



2010 Business Management GA 3: Written examination

GENERAL COMMENTS

The VCE *Business Management Study Design* (effective from 2010) and other relevant documents are available on the VCAA website on the Business Management study page. It is important that students are familiar with the requirements and the vocabulary of the study design.

The more successful responses incorporated specific details to answer the questions asked, rather than providing answers to questions that had been asked in past examinations. 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 by using past examination questions; however, students must also be able to adapt their knowledge to questions that ask for information in a different way or with a different emphasis.

Students also need to be aware of changes to the course, such as the inclusion of specific theories of motivation (Maslow, Hertzberg and Locke).

Examples of the front page of the examination (which provides students with instructions for completing the examination) are published by the VCAA at the start of Term 4 and it is important that students are familiar with these materials. The examination consisted of a question and answer book and students needed to answer all questions.

SPECIFIC INFORMATION

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

For each question, an outline answer (or answers) is provided. In some cases the answer given is not the only answer that could have been awarded marks.

Question 1a.

Marks	0	1	Average
%	29	71	0.7

Performance indicators are specific criteria used to measure the achievement of success of an organisation.

Generally, this question was well answered, although a number of students did not mention that a performance indicator is a tool to **measure** how well an organisation is achieving its objectives. Students are reminded that it is important when defining a term to use words other than the term itself to explain the meaning.

The following is an example of a good response.

A performance indicator refers to a measure which highlights how well (or how poorly) an organisation has been in achieving its objectives. These indicators can be financial, for example, 'number of sales' or non-financial, for example 'number of customer complaints'.

Question 1b.

Marks	0	1	2	3	4	Average
%	6	4	14	24	50	3.1

Relevant stakeholders include customers, suppliers and creditors, competitors, staff and shareholders. Shareholders lose dividends and staff lose jobs.

This question was generally answered well. Some students did not explain how the stakeholder had been adversely affected by the Global Financial Crisis, as required by the question.

The following is an example of a good response.

A stakeholder is an individual or group who has a vested interest in the activities and the performance of the organisation. Two stakeholder groups are shareholders and employees. Shareholders have a vested interest in the business' profits, dividends, return to owners as well as asset values. Due to the fall in customer levels, it is likely that the company would have suffered from a decrease in revenue thus profits. This will reduce the value of shares or dividends, which ultimately reduces the income of shareholders. Employees or the workers of the organisation have a vested interest in pay, job security and working conditions. A

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decrease in profit as a result of reduced customers is likely to have caused many workers to be made redundant. Redundancy will cause a loss of income for employees as well as a reduction in job security for those who remained.

Question 1c.

Marks	0	1	2	3	4	Average
%	42	22	16	9	12	1.3

Management functions are listed in the study design. Strategies relevant to the listed functions include:

- marketing – reduce prices, advertising budget, service levels
- human resources – reduce staff numbers or hours worked
- operations – cut routes that they fly, sell equipment
- finance – refinance loans
- research and development – cut budget.

The less successful students were unable to identify two management functions or did not explain a strategy that could be used to overcome the problems caused by decreasing customer numbers.

The following is an example of a good response.

Typical management functions include, Operations, Finance, Human Resources, Marketing etc. Finance department is responsible for managing all monetary aspects of the organisation and determining how much money needs to be made in order to breakeven. To overcome the problem of decreasing customer numbers, finance could determine how a lower airfare ticket can be available. This may involve finance determining where costs could be cut and where savings can be made. A lower airfare may promote customers to use Flyalot Airlines even in this Global Financial Crisis.

The Marketing department is responsible for managing promotions and determining the needs of the customers. The marketing function can combat decreasing customer numbers by taking a new approach to the way the organisation is being marketed. It can now be marketed as a budget airline. This should promote Flyalot Airlines as an organisation that is helping its customers.

Question 1d.

Marks	0	1	2	3	4	Average
%	34	17	24	11	13	1.5

The performance indicators used by students to answer this question depended upon the strategies identified in Question 1c. Students needed to relate the performance indicator to the strategy discussed in 1c; however, some students did not do this. Many students did not recognise that a survey is not a performance indicator and used a survey, rather than the results of a survey, as their response. This question was generally not well answered.

The following is an example of a good response.

The finance functions decision to lower airfare prices while still being able to breakeven needs to be measured in order to determine its success. This can be measured by the level of ticket sales prior to the strategy being implemented and after. The higher level of ticket sales may indicate the strategy is successful as more customers are using the service as was intended. A lower level of sales may still indicate people aren't using the service due to the Global Financial Crisis adding extra pressure to a customer's disposable income.

The success of the marketing function decision to promote the company as a budget friendly airline, helping customers and their hip pocket nerve can be measured by the percentage of the total market they control in comparison to their competitors. A high amount of market share identifies the marketing strategy is successful and the customers are in favour of the companies new image. A low amount of market share in relation to its competitors may indicate the strategy was unsuccessful and marketing the organisation in a different manner is unlikely to alter customers spending habits.

Question 2

Marks	0	1	2	3	4	5	Average
%	20	5	14	20	22	20	2.8

This question required students to select and justify an appropriate management style for Wonderful Toys to use in this crisis. Autocratic, persuasive and consultative styles were acceptable, provided the student could justify the use of the style in a time of crisis. Features of the autocratic management style include:

- top-down communication
- decision-making meeting held with the manager
- task oriented

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- decision making is quick, made by an experienced leader
- communication is direct
- suits difficult decisions, for example, a crisis.

Generally, most students recognised that the autocratic management style was the most appropriate style in this situation. However, students did not identify the specific characteristics of the style well, despite giving good justifications for their choice of style.

The following is an example of a high-scoring response.

I believe an Autocratic management style would be most appropriate in this situation.

An Autocratic management style is one where management make all decisions with no/little (very little) input from employees. It has a strict top down, one-way communication where managers make the decisions and pass them down to employees. Authority and control are also centralised where management have all the control and power over employees and employees strictly follow their manager's rule. This management style would be most appropriate for the situation at the 'Wonderful Toys Company' because the lead paint can be poisonous to children and therefore a quick decision needs to be made before anyone is harmed which best suits the autocratic management style. Also, all employees will therefore know exactly what is expected of them, their role and responsibilities in the recall of the products. This ensures that without question, the company is able to immediately fix the crisis as efficiently and effectively as possible by using the autocratic management style.

Question 3

Marks	0	1	2	3	4	5	6	Average
%	39	11	17	11	13	5	4	1.8

Typical management structures selected by students for comparison included the following.

- Divisional/Geographic – staff are organised in departments based on division; for example, products (T-shirts, socks, hats), customers (men, women, children), geography/region.
- Functional – Human Resources, Operations, Finance, Marketing, Research and Development.
- Matrix – combines specialisation with function and division focusing on a project over a period of time.

Generally, this question was not answered well. Most students simply described two management structures without comparing and contrasting them. If students had a weak recommendation and justification, they scored very low marks for this question.

Comparing and contrasting is different to describing. This question required students to compare two management structures and to contrast those two structures. Students needed to select one management structure to recommend and state why they recommend that particular structure in relation to the case information provided.

The following is an example of a high-scoring response.

A management/organisational structure is the way in which managers, employees and functions are arranged within an organisation. One management structure is a functional structure, this is where employees are divided by function (Human Resources, Financial management, Marketing etc) and each function has a manager. A different management structure is a matrix structure, this is a horizontal and vertical structure where teams are formed across functional/departmental lines to work on a project or solve a problem. The two structures are similar in that they both have functional departments with managers at the 'top' of the structure. They are also similar as they have functional departments which allow for specialisation.

The two structures are different in that a matrix structure involves teams across functions, where a functional structure does not. A matrix structure will also have more managers than a functional structure as there will be a manager for each team as well as each department.

I would recommend that Ms West use a 'matrix' structure at her designer clothing company. This is because a matrix structure is more flexible than a functional structure, it also has a greater organisation focus, rather than purely a functional focus, which means employees, will strive to achieve both function specific and organisation –wide objectives. Additionally, Ms West could form a team to discuss the expansion of the company and a team to focus on how and where the company should export. For any problem that arises, or any new venture Ms West would like to do, Ms West can form a team to work on specifically that task.

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Question 4

Marks	0	1	2	3	4	5	6	Average
%	45	6	4	6	10	10	19	2.3

The key elements of the business's operations management system and examples of these elements include:

- inputs – staff, equipment (transport vehicles), money, supplies, land
- processes – collecting money, recording and sorting clothes and money, recording storage, hiring staff
- outputs – distributing goods and money, reporting finances.

Low-scoring answers were those that did not show that an operations management system involves inputs, processes and outputs, or those that confused the elements with operations management strategies. Other responses did not give an example of each of the key elements as required.

The following is an example of a high-scoring response.

The Operations System of an organisation consists of inputs, the transformation process and outputs. Inputs refer to the resources used to create the final good or service. They can include raw materials, labour, capital, time, money and information from a variety of sources.

The inputs at The Charity Foundation are its volunteers, managers, the goods donated and the money raised.

The transformation process is the process of converting the input resources into the final output good or services. Since The Charity Foundation is a service providing organisation, its transformation process is likely to be more labour intensive, as staff and volunteers need to carry forward the service. The transformation process would involve giving the children who have been affected by natural disasters the goods and money donated earlier.

Finally, outputs are the final product that the organisation sells or provides. In the case of The Charity Foundation, the output is a service. The output at The Charity Foundation is improving the living conditions of the children affected by natural disasters.

Question 5

Marks	0	1	2	3	4	5	6	Average
%	46	11	10	8	10	9	7	1.8

Operations management strategies include:

- facilities design and layout – for example, environmentally friendly building
- materials management – for example, waste management
- management of quality – for example, safety of products, specifications
- extent of the use of technology – for example, Occupational Health and Safety practices.

Generally, this question was answered poorly. Many students identified a general strategy (quality, technology), but did not provide more detail linking it to a specific strategy (total quality management or computer-aided design). Many students selected appropriate operations management strategies, but then did not address how adopting an ethically and socially responsible approach in these areas would benefit the organisation. Students discussed why the organisation should adopt an ethically and socially responsible approach from the community's perspective; however, this was not what the question required. Some students discussed adopting an ethical and socially responsible approach in general and did not mention operations management strategies.

The following is an example of a high-scoring response.

Ethical management is the application of moral standards to an organisation's activities. Social responsibility is the extra efforts an organisation undertakes to provide for the wellbeing of its stakeholders, particularly the community and the environment. One operations management strategy is the management of quality. This can involve quality control in the form of inspectors, quality assurance adopting the ISO 9000 standard and/or Total Quality Management (TQM). TQM is the most effective of these as it is an ongoing organisation wide approach to maintaining quality. It involves three main aspects, continuous improvement, customer focus and employee empowerment. TQM is a continual and collective commitment to aspiring to achieve perfection. Adopting an ethical and socially responsible approach can be beneficial regarding quality. If employees are empowered, this improves their morale and they feel ethically respected. If customers' needs are a top priority, and quality is of its highest possibility, then customers will be more likely to purchase the products as they appreciate the good quality products. If they have purchased products or received service or high quality this is being socially responsible as the interest of the customers is respected. This benefits the organisation as repeat sales are likely to be made.

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A second strategy could be Materials management specifically Just in Time (JIT). This involves the sourcing of materials, stock and suppliers required to ensure that stock arrives just as required to be used on the production line. Organisations will benefit if they source their materials in an ethically and socially responsible manner. This involves purchasing from suppliers whom cause minimal damage to the environment, for example Linfox a logistics company aim to reduce their carbon emissions from travel as much as possible. Organisations should also source from ethical suppliers, for example obtaining fair trade coffee or chocolate.

By adopting this ethical and socially responsible approach, customers are more likely to purchase from the organisation as customers are increasingly becoming concerned for the environment and society. This benefits the organisation as they have more sales thus greater profits. Employees also increasingly prefer to work at ethical and socially responsible organisations; therefore staff retention will be increased.

Question 6a.

Marks	0	1	2	3	4	Average
%	29	11	20	23	17	1.9

Goal-setting theory affects a person's performance. Two important factors are goal difficulty (challenge increases motivation) and goal specificity (clear and explicit). Locke's theory states that if an individual participates in selecting their own goals, they will have a higher commitment to achieving them.

Many students did not mention that Locke's theory of motivation is about challenges and specific goals that need to be set collaboratively. The discussion of how the Human Resource Manager could use Locke's theory to motivate the remaining graduates was not well done.

The following is an example of a high-scoring response.

Locke's theory of motivation is based on the argument that motivation is derived from the setting of clear, specific, challenging (yet not too overwhelming) goals collaboratively, alongside positive and appropriate feedback in regard to the achievement of the goal. Locke strongly proposed the idea that the goal, especially if it is set by the employee him/herself with the manager will act as a driving force that guides and directs employees, providing them with a clear and motivated sense of direction. Most importantly, the positive feedback from managers will allow the employees to feel valued by the organisation and a high sense of achievement or accomplishment which motivates them to improve their job performance standards for a sustained period of time. Locke's goal setting theory will be very effective in motivating the remaining three graduates. Firstly, the agency could encourage the graduates to set a clear, specific and challenging goal such as servicing 20 customers a day. By setting this goal, the graduates would be motivated towards increasing better communication skills and efficiency with computers in the agency. If this goal is effectively accomplished, the positive feedback from the manager will effectively improve their job satisfaction due to increased performance standards.

Question 6b.

Marks	0	1	2	3	4	Average
%	26	15	25	16	19	1.9

Benefits to the business from using Locke's motivational theory include improved productivity, quality, service, delivery reliability, innovativeness, alignment of employee goals with business objectives, and better relationships with employees.

Some students used job satisfaction as a benefit of using Locke's theory of motivation, despite the question asking them to discuss two other benefits in addition to job satisfaction. Other students reiterated their response from Question 6a. and did not address the progression from the two questions.

The following is an example of a high-scoring response.

Two other benefits to Allen's Advertising Agency that would occur as a result of Locke's theory include a higher rate of productivity and a lower rate of staff turnover. As Locke's theory endeavours to motivate staff Allen's Advertising Agency's staff will perform at a more optimum level due to their clear directions and targets. This higher level of motivation and performance will result in a higher rate of productivity due to the greater amount of work a staff member is completing as they strive to achieve their goal. In essence, this higher level of motivation will result in a more effective use of human inputs. A lower rate of staff turnover, which refers to the percentage of staff that leave their job annually, will also be achieved by Allen's Advertising Agency. This goal setting theory can be used to motivate staff, and the clear direction and reward of achievement for staff will result in a higher level of job satisfaction. As employees have been leaving the Agency due to low job satisfaction, Locke's Goal Setting Theory can be used to satisfy staff at work which will result in less staff leaving and therefore a lower rate of staff turnover.

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Question 6c.

Marks	0	1	2	3	4	5	6	Average
%	6	5	11	20	24	21	14	3.7

Reward management recognises that, as part of a business strategy, employees have appropriate skills and motivation to achieve outcomes. It should avoid creating resentment; it should be flexible and based on teams. Financial rewards include pay, bonuses and profit sharing. Non-financial rewards include job satisfaction, skills upgrade, certificates of appreciation and increased responsibility.

This question was generally handled well. Many students were able to identify a financial and a non-financial reward. Students did not score full marks if they did not say how the financial reward and the non-financial reward could improve motivation.

The following is an example of a high-scoring response.

Recognition and rewards refer to the company's demonstration of appreciation for the sustained excellence or efforts by an employee by providing them with intrinsic or extrinsic rewards. The major or definite link between reward and motivation so that rewards can often lead to motivation, or the ability of an employee to exert individual effort over a sustained period of time. For instance, the HRM can introduce the performance pay related system, as a financial reward to improve motivation. Performance related pay relates to the idea where the productivity or the outcome of the employees output will reflect their level of bonus pay. This will motivate the graduates to increase their efficiency or productivity levels and work above and beyond their normal efforts since it will lead to a higher financial reward. Alternatively, the HRM may introduce a non financial reward such as 'employee of the month' title to motivate the graduates. Firstly, this will allow the workers to feel that the organisation is highly appreciative and highly values their commitment to the organisation. Consequently, this increased feeling of improved job security, loyalty or performance will continuously motivate workers to improve job performance. Secondly, public recognition like the employee of the month title can be a positive example for other employees to follow. It may motivate other workers to increase their work ethic. As it is only natural that workers want to be respected and rewarded by their organisation. Ultimately, both non financial and financial rewards act as a source of motivation to sustain and increase the employee's commitment to the organisation.

Question 6d.

Marks	0	1	2	3	4	5	Average
%	15	17	22	21	13	11	2.3

Selection processes are those involved with choosing the potential employee from the available pool of applicants. These include shortlisting, job analysis, job design, interview processes, reference checking, work tests and psychological tests.

This question was reasonably well handled. Some students, however, spent the majority of their response talking about job descriptions and job analysis, which are part of recruitment instead of selection, as asked for in the question. Some students talked about training employees who were currently employed.

The following is an example of a high-scoring response.

Selection involves the choosing of employees from a range of applicants for a job/position. After advertising the positions, possibly through a recruitment agency or the newspaper, screening needs to take place. This involves looking through all the applicants' resumes and applications to see which fit the job description, specification and design, as a job analysis would have been initially conducted to see what the new graduates would be required to do. From this screening process, a short list should be developed, whereby unsuitable applicants are disregarded. Next, interview of the short listed applicants may take place. This could involve the human resource manager asking questions related to personality, career aspirations, qualifications and experience etc. They would gain a sense of what the candidate is like, which is important for an advertising agency, in particular, as employees will probably require a creative side or good communication for example. Testing such as personality or IQ tests may be conducted, as well as any background checks with referees for example. The HRM could contact the universities of the applicants or others to get information about their work experience. Finally, this should have further eliminated unsuccessful applicants until three are left. They should be offered the positions and once they accept, unsuccessful applicants should be notified.

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Question 7

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	13	8	11	10	12	12	12	9	8	3	2	4.2

Driving and restraining forces include management, employees, time, competitors, low productivity, organisational inertia, legislation, cost, social attitudes and technology.

Most students struggled to integrate the issue or organisation studied and to relate driving and restraining forces to an organisation or issue. When asked to illustrate or give examples, students need to ensure that they do not write their entire response about the illustration or example.

The following is an example of a high-scoring response.

Change refers to any alteration to a business' workplace or environment. One change issue is Business Ethics and Social Responsibility. Business Ethics refers to honest and transparent operations that reflect the morals of a business. Social responsibility refers to taking responsibility for the impact of actions and contributing to the welfare of the community. One company that has changed because of ethical and social responsibility pressures is Cadbury Australia. In mid 2009, Cadbury made an executive decision to produce Fair Trade Dairy Milk Chocolate by Easter 2010. There were many driving and restraining forces for this drastic change. A driving force is one that pushes in support of the change, encourages and fosters the change. One driving force is customers. Customers are the people who purchase the products. Businesses need to stay in tune with customer needs. For Cadbury, customers were raising concerns about the cocoa supplies used. They were demanding cocoa for the chocolate was obtained ethically. Another driving force for change is competition. Competition involves businesses who are in the same market, eg. Mars. Businesses often have to make changes to their operations to keep up with competitors and to maintain a competitive edge. For Cadbury, a drop in sales was identified as being simultaneous with a rise in sales of Fair Trade Chocolate. Restraining forces for change are ones that hinder successful implementation. One restraining force is costs. Change is often associated with significant costs. Choosing to be more ethical and socially responsible is especially costly in both time and money. For Cadbury there would be significant costs with purchasing Fair Trade cocoa, rather than using its original supplier. Another restraining force can be organisational inertia. This is when a business is quite traditional, often resisting change. Businesses that are not used to change often, find change the most difficult. For Cadbury, inertia was related to changing to a supplier who sold fair trade chocolate rather than the original supplier. Overall, change is necessary for any business wishing to stay competitive. Cadbury's change was costly and involved over coming organisational inertia, but has resulted in a significant increase in sales and improved market share.