



2006

Business Management GA 3: Written examination

GENERAL COMMENTS

Use of the study design

The *Business Management VCE Study Design* and other relevant documents are available on the VCAA website (www.vcaa.vic.edu.au) and it is very important that students are familiar with the requirements. Students need to be familiar with the vocabulary of the study design, as well as the areas of study. Students could use the study design as a guide for organising their notes during the year and to keep track of the material they are studying in class. A clear understanding of the content of the course and organisational strategies should provide a good basis for thorough examination preparation.

Preparation for the examination

The best students used specific detail to answer the questions asked, rather than providing prepared answers that were more appropriate for questions asked on past examinations. Students who had studied all areas of the course were able to provide relevant and detailed answers. It was evident that many students had consulted previous Assessment Reports and used the advice provided to prepare for the examination. It is good examination preparation to practise past examination questions; however, students must be able to adapt their knowledge to questions that ask for information in a different way, or with a different emphasis.

Following instructions

Schools are provided with an example of the front page of the examination (which provides students with instructions for completing the examination) prior to November and it is important that students see this. In 2006 there was a question and answer booklet that required answers to all questions asked.

SPECIFIC INFORMATION

Note: Student responses reproduced herein have not been corrected for grammar, spelling or factual information.

Question 1i.

Marks	0	1	Average
%	50	50	0.5

Productivity is the relationship between inputs and outputs. It is a measure of how efficient the organisation is in turning inputs such as raw materials, employee activity, technology, etc. into the final product or service the organisation offers for sale.

A good student response

Productivity is the level of output per unit of unit. It is a direct measure of efficiency. High productivity levels mean that the organisation is getting larger levels of output per level of input.

A weaker response

It is how many goods an organisation makes.

Question 1ii.

Marks	0	1	Average
%	50	50	0.5

Outsourcing is where a key element of the organisation is completed by a different organisation. It is usually done as a cost saving measure and allows the organisation to take advantage of others' expertise, while concentrating on its core business activities.

A good student response

Refers to a practice where an organisation employs the services of another organisation to perform a specific task in which they specialise, thus cutting costs, improving quality and allows a focus on core business activities.

A weaker response

When an organisation hires a firm to do something for them.

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Question 1b.

Marks	0	1	2	3	4	Average
%	14	13	27	21	25	2.3

Two other stakeholders at Southern Furniture are their employees and suppliers.

- Employees are important to an organisation as, in this case, they are the ones who manufacture the goods that the organisation sells. The quality of the goods is dependent on their skill and commitment to the process.
- Suppliers are those who provide the raw materials that will be used in the manufacture of the furniture. It is important for the organisation to build a good relationship with suppliers to ensure timely delivery of materials that are of the highest quality.

Shareholders or customers were not allowed as they were mentioned in the mission statement.

A good student response

A stakeholder is anyone who has a vested interest in the organisation. Employees are stakeholders that are vital and so important to the organisations success. If Southern Furniture Ltd wish to achieve 'growth' and 'profitability', then they will have to treat their employees as valuable members of the organisation by training them and treating them ethically. If they do this, employees will be more inclined to put effort into their work tasks and will be motivated to meet 'customer needs'. Employees are crucial if the organisation wishes to achieve it's objectives.

Another stakeholder that would be crucial to Southern Furniture Ltd is their suppliers. Companies rely heavily on their suppliers and it would be crucial that Southern Furniture have their raw materials delivered on time. Southern Furniture will also need to develop good relationships with their suppliers in an attempt to reduce lead times and hold ups. Organisations also do not want their raw materials to be sitting idle of unused in storage, thus having good just in time strategies is crucial to an organisation's success.

Overall this question was well answered; however, despite the question stating 'apart from the stakeholders mentioned in the mission statement' (that is, customers and shareholders) some students did not read the question carefully and used these stakeholders.

Question 1c.

Marks	0	1	2	Average
%	14	46	41	1.3

A mission statement is a broad statement of intent and values and is a record of what the organisation views as being important. The strategic plan is a long-term plan for the organisation over a three to five year period, and is based on the mission statement. It is a more specific application of the mission statement to a practical situation.

A good student response

A mission statement states who the organisation is, their reason for existence and their overall goals and objectives they wish to achieve. Southern Furniture's mission states that they want to 'meet customer needs with the highest quality products'.

A strategic plan is the long term plans and strategies set by management on how to achieve those goals highlighted in the mission statement.

A weaker response

The mission statement shows the goals and objectives like the strategic plan.

Question 1d.

Marks	0	1	2	Average
%	17	23	60	1.5

The key objective for social responsibility is to reduce materials waste by five per cent per year. This will help the organisation become more socially responsible because resources (for example, timber for furniture) are finite and reducing their use will allow them to last longer, or enable on-going resource use.

Students also discussed how an increase in productivity meant that fewer inputs are used to create outputs, which reduces materials use. Students could also argue that ISO accreditation might lead to creation of quality products, which would further lead to less returns, wastage, etc; however, this needed to be linked to being socially responsible.

A good student response

Southern Furniture's aim to reduce materials waste by 5% per year relates to social concern for the environment. By committing itself to lowering its own wastage, it is showing the community that it too is involved in conservation initiatives and cares for the

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greater wellbeing of the world around it. It is an active step towards making a meaningful contribution, which will earn it respect from an environmentally aware and conscious society, earning itself a better reputation and avoiding issues involving environmental depletion as a result of practices.

A weaker response

The expansion into China will make Southern Furniture larger and therefore more socially responsible because they use their labour.

Question 1e.

Marks	0	1	2	Average
%	51	26	22	0.7

An appropriate organisational structure for this organisation is a geographic structure, where the organisation is divided into geographic units or sections. This will assist them to achieve their strategic plan as a large element of that is a move into the China market, so by establishing a business unit in China they will be able to minimise costs and improve efficiency.

It was also possible that a functional structure or a matrix structure could be identified and successfully explained.

A good student response

A geographical structure is where the organisation is divided into divisions depending on geographic positioning. This structure is a divisional approach and will assist Southern Furniture to achieve its strategic goals of increasing market share in China by 25%. This shows a more global approach to the business, allowing direct focus on individual divisions and reporting back to the CEO and Board of Directors.

A weaker response

A flat structure to help communication.

Question 1f.

Marks	0	1	2	3	4	Average
%	20	12	28	26	14	2.0

To implement the strategic plan Mr Gomm will need to use decision-making skills. This is a multi-step process that involves identifying a goal or strategy, determining alternative methods of achieving that goal or strategy, selecting and implementing a method, then monitoring it to ensure the desired outcome is achieved. Mr Gomm will use this skill as he implements the strategic plan – making decisions about what elements to focus on first, how to set specific goals within the plan and establishing tactical and operational plans.

Mr Gomm will also need communication skills. Communication is the passing of information from one person/group to another person/group. Mr Gomm will need this skill to ensure employees are aware of the strategic plan and what is required of them to help achieve it. They may also have questions he will need to answer while they are implementing the plan.

A good student response

Communication is a vital skill for Mr. Gomm to use when implementing the strategic plan. Communication is the transfer of information between two or more people and it has two main functions 1. to transmit information and 2. to maintain social relationships. Mr Gomm will need to communicate to staff exactly what changes have been made to the organisation, how these will affect them and the reasons for the changes. He will need to explain what will change in each individuals working roles to achieve the strategic plan such as increase production by 8%. Excellent communication skills from Mr. Gomm will help staff accept and understand why the strategic plan is necessary and they will be less likely to resist the changes.

Mr Gomm also should use the skill of time management. Time is the scarcest resource and time management directly affects efficiency. In the strategic plan Mr. Gomm has outlined various goals he wants to be achieved in the next five years. He needs to set short term goals to ensure that the goals are achieved by this deadline. He needs to prioritise and ensure that his set goals are achieved in the five year timeframe.

Weaker responses discussed planning, organising, leading or controlling. These are roles not skills.

Question 2a.

Marks	0	1	2	3	4	Average
%	28	9	26	24	13	1.9



The new policy is aimed at setting new standards to reduce industrial accidents. As such, an appropriate management role would be controlling, organising, planning and leading.

- Controlling is the establishment of measures that will enable employee behaviour to be monitored. This is appropriate because, with new standards in place, it is important to make sure they are being followed, and also it is important to have objective information to make sure the policy is achieving its desired or stated aim. This would also relate to Judy's involvement in OH&S for the organisation.
- Organising is looking at resource and task allocation and coordinating and managing the available resources into set processes and procedures to achieve organisational objectives. The new policy will involve altering the tasks employees will complete and the methods they use for completing them.
- Planning involves establishing goals and a process to outline how they will be achieved. Since there are new procedures that will be introduced, staff will require training in these new procedures. As HR Manager, Judy Wang would need to use her planning skills to enable all staff to complete this training.
- Leading, which is motivating staff, modelling appropriate behaviour and establishing goals and expectations of staff, might also have been used; however, this was more difficult to relate to the new procedure.

Students were only required to select two of the above. Disappointingly, some students discussed skills in this question and thus did not score any marks.

A good student response

Judy Wang will need to use the management role of organising to assist in the implementation of the new policy. Organising is the ability of management to co-ordinate resources and allocate them efficiently and effectively in order to achieve organisational goals. Ms Wang would need to organise how the staff will be informed of the new policy. She may organise training programs in order to ensure staff are confident with the new policy. She will also need to organise support programs for the employees who find the new policy stressful. By organising training programs it is likely workplace accidents will decrease.

Judy Wang will also use the management role of leading. Leading involves motivating and inspiring staff to achieve organisational goals. It involves gaining respect from staff, leading by example, rewarding success and correcting less than satisfactory efforts. By Judy Wang displaying the role of leading employees will have a role model who is accepting the new policy and are therefore more likely to accept the policies themselves. Employees will be motivated to accept and abide by the new policies and the organisation will therefore find there will be a decrease in workplace accidents and increase in productivity levels.

Question 2b.

Marks	0	1	2	3	4	Average
%	51	8	14	13	15	1.3

Jim Smart could introduce a facility layout and design strategy, such as establishing a functional layout. This is where work components are arranged together according to their similarity of function. By grouping functions together, appropriate measures could be taken at each stage to ensure that there are fewer accidents and injuries which cause downtime at the factory and the employment of less experienced employees. Fewer accidents and having only experienced employees will improve operations.

Another strategy could involve the effective management of materials. By adopting a 'just in time' materials management program, the materials will arrive just as they are needed. This will improve operations as they will not have to store and manage excess stock levels. Given that the materials can be dangerous, this will reduce the possibility of accidents occurring when storing the materials.

Technology strategies were also appropriate, as the use of technology (such as robotics) might reduce human handling of dangerous materials, thereby reducing the number of accidents.

Lower-scoring students often gave general answers that did not identify an operations management strategy or state how it would relate to the case study or improve operations.

A good student response

Jim Smart can use the operations management strategy of Technology to improve operations. It is evident that there have been an increase in the number of workplace accidents over the years and this is likely to be due to unsafe practices. Jim Smart should consider investing in new automation technology to increase safety in the workplace. Automation is technology that replaces something usually done by humans. They could also invest in technology such as robotics to undertake tasks which are risky for employees to undertake. Jim Smart could also invest in computerisation technology such as Computer Aided Manufacturing where the computer takes over the process of producing a product (transforming inputs into outputs). By investing in new technology operations will improve and there will be less workplace accidents which means less stress levels from staff and less costs associated with employing temporary staff.

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Facilities design and layout is another strategy Jim Smart could use to optimise operations. Facility design is the management of the layout to ensure efficient and effective operations. It is evident there are high levels of workplace accidents at Golden Steel and this could be due to an inefficient layout. Jim Steel should use the facility design process to see which layout is most appropriate. This will enhance operations as there will be less workplace accidents which means less stress and staff absenteeism and productivity will increase.

Question 2c.

Marks	0	1	2	Average
%	41	43	16	0.8

If a business wishes to be successful, it is important that the quality of their product meets customer expectations. A quality strategy that might be adopted for this is quality control. In this strategy the business sets standards or benchmarks to achieve higher quality. Performance is measured in relation to these criteria and they compare their performance with the established criteria. If the established standards are met then it is likely that the business will be meeting customer expectations and will be competing effectively with competitors.

Other appropriate quality strategies that could be used were total quality management (TQM) and quality assurance.

Again, some students' responses were too general and did not discuss a specific quality strategy.

A good student response

A quality strategy such as (Total Quality Management) TQM aims to create a defect free production process, and maintain a customer focus in operations. The adoption of TQM will not only improve price competitiveness of an organisation, but also will improve product quality, allowing the business to attain a competitive advantage over its competition.

Question 2d.

Marks	0	1	2	3	4	Average
%	46	4	8	18	24	1.7

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

- Inputs are the raw materials the organisation uses to create its product or service. These might include knowledge and skills, human resources and materials such as wood and steel. Rip Curl, a manufacturer of surfing apparel and equipment, uses material, machinery, technology and paint as inputs in the manufacture of its T-shirts.
- Processes are the transformation stage that turns the inputs into outputs. At Rip Curl this involves cutting the material, sewing the component parts together and putting the design on the front of the T-shirt.
- Outputs are the finished product or service that is offered to customers. Rip Curl's outputs are T-shirts, wet suits and surfboards.

Students used many examples in their responses, including Ford and Rip Curl.

A good student response

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

Inputs are the raw materials, resources and factors of production. Ford Motor Company use inputs such as labour and materials from suppliers used as components to produce a finished car.

Processes refer to the procedures undergone to convert inputs into value added output. For Ford, this involves the physical assembly of the cars as well as other processes such as 'testing'.

Outputs refer to the final result of the production process. Outputs are finished value added products. For Ford, this involves the finished car, which has undergone assembly, testing and other processes and is now ready for sale.

Question 3ai.

Marks	0	1	Average
%	24	76	0.8

A policy is a written statement of the processes and procedures, rules and regulations and responsibilities and strategies that an organisation will follow.

A good student response

Policy is a written document outlines expectations in an organisation. Policies outline acceptable behaviour and they guide staff actions. Policies are designed to create uniformity and formality in an organisation.

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Question 3a.iii.

Marks	0	1	Average
%	56	44	

Change is the process of taking the existing organisation and altering or transforming it to establish a new or altered form of the organisation. It could be because of internal pressures such as culture changes or external pressures such as globalisation.

A good student response

Organisational change is any alteration to the internal business environment. Organisational change occurs as a response to pressures in the external/internal environment. Organisational change must occur for an organisation to remain competitive.

Question 3b.

Marks	0	1	2	3	Average
%	39	13	32	16	

An appropriate change management theory is Lewin's change model. Lewin's first step is to unfreeze the present pattern of behaviour. This has the aim of unblocking the present system through some kind of confrontation and retraining to deal with resistance to change, and may involve promoting or terminating employees and developing training programs in new areas. At Slippery Shirts the latter is a key element that would be required to implement new policies.

The second step involves movement, such as making the actual changes. At Slippery Shirts there will be new policies, new management practices and new reward systems and conditions for employees.

The final step is refreezing, which involves stabilising or institutionalising the changes made. At Slippery Shirts this may involve changing recruitment practices and establishing measures to ensure the new practices are being followed appropriately.

Other change management theories, such as Kotter's eight-step theory, were also appropriate.

This question caused problems for students. Some students suggested Maslow or Hertzberg. Others confused Lewin's model and suggested the organisation needed to freeze, change and then unfreeze. Many students did not say how it could be used to implement the new policies and therefore did not answer the question fully and could not gain full marks.

A good student response

Lewin's 3 step change theory provides a framework that would be useful for Slippery Shirt Company to achieve its objectives.

The first phase, 'Unfreezing the present situation', involves preparation for change; in this case, communicating with staff the need for change and destabilising the existing methods/conditions of work. The second phase, 'Moving to a new state', is where the changes are implemented wholly, and participation from staff to adopting them is imperative. Jack needs to put forward his new policies and ensure that his staff incorporate them into their work. Finally, the third phase, 'Refreezing in a new state', is where Jack provides continual support and encouragement to ensure the change has been accepted. Any adjustments to the new policies may also need to take place after he monitors their success level.

Question 3c.

Marks	0	1	2	3	Average
%	20	22	31	27	

Elements of the external environment that would have pressured Slippery Shirts to change are social pressures and changes in community attitudes. Customers have a much higher awareness of organisational behaviour and are placing demands on them to behave in a socially responsible manner. Increasingly, customers are basing their purchasing decisions on factors other than purely financial reasoning.

The legislative environment is another element of the external environment that has placed pressure on Slippery Shirts. Parliaments are passing many laws relating to industrial relations and businesses are expected to meet those minimum or award conditions for their employees.

Many students used social and political elements to answer the question and handled it well. Other elements of the external environment that could be discussed included competitors and lobby groups. Some students used employees and, as they are not external, these students did not score marks.

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A good student response

Social and legal factors of the macro environment force Slippery Shirts to change policy. They have no control over these factors and must change in order to not be negatively affected by them. Social attitudes towards 'sweatshops' and the general opposition to the perception of slave labour means that companies must provide adequate conditions for workers or face public condemnation. Likewise, legislation involving human rights and IR laws cover these expectations that businesses will provide basic rights for the workers. Slippery Shirts has no option but to abide by these laws of face court action and fines.

Question 4a.

Marks	0	1	2	3	4	Average
%	52	13	15	13	6	1.1

Both the centralised and decentralised systems are concerned with determining appropriate terms and conditions of employment for employees. The difference is that under the centralised system the conditions are determined for an entire industry or employee group, with little attention paid to efficiency and productivity. The decentralised system, however, is based at the organisational level and the terms and conditions may differ from organisation to organisation. The employment conditions are also usually linked to employee improvements in productivity and efficiency.

Some students handled this question better than others. Many students did not suggest any comparison and therefore did not receive full marks. Some students mixed up the centralised and decentralised systems, saying that negotiations between employers and employees were centralised.

A good student response

Traditionally workplace relations have been centralised with most employees being under the 'Award' system which was a legally binding employee contract setting out minimum terms and conditions. It also involved workplace disputes being resolved through a process of conciliation and when needed, arbitration and disputes were resolved through the external tribunal the Australian Industrial Relations Commission.

Nowadays there has been a push for a more decentralised system of workplace relations especially since the new industrial legislation 'Work Choices' was introduced. There are still people under the award system, however more people are under individual Australian Workplace Agreements or Certified Agreements. Employee agreements are now being negotiated through a process of enterprise bargaining and disputes are being more and more dealt with at a workplace level and often without an external body. In comparison of the two methods both deal with employees pay and conditions.

Question 4b.

Marks	0	1	2	3	4	5	Average
%	32	30	16	9	6	7	1.5

The problem solving process is a multi-step one. The manager must first identify the problem, in this instance the concern of employees that terms and conditions of employment are substandard and the effects this will have on their ability to provide quality service.

The next stage is to collect and gather all relevant information. This may involve the management at Newton Hospital talking to staff representatives to find out in detail what their concerns are and what action they are likely to take.

Once this information has been obtained the next step is to develop alternative solutions or strategies to resolve the problem. Newton Hospital management might ask for suggested solutions from staff, or develop their own. It could involve creating a time line for changes or redirecting funds, etc.

Once alternative solutions have been devised, they are analysed to see which one will best suit the organisation and help solve the problem it faces. Management at Newton Hospital would identify the best of the alternatives they devised in the previous stage.

The appropriate strategy is then selected and implemented. This stage would also involve establishing criteria for monitoring and evaluation to ensure the selected strategy is solving the problem identified earlier. If staff are happier and service levels have improved in quality, then it can be assumed the problem has been resolved.

Generally this question was handled very poorly. Many students took a Legal Studies approach and talked about negotiation and mediation and did receive some marks for this. However, students were expected to give the specific, stepped process of problem solving. Students who did use the process generally explained it well, but many did not relate it to the case study.

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A good student response

To resolve conflict between nurses and management a simple five step problem solving process could be implemented. Step one would involve management identifying that the problem. Once they have identified this they must gather the necessary information which tells them what is causing the problem. In this case, staff are 'upset that pay and conditions of employment are behind colleagues at other hospitals and international benchmarks'. Therefore a second step would be to create possible solutions to the problem, as it would be to detriment of management if they did not solve the problem as staff are already 'concerned with the vision to provide quality service' and a lack of quality can easily result in problems for any organisation. Once they have created solutions through negotiations with staff, such as a pay bonus based on productivity, etc. they must rank the solutions and pick one that best suits the hospital and resolve the conflict. Then they must implement this solution ie. pay based on productivity. Once implemented it should be continually evaluated to monitor progress and see it is working. E.g. employees are creating more productivity to warrant being paid for it.

Question 4c.

Marks	0	1	2	3	Average
%	23	12	37	28	1.7

An appropriate management style would be the participative style. A participative management style involves two-way communication between the management and employees, a high level of trust in employees who get to share their opinions and thoughts, and decentralised decision-making, where management and employees share the decision-making power.

This is appropriate for enterprise bargaining at Newton Hospital as it has an emphasis on negotiation and communication and reaching a mutually acceptable and shared agreement on wages and conditions, both of which are needed at this organisation.

This question was generally handled well. Students who did not receive full marks generally did not mention enterprise bargaining or, if they did, they did not give an explanation of the management style and its features. Consultative was also acceptable as a management style.

A good student response

The participative style could be used to implement an enterprise agreement within the workplace. The participative style has democratic decision making. Management proactively work to hear ideas from staff. Communication is two way both up-down and down-up and across the organisation. The participative style would be most appropriate to use to implement enterprise agreements because both the nurses and management will get to express their views and there will be equal representative of management and employees. Nurses staff morale and motivation will increase as their views on what conditions and pay they should receive are being considered and they will be more likely to be satisfied in the final decision of what pay and conditions are included in their agreement as they will feel ownership over the decision as they helped make it.

Question 4d.

Marks	0	1	2	3	4	Average
%	20	15	27	23	14	2.0

Enterprise bargaining is concerned with improving employee efficiency at the organisational level, so appropriate KPIs would measure this. Appropriate KPIs would be employee productivity and the level of staff turnover.

- Employee productivity is measured by determining the number of tasks employees complete within a given time frame, such as hourly, daily or weekly. If they are producing more output within that time, then they are being more efficient.
- The level of staff turnover is measured through the number of staff leaving the hospital. This could be further investigated through exit interviews or surveys to see why staff were leaving.

The Key Performance Indicators given were often vague, and students frequently did not say how the indicator would be measured.

A good student response

Employee absenteeism: This measures the number of employees taking time off for any given period and is a good indication of employee morale and satisfaction. Employees are less likely to take time off if they are satisfied and happy in their working environment. If the nurses are happy with their enterprise agreements then the number taking time off should be lower than the pre-enterprise agreement period.

Customer (patient) satisfaction: If employees are motivated in their working environment, it is likely that the level of customer service will increase, which could be shown with a customer satisfaction survey. Motivated nurses would work to provide the best care possible for patients, rather than, perhaps, only what is required. A higher level of patient care would translate undoubtedly to higher customer satisfaction, which in turn would show the benefits of enterprise bargaining.

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Question 5

Marks	0	1	2	3	4	5	6	Average
%	13	11	18	23	20	10	5	2.8

Social responsibility is the obligations a business has over and above its legal responsibilities to their employees, customers, shareholders and the community.

There are benefits to organisations of introducing a socially responsible policy. Making employee welfare a high priority will enable them to maintain high levels of employee satisfaction and should allow them to employ better skilled and motivated workers. Additionally, many other organisations are placing a high standard on their suppliers to behave in a socially responsible manner, so by adopting this behaviour it might open up new markets and allow for some business growth.

Customers are more aware of social responsibility and this is now one of the factors they consider when making their purchasing decisions. Consequently, it is likely that there will be a greater market for the goods or services

There are some negative impacts that are also likely. Improving employee conditions increases financial costs to the organisation. The socially responsible policies may be more costly to establish or operate and, given the competitive environments that most organisations operate within, it might mean that the business cannot survive in the long term unless they are able to find a niche market or establish a market that will appreciate their socially responsible behaviour.

There is generally a start up cost associated with introducing new, socially responsible policies and procedures as new equipment may need to be purchased, new policies established and introduced and staff may need to be trained.

On a practical level, changing the terms and conditions of employment within an organisation will involve negotiation of those new terms and also establishing new policies and procedures to put them in place. This will take a great deal of management/HR time in the short term.

Students who actually wrote a page for their response generally did well and were able to suggest a number of positive and negative consequences. Students needed to cover both advantages and disadvantages to achieve full marks. Students who used dot points for the consequences did not receive full marks as the consequences were not explained adequately.

A good student response

Now, more than ever, large scale organisations have adopted socially responsible practices. This is because the benefits of such policies have been seen in the business world as society becomes more focused on the ethical considerations of business. Broadly, an emphasis on socially responsible practices will translate into increased sales. This is because by acting to limit their negative impacts on society and by supporting local communities, an organisation's public image improves and customers are more likely to purchase their products. This was evident in the success of The Body Shop. From its induction as a small business, it focussed on ensuring it would not sell products tested on animals and that its materials were taken from sustainable resources. This lead to increased sales and now The Body Shop is a large multinational organisation, with the same principles.

There are though, some short term negatives of attempting to implement a socially responsible culture in an organisation. The cost of initially introducing the change can be high and result in temporary drops in productivity. For example, the cost of ensuring a supplier does not use sweatshop labour could see inputs needed from more expensive suppliers. This ties in with the issue of profits – shareholders, the company's owners, want high returns and sometimes this can result in socially responsible behaviour being ignored, as the AWB Iraq scandal shows.

Overall though, the benefits of a socially responsible attitude in business far outweigh the temporary negatives that can occur, making socially and ethically responsible management preferable.