



2012

Business Management GA 3: Examination

GENERAL COMMENTS

Students attempted most questions on the 2012 Business Management exam and provided a good level of depth and detail in their responses. However, some students appeared to find the examination difficult.

Students are reminded that questions often consist of many parts and they are required to respond to each part. It is important that students read each question carefully to ensure that they are answering it in its entirety. For many questions, students were required to describe a concept/process, etc. as well as apply their knowledge to the case material. Often the description was not included or the answer included a description with no application to the case material.

Students should have a clear understanding of task descriptors and their requirements. For example, the task descriptor 'discuss' requires students to discuss strengths and weaknesses or benefits and limitations.

While students' knowledge of the study content was good, some struggled to apply their theoretical knowledge to case material. It is essential that students apply content that specifically relates to the material that has been provided. Often it appeared that a student had memorised content and then struggled to apply it to a situation where it was not really appropriate. Students should practise applying their content knowledge to different situations throughout the year.

Question 1a.

Marks	0	1	Average
%	46	54	0.6

Market share is the percentage of the total users of a good or service held by a business.

The percentage of market share is one of the performance indicators listed in the study design, but most students who attempted this question were unable to define the term appropriately.

When answering a question that asks for a definition, students should avoid using the terms being defined, rather than restating them as part of the definition. For example, it is insufficient to say that market share is the organisation's share of the market. In addition, some students confused market share with the buying and selling of shares on the Australian Stock Exchange.

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

Market share is the proportion of sales belonging to an organisation out of the total sales in the industry or market, often measured as a percentage figure. For example, the four large scale organisations have 92% market share in the chocolate industry.

Question 1b.

Marks	0	1	2	3	4	Average
%	39	16	18	14	13	1.5

- Total quality management (TQM) is a quality philosophy that involves continuous improvement, a strong customer focus and employee participation, attempting to improve quality at every stage of the production process.
- Quality assurance involves an external organisation that audits against national or international standards. If the standards are met, the organisation can display the certification; for example, ISO standards.
- Quality control involves four stages: establish quality benchmarks or standards to be achieved, use sampling techniques to carry out inspections of performance, compare results with established/standards/benchmarks and take corrective action if necessary.

The question required the chosen methods to then be linked to improving quality at Websters. A significant number of students were unable to identify appropriate quality methods. Others explained the methods without relating them to Websters as the question asked. It is important that students answer the question fully and address all parts. Students should have given a full explanation of the quality methods and applied them to the organisation.

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

The management of quality can be done through the strategy of quality assurance or total quality management. Quality assurance involves gaining quality certification from an external body that has set predetermined quality standards which the organisation must meet. These are often known as ISO standards. If Websters uses quality assurance it guarantees all products produced in the operations system are of a high quality or they are not allowed to be sold.

The other strategy Sam could employ is known as total quality management where all employees in the operations system are encouraged to be continually striving for high quality in all they produce. Sam could organise groups known as quality circles where they discuss options on how to make their products even better. This approach is also viable to ensure that Websters produce high quality chocolate products, which is necessary to improve their competitiveness.

Question 1c.

Marks	0	1	2	3	4	Average
%	16	15	30	15	24	2.2

Performance indicators that are relevant to measure the success of the change in Websters's focus include (two of)

- percentage of market share
- number of sales
- net profit figure
- customer satisfaction levels as measured through a customer satisfaction survey.

Students are expected to be able to select performance indicators that are specific to the case material and that will measure whether the organisation has met the stated objective. Many students selected performance indicators that were not directly related to the case material. Some students were able to identify and explain performance indicators but did not justify their use by the organisation to measure a change in quality.

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

Performance indicators are specific criteria used to measure effectiveness and efficiency of performance.

Websters could use the number of sales which looks at the number of chocolates sold in a particular time. This is done by comparing the new numbers with some old statistics taken. If the numbers have increased it shows that Websters are using the right methods to increase competitiveness. If there are not, it means Websters needs to identify where they can continue to fix it.

Secondly, customer complaints are often made when the quality of a product is quite poor. As quality improves you would expect the number of customer complaints to drop significantly. By comparing previous numbers with the number after the implementation of the quality management strategies the organisation will be able to notice if quality of product has increased as customers are happier with the product.

Question 1d.

Marks	0	1	2	3	4	5	6	Average
%	23	12	16	17	14	10	8	2.5

The three phases of the employment cycle are

- establishment: human resource planning, job analysis and design, recruitment methods and selection processes, employment arrangements and remuneration
- maintenance: induction, training and development, recognition and reward, performance management
- termination: termination management, entitlements, transition.

This question asked students to select a practice or process from each of the three phases of the employment cycle. Students approached this question in two ways. Some chose to explain the whole process (i.e. steps involved in the establishment phase), while others selected a practice within the phase (for example, job analysis and job design). Many students were able to identify a process or practice and justify its use but did not describe it as the question asked.

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Students need to ensure that their response relates to the case material. In this question many students wrote that an appropriate termination practice was to perform an exit interview to determine why the employee was leaving. The case material suggested that some employees might need to be retrenched, so in that instance an exit interview to determine why they are leaving is not appropriate.

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

There are three phases in the employment cycle: establishment, maintenance and termination.

In the establishment phase, a selection process must be used to ensure the best employees are hired. Websters could use this to measure the desirability of those who apply for the job and how appropriate they will be, especially regarding the new focus on quality. The selection process involves receipt of applications, they then screen and short list (Websters should select those applicants who will be most focussed on the quality of the organisation), interviews (specific questions about quality should be asked), testing, reference checking and finally offering the job to the best applicant, who in this case, should be focussed on quality.

The maintenance phase involves development, which has a forward looking focus in improving the skills of an employee. Websters could use this to best develop the employees involved in quality and in improving the capabilities of the current staff they will be able to better compete regarding quality.

The final stage of the employment cycle is termination, when the employee is no longer employed at the organisation. Due to some staff lacking capabilities they may be subject to dismissal on notice due to not being able to perform their role to the appropriate standard. This occurs after a period of training. This enables the manager to make room for new more skilled employees, hence being able to improve quality and thus the competitiveness of Websters.

Question 1e.

Marks	0	1	2	Average
%	37	16	47	1.1

The differences between manufacturing and service organisations include

- a manufactured product is tangible, whereas a service is intangible
- production and consumption occur separately in manufacturing and simultaneously in service
- manufactured goods can be stored; services are unable to be stored
- manufactured goods tend to be standardised, while services tend to be tailored to an individual
- manufactured goods usually have minimal customer contact in the processing stage, whereas there are high levels of customer contact in services.

Students are reminded that when discussing differences it is best to select those that are opposite. As the question asked students to describe the differences, it was insufficient to simply state them.

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

Manufacturing organisations provide outputs which are tangible and can be stored. For example, chocolate can be touched and stored to eat later (as in Webster's). Conversely, service organisations produce outputs which are intangible and cannot be touched or stored. They are created at the same time of consumption, such as receiving a flight service whilst on board the plane.

Question 1f.

Marks	0	1	2	3	4	5	6	Average
%	21	17	23	18	13	5	3	2.1

The two options stated within the question were to retrain current staff or purchase new equipment from Belgium. Ethical and social responsibility issues include maintaining employment, use of resources/wastage, carbon emissions – transporting the equipment from overseas but reduction once it arrives, buying locally, creating and maintaining a safe workplace (beyond Occupational Health and Safety legislation).

Possible answers could have been as follows.

- Improving the capabilities of the current staff: The advantages are maintaining employment, maintaining local ties and the benefits of training/reskilling on your current workforce. The disadvantages are continuing with higher levels of waste and carbon emissions, and the cost of training staff in terms of both time and money.
- Purchase and import state-of-the-art equipment from Belgium: The advantages are a reduction of waste and carbon emissions and improvement in productivity likely to lead to the ongoing viability of the business and



thereby sustaining employment. The disadvantages are that there are likely to be job losses and the environmental impact of shipping equipment from Belgium.

This question was answered poorly. Generally, students either misinterpreted the question and did not refer to the options mentioned in the stimulus material, or their link between the options and ethical and socially responsible management was poor or did not contain enough detail.

Students were able to structure their response by identifying the issue and then analysing this in relation to both options; for example, in relation to employment. Alternatively, students were able to identify each option and then analyse that option. Whichever approach was used, students were required to refer to both options and explain the issues in relation to both options. They were also required to identify and analyse advantages and disadvantages of both options.

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

Business ethics is the moral standards that govern the organisation's practices and social responsibility is how the organisation intends to benefit the environment and the community at large, beyond the minimum legal requirements.

Mr Webster's decision to focus on improving the capabilities of the current staff is both socially and ethically correct as he is showing value for his staff and not downsizing them for better options, instead giving them the chance to undertake training and improve their skills. This shows Mr Webster to respect his employees and will create a positive corporate culture amongst Webster's staff.

Option two, to purchase and import machinery from Belgium may have some negative social responsibility issues attached. By importing machinery from other countries it means loss of business for Australian companies and workers and Websters may be reflected in a negative light for this outsourcing of materials. Another negative social responsibility issue that may occur is the consumer uncertainty in the manufacturing of the machine and whether it was done using environmentally friendly practices. However, a major positive ethical and socially responsible issue from the new technology is that it reduces waste and carbon emissions. This shows Websters to be actively limiting their negative impact on society and the environment and this may be an important factor in deterring customers from other brands to purchase Websters therefore social responsibility and ethical practices, while expensive initially, are often beneficial in the long run.

Question 2a.

Marks	0	1	2	3	4	Average
%	39	13	20	17	12	1.5

Appropriate management structures could include

- functional: employees are grouped according to the task they perform, which allows for specialisation and improves productivity through well-trained staff, career paths and economies of scale. However, it may also lead to a lack of flexibility and cooperation, narrow departmental focus and the possibility for empire building
- divisional: employees are grouped according to product, service, customer, geographic region or type of business entity. This allows for greater flexibility to adapt to environmental changes; direction of expertise is at specific customers, products, regions and processes; and it allows for the encouragement of cooperation between departments. However, there is also the possibility of duplication of work, reducing benefits of economies of scale and rivalries between divisions.

This question was not well answered. Many students were unable to identify an appropriate management structure for the expanding business.

When students are asked to 'discuss', they need to include positives/negatives, cost/benefits, strengths/weaknesses or gains/limitations in their response.

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

An appropriate management structure that Ms Glass could employ would be the divisional structure. This is a structure where employees are grouped together regarding the product or service, geography or process they undertake. As Ms Glass's company is incorporating a new aspect of parcel delivery, she can divide the organisation into the bulk transport division and the parcel delivery service. This enables each area of the organisation to focus on its own service that it provides rather than having one operations manager for two fairly different operations. This focus means greater efficiency and effectiveness is able to be delivered in each of the different operations as each division will develop expertise in their area. This will however, create some duplication of work in some areas such as finance and human resources and she also must ensure that the company remains one company as although it is separated into two major divisions they are still both part of Glass Transport.

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Question 2b.

Marks	0	1	2	3	4	Average
%	10	10	21	28	31	2.6

The characteristics of the consultative management style are that there is two-way communication between management and staff, although the manager still makes the final decision so there is centralised decision-making. There is a great deal of trust in the staff since there is encouragement of group discussion before decisions are made and staff suggestions are valued.

The advantages of this style include a greater variety of ideas, and involvement usually leads to better staff motivation/commitment. The disadvantages of this style include that it can be time-consuming, employees may not understand the complexity of the issue under review and, since some ideas may be overlooked, it might cause resentment among some staff.

This question was well answered. Students were able to explain the characteristics of the consultative management style and its advantages and disadvantages.

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

The consultative management style is where the employer asks for the employees' opinions before an executive decision is made. It utilises a two way channel of communication as employers actively discuss with employees and ask them what they think is appropriate. However, whilst the manager does consult employees it still is a centralised approach to decision making as ultimately it is the manager who makes the final decision. One advantage arising from this will be the innovation that employees can bring. They may show a new perspective that management may not have thought about. One disadvantage is that the process may be time consuming as the employers need to ask the employees for opinions. As a result, the decision made may be delayed and thus this style is more time consuming than that of an autocratic or persuasive style.

Question 2c.

Marks	0	1	2	3	4	5	6	Average
%	21	18	17	15	12	9	8	2.4

- Organising is the coordination of the organisation's human, physical and financial resources to achieve results. Organising will be needed as there is a new division that will need new resources and new staff who need to be brought together to make the business competitive.
- Leading is influencing or motivating staff to achieve organisational objectives. Ms Glass will need to share her new vision with staff, communicate service standards, inspire them and reward high performance.
- Controlling is the process of evaluating performance and taking corrective action to ensure the set objectives are being achieved. Ms Glass will need to establish standards and then monitor the business by checking performance against those established standards. She will also need to take action when actual performance deviates from planned performance.

This question was answered poorly. Many students did not use the specific 'business' definitions in relation to management roles. A large number of students explained planning, despite it not being referred to in the question.

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

Organising is the process of arranging resources and tasks to achieve objectives. Ms Glass will need to organise the division of labour, outline who will be responsible for what and she will also need to organise who will be relocated and delegate authority of various roles in the new parcel delivery service. Ms Glass will also need to coordinate all employees in the organisation and apply resource and task allocation techniques such as distribution of materials, to ensure Glass Transport is operating effectively and efficiently.

Leading is the process of influencing or motivating others towards the achievement of the organisations objectives. Ms Glass will require informational qualities to inform employees of changes and outline reasons as to why. Ms Glass will need decision making qualities to make effective decisions about the change. Ms Glass will also need interpersonal qualities in this role, to be able to relate to employees, share their concerns and support them through the change.

Controlling is the process of evaluating performance and taking corrective action where necessary. Once the service standards are set, Ms Glass must evaluate the success of the changes via financial and non-financial performance indicators and deadlines and benchmarking. She must then make changes where necessary to ensure set objectives are being achieved.

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Question 2d.

Marks	0	1	2	3	4	Average
%	24	14	24	21	16	1.9

Locke's theory of motivation is a goal-setting motivational theory that has two key elements: goals should be difficult (challenging but not overwhelming) and specific (clear and explicit). He stated that if goals were specific and challenging, this would motivate staff to complete them.

Ms Glass will set standards with staff in relation to service/delivery. Staff will be given feedback on goal achievement and recognition when achieved, leading to motivated staff.

Students should note that using the 'SMART' principles alone does not cover the key elements of Locke's theory as it does not address explicitly that the goals should be challenging.

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

Locke's goal setting theory is the belief that clear, specific, challenging (but not overwhelming) goals will motivate employees. It focuses on the process of setting and attaining goals as well as receiving feedback regarding achievements. It includes two aspects; goal difficulty (to a certain extent as goal difficulty increases, motivation will increase) and goal specificity (clear, explicit goals will motivate employees). Ms Glass can use this as a form of performance appraisal, set goals in conjunction with employees on the Glass Transport changes which according to Locke would lead to increased effort, persistence, and task focus. Ms Glass can then review the goals and provide feedback to employees, allowing them to develop a sense of purpose, motivation and thus improved performance as a result. Locke's theory would also allow Ms Glass to add clarity and altering the level of difficulty to goals so the Glass Transport expansion can be successfully achieved and employees will be motivated to achieve their goals as part of the expansion.

Question 3a.

Marks	0	1	2	3	4	5	6	Average
%	18	13	20	17	18	9	5	2.5

The external environment is the environment that the business has little or no control over. It includes the macro environment, which comprises, for example, social attitudes, environmental factors and legal/political environments.

The macro environment also includes the operating environment, which comprises

- customers
- suppliers
- competitors
- special interest groups such as trade unions or lobby groups.

The internal environment, which the business has some control over, includes employees, management, policies, structure and corporate culture.

This question was not well answered. In many cases students were able to identify factors that were relevant but did not describe them as the question asked. Most students were able to use an example of a large-scale organisation from their studies throughout the year.

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

The internal environment refers to three factors that the organisation has some degree of control over. An internal factor is Management. Managers are responsible for sections of the organisation. For example, CEO's are responsible for governing the entire organisation.

At Linfox, management identified that something needed to be done to reduce their rate of greenhouse gas emissions. This was when they decided to adopt their Greenfox program to reduce CO2 emissions by 15% by 2010. This resulted in a complete overhaul of the organisation with the adoption of new systems, processes and practices. In doing this, management employed an accounting firm to identify possible areas of carbon emission reductions which allowed management to initiate the change. The complete overhaul was costly, in both time and money; however, it has created a team spirit at Linfox where employees are working towards their common goal.

The external environment refers to those outside factors over which the organisation has little control. Customers are the buyers and users of products of large scale organisations and their changing preferences and demands must be adhered to, to ensure success.

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North American customers of Linfox began to question the environmental impact Linfox was having which also prompted the adoption of the Greenfox program. Linfox needed to adhere to these concerns for without satisfied customers an organisation will ultimately fail. Therefore customers played a major role in Linfox adopting its Greenfox program which greatly altered their organisation. Customers have been happy with the changes at Linfox and see them as being an organisation they are happy to support. However, the changes at Linfox have been significant and have taken a great deal of effort to achieve. Employees have needed training, trucks have been upgraded, and simple processes have needed to be redefined.

Question 3b.

Marks	0	1	2	3	4	Average
%	10	12	50	15	13	2.1

The differences in objectives could include the following.

For-profit	Not-for-profit
Aim to increase profit	Aim to provide a specific service to the community
Generate profit to increase shareholder value	Generate surplus to enable continued operation
Compete for market share against competitors	Often collaborative with other not-for-profit organisations
Market product/service to promote sales	Provide education to community about area of interest

Most students were familiar with the differences between for-profit and not-for-profit organisations. The question required students to explain differences in the organisations' objectives, but many students simply identified differences in general.

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

Not-for-profit organisations, such as charities and foundations, usually have as their main objective the aim to address a social problem in the community. This might be to improve the standard of living of some poorer members of society. For-profit organisations, such as Rip Curl or Coles, however, usually have as their main objective the desire to make profit to benefit their shareholders/owners.

For-profit organisations aim to increase their customer base, as by doing this they are able to increase profits and improve the performance of the business. Not-for-profit organisations usually try to improve the lives of those that use their service/product and if they are successful they should reduce the numbers of people who need their assistance. So with a Not-for-profit organisation an aim might be to lower their customer base as success might be measured by reducing the number of their 'customers'.

Question 3c.

Marks	0	1	2	3	4	Average
%	29	15	25	18	13	1.7

This question was poorly answered because many students were unable to determine what a significant change issue was. The study design states that significant change issues are social responsibility, business ethics, globalisation, mergers and acquisitions, technological development, legislative compliance, privatisation or any other significant issue. It is worth noting that the significant change issues identified in the study design are all issues that are broad in their application. It is expected, therefore, that if a student chose to use another significant change issue that it would also be broad in its application. For example, the carbon tax was an appropriate option.

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

A significant change issue is that of globalisation. This is the change that has occurred with the breaking down on international borders, with the world becoming one big global market. This has come about due to faster travel, increased speed of information and the expansion of organisations into new markets.

The first way in which globalisation can impact on large-scale organisations is that they now find themselves competing with organisations from overseas that were never part of their local market. This is due to the explosion of shopping online. Organisations need to come up with new strategies to ensure that they do not get overtaken by these new cheaper competitors.

Secondly organisations are now open to a wider range of markets themselves and can see this as an opportunity to expand to reach out to markets previously untouched. This could be done by creating an online store so they can operate in one country yet still be able to sell things to customers in other countries.



Question 4

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	22	8	10	10	10	10	9	8	6	3	3	3.7

Students tended to approach this question in two different ways and either was acceptable. Most explained Kotter's steps and then explained whether they related to a driving or a restraining force for change or were a low-risk practice. Some students referred to all eight of Kotter's steps, while others used fewer and provided greater depth in their response. For example, some students stated that step 4 of Kotter's change management theory involved communicating the vision of the change to employees, then explained what communicating the vision of the change meant and how communication was a low-risk practice. Students could also have talked about how step 2, forming a guiding coalition to oversee the change, was a driving force for change. Almost all of Kotter's eight steps could be seen as driving forces for change, removing restraining forces for change or low-risk practices.

Some students began their explanation by discussing driving and restraining forces for change and low-risk practices, and then related Kotter's steps as appropriate. (This is shown in the sample answer given below.)

This question was not well answered. Students are reminded to read the question carefully and respond to it directly. Many students simply explained Kotter's eight-step change process but this did not answer the question. Others explained in quite significant detail a change that had happened in an organisation they had studied, without reference to Kotter's steps or driving/restraining forces for change or low-risk practices. In both cases, this meant that students did not address the question and, consequently, did not score well.

Some students answered this question in a good amount of detail and addressed each element of the question.

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

Kotter's change management theory provides organisations with eight steps on how to successfully manage change within an organisation. It can be used to promote driving forces, reduce restraining forces and promote low-risk practices.

Firstly, driving forces are those which move with change and encourage it to occur. In an organisation like Toyota, these driving forces are the increased need to produce environmentally friendly vehicles which has come about through increased customer concern about the environment. Kotter's theory is all about ensuring the entire organisation sees the benefits of the proposed change which will make it easier for the organisation in the long run. This is done in step four, by clearly communicating the vision of change to all stakeholders concerned. By explaining the reasons for the change and what is hoped to be achieved, thereby promoting the positives, these are driving forces for change. By doing this, Toyota's management is able to more easily get the employees on side as the change has been seen as the correct thing to do. Kotter's second step, which is to establish a guiding coalition, also can be seen as promoting driving forces for change. This coalition is a group of influential employees in the organisation whose aim is to further promote the change and guide the employees through the change process. Toyota did this when moving towards creating more sustainable practices and it was those employees that drove the change process.

Restraining forces are those that work against change and slow down the process. This might include employees or management who may not be happy because there is a risk to their jobs or they may feel that there is no need to change. Kotter's theory says that after communicating the vision to all stakeholders, that you should then remove obstacles to the change process. In the case of employees, this might mean empowering the employees by giving them responsibility within the organisation. Employees with responsibilities will feel greater ownership of the change and are therefore likely to be less resistant to the change. At Toyota, all employees are given power to establish changes in the organisation and two way communication allows for feedback and the smooth flow of ideas.

Kotter's change management theory is also used to promote the use of low risk practices when establishing change. These low-risk practices are those things like actively communicating with employees. Step three of Kotter is to create a vision for change and then step four is to communicate that vision to stakeholders. Good communication is a low risk practice as allowing employees to understand clearly what is going on is a simple method of encourage change. Through their communication with employees, management at Toyota used low risk practices and allowed employees to feel comfortable about the change process and where it was heading. Step five of Kotter, which is where they remove obstacles is also a low risk practice. Empowering employees and giving them responsibility results in employees feeling supported and accepting of change. They also will feel valued and this boosts motivation and productivity. This was the case at Toyota as their employees were accepting of change and felt valued, both by having the process explained to them and by being given responsibility.