

BUSINESS MANAGEMENT

Units 3 & 4 – Written examination



(TSSM's 2010 trial exam updated for the current study design)

SOLUTIONS

SECTION A

Question 1 (18 marks)

- a. A private limited company is an incorporated business with a minimum of two shareholders, and whose shares are not freely traded on the Australian Securities Exchange but new owners are invited to join.

1 mark

- b. Percentage of market share refers to the total proportion of the total market that Poseidon Pty. Ltd has, expressed as a percentage in comparison to its competitors. An increase in market share indicates that this software company is performing successfully.

2 marks

- c. A consultative style of management has the following features:
- recognition of the importance of good personal relationships with employees so management consult with staff before making a final decision
 - two- way communication is happening with management willing to listen to staff opinions
 - decision-making is becoming decentralised
 - clear authority and responsibility is established
 - this style is moving towards a more employee orientated approach

*Students should clearly state that management still make the final decisions after staff consultation and include **one** other feature to gain the full marks for this question.*

2 marks

- d. The consultative and participative styles of management are similar in that both are employee orientated and have two way communication. Where they differ is in the final management decisions. With participative this is a team approach, with group decisions and shared responsibilities for tasks. In the case of the consultative style, management will consult with staff, but ultimately they will make the final decision, which may or may not include staff recommendations or input.

The disadvantages of the consultative style of management include:

- some employee input in the decision making process but not all employee skills are fully utilised and staff resentment could arise if decisions do not partially or fully incorporate staff input
- employee skills and potential is not used
- it is a time consuming process with staff consultation
- this style assumes that staff want to be involved in the decision-making process and some may not

The disadvantages of the participative style of management include;

- time consuming process with everyone involved in the decision-making process
- can cause conflict between employees where different opinions occur
- lines of responsibility may not be clear
- not all employees may have the skills and expertise, or want to contribute to the decision-making process

*Students need to select and explain **one** disadvantage from **both** management styles, to gain the full marks for this question.*

5 marks

- e. **Driving forces** for change are those forces that encourage and foster change. For Poseidon Pty Ltd it could be: the changing pace of technology, new staff with more technical skills that can develop innovative software, customer demands for user friendly programs, competition, globalisation.

Restraining forces are those forces that hold back and restrict change like: employee resistance, organisational inertia, the cost factor, customers or even legislation.

*Students need to define the **two** key terms and then provide an example for each with a brief explanation, to achieve the full marks for this question.*

4 marks

- f. Key performance indicators are the criteria that a business like Poseidon Pty. Ltd. can use to evaluate its successes and achievements. The management team could look at net profit figures over a period of time. If these are steadily increasing then the company is in a position to keep growing. They could also use the number of customer complaints, which would give them valuable feedback about their software products and if they are meeting customer needs.

Students could refer to a range of other key performance indicators including: rate of productivity growth, number of sales, level of staff turnover, level of wastage to answer this question.

4 marks

Question 2 (16 marks)

- a. A stakeholder is anyone who has a vested interest in the business, or who could be affected by the decisions of the business. In this case the employees would be affected by the introduction of the self-service scanners. Some would lose their jobs as cashiers or have their hours reduced, while others could be given different tasks to complete. Customers are another stakeholder that would be affected by the introduction of the scanners. Some may like the self-service scanners, as they are able to use them and not wait in a queue during busy shopping periods. Others may struggle with them preferring cashiers and could go to other supermarkets that still offer this type of customer service.

Other stakeholders that could be discussed in this question include:

- managers
- competitors

4 marks

- b. The operations area of management responsibility is required to oversee the transformation process of inputs into outputs. It involves the planning of the operations system, the allocation of tasks to staff, the use of key performance indicators to evaluate performance etc. In the case of Samson's supermarkets it would be ensuring that all products are on the shelves and the stock turnover is managed to meet customer demand.

2 marks

- c. Sampson's supermarket chains provide a service to the customer by selling a range of products that have already been produced by other companies. There is high customer contact during the transformation process and in the deli or bakery department customers can order to their specific preferences for items like birthday cakes or antipasto platters. With Golden Circle, this is a manufacturing business so output produced can be seen e.g. the cans of fruit. Customer contact is limited during the production process and the output can be stored for future consumption.

To answer this question students need to demonstrate an understanding of the differences in the operations of a manufacturing company to that of a service company

4 marks

- d. Materials management refers to the systems that are put in place, to ensure that the right amount of materials are available at the right time, in the right numbers and at the right cost. The operations manager at Samson's supermarkets could use the **Just in Time** materials management strategy that is implemented as part of the supply chain, so that just enough stock is kept on hand to meet customer demand. Too much stock is a waste of money, space and it could become obsolete, be damaged or stolen. If there is a shortage of stock then Samson's could lose money, as customers will go elsewhere to purchase their grocery items.

Other materials management strategies that students could discuss in this answer include: Materials Requirement Plans, master production schedule or forecasting. Quality management refers to the management of the production process to ensure that the output produced is of a consistently high standard, reliable and durable. In relation to the supermarket chain it is about delivering a high level of service to the customers each time and ensuring that the products on sale are not out of date, faulty or of a poor standard. Samson's could use quality control which is a process of inspecting and maintaining the quality of good or service at regular intervals and addressing defects if they arise. Samson's could use mystery shoppers to assess the standard of their cashiers and supervisors. They could check the quality of the fruit and vegetables at regular intervals to make sure it is at the standard they want.

Students could also refer to either total quality management or quality assurance as a suitable strategy to improve operations for this part of the question.

4 marks

- e. Corporate social responsibility is about the business demonstrating a commitment to the community that goes beyond just the legal requirements.

Samson's supermarket chain could:

- be more environmentally friendly by abolishing or charging for plastic bags encouraging customers to use reusable canvas bags
- donating to local charities and sports clubs
- reducing their carbon footprint by recycling, reusing and reducing energy and gas emissions (i.e. using the energy efficient light globes, promoting a paperless office etc)
- buying from companies that act ethically in the supply chain

*Students need to provide a definition of ethics and social responsibility and **one** example of how Samson's supermarket chain could be seen to be more socially responsible to achieve the full marks for this question.*

2 marks

Total 16 marks

Question 3 (6 marks)

A grievance procedure provides an orderly system whereby the employee and employer can resolve matters relating to complaints about wages, hours, working conditions or disciplinary action.

The process generally commences with the employee lodging a complaint to their immediate supervisor. The complaint may be lodged by the employee directly or by their representative (which can be a union representative). If the immediate supervisor doesn't have the authority to deal with it, the grievance can be taken further and be lodged with middle or senior management. If no resolution occurs the grievance may move to an official grievance committee within the business or ultimately move to an external body for resolution.

Resolution here may involve mediation or conciliation or arbitration.

At each stage it is possible for the grievance to be resolved and not go through all stages of the process.

Question 4 (10 marks)

Change refers to any alteration to a business' workplace or environment. In implementing change employees often are the key restraining force for a business. In managing employees at this time a business can implement high-risk or low-risk strategies to overcome this resistance.

Low-risk strategies are steady, incremental strategies that garner support from stakeholders. They are less confronting and involve management seeking input and support from stakeholders. Two key strategies are communication and empowerment.

Communication involves the sharing of information with employees. The greater the sharing of information during the change process, the greater the level of trust between management and employees. Maintaining open lines of communication assists in the sharing of information at all levels of the business. Communication can be a time-consuming process as the business must provide the opportunity for employees to respond to the information provided. A second low-risk strategy is empowerment. This links to communication as communication should be a two-way process and it is important that employees feel they have the opportunity for input into those decisions that have a direct effect on what they do or how they operate within the business. Top-down direction can lead to mistrust and lack of confidence in this process.

Encouraging negotiation processes can empower employees and enhance the support they

show and give for the direction of the change. However, like communication, empowering employees can be a time-consuming process and it can also lead to poorly managed change as employees may influence decisions in a manner that is not consistent with the aim of the business.

It is for these reasons that sometimes a business will implement a high-risk strategy. A high-risk strategy is one that must be applied correctly or else failure results. Two high-risk strategies are manipulation and threats.

Manipulation is a high risk strategy of not sharing all the facts relating to the change. This is done to influence staff to support the change but it high risk if the true nature of the change is discovered.

Threats occur if some staff are identified as resistors. Managers may issue threats to gain their support. Retrenchment, transfer, loss of promotion opportunities, loss of hours are all threats that can be made. This is a high risk strategy as it may engender further resistance from other staff.

Regardless of which strategies are implemented, the use of a change model is advisable.

Change models provide a structure for the change and often a process to assist in the change being implemented effectively. One such change model is Lewin's Three Step Model.

Kurt Lewin developed a theory on the best approach for a business to manage change. Lewin believed that change occurs at many levels within a business – be it a large or a small business. He suggested that change can occur at the individual level, a structural or systemic level or arise from inside the business through the culture of the business and the style of management in place within the business. He then developed three steps:

1. Unfreezing the present situation: this is the phase of preparing the business for change. This may involve minimising resistance and gaining commitment to the proposed change.
2. Moving to a new state: this is the change itself. This may involve change in structure, reporting relationships and reward systems, and should see changes in behaviour patterns.
3. Refreezing: this involves stabilising or institutionalising these changes by establishing systems that make these behaviour patterns relatively secure.

SECTION B

Question 1

- a. Redundancy is a situation where a person's job 'disappears'. That is, due to downsizing, outsourcing or a duplication of tasks there is no work for that employee and their position in the business is discontinued.

2 marks

- b. A second form of termination is resignation. This is where an employee voluntarily ceases to work for a business because they have accepted a job at another employer – this could be due to seeking and gaining a promotion, wanting a different experience or moving for family/personal reasons

Students could also describe dismissal and retirement.

2 marks

- c. When an employee is made redundant the business is able to support them in a number of ways:

- Counselling – both financial and emotional to ease staff out of employment and help them support themselves until they find employment again.
- Transition services – such as assistance with resume writing, interview techniques and providing a reference for them
- Exit interviews – ask questions of departing employees about the process of making staff redundant – how it could be handled better

4 marks

- d. Mike Smith could refer to Maslow's theory of motivation, to help him address the issue of low staff morale. Maslow believed that people progressed through stages as they matured and developed in their jobs. He developed a pyramid or a hierarchy of needs starting from the physiological needs which need to be addressed first. These are the basic needs such as food and water for survival. Once these have been met then people progress to the safety and security needs which translate into job security, safety in the workplace, superannuation etc. Mike may find that his staff are operating at this level and once they have been reassured that their jobs are safe their morale may improve. Mike may also find that some staff want to feel a sense of belonging to the business which is the next level in this hierarchy of needs. He could organise teambuilding activities, social gatherings etc. to address the needs of his staff. The next level is the self-esteem level, which is about employees seeking recognition, career pathways and promotions to keep them motivated. The final level is the self-actualisation, which is about having opportunities to be challenged and creative.

8 marks

- e. A collective agreement is an agreement made between the employer and a group of employees represented by a union or other representative, on pay and working conditions in that industry. An example is teachers employed in the state education system who have the Australian Education Union negotiate with the state government on pay and working conditions as part of a collective agreement.

During the negotiations for creating this agreement the union would represent the interests of the employees, ensuring the agreement doesn't lower existing conditions and is a fair reward for the jobs done by the employees.

4 marks

- f. The skills that Mike Smith would use include:

- communicating – a two-way process of sending and receiving information.
- interpersonal – the ability of a manager to understand the impact of decisions on themselves and staff and build relationships with staff
- decision-making – the ability to select the best action from a range of options

Students need to explain two skills and then provide a reason/discussion point as to why the skill may not be effective:

- *Communicating – time consuming to negotiate each step of the process and so resolution of agreement is delayed*
- *Interpersonal – can't please all employees, some will be unhappy with the outcome*

5 marks