeks feedback from employees before making the decision themselves. This is characterised by two-way communication and centralised decision-making. The consultative style will help Mindy because it uses two-way communication. This allows employees to put forward their ideas which makes them feel more valued. Using two-way communication encourages teamwork amongst the employees which improves morale and will help build a strong culture at Mindy's Curtains & Blinds.

One issue with the consultative style is that it is more time consuming to seek feedback from all employees. Despite this drawback, the consultative style will help Mindy as she will be able to gather a larger pool of ideas which can help her make a more informed decision.

Score out of 4 ______

Justification____

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Question 5

Compare the autocratic management style with one other management style. **4 marks**

Sample answer 1

The autocratic management style is where the manager makes their own decisions and tells the employees what the final decision is. It uses one-way communication, from the manager to the employee. The employees do not get to put their ideas forward and have no direct involvement in decision-making. The autocratic management style is beneficial when decisions need to be made quickly. It is also beneficial when the employees lack experience. In these situations, the manager can make use of their own knowledge and experience to make an effective decision.

The consultative style is where the manager seeks feedback from the employees before making a decision themselves. It uses two-way communication by seeking this information from employees and it uses centralised decision-making. The consultative style can be beneficial when the employees have knowledge or vast experience in the area. This allows the manager to seek quality feedback so they are able to make more informed decisions

Score out of 4 ______

Justification____

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Sample answer 2

Both the autocratic style and the consultative style are ways in which a manager can lead their staff in the workplace. Both of these styles make use of centralised decision-making. This is where the manager makes the final decision themselves. However, a manager that utilises the consultative management style uses two-way communication with employees before making the final decision. They do this to seek feedback from employees before making the final decision. Whereas, the autocratic management style only uses one-way communication and does not seek feedback from employees before making a final decision. This can sometimes lead to lower morale in the employees as they have no involvement in the decisions that are made within the business. However, using the consultative style can sometimes lead to increased employee morale as they feel valued as a result of the manager seeking their feedback before making a final decision.

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Score out of 4 ______

Justification____

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Question 6

Many business owners understand the importance of having a positive corporate culture.

Explain the difference between a business's official corporate culture and its real corporate culture. In your response, refer to a contemporary business you have studied this year. 3 marks

Sample answer 1

Official corporate culture is the desired values and believes the senior leaders of a business want the people within the business to share. This can be seen in official documents such as the business's mission statement, stated core values or even in official policies. An example of the official corporate culture can be seen with Envato where they have set out the values they wish all employees to display in their work. Values such as Not Just The Bottom Line and Diverse and Inclusive are both examples of the official corporate culture at Envato. Whereas the real corporate culture is what the actual shared values and beliefs of the people within the business actually are. This can be seen in how the employees actually behave in the workplace, how they dress and how managers and employees interact.

Score out of 3 ______

Justification____

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Sample answer 2

The official corporate culture is what the business wants the culture to be. Whereas the real corporate culture is what the culture of the business actually is. While it would be idea if they were both be the same, this is not always the case and managers need to implement strategies to ensure the real culture matches the official culture. This can be seen at Google. Google creates an environment where the employees are valued at their work by providing benefits to employees. This helps build a positive culture within the business so that the employees are happy, resulting in them working hard towards business objectives. This shows the difference between the official corporate culture and the real corporate culture.

Score out of 3 ______

Justification____

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CHAPTER 2: HUMAN RESOURCE MANAGEMENT

What is Human Resource Management?

Human resource management is the process of managing the relationship between the employees and the business. It involves the effective use of people within the business to achieve its strategic objectives. Human resource management involves functions such as recruiting employees, training them, implementing strategies to motivate and retain them, managing their performance and their development as well as managing the end of the relationship when an employee leaves the business.

Early employee specialists were often more focused on administration and were responsible for the employee payroll and maintaining employee information. However, the competitive nature of the global labour market has seen many businesses use human resource management in a more strategic manner to try and attract and retain high quality employees.

A business can have the same products, the same amount of money, the same type of equipment and raw materials but it can't have the same employees. Therefore, the employees and how they are managed becomes part of the competitive advantage for a business. While not all businesses have employees, those that do, need to ensure they are managing their employees well so that the business is achieving its objectives. Medium and large sized businesses may have a dedicated human resource manager or team that leads the area of human resources. However, many small businesses will not have this luxury and it will be left up to a manager or owner to take on this responsibility.

Relationship between Human Resource Management and Business Objectives

Some businesses rely on heavy machinery and equipment to produce products or to mine resources. Others are more dependent on sophisticated technology to deliver their good or service. While others are more reliant on employees to deliver the service or perform the work within the business. No matter which resources a business relies most on, it is the human resources that enable the business to achieve its objectives. Employees are the ones that carry out the tasks that result in business objectives being achieved. Therefore, there is a strong relationship between human resource management and the achievement of business objectives.

The effective use of human resource management will ensure that the best employees are brought into the business, that the employees are in the correct roles, that they are well trained and are motivated. This ensures that the employee is able to work to a high level, helping the business achieve its set objectives.

"If you're trying to sneak out of work, you should at least get your coordinates right."

For example, a retail chain may have the objective to increase the net profits of the business. While other business functions such as the sales and marketing team may play a pivotal role in the achievement of this objective. So too can human resource management. The human resource manager may decide to implement ongoing training for the retail employees. Employees may receive product training so they understand the features of each of the products being sold as well as customer service training to improve the level of customer service being delivered. This can ensure each employee is able to service every customer more effectively which can lead to increased sales, improving the overall profits of the business.

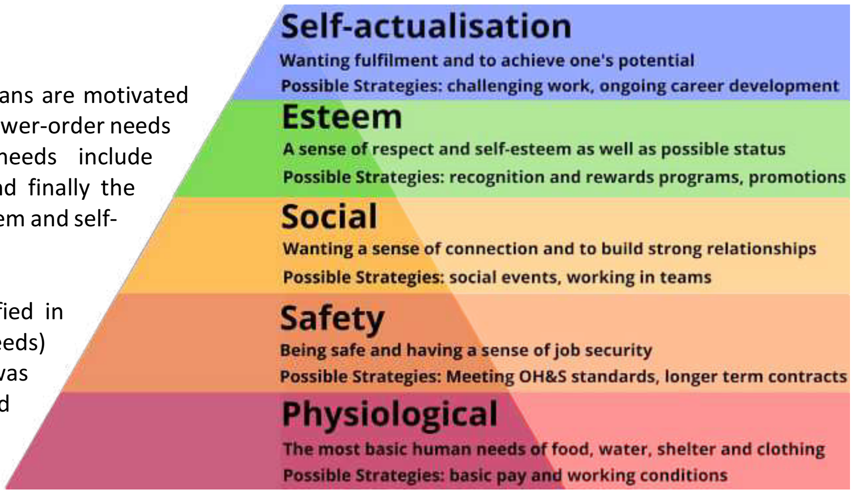
Because there are employees involved in all the aspects of a business, effective human resource management is vital to the achievement of the set objectives. The human resource manager implements strategies that enable the employees to achieve the objectives that have been set. Human resource management aims to have employees working to a high level so there is a greater chance of the objectives being achieved.

Exam Tip: 'Relationship' questions are often handled poorly by students in assessments. Students often simply describe the two terms. This can be good practice, however you must also express the relationship between them. Ask yourself, 'How do employees help businesses achieve objectives and how can human resource management assist in this occurring?' When we think of human resource management, it refers to concepts such as ensuring the correct employees are recruited, that the employees are motivated, well trained or provided with effective feedback. These concepts can improve the performance of employees. Having employees working at a high level can help them to work towards the achievement of business objectives.

Motivation Theories

Employee motivation is the drive and enthusiasm an employee has to work hard towards objectives. The more motivated employees are in a business, the more productive they will likely be, and the more willing they will be to work hard towards the achievement of business objectives. Businesses all over the world look for ways to motivate their employees because they know it can help them to gain a competitive advantage in the market place. Many studies have been conducted into what motivates employees. In this section we will look at three motivation theories; *Maslow's hierarchy of needs*, *Locke and Latham's goal-setting theory* as well as *Lawrence and Nohria's four drive theory*.

Maslow's Hierarchy of Needs



Abraham Maslow's research identified that humans are motivated by five sets of needs. He grouped the needs into lower-order needs and higher-order needs. The lower-order needs include physiological needs, safety & security needs and finally the social needs. The higher-order needs include esteem and self-actualisation.

Maslow stated that the needs had to be satisfied in sequential order (beginning with physiological needs) and the lower need would be a motivator until it was satisfied. Only when the lower need was satisfied would the employee be motivated by the next need in the hierarchy. This means that the physiological needs would be a motivator until they are satisfied. Once satisfied, it no longer provides motivation for the individual. They then become motivated by the next level in the hierarchy (the safety needs). This would continue up the hierarchy until the employee reached self-actualisation. Let's briefly elaborate on each of the five needs.

Physiological: these are the most basic human needs that consist of elements such as food, water and shelter. A business can look to satisfy the physiological needs by providing a wage and basic conditions to employees that will enable them to purchase goods and services that satisfy these basic needs.

Safety: at this level the employee is motivated by being safe at work and having a sense of job security. The business needs to ensure it is not only abiding by the Occupational Health & Safety legislation, but doing everything they can to provide a safe environment for employees. To address the issue of job security, the business can provide a number of strategies including ongoing employment through longer term contracts or ongoing training. Although training does not guarantee an employee a job in the future, it gives a sense of security as it is likely the business will want a return on their investment in the employee.

Social: here the employee is motivated to have a sense of belonging and wants to build strong relationships within the business. The business can provide opportunities for employees to meet and interact with each other. For example, a business may structure their employees in teams or organise social gatherings to help build stronger relationships.

Esteem: at this stage the employee is looking for a sense of competence, achievement and respect. The business can do this by providing a recognition and rewards program to show their appreciation for good work. This level, along with self-actualisation is where the employee can really begin to achieve great things for the business. The employee gains a sense of self-esteem by performing well in their job and being recognised for this good work.

Self-actualisation: the top level of Maslow's hierarchy is where the employee is motivated to achieve their best and be all they can be. The business can provide opportunities for career advancement and challenging work.

Exam Tip: Students often find it difficult to describe Maslow's theory. Take time to practice describing this theory. There are two important parts when describing Maslow's theory: 1. What it is and 2. How it works....And yes, it is important to know all the steps in Maslow's hierarchy in order! When describing the theory, students should ensure they mention each stage in the hierarchy in order.

Exam Tip: It is extremely common for students to state that Maslow's first level in the hierarchy is the "psychological needs". Ensure you state that the first needs are **"physiological needs".**

How can a manager use Maslow's theory to motivate employees?

A manager can use Maslow's theory to identify where an employee is on the hierarchy and then provide strategies to move them up to the higher-order needs. For example, a business that has recently had a rise in workplace accidents may identify that the employees are on the Safety level. The manager may then decide to close the workplace down until new safety measures are put in place. This could satisfy the safety need and move the employees up the hierarchy. However, an issue with this is that it can be very difficult for a manager to identify where each employee is on the hierarchy. It can also be difficult to monitor their progress up the hierarchy.

It is important for a manager to realise that they may have employees that are on different stages on the hierarchy. Some more experienced employees may be at the self-esteem level while a new graduate may be at the physiological level. The manager will therefore need to provide a range of strategies with the aim of satisfying all levels for different employees. This can be a drawback of using Maslow's theory as it can be difficult to identify where each employee sits within the hierarchy. This can be especially difficult in businesses where there are large groups of employees.

The aim is for the employee to continue to move up the hierarchy so they will have long-lasting motivation. If a business simply provides good pay and job security, the employees will not be motivated in the long term. They will stall at the love and belonging level until it is satisfied. It is therefore important that a range of strategies are implemented to ensure that employees can continue to move up the hierarchy and work towards the higher order need. Providing this range of strategies can therefore be difficult and sometimes expensive to implement for all employees.

Exam Tip: While it seems simple, students need to ensure they read the question in the exam carefully. An example of this was in the 2018 exam when students were asked to describe Maslow's hierarchy of needs and explain how it could be applied to the provided case study. Many students were able to apply Maslow's hierarchy well, but failed to describe the theory. When a question asks you to describe something (Maslow's theory in this case), ensure you describe it. Answering all of the question gives students the best chance to receive full marks.

Exam Tip: The study design states that students need to be able to apply business management knowledge to practical and/or simulated business situations. This means you need to be able to apply Maslow's theory. When doing so, students need to read and comprehend the case material. For example, in the 2016 exam, students were asked to justify two strategies to improve the corporate culture using Maslow's theory of motivation. Many students justified strategies around remuneration to satisfy physiological needs and ongoing contracts to satisfy safety needs. However, the employees in the case study were not dissatisfied with their wage or job security. In the event that a similar question is asked in future exams, higher achieving students will be those who are able to identify this and provide strategies to satisfy the appropriate level in Maslow's hierarchy.

Exam Tip: The study design states that students need to be able to interpret, discuss, compare and evaluate business information, theories and ideas. This requires you to know the similarities and differences between the motivation theories. We will get to this at the end of the theories section. It also requires students to know the strengths and weaknesses of each of the theories. We will adress this at the end of each specific motivation theory.

Maslow's Hierarchy of Needs	
Strengths	**Weaknesses**
Provides a scaffold for managers to use when motivating employees	It is not always easy to identify where an individual is on the hierarchy, making it difficult to know which strategies to focus on
The needs theory provides information based on motivation for an employee throughout their entire work life	It can be difficult to monitor the progression of an individual up the hierarchy as a strategy will satisfy the need for some employees but not others. For example, some employees on a 12 month contract may feel a great sense of job security, while others on a similar contract may feel this is not secure enough and would like an ongoing contract
The theory is easy to understand. Once a need that is not being satisfied is identified, the relevant strategies need to be implemented	There is no empirical evidence that motivational power of a need diminishes once it has been satisfied. For example, some employees will be motivated for pay even though the physiological needs are being met

Goal Setting Theory (Locke and Latham)

Edwin Locke and Gary Latham found in their research that employees are more motivated by goals that are challenging but attainable. They found a direct correlation between challenge and motivation, where the greater the challenge the greater the motivation, as long as the employee believed they could still attain the goal. They found that employees were more likely to be motivated by goals that were specific, rather than vague or unclear goals. Through their research they also discovered that feedback was important for employees in order to maintain motivation towards the set goal. Locke and Latham's goals setting theory states that in order to provide motivation for employees, goals should be based around 5 key principles:

1. **Clarity**: Clear goals help give the employee a specific direction to work toward. They know exactly what needs to be achieved and how it will be measured. Goals that are vague are difficult to measure and do not provide as much motivation for the employee as clear and specific goals. For example, if a goal is to simply "take initiative" it is difficult for the employee to know exactly how to achieve this successfully. However, if the goal is to generate five new leads each week for the month of March, they know exactly how their performance will be assessed and can take initiative

on how to achieve this goal. It is ideal if a goal is given a timeframe so the employee understands when it needs to be achieved. This allows them to plan and coordinate resources to assist them in the achievement of the goal.

2. **Challenge**: As mentioned earlier, the more challenging a goal, the more motivation it can provide. This means that goals need to extend employees, so that they can work hard to achieve them, but without being too ambitious such that employees feel the goals are beyond their reach. Well thought out goals give employees drive and a sense of satisfaction that they are getting the best out of themselves. It will always remain a challenge, however, for managers to find the right balance such that the optimal level of motivation is achieved, where goals are neither too challenging nor too easy.

3. **Commitment**: Locke & Latham found that higher levels of motivation were created if the employee was committed towards the achievement of the goal. If the manager sets the challenging goal themselves, they need to find a way to get the employee on board and committed to the cause. This can be achieved by expressing the importance of the goal and its relevance to the employee. However, they found that if the goal is assigned to the employee tersely (e.g. "Do this…."), without explanation, it often fails to gain commitment and the effort towards achievement is much lower. An alternative method to assigning goals is to include the employee in the setting of the goal. Goals can be set collaboratively between management and the employee. This ensures that management can help align the goal with business objectives yet the employee is likely to take more ownership over the goal and become more committed as they have been involved in setting the goal. This can also help build strong relationships between managers and employees. It also helps with the 'buy-in' of the goal where the employees are committed to achieving the goal. Providing incentives for the achievement of the goal can also help gain employee commitment in some situations.

4. **Feedback**: The manager should provide constructive feedback to the employee during the process of working towards a goal. Without this feedback, the employee will find it difficult (or impossible) to alter the level or direction of their effort. Feedback is most effective when it is given soon after the relevant action and is specific enough to guide future behaviour. An employee is then able to adjust their work where necessary. The feedback provided should be ongoing, as difficult goals can take time to achieve. By providing regular feedback on the progress of a goal, it can help the employee to feel appreciated for their efforts, even though the end goal may seem far away. This concept helps to celebrate the progress of the achievement as well as offering advice on ways to improve progress towards the goal. The feedback can also come in the form of a reward or recognition that the employee receives after they have achieved such a difficult goal.

5. **Task complexity:** While goal difficulty is an important aspect, the manager must be careful that the complexity of the goal is not completely beyond the ability of the employees. Managers sometimes feel that they should 'throw the employee in the deep end and see if they can swim'. However, this can have a negative effect on motivation if the goal is simply too complex. While goals should extend employees to areas they may never have been before, the goals should still be tailored to the abilities of employees. This helps to ensure that goals can be achieved, providing employees with a sense of achievement and enabling the business to achieve its wider objectives. If tasks are complex for the employee, support can be provided to assist with the attainment of the goal. For example, training or support, such as a mentor, can be implemented to assist the employee. Breaking down a complex goal into smaller, more manageable, parts is another way to improve motivation.

Key elements of Locke & Latham's goal setting theory

How can a manager use Locke & Latham's theory to motivate employees?

Goal setting is an important part of success. Quite simply, a manager can improve employee motivation by setting clear and specific goals that provide a challenge for the employee so long as the goals are not overwhelming. The more commitment the employee has towards the goal, the harder they will work towards its achievement. To achieve this, the manager may decide to express the importance of the goal in a convincing manner, include the employee in the setting of the goal, or provide incentives for its achievement. Constant constructive feedback should be provided to ensure the employee remains on track. Using this theory to motivate employees can have some drawbacks.

Exam Tip: In past exams many students have described Locke's theory with the S.M.A.R.T principles. The S.M.A.R.T principles alone do not address Locke's theory in its entirety as they do not address the the concept that goals need to be challenging. It is encouraged to not use the S.M.A.R.T principles when describing Locke & Latham's theory.

Goal setting theory	
Strengths	**Weaknesses**
The goals are usually aligned with the objectives of the business, therefore motivation towards the goal helps the business achieve their own objectives	It can be time consuming to set goals for employees. It can also be challenging for the manager to set goals that are not too challenging or overwhelming as the ability of each employee will vary in the business
If the manager sets the goals collaboratively with the employee and provides the constructive feedback, it can help to build positive relationships between management and employees	When a goal has been achieved, a new goal needs to be set. This can be a continuous cycle which can be draining on the employees and managers
Due to the challenging nature of the goals, the employees are likely to continue to develop their skills and knowledge	Failure to meet a goal can harm an employee’s self-esteem, negatively impacting their performance
The employees know exactly what they need to achieve because there is clarity with each goal that is set	Focusing constantly on specific goals can make it difficult to change focus and assist in other areas of the business when needed. This can particularly be the case when incentives are tied to the achievement of a goal. Some employees may not want to assist in other areas while they focus on their goal

Case Study

Google: Setting challenging goals through OKR

Google provides a good example of a company that, while not explicitly stating they use Locke and Latham’s theory, exhibits many of its principles in how they set goals for their employees.

Clarity and Challenge

Google uses the Objectives and Key Results (OKRs) framework for goal-setting. This method ensures clarity as objectives are clearly defined and key results are specific, measurable outcomes that monitor the achievement of these objectives.

The goals are often ambitious, aligning with the 'challenge' aspect of Locke and Latham's theory. For example, setting objectives around groundbreaking technology developments or significant market expansions.

Feedback

Google places a strong emphasis on continuous feedback. Managers and teams regularly review progress on OKRs, and this feedback is used to make adjustments to the work of the employees as they work towards the set objectives. Employee performance reviews, peer reviews, and 'TGIF' (Thank Google It’s Friday) meetings are part of Google’s culture, providing platforms for open communication and feedback on the work of the employees.

Task Complexity

The nature of Google's work in technology and innovation, many objectives involve complex tasks. However, they support ehir employees through resources, training, and a collaborative work environment, helping them navigate and achieve complex goals.

Source: https://www.workpath.com/magazine/okr-google

Four Drive Theory

Lawrence and Nohria from Harvard Business School found that employee motivation is a fundamental part of humankind's makeup and humans have four key drives that are hard-wired in the brains of all humans. They are hard-wired because they have come from our evolutionary past and they shape the way all humans think and behave. The four drives are:

1. ***The Drive to Acquire:*** this is where the employee has the drive to acquire both material goods and status. We all have a drive to acquire objects and experiences that improve our status relative to others. The drive to acquire has humans seeking material items that enable them to survive (e.g. food and shelter) as well as items that make them feel good and may even provide a level of status amongst their peers. It was found that the drive to acquire is rarely satisfied as humans often want more goods, services and greater status distinctions.

   Lawrence and Nohria found that employees are driven to acquire, leading to a drive to achieve more and rise in status within the business. It is therefore important for managers to set up recognition and rewards programs (not just base pay) that help employees to work towards achieving their goal of acquiring more material possessions and enhancing their status in life. The way employee performance is evaluated needs to be clear for employees to ensure they know how to work towards achieving set goals. This helps employees to strive to achieve bonuses and improved status. The business can allow the employee to advance their career to help improve their status within the business. However, this is difficult to implement for all employees as there will naturally be an insufficient number of promotions to accommodate all employees.

   Another issue with the drive to acquire is that it can become an expensive drive for the business to satisfy. Because the desire to acquire more rarely stops, businesses may find it difficult and expensive to provide bonuses or rewards to all employees on an ongoing basis. Accordingly, a financial reward that allows the employee to acquire material goods and/or a sense of status will help to satisfy the drive for a short time. However, the individual is then driven for more because that one reward is often not enough. This can therefore become an expensive exercise for any business.

2. ***The Drive to Bond:*** this drive reveals itself in the urge of employees to make connections and seek relationships with others within the workplace. Managers are encouraged to be people-centred to help satisfy this drive. They should also create opportunities for social interactions. Collaboration and teamwork should be valued at the workplace, which helps employees to feel connected as part of a group or team. Employees will then go out of their way or extend themselves to help people within their group. These relationships help develop a positive culture and can improve job satisfaction.

   The drive to bond is centred around the the human traits of love, caring, trust, empathy, friendship, loyalty and compassion. To help satisfy this drive, managers need to consider these traits when interacting with employees. Managers need to also find ways to enhance the bonds between employees within the business. Employees that feel as if they belong in the business, and have strong relationships, will often do more than is stated in their job description and therefore put more effort into their work.

3. ***The Drive to Learn:*** this drive is about employees having an innate drive to satisfy their curiosity and develop a deep(er) understanding of their work and their environment. Humans often want to know how things work and will puzzle over the causes and effects. The drive to learn can be satisfied by developing a feeling of understanding. Managers should look at how they can create challenges for the employees and provide them with opportunities to grow and enhance their knowledge and skills. By creating new experiences, challenges and opportunities to learn, employees are more likely to be motivated and engaged. The manager needs to ensure that employees are constantly challenged and that their tasks do not become routine or rote. Ongoing training programs, job sharing and involvement in decision-making can help to achieve this. When satisfying this drive, the business also benefits. Not only does it provide motivation for employees, but these employees are likely to find new and improved ways of doing things if they are empowered to satisfy their curiosity. This can improve processes within the business, as well as improve productivity growth.

Satisfying this drive can often come at a financial cost. Offering training programs or allowing employees to undertake their own personal development that takes them away from work for periods of time, can cost the business money, which is a downside of this drive.

4. ***The Drive to Defend:*** This drive shows employees want to defend themselves and their accomplishments as well as the business whenever they feel threatened. When an employee feels as though they are being questioned in areas such as the quality of their work, their decision making, or even their job position, it will likely stimulate the emotions of fear, anger or anxiety. These emotions drive the employee to defend themselves and their position within the business. Employees can also feel a sense of pride for the business and want to defend it against attacks. These attacks could come from competitors, the economy or even rumours. The employees also want to ensure they are safe in the workplace physically and mentally. Employees need to feel as though they can trust the people within the business to look out for their interests. Providing support for employees when required, being open and honest with employees and having grievance procedures in place, are all strategies that can help managers satisfy this employee drive.

   The drive to defend is more latent, and does not need to be satisfied unless the employee feels threatened in some way. Managers should be aware of their interactions with employees such that the manager displays strong interpersonal skills and is supportive. The business needs to ensure that performance reviews are conducted fairly, and processes are put in place for grievances to be dealt with. This ensures that employees are treated fairly and consistently across the business.

It is important to note that each of the four drives can occur at the same time and often work independently of each other. The drive to acquire, the drive to bond and the drive to learn are active drives and managers need to provide opportunities for the employees to satisfy each of these drives. However, as mentioned earlier, the drive to defend is a latent drive and does not need to be satisfied until the individual feels the need to defend themselves or something they value. Individuals may have a drive that is more dominant than the others, and the more dominant drive can change over time. However, if one drive is significantly more dominant than the others, it can cause problems for the individual. For example, if an employee is very dominant in the drive to acquire, it can cause social issues as they continue to strive for money and status.

How can a manager use the Four Drive theory to motivate employees?

Many businesses use pay and conditions to motivate their employees. They often feel that by providing financial incentives, employees will be highly motivated. According to this theory, monetary rewards are only one of a number of motivators, with employees being driven or motivated by much more. A manager, therefore, needs to implement strategies that will satisfy each of the other three drives identified in the 'Four Drive theory'. They should create opportunities for social interactions, offer challenging work and develop a strong purpose that employees believe in. Accordingly, if a business was to rely too heavily on one drive, employees are less likely to be fully motivated.

As mentioned throughout the drives, there are drawbacks to this theory. It can be difficult to satisfy each of the drives for all employees. For example, the drive to acquire is about achieving status and power. As mentioned earlier, a business can satisfy this by implementing career advancement opportunities. However, it is near impossible to promote everyone within a business and therefore difficult to satisfy this drive for all employees.

Four Drive Theory	
Strengths	**Weaknesses**
The theory demonstrates that while money is important, there are other factors that drive individuals, helping a business gain an advantage if they can satisfy each of the drives	It can be challenging to satisfy each of the drives for all employees. For example, not all employees can achieve a level of status they are happy with as not all employees can be promoted or receive top bonuses
Satisfying the drives, will help develop a positive culture. For example, satisfying the drive to bond and the drive to learn can create a culture where the employees have strong relationships and are developing their skills and knowledge	Because there is no sequence for the drives, one can be more dominant than the others. This can be a different drive for different employees, making it difficult for the managers to identify which drive to focus on for each individual

Exam Tip: The 2021 exam asked students to describe two drives and explain how each could improve one of the key performance indicators in the case study. Many students were able to describe the drives but failed to provide enough detail on how the drive could improve the KPI. This demonstrates the importance of not only being able to remember the drives, and what they are, but the value of 'applying' the drives in the context of the question and the case study material that is provided. Remembering content is important, but understanding and applying the content to the question is even more important.

Comparing the motivation theories

The skills section of the study design states that students need to be able to compare the motivation theories. This requires an understanding of the similarities and the differences between each of the theories. The tables below provide some examples of similarities and differences between the motivation theories. Included in these similarities and differences are the concepts of 'intrinsic' and 'extrinsic' motivation. Below is an explanation of what these terms mean.

> *Intrinsic* motivation is the drive that comes from within an individual. This can be the satisfaction that comes from the job itself including the challenge it provides, the variety of tasks that are performed or a level of significance felt from doing the job. The satisfaction and the internal desire to perform the job is what the concept of intrinsic motivation is all about.
>
> *Extrinsic* motivation is the drive that comes from outside the individual. This is normally seen in the form of an external reward (or punishment) that is provided to the employee to encourage them to work towards something. These extrinsic rewards can come as financial rewards (e.g. bonuses, good base pay or profit sharing), or non-financial rewards (e.g. career development, work-life balance or leadership coaching)

Maslow's Hierarchy of Needs and Goal-Setting Theory	
Similarities	**Differences**
Both are based on 5 key factors that are important in motivation	Maslow's theory is a hierarchy where each need must be satisfied before moving to the next level in the hierarchy. Whereas the goal setting theory is not based on a hierarchy
Both demonstrate the importance of intrinsic and extrinsic motivators. E.g. Maslow's physiological needs (money and working conditions) and safety are extrinsic motivators. This is similar to the feedback or rewards for achieving a challenging goal. Maslow's esteem and self-actualisation needs are often more intrinsic motivators where the employee wants to feel satisfaction in their work and be challenged. This is similar to being set a challenging goal in the goal-setting theory	The goal-setting theory has a distinct end to the motivation (when a goal is achieved) and then a new goal needs to be set. Whereas, Maslow's theory is more ongoing without a distinct end
Both theories can impact positively on relationships. This can be seen in Maslow's social need. It can be seen in the feedback principle of the goal setting theory where the manager needs to have a relationship to provide ongoing, constructive feedback to the employee	The goal-setting theory is based on goal setting only to provide motivation for employees, whereas Maslow's theory is based on many other factors

Maslow's Hierarchy of Needs and Four Drive Theory	
Similarities	**Differences**
Both theories are based on similar factors that motivate individuals. E.g. the drive to bond is similar to Maslow's social need	Maslow's theory is a hierarchy where a need must be satisfied before moving to the next level in the hierarchy. Whereas the four drive theory is not based on a hierarchy
Many of the factors in each theory are similar. For example: • **The drive to learn is similar to the self-actualisation need** • **The safety needs are similar to the drive to defend** • **The drive to bond is similar to Maslow's social needs**	Maslow's states that only one need is a motivator at a time, whereas Lawrence and Nohria state that all of the four drives can occur at the same time
Both demonstrate the importance of intrinsic and extrinsic motivators. E.g. Maslow's physiological needs (money) and safety are extrinsic motivators. This is similar to the drive to acquire. Maslow's esteem and self-actualisation needs are often more intrinsic motivators. The drive to learn is more of an intrinsic motivator	Maslow's hierarchy is based on 5 different needs, whereas the four drive theory is only based on 4 human drives

Four Drive Theory and Goal-Setting Theory	
Similarities	**Differences**
Concept of achieving goals is similar to the drive to acquire (both a sense of achievement and potential to be rewarded financially).	The four drive theory is based on a range of innate drives that motivate individuals, whereas Locke & Latham's theory simply states the important attributes in goal-setting.
The drive to learn is similar to the goal-setting theory in that the employee would be challenged and learn from the ongoing feedback provided by the manager.	Individuals achieve one goal at a time before setting a new goal whereas the business needs to provide opportunities to meet all drives in an individual.
Both demonstrate the importance of intrinsic and extrinsic motivators. E.g. The drive to acquire can be seen as an extrinsic motivator. This can be similar to the feedback and potential reward for achieving a goal. The drive to learn is more of an intrinsic motivator which is similar to the concept of being driven to achieve a challenging goal.	The goal-setting theory is based on 5 key principles for setting goals, whereas the four drive theory is only based in 4 key drives.

Exam Tip: Question 3 in the 2023 exam asked students to compare Maslow's theory with one other motivation theory, and in the response refer to a quote that was provided in the question. It was clear that most students understood the motivation theories, yet many students spent too long describing them rather than focusing on comparing the theories. Students need to ensure they are addressing the task word in all questions. Students that were able to demonstrate their understanding of the two motoivation theories by explaining the similarities and differences between them were able to score marks in the high range. Those that only described the two theories were more likely to score in the low range.

Motivation Strategies

Motivating employees is a key function of business as it can lead to increased productivity, improved employee retention and the achievement of business objectives. Take a moment and think to yourself, what is motivating you to achieve your best in Business Management this year? If you aren't motivated to do well, what could your teacher do to try to motivate you? These are key questions that business managers need to ask so they can have a motivated workforce.

In the previous section we covered three key theories that looked at what leads to employee motivation. In this section we can look at different strategies (specific actions) businesses of all sizes can use to motivate their employees. Some key strategies are summarised below.

Exam Tip: The study design states that students need to be able to discuss, compare and evaluate business information, theories and ideas. If is therefore important that you know the advantages and disadvantages of each of the following motivation strategies. This will allow you to tackle the discuss and evaluate task words. You also need to be able to address the similarities and differences between the motivation strategies.

Performance related pay:

Performance related pay is where the remuneration (e.g. wage or pay) of an employee is tied to their performance within the business. Often the employee will be given pre-arranged objectives or performance targets they need to achieve in order to increase the money they earn. This strategy is based on the premise that an employee will be motivated to achieve higher targets in order to be rewarded with higher wages. It also reinforces or enhances future performance, as after the employee has received a higher rate of pay they are motivated to continue into the future. Some common performance related techniques include:

- Workers being paid a specific amount for each output they produce
- Bonuses – One off payments for the employee achieving set targets or objectives. These can be based on the individual's performance or they can be based on the overall performance of the business where everyone receives a set bonus.
- Commissions – where the employee receives a portion of the sales that are made
- Share plans – where the employee receives shares in the company for outstanding performance. The employee has ownership in the business and will share in future profits through dividends
- Profit sharing – The business may decide to offer a percentage of the profits to the employees if they hit certain targets.

Advantages of performance related pay	Disadvantages of performance related pay
It can help attract highly skilled employees that believe they can comfortably achieve their targets and be rewarded for it	If assessment is subjective, employees can feel hard done by if they feel they aren't assessed fairly
Goals and targets are normally clear and specific	It can create a competition based culture which ca cause conflict between workers
Gives employers the flexibility to pay high achieving employees	Employees that are already intrinsically motivated can lose motivation if they now become motivated by money in the short term
Has the potential to weed out lazy workers	Outcomes are rewarded despite the effort or processes used

The effect on short-term and long-term motivation

Performance related pay is an extrinsic motivator, meaning that behaviour is driven by external rewards (i.e. money). The notion of rewarding an activity or outcome which will lead to the employee wanting more of it is typically more effective in the short term. Individuals will often experience a quick boost in motivation, as they strive to receive the financial reward. This can motivate them to work just as hard again. However, if these types of performance pay strategies are used over the long-term, they can harm motivation. As targets become harder to reach, and when the employee becomes comfortable in their financial situation, these performance related pay methods have the potential to reduce employee motivation if they are over-used.

Share plans and ongoing profit sharing can improve motivation over the longer term as they offer rewards that are related to the ongoing performance of the business. For example, employees that become part owners of the business after they have demonstrated long standing commitment and service to the business are likely to be more committed to the business over the long term.

Burgertory

In 2022, Victorian Burger chain, Burgertory, offered approximately 10 per cent of the business's profits to employees that met targets with their food presentation and quality of customer service standards. With hospitality workers difficult to find and retain after the COVID-19 pandemic, the performance based pay scheme set Burgertory apart from its competitors.

Burgertory is one of the largest independent burger chains in Australia and is looking to expand. Anecdotal evidence suggests that there has been an increase in employee motivation and staff retention, which is viewed as a success in such a tight labour market.

Source: 7news.com.au

Career Advancement

Career advancement is where an employee is given opportunities to develop their skills and take on a new position in the business, one that involves increased responsibility. Career advancement is a strategy to motivate employees as the employee becomes driven to further their career and take on this greater responsibility. While career advancement is a strategy for all businesses with employees, there is greater scope for larger businesses to offer these opportunities, due to the size of their workforce and the varying managerial positions available.

The term career refers to the sequence of jobs that individuals hold during their work histories, regardless of their occupation or level of leadership. Not all employees will climb the corporate ladder and take on senior management roles. However, many employees would like the opportunities to take on greater responsibility or be provided the opportunity to take on new roles within a business. Employees are less likely to stay in the same job for their entire career these days and look for opportunities to take on new challenges. Businesses that provide these opportunities for employees to advance their careers in these ways, help to increase the motivation of employees.

Advantages of Career Advancement	Disadvantages of Career Advancement
Reduced staff turnover as employees are encouraged to take on greater responsibilities in the business rather than seeking these opportunities elsewhere	It can be difficult to provide career advancement for all employees, resulting in some employees missing out on promotions. This can cause resentment from these employees
Helps build a positive culture as the business promotes from within. Employees can feel valued by the business	If the business is only promoting from within, there may be a lack of outside perspective
Can lead to long term motivation	Employees may receive a promotion that is beyond their capabilities as they have not completed work in that role previously

The effect on short-term and long-term motivation

Career advancement can have a positive impact on both the short-term and long-term motivation for employees. Advancing one's career is an intrinsic motivator, where the employee is motivated from within to enhance their career, leading to long-term motivation. Employees will often envision the type of responsibilities they would like to have in their long-term future. This appeals to their sense of ambition around increased responsibilities. If a business is able to offer career advancement, these employees are more likely to be motivated to work hard as they progress towards their ideal job within the business over the long-term. However, the anticipation of career advancement can also boost short-term motivation. Employees might increase their engagement and productivity in the short term to prove their capability for the upcoming role. The recognition that comes with career advancement, and the opportunity to develop new skills, contribute to both immediate and enduring motivation. Whether it be a new challenge in the business at the same level they are currently working, or if they are taking on more responsibility with greater leadership, the employee may develop increased drive as they are excited to take on the new challenge. This can provide the stimulus the employee needs to continue to work hard in the business as their skills and abilities are being recognised and appreciated.

Investment in Training

Investment in training is where the business devotes resources to the process of enhancing the knowledge and skills of their employees. This enables the employees to improve their abilities and perform their job at a higher level. Training can be a major expense for a business, which can lead to it not being a priority, especially for those businesses with small(er) budgets. Training should be seen as an investment in the business's future, not just an expense. Well-trained employees contribute to the business's efficiency, innovation, and competitiveness, which can motivate the business to continue investing in training

Employees become motivated by training as their skills and knowledge are enhanced. This provides them with more confidence to perform well in their job. It is important for businesses to invest in training and develop their employees to either gain or maintain a competitive advantage. A workforce that is filled with eager employees that are passionate about what they do, can help a business to achieve difficult objectives. Employees in this situation often want to learn more about the business (and the industry) and improve their own skills so they can enhance their performance. A business that invests in training allows this type of intrinsic motivation to flourish. Some advantages and disadvantages of investment in training as a motivation strategy are summarised below.

Advantages of Investing in Training	Disadvantages of Investing in Training
Employees perform better at their job which helps the business achieve objectives	Expensive to conduct training
Develops a learning culture	Loss of productivity when the employee is being trained
Employees feel valued because the business is investing resources in them	Overtraining employees can lead to increased stress for the employee and poor motivation

The effect on short-term and long-term motivation

If an employee is having difficulty performing certain tasks in their current role, a training program to boost skills can help improve their performance and confidence, which motivates them in the short-term. Employees will often lack self-confidence if (they believe that) they are not good at their job. This can cause stress and anxiety, which often results in high levels of staff absenteeism or staff turnover. However, effective training programs will improve the skills of the employees, which improves their level of self-confidence and motivation to perform their work.

Investing in ongoing training, where employees are encouraged to continuously improve by learning new skills, can have a positive impact and create long-term motivation. Training enables employees to take on challenges within the business, which improves the level of motivation the employee has in their work. Ongoing training helps to motivate employees towards the long-term vision of themselves as employees of value to a business, improving their long-term motivation.

Support Strategies

Support is where a business provides individual assistance and services designed to help employees cope with problems that negatively affect their lives and work performance. It is important that businesses understand that their employees will sometimes come across adversity in their personal life or in the workplace. The business plays an important role in providing support services that can help the employee work through these adversities.

Support can come in many forms. One example is an **Employee Assistance Program** (EAP), which is a confidential counselling service, offered by employers to their employees to help support their well-being in the workplace and personal lives. This type of support can help employees in the short-term to address and potentially overcome the problems they are facing which can help the employee regain focus and motivation. The counselling services are confidential and independent services and are paid for by the business. This helps to give employees the privacy they require to improve their mental health.

Another support mechanism a business can provide could be a **mentoring** program. When new employees come into the business, it can take them time to adjust to their new surroundings. A mentoring program, similar to those set up in schools to transition young students entering prep or year 7, assigns a designated mentor for the employee to provide them support during the first year (or longer) of their employment. This mentor can provide guidance and advice for the employee when required. This can help the employee to build relationships within the business, which can lead to improved motivation.

Businesses may also provide either financial support or financial support services to employees in need. This may be an advance on an employee's pay or access to financial services providing advice on issues such as superannuation or insurance. Businesses can also provide more information support mechanisms, such as team building activities or an open-door policy, which can play a significant role in creating a supportive work environment. This supportive culture can enhance overall employee engagement and satisfaction, contributing to both short-term and long-term motivation. Some advantages and disadvantages of support as a motivation strategy are summarised below.

Advantages of Support	Disadvantages of Support
Helps to improve the mental well-being of employees	Depending on the support provided, it can be expensive for the business
Employees feel valued, increasing their commitment to the business	Although confidentiality can be an advantage in an Employee Assistance Program, it can make it difficult for a manager to show emotional intelligence if they don't know which employees are having difficulty
Helps develop a supportive culture where the employees are collegial and care for each other.	The level of supports provided can sometimes be subjective, making it difficult to deliver supports fairly to everyone.
It can reduce absenteeism and staff turnover	

The effect on short-term and long-term motivation

Support helps the employee feel valued within the business, which can provide the short-term motivation to perform at a high level. An employee that receives some form of support when they are finding things difficult (or have made a mistake) can feel appreciated and respected, which motivates them in the short-term to get back to work. A supportive environment can create a culture where the employee feels others 'have their back' and will look out for them. This understanding that the business and its people will be there for them, can create long-term motivation for employees.

Sanctions Strategies

A sanction is a penalty for poor performance or disobeying a business policy. Sanctions may be important to ensure that all employees are safe in the workplace. They can range from a verbal warnings, through to a formal discipline process that can result in termination in the event of continual breaches of policies established by the business. Some employees may be motivated through fear of being sanctioned, while others that see an employee being sanctioned may be motivated to follow company policy as they do not wish to be sanctioned themselves.

Sanctions can be a risky strategy as some employees may resent this and react against it. This can cause conflict within the business and harm the relationships between the manager and employees. Some advantages and disadvantages of sanctions as a motivation strategy are summarised below.

Advantages of Sanctions	Disadvantages of Sanctions
Some employees are motivated more by sanction than incentives	Often normally a short-term motivator
It can get some employees motivated to act quickly for fear of being sanctioned	May harm the working relationship between the manager and the employee.
	It can cause resentment and conflict within the business

The effect on short-term and long-term motivation

As mentioned earlier, sanctions are often seen as only a short-term motivator as they can get an employee motivated to do the right thing immediately. Managers that implement constant sanctions for employees as a way to motivate them, risk a negative impact on the long-term motivation of employees. While sanctions can ensure that employees continue to do the right thing in the short-term, constant sanctions as a motivator can result in a poor culture, where employees don't feel valued which can demotivate employees in the long-term.

Exam Tip: The 2021 exam asked students to propose and justify a strategy that could be used to improve the employee motivation at a gaming store. Most students were able to provide an appropriate motivation strategy. However, lower scoring responses failed to apply the strategy to the gaming store and what was occuring at the business. During SACs and the exam, it is important to apply your response to the case material when the question expects you to. In this question, students that scored highly were able to express not only how the strategy can improve motivation of employees, but they were also able to express how the strategy can provide motivation for the employees with respect to the stuation at the gaming store (which was being sold to new owners resulting in a reduction of staff).

Exam Tip: Motivation strategies was the concept in the 10 mark question for the 2020 exam. This question asked students to evaluate two motivation strategies and then justify which would be most appropriate for short-term motivation and which would be most appropriate for long-term motivation. It is important in an evaluate question such as this that students address both sides. In this case, students needed to express the benefits and limitations (or disadvantages) of each motivation strategy that was addressed. Students often fail to do this, making it difficult to receive full marks.

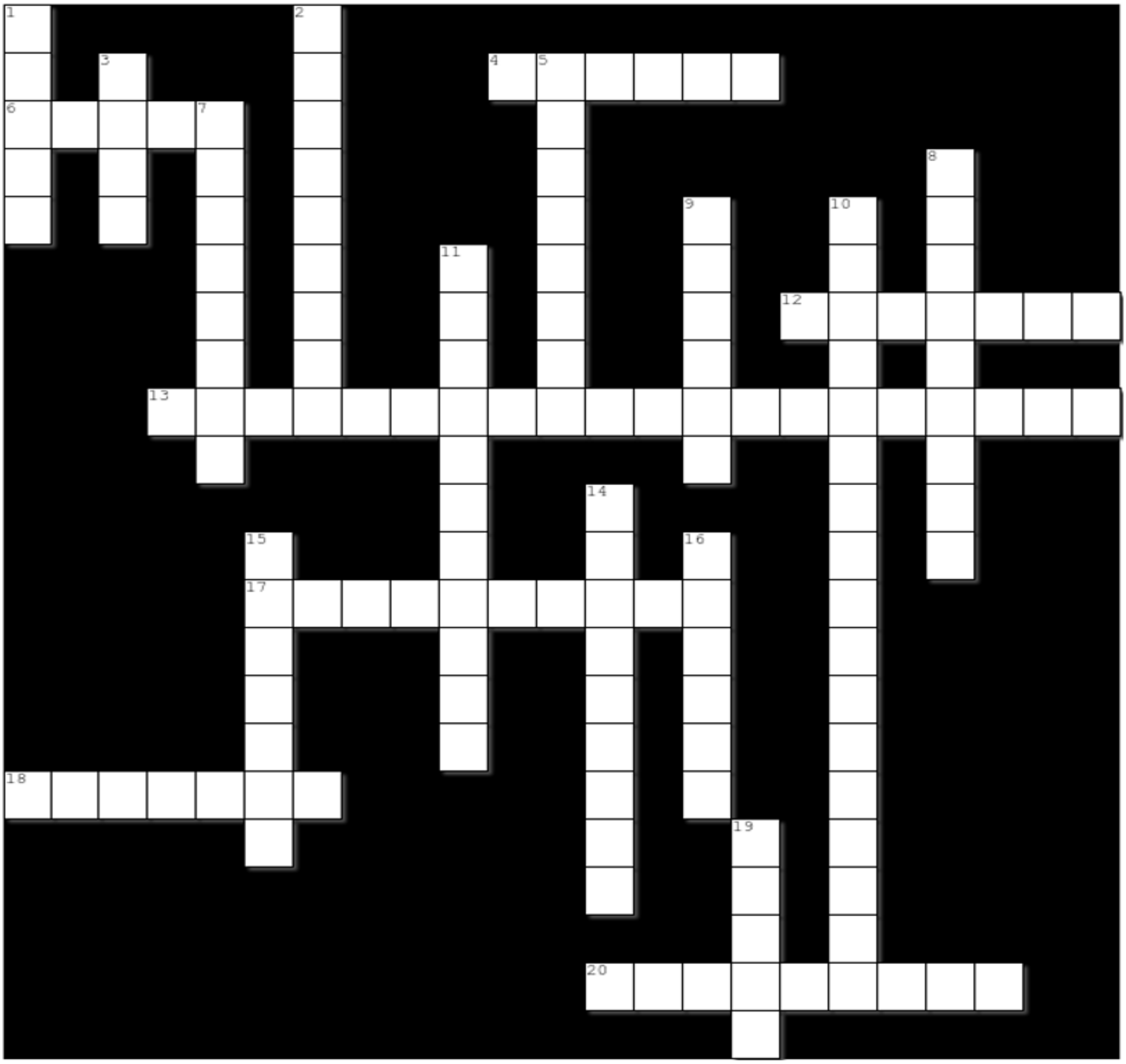
Exam Tip: Ensure you can distinguish between motivation strategies and motivation theories. In the 2017 exam students were asked to describe an appropriate motivation strategy. Many students described a motivation theory and did not receive marks. A similar thing occurred in the 2020 exam. In the 10 mark question, some students wrote about motivation theories instead of motivation strategies.

Exam Tip: The study design requires students to know the advantages and disadvantages for each of these motivation strategies. This could easily turn into a discuss or evaluate question.

REVISION QUESTIONS 2 – Employee Motivation

1. **Identify Maslow's five human needs.**
2. **Describe Maslow's motivation theory.**
3. **Explain how a manager can use Maslow's theory to motivate staff.**
4. **Explain the relationship between motivated employees and business objectives.**
5. **Describe Locke and Latham's goal-setting theory.**
6. **Outline the relationship between challenge and task complexity according to Locke and Latham.**
7. **Explain how a manager can use Locke and Latham's goal-setting theory to motivate employees.**
8. **Outline the disadvantages of using Locke and Latham's goal-setting theory.**
9. **Identify the four human drives according to Lawrence and Nohria.**
10. **Describe each of the four drives and explain how they provide motivation for employees.**
11. **Explain how a manager can use the Four Drive theory to motivate employees.**
12. **Compare the key elements of Maslow's hierarchy of needs with Lawrence & Nohria's four drive theory.**
13. ***Phyllis is the owner of a recruitment firm. She ensures her employees are well remunerated and have provided fantastic career advancement opportunities. However, she has found that many of the employees are still lacking motivation.***
    Describe the Four Drive theory and explain how Phyllis could implement this theory to motivate her employees.
14. **Discuss the use of performance related pay when trying to motivate employees.**
15. ***UBank has had some poor financial performances recently which has lowered staff motivation at the Victorian branches.***
    Discuss the impact career advancement could have on the short-term motivation at UBank.
16. ***Jo is the owner of a beauty salon. Recently she surveyed her staff and found they have poor motivation.***
    Describe two motivation strategies and explain how they can improve motivation of her staff in the long term.
17. **Explain how employee motivation is improved by investing in training.**
18. **Outline one way a manager can use support strategies and one way they can use sanction strategies to motivate employees.**
19. **Compare performance related pay with one other motivation strategy.**
20. ***Peter's Travel is a travel agency owned by Peter Merriman. The business currently employs 35 people. Peter feels that his employees are highly unmotivated. In addition, many customers have been complaining recently about the lack of travel advice received from staff.***
    a) Evaluate two motivation strategies that Peter could implement.
    b) Justify which would be most appropriate to motivate Peter's employees in the short-term, and which would be appropriate for the long-term motivation of Peter's employees.

Quick revision crossword No 2: Employee Motivation



Across

4. A human need where people want to feel good about themselves

6. Sanctions are often seen as _______ term motivation

12. A principle based on clear and specific goals

13. Motivation strategy that improves employee skills and knowledge (3 words)

17. Setting goals collaboratively can help gain_________

18. Employee Assistance Program is a form of _________

20. An external form of motivation

Down

1. A potential disadvantage of performance related pay is increased _________

2. A principle of the goal setting theory based on difficult goals

3. Maslow's 'Social' needs are similar to this drive

5. Motivating employees through discipline

7. A strategy to satisfy the drive to learn

8. Where motivation comes from within

9. The most latent drive

10. The fifth need in Maslow's hierarchy (2 words)

11. A method of performance related pay

14. Maslow's theory is based on a ___________

15. Where employees are driven by material items and status

16. The drive to acquire has employees wanting material items and _____________

19. The drive where employees are driven to understand the world around them

Training Options

Training is the process of increasing knowledge and improving skills of an employee to help them perform more effectively and efficiently in their role. Training has an important role for individual growth but also for improving overall business performance. The employees should be trained in areas that will help the business to achieve its set objectives. Doing so improves the performance of the employees and improves the ability of the business to achieve its objectives. For example, if the business' strategic objective is to provide the best customer service in the industry, the training needs to specifically address this goal. Failure to link training with business objectives will mean that the business's strategy to gain a competitive advantage will not be supported.

Training can occur at any stage in an employee's time at the business. Employees that are new to the business may receive basic training to help them learn about business policy and processes. This can improve their chances of being productive early in their work relationship with the business. However, training should not stop there. Ongoing training can help employees continuously improve their skills and chances for career advancement. This can ensure that each employee continues to develop and grow, improving productivity and contributing to growth both for the business and the employee. It was mentioned earlier that employees can be a way of developing a competitive advantage for a business. Providing ongoing training for employees is a way to develop and maintain this competitive advantage.

Before undertaking training, a **Training Needs Analysis** (TNA) should be conducted. This is where the gap between an employee's current abilities and the needs for improvement are identified. A training needs analysis identifies:

- Which employees need training
- The type of training required
- How the training should be conducted.

Once the needs of the training have been identified, the training takes place. There are two main training options: on-the-job training or off-the-job training. Let's take a look at each option.

On-the-job training

On-the-job training is the process of developing an employee's skills and abilities within the workplace, often while they are performing their job. For example, if a business is implementing a new computer system, the employees would need to be trained in how to use the new system. This may be taught while they are working and is therefore known as 'on-the-job training'. An experienced co-worker often conducts on-the-job training, however at times, external organisations can be brought in to provide the training. This type of training can be either formal or informal. An experienced employee who teaches another employee how to perform a task is an example of *informal on-the-job training*. A more structured training program that is conducted in the normal work setting would be considered *formal on-the-job training*. On-the-job training often allows the employee to learn on the equipment they will be using in their job. Learning on this equipment allows the training to be tailored to how the employee will be working daily, leading to improved performance more quickly.

Advantages

- On-the-job training is often more cost effective than off-the-job training. This can be beneficial for smaller businesses that don't have large training budgets.
- The training is conducted by another employee(s) at the business, it allows sharing of skills between employees, helping to build a collaborative culture.
- The employee undertaking the training can still be productive while they are being trained, as often they are performing their job during the training.
- On-the-job training also allows the employee to learn on the equipment they will be using daily, helping to improve the transfer of skills. The employee may experience real scenarios that they will see day to day which can be of great benefit to the learning of the employee.

Disadvantages

- If the training is conducted by another employee, they may not be an experienced trainer. The employee leading the training may be highly proficient at the activities they are teaching, yet may not be a qualified trainer with effective teaching skills. This can make it difficult for effective transfer of skills.
- Using an experienced employee can also increase the chance of poor habits being passed on through the business.
- There may be disruptions to the normal work being completed when the training is being conducted. This can negatively impact the quality of the good/service being produced while the employee is being trained. For example, a trainee making food or coffee may be slow, or may even make mistakes with the order, which can be frustrating for customers.
- There may be workplace distractions which can interrupt the training, impacting the effectiveness of the training.

Off-the-job training

Off-the-job training is the process of improving an employee's skills and abilities away from the workplace. Training is often provided by specialist trainers who aim to improve specific skills of the employee. The employee is able to take the time to learn from the specialist's vast knowledge and experience. If it is done effectively, the employee will return to work with new skills that they can continue to improve upon. There should be a direct connection between the skills the employee is learning and the work they will be performing in the future. If this is not the case, the training will have little direct impact on the productivity or performance of the employee. Some common off-the-job training methods include:

- **Lectures and conferences:** this method is best used to train a large group of people. The presenters/trainers should have considerable depth of knowledge. Lectures and conferences allow the speaker to present to a large group of people while still providing opportunity for interaction and activities where the attendees can have hands on experience.
- **Official courses:** this is where the employee will undertake an official course by specialised training organisations. This can include universities, TAFE colleges and other registered training organisations. These types of courses are often lengthy and costly, however the employee may receive some form of qualification or certificate of completion.
- **Simulation**: the trainees are placed into an environment that simulates an exact situation. This teaches the trainees how to perform in certain situations. Airline hosts undergo extensive simulation training so they know how to deal with air emergencies. They are placed in plane crash simulations and must use the skills they have learned to help the survival of passengers.

Advantages

- Employees often receive their training from trainers with a high level of experience in the area being presented, as well as experience as educators. This can help to improve the quality of the training experience and the employee can implement what they have learned sooner.
- Having experts in the field providing the training can allow the employee to learn from the vast experiences of the trainer.
- Free from workplace distractions allows the employee to focus on the training without interruptions.
- The employee may receive an official qualification. This can be beneficial for the employee as they look to further their career, but can also help the business as it may be a legal/safety requirement.

Disadvantages

- It is often more expensive for businesses. The training can incur a significant fee, cost of replacing the staff member while being trained, travel costs, etc.
- The business may not have full control over what is presented. This may mean the exact skills and knowledge the employee is being presented with may not be relevant to the job they are performing.
- The employee may not be learning on the exact equipment or in the environment they will be working with in their actual job. This may make the transfer of skills difficult.
- If the employee receives a qualification they may look to leave the business for a promotion.

Exam Tip: The study design states that students need to be able to compare, discuss, justify and evaluate business ideas or strategies. This requires students to be able to express the advantages and disadvantages of the training as well the similarities and differences between on-the-job and off-the-job training. While it is important to know the advantages and disadvantages, students must also be able to apply them. For example, in the 2021 exam, students were asked to provide one advantage and one disadvantage of on-the-job training for improving the effectiveness of employees at Rabwood Mutual (a financial services firm). Many students were able to identify an advantage and disadvantage of on-the-job training, however they failed to provide enough application to what was occurring at Rabwood Mutual. When asked to apply their response to case material, students should ensure their responses are speciific to the business. The case study in this exam stated some clear objectives that Rabwood Mutual were aiming to achieve. Those that scored highly were able to link the advantage and disadvantage to the ability of the employees to achieve these objectives (therefore being more/less effective; which is what the question was asking for). Those that received lower marks, were unable to do this and were only able to state an advantage and/or disadvantage of on-the-job training.

Performance Management

Performance management is the process used to improve business and employee performance to ensure that goals and objectives are being met. Individual objectives should be aligned with business objectives so that the pursuit of employee objectives also helps to achieve the business's objectives. Analysing an individual employee's performance is an important aspect of performance management. If both individual and business objectives are aligned, the evaluation of employee performance (and taking corrective action where necessary) can help to keep a business on track to achieve its strategic objectives. Common methods to manage employee performance are outlined below.

Management by Objectives (MBO)

Management by objectives is a method of managing employee performance whereby the manager and employee mutually identify common goals, the expected results and use these measures in assessing the employee's performance. Using this method helps to ensure that employee objectives are aligned with business objectives. The employee is then very clear on their role in achieving these objectives and also understands how their performance will be assessed.

It is important that the objectives set with MBO are measurable and attainable. It breaks down the overall business objectives into more specific objectives against which employees can be evaluated. The employee then becomes clear on the criteria by which they will be assessed. If the individual objectives are achieved, the business will also be achieving their overall objectives. MBO results in a hierarchy of objectives where the objectives of one level are linked with the next level in the hierarchy. This achieves a workforce where all employees play a role in the business achieving its objectives.

It is not enough for an objective to simply state a desire to increase sales. It needs to be more specific and measurable. The goal could be to increase sales of a particular product by 6 per cent over the next 12 months. These goals should be set collaboratively with management and employees. In addition, detail should be included on how the objective(s) are to be measured and the time frame in which the objective(s) needs to be achieved. Further, feedback should be continuous on the progress towards to objective. This not only builds relationships between management and employees, but helps to keep employees on track and increases the likeliness that goals will be achieved.

Management by objectives can be a time consuming process. It can be arduous for a manager to collaboratively set goals with each employee and provide ongoing feedback to them. Some research also suggests that the effectiveness of MBO can come down to the culture of the business. Those that have a culture of learning and collaboration can find the method works well. However, it is less successful in businesses where these values are not as prominent.

Advantages

- Employees understand what they need to do and how they will be assessed.
- The employee objectives are aligned with the business objectives. Therefore, when the employee achieves their set objectives, it is contributing to the achievement of the business objectives.
- Makes the employees more aware of the overall objectives of the business and their role in achieving these goals. This can improve morale and commitment to the business.
- The periodic evaluation and feedback help ensure that employees know how they are going and keeps them on track with their set objectives.

Disadvantages

- It can be time consuming to set objectives with each employee.
- Some managers may not be skilled in guiding employees in the setting of goals.
- It may not be effective if the corporate culture is not supportive of this type of collaboration.

Appraisals

An appraisal is a process that evaluates how well an employee has performed in their job over a specified period of time, provides feedback and helps develop new goals and objectives for the individual. While there is no universal timeframe in which an appraisal is conducted, it often occurs every 6 or 12 months.

The feedback provided to the employee in an appraisal is important so that the employee can improve. Any objectives that were set in a previous review should be analysed to determine if they have been achieved. The employee should be provided feedback on areas they have been performing well to help reinforce these behaviours. While it can be difficult to address, areas the employee needs to improve should also be addressed so that they can work on improving their performance in those areas.

Appraisals can be important for management to gain information they can use for important decisions such as promotions, transfers and terminations. Appraisals can also identify an employee's needs for training and development. It could be that an employee's performance highlights a knowledge or skills gap that warrants training or education. Alternatively, a performance appraisal might highlight that an employee's performance makes them a viable candidate for promotion or suggests that they could take on greater responsibility.

An appraisal can also determine how well a business is performing in other functional areas. For example, newly hired employees that are performing poorly may indicate issues with the recruitment and selection processes of the business. Similarly, the effectiveness of training and development programs can be determined through performance appraisal by assessing the performance of those employees that have participated in the programs.

An issue can arise with an appraisal if it is not conducted fairly. It is important that a manager is able to objectively conduct the appraisal on the employee, focussing solely on their work performance without consideration given to non-work related issues. An unbiased appraisal of employees, where personal feelings are set aside, is crucial to the ongoing success of appraisals. This necessarily requires a manager to determine the difference between those factors that are contributing significantly to the business's objectives being achieved and those that are not. If this is not done fairly then it can cause conflict and resentment from employees and the entire process can become harmful to the business.

Advantages

- Employees receive feedback on areas they are performing well, providing positive reinforcement.
- Employees receive feedback on areas for growth, helping them improve both employee and business performance.
- Provides information to the managers on employee performance, helping them make decisions about wage increases, promotions or demotions, etc.

Disadvantages

- Can be a time consuming and resource heavy process.
- The feedback can sometimes be subjective rather than based on clear data, which can make it an unfair process.
- Appraisals can be stressful and overwhelming for employees (and some supervisors).

Self-evaluation

Self-evaluation is where the employee assesses their own performance against set objectives. It allows the employee to see their strengths, weaknesses and needs for development. This process requires employees to reflect on their own practice honestly so they can celebrate areas they have performed well and look for areas they can improve. Having the opportunity to reflect and evaluate one's own performance can lead to an improvement in the employee in the future.

The manager is able to see how the employee views their performances and the types of training they feel is required to improve and develop their career. This type of performance management can help open up communications between managers and employees. It allows the business to have a less authoritarian culture with regards to performance management and encourages employee participation and self-development. However, it can be difficult for an employee to give themselves a fair assessment. If they feel they have done a good job in achieving their objectives, they may find it difficult to express this without appearing conceited (e.g. 'big-noting themselves'). Others may feel that if they are too harsh on themselves it may cause a manager to think less of their actual performance and place their job security at risk.

Advantages

- Allows employees to self-reflect on their work, which can encourage self-development and improved performance.
- Provides managers an insight into how the employee views their performance and the support/training they require to improve.
- Allows the managers to understand the strengths and weaknesses of the employee.

Disadvantages

- Depending on the personality of the employees, the self-evaluation may not be a true reflection of their performance. For example, some employees may overstate what they have done, while others may find it challenging to promote or highlight their good work.
- It can be challenging for employees to remember all of their achievements throughout an entire year if they have not been documented.

Employee observation

Employee observation is where the employee performance is witnessed and assessed so feedback can be provided to the employee. Once objectives have been set, the manager evaluates an employee's performance by watching how they perform in their role and providing feedback to the employee. This can play a critical role in the employee's continued success in achieving individual and business objectives.

It is important that the observation is performed at different stages rather than simply a one-off. This provides the manager with a more informed view on the actual performance of the employee. In order to do this fairly the manager should have a plan for gathering information about the employee's work performance. If observations are performed only once, the accuracy of the observation can come into question. If the employee knows they are being observed, they may perform to a higher level than normal, or they may be nervous and perform poorly. Either may not be a true reflection of the employee's normal or 'every-day' performance.

The gathering of information on an employee's performance can come from a range of sources. A common method is known as '360-degree feedback'. This method of evaluation requires observations from a range of people that the employee comes into contact with. This could involve seeking feedback or information from fellow employees (who work closely with the employee), as well as any supervisors that regularly observe the employee in action. This helps to ensure that a fair and honest evaluation is conducted as information is gathered from a range of sources, rather than simply one source where the risk of a biased evaluation is higher. Those that are asked for information on the employee will normally be asked to fill out evaluation forms. It is important to use key evaluators that have observed the employee regularly so they are able to provide a fair an honest review on the employee's performance over time.

It can sometimes be difficult to analyse if objectives have been achieved with this method, because not all observers will be privy to the objectives of the individual employee. In addition, some feedback might be inaccurate as some employees could have a poor relationship with the person being reviewed and wish to harm their reputation and negatively impact on their appraisal.

Advantages

- If done well, there is evidence of employee performance, making the review fairer.
- Potential to gather information from a range of sources that have viewed the employee helps get a full picture of how the employee has performed.
- There may be more suggestions on how to improve performance as feedback may be coming from various stakeholders.

Disadvantages

- If the observation is a one off, it may not provide a complete picture of how the employee has performed across the review period.
- If the employees know they are being observed, they may be nervous and not perform in their usual way.

Achieving Employee Objectives and business Objectives

These performance management strategies aim to analyse an employee's performance and provide feedback on areas they are performing well and areas for growth. They are also used to set new goals for employees that align with the business objectives. This process can lead to improved employee performance as the employee knows the areas they need to focus on, which then helps to align their performance with the objectives of the business. Improving the overall performance employees contributes to the achievement of business objectives.

However, employees also have their own objectives. These objectives can vary greatly. For example, some employees may be looking for more permanent employment. Others may want a promotion. While others may want to be more satisfied in the work they complete. Being involved in one of these performance management strategies can allow the employee to express these objectives to their supervisor/manager. During the performance review, a plan can be set in place to help the employee work towards these goals. Then as the performance of the employee improves, they may be awarded the opportunity to achieve these objectives.

Exam Tip: The 2022 exam asked students to explain how an appraisal can be used to achieve one employee objective and one business objective at KEJ's Cafe (who employed 7 casual staff). Many students found it challenging to address an employee objective. This question demonstrates the importance of knowing the content in the study design. The relevant Key Knowledge Point in the study design states that students need to know 'performance management strategies to achieve both business and employee objectives. Students that scored well in this question were able to use employee objectives, such as obtaining more permanent employment, and link this to their chosen performance management strategy.

Exam Tip: Question 1c of the 2020 exam asked students to propose and justify one performance management strategy that could be used by a manager to reduce staff absenteeism. The question was based on a small case study where the business was aiming to reduce staff absenteeism by 20%. Questions such as these are often handled poorly by students. While most students are able to propose an appropriate performance management strategy, many will not justify the chosen strategy in terms of it reducing staff absenteeism. Many students stated that the strategy will reduce staff absenteeism, however, did not clarify how their chosen strategy will actually achieve this. When justifying, it is important to convince the reader and demonstrate why/how your chosen strategy will achieve a reduction in staff absenteeism (or whatever the specific question is referring to).

Termination

Termination is where the working relationship ends due to the employee leaving the business either voluntarily or involuntarily. Termination is an important part of any business because the way it is handled can have an effect on the corporate culture and therefore other employees. Most businesses are looking at ways to improve profits, causing them to search for strategies to improve efficiency and reduce expenses. Given that one of the major expenses for many businesses is wages, it can sometimes result in businesses restructuring in order to reduce costs, which often causes redundancies. The increase in technology and the changing consumer trends has seen some older industries being shaken up and needing to use termination strategies to remain competitive. Many businesses are faced with aging workforces and are facing a large portion of their workforce heading towards retirement. This can be a large transition for both the employee and the business so it is important that it is handled well.

Exam Tip: In this section, it is not only important for students to know the different methods of termination, but also the employee entitlement considerations and transition considerations for businesses. Entitlements can be seen as the rights that must be adhered to legally. Transition considerations can be seen as the areas that a business will go above their legal obligations in the area of terminations. These are the things that a business may consider doing to help in the transition that are not necessarily a legal obligation.

With all the forms of termination outlined below, it is important that the business understands their legal obligations, especially for the involuntary methods (where the employee is being forced to leave the business). If a business fails to follow the correct procedures, they open themselves up to disputes and litigation. Australian employees are protected by the Fair Work Act to ensure they are not unfairly dismissed, given appropriate notice for redundancy or even allowed time off to attend interviews during a redundancy notice period. We will now examine the various methods of termination.

Retirement

Retirement is where the employee leaves the business with the plan to no longer be part of the labour force. This can be a major change in a person's life and it should be handled as such by the business. Some people can find this change in their life difficult and a business should support the retiree during this process. Employees may decide to ease into retirement over a number of years by gradually reducing their hours. It is also important that a business plans for its own transition. If a business has a large portion of its workforce nearing retirement age, it may have many years of experience that will be leaving the business in a short space of time due to retirement. Succession planning is an important aspect here so that when experienced employees retire, the business has competent people to step into the vacant roles. Succession planning is the process of developing skills and knowledge of people within the business to take on greater responsibility in the future.

Entitlement Considerations for Retirement: The retiree is entitled to pay and conditions that have been accrued for the work they have conducted. For example, the retiree is entitled to any annual leave or long service leave they have accrued. Like any other form of termination, the business is entitled to be given notice that an employee is retiring.

Transition Considerations for Retirement: Those retiring may find the transition to retirement a challenging one. A business can make this transition easier by offering services such as counselling, superannuation or investment advice, along with lifestyle planning. As mentioned earlier, employers may also allow the employee to reduce the number of hours they work in the years leading up to retirement. To assist with the transition, employers may offer some form of celebration for the retiree. This can show recognition for their contribution to the business as well as offer an opportunity for others to say goodbye.

Resignation

Resignation is where the employee decides to leave the business. This can be for a variety of reasons including:

- Unhappy with their current job
- Moving location
- Receive a better offer from another business
- Start their own business
- Wanting to change careers

The employee will normally need to provide their employer with a period of notice before they resign. The amount of notice required will be stipulated in their contract. When an employee does resign, it can be good practice for the business to find out the reasons why the employee is wanting to leave the business. An **exit interview** is where a manager asks a series of questions to the resigning employee. Questions are often based around the reasons why the employee is leaving, but can also be about areas the employee feels the business can improve. This allows the business to identify any issues that may be forcing employees to leave. They can then rectify the issues if they deem it necessary, which may help to reduce staff turnover in the future.

Entitlement Considerations for Resignation: Employees are entitled to receive pay for the work they have completed as well as any accrued benefits such as annual leave or long service leave. Employees also need to give a period of notice to their employer before they leave. The amount of notice they need to give will be stipulated in the Award or Enterprise Bargaining Agreement (EBA) [More on this in later sections.]

Transition Considerations for Resignation: While the employee may not need assistance as they move to another business, some businesses will provide an opportunity for staff to farewell the employee. This can celebrate the contribution the employee has made to the business and helps build a supportive culture. If a new employee comes in to the position, the business may bring this person in before the resigning employee leaves, to assist with them transitioning into the role.

Redundancy

Redundancy is when an employee leaves the business because their job no longer exists and the people that held those jobs are retrenched. This can occur for a variety of reasons such as, poor financial performance, restructuring the business or even the introduction of new technologies which has made the job obsolete.

Redundancy can either be voluntary or involuntary. Businesses will often initially offer ***voluntary redundancy***, where employees are given the option to decide to leave the business. The employees will be notified of the areas of the business that are able to take on voluntary redundancy and a deadline in which they must notify the business if they are to take up the offer. Some employees may wish to take up the redundancy offer because they were thinking of leaving anyway. For example, some employees may be close to retirement and see it as an opportunity to receive a ***redundancy package***; others may have been considering starting a business or changing careers. The redundancy package is a monetary payment the redundant employee receives. The amount they receive is often based on how long they have worked at the business. The redundancy package can provide these employees with the incentive to take up voluntary redundancy.

If there are still more positions that need to be made redundant after the process of voluntary redundancy, **involuntary redundancy** will take place. Involuntary redundancy is where the employee is told they will no longer have a position within the business and they are forced to leave the business. They still receive the same redundancy package as those taking up voluntary redundancy. The difference being that they are forced to leave the business.

It is important for businesses to handle the process of redundancy in a respectful and fair manner as it can impact the reputation of the business both internally and externally. Having clear, compassionate, and direct communication can help to mitigate negative feelings and misunderstandings that has the potential to damage staff morale and employee performance.

Entitlement Considerations for Redundancy: Those facing redundancy are entitled to a redundancy package which is a financial payment based on how long they have been working at the business. The amount they receive will be outlined in their workplace agreement. Employees are also entitled to time off work to attend job interviews and look for new employment as well as pay for the work they have competed.

Transition Considerations for Redundancy: Redundancy can be a major change for employees and it is important that the business supports them in this transition. Businesses can offer support by providing counselling, career counselling, assistance writing resumes, outplacement services and/or extra training to enhance their employability. ***Outplacement services*** are external organisations that help manage the transition of redundancy. The outplacement services organisation will offer support to the business and the redundant employees to help them find other employment. This may include offers to train in interview skills or finding other specific job opportunities, all paid for by the business.

Dismissal

Dismissal is when the employee is forced to leave the business for issues such as poor performance or serious misconduct. There are two main forms of dismissal:

Summary Dismissal: This is where the employer can dismiss an employee without notice or warning when the employee has had a serious breach of conduct. Serious misconduct includes things such as theft, harassment, fraud, or breaching safety standards.

On Notice Dismissal: Due to underperformance or breach of policy the employee can be dismissed on notice. This is where they are given a warning on their performance, it is recorded and they are given an opportunity to improve. If there continues to be reoccurrences, the employee will be given notice of their termination. How much notice is required will be set out in the workplace agreement.

Employees cannot legally be dismissed without a reason and it is therefore crtically important that businesses comply with legal standards and maintain thorough documentation throughout the dismissal process to protect both the employer and employee's rights. Employees that feel they have been dismissed in a harsh, unjust or unreasonable manner can make a claim for unfair dismissal. Unfair dismissal claims are lodged to the Fair Work Commission within 21 days of the dismissal taking place. The Fair Work Commission will then hold a hearing and decide if the employee has been unfairly dismissed. If it is determined they are, the Fair Work Commission may force the employer to pay the employee compensation. It is therefore important that employers are aware of their legal obligations when going through the dismissal process.

Entitlements Considerations for Dismissal: Employees are entitled to full payment for the work they have completed as well as entitlements such as annual leave and any payments for the notice given. As mentioned earlier, employers need to ensure they know their legal obligations when dismissing employees.

Transition Considerations for Dismissal: Some businesses will decide to help employees manage this transition out of the workplace. While a dismissal can often be a bad experience, and the business simply wants to see the employee gone, this is not always the case. Sometimes the employee has given their best effort and things just haven't worked out. There are many cases where businesses are offering **career transition services** to employees that are going through dismissal. Career transition services are similar to outplacement services, in that they aim to assist the employee to find new work. This is going beyond the business's legal obligations and is an increasing practise for businesses looking to be socially responsible.

Exam Tip: Section B of the 2023 exam presented a business case study where redundancy packages were being offered to 50% of the employees at an airline. Question 3 then asked students to "compare transition considerations and entitlement considerations as they could apply to the employees at the airline during this time. Many students were able to clearly express what entitlement considerations were, as well as the transition considerations, and applied them well to the case study. However, many did not address the similarities between them. Those that scored in the 5-6 mark range were able to address BOTH the similarities and the differences. Examples of similarities that could have been used include: Both can require union involvement; Both can contribute to the expenses of the business; and Both aim to benefit the employee during the process of redundancy

Exam Tip: Section B of the 2019 exam asked students to describe one entitlement and one transition consideration that may result from the store closures at ATI-TUDE (the case study). Many students identified an entitlement and transition consideration yet failed to describe each. For example, many students stated that outplacement services were a transition consideration that could be used in this situation as there would be many redundancies due to the store closures. High-scoring responses rightly described what outplacement services are because the question asked them to do so. These are often easy marks that are dropped in the exam.

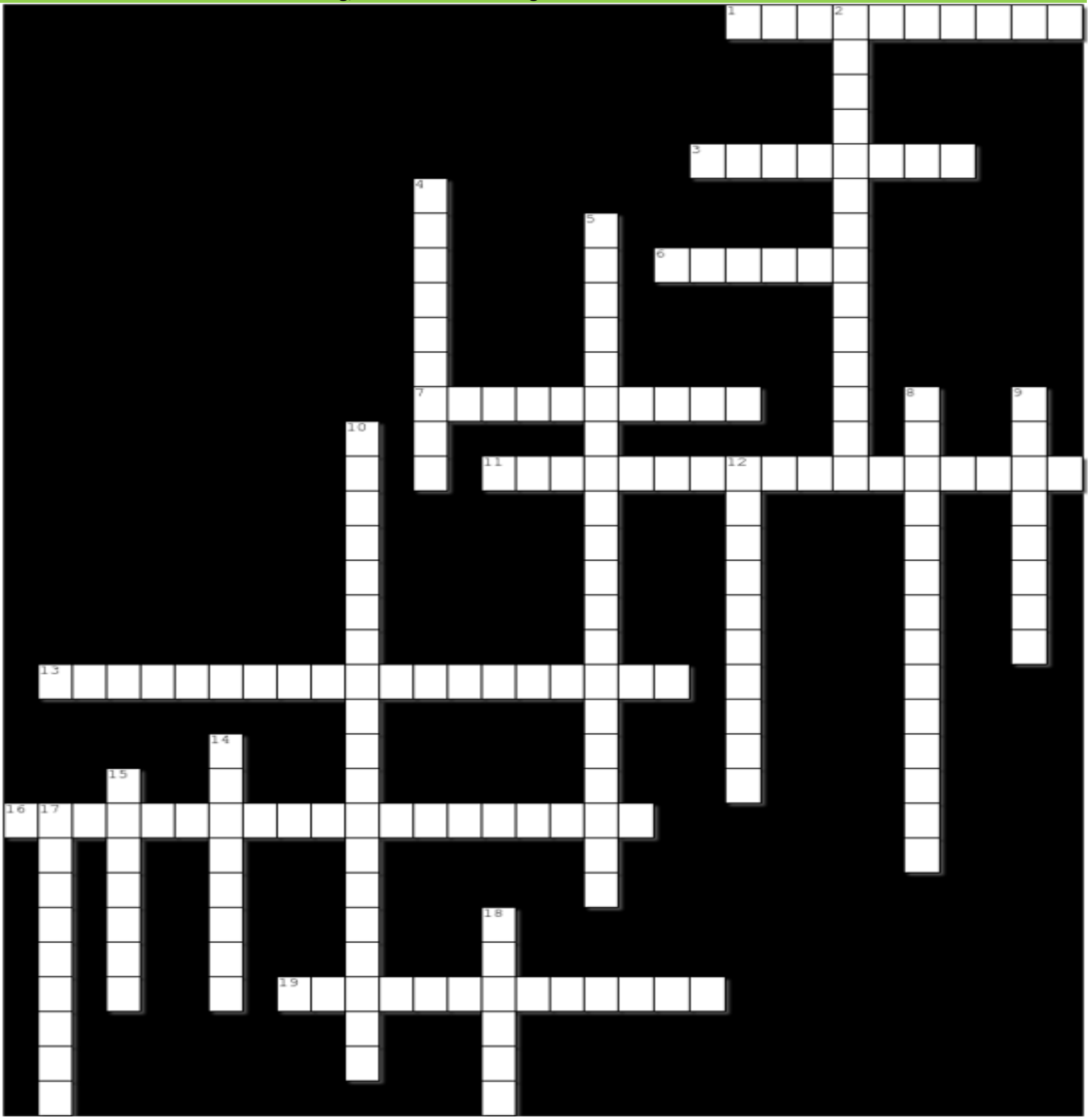
Exam Tip: When addressing entitlements during termination, it is common for students to state that businesses pay out sick leave when the employee leaves the business. However, this is not normally one of the accrued benefits the employee receives when they leave the business so should not be used.

Exam Tip: During exams, students are sometimes provided with case material where employees are going through a form of termination. This was the case in the 2022 exam. Students were faced with a Government Business Enterprise that produced content for television and cinema. The business was going through redundancy. Students were then asked a question about two entitlements for the employees as they went through redundancy. Students were also asked about the most appropriate management style for the manager to use during the period of redundancy. This demonstrates the importance of students being able to make connections between different areas of the Business Management course. While you have learned the management styles, you may not have learned about which is most appropriate when dealing with redundancies. Those that scored well in this question understood that the most appropriate styles would have been autocratic, persuasive or consultative due to the manager needing to have some control over the decisions being made around the redundancies.

REVISION QUESTIONS 3 – Training, Performance Management and Termination

1. **Define Training.**
2. **Distinguish between on-the-job training and off-the-job training.**
3. ***Simtech is a large electronics manufacturer. Over the next three months it will be implementing new technology into its manufacturing which will improve productivity. Employees need to be trained in how to use the new technology.***
   Evaluate the type of training that would be best in this situation.
4. **Explain two disadvantages of on-the-job training.**
5. **Explain two disadvantages of off-the-job training.**
6. **Compare on-the-job training and off-the-job training.**
7. **Explain the benefits of training to both the employee and the employer.**
8. **Define performance management.**
9. **Outline the relationship between performance management and business objectives.**
10. **Outline four methods of managing performance.**
11. ***Jared owns a local newspaper that employs 30 people. He understands how important performance management is and wants to implement a performance management strategy*. Describe and justify one performance management strategy that Jared can use to help make his business a success.**
12. ***Virginia owns a commercial real estate business. She is looking to implement management by objectives (MBO) as a way to manage the performance of her employees.***
    Explain how MBO can help to achieve both employee objectives and business objectives at the business.
13. **Explain the relationship between a performance appraisal and training.**
14. **Define termination.**
15. **Outline the difference between voluntary termination and involuntary termination.**
16. **Describe the four methods of termination.**
17. ***Fiona is the Human Resource Manager at a large technology company. After a strategic planning meeting the company has decided to cut costs and reduce the workforce by a total of 300 employees across all divisions*. Describe two transition considerations associated with the redundancy at the technology company.**
18. **Justify the use of an exit interview.**
19. **Distinguish between summary dismissal and on-notice dismissal.**
20. **Outline the difference between voluntary redundancy and involuntary redundancy.**
21. **Explain one entitlement consideration and one transition consideration with retirement**

Quick revision crossword No 3: Training, Performance Management and Termination



Across

1. Where an employee leaves the workforce

3. Training that occurs in the workplace often while performing their job (3 words)

6. Employees must give this to their employer when resigning or their pay can be docked (withheld)

7. An employee is placed in an environment that mimics a real situation

11. A transition consideration for redundancy (2 words)

13. Outlines wages and conditions for a group of employees with their employer (2 words)

16. Where employees decide to take a redundancy package (2 words)

19. A way to find out why an employee has resigned (2 words)

Down

2. Disadvantage of 'Off-the-job training' (2 words)

4. Process that evaluates employee performance, provides feedback and identifies training

5. An organisation that helps manage redundancy (2 words)

8. A performance management strategy where the employee evaluates their own performance (2 words)

9. Where an employee is dismissed after a series of warnings (2 words)

10. Using secret shoppers is a form of ________ ________

12. Management By ____________

14. Training Needs ___________

15. Form of instant dismissal

17. A form of training that occurs away from the workplace (2 words)

18. A legal obligation during termination all forms of termination (other than summary dismissal)

Roles of Participants in the Workplace

Each of the following participants plays a vital role in businesses achieving objectives: human resource managers, employees, employer associations, unions, and the Fair Work Commission. These key participants are heavily involved in the 'workplace relations' area of the business also. Before examining the roles that each participant plays, it is necessary to first provide some background on what is meant by workplace relations.

Workplace relations is the area of the business that manages the relationship between the employer and employees with respect to issues related to wages, conditions of employment and workplace disputes. When a person is employed by a business they sign a contract which outlines the wages and conditions they will receive as well as the tasks they need to perform in their role.

How does a business decide what it will pay its employees? How do they determine how many hours the employee needs to work each week or how many weeks annual leave they will offer? The area of workplace relations provides the answers to all of these questions. Throughout the next three sections, we will learn about how wages and conditions are determined for Australians, how disputes are resolved within businesses and the role of different participants in this area.

When looking at wages and conditions of employment, it is safe to assume that employees would prefer to have the highest wage and the best conditions possible. However, the primary aim of most businesses is to make a profit and very high wages and employment conditions will typically impact on profits levels. It is therefore also safe to assume that while businesses want their employees to be happy, they are unlikely to give employees everything that they desire. These differing views or desires may result in conflict over what pay and conditions are offered/received by employees. Australia's workplace relations system aims to ensure that both the employees and the employer have fair treatment when dealing with these issues.

While businesses are able to offer employees highly competitive wages and conditions to attract and retain quality employees, not all businesses can afford this. However, there are protections put in place to ensure employees are not taken advantage of and forced to receive very low pay and employment benefits. Australia has two main sets of protections in place for workers.

1. Firstly, there is the minimum wage. No employee within Australia can legally receive wages below the minimum wage.
2. There are the 11 National Employment Standards (NES). The NES outline the 11 conditions that all employees must receive as an absolute minimum.

Both the minimum wage and 11 National Employment Standards provide a safety net for all Australian workers. There are other ways of determining wages and conditions for employees that we will get to in a later section. All of this is the role of workplace relations.

The aim of workplace relations is to try and align the needs of the business with the needs of employees so that both parties are satisfied and the employees can get to working towards achieving objectives. The workplace relations system in Australia is overseen by the state and federal governments to ensure a fair playing field for both employees and employers. The aim of the governance is to ensure employee rights are maintained, while businesses are able to improve productivity and remain competitive in a global market. The Fair Work Act is the legislation that must be followed by all stakeholders involved in workplace relations in Australia.

Now that we have developed some understanding of workplace relations, we can advance to examine the key participants within the workplace relations system that were referred to above: human resource managers, employees, employer associations, unions, and the Fair Work Commission.

Exam Tip: Some students get confused when it comes to workplace relations. Just remember that workplace relations is simply about managing the interaction between employees and their employer in relation to issues around wages, working conditions and resolving any disputes (disagreements). The next three sections go through the particpants in the workplace, how wages and conditions are determined in a business, and finally how a business can resolve disputes if they arise. If you are finding the concept of workplace relations challenging to understand now, things should make more sense when you have completed those three sections. Hang in there.

Human Resource Manager (HRM)

The human resource manager (HRM) is the person that manages the relationship between the business and employees. The HRM will often have both strategic and functional responsibilities. They can be involved in strategic planning so that the business is in a position to get the right types of employees into the business at the right time, which helps the business to achieve its long-term objectives. In a functional sense, the HRM needs to ensure employees have the skills and knowledge to be effective and efficient in their roles. The HRM is also heavily involved in workplace relations. The HRM will, in most cases, represent the employer and aims to create a workplace environment where employees are motivated and have the skills and knowledge to achieve the business' objectives. Some common roles of the HRM in workplace relations include:

Negotiation of employment arrangements. If a business has decided that it wishes to implement an enterprise agreement (we will get to these in the next section), it will need to do so by negotiating with the employees and their representatives. The HRM will be involved in managing this negotiation and may either represent the employer or seek out their own workplace relations specialist (such as an employer association) to represent them in the negotiations. In these cases, the HRM would act as an intermediary between the representatives and ensure that the senior managers or owners of the business are kept up to date on the negotiations. It is important that these types of negotiations are conducted in good faith so that positive relationships can be maintained and the needs of both sides are considered. An outcome that allows the employees to maintain or improve their standard of living, yet improves productivity for the business, is important. This helps the business to maintain or improve its competitive advantage, which works towards a sustainable future for both employees and the business.

Implement the agreement. Once an agreement has been negotiated, accepted and approved by the Fair Work Commission, it must then be implemented. It is the HRM's responsibility to ensure it is implemented by the nominated starting date. Any wage increases or changes in conditions must be in place by their due dates. Agreements may include wage increases, changes to conditions or even changes to how the business needs to operate. It is the responsibility of the human resource manager to ensure these changes are implemented into the business.

Resolving disputes. While it is nice to think that interactions between everyone in the business are positive, this is not always the case and there may be a dispute within the workplace. Disputes may arise during the negotiation of a new wage agreement where the employees or union are not happy with negotiations and decide to take industrial action (action taken by employees as a protest, such as employees going on strike). It is important for the human resource manager to try and resolve this dispute quickly so that the employees get back to work and can become productive once again. Alternatively, disputes may arise at any time in the workplace. For example, an employee may be unhappy with how they have been treated by their supervisor or another employee. Once again the human resource manager would be involved in helping to resolve the dispute fairly so that employees can get back to working productively for the business.

Taking disciplinary action. Employees may face disciplinary action for not conducting the work outlined in their contract or by breaching company policies. It is the role of the human resource manager to oversee the disciplinary action and ensure that it is conducted fairly. The employee may receive an official written warning that outlines where they need to improve.

Termination. As discussed in the earlier section, termination occurs when the employment relationship between the employee and the business comes to an end. The human resource manager needs to ensure that employees that are entering the termination phase receive all of their entitlements. For example, during times of redundancy, many of the employees are entitled to a redundancy package. The human resource manager needs to manage this process so that the employees receive their full entitlements.

Other roles (not necessarily related to workplace relations) that the HRM is responsible for include:

- *Recruitment & selection*. Recruitment is gathering a pool of qualified applicants, while selection is then choosing the most appropriate applicants for the business.
- *Training & development*. This ensures that the employees are improving their skills that allow them to perform to a higher level in their current role as well as preparing them to take on greater responsibilities in the future.

- *Rewards & recognition*. Designing, implementing and managing any reward and recognition programs the business feels will help improve the motivation of employees.
- *Occupational health & safety*. The human resource manager needs to stay up to date with OH&S legislation and ensure the workplace is compliant with all areas of the law.

Exam Tip: In the 2017 exam, students were asked about the role of the human resource manager (HRM) in workplace relations with respect to a specific case study. Weaker responses were those providing very general comments about the role of the HRM. For example, writing about how the HRM recruits employees and manages the relationship between employees and management. However, the case study was about determining new wages and conditions for its employees. Stronger responses were those focusing on **how** the HRM would look to negotiate with the employees (or their union) as part of enterprise bargaining to come to an agreement that benefitted both the employees and the business.

Exam Tip: When discussing the role of a HRM, students should avoid saying that the HRM will represent employees during a negotiation. The reality is that a human resource manager is more likely to represent their employer during any form of wage negotiation.

Employees

Employees are those that work in the business in exchange for remuneration, usually in the form of a wage. Their role is to work towards achieving business objectives. Employees need to carry out the duties that are allocated to them in their job description. They must follow the business policies to the best of their ability so that they are displaying the desired behaviours while carrying out their work with the aim of achieving business objectives. For example, businesses will expect employees to adhere to health and safety policies to ensure a safe working environment.

When it comes to workplace relations matters, employees are often playing a more active role than they have in the past. While a union will often represent employees during the negotiations of a new agreement, the employees will likely provide feedback on what they feel is important in a new agreement. Employees will also need to vote on the terms and conditions contained in the (proposed) agreement. Employees are able to vote for or against industrial action, such as a strike during the negotiation period. While the employees are conducting their work, they need to ensure they are carrying out the tasks in the job description and following company policy to avoid any disciplinary action.

Employer Associations

An employer association is an organisation that provides advice and support to member organisations (i.e. employers) to help them better understand their obligations in the workplace, as well as provide more generic assistance in their dealings with stakeholders more generally. For example, the Australian Retailers Institute has members that are employers in the retail industry. These members have common interests and provide support for each other. An employer association aims to assist an employer in areas of:

- ***Workplace relations***: Advising in areas related to disputes between the business and employees as well as workplace relations legislation. They may offer advice or even be a representative of an employer during the enterprise bargaining period (the negotiation between employer and employees in regards to wages and conditions.)
- ***Changes in laws***: The employer association will stay up to date with changes in both state and federal laws. The association may offer support and advice on how businesses need to adapt to these changes.
- ***Networks***: Often associations help connect members that can gain a mutual benefit from each other. The association will provide information on what other members are doing which may allow businesses to build beneficial relationships with other business owners.
- ***Human resources***: Some associations may offer routine human resource services. For example, they may offer training for their members or even provide recruitment support.
- ***Legal assistance***: Associations will often provide legal assistance or referrals for legal services, especially concerning employment law, contracts, and dispute resolution.

Unions

A union is an organisation dedicated to protecting and improving the wages, working conditions, and rights of employees in a specific industry. When employees join a union, they usually pay an annual fee to access the union's services. Union membership is completely voluntary.

Unions often step in to represent their members during the negotiation of new enterprise agreements. These are negotiations between the employer and employees regarding wages and working conditions. The goal of the union in these negotiations is to secure the best possible deal for its members, balancing fair wages and conditions with the financial health of the business. If negotiations hit a roadblock, unions might suggest industrial actions such as a ‘strike’ to push for better terms.

Unions can provide representation and support for individual members in various situations. For example:

- **Workplace Disputes**: If an employee has a disagreement with their employer, is facing disciplinary action or feels they have been dismissed unfairly, a union representative can step in to to seek a remedy and ensure fairer treatment.
- **Legal Representation**: For more serious issues, like claims of unfair dismissal, unions can offer legal advice or even legal representation.
- **Negotiation of Agreements**: When employees are fighting for improved wages and conditions of employment, the union will often be called upon to represent the employees in these negotiations.

Within the workplace, the union members will usually vote for a union representative (also known as a 'shop steward'). This employee is then available to provide any advice or support that is required. If issues arise that are beyond the representative's knowledge and experience, workers from the union can be called in to provide advice or support.

Fair Work Commission

The Fair Work Commission (FWC) is Australia's national workplace relations tribunal. The FWC was put in place after the government passed the Fair Work Act 2009, which outlines the rights and responsibilities of employers and employees. The FWC operates under the Fair Work Act to ensure that these rights and responsibilities are fulfilled.

Some roles of the Fair Work Commission include:

- **Approve enterprise agreements**. Once the employer and employees have agreed to the terms of a new enterprise agreement, it must be lodged with the Fair Work Commission who check to see it meets their requirements. There are many requirements that need to be met if the Fair Work Commission is to approve the agreement. These include:
    - Bargaining has been conducted in good faith
    - The employees would be better off overall on this agreement than they would be on an industry Award (i.e. their wages and conditions go above what those in the industry Award)
    - There is a nominated expiry date
    - Dispute resolution procedures are stipulated in the agreement

- **Approve or disapprove industrial action**. Industrial action from either the employer or the employees cannot be taken legally without being approved by the Fair Work Commission. If the industrial action is approved, then it is classed as **'protected action'** and gives them immunity from civil liability. If industrial action is not approved it is classed as **'unprotected action'** which may result in financial penalties from the Fair Work Commission as well as damages being sought from the other party.

- **Resolve disputes** if required through mediation, conciliation or arbitration. If disputes cannot be resolved within the workplace, the Fair Work Commission can act as an independent third party to help resolve the disputes.

- **Provide a safety net of minimum conditions** (including minimum wages) in Awards. The Fair Work Commission has the power to make changes to industry awards which set the minimum wages and employment conditions for an industry.

- **Remedy unfair dismissal claims**. Employees that feel they have a case for unfair dismissal can apply to the commission within 21 days to have their case heard.

Exam Tip: When answering questions about the role of the key participants, it is important to carefully consider the information in the case material. For example, Question 2 in the 2020 exam, students were asked to explain the role of either unions or employer associations in a workplace such as Abs Are Us. Abs Are Us was the business in the case study and was using the industry award to determine the wage and conditions for employees. This is important information, because the union will not be involved in negotiating with Abs Are Us around the wage and conditions for employees, as the industry award is not negotiated at enterprise level. Students that are able to identify this, and provide a response that takes this into account, are more likely to achieve full marks.

Exam Tip: The 2017 exam asked students to explain the role of the Fair Work Commission in a given scenario. Many students stated that the Fair Work Commission has the role to get the best for the employees. This is not necessarily the case. It is important to understand the the Fair Work Commission is designed to be independent (hence the word 'Fair'). It is an independent body that ensures that the workplace relations process is fair for both employees and employers.

Exam Tip: Question 4b in the 2022 exam asked students to 'Describe the roles of TWO participants in the workplace'. The case study in this section had information that a dispute had occurred in the workplace and the owner was seeking advice from the employer association. Students that performed well were able to bring elements from this scenario into their response which shows the student is able to comprehend the case material provided.

Determining Wages and Conditions of Work

As already discussed, employees perform work for a business in exchange for money and other conditions or benefits (e.g. leave entitlements). The total remuneration provided to employees will, to a large degree, be determined by the business. However, a business needs to find a balance between offering employees an attractive enough package to first entice, and then retain, highly skilled employees, while simultaneously keeping the business financially viable in the long term. Ultimately, the remuneration provided to employees will be heavily influenced by the prevailing conditions in labour markets. For example, if there is a shortage of particular types of workers (such as hospitality workers after the COVID-19 pandemic), then businesses may be required to offer larger than normal remuneration packages to attract workers. In contrast, if there is a surplus of workers (e.g. an abundance of cleaners) then employers will only need to offer low and basic remuneration in order to attract these workers.

When a new employee agrees to work for a business they will sign a contract that outlines the wage and other conditions they will receive. The **conditions of employment** are the terms of their agreement including benefits they receive. This can include: hours of work per week, annual leave, sick leave, redundancy pay, parental leave, and many other benefits. As part of the agreement, the employee will be offered a particular employment arrangement. Common employment arrangements include:

- ***Permanent Employment***: Ongoing full-time or part-time employment where the employment arrangement has no finish date. Permanent full-time employees usually work 35-38 hours per week. Permanent part-time employees have a nominated number of hours they will work and receive the same benefit of the full-time employee (annual leave etc.) on a pro rata basis.
- ***Fixed-term employment***: This is where the employment arrangement has a specific end date. This type of employment can be either full-time or part-time. The wage and conditions are often similar to that of a permanent employee yet there is a specific end date.
- ***Casual employment***: Casual employees are employed on an hourly basis and do not receive non-wage benefits such as long service leave or parental leave. To compensate for this, they receive loading (extra money on top of the standard hourly rate).

A business needs to decide on the type of agreements they offer employees. The type of employment arrangement (full-time, part-time or casual) is important, yet the business also needs to decide what wage and other benefits the employee will receive. This is stipulated in the contract the employee signs.

Before we look at the different methods of determining wages and conditions of employment it is necessary to look at the **National Employment Standards** (NES). All agreements must include the NES. The NES outline 11 conditions that all employees must receive. These 11 conditions protect the rights of employees to ensure they are not taken advantage of by employers. The basics of the 11 National Employment Standards are outlined in the table below. You can find out more information on the 11 standards at *https://www.fairwork.gov.au/employment-conditions/national-employment-standards*.

11 National Employment Standards	
1.	**An employee can work a maximum of 38 hour per week**
2.	**Certain employees are able to request flexible working arrangements**
3.	**Casual employees have a pathway to become a permanent employee (known as 'casual conversion')**
4.	**Parental leave and related entitlements**
5.	**Annual leave (minimum 4 weeks)**
6.	**Personal carers leave and compassionate leave**
7.	**Community service leave**
8.	**Long service leave**
9.	**Public holidays**
10.	**Notice of termination and redundancy pay**
11.	**Fair work information statement and casual employment information statement**

The National Employment Standards, along with the National Minimum Wage, are the basic protections for all employees in Australia. These set the bare minimum wage and conditions that all employees must receive from their employer. It is unlawful for any employer to provide below these minimum standards to their employee.

> **Exam Tip:** The National Employment Standards are unlikely to be specifically referred to in the examination given that they are not included in the study design. However, knowledge that these standards exist can be helpful because they set the minimum standard for all employees across Australia.

Now that we know the minimum standards that must be included in all agreements, we can look at the different methods of determining wages and conditions. If these methods do not apply to a particular business, they must meet the minimum wage and national employment standards, which helps to ensure that all workers receive fair pay and protection in Australian workplaces.

Awards

Awards are legally binding documents that outline the minimum wages and conditions for employees within a <u>specific industry</u>. Serving as a safety net, they ensure that employees cannot be paid less or given conditions below those specified in the award. This is especially crucial in industries where workers might be more vulnerable to unfair employment practices. The Fair Work Commission in Australia, under the Fair Work Act 2009, is responsible for setting and reviewing these awards, which they will usually do every four years. Because the awards are set by the Fair Work Commission, businesses and employees are not able to negotiate the terms in the award.

Many businesses will use the award as the way of determining wages and conditions for their employees. This means their employees will receive the minimum wage and conditions for their industry. Others will use an enterprise agreement to determine their wages and conditions (meaning wages and conditions are negotiated with their employees). In these situations, the award serves as a benchmark during negotiations, ensuring that employees receive fair pay and conditions that are at least equivalent to, if not better than, the standards in the award.

For example, a clothing retail business that decides to use the industry award as the method of determining the wages and conditions for their employees would use the Retail Industry Award. This award sets out the wages and conditions that must be provided to all employees, and management would need to ensure that all employment conditions, including wages, hours of work, and leave entitlements, align with this award. However, over time, they may decide to negotiate an enterprise agreement to offer higher wages and more flexible hours. In this scenario, the award's conditions act as the minimum standards, ensuring the new agreement does not disadvantage the employees.

Advantages of using an award to determine wages and conditions of work

- It is cost effective for the business as they are offering the minimum wages and conditions allowed for their industry.
- Less time lost as the awards cannot be negotiated.
- They provide a safety net for the employees to ensure the business cannot offer wages or conditions below those in the award.
- Fewer disputes over wages and conditions as they cannot be negotiated.

Disadvantages of using an award to determine wages and conditions of work

- The business may find it difficult to attract talented employees as they are only offering the industry minimum wage and conditions.
- Awards provide less flexibility as the business cannot alter the terms of the award to suit their needs.
- The business may need to understand multiple awards as they cover multiple industries in one business.
- Unable to negotiate productivity gains for higher wages with the employees.

As mentioned earlier, some businesses will decide to use an agreement to determine the wages and conditions for their employees. Let's take a look at agreements.

Agreements

Enterprise agreements, also known as collective agreements, are negotiated arrangements between groups of employees and their employer. These agreements are crucial in defining specific wages and working conditions tailored to a particular workplace, differing from industry-wide awards set by the Fair Work Commission (FWC).

The creation of an enterprise agreement involves a process known as enterprise bargaining. This is where employers and employees (often represented by unions), engage in negotiations to establish employment terms they agree upon. The principle of 'good faith bargaining' underpins this negotiation process, requiring both parties to engage sincerely and consider each other's proposals with the aim of reaching an agreement.

All enterprise agreements must meet or surpass the National Employment Standards and the relevant industry award. All agreements must include a flexibility clause, which allows individual arrangements to differ from the standard terms to accommodate specific employee needs. For example, an employee might negotiate their starting and finishing times to suit personal commitments, such as family responsibilities.

Once the negotiation has concluded, and both parties agree to the terms of the agreement, the proposed agreement is presented to the employees for a vote. In the event of majority approval, it is submitted to the FWC for verification against the Better Off Overall Test (BOOT) and other legal requirements. Once approved, it becomes a binding document that dictates the terms of employment for that business and the group of employees.

To receive approval, the Fair Work Commission will look to ensure that:

- Both parties have bargained in good faith
- The agreement passes the better off overall test. This is where the FWC ensures an employee would be better off overall on the agreement rather than the industry award.
- The agreement has been agreed to by relevant employees (a majority of over 50% have voted 'yes')
- The agreement does not contain terms that exclude elements in the National Employment Standards (NES)
- The agreement does not include any unlawful terms
- The agreement specifies an expiry date (not more than 4 years)
- The agreement provides a dispute resolution process
- The agreement includes a flexibility clause

Advantages of using an agreement to determine wages and conditions of work

- Ability to attract and retain quality employees by offering competitive wages and conditions of work.
- Agreements can be negotiated, leading to potential productivity gains being rewarded with higher wages.
- Greater flexibility to tailor an agreement to the needs to the business and their employees.

Disadvantages of using an agreement to determine wages and conditions of work

- Time consuming to negotiate the agreement.
- Negotiations can break down, causing disputes and industrial action which can harm productivity as well as relationships.
- Increased costs to the business due to providing increased wages and/or improved conditions of work.

Individual Contracts are personalised agreements between an employer and a single employee. While these contracts must adhere to the National Employment Standards (NES), relevant industry awards, or existing enterprise agreements, they typically offer terms that surpass these baseline requirements. This aspect makes them particularly appealing in certain employment scenarios, especially for higher-paid positions. Individual contracts have the ability to be tailored to the specific needs and qualifications of an individual employee. This customisation often results in wages and conditions that are more favourable than those outlined in general awards or collective agreements. It's common in sectors where specialised skills or significant experience is a prerequisite, and the contract terms often reflect the unique value brought by the employee.

For employees, particularly those in high-level or highly specialised roles, individual contracts can offer attractive benefits and conditions tailored to their professional profile. For employers, these contracts provide an opportunity to directly negotiate terms with key personnel, helping them attract highly talented employees for significant roles in the business.

Journalists Agree to New Terms

During September, 2022, journalists from The Australian Financial Review, The Sydney Morning Herald, The Age, WA Today and Brisbane Times voted in favour of a new enterprise bargaining agreemnet. The agreement included a 4 per cent pay rise in the first year along with greater automatic progression to a higher pay level for lower paid staff. Hundreds of staff voted on the enterprise agreement after the owner of the publications, Nine, made the offer. The vote was carried out and the majority voted in favour of the new pay deal. The agreement was timely, as the journalists had announced they would be taking industrial action in the form of a strike later that week. However, the vote to accept the revised offer from Nine meant staff from the various papers no longer took this action.

Similarities between Awards and Agreements

- Both approaches must comply with the 11 National Employment Standards (NES).
- Both involve the Fair Work Commission. (i.e. Awards are set by the FWC and agreements must be approved by the FWC).
- Both are legally binding and enforceable once agreed upon and approved.
- Both outline the wages and conditions of employment for employees in the business.

Differences between Awards and Agreements

- Awards are established by the Fair Work Commission whereas agreements are negotiated through enterprise bargaining.
- Agreements provide more flexibility where productivity gains can be rewarded with improved wages and/or conditions, whereas productivity gains cannot be negotiated into awards.
- Awards cover all employees in a particular industry whereas agreements cover a group of employees at a particular workplace.
- Awards set the minimum wages and conditions for the industry whereas an enterprise agreement will often include wages and/or conditions that are higher than those in the award.
- Agreements can be tailored to suit the needs of a particular business whereas awards cannot.
- Negotiating an agreement is often more time consuming than establishing an award.

Exam Tip: The 2018 exam asked students to explain awards and agreements as a way of determining wages and conditions. The question then asked students to propose and justify the most appropriate method for a specific case study. This shows that, not only do students need to be able to explain what an award and an agreement is, but also that students need to understand the situations they are most appropriate. Either method could have been proposed by students in the 2018 exam, but the key was the justification. In the event that a similar question surfaces this year, you need to ensure that you understand the benefits of both an award and an enterprise agreement and be able to use this information to justify its use.

Exam Tip: The 2020 exam asked students to compare awards and agreements as methods of determining wages and condistions of work. It is therefore important that students can explain the similarities and differences between the two methods.

Exam Tip: Question 1c of the 2023 exam asked students to explain one disadvantage of using agreements when determining wages. Those that were able to score full marks demonstrated a clear understanding of agreements while explaining the disadvantage. Those that did not score well in this question only listed a disadvantage. While many of these disadvantages were correct, it demonstrates the importance of reading the queisiton carefully as the question required students to "explain" the disadvantage, not simply list it.

Workplace Disputes

The information below is aimed at providing background knowledge of workplace disputes (especially when coming to a new enterprise agreement). While it is not part of the study design, and therefore unlikely to be examined specifically, it can help students understand industrial disputes in more depth.

There are times when disputes arise in the workplace. Disputes may occur for a variety of reasons including:

- wages
- hours of work or other conditions
- occupational health & safety concerns
- job security
- disciplinary action
- the way an employee was treated by a manager or other co-worker.

When conflicts occur, it is important that the underlying grievances are taken seriously and the conflict is resolved quickly.

Effective dispute resolution can help employers maintain positive relationships with employees by addressing the issues early on. Employees are likely to be more productive if they know their concerns are taken seriously and believe that the employer is working hard to come to a fair resolution.

While many disputes will simply be a complaint raised within the workplace, there are other times where they can escalate and industrial action can take place. Industrial action will often take place during the bargaining period for a new enterprise agreement. When negotiations break down, one or both parties may decide to take industrial action to persuade the other party to agree to their terms. Some common forms of industrial action include:

- *Strike:* the employees remove themselves from the workplace for a specified period of time
- *Lockout:* the business refuses to allow the employees to attend work
- *Work bans:* a ban is placed on a type of work or a piece of equipment. E.g. a work ban may be placed on a fuel truck which means that planes cannot be refuelled
- *Picket line:* a protest that takes place outside the workplace. This not only attracts media attention but may also prevent suppliers from entering the business or non-union members from attending work
- *Work*-to-rule: the employees only perform the tasks that are specifically listed in their job description and do not perform any extra duties
- *Go*-slow: employees adopt a practice that restricts, limits or delays the work performance resulting in poor productivity.

While the purpose of this industrial action is to try and force the other party to concede in part or in full (i.e. move to accept and adopt their stance in the dispute), it is important that disputes are resolved quickly. This will help to ensure that the relationship can return to being positive, one where the employees are happy and motivated towards achieving business objectives.

Protected & Unprotected Industrial Action

For industrial action to be lawful, it must be approved by the Fair Work Commission. When a party (employees or employer) decide to take industrial action, they must notify the Fair Work Commission who will decide to approve it or not. If approved, it is deemed "protected industrial action" and therefore lawful. If the Fair Work Commission disapproves the action, it is deemed "unprotected industrial action" and is therefore unlawful. If the party continues with unprotected industrial action, damages can be sought.

There are a number of requirements that must be met before the Fair Work Commission approves the action, including:

- no action taken before the expiry of a current enterprise agreement
- both parties have genuinely tried to reach an agreement
- required notice has been provided to the other party
- employee action has been authorised by a secret ballot (i.e. an anonymous vote)

Dispute Resolution

As mentioned earlier, disputes can arise as a result of many issues (enterprise bargaining being just one reason). Any dispute should be taken seriously by the business so it can be resolved in a fair manner, resulting in employees getting back to being productive. We will now go through the dispute resolution processes in the study design.

Mediation

Mediation is a dispute resolution method where an independent third party will aim to facilitate the conversation between the two disputing parties. The third party can be an independent person agreed to by the disputing parties, a representative from the business or even a representative from the Fair Work Commission.

The mediator's role is crucial in guiding the discussion, but they do not make decisions or offer solutions. Their aim is to ensure that each party has the opportunity to express their viewpoints and be heard. The mediator attempts to foster a structured and focused dialogue, ensuring that the conversation remains productive.

The process relies on the willingness of both parties to engage openly and constructively. Before entering mediation, it is essential for both parties to be well-prepared, understanding their own objectives and being open to compromise. The goal is for the disputing parties to come to a resolution themselves. This is beneficial because it is more likely that each of the disputing parties will be happy with the outcome. One of the drawbacks is that there is no guarantee that a resolution will be arrived at, which will result in the dispute dragging on for longer.

Advantages of Mediation

- The two disputing parties come to their own agreement, making it more likely that both parties will be happy with the outcome.
- Relationships can be maintained as the disputing parties work together on a solution.
- The relatively low cost of mediation makes it one of the most cost-effective dispute resolution options.

Disadvantages of Mediation

- There is no guarantee that a resolution will be achieved, which means that the dispute can be ongoing.
- Decisions are not legally binding. Therefore, if an agreement is made, the party does not need to honour the resolution if they change their mind.
- Mediation can be challenging if one of the parties is withholding information.
- One party may be more savvy, or have more power', making a resolution unfair without intervention to redress the power imbalance.

Exam Tip: In the 2017 exam students were asked to distinguish between mediation and arbitration. Many students failed to describe mediation effectively. Many of these students stated that mediation assists the parties in coming to an agreement or offers advice in a dispute. This is not the case for mediation. Mediation is where the independent third party facilitates the conversation so the two disputing parties can come to an agreement.

Arbitration

Arbitration is where the disputing parties present their arguments and an independent third party makes a legally binding decision on the outcome. Sometimes arbitration is necessary because both parties are unable to come to an agreement through other processes such as mediation.

The Fair Work Commission conducts arbitration hearings for various workplace disputes, including issues related to unfair dismissal, awards, and enterprise agreements. During these hearings, both parties present their evidence and arguments, and the arbitrator evaluates this information to reach a decision.

One of the benefits of arbitration is that there will be a definitive outcome to the dispute. This can prevent the dispute from dragging on any longer. However, although an outcome is guaranteed, a disadvantage is that the final decision is taken out of the hands of the disputing parties. This may result in one or both parties being unhappy with the final outcome, which has implications for the employment relationship going forward.

Advantages of Arbitration

- There is a guaranteed outcome to the dispute.
- The outcome is legally binding, ensuring that neither party can change their mind.
- The process of coming to an outcome is often quicker than mediation, putting an end to the dispute relatively quickly.

Disadvantages of Arbitration

- Often more expensive than mediation.
- The decision is taken away from the disputing parties, resulting in one or more parties being unhappy with the outcome.
- Relationships may be harmed during the process.

Exam Tip: It is common for students to state that arbitration is a court hearing. This is not the case. While it is similar to a court in the sense that the disputing parties put their arguments forward and an independent party makes a final decision, it is not a court. Arbitration is an independent tribunal.

Qantas Pilots Dispute Resolved through Arbitration

In 2023, a high-profile dispute between Qantas and its pilots' union, the Australian & International Pilots Association (AIPA), reached a resolution through arbitration at the Fair Work Commission (FWC). The dispute stemmed from a long-running disagreement over pay and conditions, with the pilots claiming fatigue and excessive workload due to changes in work schedules and rosters. After months of failed negotiations, both parties agreed to binding arbitration, with the FWC arbitrator handing down a decision in favour of the pilots and awarded a range of benefits including:

Increased pay: The pilots received a significant pay raise, averaging around 15% over the next three years.

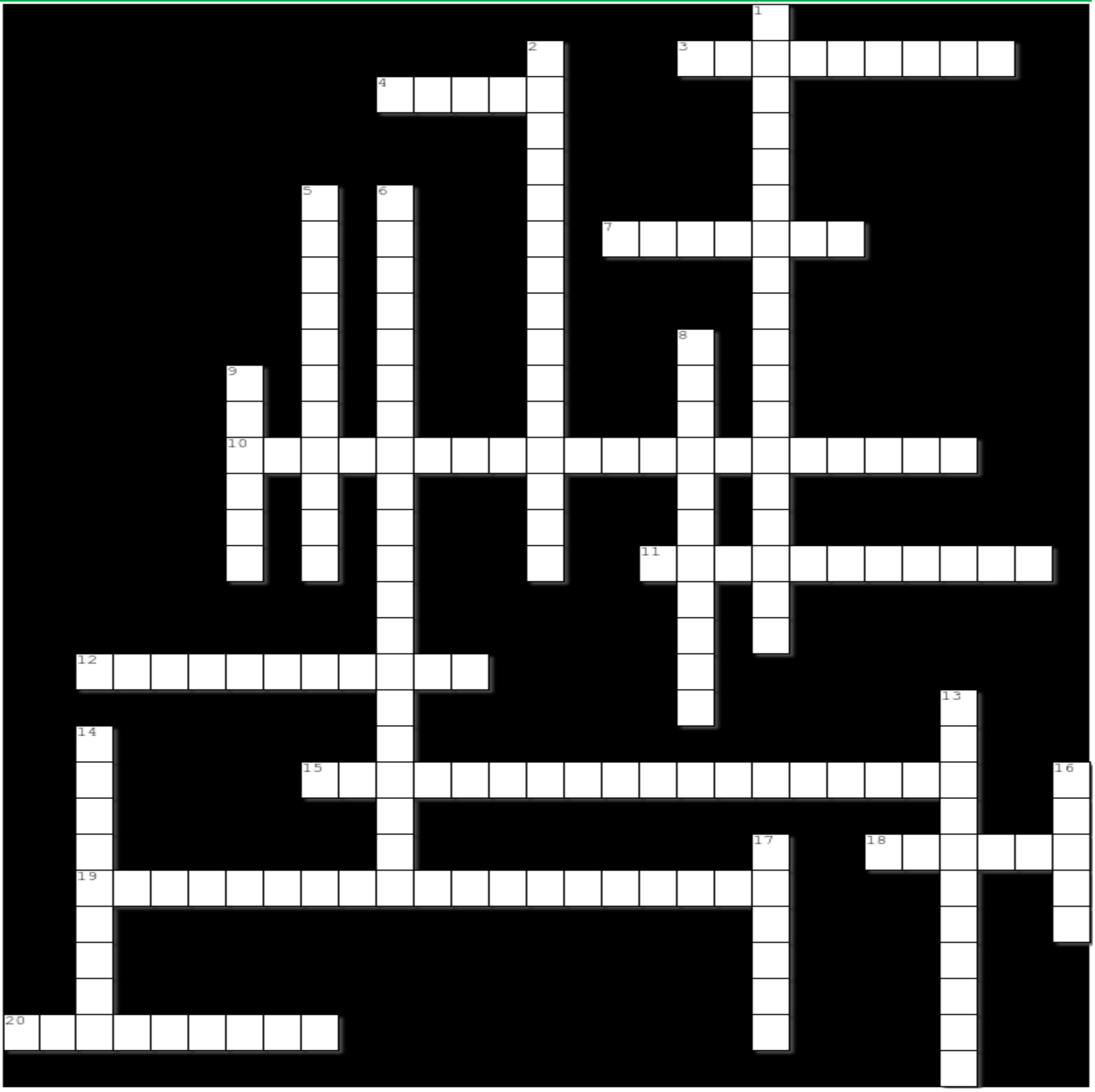
Improved fatigue management: Qantas was required to implement stricter fatigue management measures, including limitations on working hours and mandatory rest periods.

Reduced workload: The airline agreed to reduce the workload of pilots by adjusting rostering practices and crew numbers.

REVISION QUESTIONS 4 – Wages & Conditions of Employment

1. Outline 3 roles of the human resource manager in the workplace.
2. Contrast the role of an Employer Association with that of a Union.
3. Explain the role employees have in the workplace.
4. What is the Fair Work Commission and what involvement does it have in workplace relations?
5. *Bibson Hire is a business that rents out construction equipment. It is owned by Joel Bib and his son Jake. Bibson Hire is in the process of negotiating a new enterprise agreement with the workers union. Negotiations have broken down and the union is considering strike action*. Explain the role of the Fair Work Commission and the Union in the situation at Bibson Hire.
6. Outline the 3 main types of employment arrangements.
7. Explain the purpose of the National Employment Standards.
8. Describe an award and outline the purpose of an award.
9. Define enterprise bargaining.
10. Explain what is meant by a flexibility clause.
11. Outline the benefits of an enterprise agreement for both the employees and the employer.
12. What role does the Fair Work Commission have with respect to enterprise agreements?
13. What needs to be satisfied before the Fair Work Commission will approve an enterprise agreement?
14. *Flint is a cafe located in Melbourne's CBD. It operates as a social enterprise with the primary aim of providing employment and training for homeless youth in the area.*
    Justify the use of an award as a way of determining wages and conditions of work for the employees at Flint.
15. *Paula runs a small café on a popular street. She currently has 8 employees. She is unsure if she should use the industry award or have an enterprise agreement*. Evaluate the use of awards and enterprise agreements. Recommend which one Paula should use. Justify your choice.
16. Identify 4 possible reasons a workplace dispute may occur.
17. Explain why it is important for a business to have a dispute resolution process.
18. Compare mediation and arbitration.
19. *Evie and David are colleagues at an advertising agency. David is refusing to share any of his work with Evie and is refusing to work with her.*
    Discuss the use of mediation as a method of resolving this dispute.
20. *Claudia owns a clothing design and manufacturing business. The business is unique in that it has designers and a manufacturing facility all in the one location. Claudia has always ensured she implements all occupational health & safety regulations. However, her manufacturing employees have a dispute regarding their safety. While these employees acknowledge the safety regulations are being followed, they believe that the business can go further to ensure their safety. Claudia feels that extra precautions are not necessary.*
    Justify an appropriate dispute resolution process for Claudia to use to overcome the dispute with her manufacturing workers.

Quick revision crossword No 4: Workplace Relations



Across

3. Bargaining in ________ _________

4. An organisation that represents employees in workplace relations

7. Enterprise agreements must pass the Better Off __________ Test

10. The negotiation over wages for an enterprise agreement (2 words)

11. A potential role of the HRM with regards to enterprise agreements

12. Awards tend to provide less of this for businesses

15. Australia's independent workplace relations tribunal (3 words)

18. Sets out the minimum wages and conditions for a particular industry

19. Outlines wages and conditions for a group of employees with their employer (2 words)

20. A form of dispute resolution where the independent third party facilitates the conversation/resolution

Down

1. Area that manages the relationship between employees and employers with regards to wages, conditions & disputes (2 words)

2. Where an employee is dismissed in a harsh or unjust manner (2 words)

5. A form of dispute resolution where a legally binding outcome is formed

6. Organisations that offer advice and represent employers (2 words)

8. Action taken by a disputing party that has NOT been approved by the FWC

9. There are this many National Employment Standards

13. Full time employees must receive at least 4 weeks of this (2 words)

14. Action taken by a disputing party that has been approved by the FWC

16. An advantage for the business by using an award is reduced ______

17. Where employees protest by not attending work

MINI EXAM NO 2: UNIT 3 AREA OF STUDY 2 (Total marks = 50)

SECTION A

1. **Describe the Four Drive Theory and explain how it could be used to motivate the employees in a business you have studied this year.** **(4 marks)**

2. **Explain one entitlement consideration and one transition consideration that businesses may consider with regards to retirement.** **(4 marks)**

3. Ishan is the Human Resource Manager at breakfast cereal manufacturer, Natural Foods. Natural foods are currently in negotiation with its employees over a new enterprise agreement. The employee Union is seeking a 5 per cent yearly pay rise over the next three years along with improved job security. However, a spokesperson for Natural Foods has said that the requested pay rise is simply a cash grab and is well above industry standard. The employees have notified management that they will be taking strike action for two days.

   a. **Explain the role of both Ishan and the employer association in the situation at Natural Foods.** **(4 marks)**

   b. **Evaluate the appropriateness of Natural Foods using an enterprise agreement to determine wages and conditions for their employees.** **(6 marks)**

4. Social media agency, Kreative, is a private limited company which was started by three friends, Jaxon, Amelia and Courtney. After 4 years of operation the friends had a disagreement over the future direction of the company. As a result of the disagreement, Courtney has decided to leave the business and sell her shares. Jaxon and Amelia disagree with Courtney over the terms of the sale and what Courtney believes she is owed for the sale.

   Discuss the most appropriate dispute resolution process to resolve this dispute between the three owners. **(4 marks)**

5. **Distinguish between a performance appraisal and self-evaluation.** **(3 marks)**

SECTION B
CASE MATERIAL: Okre Consolidated

Olivia is the National Sales Manager at medical supplies company Okre Consolidated. Olivia reviewed the most recent quarterly sales report and was relatively satisfied. Most sales representatives either came within 10 percent of (or exceeded) their sales targets. One employee, Terry, didn't come close. Terry had been one of Okre Consolidated's top sales representatives only 12 months prior, but recently he started to coast. Okre Consolidated has an excellent incentives program which allows the sales employees to earn large cash bonuses for exceeding their targets. Olivia could not understand why anyone would not take advantage of such a generous incentives scheme. Olivia met with Terry to discuss his recent results. Terry explained that after earning a high income over the last few years, he doesn't feel the same drive to meet his targets that he once did.

1. **Define the following terms.** **(4 marks)**
   a. **Motivation**
   b. **Performance related pay**

2. **Explain the relationship between human resource management and the ability of Okre Consolidated achieving their objective of increasing profits.** **(2 marks)**

3. **Olivia is concerned that other high performing employees may end up losing motivation like Terry has.**
   Explain how Olivia could use Maslow's hierarchy of needs theory to ensure that motivation of all her sales employees remains high. **(5 marks)**

4. **Other than performance related pay, justify one motivation strategy that could be used to improve the motivation of the sales employees at Okre Consolidated.** **(4 marks)**

5. **Justify an appropriate performance management strategy that Olivia could use to improve the performance of the sales employees at Okre Consolidated. Describe one training option that could improve the level of employee satisfaction. Explain the relationship between your chosen performance management strategy and training option.** **(10 marks)**

YOU BE THE ASSESSOR: UNIT 3 AOS 2

In this section, you are required to assess the responses presented for each of the questions. You should award the responses a score and justify your decision. Once complete, compare your assessment to that of the author (provided at the rear of the Study Guide)

Question 1

Describe one advantage and one disadvantage of off-the-job training as a way to improve the efficiency of employees.

4 marks

Sample answer 1

One advantage of off-the-job training is that the employees will normally learn from expert trainers with vast experiences. This allows the employees to learn in greater depth from the expert trainers. This can improve the ability of the employees to perform their jobs to a higher level and will improve the efficiency of the business. However, one disadvantage is that off-the-job training is often more expensive. The business not only needs to pay for the training but because the employee is away from work, they will either need to be replaced or there will be a lack of productivity while they are being trained. This increases the costs of the training, reducing the efficiency of the employees and the business.

Score out of 4 ______

Justification____

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Sample answer 2

One advantage of off-the-job training is the employees can learn without workplace distractions. Because the employees are learning away from the workplace they have the opportunity to focus on the training without needing to worry about other workplace matters. This can lead to greater employee efficiency as their skills are improved at a more rapid rate and they can bring these newly developed skills back to their own work, helping them perform their work more efficiently.

However, one disadvantage is that they may not learn on the exact equipment or environment they will be working with in their actual job. Learning away from their place of work, there may be differences in the equipment or software that they are learning on, making it difficult to transfer the skills and knowledge back to their place of work. This may harm efficiency of the employees in the short term as they will need to take the time to transfer the skills and knowledge to their own work setting.

Score out of 4 ______

Justification____

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Question 2

Zenith Solutions is a leading software development company known for its cutting-edge technology and innovative solutions. The company has built a reputation for attracting some of the brightest minds in the industry. To retain its talented staff, Zenith offers competitive salaries, significantly higher than the industry average. However, recently, the company has been facing challenges with employee retention. Talented developers and project managers are leaving the company more frequently than before, and there has been a noticeable drop in team morale and productivity.

Explain, with reference to Maslow's hierarchy of needs, why the high salaries at Zenith Solutions do not appear to be motivating staff effectively.

4 marks

Sample answer 1

Maslow's hierarchy of needs theory outlines that individuals are motivated by five levels of needs, starting with physiological needs. At Zenith Solutions, the high salaries initially satisfy these basic needs. However, according to Maslow, once a need is fulfilled, it no longer serves as a motivator and the individual is motivated by the next level in the hierarchy. Consequently, the high salaries at Zenith Solutions are no longer driving employee motivation. Employees are likely seeking fulfillment of higher needs, such as safety and security, which could be addressed by providing job security and ongoing employment opportunities. To further enhance motivation, Zenith Solutions should then focus on strategies that satisfy the needs higher up the hierarchy such as the social needs, through social gatherings, esteem needs, through recognition and empowerment, and self-actualization needs, by offering opportunities for personal and professional growth. Meeting these higher-order needs is key to elevating employee motivation and improving the employee retention at Zenith Solutions.

Score out of 4 ______

Justification____

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Sample answer 2
Maslow's Hierarchy of Needs suggests that people have different levels of needs, starting from basic physiological needs to higher-level needs like self-actualization. In the case of Zenith Solutions, the high salaries they are offering to their employees likely cater to the basic level of Maslow's pyramid, which includes physiological needs like food and shelter, and perhaps safety needs. However, this theory also suggests that once these basic needs are met, individuals seek to fulfil higher-level needs like love/belonging, esteem, and self-actualization. The issue at Zenith might be that while they are providing well for the basic needs of their employees, they are not addressing these higher-level needs, which are crucial for long-term motivation and job satisfaction. Therefore, the company should look into ways to satisfy these advanced needs of their employees.

Score out of 4 ______

Justification____

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Question 3

DK is a jewellery manufacturer in Melbourne. The business employs 80 workers and uses the industry award to determine the wages and conditions for its employees.

Explain the role of the human resource manager and the union at DK. **4 marks**

Sample answer 1
The human resource manager will represent the employer during negotiations around a new wage agreement. The HRM will take into consideration the wants of the employees to try and negotiate a deal that is beneficial for both the employees and DK. Once an agreement has been approved by the Fair Work Commission, the HRM would then need to ensure the wages and conditions are implemented in a timely manner.
The role of the union is to represent the employees when it comes to industrial relations issues. They will try and fight for higher wages in a negotiation to get the best deal possible for employees. If the union is not happy with how negotiations are going, they may decide to take industrial action such as a strike. They would need to ensure that they apply to the FWC to get the action approved to avoid any litigation.

Score out of 4 ______

Justification____

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Sample answer 2
The role of the human resource manager is to manage the relationship between the employees and DK. Because DK uses the industry award, the human resource manager will be involved in ensuring that employees receive all of their entitlements stipulated in the industry award. If a dispute arises between the workers, the human resource manager would be involved in helping resolve the dispute. The HRM would follow the steps outlined in the grievance procedure to ensure that the dispute is resolved in a fair manner.
The union's role is to represent the workers at DK to offer any advice or representation if required. If the DK workers believe the business is not providing any of the entitlements stipulated in the industry award, they can ask the union for their advice or to represent them, ensuring the matter is resolved. The union can also be called upon by their members to place pressure on DK to offer an enterprise agreement in a fight for higher wages or improved working conditions. The union will also represent the employees if they are ever involved in a dispute with DK.

Score out of 4 ______

Justification____

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Question 4
Distinguish between arbitration and mediation. **3 marks**

Sample answer 1
Mediation is where an independent third party helps two disputing parties come to an agreement by making suggestions on how to best resolve the conflict. While the mediator helps resolve the conflict, the final decision is made between the two disputing parties themselves. Whereas arbitration is where an independent third party listens to each side and makes a final decision about the dispute. One difference is that mediation is less formal than arbitration.

Score out of 3 ______

Justification____

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Sample answer 2
Mediation is where an independent third party helps facilitate an agreement between two disputing parties. The mediator is not involved in any decision making and does not make suggestions, however will facilitate the conversation between the two disputing parties. Whereas, arbitration is where an independent third party will listen to the two disputing parties and make a final decision about how to resolve the conflict. One difference is that in mediation, the two disputing parties come to their own agreement whereas in arbitration, the independent third party makes a decision on the resolution.

Score out of 3 ______

Justification____

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Question 5
View Healthcare, a regional hospital network in Geelong and Ballarat, is facing the retirement of a significant number of its long-serving staff members at the end of the year. This wave of retirements includes several key nursing and administrative personnel.

Compare transition considerations with entitlement considerations as they could apply to the retirees View Healthcare.
6 marks

Sample answer 1
In the case of View Healthcare, the differences between entitlement and transition considerations for retirees are mainly that entitlement considerations are legal obligations like superannuation pay, whereas transition considerations involve strategies like counselling. Entitlement considerations are about what the retirees get in terms of financial support when they retire, while transition considerations are about helping them adjust to retirement life. View Healthcare, facing a wave of retirements, must consider these aspects separately. It is important for View Healthcare to implement both considerations because it can help the employees retire feeling happy that with the business which can improve the reputation and culture of the healthcare business.

Score out of 6 ______

Justification____

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Sample answer 2
Entitlement considerations are legal obligations that the hospital must meet, such as ensuring the retirees receive their pay for any work they have completed as well as access to accrued benefits such as long service leave. However, transition considerations, are strategies to support employees' shift from work to retirement that are beyond legal obligations. These may include offering counselling services or retirement planning workshops, which are particularly relevant for staff who have dedicated years to nursing or administrative roles. Both consideration types are similar in that they both aim to respect and honour the contributions of long-serving employees. Both forms of considerations also assist the employee as they enter the next stage of their life. However, while entitlements are mandatory and financially oriented, transition strategies are optional and focused more on psychological and social support. For View Healthcare, balancing these considerations is vital for a smooth transition for retirees, acknowledging their years of service and ensuring their well-being post-retirement.

Score out of 6 ______

Justification____

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<u>Question 6</u>

Bingham Finance is a medium-sized financial services firm with an excellent reputation. Bingham Finance looks to employ the best university graduates each year. It is also well known for paying its staff high salaries that are above the industry average. Despite this, senior management feel employees are not working to their full potential and a recent staff survey indicated that employees are not motivated at work.

Management at Bingham Finance want to improve the motivation of employees. Discuss the use of a motivation strategy that could be implemented at Bingham Finance to improve employee performance. 4 marks

Sample answer 1

One motivation strategy that Bingham Finance could implement is career advancement. Career advancement is where employees receive opportunities to be promoted and move up the corporate ladder. This can motivate employees as they see Bingham Finance is investing in them and sees potential in them. This can improve motivation as the employee takes on greater responsibility. This improved motivation will improve employee performance as the employee are motivated to work hard and be rewarded with promotions and increased responsibilities. However, it can be difficult to provide career advancement to all employees and if only some employees receive promotions it can cause resentment from others.

Score out of 4 ______

Justification____

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Sample answer 2

One motivation strategy is performance related pay. Performance related pay is where an employee's wage is tied to how well they perform at work and meet targets. The more targets the employee meets the higher their wage will be. This can be a good way to motivate the employees at Bingham Finance as they will be motivated to achieve even more money than they are receiving. Attaching an increased wage to the employee meeting extended target will motivate them to work hard to achieve them. However, this can cause an unhealthy rivalry between some of the employees at Bingham Finance as they work against each other to fight for clients and extra pay. This can harm the culture of the business.

Another motivation strategy investment in training. Training is where the employees learn to improve their skills so they are able to perform better in their job. Being trained in the latest financial products may help the employees perform better in their job as they are more knowledgeable about the latest product. This helps them provide an improved service to their clients and they are motivated as they are gaining confidence in their job. Employees may also feel valued as the see Bingham Finance is investing in them which can lead to improved motivation.

Score out of 4 ______

Justification____

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CHAPTER 3 – Operations Management

Operations is the function of the business that produces goods and/or services. Without a good or service a business has nothing to sell to customers and therefore has no way of making money. Operations converts inputs (resources) into a final output (the final good or service). We will get to those terms soon, but for now just know that it is a vital part of a business and without it, businesses will not be able to achieve their objectives.

Operations Management & Business Objectives

As we have mentioned in earlier sections, businesses have some common objectives such as making a profit, increasing market share and many others. **Operations management** plays a major role in businesses achieving their objectives. Let's think about what operations management does for a second.

Firstly, in order to produce a good or service it is likely the business will require some materials. The quality of these materials will play a role in the end quality of the good or service. For example, the quality of the parts used for a car, the ingredients used for a restaurant meal, the oil used for a massage, will all have an impact on the good or service that is being provided. The cost of these materials may also impact on the cost of the end product. Higher quality materials are likely to be more expensive for a business to purchase which may force it to increase the price to customers.

Now, let's think about the processes used to create these goods or services. These can also impact on the quality of the end product. How well a designer jacket is stitched, the craftwork in a piece of furniture or the way a steak is cooked at a restaurant all impact on the quality of the product. The type of processes used can also impact on the speed in which goods or services are produced and the cost of producing them. For example, an expert baker may make their bread and rolls by hand. This could mean a high quality product, but the method of production is likely to make it difficult to produce large quantities quickly, resulting in a higher per unit cost (i.e. higher cost per loaf or per roll). However, a baker that uses large machinery to produce bread and rolls rapidly in mass quantities will increase **productivity** and reduce unit costs. Some might argue that this type of production results in lower quality bakery products compared to those produced by the expert baker, which can negatively impact on sales volumes and profits. Ultimately, the type of production method used will depend on the demands of consumers (or some will say, the demands of the market place). If, in a particular area, customers are very price conscious, then a boutique or expert bakery might not perform well in comparison to a bakery producing on a mass scale.

What does all of this have to do with business objectives?

A business that effectively manages its operations system will be able to satisfy customers and increase profits. Implementing effective strategies will allow a business to achieve objectives based around quality, improved profits, increased productivity and increased market share. For example, if a business has an objective to increase market share, one way to achieve this is to improve the quality of its products. Operations management can facilitate this by implementing strategies, such as acquiring higher quality materials that helps to improve product standards and boost overall quality of the product. This is likely to increase customer satisfaction, leading to more sales and increased market share. Operations plays a role in other objectives also. If a business had an objective to be more socially responsible by reducing their impact on the environment, they could use energy that is carbon neutral to power their facilities. They could also introduce materials that are less harmful on the environment and use machinery that is either energy efficient or minimises wastage during production. These are just some examples of how operations can play a role in helping a business achieve the objective of being more environmentally sustainable.

Kogan.com

Kogan.com is an online retailer selling in-house and third-party brand household and consumer electronics products, as well as providing services for telecommunications, internet, insurance, home finances and utilities. The company operates on the Australian Securities Exchange (ASX) and has the primary aim of making a profit. To make its profit in a competitive online marketplace, Kogan.com looks to offer the best value products available. Their operations team source these high quality products at the best possible price so they are able to offer value for money to their customers.

In the early stages of the COVID-19 pandemic, online shopping increased as customers were locked down and Kogan.com began to double sales quickly. This acceleration of sales continued for many months in the first year of the pandemic and Kogan.com's profits increased. Those at Kogan.com (and many other online retailers) predicted this trend would continue. As a result, the operations team increased the amount of inventory they held in their warehouses to ensure they had enough products to meet customer demand.

However, eCommerce did not continue to grow as anticipated and as people came out of lockdown and things began to return to 'normal', Kogan.com found themselves holding excess inventory, resulting in higher than normal operating costs and reduced profits. Throughout 2021/22 the operations team at Kogan.com looked to reduce the excess inventory they held in storage. Reducing the amount of inventory they had on hand enabled the company to reduce their operting costs, helping them provide even greater value to their customers and assisting in their objective of improved profits.

Source: Based on Kogan.com Annual Report 2022

Operations System

It was stated earlier that operations management is the function of a business that converts inputs into outputs. This process is what we call the operations system. The operations system begins with inputs; these inputs are converted or changed through activities called ‘processes’; and the end result is the output. We will now examine each of the respective elements of the operations system.

Inputs

Inputs are the resources used to create a good and/or service. As mentioned earlier, the quality of the inputs can help improve the quality of the final product. It is important that a business is able to obtain the right quality of inputs for the right price to ensure they are able to achieve their objectives. There are five main resources that businesses use to create goods or services:

1. **Materials:** these are the supplies that go into the making of a product. Materials can come in their natural or processed state. For example, a steel manufacturer will use the natural resource of iron ore as some of its materials to produce the steel. Whereas for a car manufacturer they would include materials that have already been processed and are in the form of car parts that make up the car, such as windscreens, tyres, nuts & bolts, seats etc.
2. **Capital** - **Facilities & equipment:** these inputs include all the machinery, vehicles, computers etc. that are used during the production process as well as the facility or buildings used.
3. **Human resources**: these are the managers and employees that work to produce a final good or service.
4. **Time**: time is a non-renewable resource that a business needs to make best use of. Businesses will often assess the amount of goods or services they can produce in a period of time to measure their efficiency.
5. **Information**: this input can include information on customer trends, the market or information on how to make a product. Information can be very important for some businesses. For example, Coca-Cola keeps the information about the ingredients of its syrup recipe a secret from its competitors. This helps maintain the quality of its product and create a competitive advantage.

The types of inputs required by different businesses will vary greatly. For example, a doctor will rely heavily on information to provide a high quality service to patients. The past history of the patient and information regarding the most up-to-date medical practices will be highly important. On the other hand, a car manufacturer will rely heavily on car parts (raw materials) and equipment (e.g. machines and robots). Although the types of inputs will vary across businesses, they are still aiming to make best use of their inputs in order to remain productive.

Exam Tip: It is common for students to write that inputs are the raw materials used in production. However raw materials are just one type of input. Inputs are the resources used in the production of a good or service.

Processes

Processes are all the activities used to transform inputs into the final output. For example, Apple takes all their parts (glass, electronics, cameras etc.) and transforms them through the manufacturing and assembly processes into a final product (the iPhone).

Apple uses a range of processes to transform all the different parts and the software into the phone that is ready to be sold to customers

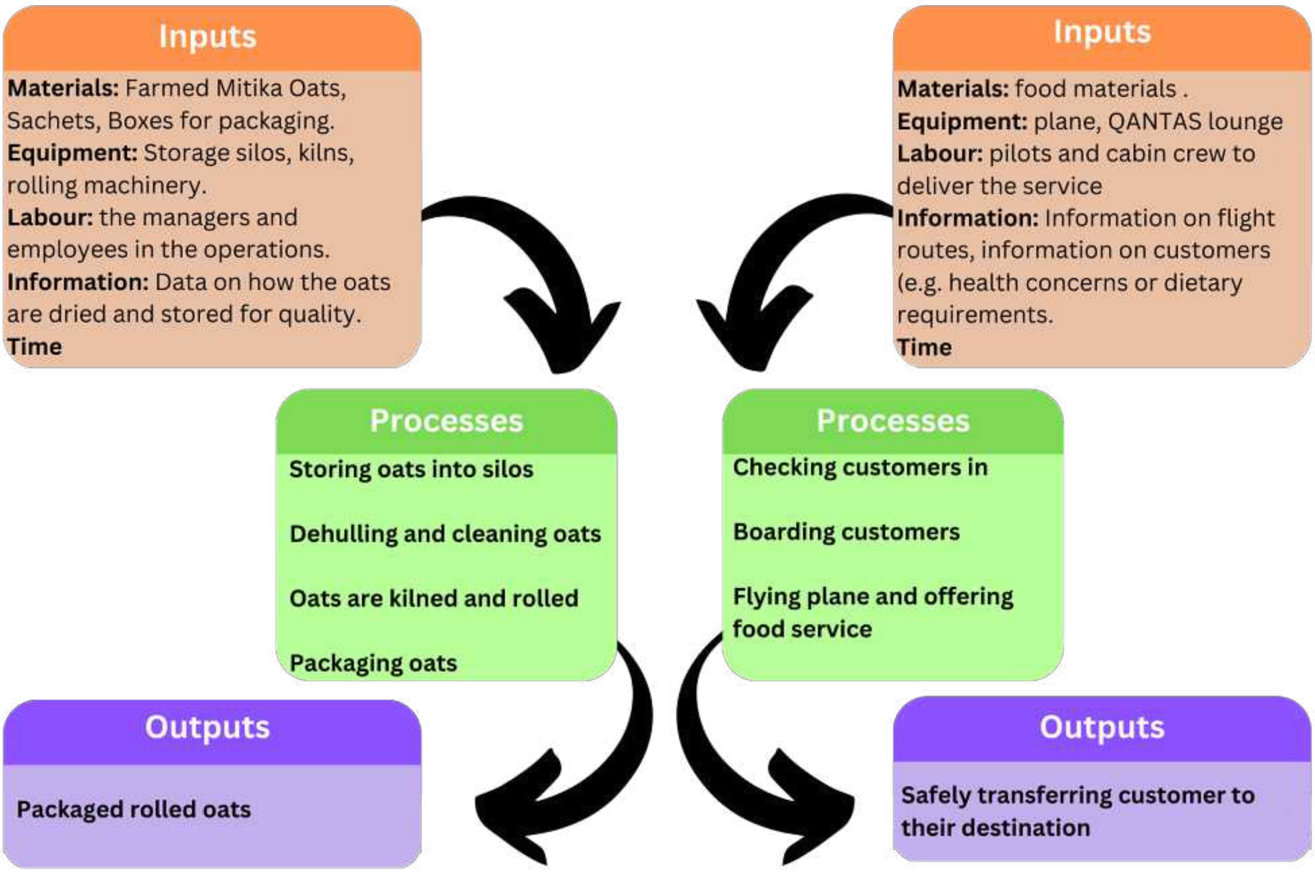
A business is often trying to use new processes to help improve efficiency or quality. The type of processes used by a business will again vary depending on the type of good or service that is being produced as well as the quantity and quality that is being produced. For example, a manufacturing business that is producing in mass quantities is likely to use lots of machinery to produce the products due to their speed and efficiency. In contrast, a manufacturer that is producing a small amount of high quality products may produce them by hand with more time spent on each process to limit imperfections.

It is also important to think about the processes for service businesses. Manufacturing businesses often use more machinery and robotics to help automate many of their processes. However, service businesses are usually more labour-intensive and focus on the interactions between the business (or its employees) and the customer.

Outputs

Outputs are the final product produced by the business. The quality of the output is a direct reflection of the inputs and processes. Outputs can be classed as either goods or services. Goods are a tangible product (meaning it can be touched or handled) such as a car, phone or book, whilst a service produces an intangible product (meaning it cannot be touched or handled) such as a flight from Melbourne to Sydney or educating VCE students.

To remain competitive and achieve business objectives the output needs to meet the needs and wants of the market. It should meet the quality expectations of consumers, meet their price expectations and be delivered in a timely manner. All of this is achievable if the operations system is running effectively and efficiently. All three parts of the operations system must be in sync if the business is to achieve success.



Operations system for a manufacturing business - Uncle Toby's Oats

Operations system for a service business - QANTAS Airlines

Exam Tip: Students often forget what the 'elements' of the operations system are. If an examination question asks for the elements of the operations system, it is referring to inputs, processes & outputs.

Exam Tip: Question 4 of the 2023 exam asked students three different questions related to the operations system. Part A linked materials strategies to inputs; Part B linked automated production lines to processes; Part C linked quality strategies to outputs. Many students were able to show an understanding of the strategies, but could not adequately apply them to the elements of the operations system. This show the importance of linking different areas of the course together.

Exam Tip: Students are often able to apply the operations system well to a manufacturing business. However, in the past, students were asked to apply the operations system to a service business. Many students handled these types of questions poorly because they have only practised applying the operations system to manufacturing businesses. Ensure you know how to apply to both manufacturing and service buisnesses.

Exam Tip: The 2018 and 2021 exams asked students to describe the elements of the operations system for a particular business. In these types of questions, it is important that students take the time to actually describe each element. Simply listing the element (e.g. inputs) is not enough to obtain the mark when the task word is anything other than identify or list.

Characteristics of Operations Management in Manufacturing and Service Businesses

Throughout this section we have continued to mention that operations are about the production of goods and/or services. It is important to know that manufacturing businesses (those that produce goods) are quite different to service businesses. Throughout the business management course, it is important to always consider both manufacturing and service businesses as you go through the content. While the operations of manufacturing and service businesses have some significant differences, they do share some similarities. For example, both use an operations system that involves inputs, processes and outputs. All businesses use a variety of resources to produce their output, and both types of businesses produce an output that is sold or exchanged for money. We will now examine some of the key characteristics of manufacturing and service businesses.

Manufacturing

A manufacturing business will transform its inputs into a **tangible output**. Tangible outputs are physical products that can be touched or handled. Because these goods are tangible, it means they can be **stored** and sold at a later date. For example, a book publisher that manufactures a number 1 best seller, can print thousands of copies in a day. Those copies do not all have to be sold immediately. They can be stored, moved and sold at a later date if necessary.

With a manufacturing business, the production process and consumption are not linked. For example, a car manufacturer assembles the car in a large factory. Once it is completed, a consumer will purchase the car and use or consume that product at a later date. Therefore, the processes and consumption of the output are quite separate. This is often very different to service businesses (see below). Another characteristic of manufactured goods is that there is very little customer involvement during the production of the output. For example, if you have a mobile phone, it is unlikely that you were at the manufacturing facility while it was being produced.

Finally, the processes used in a manufacturing business are often more capital intensive, where they use heavy machinery and equipment to produce the final output.

Service

A service business differs from a manufacturing business in that it transforms its inputs into services that are **intangible**. An intangible output means the products cannot be touched or handled. For example, while you attend school to achieve your VCE, you cannot touch the education you are receiving, however you can benefit from the learning you are being provided. Because services are intangible, they also **cannot be stored**. For example, if an airline that has a flight scheduled for take-off at 9:30am has 50 empty seats, those seats cannot be stored and sold at a later date. Once the flight takes off, those empty seats become lost revenue and it is like they have evaporated.

Often the production of a service will be linked closely with consumption. This means that the service will often be consumed while it is being created. For example, a customer that receives a haircut will receive the output while the hairdresser is providing the service. Therefore, the consumption often occurs at the same time as the processes are being performed. For many services such as this, the customer often needs to be present to receive the service. Finally, service operations are often more labour intensive, where humans are typically performing the bulk of the service being provided. For example, the provision of a haircut primarily relies on the skills of the hairdresser, with the use of capital (such as dryers and clippers) representing a relatively small component of the total inputs.

It is more common for businesses to provide both manufactured goods and services together. Consumers now expect more than just purchasing a manufactured good. They often expect a quality service while they are purchasing the product, as well as after sales service when they take it home. This service can be as simple as a warranty, or it can be an ongoing service that is provided by the business. For example, Nike no longer just sells shoes and active wear. They also provide a service to go along with their manufactured goods. Consumers can sign up to the Nike Membership where they become part of a community. This membership allows people to access services such as the Nike Run Club, or the Nike Training Club where access is provided to training programs. Combining both manufactured goods and services allows businesses to improve their customer experience with the aim of having a life-long customer.

The table below shows a summary of the key characteristics for manufacturing and service operations.

Manufacturing	Service
Produces tangible goods	Produces intangible services
Goods can be stored	Services cannot be stored
Production and consumption rarely linked	Production and consumption often closely linked
Customer does not need to be present during production	Customer often needs to be present during delivery of service
Often more capital/machine intensive	Often more labour intensive

Exam Tip: When students are asked to distinguish between the operations for manufacturing and services businesses, it is important to match the differences up. It is common for students to write a response stating that a manufacturing business produces a tangible output while a service business has more customer involvement. These types of responses do not demonstrate a clear difference. Students need to ensure the differences align. For example, a manufacturing business produces a tangible output that can be touched or handled, whereas a service business produces an intangible output that cannot be touched or handled.

Exam Tip: The study design states that students need to be able to compare business imformation. This requires students to know the similarities and differences between the operations management of manufacturing and service businesses. This was required of students in the 2019 exam and many did not cope well. While most students were able to outline the differences, many found it difficult to address the similarities.

Exam Tip: While it is important to know multiple differences between the operations of manufacturing and service businesses, it is also important to read exam questions carefully. For example, the 2016 exam asked students to "Distinguish between two key features of the operations of a manufacturing and service business". This question combined two dot points from the study design and, while many students gave answers that demonstrated two differences between manufacturing and service businesses, they did not address the differences between the key elements (inputs, processes and outputs). Simply stating that manufacturing businesses produce a tangible good while a service business produces an intangible service is not enough. The key elements must form the basis of the answer. For example: "One key element is outputs which is the final product produced by the business. Accordingly, a difference between manufacturing and service businesses is that the output for a manufacturing business is tangible, which can be touched (e.g. Ford produces a tangible car). However, a service business produces outputs that are intangible or cannot be touched (e.g.Qantas provides the service of flying customers to a destination, which is intangible.)

Exam Tip: It is important to not look at this section in isolation. Yes it is crucial you know the similarities and differences between a service and manufacturing business's operations. However in an exam you will often need to respond to a small case study. The case study could be either a manufacturing OR a service business. You need to be able to apply everything you have learned in operations to both manufacturing and service businesses. As we continue through the operations section of this study guide, ensure you are thinking about both manufacturing and service businesses. This was the case in the 2021 exam. Students were provided with a cleaning and maintenance services business for their case study. There were a number of operations questions that followed and due to the business being a service business, many students found it difficult to respond appropriately. Throughout the year it is important to practice on both manufacturing and service businesses.

Efficiency and Effectiveness in Operations

During Outcome 1, we looked at improving efficiency and improving effectiveness as two objectives that businesses were aiming to achieve. We bring them up again here because the study design states that students need to understand how each strategy in the next few sections can improve the efficiency or effectiveness of operations.

Efficiency is a measurement of how well a business is using its resources. We now know that in operations these resources (inputs) can involve elements such as materials, facilities, machinery & equipment, information and time. If a business is able to make the best use of these resources, it can lead to them using fewer resources to produce the good or service. Given that each one of the resources costs the business money, the use of fewer resources means that the business is able to produce each good or service at a lower cost. For example, this can be using fewer materials or fewer employees or even less time to produce the output.

Effectiveness is the ability of the business to achieve its set objectives. The more effective a business is, the greater its ability to achieve business objectives. While businesses are looking to make a profit, they may also have other objectives such as improving customer satisfaction, increasing market share or reducing waste. Operations plays a role in the achievement of these objectives. For example, a burger restaurant may have the objective of increasing profits. There are many different ways to achieve this objective. One way may be to speed up the process of making the burgers. Let's say the burger restaurant is averaging 30 minutes per order and has 12 employees working on a busy Friday. However, after some analysis and creative planning, they are able to bring the average order time down to 20 minutes and only have 10 staff working. As a consequence, they are able to reduce their costs. In addition, reducing the average order time improves customer satisfaction (possibly resulting in more customers) and increases the ability to service more customers each Friday. These increased sales and reduced costs will lead to the objective of more profits being achieved.

As we go through each of the strategies in the following sections, you can think about how the strategy can lead to improved efficiency and effectiveness.

Technological Development Strategies

Technological development can be described as new applications of scientific knowledge which aim to optimise the operations of businesses. Technology can be implemented into the operations system to help improve quality, safety, productivity or even accuracy. Businesses that are able to implement technology successfully can often gain a competitive advantage in the market place. We will now take a look at some common technologies in today's operations systems.

Automated Production Lines

An automated production line is where a series of machines and workstations are arranged in sequence to perform tasks automatically with little to no employee involvement. Each station performs a specific task that happens automatically, controlled by an electronic control system (ECS). Implementing an automated production line can greatly improve productivity for manufacturing businesses.

With automation, the role of human resources shifts from direct involvement in production to overseeing design, system monitoring, and adjustments. This shift underscores the importance of employee training in managing and maintaining automated systems.

Below is a summary of how an automated production line can improve efficiency:

Speed of Production: Automation enables faster production rates. Machines can work continuously without the need for breaks, increasing overall output.
Reduction in Human Error: Automated systems minimise the chances of errors that are common in manual operations, reducing wastage and the number of products needed to be reworked.
Consistent Operation: Machines can operate for extended hours without a drop in performance, unlike human labour which can vary in efficiency.
Resource Optimisation: Automated production lines use materials and energy more efficiently, reducing waste and operational costs.

Below is a summary of how an automated production line can improve effectiveness:

Improved quality: Automated systems provide precision and consistency, leading to higher quality products that meet customer expectations.
Customisation: Advanced automated systems can be quickly reprogrammed to produce different variations, allowing businesses to effectively respond to changing market demands.
Reduced labour costs: By automating routine tasks, human resources in these areas can be minimised, reducing costs.
Meeting Market Demand: With the ability to operate around the clock and speed up production, automated lines can meet customer demand.

Advantages of automated production lines

- Can increase the speed in which products are produced, helping meet customer demands.
- The machinery can often be more accurate than humans, which can improve the consistency of each product.
- Can save money in the long run due to reduced wage costs.
- The machinery may be able to work longer hours without breaks. This can help to increase production and improve efficiency.
- Due to the accuracy and consistency of the machinery, there may be a reduction in wastage. This can reduce costs due to the increased efficiency as well as reduce the negative impact on the environment.

Disadvantages of automated production lines

- There is a high initial cost of implementing an automated production line.
- It takes time to set up an automated production line to ensure the robots are programmed correctly. This can interrupt production while this setup occurs.
- The ongoing maintenance costs can be high.
- Machines may break down which can halt production.
- There may be a loss of jobs.

Exam Tip: In the 2023 exam, students were asked to explain how a business could use an automated production line to improve the efficient and effective management of its processes. Many students replied with responses on robotics rather than focusing on the automation component. While robotics are often part of an automated production line, theey are different strategies in the study design and should be treated as such. When asked about an automated production line, the main focus of the response should be on that strategy.

Robotics

Robotics are programmable machines that can operate tasks automatically. Robotics are used to perform repetitive tasks which can streamline the overall workflow in a business's operations. Using robotics allows the business to free their employees from these repetitive tasks so they can be utilised for more complex tasks. Many jobs can be dangerous for humans to perform and robotics can be implemented to perform these tasks, improving the safety of the workplace.

Below is a summary of how robotics can improve efficiency:

Increased Productivity: Robotics can operate continuously without breaks, significantly increasing the volume of output using fewer human resources, leading to lower costs.
Precision and Consistency: Robotics technology reduces the error rate in tasks, leading to reduced wastage of materials.
Increased speed: Robotics streamline processes, completing tasks faster than manual methods, allowing more products to be produced in the same amount of time.
Resource Optimisation: Robotics can optimise the use of materials and energy, reducing operational costs and waste.

Below is a summary of how robotics can improve effectiveness:

Quality Enhancement: The precision of robotics in tasks like assembly, inspection, and testing leads to higher quality products, meeting customer expectations.
Adaptability to market needs: Robotics systems can be reprogrammed and adjusted to cater to changing market demands, helping meet market needs.
Improved Safety: By taking over dangerous tasks, robots enhance workplace safety, reducing the risk of accidents.
Reduced operations costs: Robotics can reduce operations costs due to using fewer resources, leading to improved profits.

Robotics are also being used in the service industry. Robots are taking many different forms to help automate tasks. For example, robotic cleaners are helping with cleaning some shopping centres. Drones are a form of robot that are being used to deliver goods to homes. Restaurants can now use robots in replacement of service staff and deliver meals to the tables of customers. Healthcare is one of the biggest industries to benefit from robotics. Robots, along with artificial intelligence are being used in hospitals to assist with operations as well as patient care. All of these examples are improving the efficiency of the operations in businesses as they are speeding up many processes and reducing the need for human labour, significantly reducing long-term operating costs.

Advantages of robotics

- Decreasing labour costs.
- Improved safety as the robots can perform dangerous tasks rather than the employees performing these tasks.
- Greater accuracy and consistency, improving the quality.
- Robots can perform longer hours without as many breaks as humans, improving the amount of work being performed.

Disadvantages of robotics

- Initial cost can be high for some robots.
- Loss of jobs and unemployment may occur.
- Impacts production while the robotics are being introduced into the business and programmed to perform the tasks.
- Increased costs as training may need to occur to train employees on working with robots.

Computer-aided Design

Computer-aided design (CAD) is a software system that enables a product to be created in digital form, modified, analysed and tested before it is put into production. Using computer-aided design can greatly reduce the time and resources used in the product development cycle and helps improve the precision of designs. CAD allows for greater creativity in product design as concepts can be tested through simulation before they are produced. It allows others to see the final product and make suggestions on alterations before the final design move into the production phase.

Below is a summary of how CAD can improve efficiency:

Streamlined Design Process: CAD allows rapid alterations and modifications to designs without the need to redraw plans from scratch, significantly reducing the time involved in the design phase.
Reduction in Prototype Development: With CAD, the need for physical prototypes is minimised, as designers can make precise adjustments digitally, reducing resource use and waste.

Improved materials management: Using CAD can allow the business to understand the exact number of materials that are required to produce a product, helping to reduce wastage.

Below is a summary of how CAD can improve effectiveness:

Enhanced Creativity: CAD enables greater creativity in design, allowing for more complex and innovative products to be developed, meeting or exceeding market expectations.
Improved Visualisation: The 3D visualisation capabilities of CAD provide a realistic view of the final product, enabling better feedback and decision-making in the design phase.
Analysis and Testing: CAD allows for detailed analysis and simulation tests, ensuring that design flaws are identified and corrected before production, enhancing the overall quality of the final product.
Market Responsiveness: The ability to quickly alter designs in CAD enables businesses to respond swiftly to changing market demands or customer feedback, improving customer satisfaction.

Advantages of CAD

- Allows design processes to be completed quicker.
- Adjustments to designs can easily be made if they are made digitally using CAD.
- A visual of the design is often in 3D, providing a more realistic view of the end product, helping others provide feedback and adjustments being made easily.

Disadvantages of CAD

- Costs of introducing CAD can be high.
- Employees need to undergo training to learn how to use the software which can take time and increase costs.
- Work is more prone to being hacked, potentially requiring significant investment into cyber security.

Computer-aided Manufacturing

Computer-aided manufacturing (CAM) is the use of software and computer controlled machinery to manufacture products. The main purpose of CAM is to create a faster and more efficient production process. As with many technological developments involved in operations, CAM is often more precise, which results in less wastage and improves efficiency. CAM also allows for products to be more consistent, helping to improve the customer experience, leading to improved effectiveness.

The integration of CAM with Computer-Aided Design (CAD) systems is a key aspect of modern manufacturing. Designs conceptualized in CAD are seamlessly transitioned into CAM systems, where they are translated into precise machine instructions. This integration streamlines the production process, ensuring products are manufactured exactly as envisioned in the design phase.

Below is a summary of how CAM can improve efficiency:

Improving Speed: CAM systems automate and expedite the manufacturing process, allowing for faster production of goods.
Reduced Wastage: CAM offers high precision in manufacturing, reducing material wastage and minimising the need for rework.
Optimising Resources: With CAM, resources like materials and energy are used more efficiently, reducing operational costs.

Below is a summary of how CAM can improve effectiveness:

Consistent Product Quality: CAM provides consistent, repeatable, and reliable production processes, leading to improved brand reputation and customer satisfaction
Customisation and Flexibility: CAM allows for easy customisation of products, enabling businesses to respond effectively to specific market trends and customer needs.
Meeting market demand: CAM allows production to increase its capacity, helping meet any rise in customer demand.

Advantages of CAM

- The machines are consistent, improving the quality of the end product. They are more accurate than humans would be trying to produce a product by reading the design. Because the software reads the design, the end product will normally turn out exactly as specified in the design.
- Improved efficiency by producing products quicker.
- Designs can be altered without the need to manually reprogram machines, improving flexibility.

Disadvantages of CAM

- Computer errors can occur, slowing down production.
- Training employees is expensive.
- Initial set up cost can be expensive.

Artificial Intelligence

Artificial intelligence refers to systems or machines that mimic human intelligence to perform tasks that are traditionally done by humans. Some artificial intelligence forms can actually learn continuously based on the information the software collects. This form of artificial intelligence is known as 'machine learning'. Artificial intelligence has the capability to perform superpowered thinking and data analysis which can significantly enhance human capabilities, making it a very valuable business asset.

Artificial intelligence can be used in many functions of business such as sales and marketing and finance. For operations management, artificial intelligence has been used in managing supply chains. The complexities of global supply chains can often make it difficult for an operations manager to know when to order supplies. Artificial intelligence is being used to analyse data from the supply chain to forecast when to order supplies and in what quantities, or performing the tasks automatically for businesses. This improves the efficiency of the business's operations as it ensures there are the correct amount of materials on hand, reducing any wastage by waiting for materials to arrive or from materials being stored for long periods of time and needing to be discarded.

Many businesses are able to use artificial intelligence as part of their quality control systems. The machines are able to detect defects and in some instances automatically flag the product as defective. This can occur with the use of cameras taking photos of the product while the processes are being performed. The photos are loaded into the cloud where the artificial intelligence can analyse the data and notify of a defect. This significantly improves the effectiveness of the operations as it improves the quality of the product, leading to improved customer satisfaction.

There are many applications for artifical intelligence in both manufacturing and service businesses. While the technology has be around for many decades, it is becoming more embedded into the every day life of many businesses. Its ability to analyse large amounts of data far quicker than humans can, provides many opportunities for businesses to explore this fast moving technology.

Below is a summary of how AI can improve efficiency:

Process Optimisation: AI algorithms can analyse vast datasets to optimise production schedules, supply chain logistics, and resource allocation, leading to fewer resources being used
Predictive Maintenance: AI can predict equipment failures before they occur, reducing downtime and maintenance costs.
Automation of Repetitive Tasks: AI automates routine tasks, thereby increasing overall productivity.
Data-Driven Decision Making: With AI's ability to process and analyze large volumes of data quickly, helping predeict customer demand, helping the business plan materials and other resources, resulting in less wastage.

Below is a summary of how AI can improve effectiveness:

Quality: AI systems can identify defects and inconsistencies in products, ensuring high standards of quality.
Customisation: AI enables businesses to offer customised and personalised products and services by analyzing customer data and preferences.
Enhanced Customer Experience: AI-driven tools like chatbots and personalszed recommendation systems can significantly improve customer service and satisfaction, contributing to building stronger customer relationships.
Reduced labour costs: AI can replace human labour for some tasks, leading to reduced costs in human resources, helping improve profits.

Benefits of artificial intelligence

- Ability to speed up processes within opertions as data can be anaysed and tasks performed quicker than humans.
- Reduction of human error.
- Can perform reptitive jobs, allowing employees to take on more complex tasks.
- Improved data security. AI is able to detect potential security attempts as well as provide additional securtity precautions.
- Ability to analyse data and improve the management of materials.

Disadvantages of artificial intelligence

- Initial cost of implementing AI can be very high.
- The program can make errors as it relies on the human data that is being implemented.
- Possibility of job losses.

Online Services

Online services allow businesses to connect with their customers in some way over an internet connection. This can be in many forms. Below are some examples of online services that can help improve the efficiency and the effectiveness of a business's operations. While we will be looking at the examples in isolation, keep in mind that many businesses will use a combination of these examples. To illustrate, a business may use both a website and mobile app to improve its operations. However, the website and app may be stored in the cloud using cloud technology, therefore using a range of strategies. For this area, there are no specific online services listed in the study design. Therefore, students will need to be able to express how the online service can improve the efficiency and effectiveness of the business's operations.

Websites & Mobile Applications

A business may allow its customers to purchase its products via a website. Doing this can allow the operations to be more effective and in many instances more efficient. Investing in a website or mobile application that allows customers to purchase products online, allows the business to manage its materials more effectively. For example, since the COVID-19 pandemic the rise in online grocery shopping has exploded. Customers order their groceries via a website or mobile app which initiates the operations system. Supermarkets such as Coles and Woolworths are then able to plan their supplies more effectively as each order is scheduled in a specific timeframe for pickup or delivery. This allows them to monitor materials and ensure they have enough on hand to meet demand. It also improves the flow of customers for 'click and collect', where the customer parks at the front of the store to pick up their delivery. This service improves the effectiveness of the operations as it reduces the amount of customers in store and speeds up the process of the customer receiving their groceries, which helps to boost customer satisfaction. This online service also allows customers to save their shopping list for next time, resulting in improved convenience and reducing the time it takes the supermarket to deliver the overall service.

Software as a Service (SaaS)

Many service businesses are solely using online services to deliver their final output. The rise of software as a service (SaaS) allows customers to access the service from their digital device, pushing the entire operations system online. SaaS is a method of software delivery and liscensing in which software is accessed online via a subscription, rather than purchased and installed on individual computers. SaaS products will make use of cloud computing, where the software is stored on computer servers that can be accessed via an internet connection. Customers are able to pay a subscription and access the software on any digital device that has an internet connection. SaaS greatly increases the speed of the operations because the software is already installed and configured on the cloud servers, improving efficiency as customers can access the software immediately. Any updates to the software do not require the customer to perform slow updates as the customer simply accesses them the next time they log in to the software. As the business grows, as long as the servers can cope with increased web traffic, there is no limit to the amount of customers that can access the service, enabling the operations to meet customer demand, improving effectiveness. MYOB Accounting services, Canva and Adobe Creative Cloud are examples SaaS in operation.

Online Education

Many education businesses are able to provide their courses using online services. Businesses are able to provide their education and training via online services such as a website, application or conference software such as Microsoft Teams or Zoom. These businesses no longer need to have a phyiscal location and/or teach the student in a physical location, which reduces the costs of the operations, improving efficiency. Performing courses in this way may also allow students to learn at their own pace as they work through a series of videos or written course content in their own time. This improved flexibility increases effectiveness as it can improve customer satisfaction as well as meet increased customer demand as the course is available to any student that wishes to learn (regardless of location).

Cloud Computing

Cloud computing is another online service where remote servers are hosted on the internet to store, manage and process data. This can improve the productivity of a business and help reduce costs of needing to host their own servers. This allows data, contacts, calendars etc. to be stored on the cloud and accessed anywhere with an internet connection. This greatly improves efficiency, reduces costs, improves mobility of the business and improves collaboration as documents can be accessed and altered by multiple people in different locations. For example, Netflix uses the cloud to service its customers. Netflix takes advantage of Amazon's Web Services (AWS) for nearly all of their computing and storage needs, including databases, analytics, recommendation engines and many other functions. This reduces the cost of their operations, improving efficiency as well as improving their effectiveness as the AWS team have an infrastructure of cloud computer technology that ensures the video content is available at all times for customers.

Social Media

Social media businesses such as Twitter, Facebook TikTok and Instagram etc., have allowed service businesses to improve their access to customers. Retail outlets are able to stay in contact and interact with customers. They are able to improve the service they deliver as the business is able to send a message through social media if it is experiencing any issues and customers are able to express concerns or have their questions answered. Many large businesses have employed people to manage these accounts and respond to any questions or concerns that customers have.

Advantages of online services

- Increased speed of the service being delivered.
- Ability to meet increased customer demand as the online service often allows more customers access to the products without significantly increasing the costs.
- Increased convenience for customers (e.g. they don't need to travel to the business to receive the service).
- Often reduced costs due to reduction in the need for labour or a reduced need for facilities.

Disadvantages of online services

- Increased need for investment in cyber security as having the service online opens the potential to be hacked.
- The initial cost of setting up a website or mobile application can be expensive.
- Due to the services being available over the internet and content stored on servers, there is always the potential that the computers or internet connections fail from time to time, making it challenging to service customers.
- The ongoing maintenance costs can be expensive.
- If selling tangible goods online, other infrastucture must be established to ensure that the products can be delivered to the customer.
- The sale of tangible goods online can also increase environmental costs as more goods needs to be transported door to door.

Canva

Canva is one of the fastest growing Software as a Service businesses in the world. The company was founded by Melanie Perkins when she realised that most photo editing design tools such as Photoshop and InDesign were too complicated for regular users to learn how to use.

Launched in 2013, Canva is an online deign and publishing tool that looks to make design accessible for all. This service is provided as Software as a Service by offering customers a subscription to access the design templates and tools for their projects. Unlike the traditional software model where customers would download the software to their computer and regularly download updates for the latest features, Canva installs and integrates its software onto cloud based servers. Customers can then access the software from their own computers or mobile devices and create their own designs.

The success of this online service has seen Canva have more than 100 million users across 190 countries and boasts more than 2,000 employees.

Exam Tip: The 2019 exam was a perfect example of how important it is to read the case material before writing responses. Question 2 in Section B asked students to describe one way technological developments could help the business improve its efficiency in its operations. Many students decided to use the strategy of website development. However, the business already had a website where customers could purchase products. As a result, this was not the best strategy to use. While one could argue that the business should put further investment into website development to improve the website etc, it was important to read the case material before simply using website development. Reading time is an important aspect of the exam.

Exam Tip: When using online services, it is important that it is referred to improving the operations of a business. The 2018 exam asked students to describe how website development could improve the operations of a specific business. It is very common for students to state that a website or other online service will enable a business to increase sales in areas that they are currently not selling to, and that it creates awareness to again increase sales. These types of responses are referring more to sales & marketing than they are operations. In these situations, ensure your response refers to the 'operations' of the business, not increasing sales by making customers more aware.

Exam Tip: The study design specifies that students need to be able to compare and evaluate the strategies related to operations management. This requires you to be able to not only know the benefits and limitations of each of these technology strategies, but also the similarities and differences between them

Exam Tip: The technology strategies listed in the study design are: automated production line, robotics, computer aided design, computer aided manufacturing, artificial intelligence and online services. This means you can be asked specifically about them. However, you are able to use other technology strategies where appropriate. If you are given a case study and the listed technologies don't seem to fit, you can think logically and use a legitimate technology strategy for that business. This was relevant in the 2021 exam, where students were asked to "Explain how WCTY Cleaning Services could improve the efficiency of its operations system through the adoption of technological developments." Automated production lines and CAM are clearly for manufacturing businesses and therefore not appropriate to use in the situation. In 2021, the only other strategies in the study design were CAD and website development. While these could have been used, understandably, students found applying these to the cleaning business difficult. Some students were able to use technolgical developments such as the latest vacuum cleaner models or automated vacuum cleaners that would improve their efficiency. While these are not specifically listed in the study design, they are legitimate technolgical developments that can be applied to the scenario provided. Hopefully, with robotics, artificial intelligence and online services also included in the current study design, there are more options to use. However, if you don't feel any of these are appropriate for the case study you are faced with and you know of another technology that could work well in your response, you are able to use it. The study design states technologies **including** the use of automated production lines, robotics, CAD, CAM, artificial intelligence and online services. The term "including" means you are able to use others if you feel the need to.

Materials Management Strategies

Materials management is the planning, organising and controlling of a business's supplies. The aim is to ensure the business has the right type of materials (also known as 'stock' or 'inventory'), in the right quantities and at the right time. Without the right type of materials, the quality of the product may be compromised. Without having enough materials on hand, production may be held up as it waits for materials to arrive. Businesses need to maintain a balance between having enough materials for production and avoiding excess that can be financially burdensome. There are three main types of materials that must be managed in a business:

1. **Raw materials** from suppliers (inputs) that are to be put into the production process
2. **Unfinished goods** (goods that are still in the process of being transformed into an output)
3. **Finished goods** that are waiting to be delivered

Operations managers must ensure material quality aligns with business quality goals and optimise stock levels to prevent both shortages and overstocking, which can impact customer satisfaction and the costs of the business. They must plan to ensure the right quality of materials are being used to align with their quality objectives and the correct quantities are available to ensure a continuous flow in production. We will now examine some strategies that can help to improve the effectiveness and efficiency of materials management.

Forecasting

Forecasting is a materials management strategy that involves predicting future demand for products based on historical data, market trends, and seasonal variations. It is a process used by operations managers to ensure that a business has the right amount of materials, at the right time, to meet anticipated customer demand. This predictive strategy helps ensure inventory levels are aligned to market needs, and minimises the risk of material shortages or excesses.

"How do the year end numbers look?"

Forecasting allows operations managers to adjust procurement and production schedules, ensuring the right amount of materials are available precisely when needed. This alignment is crucial for maintaining a continuous flow in production, improving effectiveness as it helps meet customer demand. It also minimises inventory costs associated with storing large quantities of materials that may not be used, improving efficiency.

However, because forecasting is based on predictions, it's not foolproof as customer demand could be more or less than forecast. Operations managers must incorporate risk management strategies, preparing for potential deviations in market demand in the event that their forecasts are not accurate. This adaptability is key to handling unforeseen changes and enabling production to continue. For example, retail businesses typically forecast higher sales during peak seasons like Christmas, allowing them to stock up in advance and meet customer demand. However, forecasting accuracy can be challenged by unpredictable changes in the market, leading to either overproduction or shortfalls (e.g. the shortages of essential goods during the onset of Covid-19, including toilet paper and hand sanitiser). Despite these potential inaccuracies, forecasting remains an essential practice in operations management. It enables proactive planning, reducing the likelihood of production halts or holding excessive inventory that could go to waste.

Advantages of forecasting

- Ensures the business has the right amount of materials on hand so production can continue without needing to wait for materials to arrive. This improves effectiveness as the business can meet customer demand.
- Can help to prevent overstocking of materials which can improve efficiency in the business as materials are not idle for long periods of time. This can reduce wastage as perishable or damaged items do not need to be discarded.

Disadvantages of forecasting

- Often unforeseen changes in market demand can render the forecasts useless. An unexpected spike in demand or an unexpected drop in demand can cause the business to over or under-produce, reducing efficiency.
- Forecasting is a prediction. While it uses past data, it is still a human prediction which can make it inaccurate.

Exam Tip: Question 5b of the 2020 exam asked students to analyse how forecasting might be used by Chef@Home to improve the efficiency and effectiveness of its operations. With these types of questions, it is important to be clear about how forecasting can improve both efficiency and effectiveness. Students will often refer to effectiveness and efficiency as one term and try to demonstrate how forecasting will improve them both together. (e.g. Forecasting can improve efficiency and effectiveness at Chef@Home by....). While it is not impossible to receive full marks with this approach, those that perform well in these questions often address one at a time. For example, the student will focus on how forecasting will improve efficiency at the business first and make this clear. Then they will demonstrate how forecasting will improve effectiveness at the business. Focusing on one at a time often helps demonstrate a clear understanding. This exam tip refers to other areas of operations where students are expected to understand how the strategy will improve efficiency and effectiveness (Technology, Materials, Quality, Waste Minimisation and Lean Management).

Exam Tip: Question 4a of the 2023 exam asked students to describe a way in which a materials strategy could be used to improve the efficient management of inputs. Many students applied forecasting to the outputs of the business due to the strategy predicting demand. It is important to remember, that while forecasting looks to analyse data to predict future events and demand, it is a strategy to manage **materials**. Students that applied well to the inputs by utilising it at a strategy to improve efficiency in the area of inputs, found it easier to obtain full marks.

Master Production Schedule

A master production schedule (MPS) details what is to be produced, the quantities of each product to be produced and when they are going to be produced. This gives the materials manager an indication of what materials will be required to meet the schedule. The master production schedule will also outline the types and number of employees that are required to complete the work. It allows them to manage the logistics of the supply chain to ensure orders can be transported to the customers. Once it is completed, every employee involved in production is clear on what needs to be produced and when it needs to be completed.

The MPS can improve effectiveness because like forecasting, it enables the business to ensure it has enough materials on hand to meet the demand. Knowing exactly how many of each product is going to be produced and when it needs to be produced by, helps the operations manager ensure there are enough materials on hand to meet the requirements outline in the MPS. The MPS improves efficiency by enabling production to flow continuously, improving productivity along with reducing wastage. It is important that the MPS can be flexible so it can respond to changes in demand or supply chain disruptions,

Advantages of MPS

- The business can determine its ideal level of materials that are required to meet the customer demand.
- A clear plan on how many employees will be required and on which days is provided.
- Can assist with ensuring there are no ‘out of stock’ periods.

Disadvantages of MPS

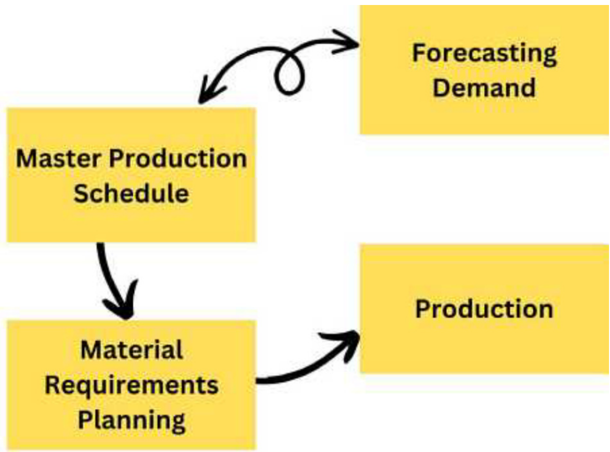
- Using software for master production scheduling can come at a significant cost to the business.
- The number of products required to be produced in the MPS is often forecast which can be inaccurate and not as flexible to unexpected demand changes.

Exam Tip: Question 5 in Section B of the 2022 exam asked students to explain how any two of: an automated production line; a master production schedule or quality assurance could be used to improve the efficiency of operations by Blartem Clothing as it changes its manufacturing process to produce the new range of activewear. It is important to note that the question referred to the manufacturing "process". This meant that the best performing students were those who correctly explained how the MPS (or other strategy listed) could be used in the "processes" phase of the operations system. This demonstrates the importance of reading the question carefully as many students did not pick up on this nuance in the question.

Materials Requirement Planning

Materials requirement planning (MRP) is an inventory control system that provides an itemised list of materials needed to produce specific forecasts or orders. The MPS outlines what will be produced, in what quantities and when. The MRP can then be used to determine the exact materials required to meet the MPS. It will include the specific materials needed and the exact quantities, as well as when they should be delivered. This can be done on a monthly, weekly or daily basis, depending on the business, the type of product they are producing and the rate in which they are producing them. The materials requirement plan ensures that the business is never understocked with supplies, so that production is continuous, improving effectiveness as it allows the business to meet customer demands. Efficiency can be improved as it ensures the business isn't overstocked where money is tied up with idle stock. It has the benefits of other materials strategies in that it can reduce the amount of wastage that results from having large quantities of stock in storage for long periods of time (i.e. less damaged stock or obsolete stock), improving efficiency. The MRP outlines:

- The specific type of materials required to meet the MPS
- The exact quantities of each material
- The times they will be delivered



Materials strategies working together. Forecasting market demand influences the MPS by what is to be produced and in which quantities, which initiates the MRP to determine the materials required to meet the MPS and forecast demand.

One of the drawbacks of the MRP is that it is often based on information from other areas of the business such as forecasting or from the master production schedule. There is no guarantee this information is correct which can make it difficult to cope with fluctuating orders as a result of varying customer demand.

Advantages of MRP

- Ensures there are enough materials on hand to meet the production numbers in the MPS.
- Leads to a continuous flow in production to ensure that there are no stops to wait for materials to arrive.
- If software is used for a MRP, it can often track the materials through the supply chain to improve production planning.

Disadvantages of MRP

- As with other forms of material planning, there is a heavy reliance on accurate data to ensure the correct materials are available.
- Lacks flexibility to meet a large spike or drop in customer demand.
- Initial cost can be high.

Just-In-Time

Just-in-time (JIT) is where materials are delivered just as they are needed in the production process. This approach significantly reduces the need for storage, minimising costs associated with inventory management, and reduces the risks of stock damage and/or parts becoming obsolete, which therefore helps to minimise overall wastage. With just-in-time, materials are no longer stored for extended periods of time, if at all. Instead, when they arrive at the facility, they are added into the production line immediately, or soon after arrival. Storage costs are reduced and the business is able to maximise their use of space to increase production if needed.

An example of a company that uses a JIT system is Harley Davidson. The company implemented a JIT system to improve the efficiency and effectiveness of its operations. It was able to reduce inventory levels by over 75 per cent and increase space in its facility, which can then be used to further improve production. The famous motorcycle company is able to produce more motorcycles in one building than was previously possible in multiple facilities. This has enabled the company to get its products to the market quicker and greatly reduced production costs, thereby improving profitability.

A key to JIT's success is the development of robust and reliable relationships with suppliers. Any delay in material delivery can halt production, which reduces efficiency and increases costs. This system requires the business to have a network of dependable suppliers, and often backup options, to reduce the risks of disruptions to the regular deliveries. Using JIT also allows less time for a business to check the supplies for faults. This again, highlights the importance of having strong relationships with suppliers because the success of the supplier and the business are closely linked. However, despite these drawbacks, the JIT system can greatly improve the efficiency and effectiveness of the operations system and improve the competitive advantage of the business, provided that the system is managed well.

Advantages of JIT

- Minimises the amount of idle inventory, reducing the amount of money tied up in materials.
- Enables the business to make better use of space.
- Results in less wastage from materials perishing, becoming obsolete or being damaged while being stored.
- Allows a continuous flow of production.
- If the materials are perishable, the materials are fresher than they are if being stored for longer period, improving quality.
- Reduces costs of storage.

Disadvantages of JIT

- Can be difficult to meet an unexpected spike in demand as there is not enough buffer in materials on hand.
- There may be unforeseen delays on the supplier's end which can delay the delivery of materials.
- Increased transportation costs as materials are arriving more frequently.

Exam Tip: Students often think of materials strategies applying only to manufacturing businesses. However, service businesses also need to manage their materials efficiently, such as a hairdresser needing to ensure that they have appropriate supplies of shampoos or a travel agency needing to have adequate supplies of promotional material and stationery. Ensure you have examples of how each of the above strategies can be used in both a manufacturing AND service business.

Exam Tip: The study design specifies that students need to be able to discuss, compare and evaluate the strategies related to operations management. This requires you to be able to not only know the benefits and limitations of each of these materials strategies, but also the similarities and differences between them.

Dell

Dell has been a pioneer in implementing the Just in Time (JIT) strategy, which has played a significant role in its success in the computer hardware industry. This strategy, combined with their "Buy Direct" model, allowed Dell to manage its inventory effectively and respond swiftly to customer demands.

Dell's JIT system focuses on three key aspects:

Customisation: Dell allows customers to configure their own computers according to their specific needs. This requires a flexible production system that can adapt to individual orders, making a just-in-time approach even more challenging..

Direct Sales Model: Dell sells directly to customers, bypassing traditional retail channels. This eliminates the need for large inventories in warehouses and stores as they see each of their orders coming in in real time.

Strong Supplier Relationships: Dell fosters strong partnerships with its suppliers. This enables timely delivery of components and materials based on actual demand.

Implementing JIT has allowed Dell to reduce their inventory costs as well as improving customer satisfaction. With technology moving quickly, holding large quantities of computer partswould place Dell at risk of being stuck with inventory that may become obsolete. The just in time strategy provides Dell with great flexibility, allowing them to adapt to fluctuating market demands and new product introductions.

Quality Management Strategies

Being able to produce a good or service is one thing, but having the right quality is another. If a business wants to improve its reputation and generate repeat business, then it needs to provide quality products. So what role does operations have in creating quality? We need to remember that operations involves inputs, processes and outputs. The quality of the output reflects the quality of the inputs and the processes. With word of mouth being able to spread so quickly in today's society, especially due to social media, it is crucial that businesses of all sizes maintain a level of quality that satisfies customers. There are three main quality strategies:

- Quality control
- Quality assurance
- Total quality management

Quality Control

Quality control checks for defects by performing inspections at various points in the production process to check for defects in the product. The aim of quality control is to identify problems early so they can be rectified quickly. In order to do this effectively there must be:

1. **Benchmarks** set
2. **Inspections** conducted on a regular basis
3. **Comparisons** made between the product and the set benchmark
4. **Corrective action** in the event that product quality is deemed to be below the benchmark

Quality control can be performed in both manufacturing and service businesses. We will now look at an example of each:

Manufacturing: a car manufacturer will most likely examine every car at various stages along the production line. The quality of a motor vehicle is critical to the safety of the consumer, therefore certain parts of the car need to be quality checked every single time. If there are any defects found during an inspection, they will need to be rectified before being delivered to the customer.

Service: management at a clothing retailer may decide to use a secret shopper to check on the quality of the service employees are delivering to customers. The secret shopper will interact with a sales employee as a normal customer and assess the quality of the customer service being delivered. Secret shoppers can use a scorecard to assess the cleanliness of the store, wait times, sales skills etc. This can provide management with vital information on the quality and consistency of the service being delivered.

Using a quality control strategy allows a business to manage quality more effectively because defects are identified early in the production process. This allows faults to be rectified quickly, which not only ensures a higher quality product for the customer (improving effectiveness), but also reduces wastage, improving the efficiency of the business. Ensuring that only the products satisfying the business's quality standards actually make it to the end consumer will improve customer satisfaction, resulting in improved effectiveness for the business. Quality control can lead to greater efficiency as identifying errors early will reduce the number of faulty products being produced. This can reduce wastage as fewer products are discarded or needing to be reworked.

Advantages of quality control

- Ensures products meet the desired standards before making it to the customer.
- Can identify errors early so they can be rectified quickly.
- Can reduce wastage as errors are identified.
- Improves customer satisfaction

Disadvantages of quality control

- It can slow down production if checks occur at regular intervals.
- May be expensive if extra employees need to be employed to perform the checks.
- Can be deemed reactive as defects are identified rather than proactively looking to prevent them from the outset.

Exam Tip: Quality control is often confused with quality assurance. If asked to identify or describe a quality strategy, it is likely that the strategy you identify will be the strategy you will be assessed on. Ensure that you clearly know the difference between the quality strategies and how to describe each strategy well.

Quality Assurance

Quality assurance is where a business achieves a standard of quality in the production of a good or service as assessed by an independent body. The business must meet standards that are set for their industry in order to receive the quality assurance. Once these standards have been achieved, the business obtains a certification or endorsement from the independent body. Businesses are able to achieve this quality standard throughout the production process. This is aimed at preventing the number of defects before they occur. This is often why quality assurance is seen as a more proactive approach to quality than quality control.

One of the most common standards is the **ISO 9001 certification,** with the most recent update of the standard being the ISO 9001:2015 standard. The aim of this set of standards is for businesses to achieve conformity of goods and services while consistently meeting customer needs and expectations. This standard can be used by businesses in many different industries. According to the International Organisation for Standardisation, there are more than one million companies and organisations certified to ISO9001. There are no specific processes prescribed in the standard, however businesses will be assessed against a cycle known as the **PDCA** cycle, where PDCA stand for:

Plan:	planning processes to meet quality expectations of the consumer
Do:	once processes are planned they need to be carried out according to the plan
Check:	regularly checking the processes of the quality management system to ensure they are meeting set standards
Act:	taking corrective actions and preventative actions where necessa

Once a business receives the ISO certification it can give consumers confidence that the business is using processes that help to deliver a high quality good or service. Like quality control, the quality assurance helps the business to become more effective because it ensures that the operations system meets an independent standard, resulting in better quality, an improved reputation, and higher sales/profits. Having the correct procedures in place also improves efficiency because it results in errors being rectified early, resulting in less wastage, improving efficiency.

Advantages of quality assurance

- Improved quality of the end product being produced.
- A proactive approach that reduces the chances of errors actually occurring, leading to greater efficiency.
- Provides customers with assurance that the product is of good quality by meeting an independent standard.

Disadvantages of quality assurance

- Can be costly to obtain the certification.
- It takes time to train employees in the new standards.

Exam Tip: In examinations, many students struggle to understand the differences between Quality Control and Quality Assurance. It is important to remember that Quality Control is often a system set up by the business where they set their own standard for the end good or service. They then proceed to check the good or service against the desired standard and take corrective action where necessary. Whereas quality assurance is where a business meets a set of predetermined standards that are set by an independent body. These standards are not always based on the end product. Often, quality assurance will assess the processes involved in the operations system. For example, the PDCA cycle mentioned above assesses the quality management systems rather than the end product. The business can receive an ISO certificate because they meet these process standards which will result in a quality product.

Total Quality Management

Total quality management (TQM) is a whole organisation approach to achieving quality based on continuous improvement in the area of quality. With a TQM strategy, quality is embedded into the culture and every employee understands that they have a role to play in improving quality. It is a management philosophy that aims for continuous improvement in the quality of the business' processes and final products. The aim of TQM is to have a production process that is defect-free and a business will strive for continuous improvement until this goal is achieved. Implementing a TQM strategy into a business can be very time consuming and expensive, as it results in a shift in culture as processes are continuously being updated. Some may argue that more time is spent on discussing ways to improve quality than there is in actually doing work. It can also be difficult to gain the level of commitment required from all employees within the business. However, it is a philosophy that can lead to a strong competitive advantage if it is implemented well. TQM is based on three key principles:

- Continuous improvement
- Employee empowerment
- Customer focus

Continuous Improvement: the business uses regular evaluation to have ongoing improvement into the future. The business will continue to set higher standards that it aims to achieve. It is based on the principle that the business understands that quality is an ongoing journey that can always be improved.

Employee Empowerment: employees are given responsibility to improve the quality of the business. They can do this through quality circles. Quality circles are where small groups of employees meet together to discuss new ways of improving the quality of their processes. It helps to generate new ideas that management can then implement to help improve the quality of the final output for consumers.

Customer Focus: The entire focus of TQM is on the end customer. With TQM all employees play a role in delivering quality outputs. Employees need to ask themselves "how can they meet the needs and expectations of the customer?" If TQM is implemented correctly, every employee will understand their role in helping the business to meet or exceed the quality expectations from customers.

Like the other quality strategies in this section, TQM enables the business to gain a competitive advantage by having a strong focus on quality and looking to continually improve. This can improve customer satisfaction and boost customer loyalty, resulting in a higher level of effectiveness. Due to the culture of the business continuously looking for ways to improve all systems, it should result in improved efficiency, as fewer resources will go to waste.

Advantages of total quality management

- Employees are empowered to find new ways to achieve quality, which can improve morale within the business.
- The quality of the products is continually improving, helping to achieve a competitive advantage.

Disadvantages of total quality management

- Employees may become more focused on improving quality than performing work.
- It can be difficult to gain a business-wide commitment from all employees.
- Quality circles can be time consuming.

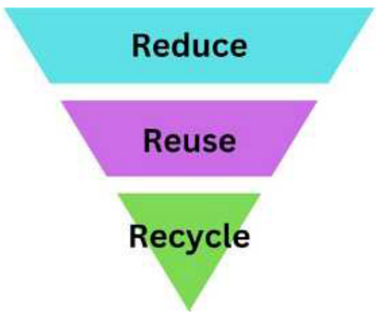
Exam Tip: It is common for students to offer very brief descriptions of TQM. In your descriptions it should address the key elements of: continuous improvement, employee involvement/empowerment & customer focus.

Exam Tip: Question 4d on the 2021 exam asked students to "Explain and justify one quality strategy that WCTY Cleaning Services could implement to ensure that the quality of the cleaning service across its branches is of a high quality." This question was worth 5 marks and has a range of elements to it. Firstly, students needed to 'explain the chosen quality strategy', which is often absent in weaker responses. The next phase was the justification. While it is important to justify how the chosen quality strategy could ensure the quality of the cleaning is high, there was another important element that needed to be addressed. The question refers to the level of cleaning "across its branches". The case study stated that WCTY Cleaning Services has 30 branches across Australia. Accordingly, the best responses expressed how their chosen strategy can improve the level of quality to be consistent across 'all' of the 30 branches, whilst weaker responses did not address this concept. While it is difficult to plan for all of the possible scenarios or situations presented in the exam, it is important to read 'all of the question carefully' and perhaps immerse yourself in the scenario. This should help to maximise one's chances of achieving full marks for these types of questions.

Waste Minimisation

Minimising waste is an important aspect of a business improving its efficiency and effectiveness. Excessive waste means that a business is using more resources than it needs to in order to produce a good or service. This costs the business money and may also impact negatively on the environment. Waste minimisation can be described as the process of reducing the amount of resources that are misused or discarded by the business during its operations.

Imagine there are two businesses producing chocolate cakes, both using the same materials sourced from the same suppliers. However, one business might require more of each raw material to produce the same amount of cakes as the other business. Perhaps it's because their eggs are handled poorly and break before entering production, or they have old equipment that sometimes contaminates the cake mix and needs to be thrown out. This will add to per unit costs of production, raise prices and result in customers buying their cakes from rival businesses. Put simply, waste costs money and impacts on both profitability and the viability of a business.



There are many different strategies to minimise wastage in a business. One popular strategy is the approach to reduce, reuse, recycle.

Reduce

The first step is for a business to reduce its consumption of resources where possible. This can improve the efficiency of the business, as fewer resources are being used, as well as reduce the impact on the environment. The concept of 'reducing' is that if there is less waste, there is less to reuse and to recycle. This also improves the effectiveness of the business as it can lead to increased profits as well as help the business to achieve objectives relating to sustainability. The process of a business to 'reduce' is to examine all areas of the business to determine how to minimise or eliminate the use of resources that add no value to the customer.

Some examples of how businesses can 'reduce' include:

- Reducing energy consumption by turning off lights and/or power of the facility during employee breaks.

- Moving documents into digital form rather than having printed paper. If something needs to be printed, having the default printer setup to double sided.
- Implementing materials strategies such as forecasting and just-in-time to reduce wastage in the area of materials.
- Reduce the amount of packaging used in the products produced. If packaging is required, using more sustainable materials for the packaging.
- Introduce technology that will improve accuracy and consistency in the operations system to reduce wastage.

CSR Limited Reducing Timber in Landfill

CSR Limited produces a range of leading building products. As part of its sustainability practices it is working to reduce the amount of packaging used for its products. Working with both suppliers and its own operations team, CSR has saved approximately 600 tonnes of timber per month from entering landfill and significantly reduced overall timber usage in the business since 2021.

***Source**: CSR Limited Sustainability Report 2022*

Reuse

Another way to reduce waste is to 'reuse' resources. Once the business has looked to 'reduce', they can look to reuse rather than discard. Businesses can look to reuse resources again for the same purpose or repurpose the resource for a different purpose. Either way, fewer resources are being discarded which can improve efficiency as the business is again using fewer resources. This can lead to improved profits and greater sustainability, helping the business be more effective.

The resources that can be reused depends on the type of business and the resources they require in their operations. However, businesses can not only reuse the resources themselves, but also make them available to their employees and the wider community. For example, a business may have some old building supplies that they would normally dispose of into landfill. They may offer these building supplies to their employees or to a local wood restorer that can restore the wood and repurpose it.

CSR Limited Reusing Timber Pallets

A key initiative at CSR Limited is the recovery and reuse of timber pallets. CSR engages with its customers to retrieve timber pallets from building sites and reuse them for future use. This is a win-win for CSR and its customers as it reduces the waste removal effort for its customers as well as helping the building sites become safer with less congestion. From an environmental perspective, this also means that less timber is going to landfill. One area of CSR that has implemented the program has averaged over a 90% recovery rate which equates to over 150,000 pallets per year being reused.

***Source**: CSR Limited Sustainability Report 2022*

Recycle

Recycling is a series of steps that takes a used resource and processes it and remanufacturers it into a new product. It is one of the most common forms of waste minimisation in businesses. If a business has looked to reduce and reuse its resources, any waste produced should be assessed to see if it can be recycled. Businesses may be able to recycle their own products internally, so they are able to reduce costs as well as their impact on the environment. Recycling reduces the need to use more of the earth's natural resources to produce products, as well as minimises the amount of material that ends up in landfill, or in our oceans.

Businesses can support recycling by putting processes in place that captures materials that are able to be recycled. This often requires education for employees so that they know what materials can be recycled. It may also require a team to be able to sort the materials for recycling. Businesses can also support recycling by purchasing inputs that have been recycled.

CSR Limited Reusing Timber Pallets

Where possible CSR Limited uses recycled materials in production, which significantly reduces the amount of new raw materials used in the production process. Some examples include:

- Up to 80% recycled glass in their glasswool insulation.
- Gyprock Paper Tape is manufactured from 100% recycled paper
- Insulation products are made from 80% PET such as empty drink bottles

Along with using recycled materials, CSR also recycles its own resources where possible. For example, approximately 550 tonnes of aluminium produced will be recycled each year.

***Source**: CSR Limited Sustainability Report 2022*

Lean Management

Lean management is where a business establishes systems that aim to eliminate waste and inefficiencies in the operations system and maximise customer value. In simple terms, lean management aims to create more value for customers while using fewer inputs. Lean management is based around continuous improvement where small, on-going incremental changes are made to processes in order to improve the end quality for the customer along with improved efficiencies throughout the business. Lean manufacturing has been traditionally used in manufacturing businesses, however it is increasingly being employed in many different industries, including the service industry.

As mentioned earlier, wastage can come in many forms. Below are 7 typical areas where waste can occur:

- **T**ransportation – inefficient movement of materials or products
- **I**nventory – supplies that are unused and discarded or idle supplies
- **M**otion – excess movement of people, machines, materials or the product
- **W**ait times – excessive wait times between production and distribution or waiting between processes
- **O**verproduction – producing more than consumers demand
- **O**ver-processing – performing operations on the product that do not add value
- **D**efects – defective products that need to be fixed or go to waste

Note: A common acronym to help memorise these areas of waste is TIMWOOD.

The lean management philosophy is aimed at reducing wastage in the above areas and improving customer value. Whenever a business is able to reduce the amount of waste it produces it gives itself a greater opportunity to improve its profitability and competitiveness. One approach to lean management is to implement the principles of pull, one-piece-flow, takt and zero defects. This strategy allows a business to reduce the key areas of waste within its business.

Pull

Pull is where customer demand dictates the rate at which goods or services are produced. Rather than a business producing as much as possible and trying to push these products to the market, the pull concept is where the business only produces the amount that the market demands. This allows the business to stop over-producing so that waste is greatly reduced. This minimises wastage as it reduces large amounts of completed stock in storage that either needs to be discounted in order to sell, or discarded completely. It also ensures that money is not tied up in inventory that cannot be sold, allowing the business greater flexibility.

One-Piece Flow

One-piece-flow is where the focus is on 'one-piece at a time', minimising interruptions within the operations system. If multiple tasks are being performed on a product at a time, it can cause interruptions. Instead, one piece being focused on at a time during production reduces waiting times as the product has a continuous flow through production. This does not necessarily mean that only one item is produced at a time. Multiple items can be in the production process at one time, however only one item is at a given stage of the production process at one time. It is important that the processes are aligned in a logical sequence to reduce excess motion. Focusing on one piece/task at a time reduces the amount of errors and speeds up the process. In service businesses, this may mean that instead of processing batches of requests at once, services are processed one at a time, in the order in which they are received. This improves the speed in which services are processed and reduces customer waiting times, hence reducing wastage.

Takt

Takt refers to the speed in which a business needs to produce products to meet customer demand. This allows a business to have a continuous flow and adapt quickly to any rises or falls in demand. It is better to have a continuous flow of production rather than having various starts and stops. For example: a bicycle manufacturer that operates for 600 minutes per day and the customer demand for the bicycles is for 6 per day, the takt time is 100 minutes. This means that at this demand, the bicycle manufacturer needs to make one bicycle every 100 minutes to keep up with demand.

Having a continuous flow allows the business to synchronise processes with the customer demand which reduces waiting times throughout the production. A consistent rhythm creates fewer errors from employees, further reducing wastage. As demand in the market increases, the business can increase the speed of production, and when the demand slows, production can operate at a slower speed. The number of employees and resources used to produce goods or services are aligned to the demand.

Zero Defects

The Zero defects principle is about identifying errors or defects as soon as they occur so they can be rectified immediately. Defects cause waste and a lean business will aim to have zero defects. Although errors will always occur in operations, a lean business will aim to not pass on defects to the next area of production. By not accepting or passing on defects, issues are resolved efficiently, avoiding the need for products to be reworked. While it takes time to rectify an error on the spot, it is more time consuming if the error is identified after other processes have been performed on the product. Focusing on zero defects, not only improves the quality for the customer, it also reduces wastage as fewer resources are used to produce the good or service.

Overall, lean management is able to improve the efficiency of a business's operations as fewer resources are being used to produce the good or service. The reduction of wastage ensures that the business is able to make better use of resources to produce each output, improving efficiency. Lean management also improves effectiveness as it is able to improve customer value. Having fewer defects, meeting customer demand and reduced waiting times helps improve customer satisfaction. The improvement in efficiency through effective use of resources can reduce operating costs, leading into improved profits.

Exam Tip: Question 1b of the 2023 exam asked students to explain how two of the lean management principles could be used to reduce waste at the business in the case study (Furny-Chur - a business that manufactures and installs seating for large sporting stadiums). Students often confused one-piece flow with the 'pull' principle. It is important to remember that pull is about producing the right amount to meet customer demand. This prevents the business from overproducing its good or service. Whereas one-piece-flow is about a business having a continuous flow in production with minimal starts, stops or bottlenecks. Those that used these two strategies and could clearly differentiate between them, were able to obtain full marks. It is also important to note that 'takt' is about the **speed** in which a good or service needs to be produced in order to meet the customer demand.

Corporate Social Responsibility in Operations

Although there is no universally accepted definition of corporate social responsibility, here is a common definition used:

> ***Corporate social responsibility is the continuing commitment of a business to go above and beyond its legal obligations to operate in a manner that addresses the wellbeing of employees, customers, the community and the environment.***

CSR is about a business going above and beyond its legal obligations to operate in a way that benefits the three key areas: economic, social and environmental. These three areas are often known as the **'triple-bottom line'** where the business can evaluate how well it has performed:

- economically (which relates to its ability to generate profit);
- socially (which relates to the impact on employees, customers and the community); and
- environmentally (which relates to its impact on the natural environment).

CSR should be a part of every function within a business. Although a business will have an objective to make a profit it needs to do so with CSR in mind. If not, it may make questionable decisions that have negative impacts on others (employees, community, customers or environment), which ultimately has the potential to reduce profitability in the long term. Research shows that many customers now consider CSR when making purchasing decisions.

Exam Tip: One of the biggest mistakes that students make with CSR is by writing about strategies that are legal obligations. for a consideration to be deemed a CSR consideration, it must be about the business going above their legal obligations.

While the goal of the operations function is to produce a good or service in the most effective and efficient way, many businesses will also aim to achieve this by ensuring that its production has a positive social and environmental impact. It is important that operations managers are aware of a business' CSR objectives so that they can align their strategies to help achieve these objectives. For example, if a business has an objective to minimise its impact on the environment, an operations manager could use a strategy to implement bio-degradable packaging.

Illustration of CSR in operations

Patagonia, is an American retailer of outdoor recreation clothing is a prominent example of a business that has successfully integrated corporate social responsibility (CSR) into its operations system.

Just some of their key aspects include:

Sustainable Materials: Patagonia prioritises using recycled materials and organic cotton in their clothing and gear.

Fair Trade Certified: Patagonia ensures ethical sourcing practices and fair wages for workers throughout their supply chain by using Fair Trade Certified materials.

Community Engagement: Patagonia actively supports local communities by donating to environmental and social causes and participating in community events.

Patagonia's commitment to CSR has resulted inincreased brand loyalty, a positive social impact, and a positive work environment where employees beelive in the work they are doing.

Implementing CSR into the business' operations can often be costlier or, in some cases, slow down production. However, there are also direct benefits for the business, including improved reputation, reduced long term costs, and providing a workplace that employees are more likely to value. CSR needs to become part of the culture of a business. This means it should be part of the everyday activities. Decisions made within the business need to reflect the triple-bottom line (economic, social and environmental). This means that the decisions made by a business should not be made under a profit paradigm with the social and environmental impacts being an afterthought. These three elements should be properly balanced when managers are making decisions.

For us to examine how CSR can be implemented into operations, we will look at CSR in terms of the operations system (inputs, processes, outputs). Here are a few examples of how a business can implement CSR practices into the operations system.

Environmental Sustainability of Inputs

Environmental sustainability refers to the responsibility to conserve natural resources and protect global ecosystems now and into the future. Decisions that businesses make when it comes to their inputs can impact the sustainability of our environment despite the impact not being felt immediately. Businesses should consider the sustainability of the environment when making decisions with their inputs to facilitate a more sustainable future. This could include implementing materials that are better for the environment or using renewable energy to power the facility, helping to minimise the impact on the environment. For example: Google is committed to powering 100% of its operations with renewable energy and purchases renewable electricity from wind and solar farms around the world. While this is expensive to implement (Google has invested in excess of $7 billion), it is clearly going above and beyond any legal obligations.

Another example relates to Lego, who in 2018 launched a new version of the traditional Lego brick. The plant-based plastic is developed from sugarcane, which will reduce the significant impact the business has on the environment. Lego understands that being a large business can bring with it a large carbon footprint and the company sees the benefits in reducing its (negative) impact on the environment through the use of more sustainable inputs.

The Amount of Waste Generated from Processes

Implementing strategies to reduce the amount of waste generated in the operations system will reduce the impact on the environment. Making the most efficient use of resources available can assist with this. As mentioned earlier, businesses can use a range of strategies to minimise wastage in the processes stage. For example, the *reduce, reuse and recycle* method is a way businesses can minimise wastage. Introducing lean management can also help to minimise wastage from the operations system which can lead to improved productivity, lowered costs and enhanced competitiveness.

Implementing other strategies, such as effective forecasting, Just-In-Time or quality strategies (e.g. Total Quality Management), can all help to reduce waste generated from the processes. While some of these strategies may slow down the pace of production, they can help to deliver a product that is free from harm for the consumer and decrease wastage in the processes area of the operations system.

Production of Outputs

Effective operations management will also work towards delivering a product that is defect free and adds real value to the consumer. If there are defects with the product, the operations system should have processes in place where customers can return the product or have their issue resolved in some way. While it is a legal obligation to make products that are fit for purpose and of merchantable quality, the way these issues are handled by the business can be above what is legally required. Defective products that are dangerous or harmful can result in injury to the end consumer, so it is important that operations managers implement good strategies and processes that ensure high quality output is consistently delivered. The ongoing provision of high-quality service to customers is not only ethical, but helps to improve the image and reputation of the business.

Packaging decisions that minimise the impact on the environment are also a socially responsible consideration. There are many options available to businesses in relation to packaging. For example, a business may decide to use packaging that is recyclable or biodegradable over packing that has a negative impact on the environment.

Businesses can also consider the impact their output has on the environment when it has completed its life span. For example, BMW is aiming to have its cars 100% recyclable when their life span is over. This allows every part of the vehicle to be recycled and used in the production of new cars, making it a circular economy where new vehicles are manufactured entirely from secondary materials and are 100% recyclable.

The table below, shows a summary of some of the key CSR considerations in the management of operations.

Elements of the Operations System	Corporate Social Responsibility Considerations
Inputs	• Procurement – ensuring suppliers incorporate CSR practices • Using local suppliers to support local jobs and economy • Environmentally sustainable inputs • Using renewable energy to power facilities • Simplifying supply chains to reduce carbon emissions

Processes	• Efficient use of resources • Ethical disposal of waste • Waste minimisation strategies • Job rotations to help motivate employees (rather than performing same tasks every day) • Implementing extra quality checks to ensure high quality • Keeping processes local to support local jobs
Outputs	• Packaging decisions – minimise packaging and its impact on environment (e.g. biodegradable packaging) • Creating goods that are high quality and good value for money for customers • Considering the product after its life span. E.g. producing a product that can be recycled • Ethical dealings with customers regarding returns and making repairs/replacements for defective goods

Exam Tip: When answering question on social responsibility in operations, students should make it clear as to why the consideration is socially responsible. Often students will identify a legitimate CSR consideratiion, yet fail to outline why it is socially responsible or the positive impact it has.

Global Considerations in Operations

The number of jobs created by the manufacturing industry has been declining in Australia for decades. Due to **globalisation**, where businesses are now competing in global markets, manufacturing output in Australia has declined for over four decades. The cost of manufacturing products can be highly expensive as the cost of local suppliers and wages are high compared to other less developed countries. Those manufacturing businesses that still exist in Australia will often consider using overseas businesses in the operations process. We will now examine some ways that this will typically occur.

Global Sourcing of Inputs

Sourcing inputs from businesses across the globe can have both positive and negative impacts. A business may decide to source inputs for a variety of reasons. It may be that raw materials are cheaper than if they were to be sourced locally. Businesses that are able to decrease their raw material costs need to also consider the quality of the materials. If the quality is comparable to local materials, then it can make sense to source materials from overseas suppliers. This **cost savings** can help to improve productivity and **competitiveness** for local businesses.

Businesses may also source other inputs, such as machinery and equipment, from offshore. Although it may be costly to obtain equipment and ship it to Australia, often it may be 'state of the art' equipment that can greatly improve the quality of the product and/or productivity.

Ultimately, the benefit of sourcing global inputs is that it typically reduces **production costs**, improves **productivity**, lowers **prices** and boosts **competitiveness**. This enables an Australian business to improve its profitability and maintain its share of an increasingly global market. This will not only mean that Australian businesses can potentially sell more products to overseas buyers (i.e. exports), it will help Australian businesses to compete against imports. For example, Australian manufacturers also compete against foreign manufacturers whose production costs are lower. This allows them to sell products at reduced prices to Australians either onshore or online. Reducing input costs by sourcing inputs from overseas suppliers therefore gives Australian businesses of all sizes a greater chance to compete against these relatively cheap imports.

The drawback associated with global sourcing of inputs is that it creates job losses (or reduced hours of employment) for Australian workers, particularly in the short term. In addition, businesses also need to consider the corporate social responsibility practices of suppliers. They need to ensure that the standards of the workplace conditions are acceptable and the quality of the processes remains high. Another issue with sourcing materials overseas is that if the quality of inputs received are not to the required standard, production may slow or stop while waiting for the materials to be returned. If a business is going to source inputs from overseas, it is important that it has a contingency (back-up) plan in case things go wrong with the foreign supplier.

A consideration when sourcing inputs globally is the exchange rate. This can alter daily and if the Australian dollar is weak against the foreign currencies, the costs of purchasing imported inputs can increase dramatically. This is beyond the businesses control and can be a significant drawback (or benefit) depending on the strength of the Australian exchange rate at the time.

Sourcing materials from overseas has become much more available to smaller businesses due to the communication benefits of the Internet. Companies such as Alibaba makes it incredibly easy to source global supplies for Australian businesses and it has become a major strategy for many businesses in a variety of industries.

Overseas Manufacture

For many manufacturing businesses, it isn't enough for them to simply obtain inputs from overseas. The cost of manufacturing in Australia is relatively high due largely to the cost of labour (e.g. wages) and the regulatory burden imposed by governments. As a result, many businesses have decided to manufacture their products overseas. Many clothing businesses use manufacturers from China, Indonesia, Bangladesh and Vietnam. The cost of manufacturing in these countries is much less than Australia as the average wage cost is much lower, and local businesses face a much lower cost complying with government laws and regulation. These lower costs enable businesses to deliver lower **prices**, improved **competitiveness** and **higher profitability**.

The imperative to reduce costs is not the only reason that businesses consider overseas manufacturing. A business that is looking to sell its product(s) in a foreign country may also decide to set up a manufacturing facility there. Being able to manufacture in the country of a business's major market makes sense. The business will be able to distribute its product to the market much more quickly than if they manufactured in their home country and shipped the product overseas. This also enables the business to be more responsive to their market.

A business that decides to set up their own manufacturing facility in a foreign country will have increased initial costs. Obtaining approval from foreign governments and setting up a new facility can be a timely and costly process. However, the business is able to have more control over their production process while still taking advantage of the lower wage costs.

Global Outsourcing

So far we have spoken about the core manufacturing process and using global partners to help improve efficiency. Yet both manufacturing and service businesses are able to outsource across the globe. Global outsourcing is where a business uses organisations from around the globe to undertake some of the business functions. This is typically done to reduce costs, improve quality or improve productivity.

Businesses are finding that other organisations are able to perform specialised tasks more effectively and efficiently compared to completing these tasks in-house. Often the tasks that are outsourced are those that are not part of the core activities of the business.

The following are some examples of tasks that are regularly outsources by businesses (both service and manufacturing):

- Software development
- Call centres (both technical support and sales)
- Finance and accounting
- Packaging and distribution
- Research & analysis
- Data entry

Outsourcing these tasks allows a business to take advantage of the expertise of other businesses. For example: a business may decide it needs a call centre and chooses an expert company in India to run the call centre. Not only can this be highly cost effective, but it potentially enables the business to make use of the skills of a highly experienced call centre.

Global outsourcing is available to businesses of all sizes, even enabling many individuals to begin virtual online businesses. The following is an example of a small business using global outsourcing.

Optus Outsource Call Centres

Telco giant, Optus outsources its contact centre operations to India and the Philippines. This allowed the company to make use of call centre specialists as well as reduce operating costs. To ensure the quality of the contact centre was high, they spent three years training the employees at the contact centres to ensure they were meeting standards. Optus was able to set standards that covered everything from recruitment and training to how well agents served Optus customers. This investment had a large impact on Optus increasing their net promoter scores (NPS) which is a measure of loyalty of customers to a business.

Global outsourcing can enable a business to lower its costs and improve efficiency but more importantly an Australian business is able to make use of another organisation's expertise. Whether it be finance, call centres, web development or distribution, a business can hand off those activities and focus on their own core activities.

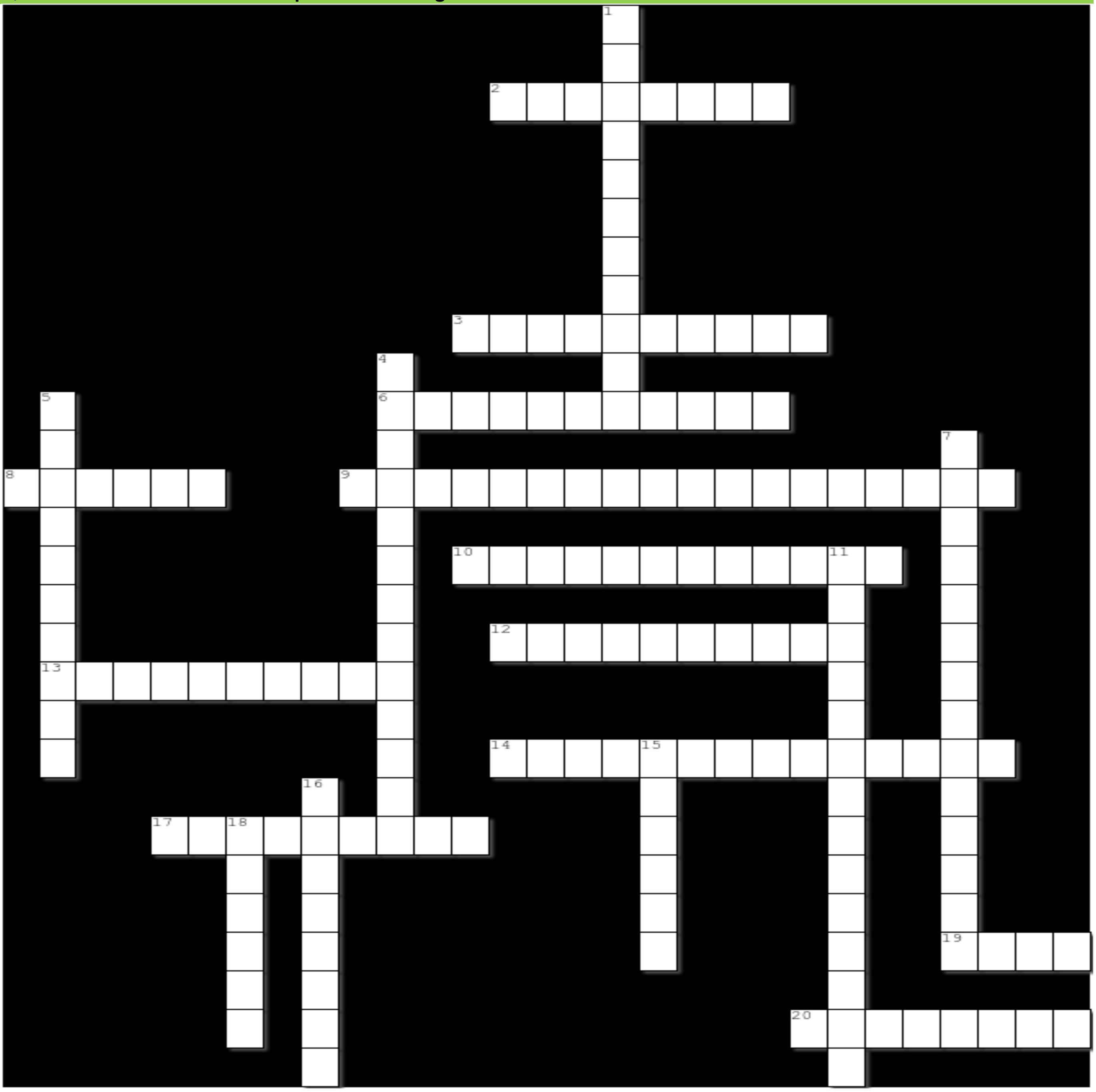
Similar to outsourcing more generally, a downside is that the Australian business will lose some control over the processes they are outsourcing. Language and cultural barriers are also an issue that needs to be addressed to ensure the activities are being completed to expected standard. It is likely that the service provider is working with multiple businesses, which means that it is unable to give a business 100% attention all of the time. In addition, it can take time for businesses to find the best organisation to partner with and, for small businesses that do not have the finances to travel and physically view the facilities, it can be difficult to find a reputable outsourcing organisation.

Exam Tip: The study design states that students need to be able to interpret, discuss compare and evaluate business information and ideas. Could you evaluate or discuss the above strategies? The 2020 exam asked students to discuss the considerations managers should take into account when deciding whether to source some ingredients from overseas suppliers. Many students found it difficult to look at both the benefits and limitations of global sourcing of inputs (especially for a business that delivers food to people at their homes, which was the case study in question). Ensure you can address both the advantages and disadvantages of each of the above strategies.

REVISION QUESTIONS 5 – Operations Management

1. **Define operations management.**
2. **Outline the relationship between operations management and business objectives.**
3. ***Fletcher's is a clothing manufacturer that specialises in both men's and women's nightwear fashion. Owner and designer, John Fletcher, wants to increase sales over the next financial year by 10%.*** **Outline how operations can assist Fletcher's to achieve this objective.**
4. **Explain the elements of the operations system for the following businesses:**
   a. **Furniture manufacturer**
   b. **Book publisher**
   c. **Bank**
   d. **Hospital**
5. **Outline 3 differences between the operations management of service and manufacturing businesses.**
6. **Outline 2 similarities between the operations management of service and manufacturing businesses.**
7. **Explain how forecasting can improve the effectiveness of a business's operations.**
8. ***Lilly is the operations manager of a medium sized toy car manufacturer. She wants to improve the productivity of the manufacturing process.*** **Justify one technology strategy Lilly could implement to improve productivity.**
9. **Evaluate the use of artificial intelligence as a way to improve the efficiency of a business's operations.**
10. **Compare automated production line with computer aided manufacturing.**
11. **Discuss the use of technology in a business you have studied this year.**
12. **Evaluate the use of a just-in-time strategy (JIT) for a local restaurant. In your response, refer to effectiveness and efficiency.**
13. **Compare a Master Production Schedule with Materials Requirement Planning.**
14. **Distinguish between computer-aided design and computer-aided manufacturing.**
15. ***Furniture Up is a small furniture retailer in Victoria. The owners are looking to improve their operations.*** **Explain how the owners can use online services to improve their operations.**
16. ***Philipa is the operations manager at costume manufacturer, Dress Up. Philipa has been asked to improve the efficiency of the operations system at Dress Up. Philipa believes the best opportunity to do this is in the area of materials.*** **Justify an appropriate materials strategy that will improve the effectiveness of the operations at Dress up.**
17. **Outline the following concepts of Total Quality Management (TQM):**
   a. **Continuous improvement**
   b. **Employee empowerment**
   c. **Customer focus**
18. **Outline why it could be advantageous for a business to implement an ISO 9001:2015 accreditation.**
19. **List two advantages and two disadvantages associated with the use a quality control strategy.**
20. ***Hannah is the owner of 360 Designs, a commercial architect business. 360 Designs employs 42 people, 15 of them architects. Hannah wants to find a way to improve the quality of the business' operations to ensure that all designs meet set quality criteria.*** **Discuss one quality strategy that Hannah could implement to ensure the quality of all designs meets Hannah's desired standards.**
21. **Explain why waste minimisation strategies are important for a business.**
22. **Describe how TWO of reduce, reuse and recycle can help minimise wastage for a soft drink manufacturer.**
23. **Distinguish between reuse and recycle.**
24. **Describe the following lean management principles:**
   a. **Pull**
   b. **One-piece-flow**
   c. **Takt**
   d. **Zero defects**
25. **Explain how lean management can help a business to improve its efficiency.**
26. **Define corporate social responsibility (CSR).**
27. **Outline why a business would want to use environmentally sustainable inputs.**
28. **Discuss the implementation of CSR practices in operations management.**
29. **Jeremy is the operations manager of a large food processing company in North East Melbourne. He knows the importance of implementing CSR practices.** **Describe ONE CSR strategy that Jeremy could consider from each of the elements of the operations system.**
30. **Outline two benefits for a business sourcing their inputs globally.**
31. **Outline two drawbacks for a business sourcing their inputs globally.**
32. **Explain why a business might decide to manufacture overseas.**
33. **Distinguish between global outsourcing and global sourcing of inputs**
34. ***Simco is an electronics manufacturer. Sharon is the operations manager and has recently discovered that there has been a defect with one of its products and customer complaints have risen sharply.*** **Describe an appropriate management style that Sharon could use to rectify the problem.**
35. **Describe three management skills and justify their use for an operations manager.**

Quick revision crossword No 5: Operations Management



Across

2. Global _________ of inputs

3. Measure of how well a business is utilising their resources

6. Using factors such as historical data and seasonal fluctuations to try and predict future demand

8. Manufactured goods can be __________

9. Three steps to minimise waste (3 words)

10. Focusing on one piece at a time (3 words)

12. Where materials are delivered just as they are needed in the production process (3 words)

13. Service businesses produce these types of outputs

14. Where employees get together to discuss quality (2 words)

17. The activities that transform an input into an output

19. The speed in which a business needs to produce products to meet customer demand

20. The first 'S' in SaaS

Down

1. Correcting errors before passing them on to the next person (2 words)

4. Ability to achieve business objectives

5. __________ Intelligence

7. Common Quality Assurance cycle (4 words)

11. One of the 7 areas of waste (2 words)

15. Resources used to produce a product

16. Quality Control is often seen as __________

18. The final good or service

MINI EXAM NO 3: UNIT 3 AREA OF STUDY 3 (Total marks = 50)

SECTION A

1. **Define the following terms** **(4 marks)**
   a. **Robotics**
   b. **Lean management**

2. **Explain how operations can help a business increase their market share.** **(3 marks)**

3. ***Luxury Air is a domestic airline that has routes to all capital cities throughout Australia.***
   Evaluate a technology that Luxury Air could use to improve the efficiency of its operations. **(5 marks)**

4. **Compare quality control and total quality management.** **(4 marks)**

5. **Identify one similarity and two differences between the operations of a manufacturing business and a service business.** **(3 marks)**

6. **Pristine manufactures washing machines and dishwashers. Operations manager, Julia is considering sourcing inputs from overseas. Discuss the use of global sourcing of inputs for Pristine.** **(6 marks)**

SECTION B
CASE MATERIAL: Leura Sound

Leura Sound is a music events company owned by Tiffany Parks. The company was founded 15 years ago when it began hosting small music events at Leura Gardens along the peninsula. It has grown significantly over that time and now hosts 8 major music events across the country. Last year, more than 300,000 music fans attended Leura Sounds' events. Leura Sound is unique in that it runs all operations itself without outsourcing anything. This means it runs all catering, both food and beverage at all its events. The food is produced at a different facility and delivered to each event, where it is sold. Over the past 3 events, the company has received more customer complaints than ever. The majority of the complaints have been about the quality of the food. Tiffany has called for a review of all food manufacturing processes.

STRUCTURED QUESTIONS

1. **Describe the operations system as it would apply to Leura Sound.** **(6 marks)**

2. **Discuss one quality strategy that Leura Sound could implement to reduce the number of customer complaints.** **(4 marks)**

3. **Describe the pull, one-piece flow, takt, zero defects strategy and explain how Tiffany could use each to improve the efficiency at Leura Sound.** **(8 marks)**

4. **Justify one materials management strategy Leura Sound could implement to improve effectiveness.** **(4 marks)**

5. **Describe online services and outline how Tiffany could use online services to improve the efficiency of the operations at Leura Sound.** **(3 marks)**

YOU BE THE ASSESSOR: UNIT 3 AOS 3

In this section, you are required to assess the responses presented for each of the questions. You should award the responses a score and justify your decision. Once complete, compare your assessment to that of the author (provided at the rear of the Study Guide)

Question 1

The Head of the River Hotel is a restaurant located in the Murray region.

Explain and justify one quality strategy that The Head of the River Hotel could implement to ensure that the quality of its food service is of a high standard. **4 marks**

Sample answer 1

The Head of the River Hotel could use quality control which is where the business inspects the product at regular intervals to ensure quality is high. The business will set quality criteria that must be met and if the product does not meet this criteria, corrective action is taken to ensure the product is rectified before it meets the end customer. Implementing quality control will ensure that the quality at The Head of the River Hotel is high, because the business will be performing checks regularly to ensure that the quality is high. If it is not high, they will need to take corrective action. This may result in wastage as the products may be discarded or reworked, meaning that more resources are used to produce the end product. However, performing these checks and comparing the product against the set standards will ensure that all products will be of high quality. This will improve the level of customer satisfaction and help the Hotel increase their sales.

Score out of 4 ______

Justification____

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Sample answer 2

Quality control is the use of inspections at regular intervals throughout production to check if the product meets set quality standards. If the good or service does not meet the desired standards, corrective action is taken. For each meal that is produced, there could be a staff member that checks the quality of the meal to see that it meets the set standards before it is taken out to the customer. This will ensure that every meal meets the desired standards. If the meal does not meet the set standards, then it will return to the kitchen for it to be rectified before it is then checked again. Once it meets the desired standard it will be delivered to the customer. The Hotel can complete the same checks for the table service to ensure that all service staff are meeting the desired standards. For example, there could be a standard for how often the service staff must check on their customers or a time limit on how quickly they need to take orders from the customers. All of these standards will ensure that the level of service is high.

Score out of 4 ______

Justification____

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Question 2

Carrie is a breakfast cereal manufacturer in East Melbourne. Carrie is owned by Carrie Crisp and has a range of cereals with low sugar and high fibre. Ms Crisp has just come back from a manufacturers conference in Sydney where she learned about global considerations for manufacturing businesses. Ms Crisp is now considering using some of these global strategies.

Evaluate one global consideration that Ms Crisp should implement to improve the operations at Carrie. **6 marks**

Sample answer 1

One global consideration is global sourcing of inputs. Global sourcing of inputs is where the business receives resources from a foreign country to use as part of their operations. Global sourcing of inputs comes with many benefits. One benefit is that the business can often receive inputs that are cheaper than in Australia. Some countries use cheaper labour which enables them to sell their resources far cheaper than the suppliers in Australia. Another benefit is that some resources are higher quality in other countries than they are in Australia. This can help Australian businesses improve the quality for their products which can improve the overall customer satisfaction. However, global sourcing of inputs also has some drawbacks. One of the drawbacks is that because the resources such as materials need to travel a long way, it increases the lead time of the business which means it will take longer to receive their materials and therefore produce their products. This also reduces the flexibility of the business because changes to the materials used will be far slower due to the increased transportation time.Despite these drawbacks, businesses can improve their overall efficiency and effectiveness by sourcing their inputs from overseas suppliers.

Score out of 6 ______

Justification____

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Sample answer 2
One global consideration that Carries can use is global sourcing of inputs. Global sourcing of inputs is where the business receives resources such as materials from overseas suppliers. This can help Carrie improve her operations because she may be able to receive materials such as bran, wheat and fruits that are much cheaper than Australia. This can help reduce her production costs which can improve her profit margins. Using overseas suppliers can also improve the overall quality of her cereals. She may be able to make use of countries with higher quality food materials to improve the quality of her products which will improve the customer satisfaction of the business. However, sourcing inputs globally will increase the time it takes Carrie to receive her materials. This can slow production because the overall lead time is increased due to the increased transportation. If Ms Crisp finds that an order from her overseas suppliers does not meet the desired quality, it will take a long time to return them and receive a new order. This greatly reduces the flexibility of her business which can harm the overall operations at Carrie. Despite the possible advantages of sourcing global inputs, Carrie should continue to use local suppliers for her cereals. This will enable Carrie to reduce the lead time for their cereals which will enable the business to get their products to the market quicker.

Score out of 6 ______

Justification____

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<u>**Question 3**</u>
Green Earth Cosmetics is a company specialising organic beauty products. They pride themselves on producing high-quality skincare and makeup items.

Describe one way in which Green Earth Cosmetics could use a materials management strategy to improve the efficient management of its inputs. **3 marks**

Sample answer 1
Forecasting is a strategy that uses past data to predict customer demand for its products. Green Earth Cosmetics would be looking at their data to determine what the sales of their skincare and makeup products would be in the future. This would help them determine how many of each product they need to make. This improves efficiency as they are not overproducing the skincare and makeup products, which reduces the amount of wastage they produce.

Score out of 3 ______

Justification____

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Sample answer 2
Green Earth Cosmetics could use forecasting which is a materials management strategy that analyses historical sales data and trends to predict future demand so it can order the correct amount of materials. This forecasting allows Green Earth Cosmetics to order the precise amount of raw materials needed for their skincare and makeup products, such as organic ingredients and sustainable packaging materials, ensuring they have enough stock to meet customer demand without over-purchasing. This not only minimises waste and storage costs but also ensures a steady flow in the production process, enhancing overall operational efficiency.

Score out of 3 ______

Justification____

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Question 4
Compare the characteristics of a service business's operations and a manufacturing business's operations. **4 marks**

Sample answer 1
Both manufacturing and service businesses go through the three phases of an operations system which includes the inputs, processes and outputs. Both types of businesses will use resources for their inputs and look to transfer these inputs into a final output. The final output in both service and manufacturing businesses are sold for money. However, there are some key differences between the operations of a service and manufacturing businesses. A manufacturing business produces a tangible output, meaning it can be touched or handled. Whereas a service business produces an intangible output, meaning it is unable to be touched or handled. Another difference is that a manufacturing business is often more capital intensive where machinery and equipment is used, often to automate processes. Whereas service businesses are often more labour intensive where employees are the ones delivering the service.

Score out of 4 ______

Justification____

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Sample answer 2
A manufacturing business produces tangible outputs whereas a service business produces intangible outputs. Manufacturing businesses can store their products because they are tangible. Service businesses cannot store their products because they are intangible. Manufacturing businesses are more capital intensive, whereas service businesses are more labour intensive. Consumption will normally occur separately from production in manufacturing. But in services the consumption and production often occur at the same time. There is very little customer involvement during production for a manufacturing business. Customers are often heavily involved during the production of a service. An example of a manufactured good is a guitar. But a service could be guitar lessons.

Score out of 4 ______

Justification____

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Question 5
F&M Group is a commercial cleaning business owned by Frances and Maggie. The company specialises in cleaning office buildings and has 38 locations across Victoria, New South Wales and Queensland.
Explain how F&M Group could implement technological developments to improve the efficiency of its operations system.
3 marks

Sample answer 1
F&M Group could implement an automated production line. An automated production line is where the product moves through a sequence of steps where parts are added automatically with minimal human interaction. Using the automated production line would allow F&M to produce their cleaning products in an efficient manner. Automating this process would speed up the rate of production and allow them to clean their buildings in less time, improving efficiency. This would also require less human labour which would also allow them to improve the efficiency of their operations.

Justification____

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Sample answer 2
F&M Group could implement a range of automated equipment such as automatic vacuum cleaners. This would allow the cleaners to focus on cleaning other areas of the facility while the automatic vacuum cleaners vacuumed the floors. This would reduce the time it takes to clean each of the facilities, enabling F&M Group to clean more offices in the same amount of time, leading to improved efficiency. Using automated equipment could also improve the quality of the vacuuming, reducing errors and the need to vacuum again. This also reduces the amount of resources used to clean each office space, leading to improved efficiency for F&M Group.

Score out of 3 ______

Justification____

____

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Question 6

Bright Solar is a renewable energy company that specialises in designing and installing solar panel systems for residential and commercial properties.

In relation to lean management, explain how Bright Solar could use Pull and Takt to reduce their wastage.

4 marks

Sample answer 1

Pull is where a business produces the number of products to meet customer demand. This will reduce the wastage at Bright Solar because they will not be overproducing solar panels by only producing the number that the market needs. Bright Solar would only produce Solar Panels in the desired size and quantity, reducing wastage as each solar panel produced will be sold.

Takt is where there is a continuous flow in production and no bottle necks. Bright Solar will need to ensure that the production maintains a consistent speed so that each employee has time to complete their tasks. This will ensure there is a continuous flow when making the solar panels and will reduce wastage as a result of hold ups during production.

Score out of 4 ______

Justification____

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Sample answer 2

The Pull strategy, focused on producing only what is needed to meet customer demand can be applied by initiating solar panel production and installation processes in direct response to customer orders, rather than producing in anticipation of future demand. This approach ensures that resources and efforts are not wasted on producing excess solar panels that do not align with market demand.

The Takt principle aligns production speed with customer demand rate. Bright Solar can streamline their operations to match the pace of customer orders. By synchronising their production rate with the actual rate of demand, Bright Solar minimises overproduction, leading to less wastage and to more efficient use of materials and resources.

Score out of 4 ______

Justification____

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The Unit 4 Outline: Transforming a Business

This unit focuses the concept that businesses are under constant pressure to adapt and change to meet their objectives. Students will look at the importance of reviewing key performance indicators to determine current performance and the strategic management necessary to position a business for future success. Students will study a theoretical model to undertake a business through change and consider strategies to manage change in the most efficient and effective way to improve business performance. The importance of leadership in change management will also be addressed. Students will use one or more contemporary case studies from the past 4 years to evaluate business practice against theory.

AREA OF STUDY 1: Reviewing performance – the need for change
In this area of study students develop their understanding of the need for change. Managers regularly review and evaluate business performance through use of key performance indicators and use the results to make decisions affecting the future of a business. Managers can take both a proactive and reactive approach to change. Students investigate the ways a business can search for new business opportunities as a source of future business growth and consider current forces for change on a business. They apply Lewin's Force Field Analysis theory to contemporary case studies from the past four years and consider approaches to strategic management using Porter's Generic Strategies.

Outcome 1
On completion of this outcome students should be able to explain the way business change may come about, analyse why managers may take a proactive or reactive approach to chance, use key performance indicators to analyse business performance, explain the driving and restraining forces for change and evaluate management strategies to position a business for the future.

Key knowledge
- The concept of business change
- Proactive and reactive approaches to change
- Key performance indicators as sources of data to analyse the performance of businesses, including percentage of market share, net profit figures, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints, number of website hits and number of workplace accidents
- Key principles of the Force Field Analysis theory (Lewin) including weighting, ranking, implementing a response and evaluating the response
- Driving forces for change in business, including owners, managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes
- Restraining forces in businesses, including managers, employees, time, organisational inertia, legislation and financial considerations
- The two key approaches, lower cost and differentiation, to strategic management according to Porter's Generic Strategies

AREA OF STUDY 2: Implementing Change
In this area of study students explore how businesses respond to evaluation data. It is important for managers to know where they want a business to be positioned for the future before implementing a variety of strategies to bring about the desired change. Students consider the importance of leadership in change management and discuss and evaluate effective strategies for managing change. Students consider how leaders can inspire change and the effect change can have on stakeholders of a business. They consider the principles of Senge's Learning Organisation and apply the Three-step Change Model (Lewin) in implementing change in a business. Using one or more contemporary business case studies from the past four years, students evaluate business practice against theory, considering how corporate social responsibility can be incorporated into the change process.

Outcome 2
On completion of this unit the student should be able to discuss the importance of effective management strategies and leadership in relation to change, evaluate the effectiveness of a variety of strategies used by managers to implement change, and discuss the effect of change on the stakeholders of a business.

Key knowledge
- The importance of leadership in change management
- Management strategies to respond to key performance indicators and/or seek new business opportunities, including staff training, staff motivation, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques, redeployment of resources (natural, labour and capital), innovation, global sourcing of inputs, overseas manufacture and global outsourcing
- Corporate culture and strategies for its development
- An overview of the principles of the Learning Organisation (Senge) and the need to create a positive culture for change
- Low-risk strategies to overcome employee resistance including communication, empowerment, support and incentives
- High-risk strategies to overcome employee resistance, including manipulation and threat
- Key principles of the Three Step Change Model (Lewin)
- The effect of change on stakeholder groups including owners, managers, employees, customers, suppliers and the general community
- Corporate social responsibility considerations when implementing change
- The importance of reviewing key performance indicators to evaluate the effectiveness of business transformation

CHAPTER 4: REVIEWING PERFORMANCE – The Need For Change

So far we have looked at different ways to manage a business to ensure its success. Once a business has been established and has been operating for some time, managers need to decide what comes next. We live in an environment that is forever changing and businesses also live in this changing environment. It is therefore important for businesses to adapt to change in order to increase the likelihood of success into the future.

However, before businesses discover what they need to do in the future, they first need to understand where they are currently positioned as a business in a dynamic market place. This requires businesses to evaluate their current practices and/or performance and compare the results with their desired objectives. Once they have this information they can then make informed decisions on how best to move forward.

This chapter is all about how a business can evaluate its performance and make decisions about its future. Sometimes the evaluation will show that a business is operating at a high level and achieving its objectives. While other times the evaluation will show poor results that need to be rectified. Whichever is the case for a particular business, it needs to adapt and move with the changing times. If it doesn't, it can have dire consequences for the business. The business could lose a competitive advantage or even go bankrupt. Before we move into the course content, we will look at an example involving Australian chocolate brand Darrell Lea to demonstrate the importance of evaluating and moving with the ever-changing business environment.

Darrell Lea goes from collapse to being sold for $200 million

Confectionery company Darrell Lea was founded in Sydney in the early 1900's and grew into a well known chocolate brand across the country. Famous for its soft-eating black liquorice, the company boasted more than 500 retail stores across Australia at its peak.

The changing customer trends and the reported failure to evolve saw Darrell Lea enter into administration in 2012. While Australians were consuming more chocolate than ever, Darrell Lea found itself not being able to pay its bills. Analysts reported at the time that customers were either wanting premium-quality chocolate at one end OR 'supermarket chocolate' at the other. However, Darrell Lea had not budged from the middle of the market. Customers were not prepared to go to a confectionery specific store and pay more for a slightly more premium product, when they could get something of similar quality at the supermarket and get their other groceries on the way. Failure to evaluate its performance and take action contributed to the failure of the 85 year old company which closed its retail stores, resulting in hundreds of redundancies. It was reported at the time that Darrell Lea was finally sold to a Queensland family for an estimated $25 million.

The new owners focused on the strong brand and goodwill that had been built over the decades. In addition, it focused on the need to change the business model in a way that paid greater attention to the changing customer trends. The process of Darrell Lea's turnaround involved making distribution deals with the likes of Coles, Woolworths, IGA, David Jones, Big W and Australia Post. This ensured that the company could reduce its expenses by removing its own retail stores, as well as move with the changing customer trends by having its products in stores where large amounts of people shop. The turnaround resulted in the business being sold to private equity firm, Quadrant, for a reported $200 million in 2018. The company is continuing to move with the times and is ensuring that it is meeting its customer needs - a key factor driving its renewed strength and success.

Darrell Lea is an example of the importance of reviewing business performance and making informed decisions about how to position the business in the future.

The reactive approach of Darrell Lea to the business environments caused the (temporary) demise of a company that had been operating for 85 years before its collapse. As the company was sold, it also shows how businesses can become successful if they are able to review performance and move with the needs of the market. It was an incredible turnaround in a relatively short period. In this chapter we will look at how businesses can evaluate their current practices and how they can position themselves for the future.

Business Change

Change in business is a business's planned or unplanned response to both internal and external pressures. Internal meaning from within the business. For example, the employees may be demanding changes to how the business operates. External meaning from outside the business. For example, customer trends and expectations may be changing, or the state of the economy may be exerting pressure on a business to change.

At times, these changes could be described as 'radical'. **Radical changes** result in a major alteration of the business. These changes are often initiated by critical events, such as a dramatic drop in financial performance, a merger/takeover, or a health pandemic (such as the COVID-19 pandemic) that significantly alters the way a business operates.

Another form of business change is **incremental change**. Incremental change occurs more frequently, but is less traumatic to the business and is part of its natural development. These changes may include new systems, including new products or implementing a new policy. The business remains relatively the same, however it is working towards improving some aspect of its function. Incremental change is important for a business because it is continually improving, which can help it to gain or maintain a competitive advantage and stay current in the market place.

Proactive and Reactive Approaches to Change

Managers can either be proactive or reactive when it comes to change. A **proactive** approach to change refers to a manager that foresees alterations in the business environments and looks to implement changes in order to take advantage. In many instances, businesses will invest in research and development to reveal future trends in the market, or innovate as a means of developing new strategies that will give them a competitive advantage. A proactive approach is often seen as **planned change**, where it is thought out and considered. The manager will think ahead about the potential impacts of the changing business environments and develop a path forward to take advantage or avoid its significant impact. Taking this approach can help the business gain a competitive advantage. However, one disadvantage of being proactive is that the business is making changes on how they 'believe' things will look in the future – but futures are always uncertain. If the 'predictions' do not eventuate, the business may have wasted resources unnecessarily.

A reactive approach to change is where a business is impacted by the business environments and is 'forced' to change in order to protect or preserve its position in the market. This approach is often seen as unplanned change, where the managers need to respond to a significant issue. Some businesses may constantly look to see what their competitors are doing and try to react accordingly. Because the business has been impacted by the business environments, failure to react effectively can have a significant impact on the business. Others will be faced with some form of crisis (like Darrell Lea at the beginning of this chapter) and then implement a strategy to try and overcome the crisis. Being reactive is much less desirable than being proactive because businesses risk 'falling behind the pack' as their rivals enjoy a 'first mover advantage'.

As effective as some managers can be at predicting the future, it is not possible to be correct 100 per cent of the time. It is therefore important that the business has managers that are competent at both proactive and reactive approaches to change. For example, while some managers may have been able to foresee a significant impact from the COVID-19 pandemic due to the impact it was having in Asia in late 2019, few would have predicted the response from Governments in Australia. This necessarily caused managers in various businesses to be reactive. While some were able to do it effectively, and actually flourished through the pandemic, others were less able to adapt and continue to experience the effects today.

> **Exam Tip:** Question 5 of the 2023 exam asked students to analyse both proactive and reactive approaches to business change and refer to at least one contemporary business case study in their response. It is common for students in 'analyse' questions to provide descriptions of the concepts and show a sound understanding. However, the term 'analyse' requires more depth than just descriptions. In this question there would need to be a clear relationship shown between the approaches to change and the contemporary business case study.

Key Performance Indicators

As mentioned earlier, part of transforming or changing a business is to firstly know 'where the business is at'. To understand this, a manager needs to evaluate key processes and determine if the business is meeting its desired goals, or set targets, or determine how **effective** and/or **efficient** the business is.

As a reminder, **effectiveness** indicates the extent to which a business is achieving its set objectives. For example, if Business XYZ has an objective to increase market share by 5%, then it is effective if it achieves this objective. On the other hand, **efficiency** assesses how many resources are being used by the business to achieve the set goals. For example, while Business XYZ might be able to achieve its 5% increase in market share, it may not be considered efficient if this increase was achieved by a 20% increase in marketing expenditure, which has the potential to place Business XYZ in a dangerous financial position. However, if Business XYZ is able to achieve the goal of 5% growth in market share without any increase in marketing expenditure (or more generally by making better use of its resources) then it would be considered both effective and efficient.

The concepts of effectiveness and efficiency are important considerations in the context of reviewing a business' performance. There are many businesses that generate large revenues and achieve their goals of increasing sales and making customers happy. However, if they achieve these goals inefficiently, it can result in financial losses that ultimately has the potential to cause the business to be unsuccessful. It is therefore important to measure the effectiveness and efficiency of all areas of a business.

To evaluate a business, managers will use key performance indicators that provide information on how the business is performing in specific areas of the business**.** ***Key performance indicators*** *can be defined as a criterion that businesses can use to measure their success in achieving business objectives*. Key performance indicators can be used to evaluate both individual and overall business performance. We spoke earlier in Chapter 2 about managing both individual and business performance. Performance indicators are how this type of performance can be measured.

Before we move on and look at specific key performance indicators that can be used to evaluate business practices, it is necessary to address the issue of benchmarking, which was introduced earlier when considering 'Quality Management Strategies'. **Benchmarking** (setting a standard to measure against) assists when using performance indicators to appreciate if the result is a positive one or one that indicates an issue within the business that requires attention. Without a benchmark the manager is unable to identify if a business is performing well, or if adjustments or radical change is required. For example, Kelly is the manager of a local newsagent. She measures the number of sales for each day and finds she has made $1500 in sales on Tuesday. How does she assess this outcome? Is this a figure Kelly should be happy with? It is difficult to know unless there is some form of benchmark to measure this against. If the benchmark is $1200 then Kelly is likely to be happy. However, if the benchmark was $2500, Kelly is likely to look into why the figure on this particular Tuesday was so low. So what could Kelly do to set a benchmark? At the beginning of the day Kelly could look at the number of sales for the last few Tuesdays and set a benchmark based on this. This can give meaning to the $1500 in sales for Tuesday. If she hasn't quite met her benchmark based on the past few Tuesdays, then it might indicate that there is an issue with some of her processes. If this slide in sales continues, then it is likely that Kelly will need to implement some changes to her processes to help boost the number of sales.

We will now examine some specific key performance indicators.

Exam Tip: Benchmarking is not specifically listed in the study design. However, it is difficult to 'explain' how a business could use a performance indicator or 'justify' its use without some form of benchmark. For example, in previous exams, students have been asked to justify or explain how KPIs can be used to measure the success of something the business has implemented. This has occurred multiple times. One example was when students were asked to justify two performance indicators that Websters could use to measure the success of the business' change in focus. Websters was a chocolate manufacturer and had changed their focus to competing on quality, so many students selected the performance indicator 'number of sales', which was a great indicator to use. However, without some form of benchmark, it is very difficult to justify. Students needed to write something like:

Number of sales could measure the success of Webster's change in focus of competing on quality as they coud look at the number of sales before the change in focus and after the change in focus. If the number of sales has increased after they have implemented strategies to compete on quality rather than price, then the strategy could be deemed a success. If however the number of sales stayed the same or even decreased after the implementation it would indicate that the change has not been successful.

As you can see there is no mention of the word benchmark (although it would be fine if you did), however there is a clear indication that the results of the performance indicator is being **measured** against something. In this case, previous results of the same indicator before the implementation of any changes.

Percentage of market share

Percentage of market share is a representation of the portion of sales that a business has compared to the total sales for the industry or product, expressed as a percentage. For example, if consumers as a whole were to purchase 100 apples and 30 are from one business, that business would have a market share of 30%. Australian supermarkets are constantly competing for market share. Woolworths is the market leader with approximately 37% of the total grocery market share, followed by Coles at 28%, Aldi at approximately 11% and IGA further back at 8.6%. The remainder of the market is made up of other smaller grocery providers. One of the common objectives of businesses is to increase their percentage of market share, which demonstrates a business's competitiveness. If the percentage of market share for a business increases, it means it is taking market share away from competing businesses. In contrast, a decrease in the percentage of market share is a strong indicator that a business is losing its competitive advantage as customers choose to purchase from rival businesses.

Exam Tip: If asked to define percentage of market share, it is common for students to include the term in the definition. For example, "percentage of market share is the business's share of the market". This is not best practice and often won't be accepted as an appropriate definition. Students are encouraged not to use the terms within their definitions where possible.

Net profit figures

Net profit is the amount of money that is left after expenses have been deducted from revenue earned. Businesses are able to increase their net profit in a number of ways. They can do so by firstly increasing their revenue. Secondly it can be achieved by reducing their expenses. With the use of some smart strategies, a business may even be able to do both. Let's take a look at a hypothetical restaurant.

> *Schumer's is a local BBQ restaurant in Echuca that specialises in BBQ ribs. Schumer's earns revenue by selling meals to consumers and last year it made a net profit of $85,000. After all expenses are paid Schumer's makes a net profit of approximately $6.20 per meal. Owners Jim and Helen have set themselves to increase their net profit for next year. Helen comes up with the idea to promote the business through social media, at virtually zero cost. This method is very cost effective and brings in an extra 20 meals per week, resulting in an extra $124 (approximately) profit each week ($6.20 x 20 customers) or approximately $6,448 per year.*
>
> *Schumer's has been purchasing its ribs from a large national supplier. It purchases around 14,000kg of ribs each year and pays $9.30 per/kg. However, Jim has approached a local supplier and found that it is able to give him a better deal on the ribs. After establishing this relationship, Schumer's is able to purchase ribs at $7.42 per/kg. This saving of $1.88 per/kg of ribs increases net profit by approximately $26,320 per year ($1.88 x 14,000kg) just for changing suppliers. With these two simple strategies, Schumer's is able to meet its goal and increase annual net profit by approximately $32,768.*

Net profit is what determines a business's long-term success. Many businesses are able to have large revenues (i.e. money generated from sales) but can still have negative net profit figures at the end of the year. Clearly, these businesses are either not pricing correctly (i.e. their price is too low) or they are doing a poor job at minimising expenses (i.e. their expenses are too high). Ultimately, if a business is unable to maximise its revenue and minimise its expenses, it will have a difficult time achieving a net profit.

Net profit belongs to the owners of the business (i.e. shareholders in the case of companies) and management will typically decide to return some (or all) of the net profit back to the shareholders, via the payment of dividends. However, management will sometimes decide to retain part of the net profit within the business to use for future investment. Shareholders will often put the CEOs of companies under pressure to increase profit figures as they want to maximise the return on their investment. This in turn will result in CEOs being constantly vigilant in seeking out new ways or strategies to boost net profit over time, from the simple deployment of a new marketing or pricing strategy to wholesale changes to the structure of the business.

Exam Tip: There are many different forms of profit. The key profit indicator in this course is Net Profit. Simply stating "profit" as a KPI is likely not specific enough to obtain full marks. While is it not expected students understand all different forms of profit, stronger responses will be specific and use Net Profit.

Rate of productivity growth

As discussed in earlier chapters, rate of productivity growth is a measure of efficiency for a business, and compares the amount of outputs produced to the amount of inputs used in production and the rate in which this increases over time. This is often used in both the operations and human resource functions to determine how efficiently the business is operating. The managers of these functions will look at the rate in which the productivity is increasing or decreasing. The growth in the rate of productivity helps the business to measure how efficiently they are using their resources. The more efficiently a business can produce outputs will help determine its competitive advantage in the market place. Businesses can improve their productivity in a number of ways, including:

- using fewer resources to produce outputs
- producing more outputs from the same amount of inputs
- producing more outputs while using fewer inputs

Consider a manufacturing company that integrates advanced robotics into its production line, thereby increasing output without additional labour or material costs. Such technological advancements significantly contribute to productivity growth. By improving the rate of productivity growth, a business is able to produce each good or service at a lower per unit cost because fewer resources are being used to produce the output. This should result in improved profitability or allow the business to pass the cost savings on to consumers. Either way it allows them to gain a **competitive advantage** over time. Because time is one of the resources used to produce a good or service, a business is able to improve productivity by producing goods and services faster. This not only means that more can be produced over a specified time period (which reduces average or per unit costs), it helps the business get its products to the market quicker than its competitors, often leading to increased sales. Rate of productivity growth is an important measure for businesses because it has a significant impact on the costs of producing a good or service. It is important that productivity growth is measured regularly so problems with production can be identified and addressed early.

Exam Tip: It is not enough to state "productivity" as a KPI. Students should use "rate of productivity growth" as the KPI

Number of sales

Number of sales measure the amount of goods/services sold over a given period of time. This is an important measure for businesses as an increase in sales can validate strategies that the business has implemented (e.g. a new marketing campaign) or it alert the business to potential problems in the event of declining sales. Although a lower number of sales will not necessarily identify the exact issue that is occurring, it will alert management to an issue that needs further investigation. It is typically an objective of businesses to increase sales in order to maximise profit and improve profitability.

Regular tracking of sales provides insights into customer preferences and market trends. It helps businesses understand which products are in demand, and during which seasons or periods the sales of the business are highest (or lowest). In-depth analysis of sales data can reveal which products are driving growth and which might need to be (re)evaluated. It is important for managers to understand that sales numbers can be influenced by external factors, such as economic changes, actions of competitors, and evolving consumer preferences. Understanding these factors is key to adapting sales strategies effectively.

As with all indicators, it is important that number of sales is benchmarked. It could be that sales are compared to the same time last year, month or week. Whether the results are positive or poor will determine the course of action that will be taken by a business. For example, strong sales results may encourage the manager to expand the business into a new area, while poor sales may result in a new advertising campaign being developed.

Rates of staff absenteeism

"Can't come in today. I'm in bed with a nasty bug."

CartoonStock.com

Rate of staff absenteeism is the rate in which employees fail to attend work on a given day, when they are scheduled to be there. While employees are entitled to take time off work for being unwell or for family and other commitments outside of work, businesses with satisfied employees are more likely to have lower rates of staff absenteeism. In contrast, high absenteeism rates can signal underlying issues like poor job satisfaction, stress, or health problems.

Absenteeism is a major cost to businesses, so it is important that managers aim to keep this rate as low as possible. When an employee is not at work, they are not contributing to the achievement of business objectives, which impacts negatively upon the productivity of the business. Even if someone replaces them for the day, there is an increase in costs for the business. For example, if your teacher is absent for a day, it is likely that a substitute teacher will replace them. Your teacher will typically be entitled to some form of leave (e.g. sick leave), so they will still be paid even though they are absent from work. The substitute teacher will also be paid for a day's work, which increases employment costs for the school even though 'the same' amount of work is being performed.

If a business identifies that its rate of staff absenteeism is increasing, it is crucial that it uncovers the reasons for the absences so that any problems can be rectified. If it is revealed that the absenteeism is an indication of poor job satisfaction, then a business can plan for changes in the future, with the aim of improving job satisfaction for employees. Although absenteeism on its own will not specifically reveal the core issue that requires attention, it will alert managers that there is an issue that needs to be investigated.

Exam Tip: The 2021 exam asked students to define 'rates of staff absenteeism'. Many students respond to this type of question by saying that rates of staff absenteeism is how often employees are away from work. However, employees can be away from work for a variety of reasons that would not be classed as absenteeism. Stronger responses will refer to the concept of 'how often employees are away from work when they are scheduled to be there'. This is a more accurate depiction of staff absenteeism.

Level of staff turnover

Level of staff turnover is the rate in which employees are leaving the business and need to be replaced. Similar to absenteeism, a high staff turnover rate can indicate that employees have low job satisfaction. Whenever an employee resigns from their job it is important that an **exit interview** be conducted. The exit interview is where the human resource manager will ask the employee why they are leaving the business. This can help identify areas in which the business needs to improve. For example, a business might identify that its staff turnover rate is high and, after conducting exit interviews, it discovers that employees are leaving because they are not happy with the safety procedures in the business. This then identifies an area of the business that needs to change and, once rectified, it should help to reduce the rate of staff turnover.

High staff turnover rates can be costly, not only due to the recruitment and training of new staff, but also because of the loss of experienced employees, the negative effects on staff morale, and the potential disruption to customers. Implementing effective retention strategies, such as fostering a positive work environment, competitive remuneration, career advancement opportunities, and a strong corporate culture, can significantly reduce turnover.

Exam Tip: In the 2019 exam students were asked to define the level of staff turnover. Many students wrote answers such as "the rate in which employees leave the business". This is not entirely correct because employees that are forced to leave the business due to redundancy is not classed as staff turnover. Staff turnover is the rate in which employees leave the business and need to be replaced.

Level of wastage

Level of wastage refers to the amount of resources that are discarded by the business during the production process. This is an important indicator for the operations function as this is the main area that materials are used. Wastage costs a business money as the materials and other resources cannot be used to generate income. Each resource that goes to waste is money that is effectively not being used to generate income It is therefore important for businesses to reduce the amount of wastage.

Wastage can arise at different points in the production process where materials are discarded. Materials may be discarded because of poor quality, poorly trained employees or poor processes. It is important that wastage is monitored so that these issues can be quickly identified and rectified.

Number of customer complaints

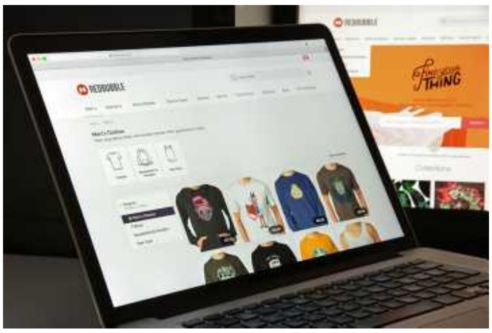
Number of customer complaints refers to the amount of consumers that are dissatisfied with the business and/or its products and have expressed their concerns to the business. Successful businesses aim to have a high level of customer satisfaction so they are able to have repeat customers. If customers are complaining it is important that their concerns are addressed quickly.

Each complaint is a valuable source of feedback, offering insights into various aspects of the business, from product quality to service standards. Addressing these complaints promptly and effectively is vital for maintaining customer trust and loyalty

A proactive approach in addressing complaints not only resolves individual issues but also contributes to improving business processes and customer experiences. Unresolved complaints can adversely affect a business's reputation and customer loyalty. It is important to recognise that, for every recorded complaint, there are likely to be other customers who have similar concerns about the business, but who choose to remain silent and instead simply take their business elsewhere.

Exam Tip: In past exams some students have defined cusomter complaints as "the amount of customers that are unhappy with the business or its products". This is not 100% accurate. While it is true that a complaint comes from someone that is displeased with a business or its products, a 'complaint' only exists when this person notifies the business of their displeasure (and it is recorded as an official customer complaint). That way it is measureable.

Number of website hits



The number of website hits measures each request to a server for a file from a website, including page content, images, and scripts. It's a basic metric indicating the volume of traffic a website receives. Website hits are a key indicator in digital marketing, providing an initial gauge of a website's reach and the effectiveness of online promotional efforts. Businesses look to attract customers to their website so they can communicate with them and potentially increase their sales. An increase in website hits, means that more people are visiting the pages of the website.

While a high number of hits suggests popularity, deeper analysis is needed to assess how engaged users are on the website. Metrics like the average duration of visits and bounce rates (percentage of visitors that quickly leave the website) provide insights into how compelling and user-friendly the website is. Measuring website hits and analysing the behaviour of people on the website allows the business to target their website content and marketing efforts in a more productive way. Tools such as Google Analytics and Statcounter, are able to track these key metrics to help businesses improve their websites and their online sales conversion rates.

Number of workplace accidents

Number of workplace accidents is the amount of unplanned or uncontrolled events that result in personal injury or property damage at a business. It is a measure of workplace safety. Businesses aim to reduce the number of workplace accidents so that employees are safe at work and happy with their work environment. Employees that feel unsafe are likely to be unmotivated and may look for other employment. Along with the effects of employees being injured at work, accidents can also slow or halt production and will be followed by investigations from Safe Work Australia (Note: the Victorian branch is called Work Safe Victoria).

Australia had 130,195 serious claims in 2020/21, with 37 per cent being from stresses placed on the body and 23 per cent from slips and falls. The highest number of claims came from the health care and social assistance industry and resulted in an average of 6.2 weeks off work for each claim. This doesn't consider the impact injuries have on the mental health of the injured employee and their families. If the number of workplace accidents is high within a business, it is important the causes are addressed immediately and any necessary changes are made, regardless of the financial cost to the business.

Exam Tip: the 2022 exam asked students to explain how the rate of productivity growth and number of wokplace accidents might be affected by construction firm (BIG Construction) not being able to source enough building materials. Students that performed well were able to demonstrate a clear understanding of the KPIs and provide a good link between the situation and the KPI. This demonstrates another way in which questions can approach KPIs. Rather than straight forward 'describe' and 'justify', students need to be able to interpret information and demonstrate the impact on KPIs.

Exam Tip: Students need to know all of the indicators listed in the study design (the 10 listed in this section). Not only can students be asked specifically about any of the indicators, they may receive a question like Question 4 in Section B of the 2020 exam. The case study for this section outlined a range of KPI data for a particular business. Students were then asked to explain TWO KPIs (other than the ones listed in the case material) that the business could to assess their performance. The case study mentioned 5 KPIs and many students found it difficult to remember 2 more. This question also raised another common issue. The case study mentioned that the company's share price had decreased by 15% over a 5 year period. Many students confuse share price with percentage of market share. Remember that the share price is the what it would cost a shareholder to purchase one share of the business. Percentage of market share is the proportion of the industry's sales a business has.

Exam Tip: Section B of the 2021 exam was another example of interpreting KPI data. The case study had 3 graphs of KPI data that students needed to interpret, again displaying the importance of being able to interpret KPI data.

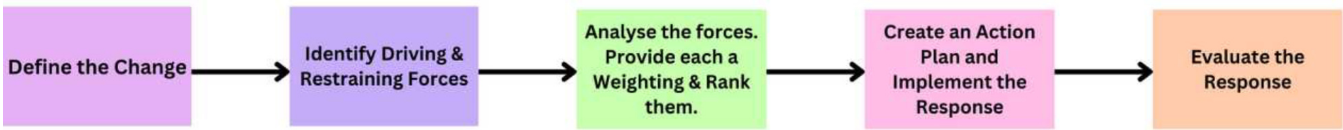
Exam Tip:

then be asked about strategies that could be used to tranform the business to improve the results of the key performance indicators. For example, in the 2018 exam, students were provided with KPI data from a business that had implemented new machinery. Students were then asked to analyse the extent the new machinery had improved the business's performance. Again, in the 2019 exam, students were provided with a case study relating to a business with multiple stores across Australia. It included KPIs associated with each store and students were required to interpret the data and make a justified decision about which two stores should close. Section B of the 2021 exam was another example of interpreting KPI data. The case study had 3 graphs of KPI data that students needed to interpret, again displaying the importance of being able to interpret KPI data.

Force Field Analysis

The force field analysis theory is a tool created by **Kurt Lewin**. It has long been used as a decision-making tool for businesses. The tool is used to compare forces for and against a particular change so that an informed decision can be made. According to Lewin, when a business looks to implement change, they need to consider the state it is currently in and the forces that are working to keep the business in this state. The forces that are working to keep the business in its current state and working against a proposed change, are known as **restraining forces**. Influencing people to make change requires a break in the current customs or 'social habits'. This requires significant forces to disrupt these habits and the forces that can assist with this are called **driving forces**.

The force field analysis is an effective tool for the management of change as a business is able to assess the driving and restraining forces. This provides clear perspective as to what a business will be up against if it pursues the change and also allows the managers to work out a plan of action to reduce the restraining forces that will prevent the change from being a success. Below are the basic steps in performing a force-field analysis.

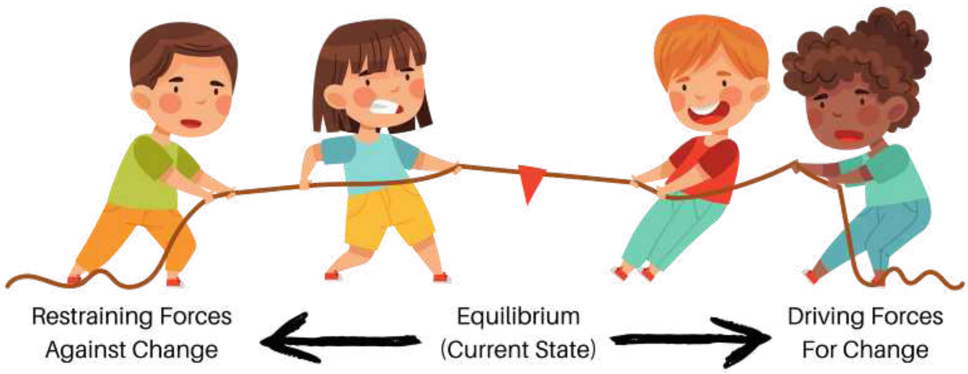


When using the force field analysis, the managers can undertake a series of steps including:

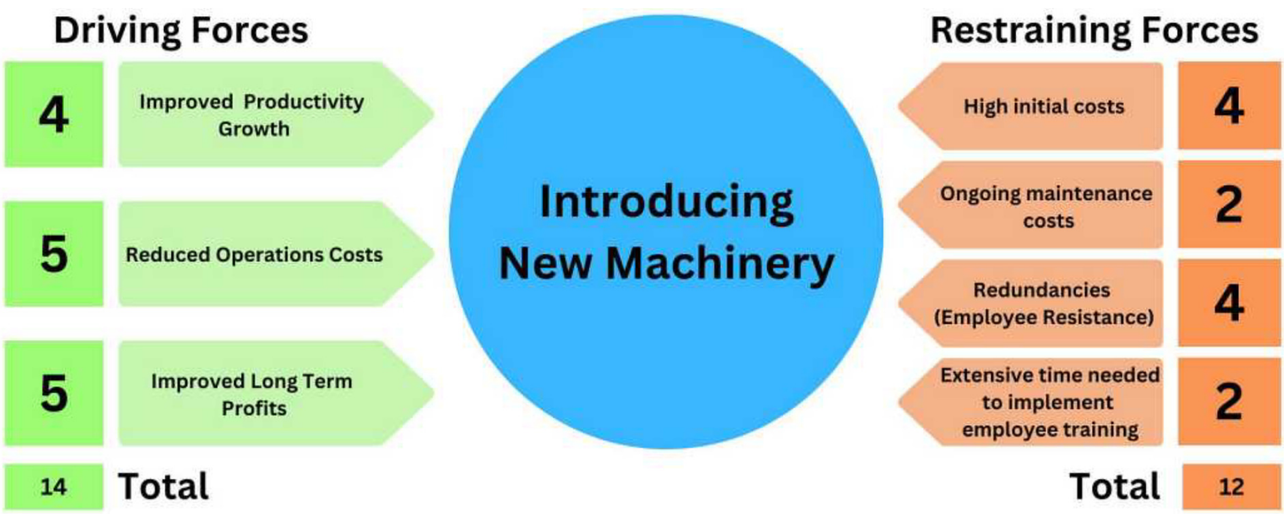
1. **Defining the Change:** The new desired state the business wishes to be in is clearly defined. This provides the change team conducting the analysis a clear understanding of what is to be implemented.

2. **Identify the Driving and Restraining Forces:** The manager, or change team, identify the driving and restraining forces. The driving forces are those that are supporting the business in their pursuit of the change, whereas the restraining forces are those that are working against the change (and prefer the business to remain in its status quo). The driving and restraining forces will pull in opposite directions and, ultimately, the force that is greater will decide if the change will be successful or not.
3. **Analyse the Forces and Provide Weighting and Ranking:** The next step in the force field analysis is to analyse each force to determine how powerful each one is. During the analysis, each force is given a **weighting** from 1 (weak) to 5 (strong). In order for the change to be successful, the aim is for the value of the driving forces to be more than the restraining forces. The forces are also **ranked** in order with the most powerful forces at the top so that the change team understand the key drivers and resistors.
4. **Create an Action Plan & Implement Response:** Once each force is analysed, the next step is to work on an action plan to overcome the key restraining forces (or at least reduce their power) and to promote the driving forces. Specific actions are identified and team members are allocated tasks to implement the response. Aiming to reduce the strength of the restraining forces, and potentially increase the strength of the driving forces, helps the chances of the change being implemented successfully.
5. **Evaluate the response:** Once the actions have been performed, the change team should evaluate the work to determine if it has been effective in altering the strength of any of the forces. This provides a clear picture of the change and what the business will be faced with.

Once the force-field analysis is completed, the manager can make an informed decision about whether to pursue the change or not. If the manager decides to implement the change, they are more prepared because they have an idea of the issues they will face and can work to overcome them. It also allows the manager to identify the driving forces, which may include key people in the business. The manager can then use these people to assist them in driving the change. Implementing an action plan helps prepare the business for the change as it helps build momentum.



It is illustrative to use an example that relates to a change that might be proposed in a business A bean bag manufacturer is looking to introduce new technology that will automate large portions of the manufacturing process.



In this case, there are more restraining forces identified, but the value or weighting of the driving forces is higher, which gives the business a greater chance of success. However, the weighting of these forces is subjective, so it is still important for the business to work on an action plan that will look to reduce the restraining forces. For example, the business may work on a way to reduce employee resistance. They may decide to redeploy employees or bring in outplacement services to assist redundant employees to find new employment. This has the potential to reduce the weighting of this restraining force and therefore increase the likelihood of successful change.

The benefit of the force-field analysis is that it provides the business with an objective view of the change before it is even attempted to be implemented. Managers may be holding meetings and asking for feedback from key stakeholders about a particular change. It is likely that there will be arguments for the change and against the change. However, these discussions can sometimes cause decisions to be made based on subjective information, where strong personalities push their agenda and have too much influence on the outcome. While these opinions may be valid, it is important to look at each possible driving and restraining force to give a clear view on the success of the change. It also allows managers to discuss how they can reduce the identified restraining forces and increase the driving forces. This can assist with the direction of a clear plan on how to implement the change.

Exam Tip: Students need to be able to explain the principles of the force-field analysis. It is important to remember that specific steps or principles are names in the study design. These include weighting, ranking, implementing a response and evaluating the response. This means that you can be asked specifically about these in a question, so it is best to learn these steps/principles as part of your process.

Exam Tip: Many students state that the aim is to have more driving forces than restraining forces. This is not the case. It isn't the amount of forces that counts. It is the weighting/power of each force. For example, a business could have all the driving forces to push the business to the new state, however there may be one very powerful restraining force that simply cannot be overcome. It is the value, not the specific number of forces that is important.

Driving Forces

Driving forces are those that initiate, encourage and support a change. They are pushing the business away from its state of status quo and towards the new desired state. We will now examine some common driving forces for change.

Owners

Owners are looking for a return on their investment. In pursuit of increasing this return on investment, they can demand changes within the business. Some businesses have only one owner and they will likely be a key driver of any change in the business as they are the key decision-maker. However, owners that play an active role in any business can be a driving force for changes. The owners may have a clear vison of what they want the business to be and will initiate changes they believe will enable them to fulfil this vision and also provide them a greater return on their investment.

A change in ownership in a business can bring significant change with it. New owners that have purchased part or all of the business may see improvements that can be made and look to implement these. This was the case with Darrell Lea (see the beginning of this chapter). The new owners at Darrell Lea could see the changes in the market and decided that retail stores were not the path forward. Instead, they closed the retail stores and signed distribution deals with some of the larger retailers such as Coles and Woolworths. This increased the value of the company and also the return on their initial investment.

Managers

Given that managers are employees holding some form of responsibility within the business, they can be a driving force by initiating change that helps to position the business for the future. Management will often be looking at key performance indicators and developing strategies that will aim to improve the results of these key indicators. For example, a manager might analyse the net profit figure and notice that it is well below the set benchmark. The below par figure is announced to the market and owners are unhappy. The manager might then decide that the best course of action is to close down a specific product line that has become unprofitable. In this respect, the manager becomes a driving force for change.

Managers can initiate either incremental change or radical change. Often it will be senior management that initiates radical change that will have a dramatic impact on the business. Middle and lower level managers will often be involved in initiating incremental change within their teams.

A change in management, such as a CEO, can be an initiator of change within a business. Often a new leader will come in with a vision and fresh ideas on how to develop the business, which can have a large impact on the future of the business.

Driving forces are also about supporting change and management can play a major role in this respect. If a manager has good leadership qualities and is experienced in the change process, they can be a driving force by supporting the business through the change. Managers that believe in the benefits of change will work hard to promote these benefits to other employees. They will motivate and inspire employees to work towards a common goal which can help to move the business towards the new desired state.

Exam Tip: Question 5 in Section B of the 2023 exam, students were asked to explain how two driving forces have contributed to the decision of an airline to make some significant changes. One of the key people in the change was the CEO Ryley Jones. Students often confuse the CEO with the owners of the business. While the CEO may be one of the owners of the business, it is important that students focus on the driving force they have stated. If the driving force is managers (in this case Ryley Jones), the response should be focused on Ryley's role as the CEO, and not confuse this with owners.

Employees

As discussed earlier, employees are those that work for the business in exchange for remuneration. They can play a major role in the success of the change by initiating and/or supporting change. For example, employees that see a need for an improvement in working conditions will often become a driving force for a change to these working conditions within the business. Employees can also develop new ideas and technologies that change the strategy for a business.

Employees that believe in the need for change are likely be a driving force by supporting the change. It can also be common for employees to fear and resist change within a business as they fear for their job security. However, if managers are able to get the employees ‘on board’ to support the change, it can go a long way to the successful implementation of the change.

Competitors

Businesses competing in the same market can initiate change given that there is an ongoing battle for market share. For example, if a competitor introduces a new product into the market, or implements an exciting marketing campaign, or introduces new technology into its business, it will typically cause rival businesses to respond by initiating change within their own organisations. When Aldi entered the Australian market, it offered a more streamlined range of relatively basic every day products at cheaper prices than the giant supermarkets, Coles and Woolworths. Aldi immediately gained a small market share from its rivals, which then initiated changes within the local supermarkets as they needed to find a way to remain competitive. In response, Coles and Woolworths looked to their supply chain and found ways to reduce unit costs by negotiating lower prices from suppliers. This in turn enabled them to pass on these lower costs to consumers in the form of lower prices, which helped these supermarkets to address the threat posed by Aldi.

It is preferable for the business to be **proactive** and be the business that is initiating changes in others. However, it is important that businesses keep an eye on what others are doing so they are able to implement strategies that will maintain any market edge they have.

Legislation

It is important for Australian businesses to be aware of the legislation they need to abide by and implement it into their processes. Changes in legislation will initiate change within businesses as they need to update their practices and be in line with the new legislation. For example, a change in employee relations laws could change the working conditions a business is providing its employees.

Businesses need to contend with governments at the local, state and federal levels. Changes in any laws or regulations must be met by the business. For example, on July 1 2021, there were changes to the annual minimum wages, an increase to the minimum superannuation contribution from businesses and a change to the unfair dismissal laws. These alterations in laws changed how businesses could operate under the law and businesses were therefore required to implement these changes.

The Australian government is currently in the process of updating Australia’s online safety laws. The proposed changes to the Online Safety Act 2015, has the potential to influence businesses that operate an online service. Should the changes pass through parliament, it will impact on the way online service providers operate in the market. The laws will necessarily initiate change within these businesses that help to ensure people are safer when transacting online.

Pursuit of profit

Businesses share the common goal of making a profit (revenue less expenses), and when the KPI of net profit is below benchmark levels, it can initiate change in pursuit of higher profits. Businesses might make changes to their training and development, to their product mix, or any range of strategies that will help them to improve profitability.

However, poor profit figures are not the only initiator of change. Even businesses that have met or exceeded their profit targets will often look to implement changes to continue to increase their profit. If this is the case, they will have the funds they need to implement key changes within the business. Whether the KPI of net profit is positive or negative, businesses will still initiate changes to pursue higher profits.

REA Group purchases Mortgage Choice

Australian online real estate business, REA group, runs the largest online real estate listing website realestate.com.au. The public listed company has seen significant growth over the years and recently posted another strong profit result. Despite the strong result, REA Group is looking to continually grow to boost the return for shareholders.

One 1 July 2021, REA Group finalised its acquisition of mortgage broking company, Mortgage Choice. This acquisition provides REA Group an opportunity to establish a leading mortgage broking business with increased scale. The hope is that this acquisition will bring significant returns for shareholders as the company continues its pursuit of profits.

Reduction of costs

Often businesses are unable to succeed because their costs (i.e. expenses) are too high. As important as generating revenue is to a business, managing costs is the other part of the equation that determines the amount of profit for a business. If management decides that costs are too high, or that there is a way it can reduce costs further, it is likely to initiate a change in order to reduce costs as a means of maximising profit. Sometimes a change may have a high initial cost, but result in a long-term reduction of production costs. For example, in November 2022, Facebook parent company, Meta, announced that it would be initiating a round of redundancies in a push to reduce operating costs. While the redundancies will inflate total labour/production costs in the short-term, the change has the potential to reduce overall production costs in the long-term so long as the reduced size of the labour force does not cause a significant deterioration in productivity.

While the need to reduce costs will not only initiate change, it can also support change. More specifically, if a business is looking to implement a change for another reason (e.g. greater competition), a reduction of costs will be a supporting force.

Globalisation

Globalisation has resulted in businesses competing in a global market due to the improvement of communication, unrestricted trade and lower transport costs. Globalisation is the process where businesses develop international influence and begin operating on an international scale. It has been a driving force for many businesses of all sizes. Globalisation has increased competition and allowed businesses to expand into new markets. With the improvement in communication methods, businesses of all sizes are able to sell their goods and/or services to global markets. This has provided opportunities for businesses to increase their revenue substantially. Globalisation has also facilitated direct foreign investment by means such as opening up factories, offices or retail stores across the globe. This has put pressure on businesses to take advantage of the increased ability to sell to a larger market.

Technology

Technology is changing at an increasing rate and this can put pressure on businesses to initiate changes. Technology can impact all areas of a business and it is important that it is implemented effectively. If a technological development becomes available, management needs to decide if it needs to be implemented into the business. If a viable new technology is not introduced into a business it can cause the business to fall behind their competitors or even enter into bankruptcy. However, technology can be expensive to implement and requires careful evaluation before being implemented.

Technology can impact on a business indirectly. For example, the introduction of cloud technology has enabled businesses to collaborate more effectively. Cloud technology has also allowed employees to work remotely and has been a key driver in businesses altering their business structures. During the COVID-19 pandemic, businesses that had already implemented cloud technologies into their business had an advantage as their staff were well versed in how to work remotely when required.

Innovation

Innovation is the creation of a new idea in the form of a new process, product or method. Innovation can both drive a business to change and cause major restructuring across industries. For example, innovations and developments in the automotive industry have caused many businesses such as Tesla, General Motors and Volvo to build self-driving cars. Once the technology was initially developed, carmakers have invested heavily in the technology with General Motors announcing it will release a car that has no steering wheel or pedals in 2019. The release of the vehicle has been pushed back, but the technology has initiated changes throughout the industry. In addition, innovations often drive health businesses to change the way they diagnose and treat diseases. For example, innovations in new drugs can alter the way a doctor treats a patient.

Societal attitudes

As a society we have divergent attitudes towards different things. These will change over time which can cause change within businesses. Due to online privacy breaches there has been an increasing social trend where society is expecting businesses to protect their private information. This has placed pressure on businesses to alter the way they operate online and many have had to change the way they store and use customer data. Consumers are becoming more aware of businesses using their data and are now demanding more control over their private data.

Members of society are becoming more aware of the privacy of their own data, particularly online, which can change the way many businesses deal with customer data. This has seen a significant rise in the need for cyber security experts as businesses change their policies and practices to meet this changing need in society.

> **Exam Tip:** Question 6 of the 2020 exam asked students to analyse how societal attitudes have been a driving force for change in a contemporary business they had studied throughout the year. This question highlights an important point. Students are expected to be able to apply the content of this outcome to real life businesses. This is often done well by students. In the past, many students have studied a business and a few of the driving forces have been relevant to the change in that business. However Question in the 2020 exam makes it clear that students should have contemporary business examples of how <u>each</u> driving force (and restraining force for that matter) can influence change within a business.

Restraining Forces

Restraining forces are those that work against a change and aim to keep the business in its current state. It is important for the leader of the change to be aware of the restraining forces so they can aim to either remove them or minimise their impact on the change. However, if the restraining forces are too great, it is likely that the change will be unsuccessful. The common restraining forces include managers, employees, time, organisational inertia, legislation and financial considerations. Each of these is considered below.

Managers

While managers will often be a driving force behind change, there are many examples where management acts as a restraining force. Managers that do not believe in the change are unlikely to lead the business through successful change. It is important that the leader of the change can demonstrate the benefits of the change to key stakeholders. The manager will find this difficult if they do not believe in the benefits themselves. This can work against the change and make it difficult to implement successfully.

Managers with poor communication skills are also likely be a restraining force given that change requires strong communication. In addition, the autocratic and persuasive management styles can work against a change, as they lack of employee consultation from these management styles can cause fear and anxiety amongst employees, resulting in increased resistance. Managers that do not have the desired skills for leading a change can also act as a restraining force as it is likely that the lack of direction results in change not being well received by key stakeholders.

Employees

Employees are often one of the key stakeholders that resist the change and work against it. It is usually the case that a change will impact on the employees in some way which can cause fear and anxiety. Employees may fear their job security or even their ability to perform the new tasks. Often rumours can start when a change is being discussed, which can add to the fear of the unknown for the employees. This causes resistance to the change and can often prevent the change from being implemented successfully. Given that employees will often be the ones enacting the changes (i.e. putting them into effect), their opposition to the changes will make it difficult for the changes to be successfully implemented within a business.

Time

Time can be a restraining force for two main reasons. Firstly, it could be that insufficient time is given to those responsible for implementing a change. Change can often take a long time to implement effectively, and leaders might require training on the most effective strategies to employ in order to successfully implement the change. However, if the key people are not given sufficient time to go work through a thorough process then it can work against a successful change.

Secondly, it could be the wrong time to implement the change. It could be the wrong time of the year or the wrong time in the economy. It could be a poorly timed take over if the share market was booming, because the share price of the target company is likely to be relatively high, which causes the total purchase price of the acquisition to be high. In contrast, it perhaps would be a better timed take over if the share market was relatively flat (or declining) and the price of the target company's shares was relatively low. In 2022, inflation was at its highest in decades and interest rates began to climb sharply. This made it challenging for many businesses to implement changes as the costs of supplies and debt made this time in the economy challenging.

Organisational Inertia

Organisational inertia is the tendency of a business to continue along its current path with people unenthusiastic towards change. Often large businesses can have a significant amount of organisational inertia as they simply don't adapt well to the factors from the external environment. When a business has a culture that doesn't adapt and is not dynamic, it can be difficult to implement a successful change. Think about how difficult it would be to move a stationary semi-trailer due to the inertia it has. A business that has organisational inertia is based on the same principle. It takes a massive amount of force to be able to move a resistant workforce.

Legislation

Sometimes a business can plan to implement a change but finds that there is some legislation that is going to make it more difficult. This can cause the business to source out legal advice which can become costly. For example, a business that wishes to move to a new location may find that there are zoning or building laws that will prevent it from developing in the new location. If this is unexpected, it makes it difficult to plan for, which pushes out timelines and budgets for the change.

Financial considerations

The cost of the change is a major consideration. Costs associated with the change may not be viable or may put the business under financial pressure. It is important that the business conducts a cost-benefit analysis to determine whether the change is worthwhile. If the costs are high or burdensome then it can act as a significant restraining force for the change. Financial costs may include new equipment, new facilities, redundancies, training costs, recruitment costs or even loss of income due to the impact of the change being implemented.

Woolworths Initiates Sustainable Packaging

In 2021, Woolworths, Australia's leading supermarket chain, embarked on a mission to reduce plastic waste through sustainable packaging. Despite their dedication, they encountered notable restraining forces.

Key Restraining Forces:

Managers: Woolworths' leadership was committed to sustainability, but some middle managers lacked the necessary resources and expertise, resulting in uneven application of sustainable packaging strategies.

Supplier Resistance: Many suppliers were unprepared or unwilling to switch to sustainable packaging, slowing Woolworths' transition and limiting their options.

Organisational Inertia: Woolworths' supply chain and logistics were tailored for traditional plastic packaging, making the shift to sustainable materials logistically challenging.

Customers: They faced some backlash from customers who were concerned about cost, functionality, and the actual environmental impact of new packaging necessitated extensive education and awareness campaigns.

Exam Tip: the 2021 exam asked students to analyse the driving and restraining forces that had impacted change on a contemporary business they had studied throughout the year. Many students were able to give some detail about their studied business and the driving and restraining forces that impacted change, however many fail to provide good depth on analysis in their response. High level answers will provide depth about the force and the impact it had on the change within the business. The task word 'analyse' requires more depth than just a brief outline.

Exam Tip: Question 6 in Section B of the 2020 exam asked students to outline how two of the listed restraining forces might influence Manitta Mining's ability to successfully introduce change to business operations in the future. A common issue with these types of questions is with the application. Many students will mention Manitta Mining in their response yet fail to provide clear application as to how it will be a restraining force for that business in their current situation. For example, many students will use financial considerations and provide a general response as to how the increased costs of the change may make it difficult to implement the change successfully. These types of responses are general in nature. Students that provide a response that is applied more specifically are likely to score higher. For example, students could respond by stating that a large mining company such as Manitta Mining may find the high costs of mining into a new area difficult to overcome, hence working against the change. The expense of conducting research at the new mining site, as well as setting up new mining equipment will be expensive and may work against the implementation of the change.

Porter's Generic Strategies

Imagine you were purchasing a new set of headphones. Would you prefer to purchase a set of cheap, no-frills headphones or a more expensive headphone set that has better features? Answers to this question will vary and it will be a decision that each individual makes depending on their circumstances. However, it does highlight that there are typically different options available to consumers, which have come about because businesses are always trying to gain a competitive advantage. Some aim to gain this advantage by lowering costs, while others aim to do so by offering a difference in features or quality more generally.

In 1985, Michael Porter set out in his book that there are three key generic strategies that businesses can use to gain a competitive advantage. The three generic strategies are **lower cost, differentiation and focus**. For the purpose of this study guide we will consider lower cost and differentiation. Lower cost and differentiation (providing unique benefits) are classed as generic strategies because they can be applied to goods and services in all industries. Not only will we look at the two thoughts on gaining a competitive advantage, but we will consider the activities that Porter suggests can lead to a sustainable competitive advantage in each generic strategy.

Lower Cost

Lower cost is a strategy where a business aims to become ***the*** low-cost producer in its industry. It can do this in a variety of ways, which we will get to soon. It is important that any cost reduction strategies do not significantly reduce the value to the end consumer.

Once a business becomes the low-cost producer in its industry, it is able to gain a competitive advantage using one of two main options:

1. By lowering costs, it is able to reduce the price of the good or service which allows the business to be more attractive to price sensitive consumers. This opens up the market for the business as more consumers are likely to purchase from the business. **OR**
2. By lowering costs and selling the good or service at or near the industry average, it will allow the business to increase its profit margins significantly. This allows the business to potentially make more money per sale than any of its competitors.

Exam Tip: It is very common for students to state that the lower cost strategy is about selling their products at the cheapest price in the industry. This is NOT necessarily correct. While the business may decide to do this, the most important thing is to lower its <u>costs</u>. This means reduce the operating expenses of the business. A business that simply lowers it PRICES without lowering its costs will simply lose profit margin and may actually lose its competitive advantage. However, by lowering its costs it has options available to gain a competitive advantage.

In order to achieve a cost advantage, it is important that the business understands where its costs come from. Many businesses focus on raw material costs and labour costs, however there are many more costs involved when producing a good or service. Porter found that there are two main ways to gain a cost advantage:

1. Reconfigure the value chain
2. Control cost drivers

The above two methods simply refer to every activity within the business that adds value to the customer. Every one of the tasks performed that adds value to the customer costs the business money. For example, making the product, purchasing quality materials, packaging the product, performing quality checks, producing quality advertising, delivering the product, making the product accessible on a website and many other activities, all cost the business money. For the lower cost strategy, the business should look at all of these activities to see where cost savings can be made.

Before we examine each of these methods, it is important to understand the concepts of 'cost drivers' and 'value chain'.

Exam Tip: The next section on Value Chain and Cost Drivers are not specifically part of the study design. It is not foreseeable that you will need to know this is such depth. However, understanding the value chain and cost drivers in this section can help you gain a better understanding of Porter's theory. However, if it becomes too confusing, simply ignore it and just focus on the lower cost and differentiation strategies.

Value Chain

The value chain refers to the activities performed by a business to design, produce, market, deliver and support its products. Each one of the activities aims to add value to the product. The value chain is made up of '*primary activities*' and *'support activities'*.

Primary activities include:

- Inbound logistics: activities associated with receiving, storing and distributing inputs
- Operations: activities involved in transforming inputs into outputs
- Outbound logistics: activities involved in collecting, storing and distributing products to the consumer
- Marketing sales: activities associated with attracting consumers to purchase the good or service
- Service: activities involved in providing services to enhance the value of the product, such as installations, technical support and product repairs.

Support activities include:

- Procurement: the function of obtaining inputs (e.g. raw materials, supplies, facilities, machinery and equipment)
- Technology development: all primary activities require technology whether it be know-how, equipment or procedures
- Human resources: activities involved in the establishment, maintaining and termination phases of the employment cycle
- Firm infrastructure: activities involved in planning, finance, accounting, legal and quality management

The primary activities are the main functions of the business involved in the creation of the good or service and the distribution to the consumer and the support provided after purchase. The support activities are those that help the primary activities function effectively. Both the primary and support activities help to add value to the product. How each is performed, along with the costs incurred, will determine if the business has high or low costs compared to its competitors. Each one of the primary and support activities has costs associated with them given that each requires payment for human resources, technology and/or other inputs. In order to reduce these costs and gain a cost advantage, a business needs to understand their value chain and work at minimising the costs associated with each activity. Before any cost reduction strategies are implemented, it is important that a business understands the impact a strategy might have on the end value for the consumer. While reducing costs is the aim, if it dramatically reduces the value to the consumer, it is likely that sales, market share and profits will decrease over time, to the detriment of the business.

Reconfiguring the value chain can be done in a variety of ways. A business could adopt a more efficient way to design, produce, distribute or market the product. For example, a manufacturing business may look to reconfigure its primary activity of operations by deciding to produce a standard product in mass volumes. In order to do so it can implement an assembly line layout that is able to achieve economies of scale by producing more outputs in the same time and/or with the same resources. This can allow the manufacturer to reduce their production costs and gain a cost advantage over its competitors.

Cost Drivers

Cost drivers are the areas or activities of business that generate costs while the business is producing and selling the good or service via the value chain. Each of the specific activities will influence the costs incurred by the business. Working on reducing these costs is important if the business is to gain a cost advantage. Below are some of the key cost drivers for businesses:

- *Economies of scale:* being able to operate more efficiently by producing in larger quantities. Doing this will spread the overall costs of the business across a larger volume of products which reduces the cost per product produced. Being able to achieve this is an effective way to achieve a cost advantage.
- *Linkages:* It is important for managers to understand how different activities relate to each other in terms of cost. To fully understand the costs incurred by a business, activities cannot be looked at in isolation given that many of them are closely linked. For example, one way to reduce costs is to purchase cheaper inputs. However, this might not reduce

the overall costs of the business. It is indeed possible for overall costs to fall even when input costs are rising. To illustrate, imagine a copier business that manufactures and supplies the photocopiers to your school. If they were to use higher quality parts during the operations process it may increase input costs. However, the photocopiers are likely to experience fewer breakdowns, which ultimately reduces the overall costs associated with the servicing of photocopiers.

- *Integration:* integration is where a business is able to perform tasks themselves rather than outsource to the market. For example, a business is able to reduce the cost of its logistics by having its own fleet of trucks. De-integration could also be a cost driver if the business is able to reduce costs by outsourcing parts of the business. Many clothing manufacturers have made use of de-integration by outsourcing their manufacturing process.

- *Location:* the location in which an activity is undertaken can impact on the costs. Locations differ in their costs relating to wages, raw materials, utilities, taxes and other factors. For example, offshore locations can offer many cost advantages for businesses, particularly in relation to the lower cost of wages and the lower tax regimes in many developing economies.

A business that is able to analyse its cost drivers and make adjustments can help it to gain or maintain a cost advantage. It is important that these cost drivers are analysed regularly as costs will often change. Opportunities to reduce costs can arise at any time and management need to be able to take advantage of them. Controlling these costs will help a business to develop or consolidate a cost advantage over its competitors.

Drawbacks of the Lower Cost Strategy

One of the major drawbacks of the lower cost strategy is that there is a chance that any cost reductions in production may have a negative impact on the quality of the end good or service. Reducing costs can also be difficult to sustain in the long terms as other businesses will also investigate ways to reduce their costs. Another drawback is that if the business decides to lower the price of its product(s), some customers might see this as a sign of lower quality. Another disadvantage is that with lower prices, the business will need to sell more of its products to make the same level of profit.

Summary of the advantages and disadvantages of the lower cost strategy

Advantages	Disadvantages
May broaden the market if the lower costs are passed onto customers through lower prices, potentially increasing market share	Continually cutting costs may impact on the quality of the product (or the perception that the product is of a lower quality)
May increase the profit margins of the product by lowering costs	Other businesses may implement strategies to lower costs also, which can result in needing to find more ways to lower costs as the industry engages in a costly price war
Are able to withstand price wars longer than competitors as the business has the lowest costs in the industry	Larger volume of products need to be sold to make the same amount of profits

Jetstar crowned best low-cost airline in Australia

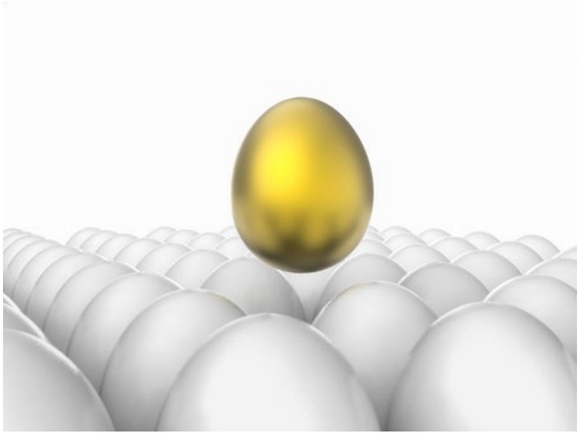
In September 2022, Jetstar was crowned the best Australian low-cost airline at the Skytrax awards. The budget airline has continued its success in the Australian market with its no frills service it offers to customers.

Jetstar is able to reduce its costs in the market and pass these cost savings onto customers by removing costs from their value chain. Compared to some of the premium airlines, including its sister airline Qantas, Jetstar has far fewer benefits for customers. This is all part of a plan to lower their costs and gain a competitive advantage by offering a budget service to customers.

Jetstar has very strict weight restrictions and requires all luggage to be weighed before boarding. Meals are not included as part of the standard ticket and those that purchase meals have fewer options than the premium airlines. This, along with other strategies, such as no in-flight enterrainment for domestic flights and less leg room, all help to reduce the costs for the airline, helping it to lower prices for customers.

Differentiation

The differentiation strategy is where a business seeks to be unique in its industry in some way that is valued by consumers. It provides attributes that its consumer perceives as important. The business is rewarded by being able to command a premium price for its products. If a business is able to successfully differentiate itself from competitors, it is able to be unique and stand out to its buyers. Although a differentiation strategy can lead to a competitive advantage, it is still important to manage costs because a business that differentiates must maintain similar costs to its competitors. Unless the premium price exceeds the cost of including the differentiating benefits, the business will fail to achieve enhanced performance.



Porter found that many businesses aim to differentiate themselves by focusing on the product and/or the marketing to sell the product. While these can be effective strategies, it is important for managers to look for ways to differentiate anywhere along the value chain. Any activity in the value chain presents an opportunity for a business to be unique. How businesses differentiate will depend on their industry and the goods or services they sell, however some common ways a business is able to differentiate include:

- Procurement: purchasing premium inputs that greatly enhance the quality of the end product
- Patents: patents or other intellectual property that secure the uniqueness of a product or part of a product unique (e.g. Under Armour's patent for a sensor in shoes that can measure the wearer's blood pressure and adjust the sole's shape as a result of the reading helps provide a competitive advantage)
- Marketing: highly effective sales and marketing campaigns can help to highlight or showcase the unique qualities of a product
- Relationships: forming relationships with high profile/talented personnel that are associated with the product (E.g. Nike's Air Jordan shoes continue to be one of the leading selling shoes due to Michael Jordan's involvement)
- Innovation: introducing new or revised innovative processes, such as Coles and Woolworths implementing new distribution and storage processes that helped to improve the quality of their fresh produce
- Training: new training programs that greatly enhance the skills and abilities of employees
- Distribution: improved delivery systems that allow the business to get their products to the consumer faster. This is especially important for businesses that sell online
- Location: ensuring that the location of a business or its product offerings maximise the chances of it 'standing out' from its competitors. For example, a bank that is able to secure the contract to supply ATM services at a particular venue or event, such as the Grand Prix or a weekend exhibition or show.

Drawbacks of the Differentiation Strategy

Differentiation is normally costly and the more unique the strategies that are employed, the higher the costs are likely to be. This can impact negatively on profitability if the additional costs incurred from differentiating the product does not lead to an equivalent increase in sales revenue. For example, assume that a business spends $500,000 for a one year exclusive sponsorship arrangement with an elite sports professional. It would need to be confident that this cost (or investment) generates more than $500,000 in additional sales revenue over time. This additional revenue could come in the form of more sales volumes and/or higher (premium) prices being charged on the relevant products. Another drawback of differentiation is that charging a premium price limits the segment of the market that might be attracted to the product. Some customers are more price sensitive and will either not be able to afford the premium price or would prefer to purchase a cheaper option.

Summary of the advantages and disadvantages of the differentiation strategy

Advantages	Disadvantages
Able to charge a premium price, making the product less susceptible to price wars	Being unique often increase costs
May attract greater customer loyalty as the customers are attracted to the uniqueness of the business or product	If the uniqueness cannot be protected legally, competitors may be able to copy or imitate
If the uniqueness can be protected legally, it can make it difficult for competitors to compete	Some customers may not be able to afford the premium price, narrowing the market

Zimmermann

Australian fashion retailer Zimmermann is a prime example of a business that has successfully implemented Michael Porter's differentiation strategy.

Founded in 1991 by siblings Nicky and Simone Zimmermann, the company has grown from a small Sydney-based boutique to a global fashion brand known for its innovative and high-quality designs. Zimmermann has achieved this success by differentiating itself from competitors in the crowded and highly competitive fashion industry.

One key aspect of Zimmermann's differentiation strategy is the company's focus on craftsmanship and attention to detail. Each piece in the Zimmermann collection is carefully designed and crafted using high-quality materials and traditional techniques, such as hand-embroidery and lace-making. This emphasis on quality and craftsmanship sets Zimmermann apart from many other fashion brands, which often rely on mass production and lower-quality materials to keep costs down.

Another aspect of Zimmermann's differentiation strategy is the company's unique and innovative designs. Zimmermann's collections feature a mix of classic and modern styles, with a focus on femininity and romance. The company's designers draw inspiration from a wide range of sources, including vintage fashion, art, and nature, to create original and distinctive pieces that stand out in the marketplace.

Zimmermann's differentiation strategy has proven to be highly successful, with the company achieving strong growth and a loyal customer base. Zimmermann's success demonstrates the power of differentiation as a competitive strategy in the fashion industry. By focusing on quality, innovation, and strong branding, Zimmermann has been able to differentiate itself from competitors and establish a strong competitive advantage.

Exam Tip: It is an expectation that students can compare the two generic strategies. The 2020 exam asked students to compare both strategies and it was expected that students were able to demonstrate a clear understanding of the similarities and differences between the lower cost and differentiation strategies. Below are some examples of similarities and differences.

Similarities between the lower cost and differentiation strategies

- Both strategies outlie how a business can gain a competitive advantage in their industry
- Both strategies aim to maintain or increase profit margins
- Both strategies can be applied to either goods or services
- Both require ongoing investment from the business to be successful in the long term

Differences between the lower cost and differentiation strategies

- Lower cost results in lowering the costs of the business whereas the differentiation strategy often result in higher costs
- Lower cost can lead to lowering the price of the product whereas differentiation will often lead to premium prices
- Lower cost can increase market share by attracting price sensitive consumers who often lack brand loyalty whereas differentiation attracts customers that are often more brand loyal and willing to pay a premium price

Exam Tip: The most important thing to understand regarding this theory is simply the lower cost and differentiation strategies, how a business can achieve the competitive advantage with these strategies, along with their benefits and drawbacks. The extra information in this section is to simply help you understand the theory in more depth. However, you may need to decide which strategy a business should implement based on case material you have been provided in the exam. In some cases, you could choose either strategy and justify it well (this was the case in the 2017 and 2022 exam). However, you could be given a case study where only one of the generic strategies would be acceptable to use. To select the best one, you need to understand the theory. In the 2019 exam, the case study was very much tailored to the differentiation strategy. It is therefore important to understand the types of situations each strategy is most important. This is where the extra information in this section can help.

REVIEW QUESTIONS 6: Reviewing Performance – The need for change

1. **Define 'business change'.**
2. **Explain the proactive and reactive approaches to managing change.**
3. **Explain why benchmarking is important when using key performance indicators.**
4. ***Gerry is the owner of a local independent supermarket that employs 30 people. He has recently become concerned with staff morale.* Describe two key performance indicators Gerry could use to measure staff morale and justify your choice.**
5. ***Melanie is the operations manager of a large chocolate manufacturer. She has to introduce a just-in-time system.* Justify a key performance indicator that would measure the success of the new strategy.**
6. **Decca is a bicycle manufacturer in Melbourne. It has recently introduced new machinery into the operations system. Below is some key performance indicator data 6 months after the implementation of the machinery.**

Productivity	↑
Staff absenteeism	↑
Level of wastage	↓
Customer complaints	↓

Referring to the KPI data, explain the impact the new machinery has had on Decca.

7. **Explain why 'number of website hits' is an important KPI for businesses to monitor.**
8. **Explain the steps involved in performing a force-field analysis.**
9. **Outline two benefits of a business using a force-field analysis.**
10. **Define 'driving forces'.**
11. **Explain how the following factors can be driving forces for change in a business:**

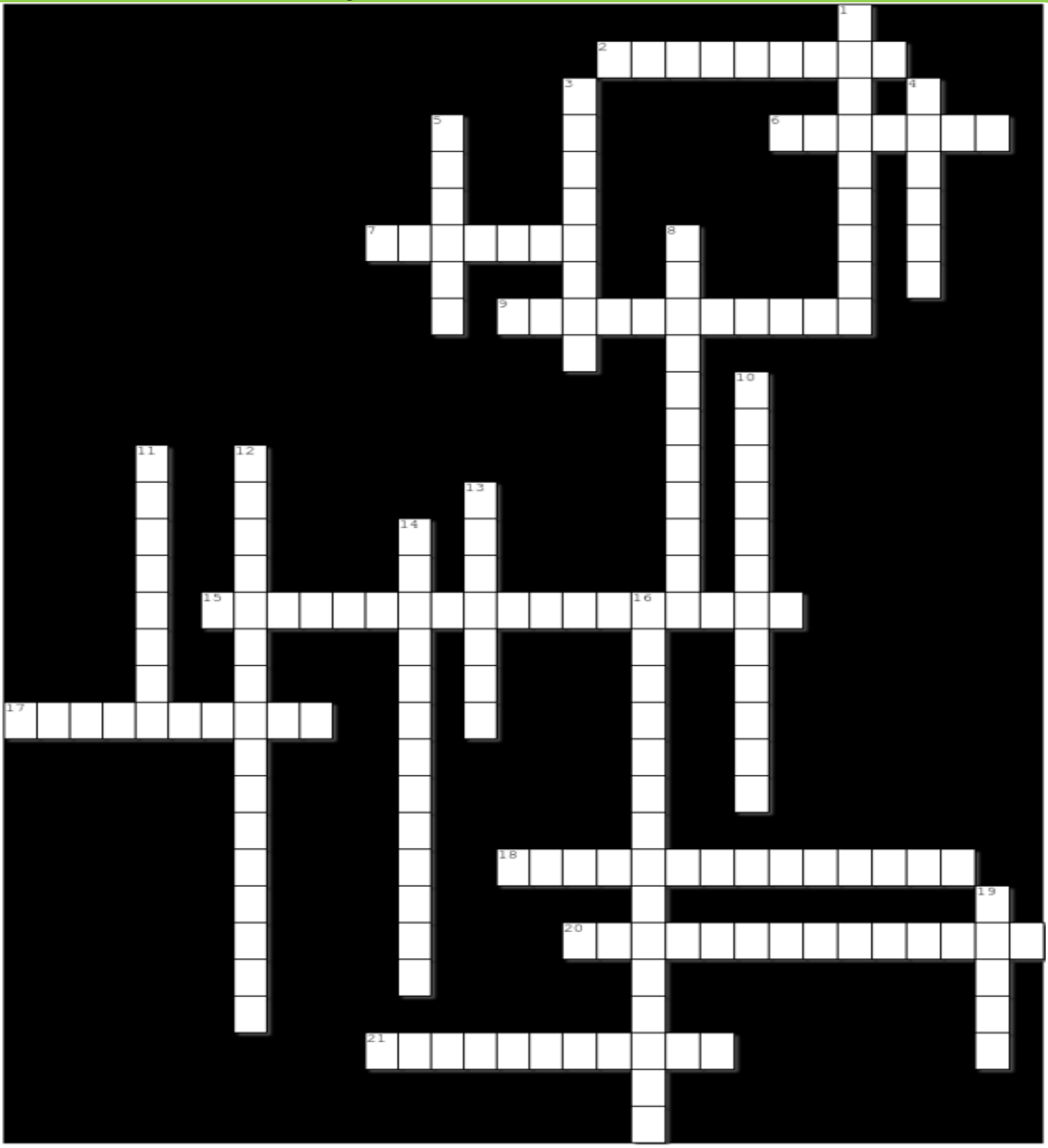
a. **Owners**
b. **Pursuit of profit**
c. **Competitors**
d. **Reduction of costs**
e. **Technology**
f. **Globalisation.**

12. **Define 'restraining forces'.**
13. **Explain how the following factors can be a restraining force for change in a business:**

a. **Employees**
b. **Time**
c. **Legislation**
d. **Organisational inertia**
e. **Financial considerations**

14. **Identify Porter's two main strategies for gaining a competitive advantage.**
15. **Outline two ways a business is able to gain a competitive advantage by lowering costs**
16. **Explain the concept of differentiation.**
17. **Outline three ways a business is able to gain a competitive advantage through differentiation.**
18. **Why is cost still an important aspect in the strategy of differentiation?**
19. **Explain what is meant by a business that is 'stuck in the middle'.**
20. **Compare the lower cost strategy and differentiation strategy.**
21. ***Paradise Palms is a new restaurant in Horsham looking to gain market share. Owner, Daisy McClelland wants to use local produce for all of the meals produced.* Discuss one of Porter's generic strategies that would be appropriate for Daisy to gain a competitive advantage.**

Quick revision crossword No 6: Reviewing Performance



Across

2. A standard that KPI data can be measured against
6. One drawback of the lower cost strategy is that it may impact on this
7. Forces that push a business towards change
9. Key _________________ Indicators
15. Unplanned or uncontrolled events resulting in injury or property damage (2 words)
17. A type of analysis to determine the forces for and against a change (2 words)
18. A form of inertia
20. A way to achieve differentiation (2 words)
21. A KPI - Number of __________ _____

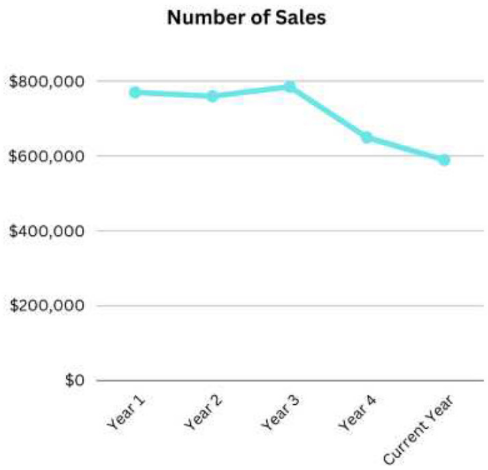
Down

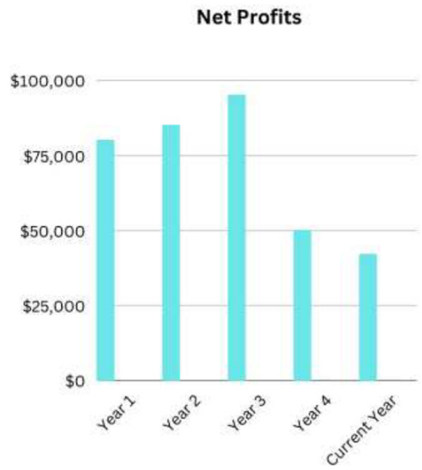
1. Foreseeing the business environments and making changes before others
3. These can be either a driving force or a restraining force
4. Porter says don't be Stuck in the _____________
5. A type of plan to reduce the amount of restraining forces
8. The portion of sales a business has compared to the entire industry (2 words)
10. The amount of outputs produced compared to the amount of inputs used
11. Where a business changes after being impacted by the business environments
12. Operating on a large scale which helps reduce costs (3 words)
13. Lower cost and differentiation are known as what type of strategies?
14. The rate at which people leave the business and need to be replaced (2 words)
16. Being unique in some way that is valued by consumers
19. A German-American psychologist

MINI EXAM NO 4: UNIT 4 AREA OF STUDY 1 (Total marks = 40)

CASE MATERIAL: Buck Shoe's

Buck Shoes is a shoe brand that has been in operation for 10 years. Since its inception, the private limited company has found it difficult to increase market share. Owners, Dom Williams and Jen Hall are lovers of shoes and have a vision to grow the company into the next global sneaker giant. The company has 15 employees who work predominantly in design, sales and distribution. The sneaker designs occur in Melbourne's CBD while the manufacturing is outsourced overseas. This has enabled the company to reduce its costs, however it still finds it difficult to compete with the larger sneaker companies. Below is some key performance indicator data from the past five years.





As can be seen, the past 24 months has been challenging for the business. This is despite sneaker sales in Australia increasing during this time. Dom has decided to change the direction of the business. Instead of designing and producing general sneakers, Dom wants to enter the fast-growing sneaker collectibles market. He would like to collaborate with famous designers and fashion influencers to help build off their large social followings. The designer/influencer would design the sneakers and they would be manufactured in smaller numbers to ensure scarcity and therefore more valuable as a collectible. He would also like to invest in developing a stronger online presence. He feels this will allow Buck Shoes to connect more with their customers and build interest in the new collaborations. Jen is sceptical about the change but is willing to at least investigate it as a possibility.

STRUCTURED QUESTIONS

1. **Define the following terms** **(4 marks)**
   a. **Business change**
   b. **Number of website hits**

2. **Outline the key principles of a force-field analysis and explain how Dom and Jen could use it to see if the new direction is worth implementing.** **(6 marks)**

3. **Describe two possible driving forces for change at Buck Shoes.** **(4 marks)**

4. **Outline two possible restraining forces against Dom's proposed change.** **(4 marks)**

5. **Describe two key performance indicators. Explain the affect outsourcing manufacturing the sneakers overseas could potentially have on these KPIs.** **(6 marks)**

6. **Evaluate Porter's 'lower cost' and 'differentiation' strategies. Recommend which key approach would be appropriate for Buck Shoes. Justify your recommendation.** **(6 marks)**

7. **Analyse the driving forces and restraining forces that have caused change in a business you have studied this year.** **(10 marks)**

YOU BE THE ASSESSOR: UNIT 4 AOS 1

In this section, you are required to assess the responses presented for each of the questions. You should award the responses a score and justify your decision. Once complete, compare your assessment to that of the author (provided at the rear of the Study Guide).

Question 1

Define the following performance indicators. **4 marks**

a) Percentage of market share

b) Number of customer complaints

Sample answer 1

a) Percentage of market share is the portion of customers who buy a product from a business out of the total number of sales in the industry, expressed as a percentage.

b) The amount of people that are dissatisfied with the business and have notified the business of their issue.

Score out of 4 ______

Justification____

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Sample answer 2

a) Percentage of market share is the percentage of the market that a business owns.

b) The amount of people that are dissatisfied with the business.

Score out of 4 ______

Justification____

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Question 2

Soft Furniture is a furniture manufacturer with 10 stores across the east coast of Australia. Owner, Melanie Abdul has always looked for ways to improve the customer experience in her stores. Recently she has introduced Virtual Reality (VR) technology into the retail experience for customers. The VR technology allows customers to put on a headset where they can see the furniture in virtual rooms to give them a better picture of how the furniture will fit into their own homes.

Justify two key performance indicators that Melanie could use to measure the success of the new technology **4 marks**

Sample answer 1

One key performance indicator that Melanie could use is the number of customer complaints. The VR technology has been introduced to improve the customer experience, so if the technology is successful in achieving this, it would be expected that the number of customer complaints would be reduced. The technology should allow customers to be more informed regarding their purchasing decisions which will improve their level of satisfaction and reduce the number of customer complaints.

Another key performance indicator is the level of staff turnover. The VR technology may replace the jobs of some employees, which will lead to an increase in staff turnover because more employees are being made redundant. This will reduce the wage costs if the business but it significantly increases the level of staff turnover which shows that the VR technology has not been a total success.

Score out of 4 ______

Justification____

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Sample answer 2

Melanie could use the number of customer complaints. The number of customer complaints measures the amount of people that are dissatisfied with the business or its products and have notified the business of their dissatisfaction. For the technology to be a success it would be expected that the number of customer complaints would reduce because customers are happier with the business. The VR technology should improve the level of customer service that Soft Furniture delivers and allow the staff to guide customers to the furniture that is best for them. This will improve the level of customer satisfaction and reduce the number of customer complaints, resulting in the technology being a success.

Melanie could also use the number of sales indicator. Number of sales measure the amount of products sold over a specified period of time. With Soft Furniture being at the cutting edge of technology in the retail sector, more customers are likely to shop at their stores rather than competitors. This would improve the number of sales that Soft Furniture has which would demonstrate that the VR technology has been a successful investment.

Score out of 4 ______

Justification____

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Question 3

BubbaBoo is a pram manufacturer operating in Horsham, Victoria. Competition has risen sharply in recent years, and BubbaBoo has found it difficult to maintain their level of market share. At a leadership meeting 9 months ago, operations manager, Emily Myer, announced she would introduce the quality control strategy to help improve the level of quality for customers. The business has been using a quality control system for 6 months now and below is the recent key performance data.

Key performance indicator	Before the quality control	6 month data
Number of customer complaints	45 per month	10 per month
Number of sales	$122,000 per month	$155,000 per month
Productivity	90 prams per day	70 prams per day

Referring to the above data, analyse the extent to which the quality control strategy has been a success at BubbaBoo

6 marks

Sample answer 1

Introducing quality control has had mixed results at BubbaBoo. By introducing the quality strategy, the number of customer complaints has dropped dramatically. Quality control results in the business checking the quality of their prams at regular intervals during the production process. This ensures that only the prams that meet BubbaBoo's quality standards actually make it to the end consumer. The number of customer complaints has dropped because the quality control strategy has resulted in a higher level of quality for their prams which is improving the level of customer satisfaction, showing the strategy has been successful in improving this area.

The number of sales has also increased significantly, from $122,000 per month to $155,000 per month. This may be a result of the improved quality prams. This improves the image of BubbaBoo's brand and will likely result in improved word of mouth and online reviews. As customers hear about the improved quality, it has resulted in more sales of their prams.

However, not all of the results are positive. The level of productivity growth has decreased since the introduction of quality control, resulting in less prams being produced per day. Quality control can slow down production because it takes time to perform the quality checks throughout the production process. This is likely the reason why productivity growth is negative over the past 6 months. The introduction of the strategy will also take time for employees to become accustomed which will impact the productivity growth in the short term.

Score out of 6 ______

Justification____

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Sample answer 2

Quality control is a strategy that checks the product against predetermined quality standards at regular intervals. This helps to improve the quality of the end product. At BubbaBoo, the quality control strategy has had mixed results. Firstly, the number of customer complaints has reduced since the introduction of the quality control system. The number of complaints has dropped from 45 per month to only 10 per month which is a significant decrease which shows the strategy is successful.

Another area that has been improved is in the number of sales. BubbaBoo previously had $122,000 worth of sales per month. Since the introduction of the quality control system, the number of sales have improved dramatically in 6 months, where the business now has $155,00 per month.

However, not all the results have been positive, which show mixed results in terms of the success of the strategy. The productivity levels have dropped by a significant number. Before quality control had been implemented, BubbaBoo was producing 90 prams per day. However, 6 months after the introduction of quality control, BubbaBoo is only producing 70 prams per day. This shows that while the strategy has been positive in some areas, it has had a negative impact on other areas.

Justification____

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Question 4

Analyse the driving and restraining forces that have impacted change on a contemporary business case study **6 marks**

Sample answer 1

Coles implemented self service checkouts to help reduce costs and reduce the time it takes to serve customers. One of the key driving forces for this change was the reduction of costs. Coles implemented the self serve checkouts to reduce the amount of labour costs. Another driving force was management. Managers will often look to implement changes to improve the business. Another driving force was shareholders. Shareholders could see that there would be a reduction of costs and would be happy with the changes.

One of the restraining forces was the financial considerations as it would have cost money to implement. Another restraining force would be the customers as they would need to serve themselves and may not be happy about it. Another restraining force would be shareholders due to the increased costs of implementing the new checkouts at all of the stores.

Score out of 6 _______

Justification____

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Sample answer 2

Wesfarmers implemented a restructure in their Target and Kmart business during 2021. They decided to close approximately 70 of their Target stores and rebrand others into Kmart stores.

One of the driving forces for this change was the reduction of costs. This is where the business looks to implement change with the aim of reducing the overall operating costs of the business. With the store closures, Target was to become a much smaller company with less store locations. Many of the stores that they closed were performing poorly financially. By removing these stores, it reduces the overall costs of the business.

Another driving force was societal attitudes. Target is positioned in the middle of the market in terms of prices. Due to society shopping online more often, they are able to find similar products to what Target sell for a cheaper price. Kmart is positioned at the cheaper end of the market and therefore was seeing an increase in market share. This was resulting in more customers choosing Kmart over Target, which prompted the rebranding of many of the Target stores to Kmart.

One of the restraining forces is the financial considerations. While the costs would reduce over the long-term, in the short term the changes cost over $70 million to implement. Negotiating the termination of leases as well as paying employees redundancy packages became major costs for implementing the change. This worked against the implementation of the change as it was a significant cost in the short-term.

Another restraining force were the employees. Due to many employees being made redundant, they were unhappy with the changes and worked with the union to resist the changes. This worked against the change and actually caused some delays in its implementation.

Score out of 6 _______

Justification____

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Question 5

Jimmy's Pty. Ltd. is an online sporting goods retailer owned by Jimmy Breheny. The private limited company has established a brand that is now well known throughout Australia. Jimmy is looking to open a number of physical retail stores to help increase sales. Jimmy wants to conduct a force field analysis to help the success of the change.

Explain how Jimmy could apply the principles of the force field analysis theory during this change. **6 marks**

Sample answer 1

The force field analysis is a tool that managers can use to analyse the force for and against the change. Once the change is clearly defined, the first step when using a force field analysis would be for Jimmy to identify the driving forces. Driving forces are those that support the change and help push it towards the new desired state. A driving force for Jimmy could be the pursuit of greater profits, where he is looking to expand to increase the net profits of the company. Next, Jimmy would identify the restraining forces, which work against the change and try to keep it in its current state. A possible restraining force for this change could be the high level of capital investment required to establish the physical stores.

Once the forces have been identified, Jimmy would need to analyse each one to determine their weighting and provide a ranking. He might allocate a number out of 5 to each force, with 1 being the least powerful and 5 being the highest value. The aim of the analysis is to have the value of the driving forces be higher than the value of the restraining forces.

Once the analysis is done, Jimmy would create an action plan on ways to reduce the restraining forces and increase the driving forces and implement this response. Once these actions have been put in place, it is important for Jimmy to review the response to determine if the driving forces now outweigh the strength of the restraining forces. This will enable Jimmy to make an informed decision about whether the change was worth investing in as well as an action plan to move forward, helping increase the chance of success.

Score out of 6 _______

Justification____

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Sample answer 2
The force field analysis is a tool that analyses the forces for and against a change. Jimmy would need to firstly identify the driving forces for the change. Driving forces are those that help initiate or support the business through the change. These are important if the business is going to move towards its new desired state. Once this is completed, Jimmy would need to identify the restraining force. Restraining forces are those that work against the change and try to keep the business where it currently is.
Once each force has been identified, they need to be analysed. Each force is analysed to see how powerful it is in regards to the change and will give Jimmy a clear indication of what he is facing as he moves forward. The aim of the business is to have more driving forces than restraining forces. This will ensure there is enough force to push the business towards the new state and it will help the expansion into new physical retail stores.

Score out of 6 ______

Justification____

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Question 6
Compare Porter's generic strategies. **4 marks**

Sample answer 1
The lower cost strategy is where the business aims to be the low cost producer in the industry. Businesses are able to lower their costs in a number of ways. This can include the business looking at all areas of the business to reduce expenses. Many businesses will look to source cheaper materials in order to lower their costs, while other businesses will look to minimise waste within the business. Once the business has lowered their costs, they can lower their prices and become more attractive to the price sensitive consumer. This can help them gain a competitive advantage and possibly increase their market share.
On the other hand, the differentiation strategy is where a business looks to gain a competitive advantage by being unique in some way that is valued by customers. A business can achieve this in a number of ways. One way is to have unique features that customers desire. Another way is to have a higher quality product. Being unique is often more costly for the business however, they are rewarded by being able to charge a premium price. Customers are often more loyal to a business that has implemented differentiation as they are more attracted to the uniqueness and willing to pay a premium to receive it.

Score out of 4 ______

Justification____

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Sample answer 2
Both the lower cost and differentiation strategies are ways a business is able to gain a competitive advantage in the market place. The lower cost strategy is able to achieve this by becoming the low cost producer in the industry and can then lower their prices. This helps the business attract price sensitive consumers. Whereas the differentiation strategy achieves the competitive advantage by being unique in some way that is valued by customers. Another similarity is that both strategies look to maintain or even increase the profit margins within the business. Another difference is that the lower cost strategy often results in lower prices for the customer, however when a business implements the differentiation strategy, he business is often rewarded by being able to charge a premium price. The unique offering during differentiation can often result in stronger brand loyalty from customers, while the lower cost strategy will usually not result in the same level of brand loyalty as the customers are more price sensitive.

Score out of 4 ______

Justification____

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CHAPTER 5: IMPLEMENTING CHANGE

In the previous chapter we addressed the way a business can evaluate its performance and make decisions on potential changes to the business. These changes could be a result of either a positive or poor performance over time. Once managers have decided to change a business in some way, they will need to implement those changes. This chapter focuses on how management will implement change in a business.

Change within a business can cause significant challenges for different stakeholders, so it is important that it is well managed in order to maximise the chances of it being successfully implemented in the long term. If the implementation of change is poorly managed, it can create an unpleasant working environment characterised by conflict and poor relationships between the business and various stakeholders, particularly employees, where staff absenteeism and staff turnover are likely to be the result.

Exam Tip: Like the previous areas of study, this outcome requires students to use a contemporary business case study from the last four years and apply the change theory in this chapter to the relevant case study. This is designed to provide students with an opportunity to demonstrate their understanding of the course in a contemporary setting. In exam questions that require students to refer to a business case study, it will be common for many students to get carried away with the case study and forget about the theory that is relevant to the question. For example, in the 2022 exam, students were provided with the following statement, 'During a period of business change, all managers will end up using high-risk strategies some of the time.' Students were then asked to evaluate this statement with reference to a contemporary business case study. It is common for many students to simply write about the business they have studied, without addressing the key elements of the question.This makes it very difficult to achieve full marks for these responses and highlights the importance of maintaining a focus on the question being asked. Always remember that the specific business that 'you' study is to help you demonstrate your understanding of the content.

Leadership in change management

Change challenges the status quo of a business, often leading to resistance from major stakeholders, including employees. Many employees prefer predictability in their work environment, making them naturally resistant to change. Before delving into the importance of leadership in implementing change, it's crucial to revisit the concepts of change and leadership. Change is a business's planned or unplanned response to external and internal factors, ranging from radical to incremental alterations. Leadership, on the other hand, is about motivating and inspiring employees to achieve business objectives. During times of change, these objectives likely shift, necessitating a reorientation of efforts. Effective leadership is crucial in steering employees towards these new goals and overcoming resistance.

So what does good leadership during change involve? Initially, good leaders will **prepare the people** in the business for a change in the status quo. This may involve **communicating** the changes that are about to take place and the impacts this will have on them. Effective leaders not only communicate the vision of change but also personify it. They should serve as role models, demonstrating how the new changes align with the business's overall objectives. By living the vision, leaders can profoundly influence employee attitudes and acceptance of a proposed change.

Adaptable leaders are critical in times of change. They remain open to feedback, willing to alter strategies in response to new insights and challenges faced when implementing the change. This flexibility is essential for navigating the unpredictable nature of change and for making necessary adjustments when required. Successful leaders build a culture that is receptive to change, which involves encouraging open communication, innovation, and a supportive environment where risk-taking is encouraged. Such a culture prepares the business to not just cope with change but to embrace it proactively. This can help build **commitment** from employees.

Effective leaders will continue to **support** employees through the change and motivate them to work towards the new state. There may be hurdles that need to be overcome, and a leader will support employees during these times to ensure they continue to see and strive towards the end goal. They will support those that are finding it difficult to adapt to the new state by displaying **empathy** and **good listening skills**. This will allow the leader to understand stakeholder concerns and work towards reducing resistance.

Exam Tip: it's important not to look at leadership in isolation. Throughout the rest of this chapter we speak about change management. Leadership can be brought into each one of the other concepts. Every strategy addressed in this chapter will require effective leadership. Ensure that you are ready for questions linking leadership to other aspects of change management.

Exam Tip: the study design states that students need to understand the "importance" of leadership during change, not just what leadership during change involves. This was important for Question 2a of the 2021 exam when students were asked to 'explain the importance of leadership in successful business change management'. Weaker responses simply stated what leadership was and how it can be used in change. While this was an important element of the response, students needed to go further and outline the importance of leadership during change. While good leaders show empathy and support employees, it is important to do this so that the employees become more supportive of the change as they feel supported. This can help to overcome resistance to the change, helping the business implement the changes successfully.

Management strategies to respond to key performance indicators and/or seek new business opportunities

Key performance indicators (KPIs) provide management with information that helps them make decisions. For example, a manager may look at the number of sales of a particular product. This information can help the manager to decide if he or she wishes to alter the price, introduce a new marketing campaign, train sales staff, remove the product from the market or any other number of strategies. Managers respond to the information KPIs provide them. How they respond will depend on the manager and the information provided by the KPI. Below are some strategies managers can use to respond to key performance indicators.

Staff Training

Training is the process of improving an employee’s skills and knowledge so they are able to perform their job to a higher level. When evaluating business performance through KPIs, managers often turn to staff training programs to bolster immediate employee performance. If a KPI indicates underperformance, such as a rise in customer complaints, or a drop in productivity, managers may implement specific training, like customer service programs, to directly address the issues. Conversely, positive KPI results can also lead to training initiatives that seek to further advance employee skills and gain an even greater competitive edge.

As we covered in Unit 3 Outcome 2, staff training can take various forms depending on the skills that need development. This can range from on-the-job training, where employees learn in their working environment, to off-the-job training in external settings like workshops or seminars. Each method has its strengths and can be selected based on the specific needs identified by KPI analysis. Importantly, training programs should align with the broader objectives of the business. They should be designed not only to address current performance gaps, as indicated by KPIs, but also to support the overall strategic direction of the business.

Staff Motivation

Employee motivation is the level of energy, commitment and creativity that employees bring to their jobs. If KPIs are not meeting benchmarks, then a manager might decide that they need to motivate their employees to improve performance. Often the indicators of staff turnover, staff absenteeism, customer complaints or productivity growth can indicate that employees are not showing energy or commitment to their jobs. The human resource manager can implement a number of strategies (many of which we have discussed in earlier sections) to motivate employees. If successful, a motivated workforce can achieve outstanding results as they are more inclined to work harder to achieve objectives. Human resource managers need to decide what strategies they will use in order to motivate employees. They might decide to provide extrinsic motivators, such as more money, or better working conditions. On the other hand, they might decide to provide intrinsic factors to motivate employees, such as interesting work or greater responsibility.

Change in Management Styles or Management Skills

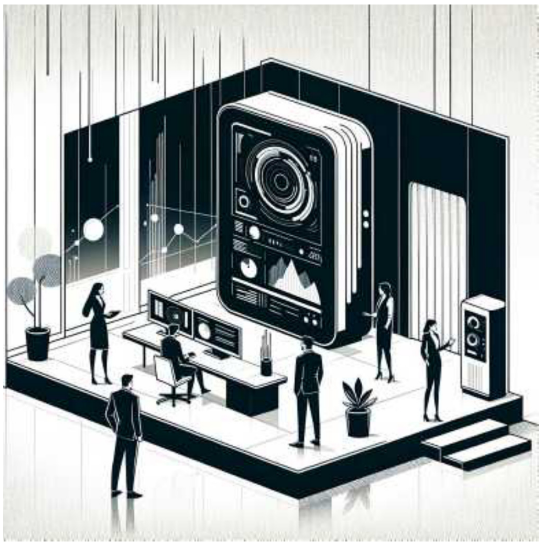
Management styles can have a large impact on the way a business performs. The typical management styles are autocratic, persuasive, consultative, participative and laissez-faire. After evaluating business performance, it might be necessary to alter the way a manager makes decisions and communicates with staff. For example, if productivity is low, the business might discover that employees have good ideas on how to improve processes within the business. However, if the manager uses an autocratic management style then they are less likely to consider ideas from employees, compared to a manager with a more consultative or participative styles. A change to a less autocratic management style will allow employees to express their ideas, which could ultimately lead to the business changing its processes and improving productivity. Changes in management styles can also have a significant impact on the morale and motivation of employees. If employees have more involvement in the decisions of a business, it can improve their motivation as they feel more valued and experience a greater sense of achievement when performing their roles. This can help respond to KPIs linked to employee motivation such as level of staff turnover, rates of staff absenteeism and rate of productivity growth.

A change in management skills is also a strategy that can be used to improve performance. For example, changing from one-way to two-way communication may improve morale of the employees. Managers that delegate more, rather than trying to complete all tasks themselves, will help to spread the load of work and get the most out of employees, which should improve rate of productivity growth.

Change the management style and/or management skills can also lead to new business opportunities. For example, a change to a participative management style may bring in more ideas from different employees. This may allow the business to come up with new ideas to grow the business. Rather than ideas coming from one individual manager (like in an autocratic or persuasive style), employees and managers pool their different knowledge and experiences together, which may initiate new ideas.

Exam Tip: When using this strategy, students should ensure that they refer to a CHANGE in management style or skills. Question 3c in the 2018 exam asked students to explain how a change in management style could be used to respond to KPIs that were provided in some case material. Many students referred to a the manager using a consultative style. This was a great style to refer to as it worked well with the situation in the business. However, many of these students did not refer to the management style <u>changing</u> to a consultative style.

Investment in Technology



Increasing investment in technology is a strategy that can be used to improve the performance of a business. Technologies can be implemented to improve workplace safety, boost productivity or enhance quality within a business. More broadly, the effective use of technology will help a business to make better use of its time, improving efficiency and enabling more output to be produced over any given period of time. This makes technology one of the key drivers behind productivity growth and it has had a significant impact on the performance of Australian businesses for many decades. While an investment in new or improved technology can be expensive, the benefits will typically outweigh the initial and ongoing costs, resulting in a boost to the business's 'bottom line'. Importantly, if managers evaluate a business and determine that performance indicators are not reaching set benchmarks, they can decide to invest in new or improved technologies to improve business performance.

Implementing technology can be used to create new business opportunities for businesses. Emerging technologies, such as artificial intelligence, blockchain, or online technologies can help a business to reach new markets that previously were not accessible. For example, using online channels and e-commerce platforms, can help businesses to attract new customers, opening new growth opportunities. Investment in technologies, such as AI to analyse data or automate tasks, can help businesses make more informed decisions and improve productivity growth.

Improve Quality in Production

Improving the quality of production is where the business looks to enhance its processes so that the products are produced to a higher standard. If a business has experienced a reduction in sales or a rise in customer complaints, it can decide to improve the quality of its products by introducing quality systems into its operations system (e.g. quality control, quality assurance or total quality management). Interestingly, not all indicators need to be negative to introduce a quality strategy. Positive results from a KPI can also lead a manager to use this strategy. For example, a business may have exceeded its overall profit target and management might decide to improve the quality of its production to further gain a competitive advantage.

Improving quality is a way for a business to set itself apart from its competitors (think of Porter's differentiation strategy). In this way, the business is embracing the concept of continuous improvement. Although it has enjoyed a good result, it is still deciding to continually improve its quality which helps it to gain a competitive advantage. This can help the business seek new business opportunities as it can be a way of standing out from competitors and attracting new customers. If a business decides to change its strategic direction and focus on competing on quality, it may allow it to enter into a new segment of the market and thereby attract new business.

Cost Cutting

Poor results from KPIs can show the business is having difficulty in one or a number of areas. One common strategy is to cut business costs. Costs have a major impact on the survival of a business and need to be monitored closely. There are various ways a business can cut costs, including downsizing to reduce wage costs, negotiating with suppliers for better deals, outsourcing part of the business, as well as a host of other options. The business can also look to remove any costs that are deemed to be unnecessary. For example, reducing any non-core spending such as expenditure on staff social events or unnecessary travel. However, the business will need to be confident that any cost cutting activities will not impact on the quality of the good or service it is delivering. For example, throughout 2021 and 2022, Westpac embarked on a major cost-cutting program, aiming to achieve significant savings over a three-year period. Some of the cost cutting initiatives included, the closure of approximately 150 branches, offering a voluntary redundancy program and reducing unnecessary software licenses. These measures helped the banking giant to reduce a significant amount of costs, helping to improve profits.

Cost cutting can help a business seek new business opportunities by freeing up resources that can be reinvested into new ventures or initiatives. For example, having lower costs can enable a business to be more flexible and agile, allowing it to pivot quickly and take advantage of new business opportunities as they arise. In contrast, a business that is cost-heavy, may not have the resources available to take advantage of these opportunities. Cost cutting may also allow a business to seek new business opportunities by lowering their costs and becoming more attractive to price sensitive consumers (Porter's lower cost strategy).

Initiating Lean Production

Lean production is a management philosophy which looks at reducing wastage throughout all areas of the business and improving quality. Lean production looks to reduce wastage, while producing a high quality good or service for the consumer. This strategy can greatly reduce costs and improve quality of the good or service being produced. During lean production, the business looks for what 'adds value' to the product and aims to eliminate everything else. This helps to deliver both a high-quality product and a production system that is based on continuous improvement. Generally speaking, wastage can be found in seven key areas of production:

- Transport: unnecessary movement of products
- Inventory: excess products and materials not being processed
- Motion: people of products moving further than they need to
- Waiting: wasting time or being held up while waiting for the next step in the production process
- Overproduction: producing in excess of what is demanded
- Over-processing: more work or higher quality than is required by the consumer
- Defects: faulty products or wrong information

A poor result in KPIs such as net profit, productivity, customer complaints, number of sales and level of wastage can lead to the strategy of lean production. As waste is reduced, quality is enhanced, speed of production increases and costs are reduced. This can form a basis of a major competitive advantage for a business.

Lean production techniques may assist a business to seek new business opportunities as it can greatly improve efficiency. Lean may allow the business to seek new business opportunities in a similar way to what was discussed in cost cutting, as initiating lean can help to reduce costs. However, lean can also speed up production. This can allow a business to expand as they may be able to push their products into new markets and more able to increase production to ensure this can happen. Operating in a lean environment can also allow the business to move quickly when new opportunities arise. The business may have the resources and space available to implement new products quickly.

Redeployment of Resources

Redeployment is the transfer of resources from one area of the business to another so they can be used more effectively and efficiently. The main types of resources that are redeployed are natural, human and capital resources. A business will redeploy its resources in order to make better use of them, which ultimately means that a business is able to extract more value or output from these resources. If a business never considers the redeployment of its resources over time, it will invariably lead to some resources becoming underutilised or going to waste. We will now examine how each of these three resources can be redeployed in a business.

- ***Natural***: natural resources are the raw materials and other natural resources such as energy and water within the business that can be underutilised. Sometimes poor decisions are made which causes a business to hold too much stock or produce too many finished goods relative to demand. If these resources cannot be sold and remain idle, it can be costly for the business, as money is tied up in these resources and cannot be used elsewhere. Moving these materials or finished goods on is important if the business is to receive an adequate return on their investment in these resources. Businesses can look to reallocate these resources to different areas of the business or to different goods or services to meet changing market demands.

- ***Labour***: redeploying labour is where employees are moved from one role into another. This often occurs when a business is making changes and one area of the business is being reduced while another is being expanded. The business will want to keep high value employees even though the area they are working in is being phased out or minimised. If the business was not to redeploy these employees they may become redundant and the business loses talent from their employee group. Redeployment of labour can also help to improve motivation amongst employees. If the employees are unmotivated (e.g. because they are fearing job security or are not stimulated in their current role), being redeployed to a different area may improve their motivation.

- ***Capital***: capital resources such as facilities, money, equipment and machinery can be redeployed to improve efficiency. Often machinery will be underutilised as new technology becomes available. Rather than allowing machinery and equipment to sit idle and take up valuable space, the business can move the capital to a new area in order to perform other tasks. Changing how capital is employed will help to increase efficiency boost the return on investing in these resources. For example, in 2021, Telstra announced a major restructure of the business. As part of the restructure, the company announced it would be redeploying its capital resources to focus on its core telecommunications business and invest in new growth opportunities. This included investing in technology such as 5G networks and cloud services. Telstra also announced that the redeployment of capital resources will enable it to seek new business opportunities by expanding into new markets, such as cybersecurity and healthtech.

Innovation

Innovation is the act of introducing something new or making changes to something that already exists. It can refer to the development of a new product, processes, service offered, or business model. Innovation can be driven by a variety of factors, such as a desire to improve efficiency, meet customer needs, or solve a problem. This can help businesses respond to KPI data such as poor productivity growth, customer-based indicators (e.g. a high level of customer complaints), as well as issues around net profits. The aim of innovation can be to make improvements in the business, its customers and the community, enabling it to be used to respond to a range of KPIs.

Innovation can also be a powerful tool for businesses seeking new opportunities. By constantly looking for ways to improve or do things differently, businesses can stay ahead of the competition and attract new customers. For example, Blackmores is a leading provider of natural health and wellness products. Blackmores has a long history of innovation, dating back to its founding in the 1930s. In recent years, the company has focused on using innovation to meet the changing needs of its customers and stay ahead of trends in the health and wellness industry. For example, Blackmores has developed a range of plant-based protein products and introduced new packaging materials that are more sustainable and environmentally friendly. These innovations have helped Blackmores attract new customers and expand its market presence by developing innovations that align with customer trends.

Innovation can also help businesses diversify their operations and enter new markets. By identifying untapped opportunities and developing new products or services to meet the needs of these markets, businesses can potentially expand their customer base and increase their revenue. This can be especially important in today's rapidly changing business environment, where new technologies and market trends are constantly emerging. Coles and Woolworths have been able innovate with their online shopping models. While online shopping was not a new innovation, the ability of these supermarkets to make it work for fresh produce, and in the volume in which Australian's purchase groceries, was a key innovation for these companies in seeking new business opportunities.

Global Sourcing of Inputs

Global sourcing of inputs is where a business obtains its resources from overseas suppliers. This can help to reduce costs and improve efficiencies. Although the transportation costs can be high, businesses may be able to take advantage of cheaper inputs from overseas suppliers. This can reduce costs, therefore responding to KPIs such as net profit. The reduced costs can enable a business to reduce their prices, helping respond to KPIs such as number of sales and percentage of market share.

Using global suppliers can also allow a business to use inputs that are of higher quality. Rather than only using local suppliers, businesses are able to make use of any supplier in the world, enabling them to partner with the highest quality suppliers of inputs. This can improve the overall quality of the good or service being delivered to customers, helping respond to customer-based indicators such as number of customer complaints.

Global sourcing of inputs can have its disadvantages. As mentioned earlier, the transportation costs can increase. Other issues can include fluctuating foreign currency rates, increased lead time as well as potential political risks. However, the ability to greatly reduce costs or to improve quality may outweigh the potential drawbacks.

A Business may be able to seek new business opportunities by increasing their access to new markets. By sourcing inputs from countries where demand for its products is strong, a business can tap into new customer bases and potentially increase its revenue.

Overseas Manufacture

Overseas manufacture refers to the production of goods in a foreign country, rather than in the home country of the business. A business may choose to engage in overseas manufacture to access lower labour and production costs, access to new markets as well as to respond to changing business needs and key performance indicators (KPIs).

One key benefit of overseas manufacture is the ability to lower production costs. By manufacturing goods in countries with lower labour and production costs, businesses can reduce their overall expenses and increase their profit margins. This can be particularly beneficial for businesses that operate in highly competitive markets, as it allows them to offer lower prices to their customers while still maintaining profitability. If a business that is already selling their products overseas, is able to implement overseas manufacture, it can allow them to reduce their distribution costs as they are manufacturing closer to their customers. This can again improve profitability. There can be disadvantages to overseas manufacture, which include the high initial set up costs and ongoing overheads. However, for many larger businesses, setting up overseas manufacture can be a long-term investment that improves efficiency and profitability.

Overseas manufacture can also be used to help businesses seek new growth opportunities. By manufacturing goods in foreign countries, businesses may be able to access new markets and customers that may not have been available to them previously. To illustrate, BMW is a European car manufacturer that has one of its major manufacturing facilities in Spartanburg, USA. The USA is BMW's largest market and by manufacturing in the USA, it allows the business to be closer to their major market. While the USA does not have the lowest labour costs in the world, being close to their largest market helps BMW to improve flexibility and reduce transportation costs. By supporting its largest market via the provision of thousands of employment opportunities, it can improve brand awareness, further helping to increase the demand for its vehicles

Global Outsourcing

Global outsourcing is where a function of the business is completed by a third-party provider in a foreign country. This can include non-core functions such as accounting, customer support or maintenance. It can also include the manufacturing of the good being delivered to customers. One of the main advantages of global outsourcing is the access to lower labour costs for these functions. Utilising an established manufacturer can remove the need for high set up costs of establishing a manufacturing facility in the home country. This can reduce the costs of the business and allowing it to respond to key performance indicators such as net profits. Engaging in global outsourcing can enable the business to make use of specialists in their field. For example, there may be an Australian clothing label that outsources the manufacturing of their clothing to an overseas manufacturer who specialises in manufacturing clothes, leading to improved quality.

Outsourcing also allows a business to specialise in what they do best. For example, Apple has a long history of outsourcing the production of many of its products to third parties around the world. This has allowed the company to access lower labour costs and production costs, while Apple focuses on its core competencies, such as design and marketing. A potential downside to outsourcing is that many businesses will experience a loss of control (with the function that is being outsourced), which can be a particular concern for smaller and medium-sized businesses as they do not have the influence of larger businesses. While this has the potential to reduce the quality of outsourced work, the overall cost advantages associated with outsourcing can help businesses to free up resources that could be used to seek new business opportunities elsewhere.

Tesla Seeking New Opportunities

Since 2003, Tesla has focused on developing and manufacturing electric vehicles (EVs). However, the company has since expanded its operations to include a range of products and services, including renewable energy generation and storage solutions, as well as autonomous driving technology.

Tesla has been able to use innovation to seek new business opportunities by developing and introducing innovative products that meet the changing needs of its customers. In 2020, the company introduced the Tesla Cybertruck, a futuristic electric pickup truck that has garnered significant interest and resulted in pre-orders from consumers. This new product offering has allowed Tesla to tap into a new market segment and is aimed at providing a sustainable energy substitute for the fossil-fuel-powered trucks that are currently sold each day.

In addition to introducing new products, Tesla has also used innovation to improve its manufacturing processes and supply chain operations. The company has invested heavily in developing cutting-edge technologies, such as automation and robotics, to increase efficiency and reduce costs. This has allowed Tesla to streamline its operations and become more competitive in the global market.

Netflix Responding to KPIS

Faced with challenging KPIs, Netflix initiated pivotal changes in its business model by late 2022. Notably, the streaming giant experienced its first subscriber decline in April 2022, losing about 1 million subscribers globally between April and July. In Australia, the streaming market saw a reduction of 1.3 million subscribers, with Netflix's share falling consecutively over several periods into early 2023. This subscriber drop was attributed to households minimizing their streaming subscriptions. Additionally, Netflix's net profits declined by 12.2% in 2022 and further by 18.3% in the first quarter of 2023. Despite maintaining a lead in Australia with an estimated 5-6 million subscribers, its market share plummeted from 47% in 2017 to approximately 32% by the end of 2022, amidst increasing competition. In response, Netflix launched "Basic with Ads," an ad-supported subscription plan to offer a more affordable option and attract new subscribers. Simultaneously, the company tightened password sharing restrictions, introducing additional fees for non-household users, marking a significant shift from its previously lenient stance on account sharing. These strategic moves aimed to revitalize growth and profitability in a changing market landscape.

Exam Tip: the above strategies are listed in the study design so can be directly examined. Students are welcome to learn other strategies. Keep in mind that you need to be able to apply the theory of these strategies to a contemporary business case study from the past four years. In the exam, you may or may not be asked to apply these strategies to the business you have studied. While the business you have studied may have only used one or two of these strategies, it doesn't mean that you only need to study these strategies. <u>You **must** know them all</u>.

Exam Tip: it is important that you can analyse data from KPIs and then propose which of these management strategies could be implemented. You may then be asked to justify why your chosen strategy would be the most appropriate.

Other strategies to seek new business opportunities

The strategies in the previous section are listed specifically in the study design and therefore students must be able to demonstrate an understanding of them. However, they are not necessarily the only way a business can either respond to KPI data, or seek new business opportunities. Below is a list of other strategies that businesses may use to achieve this.

Diversify products: Diversifying the range of products a business sells is a growth strategy that allows a business to have multiple streams of income. Imagine if Nike still only sold footwear. Although footwear still generates the largest amount of revenue for Nike, its other product lines generate over 35% of the business' revenue. Businesses can diversify by offering complementary products or services, participating in new markets/industries or even finding multiple uses for its products. If we look again at Nike, who began selling shoes way back in the 1960s, it later made a strategic decision to sell complementary products. Nike understood that when people run, they run in sportswear. Accordingly, the company's clothing line complements its main product (footwear) and allows it to generate new streams of income.

Diversifying products is not only relevant for large businesses. This can be illustrated with reference to Kelly, who is a small sole trader making and selling candles. Selling candles is a highly competitive business, so to generate new income Kelly can diversify her products. But how does she do this with something as simple as a candle? The brand of the candles are the core business, however Kelly can create products such as lotions, soaps and room sprays which complement candles to varying degrees. Although each of these products have a different use, they can have the same label and same fragrance as the candle. This allows them to be packaged together as a kit or sold individually. This is called **kitting** and is a way Kelly can diversify her products and increase revenue very quickly.

Diversifying products can, therefore, help a business seek new business opportunities both domestically or globally.

Partnerships or alliances are where two or more businesses come together to help each other increase sales and gain new customers. Businesses often complement each other with the goods or services they sell and they can make use of each other's client bases. For example, a person that gets their hair done at a hairdresser may also like to get a facial or their nails done at a beauty salon. While these two businesses are different, they could form a partnership and recommend each other's service(s). Let's say the beauty salon is looking to seek new business. The owner may approach a well-known hairdresser nearby and offer the hairdresser's clients a heavily discounted facial. The hairdresser can send out the gift to their client base (with the beauty salon paying for postage). This can be a win/win partnership. The hairdresser is offering a gift to their clients which can improve its reputation (at no cost to the hairdresser), while the beauty salon is able to attract more business as people come in to redeem their discounted offer. If the new customers are happy with the service they are likely to return and potentially become a life-long customer. This can help a business seek new business domestically, like in the above example, or even globally by establishing a global partnership.

Exam Tip: The use of the term partnership in this context should be contrasted with the use of the term partnership as a type of business. When a business forms a partnership (or alliance) with another business as part of its business development strategy, it does not mean that there is a change to the ownership of the businesses.

Franchising is a business relationship where the franchisor (the owner of the business) assigns others (franchisees) the right to market, sell and distribute the goods or service of the franchisor. For the right to sell the franchisor's products and use their company name and image, the franchisee pays a fee. Franchises are a way for the business to expand quickly. When franchising, it is important that the business has good systems in place that are proven to sell the products. This allows the person(s) purchasing the franchise to have a system in place that will generate sales and make money. The franchisor is able to receive an ongoing fee for selling the rights to the business name and products. The more franchises that are sold, the more revenue that is generated for the franchisor. The franchisor will usually provide ongoing support to the franchisee and often control the marketing and advertising of the overall business. McDonalds, Subway, Domino's and KFC are well-known franchises where the head company has been able to rapidly expand using other people's money. A strong franchise system allows both the head company (franchisor) and those that own the individual franchises (franchisee) to make money. One of the issues with franchising is that there is some loss of control from the head company. While there are normally strong contracts in place, the franchisor can often come into conflict with the franchisees when they look to make changes. It can also be difficult to monitor standards across a large franchisee group, which can impact the image of the entire company.

Open new location(s): a business that is well established and has good systems in place might decide that it is time to expand by establishing operations in a new location either domestically or in another country. This strategy can help a business to gain more revenue as they attract new customers in a geographical area not previously serviced by the business. It is important that this strategy is well researched to ensure that the clientele in the new location will be receptive to the goods or services that are on offer. This strategy has been well utilised by Cotton On, which has grown from just two stores in 1991 to 760 Australian stores and over 1400 stores across 20 countries by 2021. This is an extreme example as Cotton On goes through very fast growth. However, growth was not always this fast. When it started out, it slowly opened new stores which gradually allowed it to seek new business in different areas. The strategy allowed the business to build on its reputation for providing high value products and resulted in greater awareness and acceptance of the Cotton On 'brand' both locally and overseas. One of the major drawbacks of this strategy is the high initial cost to set up a new location. Different markets also have different needs and tastes, making it difficult for the business to understand the new market.

Government assistance provides businesses with access to funding and advice on how to grow. There are many different opportunities that businesses are able to take advantage of to help them seek new business opportunities. Both federal and state levels of government provide Australian businesses with opportunities for grants or advice on how to grow their business domestically (and globally). These programs change regularly due to funding and political objectives. Information on grants and assistance can be found on the relevant government business websites. One of the issues with this type of assistance is that, due to changes in government or new political objectives, funding can stop at any time.
Government organisations, such as **Austrade,** offer assistance when it comes to new global business opportunities. Austrade provides guidance and assistance to businesses that are looking to invest offshore. Whether they plan to open an office, establish a joint venture, or establish an investment through foreign direct investment, using Austrade can be a strategy that Australian businesses use to help them grow and develop their business. Austrade also offers ongoing support by helping businesses to identify ongoing market opportunities.

Corporate culture and strategies for its development

Corporate culture is the shared values and beliefs of the people in the business. In Chapter 1, we looked at both the official and the real corporate culture. The official corporate culture embodies the values and beliefs that senior management would like all people in the business to have. This can be seen in official documents such as a mission statement, a values statement, as well as policies that outline how employees should behave. Whereas the real corporate culture refers to the actual values and beliefs held by the people in the business. This can be reflected in the behaviour of employees each day and how managers communicate with employees.

A positive corporate culture that values innovation and continuous learning can create a more receptive and adaptable workforce. This can make it easier to drive successful change within a business. However, a corporate culture that is inflexible or intolerant can cause managers and employees to resist any proposed change, making it difficult to change direction successfully. In order to facilitate business change, businesses should adopt a culture of openness and transparency so that all people in the business are informed about the impact of any change. This can develop a level of trust between senior management and the employees, helping to get employees on board with any proposed change.

Senior managers often understand that a positive culture can be very influential to the success of a business. They will set the values and behaviours they wish the people in the business to display in order to assist with the achievement of strategic objectives. If everyone in the business is aligned, and displaying the desired values and behaviours, it can create a positive work environment where employees and managers are working towards a common goal. This should contribute to more successful outcomes for a business in terms of the achievement of its objectives.

A business needs to be able to develop its desired culture so that it can see the benefits of everyone sharing the same values. Changing an established corporate culture can be challenging and requires time and persistence. Failure to achieve this is more likely to result in a difference between the official corporate culture (the ideal culture of the business) and the real corporate culture (the actual culture within the business). Below are some strategies that businesses can use to develop its culture.

- **Define and Communicate**: It is important for businesses to clearly define the desired values and vision and to then communicate these to employees. This helps to create a sense of purpose and direction for those in the business. It also provides clear expectations on the values that employees should be displaying each day. When communicating these values, they should be reinforced often. It is not enough to communicate them once, as it runs the risk of them being easily forgotten. Managers should be reinforcing them regularly so they are lived out every day.
- **Leading by example**: the leadership team in a business plays a vital role in developing the corporate culture. The leaders should be displaying the values and behaviours they want others to display. Leaders that embody the business's values and behaviours serve as role models to others and allows them to challenge employees that are not displaying these values and behaviours.
- **Training**: training is where employees learn new skills and knowledge to help them perform more effectively in their job. Businesses should ensure that desired values of the business are implemented into the training program. For example, a business that values a high level of customer service should conduct ongoing customer service training. Businesses that provide learning opportunities, helps them to develop a corporate culture based around continual learning. This can assist during times of change, as employees are more open to new ideas.
- **Rituals and celebrations**: rituals can play a positive role in developing a business's corporate culture. By establishing consistent practices or activities that are meaningful to the values of the business, rituals help create a sense of belonging and cohesion towards the desired values. For example, a business may have one day per week where they eat lunch together to help reinforce values of collaboration and community. Other examples of rituals might include:
  - Celebrating business achievements
  - Engaging in community service
  - Holding regular team events.

- **Reward & recognition**: providing employees with recognition or rewards for demonstrating the desirable behaviours in the business can help to provide positive reinforcement for employees. This not only increases the likelihood of the employee continuing to demonstrate the correct or desirable behaviours, but also encourages other employees to embrace the values.
- **Alter the overarching management style:** Businesses that are looking at developing a collaborative environment, where people are encouraged to offer suggestions and solutions, will find it difficult to develop this culture if managers are predominantly autocratic or persuasive in their approach. Changing to a more participative management style may be more appropriate in developing this desired culture. Whereas the autocratic style can develop a culture that is hierarchical and rigid. By adopting a management style that

is aligned with the values and mission of the business, the leaders can help shape and reinforce a positive and supportive culture.

Darrell Lea develops its culture

To develop its corporate culture, confectionery company, Darrell Lea created a set of core values that reflect the company's mission and approach to business. These values, which include honesty, integrity, innovation, and teamwork, are prominently displayed throughout the company's offices and are integrated into various aspects of the business, such as employee training and performance evaluations.

In addition to establishing core values, Darrell Lea has also implemented a comprehensive employee training program that includes both in-person and online learning opportunities. This program is designed to help employees develop the skills and knowledge needed to excel in their roles and to contribute to the overall success of the company.

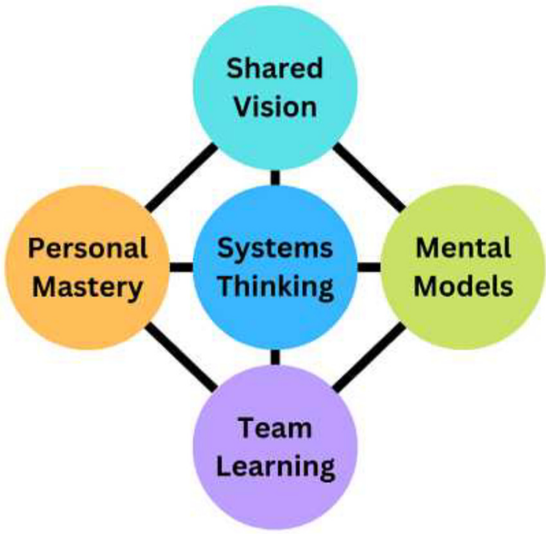
Darrell Lea invests in employee wellness programs, including onsite gyms and health and wellness workshops. These programs are designed to support the physical and mental well-being of employees and to create a positive and supportive work environment.

To further develop the corporate culture, Darrell Lea implements regular team building activities and events, such as company-wide retreats and social events, in order to foster a sense of community and collaboration among employees. These events provide opportunities for employees to get to know one another and to build relationships that can help to strengthen the company's corporate culture.

Learning Organisation

Peter Senge coined the concept of the 'learning organisation' in his 1990 book *The Fifth Discipline*. Senge found that during times of rapid change, only those that are flexible, adaptive and productive will excel. For this to occur, businesses need to discover how to tap into the capacity and ability of people to learn. While all people have the ability to learn, the right structures of a business are not always in place to allow this to happen. According to Senge, the **learning organisation is one that facilitates the learning of its employees and looks to continuously transform.** The business is not looking to transform for the sake of transforming. They are always looking to grow and find improved ways of doing things. He found that real learning gets to the core of what it is to be human and people are able to recreate themselves as they learn. There are five disciplines of a learning organisation and each of the five disciplines is necessary if a business is to be a learning organisation. Implementing the five disciplines helps to build a culture of continuous learning where the people within the business are more receptive to change. We will now examine each of the five disciplines.

Personal mastery is the discipline where the business will only learn through individuals that learn. A business that is able to have a workforce that learns faster than its competitors is able to gain a competitive advantage. Individual learning does not necessarily mean the organisation learns, however organisational learning cannot exist without it. Personal mastery can be acquired through employee training and development; however, it is more than simply learning new skills. Importantly, it is about continually clarifying and deepening an individual's vision. Senge states that personal mastery is not something people possess, but rather a process of lifelong discipline. People with a high level of personal mastery are very much aware of their strengths as well as the areas that they need to improve, and will continually work towards improving those areas. There is both a clear understanding of their personal vision, as well as the reality of where the individual actually sits in relation to the fulfilment of their vision.



Having employees and an environment that strives for personal mastery, develops a culture where employees are more open to new learning. This can assist during times of change, as employees are more likely to be accepting of the change as they are driven to learn new ways of doing things.

Shared vision is where all the people within a business are inspired to achieve its future goals. It is important that the vision is actually shared and not one that is dictated to the employees. Even if the vision is a heartfelt one, it is imperative that the vision empowers employees and fosters a genuine commitment rather than simple compliance to the cause. This helps to create a workforce of individuals that are all 'pulling in the same direction'. This can result in an environment where people learn and excel because they want to, not because they are told to. A vision that everyone believes in can be inspiring and uplifting for a business. If everyone shares the same vision and are committed to the achievement of that vision, they are more likely to be receptive of any changes they believe will help the business achieve the vision. It is important that any changes that are implemented are aligned with the overall vision of the business. Doing this can help to drive the change as more people within the business will be committed to its successful implementation, knowing it can contribute to the achievement of the overall shared vision.

Team learning is the process of building and developing the capacity of a team so they share their experiences and knowledge and therefore learn from each other. It builds on the previous two disciplines of personal mastery and shared vision. As individuals learn and grow through personal mastery, the team begins to learn from each other. Team learning creates an environment where problem solving is enhanced because knowledge and experience is shared amongst the team. Team learning requires talented individuals to have open dialogue and discussion which requires open communication. This allows the group to discover insights that are difficult or impossible to attain individually. Team learning helps to create an open and collaborative culture that is more conducive to change. As employees are open to learning from each other, and supporting each other, it can develop a culture where employees can support each other through the changes.

Mental models are the deeply ingrained assumptions and generalisations that influence how we understand the world and how we respond to it. For a business, this is reflected in its culture. To become a learning organisation, these models need to be challenged. In a learning organisation, it is important to remove and replace any confrontational values and attitudes with more open ones. By removing any assumptions/generalisations held by management and employees, it will help them to discover new ways of doing things. If they are unable to remove their mental models, they will find it difficult to innovate or drive new improvements in the business.
The mental models discipline is an important one if a business is looking to implement change. If employees are not able to understand and remove their mental models on how they believe things work, it is unlikely they will be open to any new changes. However, if the business is able to successfully challenge the mental model, the people within the business are more likely to be open to new ways of doing things and therefore more open to accepting changes.

Systems thinking is a concept that integrates the other core disciplines. Systems thinking is where the business has information systems that evaluate the business as a whole, rather than as separate parts. Systems thinking allows individuals to understand the interrelationships between different parts of the business. For example, the marketing team might decide that they are going to run an advertising campaign designed to achieve a significant increase in sales. In isolation, this seems like a fantastic idea. However, this campaign affects other areas of the business. One such area is operations. If sales are to increase significantly, operations must be able to keep up with demand. If not, stocks will be depleted and unhappy customers will be the result. Interestingly, systems thinking does not only look internally. Let's assume that operations are able to increase production in line with the higher demand. The question then becomes: will suppliers be able to keep up with the increased demand? If the suppliers are unable to supply the business in appropriate quantities, again the business will eventually be unable to meet consumer demand, thereby losing sales and experiencing unhappy customers. An individual that can use systems thinking will understand the entire system and the interrelationships between these parts. This will enable them to make better decisions that will have a positive impact on the business.

Having a business where everyone uses systems thinking can help to create an environment where all within the business understand the bigger picture, rather than simply seeing how things impact themselves. If individuals are able to understand that different parts of the business are interconnected, and therefore changes are made for the benefit of the entire system rather than parts of the business in isolation, people are more likely to be accepting of change.

Creating a positive culture for change

The learning organisation theory helps businesses to create a culture where the people and the business are continuously learning and developing. Creating this positive environment via the implementation of the five disciplines, ensures that the people are driven to continuously learn and support each other. This type of culture is important for successful change. While the decisions and changes implemented by the business may not all be the best ones, the employees and managers are more likely to be receptive to any changes, as they understand that the business and its people need to learn and grow in order to get the best out of themselves individually and as a group.

Potential disadvantages of implementing Senge's learning organisation

- **Cost:** implementing the learning organisation requires investments in training and development as well as investment in supports to encourage continuous learning. This can be expensive, particularly for small or resource-constrained businesses.
- **Complexity:** The learning organisation involves a complex system where all processes and systems are interrelated. This can be challenging to coordinate as all systems need to understand the relationship between each other.
- **Time:** Implementing the learning organisation is a significant time commitment as it involves ongoing learning and setting up processes and systems to communicate with each other.

- **Constant change:** While the learning organisation does not enforce changes occurring all of the time, the environment is set up to continuously learn and grow. This can not only be costly for businesses to invest in new ideas and processes, but it can also be draining on employees as they may find it very fast paced and overwhelming at times.

Exam Tip: Qyestion 2b from the 2023 exam asked students to explain how Blue Berry Juice (a manufacturer of healthy juice products) could use Porter's differentiation strategy to meet shareholder expectations. Those that received full marks were able to demonstrate a clear understanding of the differentiation strategy, apply the differentiation strategy to Blue Berry Juice, show an understanding of what shareholder expectations are, and then link the differentiation strategy to meeting these shareholder expectations. However, many students often do not address Porter's differentiation strategy in these types of questions. When students see "Porter", they will sometimes address either both generic strategies or some will even address the lower cost strategy. This demonstrates the importance of taking time to read the question carefully and answer the question that is presented. Those that understood the need to address Porter's "differentiation" strategy found it quite straight forward to achieve full marks.

Exam Tip: The 2022 exam required students to justify the use of Senge's learning organisaton during the period of change at Blartem Clothing (a clothing manufacturer). This demonstrates the importance of not only being able to describe the disciplines, but also being able to explain how they can benefit the business in a situation. While the learning organisation is not a change theory, it is based on creating an environment where change can occur successfully. This is important to note. When you study this theory, you should be considering how each discipline can benefit a business.

Exam Tip: It is important that students can not only describe the theory and the 5 disciplines, but they must try and understand the theory. The 2019 exam asked about how managers could apply Senge's learning organisation to effectively manage employees, influence corporate culture, and ensure change is implemented successfully. This type of question required some depth of understanding. Simply being able to describe each of the disciplines is not enough in these questions. Remember that the learning organisation is a business that creates an environment where the people are driven to learn and will always be looking to grow and improve. If you can bring the disciplines back to this, it can help you understand the theory and cope with these difficult questions.

Overcoming Employee Resistance (LOW RISK)

Change can be a difficult time for employees as they fear how the change will affect their work and even their job security. This can cause anxiety among employees, which can create resistance to the change. This makes it difficult for leaders of the change to move away from the status quo and towards the new desired state. Resistance to change can be defined as, 'an attitude or behaviour that reflects a person's unwillingness to support a desired change'. Resistance can take many different forms, including:

- an increase in the number of people that opt out or request a transfer
- a persistent reduction in output from the employees
- hostility towards managers or leaders of the change
- strike or other industrial action
- the constant expression of why the change will not work in the business.

However, change is often critical to a business' success, because a business needs to be dynamic in adapting to market conditions. It is therefore essential that managers are able to reduce this resistance and help employees to move towards the change.

There are a variety of strategies on how to reduce employee resistance and these fall into two major categories, low-risk and high-risk. The following strategies for reducing resistance to change are referred to as low-risk strategies because they have a lower risk of backfiring and causing large amounts of resistance. Common **low-risk strategies include**:

Communication: the transfer of information from sender to receiver. Employees will often resist change because they are uncertain about what the change entails, or concerned about how it will affect them personally or they simply don't understand why the change is necessary.

Being open an honest with employees can help to reduce the anxiety of the employees and help them see the reasons for the change and the impact it will have on them, helping reduce resistance. Effective communication can help overcome employee resistance by:

- Providing clear and concise information about the change, which removes any rumours and enables employees to deal with the facts.
- Listening to employee concerns. Using two-way communication to listen to employees and responding to their concerns or questions about the change, can help clear up any misunderstandings. It can also build trust, helping to reduce resistance.
- Communicating the benefits of the change. While there may be some disadvantages for some employees, demonstrating the benefits of the change, and why it is being implemented, can help employees to develop a clearer understanding. Some

employees may become excited by the prospects of the change, while others may at least develop a better understanding of why it is being implemented.

Empowerment: where the employees are given the power or authority to be involved in the change process. This means employees can help to design and implement the changes. This can greatly reduce any resistance as employees are more invested in the change process and it provides a sense of control over their work. Overall, empowerment can help to overcome employee resistance during change by:

- Involving employees in the change process. This can help employees become more invested in the change and they are less likely to resist the change if they have been involved in making it happen.
- Giving employees autonomy to make decisions about how the change is implemented. This gives employees the power to problem solve as the change is being implemented, and helps to increase their motivation towards the change, reducing employee resistance.

Support: the provision of emotional and functional assistance/support to employees that are facing hardships due to the change. Change may alter an employee's job or even force some jobs to be terminated. When employees feel supported, they feel valued and more confident in being able to navigate the change, helping to reduce resistance. Appropriate support should be provided for employees through:

- Training employees to develop the knowledge and skills they need to understand and adapt to the change.
- Offering time. Some employees may need time to adjust or complete work to implement the change. This may be on top of their normal work tasks. If the employer is able to provide time for them to implement the changes it can ensure they are not overwhelmed or overworked as a result of the changes.
- Some employees may be facing redundancies. A business may be able to offer redeployment or outplacement services to assist them in finding new employment.
- For those who will remain with the business, yet still find the change difficult to deal with, they need to be listened to and given opportunities to provide input and feedback. This can help the employees feel valued and supported during the change.

Incentives: benefits that are provided to employees as a way of gaining support for the change. This could involve offering trade-offs that provide special benefits in exchange for the reassurance that the change will not be blocked. The types of incentives or benefits that can be used can vary greatly. Incentives could include the promise of improved working conditions (such as longer breaks or better staff facilities) or financial incentives (such as higher wages or performance bonuses). Examples of incentives that can be used include:

- Financial incentives such as bonuses or pay rises can be used to reward employees for their efforts in the change process.
- Non-financial incentives such as additional annual leave or an agreed celebration to help adjust to the changes.
- Performance-based incentives such as promotions or special project assignments can be used to reward employees for their efforts in the change process.

Exam Tip: The skills section of this area of study asks students to evaluate the advantages and disadvantages of change strategies. It is therefore important students can express the benefits and drawbacks of each of these strategies. Below we will look at some possible drawbacks of a business using low-risk strategies and later a summary table for each specific strategy.

Exam Tip: In Question 5a of the 2021 exam, students were presented with a small case study and were asked to identify a stakeholder that may resist the changes being made by the business and then describe a low-risk strategy to help overcome resistance from the stakeholder group. In questions such as this, students will often not apply well to the case material and the changes that are occurring. The case study in this scenario was about a large gaming store that was about to sell to a multinational chain. To receive full marks, students needed to select a stakeholder that might resist the change and make reference to the changes in the responses.

Possible Drawbacks of Low Risk Strategies

While there are many benefits to the adoption of low-risk strategies, they are not always perfect. The low-risk strategies can often take more time to implement which can increase the time it takes to implement change. For example, communicating or empowering employees with respect to a change, listening to their concerns, and/or providing support is time consuming. This not only includes the time it takes to communicate, but the time taken to make decisions is often also increased. Incentivising employees can also be costly for the business. This must also be done in a way that the employees do not feel they are being manipulated into accepting the change.

Overcoming Employee Resistance (HIGH-RISK)

The following strategies are referred to as high-risk strategies because there is a greater chance that they will generate negative outcomes. That isn't to say they won't work in certain situations. However, they can cause the relationships between management and employees to break down and cause conflict within the business. The benefit of using high risk-strategies is that they can be quick in getting employees to accept the change. **Some common high-risk strategies include**:

Manipulation: where the business or change agent will use covert tactics to influence employees by, for example, exposing them to a selective set of facts. Management might secretly leak information to employees, or provide only some of the facts, so that the change is able to gain support. To illustrate, a business that is going to implement a new technology may inform employees of how the technology will make their jobs easier and safer. However, they might also omit any reference to information that relates to the likely redundancy of many employees. Some businesses may even 'buy off' some of the leaders of the resistors in order to gain support (e.g. promise of a promotion). These leaders can then influence other employees to support the changes. Manipulation is a high-risk strategy because if employees discover that they have been manipulated, it can both cause resistance to change, as well as damage their relationships with management to the detriment of the culture and performance of the business in the longer term.

Threat: where the manager will use force to get employees to accept the change by enforcing negative consequences for resisting the change. Employees can be threatened with a number of undesirable consequences, such as loss of promotion, transfer or loss of benefits that have not been written into the workplace agreement. While this can allow a change to happen relatively quickly, it can erode any positive relationships that have previously been formed. In addition, employees might accept the change 'on the surface', but genuinely be unhappy and resentful. Once again, this can have a negative impact on morale, work ethic and the performance of the business over time.

Each of the above strategies (both low-risk and high-risk) can be used in certain scenarios and each have their advantages and disadvantages. It is clearly safer for a business to use the low-risk strategies, however if the change needs to be implemented quickly, then high-risk strategies may be appropriate.

Possible Drawbacks of High-Risk Strategies

The main problem with the high-risk strategies is that they have the potential to harm the relationships between the managers and the employees. This can have a negative impact on the culture of the business, making it an unpleasant place to work. While the strategies may help to overcome resistance quickly, they do have the potential to cause increased resistance if employees are unhappy with the way they have been treated. This can make it difficult to implement the changes successfully.

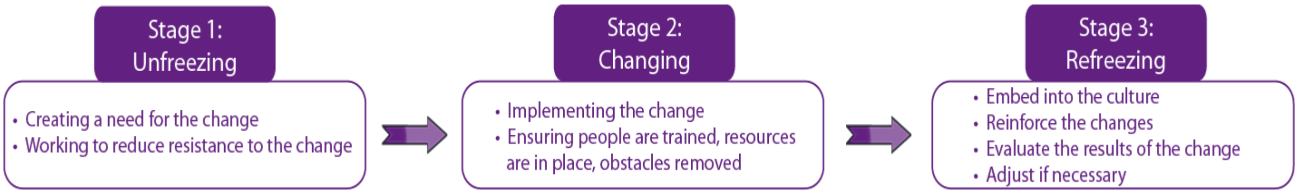
Exam Tip: If asked to discuss the low-risk and/or high risk strategies, it is common for students to only mention the drawbacks of the high-risk strategies and the benefits of the low-risk strategies. However, discuss questions require students to address both sides. Many students fail to recognise that high risk strategies can also have advantages.

Exam Tip: the 2018 exam asked students to desribe one high-risk strategy and one low-risk strategy that a manager could use to overcome employee resistance in the situation provided. In these types of questions, it is crucial that responses address how the strategy will overcome employee resistance. Many students will state why the low-risk strategy is good and why the high-risk strategy is bad. This does not address a question like this. Ensure you are able to express haow all strategies will overcome resistance to change from employees.

Lewin's Three Step Change Model

Kurt Lewin is a psychologist that developed a three-step model for planned change. He found that the success of a change was determined by two sets of forces, driving forces and restraining forces. We covered these forces in more depth earlier in Chapter 4. In order to implement change, Lewin viewed the change process as consisting of three steps:

1. **Unfreezing**: Getting people and resources ready for change
2. **Changing**: Implementing the change
3. **Refreezing**: Ensuring the change remains for the long term



Unfreezing is where management prepare the people and the business for change. It is important to firstly determine what needs to change. The manager then needs to create a need for the change. Part of the aim of the unfreezing stage is to create energy around the change. This can be done by communicating both the benefits of the change to employees and a compelling message on the impacts of continuing the current system. Lewin found that this was an important step as many changes are implemented without first preparing the business for the change, which can result in strong resistance and making its implementation difficult in the long term. The unfreezing stage is often the most difficult as management is challenging the way things have been done. Often employees will be in a routine and altering this routine can be difficult to initiate. Given that change can challenge beliefs, values and attitudes, it is important that employees are well prepared and appreciate where the business is heading and why. Unless the status quo is challenged, it can be difficult to carry out the next two stages as the people within the business will be comfortable in their current state.

Changing is where the change actually takes place and is implemented. Successful change requires clear goals on what needs to be done as well as continued commitment and sustained energy being directed towards the achievement of the end goal. Implementing planned change can take time as people adjust to the new way of doing things. Communication and support are important here to help keep employees working towards a common goal. Empowering employees to act and embrace the change can help the change to be implemented successfully. Employees can also be negatively affected by the change. Some may lose their jobs, others can find it difficult to use new equipment and some will simply struggle adjusting to new routines or ways of doing things. These issues need to be addressed by the leaders and support provided where necessary. It is important that the managers provide enough resources to implement the change during this phase. This will allow the employees to implement the required changes.

Refreezing is the final stage of the planned change process and is designed to maintain momentum for the change and ensure it is implemented for the long term. Refreezing reinforces the change and works to overcome issues with the change as they arise. It is important that the change is evaluated during this stage to ensure that it is meeting expectations and modifications can be made where necessary. The aim of this phase is to institutionalise the changes so that they become part of the culture within the business. This way, the change becomes a way of life within the business and any new employees will be trained in the new way of doing things. This may involve continuing to provide support and training to employees as they adjust to the new change. It may also involve implementing performance metrics and rewards to encourage the adoption of the new practices. This helps to consolidate the changes and increase the likelihood of them becoming permanent in the business. Without the refreezing stage there is an increased risk that some employees will revert back to the old way of doing things. Accordingly, refreezing is an important step in a successful change process.

Potential disadvantages of using Lewin's change model

- Refreezing the change takes time and, with dynamic business environments, the business may need to change again, meaning unfreezing what has recently been refreezed.
- If change needs to be implemented quickly, the three-step process can take too long, impacting negatively on the business.

Exam Tip: Question 3 in Section B of the 2020 exam asked students to explain how Manitta Mining could apply each of Lewin's 3 steps to reduce their number of workplace accidents. To receive high marks for this type of question, students need to ensure their response is focused on reducing the number of workplace accidents. It is common for students to write general responses that focus on each stage, yet fail to apply each step to what the question is asking (in this case, making it clear how each step plays a role in reducing the number of workpalce accidents).

Effect of Change on Stakeholders

Change can be a difficult process to go through for many different stakeholders. Fear of the unknown can cause anxiety as the status quo is challenged and new procedures are put in place. While changes should result in positive outcomes for the business and its people, there is no doubt that some stakeholders are impacted negatively by change. We will now examine how change can affect some of the key stakeholders in a business.

Owners

Any change that occurs will typically influence the return on investment over time, which will necessarily have an effect on owners. Changes have the potential to cost significant amounts of money, which may negatively impact on profits in the short term. However, if the changes are successful in expanding the business, the owners are likely to benefit in the long term as the return on investment is likely to rise. Depending on the change, and the size of the business, some owners may be asked to invest more money to pay for the changes.

Managers

Change can cause stress for managers as they are often the ones that need to deal with any resistance to the change. It is often the manager who employees will turn to when they have questions or concerns with the change. Managers need to lead by example and work to create an environment where employees feel positive about the change.

Senior managers will often need to respond to other stakeholders such as shareholders. Shareholders may have concerns about their return on investment due to the changes. They can place pressure on senior managers and give their advice on how the changes should be implemented or altered. If the change is not successful, or there are short term expenses that reduce shareholder value, the shareholders can place pressure on the Board of Directors to replace senior managers.

It is often the senior managers that need to respond to media attention, which can put pressure on their own position. If the business is going through radical changes, where employees are being made redundant, there is likely to be significant attention from around the community. Senior managers will need to spend time responding to this attention.

During times of radical change middle managers can be affected. If a business is to implement cost cutting methods by making some positions redundant, it is common for middle management positions to be made redundant. Those that remain will often become responsible for more employees.

Employees

Change has a major effect on employees as they are the ones that will carry out the new processes. As previously discussed, change can cause stress and anxiety on employees due to the fear of the unknown. Some employees may fear their job security and others may fear their ability to carry out the changes. Employees can become comfortable in a routine and change often threatens to disrupt the routine and create discomfort. For example, new technologies may be brought in and some employees may not be tech savvy and worry that they won't be as effective in their role. Some employees may be forced to change roles which can result in difficult adjustment.

During times of a restructure, some roles will be made redundant while new roles will be created. Being made redundant affects employees as they lose their job and their main source of income to support their families. While others that are instead placed into new roles might become disillusioned with the business as they struggle to understand their place within the business. This is particularly unsettling if they were passionate about their original position in the business

There is however, the possibility that some employees will embrace changes in the belief that they will be positively affected. Employees may become more productive or more effective in their role as processes are altered. They may embrace a new role or responsibilities which can boost their morale. Some employees may be given an opportunity to move to a new location which may be exciting for them.

It is important for the business to appreciate that change is very impactful on employees. While many employees will be impacted positively through change, others will also be hurt by the change and this needs to be managed well if the change is going to be successful in the long term.

"We look for people who can quickly adapt to changes in the workplace."

CartoonStock.com

Customers

Businesses make decisions to change because they feel it will have a positive impact on the business in the long term. If this turns out to be the case, then customers are likely to see the results in the form of better quality products and/or lower prices. Importantly, businesses can change products to keep up with customer needs and wants. By listening to customers, businesses are able to implement changes over time to meet their customer's desires. A preparedness to innovate and embrace the use of new technologies can help to improve the customer experience. For example, Domino's moved with customer needs when it invested lots of capital into its online ordering system and mobile application. This change was welcomed by customers as it was meeting them at their point of need by adding a level of convenience.

Conversely, some changes can have a negative effect on customers. Managers sometimes make decisions that create less customer satisfaction. An example of this related to the change that occurred when Woolworths implemented artificial intelligence into its self-serve checkouts. Many customers reported that the supermarket treated every customer as a suspect, with many technical issues causing the warning signals to go off when customers were doing the right thing. Many customers reported their dissatisfaction with the new systems.

Accordingly, any changes that will impact on consumers will need to be well thought out. Extensive market research should be conducted and an analysis undertaken to ensure that, on balance, any change that is implemented by a business will impact favourably on customers. It is indeed possible, and even likely, that some customers will not be happy with the change(s) to product recipes, branding, styles, etc. However, so long as these 'unhappy customers' represent a clear minority of the customer base, with the vast majority of customers embracing the change(s), then the change is more likely to be successful over time.

Suppliers

The relationship between a business and it suppliers is an important one. They both rely on each other for success. The business relies on its supplier to provide it with quality resources that arrive on time for a competitive price. While the supplier relies on the business to improve sales so that it continues to require a large amount of supplies. Both parties keep each other thriving and/or sustainable. In short, the business cannot survive without suppliers and suppliers cannot survive without the business.

Change within a business can affect suppliers in many different ways. For example, a business that has introduced technology into its operations system is likely to experience improved speed of production and therefore enhanced efficiency. As a result, it will require supplies at a faster rate, which impacts on suppliers who now need to keep up with the increased demand. Increased demand can also come from a change in marketing campaigns, pricing strategies or breaking into new markets. A business may decide to implement lean management in order to reduce wastage. This reduction in wastage may result in the business needing less supplies, reducing the revenue of the supplier. Overall, when a business implements change that results in an increase or decrease in demand, it will have a direct impact on suppliers who need to adjust in order to accommodate the changes in demand.

General Community

Businesses operate in local areas and therefore are part of the community. They employ local people and spend money on local products and services, such as expenditure on local cleaning contractors, printing services, council rates, etc., all of which have a significant impact on the local economy. Accordingly, changes made by businesses can have a major impact on a community. For example, if a business decides to outsource parts of its business to overseas contractors, it can result in local job losses which has a negative impact on the local economy. The unemployment rate in the community is likely to increase and less money will flow through to local businesses. However, change can also stimulate local communities. For example, businesses that expand and move into new locations can impact positively on the local community. This can attract other local businesses to open up which can improve the goods and services available in local areas.

Telstra - Connecting for Good

In 2019, Telstra, a leading Australian telecommunications company, launched the "Connecting for Good" program. This initiative was designed to address the digital divide in regional and remote communities, offering affordable technology access and digital literacy training.

The Change:

Telstra introduced various measures, including subsidised internet plans for low-income families, donation of technology to schools and community centers, digital literacy training programs, and partnerships with local organisations to tailor solutions for community needs. This initiative had a positive impact on the general community. Some of the benefits included:

Educational Access: Affordable internet and donated devices enabled remote area students to access online learning resources.

Healthcare Access: Telehealth services became more accessible, benefiting residents in remote locations.

Economic Opportunities: Digital skill development opened avenues for online businesses and remote work, enhancing economic prospects.

Social Connectivity: Technology use fostered community connections, reducing isolation.

Reducing Digital Divide: The program contributed to a more equitable society by bridging the digital gap.

Regional Development: Enhanced digital infrastructure and access spurred economic growth in regional areas.

Exam Tip: Question 6 in Section B of the 2023 exam asked students to explain the effect of the changes in the case study provided on two stakeholders (General community, Suppliers and/or Customers). While most students are able to respond to these types of questions well, many find it challenging to differentiate between customers and the general community. While members of the general community will be customers in the business, in a question such as this, it is important to focus on customers and their ability to purchase goods/service from the business and separate this from the general community. For example, those that responded well, could articulate that some customers will be unhappy that the airline in the case study was closing some of its flight routes. However, the general community will likely be happy that the airline was looking to be more environmentally sustainable by reducing emissions, helping improve the environment.

Corporate Social Responsibility Considerations When Implementing Change

Corporate social responsibility (CSR) refers to a business's obligation to go above their legal obligations to consider the social and environmental impacts of its actions and to act in a way that benefits society and the environment. When businesses implement change, it is important for them to consider the potential broader impacts of this change and to take steps to mitigate any negative effects. This means that businesses should consider corporate social responsibility when implementing changes, where the factors to consider will depend on the change that is being implemented. Below are examples of potential considerations for businesses.

Impact on Employees: One consideration when businesses implement change is the impact on employees. It is important for businesses to minimise the impact that change has on the well-being or livelihood of employees. This may include providing training and support for employees to adapt to new roles or technologies, offering fair compensation and benefits, and maintaining a healthy and safe work environment. For example, if a business decides to adopt new technology, it may be necessary to provide training to employees to ensure that they are able to use the technology effectively. In addition, it is important for businesses to consider the potential impact of the change on job security, and to take steps to minimise any negative effects on employees. The business may consider redeploying employees into other areas of the business if their current role becomes redundant due to new technology. If employees are indeed being made redundant as a result of the changes, the business can bring in outplacement services or other supports to ensure that employees are well supported during this time.

Impact on the Community: Another important consideration when businesses implement change is the impact on the community in which the business operates. Businesses should consider how the change may affect local residents, including any potential negative impacts on the environment or on the availability of resources. They should also consider the potential benefits to the community, such as creating new job opportunities or supporting local economic development. For example, if a business decides to build a new facility in a community, it is important for the business to consider the potential impact on local residents. This may include the impact on air and water quality, traffic congestion, and the availability of resources such as water and electricity. The business should also consider the potential benefits to the community, such as the creation of new jobs and the support of local economic development.

Long-Term Sustainability: In addition to the immediate impacts of the change, businesses should also consider the long-term sustainability of the change. This includes evaluating the environmental impact of the change, such as any potential carbon emissions or waste generation, and considering ways to minimise these impacts. For example, if a business decides to switch to a new type of packaging material, it is important for the business to consider the long-term sustainability of this change. This may involve evaluating the environmental impact of the new packaging material, such as its carbon footprint and potential waste generation, and considering alternatives that may have a less damaging impact on the environment. It may also involve considering the ethical implications of the change, such as whether the new packaging material is produced in a way that is fair and equitable for all involved.

Impact on Customers: In addition to the impact on employees and the community, businesses should also consider the impact of change on their customers. This may include considering the potential impact on the quality and availability of products or services, as well as the potential impact on customer satisfaction. For example, if a business decides to switch to a new supplier for a key raw material, it is important for the business to consider the potential impact on the quality and availability of its products. The business should also consider the potential impact on customer satisfaction, such as any potential delays or disruptions in service. To illustrate, an airline may be looking to change and move to a cheaper maintenance business. Although the business may offer cheaper maintenance, the airline should consider the quality of the service being offered to ensure they go above and beyond to ensure safety of the aircraft.

Supply Chain: Another important consideration when businesses implement change is the impact on their supply chain and the impact any changes to the supply chain may have on other stakeholders. For example, if a business decides to switch to a new supplier, it is important for the business to consider the potential impact on the current supplier. This may include the impact on the supplier's employees and the local community, as well as any potential financial impacts. However, the business should also consider the impact that the new supplier has on others. For example, the business may consider if the supplier is local and supporting local employment or they may consider if the supply has implemented socially responsible practices themselves, rather than simply finding the cheapest supplier.

Open Communication: We have spoken throughout this chapter about open two-way communication, where the leader of the change is honest about the change and its impacts. Although it is important to express the benefits of the change in order to help gather momentum and gain support from stakeholders, it is also important to be honest about any negative impacts that may arise. For example, if employees will be forced to change roles or face the prospect of redundancy, these issues need to be raised and discussed in an open manner. Similarly, if the community is likely to experience an adverse impact from some business functions being sourced overseas, then the business will be best served by honest communication with community stakeholders which helps to manage and/or minimise any possible community backlash.

Exam Tip: How you apply CSR issues to change when answering exam or SAC questions will depend on the change that is occurring in the case study that is typically provided in the question. It is important not to write about CSR issues in a theoretical setting. Instead, you should tailor your response to the case study/situation and ensure that you have adequately addressed how CSR considerations impacts on the implementation of the change that is outlined in the case study.

Reviewing Effectiveness of Business Transformation

In the previous chapter we spoke about how a business can use key performance indicators (KPIs) to evaluate its performance and strategies to transform the business. This chapter looked at how a business can implement and manage the change. However, implementing change is not enough. It is an important step to evaluate once again to see if the change has been effective. To do so the business can again turn to KPIs. If the information provided by a KPI was one of the factors that initiated a change (e.g. a high number of customer complaints), then it should be used again to see if the change has generated a better result (e.g. are customers now happier since the change has been implemented?). Without evaluating the effectiveness of the change, a business will not know if the change has been successful. Reviewing the KPIs after the business has transformed, is important to determine what the business may need to change in the future to meet its desired objectives.

It is important that managers decide how they will measure the effectiveness of a change when deciding on what the change will be. If this is unclear from the start, it can be difficult to determine if the change was effective, even if the business' performance has improved. It can be easy for a business to implement changes and then at the end look to see if profitability has improved. While the change might be the main reason for higher profits, it could also be a result of factors totally unrelated to the changes that were implemented by a business. For example, the increased profitability might be attributable to an improvement in consumer demand that is driven by other factors such as an increase in consumer confidence, lower personal tax rates or stronger global rates of economic growth. However, if a business can identify some KPIs that they are expecting the change to influence at the beginning of the change, they can evaluate these constantly during and after the implementation. This can give a clearer indication if the change has had a direct impact on the result. For example, if a business maintains scrutiny on the level of customer satisfaction (via the number of customer complaints), then any improvement in profitability is more likely to be a result of the change, rather than a result of greater consumer confidence or lower personal tax rates.

It is important that any evaluation of the change is reported back to key stakeholders, including employees. If the results of the evaluation are positive, it can help to maintain momentum for the change as employees and other stakeholders are seeing that the hard work is paying off. It is also important to evaluate the effectiveness of the change in case it highlights that the change is proving to be ineffective. In this case, provided it is identified early, modifications can be made to turn things in a more positive direction.

To illustrate the importance of reviewing the effectiveness of change, let's assume that a business has had an increase in the number of workplace accidents. After looking into the types and causes of the accidents, the human resource manager and operations manager decide that employees are not properly trained to use the equipment. They decide to use the strategy of staff training by introducing a training program that all machine technicians need to successfully complete and pass in order to use the equipment. This takes some time to implement and eventually ensures that all technicians are successfully trained. However, once this change has been implemented, it is important that the success of the change is measured. In order to measure the effectiveness of the new training program, the managers could again look at the number of workplace accidents. If the number has reduced significantly, the training program may be deemed a success. However, if the KPI shows that the number of accidents has remained the same, or even increased, then the issue needs to be further investigated. It could be that the type of training needs to be altered. It may be more effective to conduct on the job training rather than off the job training. Alternatively, the trainer might be ineffective and needs to be replaced, or a new strategy may need to be implemented. Accordingly, without going back and using KPIs to evaluate the effectiveness of the change strategy, the managers would not know how effective the changes were and, by the time they realised it was ineffective, there could be many more accidents occurring in the workplace, to the detriment of the business.

Exam Tip: The 2020 exam asked students to explain the importance for Manitta Mining in reviewing its KPIs when evaluating the effectiveness of business transformation. Those that provided high-level responses where able to express the importance, apply specific KPIs that should be measured to evaluate this effectivness AND explained the next stpes for the business. For example, some students expressed that the results of the KPIs may show that Manitta Mining may need to continue with the strategies they have implemented. However, if the results are not as expected, they may need to consider a different strategy to implement. This concept was an important factor in receiving full marks.

REVIEW QUESTIONS 7: Implementing Change

1. **Referring to a contemporary business you have studied this year, explain the importance of leadership during change**
2. **Outline the impact on a business if leadership is poor during times of change**
3. ***Elaine owns a medium sized meat packing business. The business packages meats for supermarkets in Victoria and New South Wales. Below are some recent KPI data.***

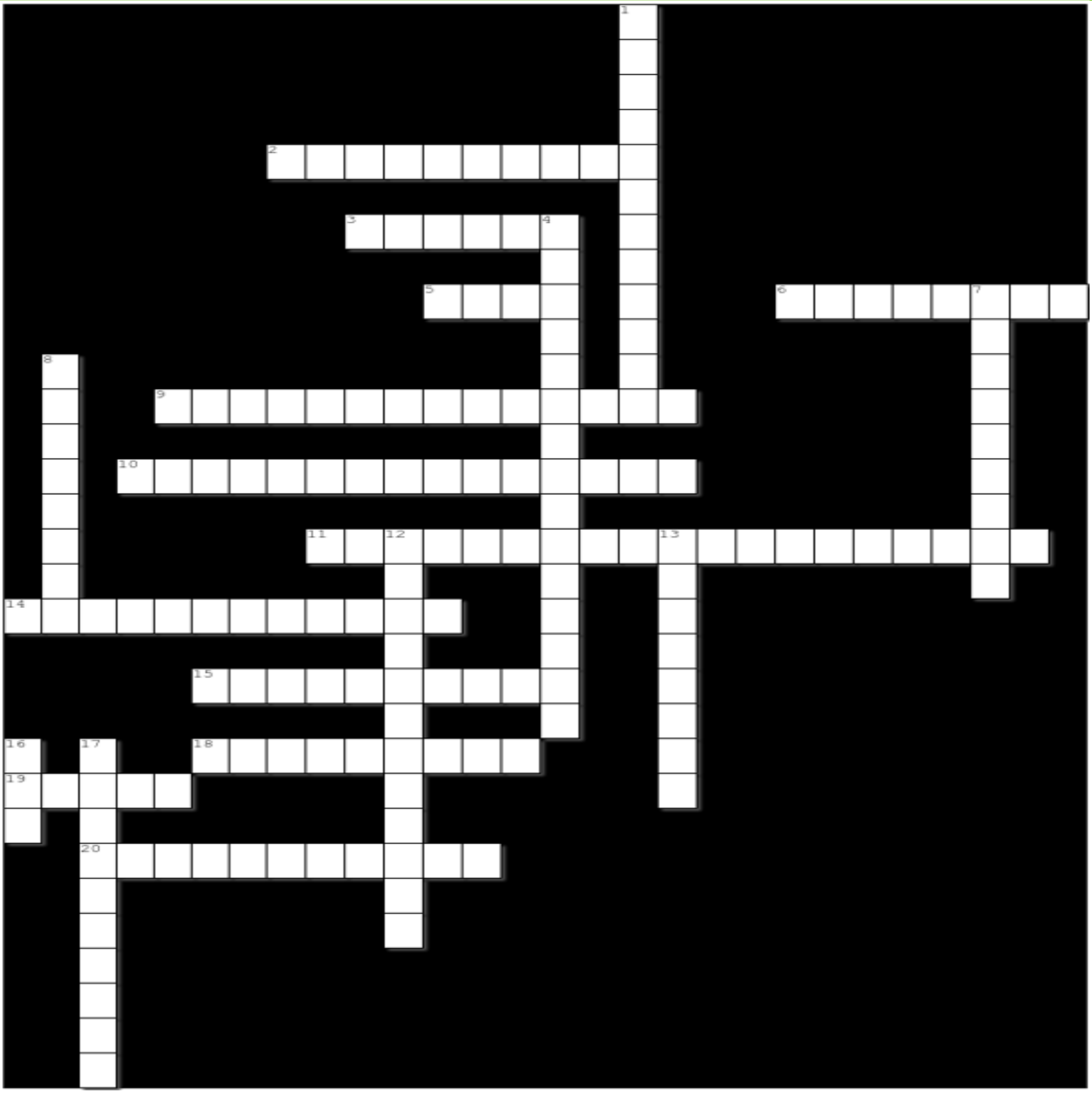
Key Performance Indicator	Recent Data
Level of wastage	↑
Net profits	↓

   Justify one strategy that would help Elaine respond to the above KPIs.
4. **Describe the three areas of redeployment**
5. **Discuss one strategy a business can use to respond to a high level of staff absenteeism.**
6. ***Matthew has been appointed the new business development manager at a medium-sized recruitment agency.***
   Explain two strategies he could use to seek new business opportunities.
7. ***Julie is the business development manager at a large manufacturer of kitchenware.***
   Identify and explain two strategies she could use to seek new business opportunities.
8. **Identify one key performance indicator. Explain how overseas manufacture can help a business respond to your chosen KPI.**
9. **Define corporate culture.**
10. ***Peter Smart is the owner of recruitment agency, Staffing Now. He has over 50 employees in the head office in Melbourne. Peter is trying to develop a culture based on values of putting the customer first and team collaboration.***
    Describe two strategies that Peter could implement to develop his desired culture.
11. **Identify the five disciplines of Senge's learning organisation**
12. ***Nikki is the owner of a medium-sized security systems business called Pro Alarms. The business installs and monitors high quality security systems in domestic homes throughout the Ballarat region. Nikki believes she has a strong competitive advantage but is concerned about rising competition in the area.***
    Describe three disciplines of the learning organisation. Explain how these could help Nikki remain a market leader.
13. **Explain how Senge's learning organisation theory creates a positive culture for change.**
14. **Evaluate the use of one low-risk strategy and one-high risk strategy when trying to overcome resistance to change.**
15. **Make a list of the advantages and disadvantages of the following strategies to dealing with resistance to change:**

a. Communication
b. Empowerment

c. Threats
d. Manipulation
16. Compare the strategies of Communication and Threats as ways of overcoming employee resistance to change.
17. Outline a business example where the business has implemented cost cutting to respond to KPI data.
18. List the three phases in Lewin's change model.
19. Describe Lewin's three step change model and explain how it can be used to implement change in a business you have studied this year.
20. Explain why leadership is important in each stage of Lewin's change model.
21. Referring to a contemporary business you have studied this year, explain the impact that change can have on 2 stakeholders.
22. Explain two corporate social responsibility (CSR) issues business should consider during times of change.
23. Discuss the impact of implementing CSR practices into the change process.
24. Explain how a business you have studied this year implemented CSR into its change process.
25. Outline the importance of reviewing KPIs to evaluate the effectiveness of a business's transformation.

Quick revision crossword No 7: Implementing Change



Across

2. Helps inspire and motivate others towards the change

3. Not shareholders

5. It is important to review this after change has been implemented

6. The last stage of Lewin's change model

Down

1. A high-risk strategy that provides selective information to employees

4. Seeing the big picture rather than things in isolation (2 words)

7. A stakeholder often affected by change

8. The first stage in Lewin's change model

9. Looking to minimise waste while maintaining or improving quality (2 words)
10. Where employees create a vision of themselves and are driven to learn (2 words)
11. A strategy to develop corporate culture (2 words)
14. Moving resources from one area of the business to another
15. Developing something new or improving something that already exists
18. Those that purchase goods/services
19. The creator of the learning organisation
20. A low-risk strategy that includes employees

12. Preconceived ideas that influence the way people think and behave (2 words)
13. Improving an employee's skills and knowledge
16. Going above and beyond legal obligations in relation to change
17. Managers need to be careful that this low-risk strategy doesn't come across as a bribe

MINI EXAM NO 4: UNIT 4 AREA OF STUDY 2 (Total marks = 45)

SECTION A

1. **Define 'incentives' in the context of implementing change in a business. (2 marks)**
2. **Explain how TWO of the principles of the learning organisation can help a business to implement change successfully. (4 marks)**
3. **Mei Wishart is the owner of accounting firm Wishart and Associates. Mei has recently been to a conference where she learned the importance of developing a positive corporate culture. Mei has returned to work and is looking to build a positive culture where the employees want to learn and grow with the business.**
   Describe and justify one strategy Mei could implement to develop her desired corporate culture. (4 marks)
4. **Distinguish between manipulation and threats. (3 marks)**
5. **Below is recent key performance indicator data from shampoo manufacturer Fruitier.**

Key Performance Indicator	Previous Year	Current Year
Level of wastage	6%	14%
Net profit	128,000	-$15,000
Staff turnover	5%	25%

Describe strategies that will respond to the above key performance indicator data. Explain one corporate social responsibility consideration for Fruitier when implementing each of your chosen strategies. (10 marks)

SECTION B

CASE MATERIAL: Clear Windows

Clear Windows is a small business that has been in operation for 12 years. It is owned by a two friends, Adrianna and Dario, who both have experience in the window cleaning industry. The business has traditionally performed well, with a solid customer base and a reputation for providing high-quality services.

However, over the past 6 months, the business has struggled with declining productivity, high levels of customer complaints and increasing levels of staff turnover. Below are the key performance indicators for the past 6 months.

Key performance indicator	Most recent 6 months
Rate of productivity growth	-15%
Number of customer complaints	25% increase
Level of staff turnover	20% (increase of 10% from previous 6 months)

Adrianna and Dario have recently held a meeting to discuss potential solutions and came up with the following options:

Option 1: Implement automated technology. The technology can automate all of the commercial window cleaning. Employees would still perform the residential jobs with their normal equipment.

Option 2: Improve quality by employing more people to perform regular quality checks on all jobs.

Option 3: Invest in employee training to improve the skills of all employees. New employees would go through a 4-week induction process.

As Adrianna and Dario consider these options, they will need to consider their available resources and the potential costs and benefits of each option in order to make a decision that will help to turn the business around.

STRUCTURED QUESTIONS

1. **Recommend and justify the most appropriate strategy for Adrianna and Dario to implement after evaluating at least two of the options (6 marks)**
2. **Explain why leadership would be important when implementing one of the options. (3 marks)**
3. **Dario is concerned there will be resistance from the employees if they are to implement any of the options.**
   Discuss one low risk strategy that could be implemented to overcome any employee resistance. (4 marks)
4. **Explain how Adrianna and Dario could use Lewin's change model to implement one of the options. (6 marks)**
5. **Explain why it would be important for Adrianna and Dario to review key performance indicators after implementing one of the strategies. In your response, refer to one key performance indicator that should be reviewed. (3 marks)**

YOU BE THE ASSESSOR: UNIT 4 AOS 2

In this section, you are required to assess the responses presented for each of the questions. You should award the responses a score and justify your decision. Once complete, compare your assessment to that of the author (provided at the rear of the Study Guide)

Question 1

Referring to a contemporary business you have studied this year, explain the importance of leadership during times of change. 6 marks

Sample answer 1

Leadership is the ability of a manager to inspire and motivate others towards the achievement of business objectives. This is vital during times of change because employees often find change difficult and will resist it as a result. Effective leadership will demonstrate understanding for those that are impacted by change. A leader will be able to inspire the employees so they believe in the change that is occurring. This helps get them on board with the change which builds momentum, making it more likely the change will be successful. This was seen when Telstra announced their growth plan T25 in 2021. CEO, Andy Penn, was able to communicate the reasons for the restructure to employees and to shareholders to help them get excited about the future of the company.

Effective leadership is also important because the leader will help support employees that are negatively impacted by the change. Leaders will communicate with employees and answer their questions so they are well informed. The leader will support those employees that are made redundant as part of the change. This was seen with Mr Penn introducing two forms of support for employees to help them deliver exceptional customer service as well as the round of redundancies that would be part of the restructure. For those leaving Telstra, Mr Penn brought in outplacement services to help them find new employment. For those remaining with the company, Mr Penn ensured there was training available to help upskill the employees during the restructure. This helped gain support from employees and motivated them towards the new direction. These effective leadership qualities are important to help drive a change to ensure it is implemented successfully with minimal resistance.

Score out of 6 ______

Justification____

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Sample answer 2

A business I studied this year was Telstra. Telstra announced a major restructure to help it become more successful in a highly competitive market. This will result in a net loss of 8,000 employees over a three year period. The reduction in employees is aimed at improving profitability of the telecommunications company in the long term. Leadership is the ability of a manager to inspire and motivate others to achieve business objectives. During times of change, leadership is vital if the change is going to be implemented successfully. Change usually impacts the employees the most which can cause fear and anxiety amongst them. This can result in employee resistance to change which works as a restraining force. Leadership is important to try and prevent this fear and anxiety from arising. To prevent this, a good leader will communicate clearly with the employees to demonstrate the need for the change. If the employees understand the reasons behind the change and the benefits it will bring, they are more likely to be supportive of the change. This was apparent at Telstra when the senior leadership team, lead by Mr Andy Penn communicated clearly to all employees. Mr Penn personally addressed employees to express the reasons behind the change. While there were some disheartened employees, it helped bring many employees on board with the change. This made it more likely that many of them were more accepting of the restructure.

Strong leadership is also important to help support employees during the change. The restructure at Telstra, caused 8,000 redundancies and Mr Penn ensured these employees were supported. Rather than simply leaving these retrenched employees with a simple redundancy package, Mr Penn introduced a transition program which included the availability of outplacement services. This service allowed these employees to be supported during the restructure to help them find new employment. A good leader will also support those employees that remain in the business. This helps motivate the employees while the change is being implemented. Mr Penn introduced training programs to help upskill employees on how to work in an environment with fewer employees.

Using strong leadership, has helped create momentum towards this change because the employees are inspired by the new direction. This is vital so that the changes at Telstra can a success, leading to a more competitive telecommunications company.

Score out of 6 ______

Justification____

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Question 2

Squizzy's Ltd. Is the manufacturer of tapware at its Victorian facility. The company sells a range of tapware that meets the lower end of the price range, while it also has ranges that meet the luxury end of the market. Squizzy's is a market leader in the luxury category and has won many awards for its luxury range. Increased competition in the lower end of the market has resulted in reduced profit margins. CEO Mark Tap has decided to eliminate the lower end range and focus solely on the luxury tapware. Some employees are resisting the change.

Describe one high-risk strategy and one low-risk strategy that Mark could use to overcome employee resistance at Squizzy's 4 marks

Sample answer 1

Mark could use the low-risk strategy of communication. Communicating with employees would help them understand the change that is occurring and why it needs to be implemented. This will prevent any rumours or misinformation throughout the business. Using communication helps improve the relationship between the employees and Mark which can help them be more accepting of the change.

A high risk strategy that Mark could use is threats. This could be by threatening employees with job loss. This has the potential to backfire however, because the employees may not like being threatened. This can actually harm the relationship between the employees and Mark which can have a negative impact on the culture of the company.

Score out of 4 ______

Justification____

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Sample answer 2

Mark could use the high-risk strategy of threats. Threats are where Mark forces employees to embrace the change or face negative consequences such as loss of promotions or other benefits. While this strategy has the potential to harm relationships, it can help get the employees on board with the change quickly. Employees will fear the negative consequences which will prevent them from resisting Mark's proposed changes.

Mark could use the low-risk strategy of communication. Communication is the ability of the manager to transfer information to the employees, with the provision for feedback. Mark could express that he is removing the low end range along with the reasons why. Mark could express the benefits of the change to help gain support from employees. Using two-way communication would allow employees to ask questions and provide feedback so that Mark could ensure that any fears or concerns were addressed. Ensuring employees are well informed of the changes which helps get employees on board with the change and reduce any resistance.

Score out of 4 ______

Justification____

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Question 3

Sunshine Foods, is a medium sized supermarket with 3 locations. It has recently transitioned to an entirely online sales model, shutting down its physical retail locations. This strategic change was implemented to adapt to the growing trend of online shopping and to reach a broader customer base. The company also revamped its supply chain, partnering with local organic farms to ensure fresher produce and eco-friendly packaging for their deliveries.

Explain the impact the change at Sunshine Foods could have on two stakeholders. 4 marks

Sample answer 1

The strategic shift of Sunshine Foods to an online sales model impacts both customers and suppliers. For customers, this transition offers increased convenience and accessibility, as they can now shop for a wide range of organic products from the comfort of their homes. The expanded product range, along with eco-friendly packaging, aligns well with the growing consumer demand for sustainable and health-conscious options. However, some customers might miss the in-person shopping experience and direct product inspection before purchase.

Suppliers, particularly local organic farms, benefit significantly from this change. The new partnership with Sunshine Foods opens up a larger market for these suppliers, potentially leading to increased sales and business growth. The emphasis on fresher produce indicates a commitment to quality, which can enhance the reputation and demand for their products. However, this also means suppliers must adapt to the demands of an online business model, possibly requiring changes in their logistics and production processes.

Score out of 4 ______

Justification____

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Sample answer 2
Sunshine Foods' shift to an online model impacts the general community and suppliers. The community, now having access to an online supermarket, enjoys the convenience of shopping for organic products online. This transition to online shopping could lead to a change in shopping habits among community members, who might appreciate the wider range of products and eco-friendly packaging.
Suppliers, on the other hand, are positively affected as local organic farms partnering with Sunshine Foods potentially experience an increase in demand. This collaboration could lead to higher sales and growth opportunities for these suppliers, helping to boost the local agricultural economy. They must, however, adapt to the online market's logistics and potentially increased production demands.

Score out of 4 ______

Justification____

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Question 4

Fresh Electronics, is a company specialising in consumer electronic goods. Over the past six months, there has been a notable increase in the number of customer complaints, rising by 25% compared to the previous period. The complaints primarily centre around product malfunctions and unsatisfactory customer service. Fresh Electronics has also seen a significant spike in staff turnover rates, with a 30% increase in employee departures, particularly among the customer service and technical support teams.

Justify TWO management strategies that could respond to the recent KPI data at Fresh Electronics. **6 marks**

Sample response 1
One effective management strategy for Fresh Electronics to address the increase in customer complaints and staff turnover is staff training. Given the complaints about product malfunctions and poor customer service, targeted training programs can enhance the skills and product knowledge of the customer service and technical support teams. This training would not only improve their ability to troubleshoot and resolve product issues effectively but also enhance their customer service skills, directly addressing the main causes of customer dissatisfaction. With better training, employees are likely to feel more confident and competent in their roles, potentially reducing staff turnover.

Another strategy is implementing performance-related pay to improve staff motivation. This approach involves linking a portion of the employees' compensation to their performance metrics, such as customer satisfaction scores. By adopting this strategy, Fresh Electronics can incentivise employees to enhance their performance, directly contributing to a reduction in customer complaints. Performance-related pay can also boost employee morale and job satisfaction, which may help in reducing the high turnover rates, especially if employees feel their efforts are being recognised and rewarded appropriately.

Score out of 6 ______

Justification____

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Sample response 2
For Fresh Electronics, staff training could be a strategy to consider that will respond to the KPI data. Training helps employees learn more about products and customer service. By implementing training programs, the staff might gain better knowledge about the electronics they are selling or supporting, which could help in some way.

Another strategy might be performance-related pay. This involves giving employees extra money based on how well they do their job. For the staff at Fresh Electronics, this could mean they get paid more if they work harder or better, which might make them happier or more interested in their job. It's possible that this could lead to fewer people leaving the job and might somehow improve how customers feel about the service they receive.

Score out of 6 ______

Justification____

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Question 5

Explain two corporate social responsibility considerations a business needs to consider when implementing change

4 marks

Sample answer 1

Corporate social responsibility (CSR) is the continuing commitment of a business to operate in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders. One CSR consideration a business needs to consider when implementing change is the impact the change will have on employees. They should consider the needs of employees while implementing change.

Another CSR consideration that should be considered is the impact the change will have on the environment. The business should try and go above and beyond their legal obligation to minimise the impact the change will have on the environment. This is seen to be socially responsible as it is helping the environment.

Score out of 4 ______

Justification____

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Sample answer 2

One CSR consideration a business needs to consider when implementing change is the impact the change will have on employees. Change will usually impact on employees the most and can cause fear and anxiety amongst the employees. The business can minimise this impact by considering the welfare of employees and providing support for them during this time. Giving employees time to adjust to the changes and offering extra training to help them embrace the change can demonstrate corporate social responsibility during the time of change.

Another CSR consideration that should be considered is the impact change can have on the environment. When implementing change, the managers need to ensure they are going above their legal obligations to minimise the impact on the environment. For example, implementing technology has the potential to increase the carbon footprint of the business. To minimise this impact on the environment, the business should look to purchase state of the art equipment that is energy efficient. They should also maintain the technology regularly to ensure it is minimising its impact on the environment.

Score out of 4 ______

Justification____

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Question 6

Quirky is the manufacturer of various board games. As a result of poor productivity growth, the business has recently implemented new technology into the operations system.

Explain the importance of Quirky reviewing its KPIs when evaluating the effectiveness of the change. **4 marks**

Sample answer 1

It is important for Quirky to review their KPIs after implementing the new technology to see if the strategy has been a success. The impact of the new technology should have improved the business's operations but it may have also impacted other areas of the business. For example, it may have impacted the morale of employees as their jobs may be more mundane than they were previously. Implementing the new technology may have come at a large financial cost so it is important to see if the investment has been worthwhile for Quirky. The business can see if the new technology has worthwhile and had a positive impact.

Score out of 4 ______

Justification____

____

Sample answer 1

It is important for Quirky to measure their KPIs after the implementation of the new technology to see if it has achieved the set objectives. Quirky has implemented the new technology to improve their rate of productivity growth. It would be important to measure their productivity growth after its implementation to see if it has improved. This will show if the technology has been effective and achieved the set objectives and determined if the capital investment has been worthwhile. Once they have measured their KPIs, Quirky can determine if they need to make further changes, maintain their current course of action or wait for future data. For example, it may take time for employees to become efficient at using the new technology so the rate of productivity growth may need to be measured over a longer period before deciding on how to move forward in the future.

THE EXAMINATION

Description
Examination time – 15 minutes reading time and 2 hours writing time
There is a total of 75 marks
Contribution to study score – 50%
All areas of study from both Units 3 and 4 are examinable.

The examination will be in the form of a question and answer book. The examination will consist of two sections.

<u>Section A</u> will consist of short-answer and extended-answer questions, including questions with multiple parts. Section A will be work **between 40 and 50 marks.**

<u>Section B</u> will consist of short-answer and extended-answer questions, including questions with multiple parts. Questions will be based on a case study. Section B will be worth **between 25 and 35 marks**.

One of the extended-answer questions, worth 10 marks, may be in **either** Section A **or** Section B and will not have multiple parts.
The number of questions in both sections may vary from year to year. The examination may include questions that refer to stimulus material, including scenarios.

Source: http://www.vcaa.vic.edu.au/Documents/exams/busmngmnt/busman-specs-w.pdf

EXAMINATION PREPARATION STRATEGY

<u>Plan and Plan Early</u>

When preparing for the exam it is important to set a plan on how you are going to approach your revision throughout the year. Students often leave revision to the last minute, which can make it difficult to achieve a high study score in the subject. So starting early can be a big advantage.

If you start revising early in Term 3, it will help to consolidate your knowledge and assist with your preparation for both the examination and SACs. The Business Management course builds on itself, and the information you learn in Unit 3 is very relevant to the information you learn in Unit 4. Therefore, beginning revision in Term 3 can help you to understand the links between Units 3 and 4, which puts you in a better position to excel in the examination.

Unless you are completing Units 3 and 4 Business Management in year 11, you will have many subjects to prepare for leading into your examinations. If you wait until you have finished all of your content at the end of Term 3 (like many students do) you will only have approximately 5-6 weeks to prepare for all of these exams. While it might seem like plenty of time, if you break that down by 4-6 subjects, it only equates to approximately one week per subject. Keep in mind that you will still be attending school for some of those weeks, and will have other commitments. Ask yourself the following question: 'Could I revise an entire year's course in one week?' The answer is likely to be NO. As a consequence, starting your preparation early becomes extremely important.

However, starting early does not need to be an overwhelming process. Throughout this study guide you will have learned how businesses can make small adjustments to create large results. The same goes for your revision. By simply spending 20 minutes, three times a week, adds up very quickly. By the time you get to the end of the course, this could mean you have spent an extra 10 hours or more revising for your exam.

When planning for the examination it can be useful to use a planner. Every Sunday plan out your week and each night, plan out your day. While this can take 5-10 minutes to complete each night, it can save you hours each day as you know exactly what you need to achieve. With a clear plan, you will spend less time procrastinating and thinking of things you need to do. Having a clear plan can also relieve stress because you are clear on what needs to be achieved.

It is important that you block out other commitments such as work, sport or appointments so you can be realistic about what it is you can achieve each day. While this study guide is not a guide to time management, this skill is crucial to your success this year. When planning, it can be a good idea to set out your goals each day. This helps give you purpose and direction.

Once you have finished your final SACs and begin focussing 100 per cent on exam preparation, it can be a good idea to plan when you will study each subject. Again, block out any times you are unavailable in your diary so you can plan enough time for each subject. It is common for students to begin revision on their first exam, then once it is over focus, on the next one. However, I believe it is important to focus on all your subjects and give yourself enough time with each to best prepare yourself for ALL of your exams.

To ensure that you can correctly plan your exam revision, it is important to check with your school for the following:

- Term dates
- Mid-term holidays (these can be a great time to get ahead)
- Trial exam dates
- SAC dates if available
- Final day of classes and beginning of SWOT VAC
- Your individual exam timetable (this is likely to be provided to you in Term 3).

What should early revision look like?

When beginning early revision, it can be difficult to complete all types of revision as you haven't completed all of the content. For example, when preparing for the exam it can be a good strategy to complete practice exams. However, early in Term 3, this may not be the best strategy as there will be many parts of the exam you are unable to complete as you have not covered the content. As a result, here are some good strategies you can use early on in your study:

- ✓ **Prepare a glossary** in an exercise book to ensure you have covered all of your key terms.

- ✓ **Complete flash cards** for definitions. In many of your examination questions you are expected to define or describe key terms. Having flash cards with a key term on one side and the definition on the other can help you to memorise these definitions. Look at the term on the card and verbalise the definition. Turn the card over to see if you are correct. 15-20 minutes of this can go a long way towards helping you remember a content heavy course such as Business Management.

- ✓ **Compare topic summaries** with friends. Throughout the year it can be easy to miss small pieces of information. Comparing your summary notes with a friend or multiple friends can ensure you have all the information.

- ✓ **Make note of mistakes made in SACs**. As you work through each SAC it is likely you will make some mistakes along the way. It is too easy to simply look at your mark and move on. You should be reviewing each SAC to see what you are doing well and what you need to improve on. It could be that you haven't grasped a concept 100%, you are being too general with your application, or you could be making mistakes with task words (e.g. not addressing both sides with 'discuss' questions). Taking the time to reflect and improve is what effective study is all about. This should form part of your early revision sessions.

- ✓ **Revise each night**. Once you have learned something in class and taken notes, it is important to go over these notes again within 24 hours. The amount of information you retain increases dramatically if you can do this. With so much going on in VCE, it can be easy to take notes on a topic and only refer back to them when required. However, if you can spend 5-10 minutes going over the content the following night, it helps you to retain that information for longer.

<u>Engage in constant revision</u>

Now that you have set out a plan for your revision it is important to engage in constant revision for Business Management. Leaving all of your study to the end places you under significant pressure. While it is never too late to improve your knowledge and understanding of the course, a balanced approach (with constant revision) can contribute to a better score in both SACs and the exam.

Revision is a very personal thing. One strategy will work perfect for one person while another will work for someone else. It is important that you figure out what works best for you early on. If you aren't sure on what to do, here are **some** techniques that have worked for high achieving students in the past.

Read & Summarise
Many students try and copy out all of their notes. This can be incredibly time consuming and won't always give a good indication of how well you know the content. It is more effective to read your notes, or section from your text book, and then summarise that content in your own words without referring back to your text. This is more likely to help you remember and recall the content in your own words, which is what is replicated in the exam. The closer you get to the exam, the easier it should be for you to summarise the content. Leading into the final weeks before the exam you will be able to see a section of the study design, e.g. Management Styles, and then summarise the key content of the five management styles. Along the way, you might feel as though you have summarised everything. In these situations it might be worth re-summarising the course before moving on to the other techniques described below.

Teach
Nothing helps you retain information like teaching does. When you are studying a topic, see if you can teach the topic to someone else. If you are struggling to explain it, or the person you are teaching is confused, then you probably have some more work to do. Conversation and discussion about the concepts with your peers can help you to consolidate your understanding of the content.

Flash cards
As discussed earlier, flash cards can help with simple recall information. Often in the exam you will have to answer questions that ask you to define or describe. This is where you need to simply repeat the theory you have learned. With so many definitions throughout the course, some students have found flash cards a real asset. Try not to leave this to the end as it can be a big task preparing your flash cards for the entire course. It helps to build on them throughout the year. Test yourself on your own or with a friend to help you learn the definitions.

Mind Maps
Mind maps are a very powerful tool that can not only help you remember information but also help link the information together. Business management is very much a course that builds on itself and mind mapping can help you understand the links between the information. Starting with a central concept and linking the content to this concept will help you to understand the connections between the course content. Once completed, put them up on your wall so you can look over them regularly. By the time of the exam you may even be able to visualise the mind map!

Practice Questions/Exams

Answering questions will help you to consolidate information, but more importantly it will give you practice applying your knowledge to answering exam questions. Using past exams from the VCAA can help you to practice for the real exam in terms of content difficulty and structure.

Following this, you should access as many practice exams as you can and attempt them under strict time constraints. Your teacher should have access to practice exams from various sources, including 'Compak', 'Insight' and the 'CPAP' Practice Exams (www.commpap.com). Using various practice exams from reliable sources will help to expose you to a wide range of questions. When completing practice exams, it is important to use them as practice, and not regurgitate your response on the real exam. In Business Management exams, students are typically provided with case material and questions. While the theory is the same, the application is likely to be different. So even if a question does surface on the real exam that you have seen before, it is likely that the application will be different given the uniqueness of the case material provided in the question. In this context, it is important not to regurgitate a response that you have previously written without attempting to tailor the response to case material provided.

In summary, practice exams are excellent for:

- **Preparing for exam questions**. Being able to apply questions to case material. Practice reading the exam questions carefully so that all parts are answered and applied correctly.
- **Practicing timing**. Students that want to do well often write lots in their answers. This can put them under time pressure. Practicing your timing so that you can complete the exam in two hours is an important aspect that is often overlooked.
- **Getting feedback**. Once you have completed an exam or question, you should act on the feedback provided by your teacher. This feedback is invaluable as you can see where you are making mistakes and attempt to rectify them before the exam.

Earlier on in your revision, it can be difficult to complete practice exams until you have a good grasp of the content. Accordingly, you may want to complete some questions while referring to your notes. However, you should increasingly use your notes less and less until you reach the point where you can attempt the exam questions without recourse to your notes.

Sitting the examination

Reading Time: This lasts for 15 minutes, and is often underutilised by students. You should be making great use of this time. Here are some ideas on how you can make effective use of reading time:

- Take a look through the exam and read the question. At the beginning you may be a little nervous so it can be good to see some questions you are familiar with and confident you can answer. Once you have read the questions, go back to the beginning and read the case material and questions again. Start to plan out some ideas on how you would approach some of the questions.
- Check the task words – define, compare, discuss etc. Begin thinking about what each of these task words require you to do. E.g. discuss questions expect you to address benefits and limitations.

Writing time: This lasts for two hours. It is important to:

- **Read the question carefully** so you know exactly what is required of you. Although you may feel under time pressure, it is important to take the time to read the question.
- **Understand the task words**. Circle or highlight the task words so you know what is expected of you. For example, if you need to discuss, ensure that you address both sides (e.g. strengths and weaknesses or costs and benefits) rather than simply 'tell a story'. If you are asked to distinguish, ensure that you highlight the key points of difference between the two terms instead of simply defining each term. These are common mistakes made by students that can easily be avoided.
- **Monitor time**. Many students can get carried away with some larger questions. For example, some students spend too long on the 10 mark question, which places them under pressure for the rest of the paper.
- **Follow the exam instructions**. For example, you are not allowed to write in pencil. Ensure you have the right equipment for the exam.
- **Write within the allowed space**. The exam clearly shows you where you are able to write on the booklet. Make sure you stay within this area so the entirety of your answer is assessed. If you need more space, you can use extra space at the back of the booklet.

A 10 mark question?

The 10 mark question can come from Unit 3 or Unit 4 of the course, or a combination of the two. Students can often get overwhelmed with the 10 mark question. It is important to remember that if you have revised the entire course, you WILL know the answer to the question. Often it is a good idea to break the question down into smaller pieces, which makes it much more manageable. The structure of your response is important. While you are not assessed on how you structure the response, those students with a well structured response are more likely to address the question fully and achieve full marks.

To illustrate how you could structure a response to a 10 mark question, we will take a look at the 10 mark question from the 2020 exam. Keep in mind that the structure outlined below is only one example of a number of possible structures that could be employed when answering this question. However, if you were to follow this structure, and fill in the gaps, the answer to the question appears much more manageable and less daunting.

Question:
Evaluate two different motivation strategies. Identify and justify which one of these strategies would be most effective for the short-term motivation of employees and which one would be most effective for the long-term motivation of employees. (10 marks)

Source: VCAA examination 2020

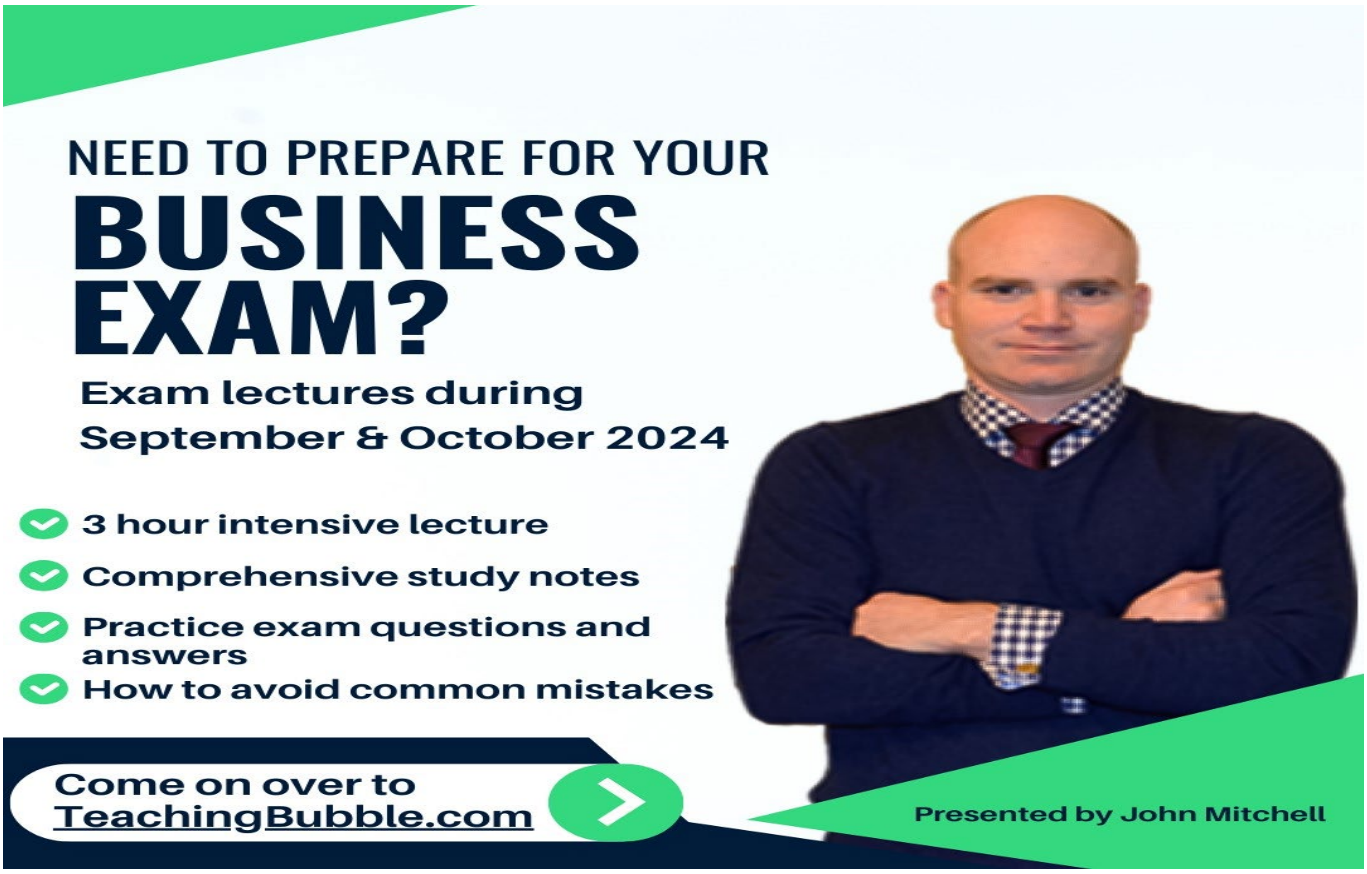
Possible Structure

1. Outline one motivation strategy
2. Explain the benefits of this strategy and how it can motivate employees
3. Explain the drawbacks of the motivation strategy
4. Outline a second motivation strategy
5. Explain the benefits of this strategy and how it can motivate employees
6. Explain the drawbacks of the motivation strategy
7. Identify which strategy is most appropriate for short-term motivation
8. Justify why this is appropriate for short-term motivation
9. Identify which is strategy is most appropriate for long-term motivation
10. Justify why this is appropriate for long-term motivation

There is lots of repetition in this structure because the question has been broken down into smaller parts. Remember, that this is just one example of how to approach the question, where a breaking down of its component parts helps to ensure that a student's response will cover all parts of the question. Always remember that hard work is normally rewarded. All anyone can ask (including yourself) is to do your best.

It is also important to note that not all 10 mark questions will be as specific as the one above. The 10 mark question in the 2022 exam was very open and many students found it difficult to structure their response. This question asked students to evaluate a statement. Those that performed well still provided a strong structure to their responses. Many used the task word ;'evaluate' to provide them with the structure they needed in their response. These students decided on a way to approach the question and went for it. It is therefore encouraged to practice a range of different questions. The 10 mark question in the 2019 exam provided three key points that students needed to cover. The structure was virtually laid out for students and the key was to answer all of the question. This doesn't mean you need to get carried away and write page after page. Use the lines provided as a guide. Just ensure you answer every part of the question whether the question is very open, or very structured. If you are prepared well, have faith that you will know the answer and give it your best shot!

I wish you the best of luck in this year's exam!



SAMPLE RESPONSES: MINI EXAM NO.1 (Unit 3 AOS 1)

1. Define the following terms (6)

a. Government Business Enterprise (GBE)

A GBE is a business that is operated commercially but is owned by the government.

b. Effectiveness

Effectiveness is a measure of the ability of a business to achieve their set objectives.

c. Official corporate culture

Official corporate culture us the desired shared values and beliefs of the people within the business.

2. Anthony is the owner of a fast food restaurant called Ripper Chicken. The business has two locations in Geelong, one in Werribee and one in Colac. Over the past 6 months, the number of sales at one of the Geelong locations has dropped by more than 15% and the number of customer complaints has risen sharply. Anthony is eager to overcome these issues quickly. However, because he only spends one day per fortnight at the location, he is unsure of the best way to do this.

a. Discuss the most appropriate management style for Anthony to use to overcome the issues at the Geelong location. (6)

Anthony should use the consultative style. This is where the manager seeks feedback from employees before making the final decision themselves. Using the consultative style will allow Anthony to ask the employees at the Geelong location what they believe the reasons are for the rising customer complaints and poor sales numbers. This will allow Anthony to gather key information about the problems that the Geelong store is facing, leading to a more informed decision from Anthony. This will also ensure that the employees at the Geelong store feel valued as Anthony is valuing their opinions and ideas. This improves the likelihood that these employees will be more accepting of Anthony's decision as they have had input. However, using the consultative style can be very time consuming. It can take time to seek feedback from all of the employees at the store. This can delay a decision and complaints may continue to rise while this feedback is being sought. There may also be some inexperienced staff that could feel uncomfortable putting ideas forward, possibly leading to a division between the experienced and inexperienced employees.

b. Explain the impact the management style used in Question 2a can have on the real corporate culture at Ripper Chicken. (4)

Using the consultative style can have a positive impact on the real corporate culture at Ripper Chicken. The real corporate culture is the actual shared values and beliefs demonstrated by the people within the business. It is seen in how management and employees communicate with each other along with the overriding management style used. Using the consultative style will demonstrate that Anthony values the input and ideas of the employees. This is particularly important as Anthony does not have a physical presence in each of the stores daily. However, by consulting employees at each of the stores before a decision is made, it can help build a culture of trust and collaboration. It shows that management is willing to include the employees in the decision-making process by seeking their opinions, helping improve the real corporate culture within Ripper Chicken.

3. Distinguish between real corporate culture and official corporate Culture. (3)

The official corporate culture is the shared values and beliefs that the business wishes the people within the business to have. This can be seen in official documents such as the business's mission statement or values statement. Whereas the real corporate culture is what the shared values and beliefs of the people within the business actually are. The real corporate culture can be seen in the overriding management style or in how employees treat customers. The key difference is that the official corporate culture is often set by senior management and is what they want their culture to be, whereas the real culture does not necessarily align with the official culture and is displayed in the actual behaviours of the employees each day.

4. Outline one objective of a social enterprise. (1)

An objective of a social enterprise is to fulfil a social need. This is where a business aims to improve the situation of a cause within the community.

5. Felicity is the Chief Executive Officer of Furniture manufacturer, Dinico. Dinico is a private limited company that has been in operation for 15 years. Felicity has decided to implement new automated technology into the business. The new technology will automate some of the processes involved in producing the furniture.

a. Justify two skills that Felicity will require when implementing this change. (6)

Felicity will need to use communication which is the transfer of information from sender to receiver, with the ability to listen to feedback. This will be required by Felicity as she will need to communicate with employees about the new technology and the impact it will have on their work. Felicity will need to use two-way communication to listen to the concerns of employees and respond accordingly so that all employees are aware of when the technology will be implemented and how the business will implement it.

Another skill is leadership, which is the ability to inspire and motivate employees to work towards business objectives. Some employees may resist the new technology and it will be important for Felicity to motivate them about the new technology. Felicity will need to lead by demonstrating the benefits of the new technology and how it can help the employees complete their work. She will also need to support the employees that are finding it difficult to adapt to the new technology. This strong leadership will ensure that the employees are supportive of the new technology and will ensure it is a success.

b. Explain how implementing this new technology may help Dinico achieve the objective of meeting shareholder expectations. (4)

Shareholders are those that own the company and expect a return on their investment. This return can come from sharing in the company profits through dividends, or by increasing the value of their shareholding through capital gains. Implementing the new technology will help to automate the processes when producing the furniture which may speed up the process of producing each furniture piece, allowing Dinico to produce more furniture each day. With more furniture able to be sold, it can increase the profits of the business and therefore meet the shareholder expectations. Having the automated technology may lead to fewer employees being required to produce the furniture. Fewer employees can result in reduced costs which can again increase the profits for shareholders, helping meet their expectations.

c. Outline the interest of one of Dinico's stakeholders. Explain how the interest of this stakeholder may conflict with the interests of one other stakeholder. (3)

One stakeholder is the employees. The interest of employees at Dinico is to receive fair pay, good working conditions and ongoing employment. This interest may conflict with that of shareholders. Shareholders have the interest of getting a return on their investment through dividends and capital gains. As the employees pursue their interest of receiving higher wages and improved working conditions, the costs at Dimico may increase. The increased expenses can lead to reduced profits, conflicting with the interests of the shareholders.

6. Outline the relationship between the management skill of communication and the consultative management style. (3)

Communication is the transfer of information from a sender to receiver and the ability to listen to feedback. The consultative management style is where managers seek out the opinions and advice from employees before making decisions. The relationship between the two is that the consultative management style makes use of communication in the form of two-way communication. The consultative management style relies on the manager communicating with employees regarding an issue and asks for them to communicate their ideas. The manager uses these ideas to help make a final decision, which is then communicated back to the employees.

7. Explain why the owners of a business would decide to operate as a public listed company rather than a private limited company. (4)

One reason for operating as a public listed company rather than a private limited company would be that there is a greater ability to raise capital. Because a public listed company is traded on a public exchange, it allows all members of the public to purchase shares in the company. This provides a greater opportunity for the company to raise capital. The business can then use this money to grow the business or to implement strategies that will improve the business in some way. With a private limited company, only private shareholders can purchase shares in the company and all other shareholders need to approve of the new shareholder. This can make it slightly more difficult to raise large amounts of capital compared to a public listed company. With a public listed company, there is no limit to the number of shareholders they can have. Whereas a private limited company is only able to have up to 50 shareholders. This again improves the ability of a public listed company to raise large amounts of capital. This can greatly enhance the ability of the business to grow, compared to a private limited company.

SAMPLE RESPONSES: MINI EXAM NO.2 (Unit 3 AOS 2)

SECTION A

1. Describe the Four Drive Theory and explain how it could be used to motivate the employees in a contemporary business you have studied this year (4)

The four drive theory stipulates that every human is motivated by four main drives. The drives are the drive to acquire, the drive to bond, the drive to learn and the drive to defend. It was found that all of these drives come from our evolutionary past and can all occur at the same time, however the drive to defend is more latent. To motivate employees, it is important that the business provides opportunities to allow individuals to achieve each of the drives.

This theory could help motivate the employees at Cotton On by providing them with a range of strategies that will satisfy each drive. To satisfy the drive to acquire for example, Cotton On could ensure that all employees have satisfactory pay so they can purchase material items, but also provide opportunities for career advancement so the employees have the opportunity to acquire status within the business. If they felt the employees were strongly driven by the drive to learn, they would need to ensure that all employees had access to ongoing training. Cotton On has the online learning portal called YOU learning. It would be important that all employees had access to this training opportunity in order to satisfy the drive to learn, leading to improved motivation in the employees.

2. Explain one entitlement consideration and one transition consideration that businesses may consider with regards to retirement (4)

During retirement, one entitlement is that the retiree is entitled to any accrued benefits such as pay for work completed and their long service leave. The employee is able to take their long service leave as they head into retirement and leave the workforce. One transition issue is allowing the retiree to gradually reduce their working hours as they consider retirement. Retirement can be a difficult time in a person's life as they can find it difficult to manage the transition out of the workforce. To assist this, the employer may allow them to go part time in the years leading into their retirement year, and gradually reduce their hours to enable them to become accustomed to the extra time available in their non-working life.

3. Ishan is the Human Resource Manager at breakfast cereal manufacturer, Natural Foods. Natural foods are currently in negotiation with its employees over a new enterprise agreement. The employee Union is seeking a 5 per cent yearly pay rise over the next three years along with improved job security. However, a spokesperson for Natural Foods has said that the requested pay rise is simply a cash grab and is well above industry standard. The employees have notified management that they will be taking strike action for two days. currently has five major locations throughout Victoria.

a. Explain the role of both Ishan and the employer association in the situation at Natural Foods. (4)

Ishan's role is to represent the business and manage the relationship between the employees and Natural Foods. More specifically, the human resource manager may be involved in the negotiation of this new agreement. If they are not the ones negotiating, they would be keeping senior management apprised of how the negotiations are going and would also be liaising with the employer association. Due to the breakdowns in the negotiation and the imminent strike action, the HRM would be working to resolve the dispute and get the employees (or their representatives) back to the negotiation table so that the new agreement could be resolved.

The role of the employer association is offer advice to Natural Foods about the negotiation and may even be involved in representing them in the negotiation for the new wages. Due to the industrial dispute, the employer association would be heavily involved in advising the senior management at Natural Foods about their rights and the processes they must follow to resolve the dispute. The employer association may be involved in mediation on behalf of Natural Foods to try and get a resolution to the dispute.

b. Evaluate the appropriateness of Natural Foods using an enterprise agreement to determine wages and conditions for their employees (6)

Enterprise agreements set out the wages and conditions for a group of employees at a particular workplace. These are negotiated through enterprise bargaining, which is where the agreement is negotiated and workplace level. One benefit of introducing an enterprise agreement is that they often result in higher wages and improved conditions than those set out in the industry award. This can help attract and retain high quality employees for Natural Foods and therefore improve the company's ability to achieve its objectives. Enterprise agreements also offer greater flexibility for the business than awards do. This can allow any productivity gains to be rewarded with improved wages and/or conditions. However, because they are negotiated at enterprise level, the negotiation period can be time consuming and disputes can arise during this time, impacting negatively on the relationships within the business.

Despite the issues that an enterprise agreement can have, using one is the most appropriate option for Natural Foods. Having high quality employees can help the business gain a competitive advantage. If Natural Foods is always producing high quality cereals that meet the needs of customers due to the high quality work of their employees, it will help increase sales and profits as a result.

4. Social media agency, Kreative, is a private limited company which was started by three friends, Jaxon, Amelia and Courtney. After 4 years of operation the friends had a disagreement over the future direction of the company. As a result of the disagreement, Courtney has decided to leave the business and sell her shares. Jaxon and Amelia disagree with Courtney over the terms of the sale and what Courtney believes she is owed for the sale.
Discuss the most appropriate dispute resolution process to resolve this dispute between the three owners. (5)

The most appropriate process would be mediation. Mediation is a dispute resolution method where an independent third party facilitates the conversation between the two disputing parties. This can help if wage negotiations have broken down because it can ensure that both parties are able to present their points of view. Because the discussions between Jaxon, Amelia and Courtney have broken down, an independent third party can help facilitate the conversation so they can come to their own agreement about what Courtney receives for her sale of her part of the business. Because they come to their own resolution, it can also help maintain the relationship between the three of them. However, one issue with mediation is that there is no guarantee there will be a resolution. This can cause the dispute to go on for a long time which can take Jaxon and Amelia's focus away from the business. Another issue related to mediation is that it is not necessarily binding which means that one of the parties can change their mind and pull out of any deal that has been reached.

5. Distinguish between a performance appraisal and self-evaluation (3)

A performance appraisal is the process of evaluating an employee's performance over a period of time and providing them with feedback. Whereas self-evaluation is where the employee analyses their own work performance and provides this information to their supervisor who will also give feedback. The key difference between the two methods is that the manager in a performance appraisal primarily conducts the evaluation, whereas the employee primarily conducts the evaluation in self-evaluation.

SECTION B
CASE MATERIAL: Okre Consolidated

1. Define the following terms (4)

a. Motivation

Motivation is the drive a person has to put in effort towards a particular objective

b. Performance related pay

Performance related pay is where an employee's remuneration is tied to the level of their performance within the business.

2. Explain the relationship between human resource management and the ability of Okre Consolidated achieving their objective of increasing profits. (2)

The human resource manager manages the area of employees and ensures the employees that are brought into the business have the right skills and knowledge to perform their jobs to a high level. Providing ongoing training and giving employees clear objectives to achieve can help the sales team to generate sales, which will increase the number of medical supplies sold, leading to increased profits.

3. Olivia is concerned that other high performing employees may end up losing motivation like Terry has.
Explain how Olivia could use Maslow's hierarchy of needs theory to ensure motivation of all her sales employees remains high. (5)

Maslow's motivation theory is based on a hierarchy of five human needs that are organised in a hierarchy. Maslow found that all humans have these needs and that the lower need will be a motivating factor until it is satisfied. Only when it is satisfied, will the employee be motivated by the next level in the hierarchy. He also found that once a need has been satisfied, it no longer provided motivation for the individual.

At Okre Consolidated, Terry has lost motivation because it is only the physiological needs that have been satisfied. Terry is now comfortable with his level of pay and is therefore no longer motivated by this. This may continue to occur at Okre Consolidated if Olivia does not continue to satisfy the levels in Maslow's hierarchy. Olivia would need to ensure that the employees have job security to ensure the safety level is being met. She could then hold social functions with the sales team to ensure they are building strong relationships and satisfying the social level in the hierarchy. Olivia would then need to satisfy the esteem and self-actualisation levels. She could do this by offering promotions or recognition programs and helping the employees achieve their best by offering ongoing training. Focusing on pushing the employees up the hierarchy with a range of strategies will ensure that Okre Consolidated is not just attempting to motivate the employees by money and will help ensure the motivation of the sales team remains high.

4. Other than performance related pay, justify on motivation strategy that could be used to improve the motivation of the sales employees at Okre Consolidated (4)

Okre Consolidated could implement career advancement which is providing opportunities for employees to be promoted within the business. This will improve the motivation of employees as they will be driven to work towards a promotion within the business which will improve their self-esteem and also shows that the business values the work they have been doing. This will lead to improved motivation in the sales team as they know that there is an opportunity to be promoted from with at Okre Consolidated. This could be in a role as a team leader or a sales manager position. Career advancement can improve motivation in both the short-term and the long-term. In the short-term, the sales employees may work hard knowing there is the possibility for a promotion in the near future. While in the long term, the sales employees may have a desired role they would like to work towards over the long term. This can provide the drive for them to stay at the business and work hard in their current role to give themselves the best opportunity of reaching their desire promotion.

5. Justify an appropriate performance management strategy that Olivia could use to improve the performance of the employees at Okre Consilidated. Describe one training option that could improve the level of employee satisfaction. Explain the relationship between your chosen performance management strategy and training option. (10)

Olivia should implement a performance appraisal. This is a strategy that assesses an employee's performance over a period of time and provides feedback on areas they have done well and areas they need to improve. It can also identify any training needs for the employee and helps set new goals for the future. This would be an effective strategy to improve the performance of the sales employees as Olivia will be able to provide honest and constructive feedback on a regular basis to her employees. Olivia could provide feedback on how the employees deal with clients and how well they are working in the sales team. She could also provide feedback on the effectiveness of their work and how well they are servicing clients. This will help the employees understand what they are doing well and the areas they need to improve. Focusing on areas for improvement will allow the employees to improve their performance.

To help improve the level of employee satisfaction, Olivia could implement off-the-job training. This is the process of an employee improving their skills and knowledge away from the workplace. This is appropriate for the employees at Okre Consolidated as they may be able to complete high quality sales courses that demonstrate consumer behaviour and new sales techniques. This will improve the level of employee satisfaction as they will be able to perform their jobs to a higher level as well as increasing sales. It also shows that the business values them as they are investing in their skills, leading to improved satisfaction. It will also help the employees take time away from the workplace to learn the new sales skills and product knowledge which will reduce the level of workplace distractions and stress that on-the-job training can have.

There is a strong relationship between a performance appraisal and off-the-job training. The performance appraisal identifies areas an employee needs to improve, which can identify the types of training needs required to close the gap between preferred and actual performance. At Okre Consolidated, the performance appraisal may identify that some employees need to improve their sales skills as they may not be meeting their sales targets in the future.

SAMPLE RESPONSES: MINI EXAM NO.3 (Unit 3 AOS 3)

SECTION A

1. Define the following terms (4)

a. Robotics

Robotics are programmable machines that can operate tasks automatically

b. Lean management

Lean management is a management philosophy that aims to reduce wastage throughout all areas of the business while improving value for customers.

2. Explain how operations can help a business increase their market share (3)

Operations is the area that produces the good or service for a business. Operations can help to increase market share because the area of operations can determine the quality of a product, its cost and how fast it can get to the consumer. If the operations can produce a quality product at the right cost, it provides 'value for money' for customers. Customers are likely to be more attracted to this value and choose to purchase from the business over its competitors, leading to increased market share.

3. Evaluate a technology that Luxury Air could use to improve the efficiency of its operations. (5)

Luxury Air could implement online services to improves its operations. They could develop a mobile application that allows customers to order their meals and drinks before their flight. This would provide important information to the operations team as they will know what materials they need to order to satisfy customers. This will help them to improve materials management and ensure they are not overstocked with perishable food materials that would go to waste. This improves efficiency as there is less food being discarded due to being stored for long periods of time. Using a mobile application could also be used for check-ins. Customers could use the app with an internet connection to check-in to the flight. This can speed up the process of flight check-ins for the airline and improve efficiency. However, there is likely to be a significant cost to develop a high-quality mobile application. In addition, Luxury Air would most likely need to employ developers to maintain the app and keep it up to date. If there were any issues with the app, and it was not working for a period of time, it could reduce customer satisfaction as well as cause delays in normal operations. However, despite the drawbacks, having a high-quality mobile app should greatly improve the efficiency of the operations at Luxury Air as it will be able to plan its food materials more efficiently and improve customer satisfaction.

4. Compare quality control and total quality management. (4)

Both quality control and total quality management are strategies businesses can implement to improve the quality of a good or service. They both ensure that only the products that meet the business's desired quality make it to the end consumer. One of the key differences between the two is that quality control has a set standard that the business is aiming to achieve when producing its goods or services. However, total quality management is looking to constantly evolve and improve the quality standard. It is a moving standard that is based on continuous improvement. The role of the employees is often different between the two strategies. With quality control, the employees are often checking the quality of the product and taking corrective action where necessary. However, in total quality management, the employees are more empowered in the business to try to discover new ways of improving the quality of what is being produced.

5. Identify one similarity and two differences between the operations of a manufacturing business and a service business. (3)

One similarity is that both use an operations system to produce goods or services. This operations system involves inputs, processes and outputs.
One difference is that a manufacturing business produces tangible outputs whereas a service business produces intangible outputs. Another difference is that a manufacturing business can store their goods whereas services cannot be stored.

6. Discuss the use of global sourcing of inputs for Pristine. (6)

Global sourcing of inputs may allow Pristine to lower the cost of its materials. Being able to make use of suppliers from other countries can ensure that Pristine is getting the best possible price. Overseas suppliers may also allow Pristine to use the highest quality parts for its washing machines and dish washers. There may be a global supplier that specialises in the most up to date parts for the whitegoods, which can help Pristine improve the quality of its manufactured whitegoods and develop a competitive advantage.
However, sourcing inputs globally can increase the lead time. This is the time it takes to order and receive inputs. Due to the inputs coming from overseas, the time it takes to receive the inputs will increase which may impact negatively on the flexibility of Pristine to meet market demand. For example, it may cause delays in production if the inputs do not arrive on time. Another concern could be the volatility of exchange rates. As these fluctuate daily, the cost of the inputs could increase (or decrease) at any moment, which could make it difficult to control costs for the whitegoods, impacting on the profitability of the business.

SECTION B
Leura Sound

1. Describe the operations system as it would apply to Leura Sound. (6)

The operations system consists of inputs, processes and outputs. Inputs are the resources used in producing a good or service. Resources include raw materials, time, information, labour, along with facilities and equipment. The inputs for Leura Sound's catering side of the business would include the food supplies, labour and facilities used to produce the food.

Processes are the activities used to transform the inputs into the final output. Businesses will look to have processes that are both efficient and effective. The processes for the catering side of Leura Sound would be producing the food such as cutting, cooking and packaging the food to be transported to the music event.

The outputs are the final good or service. The quality of the outputs are a direct reflection of the quality of the inputs and processes. The output for the catering section at Leura Sound is the completed food packages that are ready to be sold at the music events.

2. Discuss one quality strategy that Leura Sound could implement to reduce the number of customer complaints. (4)

Leura Sound could implement quality control. Quality control is where the products are checked at regular intervals against a set of predetermined quality standards and corrective action is taken where necessary. Leura Sound could implement this into the catering area so that the food is regularly checked against stringent quality standards. This will ensure that only the food that meets these tough standards will make it through to the customers at the music events, keeping customers happy and reducing customer complaints. Quality control helps identify errors early. This will allow any faults with the food will be rectified quickly to ensure that the customers are receiving high quality food at their concert, reducing the number of complaints. However, one issue is that performing quality checks will slow down production. This harms productivity and the business will need to account for this so they can get fresh food to the customers in a timely manner.

3. Describe the pull, one-piece flow, takt, zero defects strategy and explain how Tiffany could use each to improve the efficiency at Leura Sound. (8)

The pull principle is a production method in which work is only started when there is a customer demand for the product. This means that customer demand determines how much the business will produce, helping to prevent overproduction. This is an important principle for Leura Sound because part of the business involves the production of perishable items. Using the pull principle will allow Leura Sound to only produce enough food for the demand at each music event. This will reduce the amount of food that is discarded, decreasing wastage. By minimising waste, it will ensure that fewer resources are used at each event, improving efficiency.

One-piece flow is where one task or one product is focused on at a time. Using this principle can reduce the amount of delays during production and reduce errors. This will be important at Leura Sound as when the business is producing the food, employees will be able to focus on one task at a time. This will ensure that there are fewer errors when the food is being produced. This will improve the quality of the food and reduce the number of customer complaints. It will also improve efficiency, because allowing employees to focus on one piece or task at a time should reduce the amount of errors. This causes fewer disruptions while making the food as time does not need to be spent rectifying problems or issues.

Takt is the speed in which the product is produced. Having a constant speed when producing the food can help to reduce bottlenecks and wait-times during food production. It is important that any significant speed ups or slow downs are reduced and takt can help prevent these. At Leura Sound, takt might be used to determine the rate at which food is prepared, so that there is enough food available to meet customer demand without overproducing and causing waste. This reduction in waste, improves efficiency as fewer food resources are discarded during production.

Zero defects is where the business looks to reduce the amount of defects it produces and any defects that do occur are rectified before they are passed onto the next person or process. When producing its food, Leura Sound can aim to have no defects or rectify them immediately before another process begins. This will mean less food product goes back through the operations system to be re-worked, and less food will be thrown out, reducing wastage. This improves efficiency as the speed of producing the food is increased as well as fewer resources or product going to waste.

4. Justify one materials management strategy Leura Sound could implement to improve efficiency. (4)

Leura Sound can introduce just-in-time (JIT). JIT is where supplies arrive just as they are needed for production. This can reduce the need for large amounts of storage because very little stock is kept on hand and often goes straight into production. This reduces costs for Leura Sound, improving efficiency. JIT is important for Leura Sound because of the nature of the food. Food is perishable, and therefore should not be stored for long periods of time. Using the JIT strategy will ensure the food is fresh, resulting in less wastage from perished food items, improving the efficiency of Leura Sound's food production.

5. Describe online services and outline how Tiffany could use online services to improve the efficiency of the operations at Leura Sound. (3)

Online services refers to any information or service that occurs over the internet. Tiffany could use a mobile app to communicate with customers regarding the event. This mobile app could speed up the process of getting customers into the venue for the event as they could more effectively use scanners to scan the customers' tickets. The ticket barcodes could be stored into a database that could be accessed online. This would improve the efficiency in getting customers into the venue as it speeds up the process as well as reduce the amount of staff required to be at the gates checking tickets (as customers could simply scan their ticket to enter). Tiffany could also use the app to provide information to customers about the event. This would reduce the need for other traditional communication methods as everything can be communicated digitally. This uses fewer tangible resources, helping to reduce costs and therefore increase efficiencies.

SAMPLE RESPONSES: MINI EXAM NO.4 (Unit 4 AOS 1)

1. Define the following terms (4)

a. Business change

Business change is a business's planned or unplanned response to both the internal and external pressures where the business transforms in some way.

b. Number of website hits

Number of website hits measures the amount of times an individual request to download a file on a particular website

2. Outline the key principles of a force-field analysis and explain how Dom and Jen could use it to see if the changes are worth implementing. (6)

The force-field analysis is a decision-making tool that is used during times of change for a business. It was developed by Kurt Lewin and analyses the driving forces for the change and the restraining forces against the change. To determine if the changes are worth implementing, Dom and Jen would need to identify the driving and restraining forces. Driving forces are those that help the business work towards the change and restraining forces are those that work against the change. A driving force for the new direction at Buck Shoes could be that they will bring in higher profits, whereas a restraining force could be the high initial cost of the collaboration with high profile designers. The next step is to analyse each force to determine how powerful it is. Dom and Jen may decide to give each a weighting out of 5 (5 being very powerful whereas one being least powerful). Each force should then be ranked to determine the most powerful driving and restraining forces. This will allow Jan and Dom to develop an action plan on how to minimise or remove completely the key restraining forces as well as working on improving the driving forces. Jen and Dom would then put this response into action to give the new direction a chance of succeeding. It would then be reviewed to determine if the driving forces now outweigh the strength of the restraining forces. If they do then the new collaboration direction will have a greater chance of success.

3. Describe two possible driving forces for change at Buck shoes. (4)

Driving forces are those that initiate and support a change. One driving force for Buck Shoes to make change is the pursuit of profits. Profits is the amount of money left over after expenses have been deducted from revenue. With a significant drop in the net profit over the past two years, the pursuit to increase profits will be a key driver for the new collaborations to be implemented. This will help push the business towards the new change.

Another driving force is societal attitudes. This is where the thoughts and behaviours of society can drive change within a business in order to stay relevant. This is a driving force for the new collaboration because Dom is trying to take advantage of the growing trend of consumers collecting sneakers, not just purchasing them to wear. This societal trend to collect products such as sneakers can help support the new collaboration. The societal attitude of using social media to connect also supports the change as Buck Shoes will be collaborating with designers and fashion influencers that have a large social following. This can help drive the business in the new direction they are considering.

4. Outline two possible restraining forces against Dom's proposed change. (4)

Restraining forces are those that work against the change and are in favour of the business staying in its current state. A restraining force is the financial considerations. This is considering the expenses incurred during the implementation of the change. The costs of collaborating with high profile designers and fashion influencers will be expensive. This high cost of collaborating may place Buck Shoes under financial pressure considering their profits have dropped significantly.

Another restraining force is employees. Employees are those that work in the business. The collaborations may upset the design team as they are not the key designer any more. These employees may work against the new direction out of fear that they may lose their job if high-profile designers will be designing the new sneakers. This resistance may make it more challenging to implement the change as they designers may not wish to work with those they are asked to collaborate with.

5. Describe three of the key performance indicators. Explain the affect outsourcing manufacturing the sneakers overseas could potentially have on these KPIs. that could be used to determine if the changes were successful . (6)

One key performance indicator is net profit. Net profit is the amount of money left over after expenses have been deducted from revenues. One of the primary objectives of the business is to make a profit. By outsourcing the manufacturing overseas, it may bring the cost of producing the shoes down. This can improve the net profit as the overall operating costs are reduced.

Another key performance indicator is the number of customer complaints. The number of customer complaints is the amount of customers that are dissatisfied with the business and/or its products and have officially expressed their concerns to the business. Depending on the business the manufacturing is outsourced to, will depend on the impact on the number of customer complaints. There may be a business that specialises in manufacturing sneakers and therefore the quality of the sneakers manufactured for Buck Shoes is incredibly high. This can have a positive impact on the number of customer complaints because the customers are satisfied with the quality of the sneakers.

6. Evaluate Porter's 'lower cost' and 'differentiation' strategies. Recommend which key approach would be appropriate for Buck Shoes. Justify your recommendation. (6 marks)

The lower cost strategy is where a business aims to be the low cost producer in its industry. This enables a business to gain a competitive advantage by either increasing their profit margins or reducing their prices to be more attractive to the price sensitive customer. This can help broaden the market in which the business can sell to due to the reduced costs and prices. However, if a business such as Buck Shoes continues to lower costs by purchasing cheaper inventory it could harm the quality of the sneakers they are producing.

The other way to gain a competitive advantage is through differentiation. Differentiation is where the business will gain a competitive advantage by offering something unique that is valued by its customers. The business is rewarded by being able to charge a premium price for the product. Buck Shoes would be able to do this by having a collaboration with a high profile designer or fashion influencer. This can help a business like Buck Shoes stand out from competitors, helping it to attract more customers and being rewarded by charging a premium price for its clothes. However, charging a premium price can limit the market they can sell to, as some customers will not be able to afford the higher price point.

Buck Shoes should implement the differentiation strategy. Being unique by collaborating with some of the best well-known designers will enable the business to stand out from the competition by giving it a point of difference. It will also enable it to change the market in which it is selling to because now it will be attracting collectors as well as general sneaker buyers. This will enable it to charge a premium price for its sneakers and help increase sales and net profits.

7. Analyse the driving forces and restraining forces that have caused change in a business you have studied this year. (10)

Change refers to the alteration to a business' workplace or environment due to pressures from the internal or external environments. A business I studied this year was Netflix. Netflix is a video streaming service that has recently changed its streaming packages to include advertisements. Previously there were no ads on any of the Netflix subscriptions, but now a cheaper subscription that will have ads is being implemented. This also increased the price of other subscription packages to make the cheaper package with advertisements more attractive.

One of the key driving forces for this change is the pursuit of profits. The net profits for the streaming business have been poor in recent times and have dropped approximately 10% and the number of subscribers had also dropped for the first time. This has driven Netflix to implement the change to offer a cheaper option for customers, to increase the revenue as well as increase revenue from advertisers. Another driving force was management. Management are people that make decisions within a business and can support change if they can manage it well. Management at Netflix was supportive of these changes because it saw increased competition entering the market such as Disney and Paramount as well as others. The management were a key driver in adding the new subscription package and bringing advertisers onto the platform for the first time.

Restraining forces are those that work against a change from occurring and are in favour of the status quo or current state. One driving force is customers. Customers are those that purchase goods and/or services from the business. In the case of Netflix, customers were a major restraining force for the changes. Customers can place pressure on a business to not implement changes. Some customers were unhappy with the changes as the price of their regular subscription increased. There was backlash on the change which had the potential to cause more people leaving the streaming service. This can work against the change. Another restraining force was shareholders. Shareholders are those that own a share in the company and want a return on their investment. Shareholders can place pressure on a business because of their desire to increase profits. The shareholders were not keen to see the business lose customers as a result of the new changes.

SAMPLE RESPONSES: MINI EXAM NO.5 (Unit 4 AOS 2)
SECTION A

1. Define 'incentives' in the context of implementing change in a business . (2)

Incentives are financial or non-financial rewards the are provided to employees to encourage them to embrace the change, overcoming employee resistance.

2. Explain how TWO of the principles of the learning organisation can help a business to implement change successfully. (4)

Shared vision is where the business develops a long-term goal that everyone in the business believes in. This can help implement change successfully because the change(s) will be aligned with the shared vision. Given that employees also believe in the vision, they will be more accepting of any changes that they believe will help to achieve this shared vision. This creates an environment where employees are more accepting of changes, enabling them to be implemented successfully and without much (if any) employee resistance.

Another principle is mental models. Mental models are the deeply ingrained assumptions and beliefs that people have. Senge states that individuals should look to understand their mental models and challenge how they believe things work. This can help them to become more understanding of any change that is being implemented because they will be more open minded about the change and therefore more supportive. This can lead to a successful change process and less employee resistance.

3. Describe and justify one strategy Mei could implement to develop her desired corporate culture. (4)

One strategy that Mei could implement to develop a positive corporate culture is to focus on providing opportunities for employee development and growth. This can involve the provision of training and development programs, encouraging employees to take on new challenges and responsibilities, and supporting employees in their career development goals.

This should help Mei develop a positive corporate culture because she can demonstrate to her team that she values professional development and is prepared to invest in their learning. This can help develop a sense of belonging within the business as the employees feel valued. Implementing ongoing training will also create a culture of continuous learning which will form a positive environment for all employees, leading to them being more invested in the business. This will ensure that Mei is able to develop her desired positive corporate culture based on continuous learning.

4. Distinguish between manipulation and threats. (3)

Threats are where the manager forces employees to embrace the change or face negative consequences. Whereas manipulation is where the manager is more discreet by convincing employees the change is positive by providing a selective use of facts. The main difference is that threats are upfront about the change but more threatening to the employees. Whereas manipulation is not as upfront about the change because the employees are not fully aware of the changes that will occur.

5. Below is recent key performance indicator data from shampoo manufacturer Fruitier.

Key Performance Indicator	Previous Year	Current Year
Level of wastage	6%	14%
Net profit	128,000	-$15,000
Staff turnover	5%	25%

Describe strategies that will respond to the above key performance indicator data. Explain one corporate social responsibility consideration for Fruitier when implementing each of your chosen strategies. (10)

To overcome the rise in wastage, Fruitier can implement lean production. This is where the business looks to reduce the amount of wastage generated throughout the business while maintaining or improving customer value. Fruitier could do this by implementing the pull principle, where the customer pulls the product through the operations system. This means that Fruitier will only produce the amount of shampoo that is demanded by customers. This prevents over producing the shampoo and therefore reduces wastage as less shampoo will be discarded. When implementing lean management, businesses need to consider the impact it will have on employees. Lean production can sometimes reduce the number of workers in the business when they look to reduce areas of inefficiency. Fruitier would need to try to maintain high levels of employment when implementing lean production.

To overcome the significant drop in net profit, Fruitier could look to introduce cost cutting. This is where the business looks to reduce their expenses. Fruitier could do this by sourcing cheaper materials from new suppliers. This will help to reduce the production costs when producing the shampoo, leading to improved profits. One CSR consideration with implementing cost cutting is with the suppliers they select. Fruitier would need to consider using local suppliers to help support the local economy and local employment. Fruitier may be able to find a cheaper supplier overseas, but this would impact on the local economy, so they would need to consider finding a cheaper supplier in Australia.

To overcome the rise in staff turnover, Fruiter could implement ongoing training. This could help to motivate the employees as it will help them improve their skills. This will enable them to perform their jobs at a higher level, which can improve job satisfaction and motivation. Employees that are motivated are more likely to stay at the business, reducing staff turnover. One CSR consideration is the availability of ongoing training for all employees. Fruitier would need to ensure that all employees had access to ongoing training, not just a select few. While this comes as a large cost to the business, it shows the employees that all have the opportunity to enhance their skills and are valued by the business.

SECTION B

1. Recommend and justify the most appropriate strategy for Adrianna and Dario to implement after evaluating at least two of the options. (6)

Implementing the automated technology can increase the level of productivity growth as fewer employees will be required and it is likely that the process of cleaning the windows will be faster with the technology. The technology can also be more consistent and therefore improve the quality of the cleaning which may reduce the reverse the trend in customer complaints. However, the initial set up cost for a small business such as Clear Window will be significant and may place them under financial stress. Some employees may also be resistant to the change as they may fear their jobs will be made redundant.

Improving the quality of the service by employing more people to perform quality checks, can help identify key issues with the service that is currently being delivered to customers. It will also ensure that each clean meets the standards set by Adrianna and Dario which will improve the level of customer satisfaction and reduce the number of customer complaints. However, hiring additional employees will come at a significant cost, which Clear Windows may not be able to afford. It may also be difficult to onboard the new employees, particularly given that the business is going through significant levels of staff turnover.

Because of the key drawbacks, the most appropriate option is Option 3, training the current employees. While it will come at a cost to the business, the other options do also. Training employees, shows that Adrianna and Dario are willing to invest in the employees which can improve their motivation and reduce the level of staff turnover. The training will also improve the ability of the employees to deliver a high-level service to their customers, reducing the number of customer complaints.

2. Define leadership and explain why leadership would be important when implementing one of the options. (3 marks)

Leadership is the ability of a manager to motivate and inspire employees to achieve business objectives. Change can cause uncertainty for employees where they are more concerned with themselves than the overall business objectives. Good leadership is important when implementing the training. Adrianna and Dario will be able to communicate to employees exactly why the training is being implemented and the impact it will have on them. They can also support the employees through the training to ensure they are learning what they need to learn. This type of leadership will motivate the employees to embrace the training and get the best out of it.

**3. Dario is concerned there will be resistance from the employees if they are to implement any of the options.
Discuss one low risk strategy that could be implemented to overcome any employee resistance. (4)**

Dario can use empowerment. Empowerment is where employees are given an amount of autonomy and responsibility for decision-making within a business during times of change. Dario can include the employees in the decision making about how best to implement the training and other supports they may require. This can provide the employees with some control over the change. For example, if Option 3 was to be implemented, the employees may be able to decide when they undergo the training, or the level of training they receive based on their experience, or their own customer feedback data. This can help to reduce any resistance to the change being implemented as the employees are able to have a say in how it is implemented and are more likely to take greater ownership of the change. A drawback is that it will be difficult to empower all employees when implementing the change. Including all employees in all decisions around the change can be difficult to implement, which could result in some dissatisfaction from some employees. Some may have ideas about how the training that will impair the quality of the cleaning and Dario will need to reject those ideas.

4. Explain how Adrianna and Dario could use Lewin's change model to implement one of the options. (6)

Kurt Lewin developed a model for effective change and is a three step model. The first step in the process is unfreezing. This is creating a need for change and creating urgency towards the change. Once an option has been decided, Adrianna and Dario need to communicate the changes to the employees and work to overcome resistance to the change. They need to make sure everything is in place and ready for the strategy that is going to be implemented. For example, if they decide to implement the automated technology, clear communication should be used to ensure everyone is understands how this will influence their roles in the business. Adrianna could also demonstrate the benefits of the changes (such as being able to service more residential clients) so that employees will get excited and enthusiastic about the changes.

The next step is to implement the changes. Successful change requires clear goals to be set and it is important that all stakeholders are clear on what the goals will be. Adrianna and Dario need to be able to ensure there are enough resources available to implement the changes. For example, with the automated technology, they need to ensure there is enough time and money to implement the new automated equipment. Employees will need to be trained in how to use the new technology and supported through this process.

The final stage is refreezing. This is ensuring that the changes are reinforced into the culture of the business so that it remains for the long term. Training and support will need to continue with the new automated technology so employees have the skills to continue the changes. This will ensure it remains for the long term and the level of quality and efficiency continues to increase.

5. Explain why it would be important for Adrianna and Dario to review key performance indicators after implementing one of the strategies. In your response, refer to one key performance indicator that should be reviewed. (3 marks)

If Adrianna and Dario were to implement the quality strategy, it would be important for them to measure the number of customer complaints. Improving the quality of the window cleaning is aimed to improve the level of customer satisfaction, which then helps to attract new customers. It would be important to monitor this KPI and compare it to the number of customer complaints before the strategy was implemented. This is important to see if the quality strategy has been successful. if it has, then they should continue to employ more employees to undertake quality checks. If the results are below expectations, they may look to implement on of the other options.

BONUS EXAMINATION

[Answers are downloadable from www.commpap.com]

SECTION A (50 MARKS)

Question 1

James Wolf began his graphic design business with his partner Sally Moloney eight years ago. The business is called J&S Design and was built on a culture where relationships are highly valued. The business has gone through rapid growth over the past three years and now employs 35 people. James and Sally have grown the business by purchasing two small graphic design businesses. Since the acquisitions, Sally has noticed more conflict between many of the employees, especially the designers, which has resulted in a high level of staff absenteeism. The number of complaints from clients has increased significantly and some larger clients are threatening to take their business elsewhere.

a. Define staff absenteeism. (1 mark)
b. Discuss an appropriate management style James could use to overcome the rise in customer complaints. (4 marks)
c. Distinguish between real and official corporate culture. In your answer, refer to J&S Design. (3 marks)
d. James is looking to improve the motivation of his staff. Describe the Four Drive Theory and explain how James could use this theory to improve the motivation of his employees and reduce staff absenteeism. (4 marks)
e. With the rapid growth of the business, James and Sally are undecided if they should maintain a partnership model or move to a private limited company. Evaluate the most appropriate business type for James and Sally to move forward with. (5 marks)

Question 2

Thread It is a clothing brand that specialises in women's fashion. It has 26 retail stores across Victoria, New South Wales and South Australia and owns a manufacturing facility located overseas. Due to an ongoing decline in sales, CEO Ms Jean has called in an independent reviewer to evaluate the company's processes. The review came back with the following findings:

- Poor inventory management, where the business now has approximately three years' worth of idle stock
- Customers are leaving stores without purchasing due to lack of sizes available in desired products
- Many staff are slow to assist customers and are often rude when dealing with customers
- Costs of inputs are high resulting in profit margins on most items being far less than global competitors

a. Propose and justify an appropriate materials management strategy that could improve the effectiveness of Thread It's operations. (4 marks)
b. Explain how manufacturing businesses such as Thread It can use 'lean management' to improve their efficiency. (3 marks)
c. Describe how Ms Jean could use Porter's Generic Strategies theory to gain a competitive advantage. (4 marks)

Question 3

Spick & Span Cleaning Services is a private company that offers commercial cleaning services to organisations throughout Melbourne & Sydney. The company was founded in 1996 and now has 40 employees. While the commercial cleaning industry is growing, there has been increased competition in the market and Spick & Span has found it difficult to develop new business opportunities. Spick & Span has also found it difficult to retain its employees as larger businesses are offering higher wages than the industry award. General Manager, Victor Lopez, has put it to the shareholders that they implement an enterprise agreement to help the business improve its employee retention. Below is the recent key performance data for the past 12 months.

	Previous year	Current year
Revenue	$4.4 million	$4.2 million
Net profit	$400,000	$320,000
Market share	6%	5.9%
Staff turnover	12%	13%

a. Discuss two strategies Spick & Span Cleaning Services can use to respond to the key performance indicator data. Propose and justify which strategy you believe Spick & Span should use. (8 marks)
b. Discuss the most appropriate method of determining wages and conditions of work for Spick & Span. (4 marks)

Question 4

Analyse the impact that change can have on stakeholders of a business you have studied this year. Discuss the use of a high-risk strategy or a low-risk strategy when managing this impact. (10 marks)

SECTION B (25 MARKS)

East West Bank (EWB) has been involved in the banking sector since 1995. EWB currently has 3.2 per cent market share. While this market share has steadily grown over the past 5 years, EWB has found it difficult to compete with the big four banks in Australia and profits have slumped in recent times.

CEO Mark Genua has recently announced that there will be a restructure and a large investment into the technology side of the business. Mr Genua announced there will be a $300 million investment to automate the systems of the business. The bank will introduce artificial intelligence to their customer credit analysis. This will allow loans to be analysed and approved or rejected automatically using this system. "This will greatly improve our productivity growth and enable us to be the first bank that has a computer making credit decisions ," Mr Genua said. "Unfortunately, this will result in job losses of 1200 in certain areas of the business. However, we feel this will give us a competitive advantage and allow us to attract new customers as loans can be processed far quicker than any competitor."

Question 1

Define artificial intelligence. (1 mark)

Question 2

Explain the effect the changes at EWB will one two stakeholders. (4 marks)

Question 3

Describe Lewin's change model and explain how EWB could implement this model. (6 marks)

Question 4

Justify two management skills that Mr Genua will need during this situation. (4 marks)

Question 5

Distinguish between the operations of a service business like EWB and a manufacturing business you have studied this year. (4 marks)

Question 6

Outline one transition consideration for Mark to consider in the situation at East West Bank. (2 marks)

Question 7

Explain one driving force and one restraining force that is impacting the change at East West Bank. (4 marks)

YOU BE THE ASSESSOR: CORRECTIONS AND ANALYSIS
Unit 3 AOS1

Question 1

Bella's Boutique, a successful fashion retailer known for its unique and trendy clothing lines, has been operating as a sole trader under the ownership of Bella Johnson for five years. The boutique, which began as a small local store, has seen substantial growth, with a significant increase in customer base and revenue. Bella now plans to expand her business by opening additional stores in neighbouring cities and is considering converting her business into a private limited company.

Discuss the use of a private limited company for Bella's business. **4 marks**

Great benefits and application to Bella's Boutique

Sample answer 1

Transitioning Bella's Boutique into a private limited company offers significant benefits, such as providing Bella with limited liability, protecting Bella's personal assets from business risks. This is crucial as the boutique grows and faces increased liabilities. Additionally, as a private limited company, Bella can attract investors by issuing shares, providing a vital source of capital for opening new stores. This structure also enhances credibility with suppliers and customers, aiding business growth.

However, shifting to a private limited company involves more complex legal and financial compliance, increasing administrative burdens. Regular financial reporting and audits are required, which will consume Bella's time and increase costs. Also, decision-making might become more complex if external investors are involved, potentially reducing Bella's direct control over her business.

Drawback addressed and explained

Sample answer 2

Converting Bella's Boutique to a private limited company is an ideal move for Bella's expansion plans. The most significant advantage is limited liability, which protects Bella's personal assets from any business debts or legal issues. This change is especially important as the boutique grows and takes on more financial risks. Additionally, being a private limited company can attract additional investment through the sale of shares, providing essential funds for expanding to new locations. This corporate structure also tends to enhance the boutique's credibility among suppliers and customers, potentially leading to more business opportunities and growth. This transition seems to offer Bella a clear path to scaling her business effectively, with limited liability as a key benefit.

Fantastic response that is well applied, but no drawbacks

Analysis [Sample 1 full marks]

Sample 1 gives a clear and concise discussion as to why Bella's Boutiques should change to a private limited company. There are clear benefits shown to back up the justification and the response is applied well to the business. Response 1 then goes on to provide the potential drawbacks of Bella moving to a private liited company. This is a requirement in discuss questions. Response 2 gives a fantastic justification where the benfits of the private limited company are explained and applied well to Bella's Boutique. However, it does not address the drawbacks of doing so, therefore it cannot receive full marks.

Question 2

Explain the interests of two stakeholders at Sleep Well Doggy and outline how these interests may conflict
5 marks

Shareholders not accepted for a partnership

Sample answer 1

A stakeholder is a person with a vested interest in the business. One stakeholder of Sleep Well Doggy are the shareholders (Jane, Alex & Martin). Shareholders are those that own the shares in a business for which they have paid. They have unlimited liability which means they are personally responsible for any debts incurred by the business which can place their personal assets at risk if the business is unable to pay its liabilities.

Another stakeholder is the customers. Customers are those that purchase goods and services from the business. In the scenario of Sleep Well Doggy, the customers are those that bring their dogs into the business to look after.

These two stakeholders can conflict because the customers want to bring the prices down for the service, but the shareholders want to force the price up.

Description, but no explanation of their interests

Interests explained

Sample answer 2

One stakeholder is the owners (Jane, Alex and Miriam). The owners are the ones that have invested their money into the business and expect to make a return on their investment. They expect the business to make profits so they can share in these profits.

Another stakeholder is the twenty employees that work for Sleep Well Doggy. Employees are those that work for the business in exchange for a wage. The employees are interested in receiving fair pay, good working conditions and ongoing employment.

These two stakeholders can conflict because if the employees demand higher wages or improved working conditions, it can increase the costs of the business. This may result in less profits for the business which conflicts with the interest of the owners who want higher profits.

Conflict clearly addressed

Analysis [Sample 2 full marks]

There are a few issues with sample 1 that need to be addressed because they are quite common. Firstly, there is no need to define what a stakeholder is. You don't lose marks for doing this, but it doesn't get you any marks because it doesn't address what the question is asking.

The next issue is a major one because the response addresses shareholders as one of the stakeholders, however the case material clearly states that the business is a partnership, not a company. Companies are owned by shareholders, not partners. Each stakeholder is worth 2 marks and shareholders are not accepted. The second response refers to "owners" which is much more appropriate in this situation.

The first response then addresses the customers which is an acceptable stakeholder to use. The issue is that while the response outlines what a customer is, it doesn't really address the interest of the customers. Unfortunately this deems this part of the response weak.

Finally, the conflict in sample 1 is weak at best. While it is on the right track, to simply say that shareholders want prices to go up, is not entirely accurate.

The second response is not as long as the first response, but it addresses the question clearly. It demonstrates a clear understanding of each stakeholder and their interest in Sleep Well Doggy. Each interest is clear which allows it to receive 4 marks for this section. Finally the conflict is clearly stated and is an acceptable conflict and therefore receives the mark for this section (4 + 1 = Full marks!)

Question 3

Explain two skills that Jenny will require during the closure of the Perth facility **4 marks**

Application to how Jenny would use the skill during the closure

Sample answer 1

One skill is communication which is the transfer of information from a sender to receiver with the ability to listen to feedback. Communication can be one-way or two-way. Jenny will need use communication with the employees in the Perth factory as they will likely be losing their jobs. Jenny will need to be clear in when the closure will take place and any support that is available to the employees as they look for new employment opportunities.

Jenny will also need to use planning, which is the ability of a manager to set objectives and detail the ways to achieve them. In terms of the closure of the Perth factory, Jenny would be involved in both short-term and medium-term planning. This type of planning will be important for Jenny to set deadlines as to when the Perth closure will take place. She will then need to implement a plan on how to close the factory in a timely manner. Jenny would also need to set out a plan on how the business will be able to consolidate the manufacturing of all the business's cereals into only two factories.

Explanations worth 1 mark each

Applied specifically to case material

No explanation for communication

Sample answer 2

Jenny could use two-way communication with her employees from the Perth factory. This will allow Jenny to not only provide the information about the closure of the Perth factory to employees, but it will also allow Jenny to listen to the concerns of the employees. This will help demonstrate that Jenny values the employees despite the closure of the factory.

Jenny will also need to use delegation. Delegation is where the manager hands over authority of tasks to an employee. Jenny can delegate many of her normal daily tasks to another senior manager to allow her to focus on the closure. This will give Jenny the time she needs to support staff and manage the closure of the factory without being interrupted with her normal tasks. This will help the factory close successfully.

Applied specifically to case material

Analysis [Sample 1 full marks]

The first thing to note here is that there is no explanation of communication in sample answer 2. This is a simple mistake in this response. The application for communication is OK and worthy of the one mark because it has been applied specifically to the case study. Surprisingly, the response does give a brief explanation of the second skill, delegation. Time pressure during a SAC or an exam can sometimes bring about these simple mistakes. Be sure to tick every box and complete every task that the question ask you to complete. There could be some argument around how much information needs to be provided for an explanation. In sample two there are only definitions provided. These could still be accepted because the explanations are only worth 1 mark each. You will notice that more information is provided in sample 1 with each skill, but this isn't entirely necessary in this case, but does show that the student is clearly explaining rather than simply defining.

The application for each skill in both responses is targeted well to the case material. This is important in a question such as this. The question clearly asks about the CEO, Jenny, and the closure of the Perth facility. Responses around how the skill is used needs to address this concept.

Question 4

Justify an appropriate management style that Mindy could use to overcome the rise in customer complaints at the company

4 marks

Sound description

Sample answer 1

Mindy should use the consultative management style. The consultative style is where the manager seeks feedback from employees before making the final decision themselves. This style is characterised by two-way communication and centralised decision-making. The employees at Mindy's Curtains & Blinds (MCB) are highly skilled and knowledgeable which would provide a great opportunity for Mindy to seek feedback from them. These employees may have information on why the customer complaints have been rising and may even come up with new ideas on how to overcome them. This would allow Mindy to make a more informed decision as she will have the required details. With the employees making suggestions on how to overcome the customer complaints, Mindy will receive a larger pool of ideas which will help her make a stronger decision, helping MCB overcome the rise in customer complaints.

Strong application

Sound description

Sample answer 2

Mindy could use the consultative management style. The consultative style is where the manager seeks feedback from employees before making the decision themselves. This is characterised by two-way communication and centralised decision-making. The consultative style will help Mindy because it uses two-way communication. This allows employees to put forward their ideas which makes them feel more valued. Using two-way communication encourages teamwork amongst the employees which improves morale and will help build a strong culture at Mindy's Curtains & Blinds.

One issue with the consultative style is that it is more time consuming to seek feedback from all employees. Despite this drawback, the consultative style will help Mindy as she will be able to gather a larger pool of ideas which can help her make a more informed decision.

Theory is OK, but far too general. Not enough about the customer complaints

Analysis [Sample 1 Full Marks]

Both responses use a consultative management style and they both start off by describing the style. This helps obtain marks early and shows that the student knows some theory regarding the style. The major difference between these two responses is with the application. While there is nothing incorrect with sample 2, it is far too general and it doesn't address the rise in customer complaints. While theory is part of what you need to know for the examination, you need to be able to apply the theory to various situations.

Question 5

Compare the autocratic management style with one other management style. **3 marks**

Theory of both styles is good. However there are no explicit similarities or differences shown.

Sample answer 1

The autocratic management style is where the manager makes their own decisions and tells the employees what the final decision is. It uses one-way communication, from the manager to the employee. The employees do not get to put their ideas forward and have no direct involvement in decision-making. The autocratic management style is beneficial when decisions need to be made quickly. It is also beneficial when the employees lack experience. In these situations, the manager can make use of their own knowledge and experience to make an effective decision.

The consultative style is where the manager seeks feedback from the employees before making a decision themselves. It uses two-way communication by seeking this information from employees and it uses centralised decision-making. The consultative style can be beneficial when the employees have knowledge or vast experience in the area. This allows the manager to seek quality feedback so they are able to make more informed decisions.

Explicit similarities addressed

Sample answer 2

Both the autocratic style and the consultative style are ways in which a manager can lead their staff in the workplace. Both of these styles make use of centralised decision-making. This is where the manager makes the final decision themselves. However, a manager that utilises the consultative management style uses two-way communication with employees before making the final decision. They do this to seek feedback from employees before making the final decision. Whereas, the autocratic management style only uses one-way communication and does not seek feedback from employees before making a final decision. This can sometimes lead to lower morale in the employees as they have no involvement in the decisions that are made within the business. However, using the consultative style can sometimes lead to increased employee morale as they feel valued as a result of the manager seeking their feedback before making a final decision.

Explicit differences addressed

Analysis [Sample 2 Full Marks]

This may be your first introduction to a 'compare' question. With these types of questions, it is important to address the similarities and differences of two concepts. As you can see in Sample 1, the theory of each management style is solid. However, the response does not address the task word 'compare'. While from the Sample 1 response, you can determine some similarities and/or differences, they are not explicit and the response is more a description than it is a comparison. In contrast, Sample 2 is focused on the task word and provides clear similarities and differences between the two management styles. Importantly, the response does not simply list similarities and differences. It goes further and demonstrates an understanding of the similarities and differences by outlining them (i.e. provides more than simply a list).

Question 6

Many business owners understand the importance of having a positive corporate culture.

Explain the difference between a business's official corporate culture and its real corporate culture. In your response, refer to a contemporary business you have studied this year. 3 marks

Sample answer 1

Official corporate culture is the desired values and believes the senior leaders of a business want the people within the business to share. This can be seen in official documents such as the business's mission statement, stated core values or even in official policies. An example of the official corporate culture can be seen with Envato where they have set out the values they wish all employees to display in their work. Values such as Not Just The Bottom Line and Diverse and Inclusive are both examples of the official corporate culture at Envato. Whereas the real corporate culture is what the actual shared values and beliefs of the people within the business actually are. This can be seen in how the employees actually behave in the workplace, how they dress and how managers and employees interact.

Demonstrating that the business has actually been studied. Goes further than simply naming the business.

Be careful about using the term in a definition. Better to use something like "values and beliefs"

Sample answer 2

The official corporate culture is what the business wants the culture to be. Whereas the real corporate culture is what the culture of the business actually is. While it would be idea if they were both the same, this is not always the case and managers need to implement strategies to ensure the real culture matches the official culture. This can be seen at Google. Google creates an environment where the employees are valued at their work by providing benefits to employees. This helps build a positive culture within the business so that the employees are happy, resulting in them working hard towards business objectives. This shows the difference between the official corporate culture and the real corporate culture.

Example of Google is good, however response doesn't demonstrate the differences

Analysis [Sample 1 Full Marks]

Sample 1 provides a clear difference between the two forms of corporate culture and the contemporary business is also addressed. Sample 2 is vague in its understanding of the two forms of culture. It is not best practice to use the term in a definition or description. As you can see, the response is stating that the official corporate culture is the "culture"….. This does not show an understanding of the official culture which therefore makes it challenging to demonstrate the difference between the two forms of culture. The example used in Sample 2 is a good one. While Google is a fantastic contemporary example to use, the response would be insufficient because it does not make the difference between the official and real culture clear. Response 1, does make the difference much clearer and also provides a sound contemporary example that has clearly been studied. We know this as it has used specific values from Envato.

Unit 3 AOS2

Question 1

Describe one advantage and one disadvantage of off-the-job training as a way to improve the efficiency of employees 4 marks

Appropriate advantage identified, but not described

Sample answer 1

One advantage of off-the-job training is that the employees will normally learn from expert trainers with vast experiences. This allows the employees to learn in greater depth from the expert trainers. This can improve the ability of the employees to perform their jobs to a higher level and will improve the efficiency of the business.

Addresses the efficiency of the business, not the employees

However, one disadvantage is that off-the-job training is often more expensive. The business not only needs to pay for the training but because the employee is away from work, they will either need to be replaced or there will be a lack of productivity while they are being trained. This increases the costs of the training, reducing the efficiency of the employees and the business.

This is an advantage, but likely going to be difficult to link to efficiency of employees

Mentions efficiency of employees however, no substance behind the claim. How does reducing costs reduce efficiency of 'employees'?

Sample answer 2

Appropriate advantage identified and described

One advantage of off-the-job training is the employees can learn without workplace distractions. Because the employees are learning away from the workplace they have the opportunity to focus on the training without needing to worry about other workplace matters. This can lead to greater employee efficiency as their skills are improved at a more rapid rate and they can bring these newly developed skills back to their own work, helping them perform their work more efficiently.

Clear link to employee efficiency

Appropriate disadvantage identified and described

However, one disadvantage is that they may not learn on the exact equipment or environment they will be working with in their actual job. Learning away from their place of work, there may be differences in the equipment or software that they are learning on, making it difficult to transfer the skills and knowledge back to their place of work. This may harm efficiency of the employees in the short term as they will need to take the time to transfer the skills and knowledge to their own work setting.

Analysis [Sample 2 full marks]

Clear link to employee efficiency

Sample 1 actually doesn't do much well. Although it is clear that the student has studied off-the-job training and has memorised some advantages and disadvantages, it is not clear that they fully understand the impact on efficiency for employees. While the Sample 1 response identifies an advantage and disadvantage, it does not clearly give a description of either. There is some elaboration on what the advantage and disadvantage are in Sample 2. There are specific marks allocated to these descriptions as it is a task work used in the question. The other major issue with Sample 1 is that the response addresses how the training will improve efficiency of the business, not the employees. In contrast, Sample 2 clearly addresses the correct concept and outlines how off-the-job training will improve the efficiency of employees. While Sample 1 demonstrates some understanding of off-the-job training, it is likely to score very low as it has not addressed any parts of the question. While Sample 2 addresses all elements of the question clearly.

Question 2

Zenith Solutions is a leading software development company known for its cutting-edge technology and innovative solutions. The company has built a reputation for attracting some of the brightest minds in the industry. To retain its talented staff, Zenith offers competitive salaries, significantly higher than the industry average. However, recently, the company has been facing challenges with employee retention. Talented developers and project managers are leaving the company more frequently than before, and there has been a noticeable drop in team morale and productivity.

Explain, with reference to Maslow's hierarchy of needs, why the high salaries at Zenith Solutions do not appear to be motivating staff effectively. **4 marks**

Strong understanding of Maslow's theory shown

Sample answer 1

Maslow's hierarchy of needs theory outlines that individuals are motivated by five levels of needs, starting with physiological needs. At Zenith Solutions, the high salaries initially satisfy these basic needs. However, according to Maslow, once a need is fulfilled, it no longer serves as a motivator and the individual is motivated by the next level in the hierarchy. Consequently, the high salaries at Zenith Solutions are no longer driving employee motivation. Employees are likely seeking fulfillment of higher needs, such as safety and security, which could be addressed by providing job security and ongoing employment opportunities. To further enhance motivation, Zenith Solutions should then focus on strategies that satisfy the needs higher up the hierarchy such as the social needs, through social gatherings, esteem needs, through recognition and empowerment, and self-actualization needs, by offering opportunities for personal and professional growth. Meeting these higher-order needs is key to elevating employee motivation and improving the employee retention at Zenith Solutions.

Good application to Zenith Solutions and why employees are not highly motivated

Understanding of Maslow's theory

Sample answer 2

Maslow's Hierarchy of Needs suggests that people have different levels of needs, starting from basic physiological needs to higher-level needs like self-actualisation. In the case of Zenith Solutions, the high salaries they are offering to their employees likely cater to the basic level of Maslow's pyramid, which includes physiological needs like food and shelter, and perhaps safety needs. However, this theory also suggests that once these basic needs are met, individuals seek to fulfil higher-level needs like love/belonging, esteem, and self-actualization. The issue at Zenith might be that while they are providing well for the basic needs of their employees, they are not addressing these higher-level needs, which are crucial for long-term motivation and job satisfaction. Therefore, the company should look into ways to satisfy these advanced needs of their employees.

Lacks application to Zenith when addressing the other levels in the hierarchy

Analysis [Sample 1 full marks]

Both responses demonstrate a good understanding of Maslow's theory. They clearly state that the needs are in a hierarchy where the lower needs are the basic needs. Response 1 does a better job in stating that once the need has been met it is no longer a motivating factor, demonstrating a more in-depth understanding. Both responses then go on to explain that the employees would be motivated by the next level in the hierarchy. However, response 2 does this very generally and is not applied well to Zenith Solutions, whereas response 1 does this far better.

Question 3

DK is a jewellery manufacturer in Melbourne. The business employs 80 workers and uses the industry award to determine the wages and conditions for its employees.

Explain the role of the human resource manager and the union at DK. **4 marks**

All of the content is about negotiating wages and conditions. However, the employees are on the award and therefore no negotiation is allowed

Sample answer 1

The human resource manager will represent the employer during negotiations around a new wage agreement. The HRM will take into consideration the wants of the employees to try and negotiate a deal that is beneficial for both the employees and DK. Once an agreement has been approved by the Fair Work Commission, the HRM would then need to ensure the wages and conditions are implemented in a timely manner.

The role of the union is to represent the employees when it comes to industrial relations issues. They will try and fight for higher wages in a negotiation to get the best deal possible for employees. If the union is not happy with how negotiations are going, they may decide to take industrial action such as a strike. They would need to ensure that they apply to the FWC to get the action approved to avoid any litigation.

Shows an understanding that the employees are on the industry award. Specific to the short case study.

Sample answer 2

The role of the human resource manager is to manage the relationship between the employees and DK. Because DK uses the industry award, the human resource manager will be involved in ensuring that employees receive all of their entitlements stipulated in the industry award. If a dispute arises between the workers, the human resource manager would be involved in helping resolve the dispute. The HRM would follow the steps outlined in the grievance procedure to ensure that the dispute is resolved in a fair manner.

The union's role is to represent the workers at DK to offer any advice or representation if required. If the DK workers believe the business is not providing any of the entitlements stipulated in the industry award, they can ask the union for their advice or to represent them, ensuring the matter is resolved. The union can also be called upon by their members to place pressure on DK to offer an enterprise agreement in a fight for higher wages or improved working conditions. The union will also represent the employees if they are ever involved in a dispute with DK.

About roles other than negotiating agreements because the employees are on the industry award

Analysis [Sample 2 full marks]

All of the information in sample 1 is correct in that it outlines the roles of both the HRM and the Unions. However, it has not taken into consideration that DK uses the industry award to determine the wages and working conditions for its employees. Because they use the award, neither the HRM nor union will be involved in any negotiation about the wages or conditions. The award is set by the FWC and therefore negotiation at enterprise level does not occur.

In sample 2, the response is focused on other roles apart from the negotiation of wages and conditions. This response does recognise that DK uses the industry award to determine wages and conditions and therefore avoids the common mistake of mentioning negotiation. It brings other roles such as dispute resolution or ensuring that all entitlements stipulated in the award are being provided to employees. It is common for students to make the mistakes in sample 1. So much time is spent on remembering the roles of all the participants. However, it is those that can comprehend the case material and provide responses that apply well that give themselves the best chance for success.

Question 4

Distinguish between arbitration and mediation. **3 marks**

Sample answer 1

Mediation is where an independent third party helps two disputing parties come to an agreement by making suggestions on how to best resolve the conflict. While the mediator helps resolve the conflict, the final decision is made between the two disputing parties themselves. Whereas arbitration is where an independent third party listens to each side and makes a final decision about the dispute. One difference is that mediation is less formal than arbitration.

Outlined conciliation rather than mediation

Difference is incorrect

Outline mediation and arbitration correctly

Sample answer 2

Mediation is where an independent third party helps facilitate an agreement between two disputing parties. The mediator is not involved in any decision making and does not make suggestions, however will facilitate the conversation between the two disputing parties. Whereas, arbitration is where an independent third party will listen to the two disputing parties and make a final decision about how to resolve the conflict. One difference is that in mediation, the two disputing parties come to their own agreement whereas in arbitration, the independent third party makes a decision on the resolution.

Good difference outlined

Analysis [Sample 2 full marks]

It is very common for students to mix up mediation and conciliation in their explanations, which is exactly what the student did in Sample 1. Conciliation is not part of the BM course but many students do learn it. If asked about mediation, it is important to be clear about what it is. The third party does not make suggestions. They are simply there to help facilitate the conversation so that hopefully those in dispute can reach an agreement. It is also important to note that the difference in Sample 1 is not acceptable. Mediation can also be very formal so it is not a clear difference. There is nothing special about the response in Sample 2 however, it correctly outlines both mediation and arbitration and then gives a clear difference.

Question 5

View Healthcare, a regional hospital network in Geelong and Ballarat, is facing the retirement of a significant number of its long-serving staff members at the end of the year. This wave of retirements includes several key nursing and administrative personnel.

Compare transition considerations with entitlement considerations as they could apply to the retirees View Healthcare. 6 marks

Good differences

Sample answer 1

In the case of View Healthcare, the differences between entitlement and transition considerations for retirees are mainly that entitlement considerations are legal obligations like superannuation pay, whereas transition considerations involve strategies like counselling. Entitlement considerations are about what the retirees get in terms of financial support when they retire, while transition considerations are about helping them adjust to retirement life. View Healthcare, facing a wave of retirements, must consider these aspects separately. It is important for View Healthcare to implement both considerations because it can help the employees retire feeling happy that with the business which can improve the reputation and culture of the healthcare business.

No similarities addressed

Differences explained

Sample answer 2

Entitlement considerations are legal obligations that the hospital must meet, such as ensuring the retirees receive their pay for any work they have completed as well as access to accrued benefits such as long service leave. However, transition considerations, are strategies to support employees' shift from work to retirement that are beyond legal obligations. These may include offering counselling services or retirement planning workshops, which are particularly relevant for staff who have dedicated years to nursing or administrative roles. Both consideration types are similar in that they both aim to respect and honour the contributions of long-serving employees. Both forms of considerations also assist the employee as they enter the next stage of their life. However, while entitlements are mandatory and financially oriented, transition strategies are optional and focused more on psychological and social support. For View Healthcare, balancing these considerations is vital for a smooth transition for retirees, acknowledging their years of service and ensuring their well-being post-retirement.

Similarities addressed

Analysis [Sample 2 full marks]

The main issue here is that response two addresses the similarities. It is such a common mistake made in SAC and exam responses, that students fail to address the similarities. There is no doubt that the similarities between transition considerations and entitlement considerations are difficult, however even the basic similarities are fine to use. Whenever you get a "compare" question, ensure you are addressing both the similarities and the differences.

Question 6

Discuss the use of a motivation strategy that could be implemented at Bingham Finance to improve employee performance 4 marks

Sample answer 1

One motivation strategy that Bingham Finance could implement is career advancement. Career advancement is where employees receive opportunities to be promoted and move up the corporate ladder. This can motivate employees as they see Bingham Finance is investing in them and sees potential in them. This can improve motivation as the employee takes on greater responsibility. This improved motivation will improve employee performance as the employee are motivated to work hard and be rewarded with promotions and increased responsibilities. However, it can be difficult to provide career advancement to all employees and if only some employees receive promotions it can cause resentment from others.

Limitations of the strategy addressed

Linking benefits of strategy to improved employee performance

Not an acceptable strategy in this case as the employees are already being paid high wages

Sample answer 2

One motivation strategy is performance related pay. Performance related pay is where an employee's wage is tied to how well they perform at work and meet targets. The more targets the employee meets the higher their wage will be. This can be a good way to motivate the employees at Bingham Finance as they will be motivated to achieve even more money than they are receiving. Attaching an increased wage to the employee meeting extended target will motivate them to work hard to achieve them. However this can cause an unhealthy rivalry between some of the employees at Bingham Finance as they work against each other to fight for clients and extra pay. This can harm the culture of the business.

~~Another motivation strategy investing in training. Training is where the employees learn to improve their skills so they are able to perform better in their job. Being trained in the latest financial products may help the employees perform better in their job as they are more knowledgeable about the latest product. This helps them provide an improved service to their clients and they are motivated as they are gaining confidence in their job. Employees may also feel valued as the see Bingham Finance is investing in them which can lead to improved motivation.~~

The question asks for 'a' strategy, not 2 strategies. Therefore, this section is not considered for marking

Analysis [Sample 1 full marks]

With respect to Sample 2, the answer addresses two legitimate motivation strategies and both are listed in the study design. However, the response does not take into account the case material that was provided. The use of performance related pay as the first motivation strategy would not be accepted because the case material outlines the employees are already receiving high wages yet are still not motivated. Providing employees with even more money is not likely to further motivate employees and is therefore not an acceptable strategy to use in this instance. A second problem with Sample 2 is that, while the second strategy is acceptable, the question only asks for **a motivation strategy**. There is no need for a second strategy and is therefore not taken into consideration for marking. Sample 1 achieves full marks because it accurately addresses the key components of the question.

Unit 3 AOS 3

Question 1

The Head of the River Hotel is a restaurant located in the Murray region.

Explain and justify one quality strategy that The Head of the River Hotel could implement to ensure that the quality of its food service is of a high standard **4 marks**

Appropriate strategy identified and described well

Sample answer 1

The Head of the River Hotel could use quality control which is where the business inspects the product at regular intervals to ensure quality is high. The business will set quality criteria that must be met and if the product does not meet this criteria, corrective action is taken to ensure the product is rectified before it meets the end customer. Implementing quality control will ensure that the quality at The Head of the River Hotel is high, because the business will be performing checks regularly to ensure that the quality is high. If it is not high, they will need to take corrective action. This may result in wastage as the products may be discarded or reworked, meaning that more resources are used to produce the end product. However, performing these checks and comparing the product against the set standards will ensure that all products will be of high quality. This will improve the level of customer satisfaction and help the Hotel increase their sales.

Lacks application. Far too general. Nothing about the food service

Appropriate strategy identified and described well

Sample answer 2

Quality control is the use of inspections at regular intervals throughout production to check if the product meets set quality standards. If the good or service does not meet the desired standards, corrective action is taken. For each meal that is produced, there could be a staff member that checks the quality of the meal to see that it meets the set standards before it is taken out to the customer. This will ensure that every meal meets the desired standards. If the meal does not meet the set standards, then it will return to the kitchen for it to be rectified before it is then checked again. Once it meets the desired standard it will be delivered to the customer. The Hotel can complete the same checks for the table service to ensure that all service staff are meeting the desired standards. For example, there could be a standard for how often the service staff must check on their customers or a time limit on how quickly they need to take orders from the customers. All of these standards will ensure that the level of service is high.

Strong application. The response is clearly about the food service at the Hotel

Analysis [Sample 2 full marks]

Sample 1 is the inferior response and demonstrates a very common response in exams. This response has solid theory yet is far too general. It continues to mention the term "product" which could be any type of product. The key to this question is that it is about a restaurant - therefore the response should reflect this. What type of quality are they checking? What products are they dealing with? The response should reflect this. When you are preparing for SACs or the exam, it is unlikely that you will practice for every type of business you will face in these assessments. You don't need to know the details of every industry a business operates in. However, changing a few words in your response can make a big difference. The basis of these two responses is relatively similar. They both use quality control and they both talk about improving quality. However, Sample 2 is applied because it is about food service that would be delivered in a restaurant. This is specific to the question and is therefore a higher level response.

Question 2

Evaluate one global consideration that Ms Crisp should implement to improve the operations at Carrie **6 marks**

Lack of application

Sample answer 1

One global consideration is global sourcing of inputs. Global sourcing of inputs is where the business receives resources from a foreign country to use as part of their operations. Global sourcing of inputs comes with many benefits. One benefit is that the business can often receive inputs that are cheaper than in Australia. Some countries use cheaper labour which enables them to sell their resources far cheaper than the suppliers in Australia. Another benefit is that some resources are higher quality in other countries than they are in Australia. This can help Australian businesses improve the quality for their products which can improve the overall customer satisfaction.

However, global sourcing of inputs also has some drawbacks. One of the drawbacks is that because the resources such as materials need to travel a long way, it increases the lead time of the business which means it will take longer to receive their materials and therefore produce their products. This also reduces the flexibility of the business because changes to the materials used will be far slower due to the increased transportation time.

Despite these drawbacks, businesses can improve their overall efficiency and effectiveness by sourcing their inputs from overseas suppliers.

Theory is OK, but too general

Much more specific to the case study

Sample answer 2

One global consideration that Carries can use is global sourcing of inputs. Global sourcing of inputs is where the business receives resources such as materials from overseas suppliers. This can help Carrie improve her operations because she may be able to receive materials such as bran, wheat and fruits that are much cheaper than Australia. This can help reduce her production costs which can improve her profit margins. Using overseas suppliers can also improve the overall quality of her cereals. She may be able to make use of countries with higher quality food materials to improve the quality of her products which will improve the customer satisfaction of the business.

However, sourcing inputs globally will increase the time it takes Carrie to receive her materials. This can slow production because the overall lead time is increased due to the increased transportation. If Ms Crisp finds that an order from her overseas suppliers does not meet the desired quality, it will take a long time to return them and receive a new order. This greatly reduces the flexibility of her business which can harm the overall operations at Carrie.

Despite the possible advantages of sourcing global inputs, Carrie should continue to use local suppliers for her cereals. This will enable Carrie to reduce the lead time for their cereals which will enable the business to get their products to the market quicker.

Drawbacks and concluding statement

Analysis [Sample 2 Full Marks]

The issue with sample 1 is that it is far too general. While all the information in this response is fine, there is no reference to the case material. The question clearly states that the response must refer to Carrie. The responses MUST therefore refer to Carrie and the cereals they are producing. Sample 2 is very similar to sample 1 in terms of the theory it is using. However it applies the theory to Carrie and the cereals they are producing. Traditionally, there is lots of application in business management exams, and this is an area that students often find difficult. While you will likely not be able to prepare for every scenario, you should be preparing yourself to apply the content from the BM course.

Question 3

Green Earth Cosmetics is a company specialising organic beauty products. They pride themselves on producing high-quality skincare and makeup items.

Describe one way in which Green Earth Cosmetics could use a materials management strategy to improve the efficient management of its inputs. 3 marks

Definition is true, but unclear that the strategy is about materials management

Sample answer 1

Forecasting is a strategy that uses past data to predict customer demand for its products. Green Earth Cosmetics would be looking at their data to determine what the sales of their skincare and makeup products would be in the future. This would help them determine how many of each product they need to make. This improves efficiency as they are not overproducing the skincare and makeup products, which reduces the amount of wastage they produce.

These statements are referring to outputs, not inputs

Focused on forecasting as a materials strategy

Sample answer 2

Green Earth Cosmetics could use forecasting which is a materials management strategy that analyses historical sales data and trends to predict future demand so it can order the correct amount of materials. This forecasting allows Green Earth Cosmetics to order the precise amount of raw materials needed for their skincare and makeup products, such as organic ingredients and sustainable packaging materials, ensuring they have enough stock to meet customer demand without over-purchasing. This not only minimises waste and storage costs but also ensures a steady flow in the production process, enhancing overall operational efficiency.

Response is referring to inputs/materials

Analysis [Sample 2 full marks]

This question asks students to focus their response on the inputs. While response 1 demonstrates an understanding of inputs, the focus of the response is on how many skincare products the business will produce as a result of the forecasts. The response needed to focus on the inputs. Despite Response 1, being applied reasonably well to Green Earth Cosmetics, it simply does not answer the question. Response 2 however, clearly focuses on the inputs where it addresses having enough raw materials and ensuring there is enough stock to meet demand. The response is applied well and demonstrates a clear understanding of forecasting as a materials strategy to improve efficiency in the area of inputs.

Question 4

Compare the characteristics of a service business's operations and a manufacturing business's operations

4 marks

Sample answer 1

Both manufacturing and service businesses go through the three phases of an operations system which includes the inputs, processes and outputs. Both types of businesses will use resources for their inputs and look to transfer these inputs into a final output. The final output in both service and manufacturing businesses are sold for money.

However, there are some key differences between the operations of a service and manufacturing businesses. A manufacturing business produces a tangible output, meaning it can be touched or handled. Whereas a service business produces an intangible output, meaning it is unable to be touched or handled. Another difference is that a manufacturing business is often more capital intensive where machinery and equipment is used, often to automate processes. Whereas service businesses are often more labour intensive where employees are the ones delivering the service.

Gives both similarities and differences

Gives some depth behind each point. Not just a list

Sample answer 2

A manufacturing business produces tangible outputs whereas a service business produces intangible outputs. Manufacturing businesses can store their products because they are tangible. Service businesses cannot store their products because they are intangible. Manufacturing businesses are more capital intensive, whereas service businesses are more labour intensive. Consumption will normally occur separately from production in manufacturing. But in services the consumption and production often occur at the same time. There is very little customer involvement during production for a manufacturing business. Customers are often heavily involved during the production of a service. An example of a manufactured good is a guitar. But a service could be guitar lessons.

Simply a list. No similarities

Analysis [Sample 1 full marks]

When asked to compare, it is important to give both similarities and differences. There doesn't normally need to be equal weighting between the similarities and the differences, but both need to be addressed in order to receive full marks. A question very similar to this came up in the 2019 exam. Most students weren't prepared to actually compare this area as most had only prepared to distinguish between manufacturing and service businesses. Who knows if this type of question comes up again. However, it demonstrates the importance of being able to answer questions you haven't necessarily prepared for. It is also important that when comparing, simply listing similarities or differences is not enough. While students will likely still receive marks for these types of responses, it is important to give some information about what the similarity or difference is. This is one of the key differences between the two responses.

Question 5

F&M Group is a commercial cleaning business owned by Frances and Maggie. The company specialises in cleaning office buildings and has 38 locations across Victoria, New South Wales and Queensland.

Explain how F&M Group could implement technological developments to improve the efficiency of its operations system.
3 marks

Sample answer 1

This is a manufacturing strategy that cannot be used for a service business

F&M Group could implement an automated production line. An automated production line is where the product moves through a sequence of steps where parts are added automatically with minimal human interaction. Using the automated production line would allow F&M to produce their cleaning products in an efficient manner. Automating this process would speed up the rate of production and allow them to clean their buildings in less time, improving efficiency. This would also require less human labour which would also allow them to improve the efficiency of their operations.

The business cleans offices, no mention of them manufacturing their own products. Too much of a stretch to say they do. Need to focus on the service

Sample answer 2

While not in the study design, this is a legitimate technological development that could be used by a commercial cleaning business

F&M Group could implement a range of automated equipment such as automatic vacuum cleaners. This would allow the cleaners to focus on cleaning other areas of the facility while the automatic vacuum cleaners vacuumed the floors. This would reduce the time it takes to clean each of the facilities, enabling F&M Group to clean more offices in the same amount of time, leading to improved efficiency. Using automated equipment could also improve the quality of the vacuuming, reducing errors and the need to vacuum again. This also reduces the amount of resources used to clean each office space, leading to improved efficiency for F&M Group.

Good link to efficiency. States how efficiency will be improved in the cleaning business. Solid application

Analysis [Sample 2 full marks]

You can see that one response uses a strategy that is listed in the study design while the other uses one that is not in the study design. An automated production line is used in manufacturing, not in service businesses. While services can be automated, a production line is more about manufacturing and should not be used for services. Despite not being in the study design, Sample 2 uses automated equipment. This is fine to use and demonstrates the student's ability to think their way through the question and comprehend the type of business they are faced with. The application of the automated vacuum cleaners is strong and clearly links to improving the efficiency of the cleaning business. This is a response that is applied well to the cleaning business and the improvement of efficiency in the operations system.

Question 6

Bright Solar is a renewable energy company that specialises in designing and installing solar panel systems for residential and commercial properties.

In relation to lean management, explain how Bright Solar could use Pull and Takt to reduce their wastage. **4 marks**

Good understanding of Pull and applied well to reducing wastage

Sample answer 1

Pull is where a business produces the number of products to meet customer demand. This will reduce the wastage at Bright Solar because they will not be overproducing solar panels by only producing the number that the market needs. Bright Solar would only produce Solar Panels in the desired size and quantity, reducing wastage as each solar panel produced will be sold.

Takt is where there is a continuous flow in production and no bottle necks. Bright Solar will need to ensure that the production maintains a consistent speed so that each employee has time to complete their tasks. This will ensure there is a continuous flow when making the solar panels and will reduce wastage as a result of hold ups during production.

Doesn't understand Takt. This is more about one-piece flow

Good understanding of Pull and applied well to reducing wastage

Sample answer 2

The Pull strategy, focused on producing only what is needed to meet customer demand can be applied by initiating solar panel production and installation processes in direct response to customer orders, rather than producing in anticipation of future demand. This approach ensures that resources and efforts are not wasted on producing excess solar panels that do not align with market demand.

The Takt principle aligns production speed with customer demand rate. Bright Solar can streamline their operations to match the pace of customer orders. By synchronising their production rate with the actual rate of demand, Bright Solar minimises overproduction, leading to less wastage and to more efficient use of materials and resources.

Understands Takt and links to wastage at Bright Solar

Analysis [Sample 2 full marks]

It is a very common mistake for students not to show an understanding of Takt or one-piece-flow. In Response 1, it is confusing takt with one-piece-flow. There is one sentence that mentions a consistent speed, which is a positive, but it then goes into a continuous flow which is more about one-piece-flow. Response 2 demonstrates a sound understanding of both Takt and Pull, it applies both well to the Solar Panels and how the strategies can help them reduce their wastage.

Unit 4 AOS1

Question 1

Define the following performance indicators.

a) Percentage of market share

b) Number of customer complaints **4 marks**

Sample answer 1

a) Percentage of market share is the portion customers who buy a product from a business out of the total number of sales in the industry, expressed as a percentage.

b) The amount of people that are dissatisfied with the business and have notified the business of their issue.

Sample answer 2

a) Percentage of market share is the percentage of the market that a business owns

b) The amount of people that are dissatisfied with the business.

Analysis [Sample 1 full marks]

It is common for students to write definitions by simply altering the order of the term. It is very important not to do this. If possible, try to avoid use of the term within the definition. Many students make the mistake of outlining a customer complaint as those that simply are dissatisfied with the business. While it is true that the customer has some form of dissatisfaction, in order for it to be a complaint, the customer must notify the business in some form (i.e. verbally, written complaint etc). Sample 1 is clearly the superior response as it avoids these problems, unlike Sample 2 which cannot achieve full marks.

Question 2

Justify two key performance indicators that Melanie could use to measure the success of the new technology

4 marks

No descriptions. Straight into application

Sample answer 1

One key performance indicator that Melanie could use is the number of customer complaints. The VR technology has been introduced to improve the customer experience, so if the technology is successful in achieving this, it would be expected that the number of customer complaints would be reduced. The technology should allow customers to be more informed regarding their purchasing decisions which will improve their level of satisfaction and reduce the number of customer complaints.

Another key performance indicator is the level of staff turnover. The VR technology may replace the jobs of some employees, which will lead to an increase in staff turnover because more employees are being made redundant. This will reduce the wage costs if the business but it significantly increases the level of staff turnover which shows that the VR technology has not been a total success.

KPI not relevant to the case study

Descriptions of each indicator

Sample answer 2

Melanie could use the number of customer complaints. The number of customer complaints measures the amount of people that are dissatisfied with the business or its products and have notified the business of their dissatisfaction. For the technology to be a success it would be expected that the number of customer complaints would reduce because customers are happier with the business. The VR technology should improve the level of customer service that Soft Furniture delivers and allow the staff to guide customers to the furniture that is best for them. This will improve the level of customer satisfaction and reduce the number of customer complaints, resulting in the technology being a success.

Melanie could also use the number of sales indicator. Number of sales measure the amount of products sold over a specified period of time. With Soft Furniture being at the cutting edge of technology in the retail sector, more customers are likely to shop at their stores rather than competitors. This would improve the number of sales that Soft Furniture has which would demonstrate that the VR technology has been a successful investment.

Both indicators are relevant and clearly justified

Analysis [Sample 2 Full Marks]

There are two main issues with sample 1. The first is that there is no descriptions of the KPIs. When justifying, it is important to describe the concept firstly. The justification for the customer complaints is sound and would likely receive marks. There is a major issue with the second KPI used in sample 1. The KPI of staff turnover is not really relevant in this situation, and it is even explained poorly in this response. Employees being made redundant is not classed as staff turnover because these employees do not need to be replaced. This shows a poor understanding of staff turnover.

Sample 2 is much stronger because it firstly describes both KPIs. These are easy marks that should not be missed out on. For the second KPI, the response uses a much more relevant one. The use of number of sales is far more relevant to an improvement in the level of customer service which is what the VR technology is designed for. For each KPI, the response clearly justifies how it will measure the success of the VR technology.

Question 3

Referring to the above data, analyse the extent to which the quality control strategy has been a success at BubbaBoo (6 marks)

Sample answer 1

Introducing quality control has had mixed results at BubbaBoo. By introducing the quality strategy, the number of customer complaints has dropped dramatically. Quality control results in the business checking the quality of their prams at regular intervals during the production process. This ensures that only the prams that meet BubbaBoo's quality standards actually make it to the end consumer. The number of customer complaints has dropped because the quality control strategy has resulted in a higher level of quality for their prams which is improving the level of customer satisfaction, showing the strategy has been successful in improving this area.

The number of sales has also increased significantly, from $122,000 per month to $155,000 per month. This may be a result of the improved quality prams. This improves the image of BubbaBoo's brand and will likely result in improved word of mouth and online reviews. As customers hear about the improved quality, it has resulted in more sales of their prams.

However, not all of the results are positive. The level of productivity growth has decreased since the introduction of quality control, resulting in less prams being produced per day. Quality control can slow down production because it takes time to perform the quality checks throughout the production process. This is likely the reason why productivity growth is negative over the past 6 months. The introduction of the strategy will also take time for employees to become accustomed which will impact the productivity growth in the short term.

Clear analysis as to possible reasons why the KPI data is the way it is

Sample answer 2

Quality control is a strategy that checks the product against predetermined quality standards at regular intervals. This helps to improve the quality of the end product. At BubbaBoo, the quality control strategy has had mixed results. Firstly, the number of customer complaints has reduced since the introduction of the quality control system. The number of complaints has dropped from 45 per month to only 10 per month which is a significant decrease which shows the strategy is successful.

Another area that has been improved is in the number of sales. BubbaBoo previously had $122,000 worth of sales per month. Since the introduction of the quality control system, the number of sales have improved dramatically in 6 months, where the business now has $155,00 per month.

However, not all the results have been positive, which show mixed results in terms of the success of the strategy. The productivity levels have dropped by a significant number. Before quality control had been implemented, BubbaBoo was producing 90 prams per day. However, 6 months after the introduction of quality control, BubbaBoo is only producing 70 prams per day. This shows that while the strategy has been positive in some areas, it has had a negative impact on other areas.

Simply stating what has happened with the data. No analysis as to why

Analysis [Sample 1 Full Marks]

The difference between the two responses is that sample 1 provides analysis, whereas sample 2 does not. Sample 2 clearly outlines what has occurred, showing that they are able to interpret the data. However, sample 1 goes much further and states some possible reasons why the data is the way it is. This shows a clear ability to interpret the data, along with a clear understanding of the quality control strategy.

Question 4

Analyse the driving and restraining forces that have impacted change on a contemporary business case study 6 marks

Change is more than 4 years ago and therefore not accepted

Good driving forces mentioned, but they lack any analysis

Sample answer 1

Coles implemented self service checkouts to help reduce costs and reduce the time it takes to serve customers. One of the key driving forces for this change was the reduction of costs. Coles implemented the self serve checkouts to reduce the amount of labour costs. Another driving force was management. Managers will often look to implement changes to improve the business. Another driving force was shareholders. Shareholders could see that there would be a reduction of costs and would be happy with the changes.

One of the restraining forces was the financial considerations as it would have cost money to implement. Another restraining force would be the customers as they would need to serve themselves and may not be happy about it. Another restraining force would be shareholders due to the increased costs of implementing the new checkouts at all of the stores.

Good restraining forces mentioned, but they lack any analysis

Recent change, within the last 4 years

Sample answer 2

Wesfarmers implemented a restructure in their Target and Kmart business during 2021. They decided to close approximately 70 of their Target stores and rebrand others into Kmart stores.

One of the driving forces for this change was the reduction of costs. This is where the business looks to implement change with the aim of reducing the overall operating costs of the business. With the store closures, Target was to become a much smaller company with less store locations. Many of the stores that they closed were performing poorly financially. By removing these stores, it reduces the overall costs of the business.

Driving forces are identified and then analysis is provided

Another driving force was societal attitudes. Target is positioned in the middle of the market in terms of prices. Due to society shopping online more often, they are able to find similar products to what Target sell for a cheaper price. Kmart is positioned at the cheaper end of the market and therefore was seeing an increase in market share. This was resulting in more customers choosing Kmart over Target, which prompted the rebranding of many of the Target stores to Kmart.

One of the restraining forces is the financial considerations. While the costs would reduce over the long-term, in the short term the changes cost over $70 million to implement. Negotiating the termination of leases as well as paying employees redundancy packages became major costs for implementing the change. This worked against the implementation of the change as it was a significant cost in the short-term.

Another restraining force were the employees. Due to many employees being made redundant, they were unhappy with the changes and worked with the union to resist the changes. This worked against the change and actually caused some delays in its implementation.

Restraining forces are identified and then analysis is provided

Analysis [Sample 2 full marks]

Sample 1 would likely receive zero marks because the change occurred more than 4 years ago and therefore does not meet the requirements of the study design. Despite this, it also does not provide analysis of each of the forces. The forces used are relevant to the case study, yet there is no depth behind them. Sample 2 uses a current change and is therefore accepted. Notice how there is depth behind each of the forces. They outline how they acted as a driving/restraining force in the given scenario. This is important with an analyse question. Ensure you provide depth in your responses.

Question 5
Explain how Jimmy could apply the principles of the force field analysis theory during this change **5 marks**

Specific example of forces

Sample answer 1
The force field analysis is a tool that managers can use to analyse the force for and against the change. Once the change is clearly defined, the first step when using a force field analysis would be for Jimmy to identify the driving forces. Driving forces are those that support the change and help push it towards the new desired state. A driving force for Jimmy could be the pursuit of greater profits, where he is looking to expand to increase the net profits of the company. Next, Jimmy would identify the restraining forces, which work against the change and try to keep it in its current state. A possible restraining force for this change could be the high level of capital investment required to establish the physical stores.
Once the forces have been identified, Jimmy would need to analyse each one to determine their weighting and provide a ranking. He might allocate a number out of 5 to each force, with 1 being the least powerful and 5 being the highest value. The aim of the analysis is to have the value of the driving forces be higher than the value of the restraining forces.
Once the analysis is done, Jimmy would create an action plan on ways to reduce the restraining forces and increase the driving forces and implement this response. Once these actions have been put in place, it is important for Jimmy to review the response to determine if the driving forces now outweigh the strength of the restraining forces. This will enable Jimmy to make an informed decision about whether the change was worth investing in as well as an action plan to move forward, helping increase the chance of success.

Value/strength of forces, not number of forces

Works through multiple steps, including an action plan response, evaluating response

Sample answer 2
The force field analysis is a tool that analyses the forces for and against a change. Jimmy would need to firstly identify the driving forces for the change. Driving forces are those that help initiate or support the business through the change. These are important if the business is going to move towards its new desired state. Once this is completed, Jimmy would need to identify the restraining force. Restraining forces are those that work against the change and try to keep the business where it currently is.
Once each force has been identified, they need to be analysed. Each force is analysed to see how powerful it is in regards to the change and will give Jimmy a clear indication of what he is facing as he moves forward. The aim of the business is to have more driving forces than restraining forces. This will ensure there is enough force to push the business towards the new state and it will help the expansion into new physical retail stores.

No specific forces, or mention of an action plan. Not valuing forces. Poor response

Incorrect

Analysis [Sample 1 Full Marks]
There are two thing that sample 1 does that sample 2 doesn't do and both are very simple. The first is that sample 1 provides specific examples of driving and restraining forces. This helps with the application requirement of the question. The second is that it mentions all steps in the force field analysis. Identifying and analysing the forces, is important. But so too is the action plan or some form of way to overcome the restraining forces.
Other than the issues mentioned above, sample 2 states that the aim is to have more driving forces than restraining force. This is 100% incorrect. The number of driving and restraining forces is not that important. What is important is the value or the power of each force. There could be 4 driving forces, but only 2 very powerful restraining forces, that simply cannot be overcome, rendering the change likely unsuccessful.

Question 6
Compare Porter's generic strategies **4 marks**

Sample answer 1
The lower cost strategy is where the business aims to be the low cost producer in the industry. Businesses are able to lower their costs in a number of ways. This can include the business looking at all areas of the business to reduce expenses. Many businesses will look to source cheaper materials in order to lower their costs, while other businesses will look to minimise waste within the business. Once the business has lowered their costs, they can lower their prices and become more attractive to the price sensitive consumer. This can help them gain a competitive advantage and possibly increase their market share.

On the other hand, the differentiation strategy is where a business looks to gain a competitive advantage by being unique in some way that is valued by customers. A business can achieve this in a number of ways. One way is to have unique features that customers desire. Another way is to have a higher quality product. Being unique is often more costly for the business however, they are rewarded by being able to charge a premium price. Customers are often more loyal to a business that has implemented differentiation as they are more attracted to the uniqueness and willing to pay a premium to receive it.

While mostly correct, this is all description. No attempt to compare the two strategies. The beginning of the 2nd paragraph "On the other hand", is not enough to demonstrate an understanding of the differences between the strategies

Begins nicely with a similarity

Another good similarity provided

Sample answer 2

Both the lower cost and differentiation strategies are ways a business is able to gain a competitive advantage in the market place. The lower cost strategy is able to achieve this by becoming the low-cost producer in the industry and can then lower their prices. This helps the business attract price sensitive consumers. Whereas the differentiation strategy achieves the competitive advantage by being unique in some way that is valued by customers. Another similarity is that both strategies look to maintain or even increase the profit margins within the business. Another difference is that the lower cost strategy often results in lower prices for the customer, however when a business implements the differentiation strategy, he business is often rewarded by being able to charge a premium price. The unique offering during differentiation can often result in stronger brand loyalty from customers, while the lower cost strategy will usually not result in the same level of brand loyalty as the customers are more price sensitive.

Two strong differences are outlined (not just stated)

Analysis [Sample 2 full marks]

Sample 1 is an example of a response that is commonly seen by assessors. The answer demonstrates a good understanding of both strategies, however it does not answer the question as it does not address the similarities and differences between the two strategies. Some students will provide good descriptions of the strategies and attempt to give some similarities and/or differences, yet take up half to three quarters of the page with description. You can see that sample 2 is able to still demonstrate a strong understanding of both generic strategies, but it is able to do so by explaining the similarities and differences between the two strategies.

Unit 4 AOS2

Question 1

Referring to a contemporary business you have studied this year, explain the importance of leadership during times of change . 6 marks

Sample answer 1

Leadership is the ability of a manager to inspire and motivate others towards the achievement of business objectives. This is vital during times of change because employees often find change difficult and will resist it as a result. Effective leadership will demonstrate understanding for those that are impacted by change. A leader will be able to inspire the employees so they believe in the change that is occurring. This helps get them on board with the change which builds momentum, making it more likely the change will be successful. This was seen when Telstra announced their growth plan T25 in 2021. CEO, Andy Penn, was able to communicate the reasons for the restructure to employees and to shareholders to help them get excited about the future of the company.

Effective leadership is also important because the leader will help support employees that are negatively impacted by the change. Leaders will communicate with employees and answer their questions so they are well informed. The leader will support those employees that are made redundant as part of the change. This was seen with Mr Penn introducing two forms of support for employees to help them deliver exceptional customer service as well as the round of redundancies that would be part of the restructure. For those leaving Telstra, Mr Penn brought in outplacement services to help them find new employment. For those remaining with the company, Mr Penn ensured there was training available to help upskill the employees during the restructure. This helped gain support from employees and motivated them towards the new direction. These effective leadership qualities are important to help drive a change to ensure it is implemented successfully with minimal resistance.

Good concise theory on why leadership is important during change

Application shows that a business has been studied well

Sample answer 2

A business I studied this year was Telstra. Telstra announced a major restructure to help it become more successful in a highly competitive market. This will result in a net loss of 8,000 employees over a three year period. The reduction in employees is aimed at improving profitability of the telecommunications company in the long term. Leadership is the ability of a manager to inspire and motivate others to achieve business objectives. During times of change, leadership is vital if the change is going to be implemented successfully. Change usually impacts the employees the most which can cause fear and anxiety amongst them. This can result in employee resistance to change which works as a restraining force. Leadership is important to try and prevent this fear and anxiety from arising. To prevent this, a good leader will communicate clearly with the employees to demonstrate the need for the change. If the employees understand the reasons behind the change and the benefits it will bring, they are more likely to be supportive of the change. This was apparent at Telstra when the senior leadership team, lead by Mr Andy Penn communicated clearly to all employees. Mr Penn personally addressed employees to express the reasons behind the change. While there were some disheartened employees, it helped bring many employees on board with the change. This made it more likely that many of them were more accepting of the restructure.

Strong leadership is also important to help support employees during the change. The restructure at Telstra, caused 8,000 redundancies and Mr Penn ensured these employees were supported. Rather than simply leaving these retrenched employees with a simple redundancy package, Mr Penn introduced a transition program which included the availability of outplacement services. This service allowed these employees to be supported during the restructure to help them find new employment. A good leader will also support those employees that remain in the business. This helps motivate the employees while the change is being implemented. Mr Penn introduced training programs to help upskill employees on how to work in an environment with fewer employees.

Using strong leadership, has helped create momentum towards this change because the employees are inspired by the new direction. This is vital so that the changes at Telstra can a success, leading to a more competitive telecommunications company.

This response is great, but goes on for too long, with excessive detail! While this depth still gets full marks, the excessive amount of depth means that the student might experience difficulty completing the remainder of the paper.

Analysis [Both answers Full Marks]

Both responses focus on the same areas of leadership and use the same contemporary case study. As you can clearly see, sample 2 is far longer than sample 1. Many students simply think that to receive full marks, they need to write as much as possible. Depth is important, especially in a 6 mark question, however you do not need to get carried away like the student has in sample 2. Responses that answer the question in a clear and concise way will still receive full marks.

Question 2

Describe one high-risk strategy and one low-risk strategy that Mark could use to overcome employee resistance at Squizzy's

4 marks

Does not answer the question. No need for these statements

Sample answer 1

Mark could use the low-risk strategy of communication. Communicating with employees would help them understand the change that is occurring and why it needs to be implemented. This will prevent any rumours or misinformation throughout the business. Using communication helps improve the relationship between the employees and Mark which can help them be more accepting of the change.

A high risk strategy that Mark could use is threats. This could be by threatening employees with job loss. This has the potential to backfire however, because the employees may not like being threatened. This can actually harm the relationship between the employees and Mark which can have a negative impact on the culture of the company.

Sound descriptions for 1 mark each

Sample answer 2

Mark could use the high-risk strategy of threats. Threats are where Mark forces employees to embrace the change or face negative consequences such as loss of promotions or other benefits. While this strategy has the potential to harm relationships, it can help get the employees on board with the change quickly. Employees will fear the negative consequences which will prevent them from resisting Mark's proposed changes.

Mark could use the low-risk strategy of communication. Communication is the ability of the manager to transfer information to the employees, with the provision for feedback. Mark could express that he is removing the low end range along with the reasons why. Mark could express the benefits of the change to help gain support from employees. Using two-way communication would allow employees to ask questions and provide feedback so that Mark could ensure that any fears or concerns were addressed. Ensuring employees are well informed of the changes which helps get employees on board with the change and reduce any resistance.

Addresses how each will overcome employee resistance

Analysis [Sample 2 Full Marks]

The issue with sample 1 is that there are no descriptions of the strategies. This prevents the student from receiving the two marks allocated to the descriptions. Sample 2 gives straight forward descriptions which immediately puts them ahead. The next issue with sample 1 is that the response does not clearly state how the strategy will overcome any resistance to the changes at Squizzy's. It says why the low-risk strategy is good and the issues with the high-risk strategy, but this is not a requirement of the question. Sample 2, clearly states how each strategy will overcome the employee resistance.

Question 3

Sunshine Foods, is a medium sized supermarket with 3 locations. It has recently transitioned to an entirely online sales model, shutting down its physical retail locations. This strategic change was implemented to adapt to the growing trend of online shopping and to reach a broader customer base. The company also revamped its supply chain, partnering with local organic farms to ensure fresher produce and eco-friendly packaging for their deliveries.

Explain the impact the change at Sunshine Foods could have on two stakeholders. **4 marks**

Shows how the change will impact customers, and applies to Sunshine Foods

Sample answer 1

The strategic shift of Sunshine Foods to an online sales model impacts both customers and suppliers. For customers, this transition offers increased convenience and accessibility, as they can now shop for a wide range of organic products from the comfort of their homes. The expanded product range, along with eco-friendly packaging, aligns well with the growing consumer demand for sustainable and health-conscious options. However, some customers might miss the in-person shopping experience and direct product inspection before purchase. Suppliers, particularly local organic farms, benefit significantly from this change. The new partnership with Sunshine Foods opens up a larger market for these suppliers, potentially leading to increased sales and business growth. The emphasis on fresher produce indicates a commitment to quality, which can enhance the reputation and demand for their products. However, this also means suppliers must adapt to the demands of an online business model, possibly requiring changes in their logistics and production processes.

Shows how the change will impact suppliers, and applies to Sunshine Foods

Sample answer 2

More about customers than the general community

Sunshine Foods' shift to an online model impacts the general community and suppliers. The community, now having access to an online supermarket, enjoys the convenience of shopping for organic products online. This transition to online shopping could lead to a change in shopping habits among community members, who might appreciate the wider range of products and eco-friendly packaging.
Suppliers, on the other hand, are positively affected as local organic farms partnering with Sunshine Foods potentially experience an increase in demand. This collaboration could lead to higher sales and growth opportunities for these suppliers, helping to boost the local agricultural economy. They must, however, adapt to the online market's logistics and potentially increased production demands.

Shows how the suppliers will be affected by the changes and applies well to Sunshine Foods

Analysis [Sample 1 full marks]

Both responses are quite sound in that they demonstrate a clear impact of the changes and both apply well to Sunshine Foods. The issue is with Response 2 and how it has approached the general community. The response refers more to impacts that would occur for customers and doesn't really focus on the general community. There is an argument that the members of the general community could be customers of Sunshine Foods, and this is true. However, the study design distinguishes between the general community and customers as stakeholders and therefore a response that refers to the general community should focus on impacts on the overall community. For example, the store closures may cause redundancies which impacts the local economy and causes rising unemployment in the general community. It could be that the eco-friendly packaging is better for the environment which has a positive impact on the general community.

Question 4

Fresh Electronics, is a company specialising in consumer electronic goods. Over the past six months, there has been a notable increase in the number of customer complaints, rising by 25% compared to the previous period. The complaints primarily centre around product malfunctions and unsatisfactory customer service. Fresh Electronics has also seen a significant spike in level staff turnover rates, with a 30% increase in employee departures, particularly among the customer service and technical support teams.

Justify TWO management strategies that could respond to the recent KPI data at Fresh Electronics. **6 marks**

Excellent application here. Clear link between the strategy and the KPI data

Sample response 1

One effective management strategy for Fresh Electronics to address the increase in customer complaints and staff turnover is staff training. Given the complaints about product malfunctions and poor customer service, targeted training programs can enhance the skills and product knowledge of the customer service and technical support teams. This training would not only improve their ability to troubleshoot and resolve product issues effectively but also enhance their customer service skills, directly addressing the main causes of customer dissatisfaction. With better training, employees are likely to feel more confident and competent in their roles, potentially reducing staff turnover.
Another strategy is implementing performance-related pay to improve staff motivation. This approach involves linking a portion of the employees' compensation to their performance metrics, such as customer satisfaction scores. By adopting this strategy, Fresh Electronics can incentivise employees to enhance their performance, directly contributing to a reduction in customer complaints. Performance-related pay can also boost employee morale and job satisfaction, which may help in reducing the high turnover rates, especially if employees feel their efforts are being recognised and rewarded appropriately.

Sample response 2

For Fresh Electronics, staff training could be a strategy to consider that will respond to the KPI data. Training helps employees learn more about products and customer service. By implementing training programs, the staff might gain better knowledge about the electronics they are selling or supporting, which could help in some way.
Another strategy might be performance-related pay. This involves giving employees extra money based on how well they do their job. For the staff at Fresh Electronics, this could mean they get paid more if they work harder or better, which might make them happier or more interested in their job. It's possible that this could lead to fewer people leaving the job and might somehow improve how customers feel about the service they receive.

Sound application. Not amazing, but OK

Only one very weak link to any KPI data.

Analysis [Sample 1 Full Marks]

Response 1 provides excellent application to both the case study and the KPIs the strategies are responding to. While it doesn't mention specific data, it is still applied well to the issues the KPI data is presenting in the case material. Response 2, shows a sound understanding of the strategies and applies moderately well to Fresh Electronics, however there is only a very weak link to any KPIs in the response. To receive full marks, this link needs to be strong, which is why Response 1 receives full marks.

Question 5

Explain two corporate social responsibility considerations a business needs to consider when implementing change **4 marks**

Stated a CSR issue during times of change. Very brief, this idea needs to be explored further

Sample answer 1

Corporate social responsibility (CSR) is the continuing commitment of a business to operate in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders. One CSR consideration a business needs to consider when implementing change is the impact the change will have on employees. They should consider the needs of employees while implementing change.

Another CSR consideration that should be considered is the impact the change will have on the environment. The business should try and go above and beyond their legal obligation to minimise the impact the change will have on the environment. This is seen to be socially responsible as it is helping the environment.

Environmental impact is a good issue, however simply stating above & beyond legal obligations is not enough.

Three good points about what the business can do to help the impact of change on employees

Sample answer 2

One CSR consideration a business needs to consider when implementing change is the impact the change will have on employees. Change will usually impact on employees the most and can cause fear and anxiety amongst the employees. The business can minimise this impact by considering the welfare of employees and providing support for them during this time. Giving employees time to adjust to the changes and offering extra training to help them embrace the change can demonstrate corporate social responsibility during the time of change.

Another CSR consideration that should be considered is the impact change can have on the environment. When implementing change, the managers need to ensure they are going above their legal obligations to minimise the impact on the environment. For example, implementing technology has the potential to increase the carbon footprint of the business. To minimise this impact on the environment, the business should look to purchase state of the art equipment that is energy efficient. They should also maintain the technology regularly to ensure it is minimising its impact on the environment.

Showing how the business can be socially responsible by minimising impact on the environments.

Analysis [Sample 2 full marks]

Sample 1 gives a strong definition for CSR which help sets up the answer well. It then proceeds to identify a legitimate CSR consideration during times of change. However, the explanation is very brief and requires more depth for full marks. While the second consideration is ok (minimising impact that change has on the environment), it is too simplistic to simply state that going above and beyond legal obligations to look after the environment. This section could easily be given a 0 as there is little substance behind it other than simply identifying a CSR consideration that requires thought. In contrast, Sample 2 doesn't begin with a definition (while it is ok to give one, the question does not ask for one), but then gives more depth about why each consideration is a CSR consideration. Students should always remember that the task word is 'explain', which means that students need to provide more depth and do more than 'identify', list or even outline the consideration.

Question 6

Quirky is the manufacturer of various board games. As a result of poor productivity growth, the business has recently implemented new technology into the operations system.

Explain the importance of Quirky reviewing its KPIs when evaluating the effectiveness of the change.

4 marks

Begins with the basic concept of the importance of reviewing KPIs

Sample answer 1

It is important for Quirky to review their KPIs after implementing the new technology to see if the strategy has been a success. The impact of the new technology should have improved the business's operations but it may have also impacted other areas of the business. For example it may have impacted the morale of employees as their jobs may be more mundane than they were previously. Implementing the new technology may have come at a large financial cost so it is important to see if the investment has been worthwhile for Quirky. The business can see if the new technology has worthwhile and had a positive impact.

Sound application about the new technology

Mentioned effectiveness. Crucial! This is what the question is asking for

Begins with the basic concept of the importance of reviewing KPIs

Sample answer 1

It is important for Quirky to measure their KPIs after the implementation of the new technology to see if it has achieved the set objectives. Quirky has implemented the new technology to improve their rate of productivity growth. It would be important to measure their productivity growth after its implementation to see if it has improved. This will show if the technology has been effective and achieved the set objectives and determined if the capital investment has been worthwhile. Once they have measured their KPIs, Quirky can determine if they need to make further changes, maintain their current course of action or wait for future data. For example, it may take time for employees to become efficient at using the new technology so the rate of productivity growth may need to be measured over a longer period before making a decision on how to move forward in the future.

Mentions the specific KPI that should be measured. Good application

Reference to what the KPI data can be used for i.e. what happens next

Analysis [Sample 2 full marks]

While sample 1 is a good response, it is not as strong as sample 2 and would not receive full marks. Sample 2 provides more clarification as to what KPIs should be measured (rate of productivity growth). This shows that there has been some comprehension from the case material. Importantly, sample 2 states that it will measure how effective the new technology has been. It also mentions what the business or managers should then do with the data. This shows a stronger understanding of the importance of measuring KPI data after transformation has occurred.

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