



VCE BUSINESS MANAGEMENT ASSESSMENT TASK UNIT 4 2017

Outcome 1

Explain the way business change may come about, use key performance indicators to analyse the performance of a business, discuss the driving and restraining forces for change and evaluate management strategies to position a business for the future.

Option: preliminary information to be given to students in advance (see pages 13-14)

Reading time: 5 minutes

Writing time: 80 minutes

QUESTION AND ANSWER BOOK

Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of Marks</i>
2	2	50

STUDENT NAME _____

TEACHER NAME _____

- Students are permitted to bring into the assessment room: pens, pencils, highlighters, erasers, sharpeners and rulers.
- Students are NOT permitted to bring into the assessment room: blank sheets of paper and/or white out liquid/tape.
- No calculator is allowed in this assessment task.

Materials supplied

- Question and answer book of 12 pages.
- Additional space is available at the end of the book if you need extra paper to complete an answer

Instructions

- Write your **name and teacher's name** in the space provided above.
- All written responses must be in English.

Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the assessment room

Question 1 (11 marks)

a. Define the following terms:

3 marks

organisational inertia _____

legislation _____

globalisation _____

b. Distinguish between a proactive and reactive approach to change.

4 marks

c. Describe the key principles of Lewin's Force Field Analysis theory and explain how management can make use of Lewin's theory.

4 marks

Question 2 (39 marks)

Ten Network Holdings (Ten) announced a half-year net loss of \$232 million at the end of April 2017. Shares in Ten Network Holdings fell 40 per cent following the announcement, meaning that the worth of the entire free-to-air television company plunged to \$99.7 million. While Ten's revenue grew by 2.1 per cent to \$314 million, and its market share in the advertising market increased, costs increased by 7.4 per cent to \$349.4 million due to more investment in domestic programming.

Ten's chief executive officer, Paul Anderson, said the network had achieved above-market revenue growth in the first half of 2017 because of "investment in local content and the audience momentum Ten has built in recent years" but this "was not enough to offset the weak conditions in the television advertising market and the Company's increased content and other costs."

In a media release, Mr Anderson revealed that Ten will be commencing a transformation program – codenamed Blue Horizon – to improve all areas of the business. He said, "This whole-of-business program will improve revenues through a range of initiatives that complement the MCN relationship [Ten has a partnership with Multi Channel Network Pty Ltd ('MCN') – a business that is responsible for Ten's advertising interests] and will achieve significant cost savings as previously foreshadowed, most of which will fall in the 2018 financial year onwards."

There were fears amongst employees that the transformation program may lead to the loss of jobs as management at Ten attempts to reduce costs.

Ten also delivered a dramatic warning that it would need to renegotiate and secure its financing of debt, clearly suggesting that its future could otherwise be in doubt. Ten is currently relying on a \$200 million loan from the Commonwealth Bank. It will need to explore whether it can secure another \$250 million to keep it out of receivership. The \$250 million may possibly come from its three main creditors: Lachlan Murdoch, James Packer and Bruce Gordon, or from other sources.

Another issue that Ten needs to deal with is suppliers. It is locked into buying television shows from the United States that do not generate enough advertising revenue to cover their huge costs. The only real successes for the business have been its *KFC Big Bash Cricket* and *I'm a Celebrity...Get Me Out Of Here* shows that contributed to its increase in revenue and market share.

Ten's competitors have been disrupting the free-to-air-TV market, and this is only going to increase in the near future. The rise of social media and online streaming services such as Netflix and Apple TV has negatively impacted on Ten's performance. Ten's programs are generally aimed at the youth market, meaning that the company is operating in a very competitive area.

- a. Ten Network Holdings is planning a number of changes in order to position the business for the future.

Describe how business change has come about at Ten.

4 marks

b. Analyse Ten's performance using the following key performance indicators:

9 marks

net profit figures _____

number of sales _____

percentage of market share _____

- c. Identify and describe **two** other key performance indicators that Ten might use to evaluate its performance.

4 marks

- d. Define the following driving forces for change and explain why Ten may have considered them before announcing its transformation program:

6 marks

managers _____

competitors _____

pursuit of profit _____

- e. Define the following restraining forces for change and explain why Ten may have considered them before announcing its transformation program:

6 marks

employees _____

time _____

financial considerations _____

- f. Porter's Generic Strategies (1985) focuses on two key approaches to strategic management: lower cost and differentiation.

Explain both lower cost and differentiation. Evaluate which of these approaches would be the most appropriate for Ten.

10 marks

[illegible]

[illegible]

END OF QUESTION AND ANSWER BOOKLET

Extra space for responses

Clearly number all responses in this space

[illegible]

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE BUSINESS MANAGEMENT Unit 4 Outcome 1 2017

PRELIMINARY INFORMATION GIVEN IN ADVANCE OF CPAP BUSINESS MANAGEMENT UNIT 4 ASSESSMENT TASK OUTCOME 1

Outcome 1 is comprised of two structured questions worth a total of 50 marks. The preamble relating to the questions is contained below. You should endeavour to anticipate possible questions in light of:

- (a) the information contained in the preambles; and**
- (b) the key knowledge and skills for Outcome 1 (reprinted on the back of this sheet).**

Preamble to:

Question 2 (39 marks)

Ten Network Holdings (Ten) announced a half-year net loss of \$232 million at the end of April 2017. Shares in Ten Network Holdings fell 40 per cent following the announcement, meaning that the worth of the entire free-to-air television company plunged to \$99.7 million. While Ten's revenue grew by 2.1 per cent to \$314 million, and its market share in the advertising market increased, costs increased by 7.4 per cent to \$349.4 million due to more investment in domestic programming.

Ten's chief executive officer, Paul Anderson, said the network had achieved above-market revenue growth in the first half of 2017 because of "investment in local content and the audience momentum Ten has built in recent years" but this "was not enough to offset the weak conditions in the television advertising market and the Company's increased content and other costs."

In a media release, Mr Anderson revealed that Ten will be commencing a transformation program – codenamed Blue Horizon – to improve all areas of the business. He said, "This whole-of-business program will improve revenues through a range of initiatives that complement the MCN relationship [Ten has a partnership with Multi Channel Network Pty Ltd ('MCN') – a business that is responsible for Ten's advertising interests] and will achieve significant cost savings as previously foreshadowed, most of which will fall in the 2018 financial year onwards."

There were fears amongst employees that the transformation program may lead to the loss of jobs as management at Ten attempts to reduce costs.

Ten also delivered a dramatic warning that it would need to renegotiate and secure its financing of debt, clearly suggesting that its future could otherwise be in doubt. Ten is currently relying on a \$200 million loan from the Commonwealth Bank. It will need to explore whether it can secure another \$250 million to keep it out of receivership. The \$250 million may possibly come from its three main creditors: Lachlan Murdoch, James Packer and Bruce Gordon, or from other sources.

Another issue that Ten needs to deal with is suppliers. It is locked into buying television shows from the United States that do not generate enough advertising revenue to cover their huge costs. The only real successes for the business have been its *KFC Big Bash Cricket* and *I'm a Celebrity...Get Me Out Of Here* shows that contributed to its increase in revenue and market share.

Ten's competitors have been disrupting the free-to-air-TV market, and this is only going to increase in the near future. The rise of social media and online streaming services such as Netflix and Foxtel Play has negatively impacted on Ten's performance. Ten's programs are generally aimed at the youth market, meaning that the company is operating in a very competitive area.

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE BUSINESS MANAGEMENT 2017 Unit 4 Outcome 1: Key knowledge and skills

Outcome 1

On completion of this unit the student should be able to explain the way business change may come about, use key performance indicators to analyse the performance of a business, discuss the driving and restraining forces for change and evaluate management strategies to position a business for the future.

To achieve this outcome the student will draw on key knowledge and key skills outlined in area of study 1.

Key knowledge

This knowledge includes

- the concept of business change
- key performance indicators as sources of data to analyse the performance of businesses, including percentage of market share, net profit figures, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints and number of workplace accidents
- key principles of the Force Field Analysis theory (Lewin)
- driving forces for change in business, including managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes
- restraining forces in businesses, including managers, employees, time, organisational inertia, legislation and financial considerations
- the two key approaches, lower cost and differentiation, to strategic management by Porter's Generic Strategies (1985).

Key skills

These skills include the ability to

- define, describe and apply relevant business management concepts and terms
- research and analyse case studies and contemporary examples of business management applicable to evaluating key performance indicators and sourcing business opportunities in a business
- interpret key performance indicators to analyse and evaluate business performance
- apply business management knowledge to practical and/or simulated business situations
- compare and evaluate relevant management strategies.