

BUSINESS MANAGEMENT

Units 3 & 4 – Written examination



(TSSM's 2014 trial exam updated for the current study design)

SOLUTIONS

SECTION A

Question 1

- a. A financial objective is a desired goal, outcome or specific result that a business intends to achieve in terms of its financial performance. Examples are to make a profit or increase market share.

1 mark

- b. A Government Business Enterprise is a type of business that is government owned and operated. Like companies, they participate in commercial activities with the goal of making a profit. However, GBEs carry out government policies while they deliver community services.

2 marks

- c. Another type of business ownership is a public-listed company. This type of business ownership is one that has between 2 and an unlimited number of owners. They exist to make a profit and their shares are bought and sold on the ASX with their reports published so potential investors can see how the business is performing. Shareholders have limited liability.

2 marks

Question 2

- a. A management style that would be suitable for Snap Coffee is the participative style of management. Managers and staff make decisions jointly and there is two-way communication. The emphasis is on teamwork and group based decisions with the authority or control decentralised. It is a suitable management style for this scenario as employees are skilled, highly motivated and have a greater opportunity to gain more skills. This type of management style promotes a high level of trust between management and employees which then helps promote a positive corporate culture.

5 marks

- b. Locke's and Latham's Goal Setting theory of motivation involves the establishment of clear, challenging goals with the provision of appropriate feedback from management that can help motivate employees to improve their own performance. They devised five principles for the setting of effective goals. They are clarity, challenge, commitment from staff, feedback and a degree of complexity.

Management at Snap Coffee would sit down with the staff at each factory site and set collaborative and achievable goals that are still challenging. The feedback given would be on a regular basis to provide opportunities for clarification of expectations and for recognition of work achievement with possible links to rewards. This feedback and recognition would act as a motivator to help employees achieve improved performance.

4 marks

- c. A positive culture at Snap Coffee would result in a good relationship between management and staff. This would lead to increased productivity levels as staff feel a sense of commitment and belonging to the business. Staff would also feel valued as that they are part of a team, which then leads to a greater work ethic. This in turn leads to less staff absenteeism and a lower staff turnover rate.

2 marks

- d. One key performance indicator could be the rate of staff turnover which is a measure of the number of staff leaving the organisation over a specific period of time that need to be replaced. If this is low, then this would indicate that staff are satisfied with the current working conditions and their jobs and have no desire to seek employment elsewhere. This means lower costs associated with the recruitment and training of new staff at Snap Coffee supporting the 'employer of choice' recognition.
Another key performance indicator is the rate of staff absenteeism – the number of days staff are absent from work for reasons other than medical. If the number of days is low, measured over a period of time, then this indicates a strong work ethic and commitment by staff to be at work. This leads to an increase the productivity levels of the organisation. Staff who are dissatisfied with their workplace or working conditions tend to take more days off from work, which is a cost to the organisation in terms of time and money. This indicator also contributes to Snap Coffee being recognized as an 'employer of choice'.

4 marks

e.

- i. A collective agreement is a negotiated agreement between an employer and a union, or a group of employees about the terms and conditions of employment at an individual workplace. This agreement needs to be approved by Fair Work Australia.

1 mark

- ii. One advantage of Snap Coffee using a collective agreement is that it allows management and staff to negotiate productivity gains and increased flexibility in working arrangements, which become part of the agreement. This can boost the morale of staff, as their efforts to work harder will be recognised.

One disadvantage of a collective agreement is that it is more time consuming, as employers need to continue to negotiate with employee representatives (eg trade unions), to reach agreement on the pay and working conditions. Employers may feel that some of the employee demands are unrealistic. This can increase the time it takes to negotiate a suitable collective agreement for a workplace like Snap Coffee.

4 marks

Question 3

A management process that seeks to improve performance of employees is a performance management practice such as performance appraisal. Performance management involves the various methods of achieving the maximum performance levels that are possible from employees. If employees' performances are managed well, it can not only lead to more chance of achieving the business' objectives, but can also assist employees to achieve their own objectives which may include getting more experience and pursuing a career path. Performance appraisal is one such performance management practice. It involves the human resource manager evaluating the work performance

of an employee against pre-determined standards to determine their level of competence. This performance appraisal enables feedback to be provided to the employee and it can help identify any training needs that he/she may require.

Training refers to the process of teaching staff how to do their job more efficiently and effectively, by increasing their knowledge and skills in the workplace. There is a strong link between performance management and training because in the formal assessment of the employee, the human resources manager can identify the type of training that the employee may need if they are not reaching their goals, or to further develop their skills in their job role.

6 marks

Question 4

- a. A stakeholder is any person or group with an interest in the activities of a business. Two stakeholders are shareholders and employees. Both stakeholders want the business to be successful and generate a profit. However, shareholders would like some of the profit returned to them as dividends – a reward for their investment in the business. On the other hand employees would like to share in that profit in the form of higher wages or bonuses. This is a conflict as there is only so much profit to be used.

3 marks

- b. Corporate social responsibility refers to a system of moral principles or standards that are applied to management behaviour. This can be seen in the way staff and customers are treated, environmentally friendly policies, businesses supporting charities and specific causes etc. Businesses are expected to be socially responsible to attract loyal customers and investors. A business's reputation is enhanced and this contributes to its long-term sustainability. Operations managers can demonstrate their commitment to being more ethically and socially responsible by sourcing inputs and raw material from ethical suppliers. They need to ensure that their suppliers are treated fairly and equitably and the production process does not produce excess waste. Operations managers need to be more environmentally friendly ensuring that the business recycles and makes every effort to reduce their carbon footprint. Operations managers also need to ensure that they offer a quality product to customers free from defects or the ability to cause harm.

To demonstrate social responsibility human resource managers need to ensure that all management practices are fair and transparent. This means that in the recruitment process human resources managers offer the job that matches the job description and communicate openly about what the position involves to the candidate in terms of security and payments. In the induction process the human resource manager needs to ensure that the new recruit is clear about all expectations of their job role and time is spent addressing their issues and concerns. In relation to performance management, human resource managers need to observe and judge the employee's performance without being influenced by their personal feelings. Employees who face prospects of job losses should be given advance warning and all their entitlements paid out. Human resource managers may encourage staff to undertake community work as part of being more socially responsible, which is now common practice in many large-scale organisations.

6 marks

Question 5

To improve competitiveness and productivity levels the operations manager has a number of strategies that could be adopted including waste minimization and technology strategies.

Waste minimisation is a process that involves reducing the amount of unwanted or unusable resources created by the business's production process in an attempt to improve the efficiency and effectiveness of operations. This strategy links most closely with the objective of improving efficiency. By reducing waste, businesses will be making the best possible use of their resources.

Waste is a cost and wasted materials need to be replaced. Therefore by minimising waste the business will reduce the costs of production of the business and also improves productivity across the operations area.

The key strategy in this area is the introduction of lean manufacturing. Lean management is an approach to operations management that attempts to improve efficiency and effectiveness by eliminating waste and improving quality — 'lean' in this case means no excess, just as lean meat has as little fat as possible. A business using this approach would carefully analyse each stage of the operations system and remove any inefficiencies that do not add value to the product.

According to the principles of lean management, waste is anything that reduces the speed of production or stops production occurring at the lowest possible cost. As waste is reduced, production times and costs are cut.

Alternatively a business can implement a technology strategy. Technology involves the acquisition of up-to-date technology which can be used by operations managers to optimise operations. Technology strategies offer efficiency savings (productivity) through reduced production time and/or lower cost and quality improvements and safety benefits.

Businesses that fail to keep up with technological innovations will lose their competitive edge.

One technology strategy is the introduction of an automated production line. In an automated production line machinery and equipment are arranged in line and components are added to the product in a sequence of steps (an assembly line). It is best suited to the manufacture of high-volume, standardised goods. Usually, the product would move along a highly automated production line on a conveyor belt. Cost is reduced because of the use of technology, and staff only complete specialised tasks. It can, however, be very expensive to set up a capital-intensive, automated assembly line. Production should result in a high volume of a standardised product with production runs generating large volumes of outputs.

Introducing these waste minimization or technology strategies will force the business to undergo change. During a period of change at the chocolate and confectionery company the management team can implement low-risk practices, which promote change and aim to provide a positive relationship between employees and management. Low-risk practices include the offer of support and additional training to employees to reduce their fear and anxiety, especially if new technology is to be used in the production process. Communication should be two-way involving employees in the decision-making that precedes the change. A sensible timeline needs to be set rather than creating stress if the change is to be rushed. Low-risk practices promote a positive environment for change and a level of goodwill between management and employees that will support the change more effectively than if high-risk practices are adopted. High-risk practices involve the manipulation or altering of information, which could be deceptive to employees. These practices may rely on management selecting an influential person amongst potential resistors to be involved in the development and implementation of the change, as a process of

influencing others in the company. The management team may use threats like retrenchment or loss of promotion to force staff to adapt to the change. This can lead to ill feeling between management and employees at the chocolate and confectionery company, which could then lead to a reduction in productivity levels, as employees take stress level, or more sick days than usual.

Mark globally.

10 marks

SECTION B

- a. The management skill of leading involves the manager being able to influence and motivate his management team and employees to achieve business goals. The manager would need to demonstrate strong interpersonal qualities, be able to communicate and establish positive relationships with his subordinates. He would need to demonstrate informational qualities showing the ability to gather relevant data and then share this to ensure his vision and expectations are clearly understood.

2 marks

- b. Two other skills including communicating and delegating.

Communicating skills is the ability to clarify with employees the tasks that they are required to complete. Communication movement will reflect the business structure and management style. Communication can be written, verbal and non-verbal. It also requires managers to listen. Poor communication can lead to staff frustration, a lack of motivation and a loss of direction

Delegating skills is where a manager gives authority to an employee to complete a set task. Delegation allows employees to use/develop their skills/knowledge to their potential. Managers who can delegate effectively will train the delegates to apply appropriate criteria to avoid losing control of their employees.

Managers who can delegate are showing their employees that they trust them and see a future for them within the business.

The skill of delegation is in selecting the most appropriate subordinate to delegate the authority to. Managers who delegate must also monitor, set targets and provide support to ensure that these delegated tasks are completed appropriately.

4 marks

- c. Transition considerations refer to those factors that assist an employee leaving a business and transitioning into another job or retirement. One issue for a human resource manager is the conduct of an exit interview. This is where departing employees are granted the opportunity to provide information to the business about how the business has dealt with them over their time at the business and through the termination process. This can assist the employee in leaving but also assist the business in improving its handling of employees.

A second issue is counselling. Redundant workers may feel let down or worried about their future and so offering counselling to assist them in understanding the reasons for their termination can ease the employee out of the business.

4 marks

- d. To successfully implement a change process a manager needs to exercise leading; that is, to show leadership. This process requires visionary and inspirational people - a manager will need to act as a bridge to support the employees as they cross from existing work practices into new and unfamiliar territory. To act as a leader, a manager should display empathy and possess good listening skills. These personal characteristics will assist him or her to discover and appreciate any points of resistance to change.

A good leader will have excellent interpersonal skills to communicate ideas and listen to others. How a manager treats his or her employees will largely determine their acceptance of or resistance to change. A manager who acts as a leader will generally be able to inspire people to embrace the change and demonstrate initiative in implementing the change. There may still be some points of resistance, but this resistance can be productively dealt with, because the employees believe they have the support and trust of their manager.

Leaders must be powerful and proactive, constantly monitoring environmental change, especially customer buying habits and motives, and provide the force necessary to organise resources in the right direction. However, they must also expect to be the subject of criticism as they need to make tough decisions and leaders who can't will find that any proposed change is not implemented correctly.

4 marks

- e. Management – management can be the owners of a business and so their vested interest will cause them to drive change to guarantee the business' survival and their own financial security. If they are not the owners, managers may drive change so the business remains competitive and they keep their job and/or earn a bonus for achieving objectives.

4 marks

- f. An operations system comprises inputs, processes and outputs. For a manufacturer the output is generally a tangible product that can be stored, such as a loaf of bread. As a service business, the output of Optus is a contract for the provision of telecommunications. This is intangible and can't be stored.

In terms of inputs, Optus requires information from customers as to the phone plan they want whereas for a manufacturer they rely on natural resources (raw materials) to combine to make the product. In terms of processing, the customer must be present to provide the information for the agreement to be made while for a manufacturer there is no customer interaction during production.

4 marks

- g. For Optus to achieve the objective stated they could look at the number of customer complaints. This is asking 'How satisfied are customers? What issues do customers complain about most? Have our strategies to deal with customer concerns been dealt with?' If the number of complaints is falling from one period to the next then this suggests the business is listening to customers and acting on their concerns.

They could also look at the percentage of market share. Each business operates within a market and generally has a number of competitors. The percentage of the total number of sales in that market made by a business is referred to as their market share. An increasing market share shows that a business is growing and is operating successfully. If Optus' market share is growing then more customers are 'loving' the service they provide.

5 marks