



Business Management 2019 – Assessment Guide

Section A

VCAA Key Knowledge

Question

Answer guide

Archie Dozer has dreamt of ‘being his own boss’ for a long time and has a vision of ‘building high quality, cutting edge designer homes that last a lifetime’. Archie is looking to finally make this dream a reality and establish Dozer Homes in 2019. Archie had planned to start as a sole trader, however he and his brother Flynn are looking into starting a private limited company instead. The brothers know there will be many challenges in establishing and running a new business, especially in the current housing construction industry in Melbourne, which is highly competitive and facing a period of falling house prices.

Types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises

Question 1a (2 marks)

Outline **one** difference between a private limited company and a sole trader.

Answer:

- A private limited company is a type of business that has been legally incorporated (the business and owner become separate legal entities), owned by between 2 and 50 shareholders, whereas a sole trader only has one owner (who both owns and operates the business).
- A private limited company is a type of business that has been legally incorporated (the business and owner become separate legal entities), owned by between 2 and 50 shareholders, whereas a sole trader is not a legally incorporated business, which means the owner and the business are one entity.
- A private limited company is a type of business that has been legally incorporated (the business and owner become separate legal entities), and therefore has limited liability, whereas a sole trader has unlimited liability, meaning the owner can be personally liable for debts incurred by the business.

Marking protocol:

Two marks for any of the above points, to a maximum of two.

Responses which simply define or explain each type of business should only receive a maximum of one mark. The question asks for an outline of one difference between the two business types, and a clear difference must be established for two marks.

Types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises.

Question 1b (4 marks)

Discuss **one** benefit and **one** limitation of operating as a private limited company rather than as a sole trader.

Sample answer 1:

- *One benefit of operating as a private limited company is limited liability. As the business is a separate legal entity, its owners cannot be personally liable for debts incurred by the business.*
- *Sole traders on the other hand have unlimited liability, meaning if the business went bankrupt, the owner's personal assets could be used to pay off existing debts.*
- *One limitation of operating as a private limited company is that it is much more costly to establish. The process of incorporating the business can be lengthy and may require support from a lawyer in finalising paperwork.*
- *Sole traders on the other hand are far more simple and inexpensive to establish, as there is fewer legal requirements and paperwork required.*

Sample answer 2:

- *One benefit of operating as a private limited company is that it is easier to obtain capital and finance to run and grow the business (as there are between 2 and 50 shareholders).*
- *Sole traders on the other hand are limited to the capital of one owner, and can find it difficult to gain finance from a bank, making it more difficult to expand the business.*
- *One limitation of operating as a private limited company is that as ownership and control of the business is separated, owners (shareholders) no longer make all the decisions (which are made by management acting on their behalf).*
- *Sole traders on the other hand have full ownership and control of their business and have greater influence over the future of the business.*

Marking protocol:

One mark for each of the above points from either sample 1 or sample 2.

As this is a 'discuss' question, students must show an understanding of both the benefits and limitations of the concept, in this case types of ownership.

As only **one** benefit and **one** limitation are sought, students can only receive a maximum of two marks if the response does not show an understanding of the benefits and limitations of a private limited company, in relation to a sole trader (i.e., the answer must highlight the benefit and limitation of a private limited company when compared with a sole trader).

Archie has done a lot of reading on the importance of strategic management. He has decided that of the two key approaches to strategic management – lower cost and differentiation – differentiation will be the best way to establish an advantage in the highly competitive Melbourne housing construction industry.

The two key approaches, lower cost and differentiation, to strategic management by Porter's Generic Strategies (1985).

Apply business management knowledge to practical and/or simulated business situations.

Question 1c (6 marks)

Explain Porter's generic strategies of lower cost and differentiation. Examine the extent to which the differentiation approach is appropriate for Dozer Homes Pty. Ltd.

Answer:

- According to Porter, the lower cost strategy involves seeking to gain an advantage over rivals by having the lowest business costs in the industry. This allows a business to maximise profits by having higher profit margins (i.e. charging a similar price to rivals) or offering lower prices and achieving higher revenue.
- The differentiation strategy involves creating a unique product compared to rivals (e.g. higher quality, faster delivery time, better customer support, etc.). By establishing a point of difference, a business is able to charge a premium price and maximise its sales and profits.
- The differentiation approach should support Dozer Homes (DH) as it will enable the business to establish a point of uniqueness – in this case high quality homes – in a highly competitive market where many businesses would already be competing on cost.
- However, this strategy can be quite costly to implement, as it requires extensive investment in quality materials (e.g. timber, etc.) and advertising/promotion to build a strong brand for DH. As DH is limited to the capital of only two shareholders at this stage, it might be very difficult to achieve success with this strategy.
- Given the costs involved, the differentiation approach may not be the most appropriate. DH may benefit from operating in a small market niche (e.g. boutique family homes) to establish a presence in the housing construction industry while maintaining low costs, before expanding into a full-scale differentiation strategy.

Marking protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

5-6 High	• All elements of the question addressed. • Response provides a very high-level explanation of both generic strategies – lower cost and differentiation - which shows an in-depth understanding of concepts. • Response makes consistent reference to Dozer Homes case study to provide a very high-level examination of the differentiation strategy, considering the extent to which it is appropriate for Dozer Homes.
3-4 Medium	• Some elements of the question addressed. • Response provides a good explanation of one or both of the generic strategies.

		Examination of the differentiation strategy and its appropriateness is good, but may lack clear reference back to Dozer Homes (i.e. examination may be good in theory, but necessarily relevant to the business).
1-2 Low		- Few elements of the question addressed. - Response provides only a basic understanding of the generic strategies. - Response provides little or no examination of the extent to which the differentiation strategy is appropriate for Dozer Homes.
0 No score		Response does not demonstrate any understanding of the generic strategies.

As this is an 'examine' question, students are required to use their theoretical knowledge of a concept – in this case Porter's generic strategies, to make an assessment of its appropriateness given the business case presented. To examine effectively, students should consider the theory/concept in more detail, and assess whether it would benefit the business (or the extent to which it would benefit the business).

Responses which only explain Porter's generic strategies should receive a maximum of three marks.

Management skills including communicating, delegating, planning, leading, decision-making and interpersonal.

Analyse and discuss management styles and management skills necessary for successful business management.

Apply business management knowledge to practical and/or simulated business situations.

Question 1d (4 marks)

Describe and justify **two** management skills Archie and Flynn could use while establishing their new business.

Sample Answer 1:

- **Communication** involves a process of creating and exchanging information and ideas between people, such as management, staff, customers, etc.
- Archie and Flynn will need highly effective communication skills when establishing Dozer Homes. The brothers will need to communicate with suppliers to establish contracts for materials (e.g. timber) to build homes. They will also need to communicate with the local community to promote the business in order to attract customers.
- **Planning** involves a process of establishing the objectives, purpose and mission of the business, and strategies for achieving them.
- Archie and Flynn will need highly effective planning skills to establish a clear strategic vision for Dozer Homes. It is important for the brothers to get the vision right when establishing the vision as this will have an impact on the culture of the business.

Sample Answer 2:

- **Leadership** refers to a process of guiding and motivating others towards a common goal or vision. Effective leaders build strong and trusting relationships with people and communicate clearly and openly to ensure all parts of the business work together.
- Archie and Flynn will need highly effective leadership skills when establishing Dozer Homes. The brothers will need to connect

employees to their vision of building homes that ‘make and last a lifetime’. They can do this by leading by example and being positive role models for new staff employed by the business during its establishment. The brothers should also ensure they communicate openly and honestly with staff to ensure they are guided in the right direction when establishing the business.

- **Delegation** involves sharing responsibility and accountability for key activities and decisions required to operate the business.
- Archie and Flynn will be extremely busy while establishing Dozer Homes, which involves creating contracts with suppliers, a marketing strategy, managing the recruitment, selection and induction of new staff, etc. The brothers may need to delegate some tasks – e.g. the marketing and promotion of the business – to an employee during this time so they can focus on both establishing the business successfully, and the building process for new customers.

Sample Answer 3:

- **Decision-making** involves a series of steps taken to solve problems and make key business decisions in a systematic way. It also involves considering a range of strategies to apply when faced with a problem or opportunity.
- Archie and Flynn will need to make many decisions when establishing their business to ensure it is successful from day one. This includes how many staff to hire, to ensure they do not over-spend; where to source building supplies from, to ensure they have an ethical and reputable supplier; and how to market the business, to ensure it establishes a strong brand and customer base early (so it can compete in the market).
- **Interpersonal skills** are those skills used by managers when dealing with people. This includes being able to communicate effectively with others, build trusting relationships, and empathise with employees to ensure they are motivated.
- Establishing a business can be a very stressful process for people, including Archie and Flynn. The brothers will need to ensure they build trust with new staff starting out at Dozer Homes to ensure turnover and other issues (e.g. absenteeism) do not arise. The brothers should ensure they promote positive relationships with staff so that the business develops a strong positive culture from day one.

Marking protocol:

One mark for each of the above points.

To achieve four marks for this response, students **must** relate the chosen management skills to the process of establishing a new business. Responses that do not relate the management skills to processes or practices involved in establishing a new business (e.g. hiring employees, establishing contracts with suppliers, etc.) can achieve a maximum of two marks.

Key principles of the Three Step Change Model (Lewin).

Question 2 (3 marks)

Outline the key principles of Lewin's Three Step Change Model.

Answer:

- The first step of Lewin's change process is to 'unfreeze' the business environment and prepare it for change. In this step, management (and change agents) are establishing the need for change and helping others see it as a necessity.
- The second step is to 'change', which involves the process of actually carrying out planned changes and moving the business from its current to desired state.
- The final step is to 'refreeze', which involves solidifying the changes implemented and anchoring the new business practices into the 'way of life' of the business. This is important so that people do not revert back to old habits and positive changes remain in the business.

Marking protocol:

One mark for each of the above points.

Responses must relate to the Three Step Change model (Lewin). Responses that outline the driving and restraining forces theory should be awarded no marks.

An overview of the principles of the Learning Organisation (Senge).

Apply business management knowledge to practical and/or simulated business situations.

Question 3 (5 marks)

Describe the principles of Senge's Learning Organisation and justify its use during times of change in a business.

Sample Answer 1:

- The first principle is **personal mastery**, which focuses on developing the skills and competencies of individuals in the business to drive learning and growth across the business. This helps during times of change as people are encouraged to develop new skills and abilities that support the planned change.
- The second principle is **mental models**, which focuses on constantly evaluating and challenging views/assumptions on what makes the business successful, in order to identify ways to improve. This is important during change as it helps people see why a change is necessary.
- The third principle is **building a shared vision**, which focuses on establishing a collective and unified approach towards a common vision for the future. This is vital during change as employees are more likely to support business change if they have been involved in establishing where the business is heading.
- The fourth principle is **team learning**, which focuses on enabling people to work together and have open communication to generate collective learning, growth and synergy – an outcome which is greater than its individual parts. Having a team approach helps in times of change as collectively involving all people reduces fear and restraining forces.
- The fifth principle is **systems thinking**, which involves being able to see all parts of the business as an inter-related system and look beyond what is occurring in the business to consider external forces for change. This can help those involved in the

change see the 'bigger picture' and not overlook any opportunities or threats that exist for the business.

Sample Answer 2:

- The first principle is **personal mastery**, which focuses on developing the skills and competencies of individuals in the business to drive learning and growth across the business.
- The second principle is **mental models**, which focuses on constantly evaluating and challenging views/assumptions on what makes the business successful, in order to identify ways to improve.
- The third principle is **building a shared vision**, which focuses on establishing a collective and unified approach towards a common vision for the future.
- The fourth principle is **team learning**, which focuses on enabling people to work together and have open communication to generate collective learning, growth and synergy – an outcome which is greater than its individual parts.
- The fifth principle is **systems thinking**, which involves being able to see all parts of the business as an inter-related system and look beyond what is occurring in the business to consider external forces for change.
- Applying Senge's Learning Organisation principles can help a business during times of change. It supports the use of low-risk practices in the change process by allowing employees to work together (team learning), and involving them in building a shared vision, which helps minimise restraint against the change. Using this theory also helps to reduce restraint caused by employees fearing the change. When employees are encouraged to challenge mental models and can see the bigger picture (systems thinking), they understand why change is necessary and where the business is heading into the future. Developing skills and experience to support them throughout a change process (personal mastery) will also help them feel confident in carrying out the change. Businesses that cannot achieve these principles during change may struggle to help people see why change is needed, or have a collective (unified) effort to achieving future business goals.

Marking protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

4-5 High	• All elements of the question addressed. • A very high-level explanation of Senge's Learning Organisation, which shows an in-depth understanding of all five principles. • Response provides clear reasons why (i.e. a justification) the principles of a Learning
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		Organisation would support a business facing change.
	3 Medium	- Some elements of the question addressed. - Response may provide a very high-level explanation of Senge's Learning Organisation, and a limited justification (i.e. only one reason). - Response may provide an explanation of some (but not all) principles of a Learning Organisation, and a good justification (i.e. more than one reason).
	1-2 Low	- Few elements of the question addressed. - Limited explanation of Senge's Learning Organisation Theory, which shows only a basic understanding of the concept. - Little to no attempt to justify the use of the theory during times of business change.
	0 No score	Response does not demonstrate any understanding of Senge's Learning Organisation.

Students are provided with two sample responses for this question. The first is structured in a way where each principle is linked to the concept of business change to justify its use. This is not a direct requirement given global marking, but may be the approach taken by students. The second provides an overall justification, which is an approach students may also take. What is important is to provide more than one reason why this theory could support businesses in times of change.

In today's business world, business owners and managers are reporting that their single greatest challenge is retaining talent. The answer for many companies is to 'throw money' at the problem: bonuses, incentive pay, and salary increases are often seen as motivators that will entice greater effort and loyalty out of workers. However, using cash as a 'carrot' is not always the best answer, according to new research by Harvard Business School Assistant Professor Ashley Whillans. The research found that more than 80 percent of employees reported that they do not feel recognised or rewarded, despite the fact that companies are spending more than a fifth of their budgets on wages.

Excerpt from 'Forget Cash. Here Are Better Ways to Motivate Employees'. Dina Gerdeman, 28 Jan 2019

<i>Business objectives including to make a profit, to increase market share, to fulfil a market and/or social need and to meet shareholder expectations</i>	Question 4a (2 marks) Explain how the business objectives of companies might be different from those of a social enterprise.	Sample Answer 1: <i>Companies (both private limited and public listed) exist primarily to make a profit in order to create wealth (i.e. dividends and returns) for shareholders.</i> <i>On the other hand, social enterprises, while still aiming to make a profit, will do so to fulfil social objectives. Instead of creating wealth for owners, profits of social enterprises are reinvested into supporting social causes or disadvantaged groups.</i> Sample Answer 2: <i>Companies (both private limited and public listed) exist to produce a good or service that fulfils a market need – that is,</i>
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satisfy a specific customer need or want and make a profit in doing so.

- *On the other hand, social enterprises aim to fulfil social objectives. Often, social enterprises are required to provide goods or services that private companies avoid providing as they cannot make a profit from doing so (i.e. there is a social need, rather than a market need), such as supporting disadvantaged groups including homeless youth.*

Marking protocol:

One mark for each of the above points.

Students may be tempted to define the term 'business objectives', however this is not a requirement of the question and should not be awarded any marks. The focus of the question is around how objectives for different types of businesses differ. Responses may also focus on 'fulfilling a market need' as a key difference, which is explored in sample answer 2.

The relationship between managing employees and business objectives.

Question 4b (2 marks)

Explain the relationship between employee motivation and **one** business objective.

Sample Answer 1:

- *Employee motivation – the internal or external drive/energy people experience towards work and business goals – has a direct impact on employee morale, productivity and performance, and therefore business objectives.*
- *One objective that can be impacted by employee motivation is 'making a profit'. Employees who experience low motivation at work may be more likely to leave, which can increase the level of staff turnover and impact negatively on net profit, due to increasing costs involved in recruiting, selecting and training new people.*

Sample Answer 2:

- *Employee motivation – the internal or external drive/energy people experience towards work and business goals – has a direct impact on employee morale, productivity and performance, and therefore business objectives.*
- *One objective that can be impacted by employee motivation is 'fulfilling a social need'. Employees may be driven by supporting disadvantaged groups in society and wanting to 'give back'. This may lead to a business investing resources to address a social need – e.g. feeding the homeless – in order to fulfil its corporate social responsibility objectives.*

Marking protocol:

One mark for each of the above points.

Unlike the previous question (part a), this question does require students to show an understanding of the key term 'employee motivation'. The sample response links to the objective of 'making

a profit', however responses may also consider social objectives (e.g. contribution to community causes), or other financial objectives such as increasing productivity. Students should be careful to ensure the response gives a clear and specific link to financial objectives – for instance, simply stating that employees who are motivated are more productive is not sufficient; employees may be motivated by social connectedness with colleagues, which may actually reduce productivity.

Motivation strategies including performance related pay, career advancement, investment in training, support and sanction

Advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation.

Compare and evaluate strategies used for motivation and training when managing a business.

Question 4c (8 marks)

Evaluate the effectiveness of performance-related pay and **one** other motivation strategy on the short- and long-term motivation of employees.

Sample Answer 1:

- *Performance-related pay refers to a financial reward to employees (as individuals or groups) whose work performance has reached or exceeded a set benchmark or standard. This can be in the form of bonuses, commission, etc.*
- *Performance-related pay can be highly effective in the short-term. Initially, employees may see a relationship between their effort and performance, and their pay. This may energise them to increase their work effort in order to achieve these rewards.*
- *However, motivation theories mostly agree that monetary-based incentives will only motivate employees and satisfy lower-order needs, which is difficult to sustain long-term (as money is an extrinsic motivator). These incentives are dependent on the financial performance of the business; an employee's performance may improve in the long-term, however if the business records lower profit levels, performance bonuses may be lower, which can de-motivate employees over time.*
- *Another motivation strategy is investment in training, which involves the business providing training programs for staff which builds the skills, abilities and knowledge of employees to enable them to perform their job more effectively and efficiently.*
- *Investment in training will likely have a positive impact on long-term employee motivation. Involvement in on-the-job or off-the-job training programs may provide employees with a sense of belonging and that the business cares about their development. Long-term, this can promote higher levels of loyalty to the business and help support sustained motivation as employees may be able to experience higher levels of job performance, access promotion opportunities, etc.*
- *Investment in training, in the short-term, can place added stress on employees who may be expected to improve job performance to 'repay' the business' investment in them. If the training is on-the-job, this can also distract from day-to-day duties, creating further stress.*
- *On the whole, performance-related pay and investment in training can both have a positive impact on employee motivation. As performance-related pay is 'extrinsic' it can have a more positive impact short-term, but its long-term effect may*

be limited, and it is expensive to continue rewarding employees in this way. Investing in employee development can show employees that they are important to the business, which is more effective in the long-term in sustaining motivation compared to performance-related-pay.

Sample Answer 2:

- *Performance-related pay refers to a financial reward to employees (as individuals or groups) whose work performance has reached or exceeded a set benchmark or standard. This can be in the form of bonuses, commission, etc.*
- *Performance-related pay can be highly effective in the short-term. Initially, employees may see a relationship between their effort and performance, and their pay. This may energise them to increase their work effort in order to achieve these rewards.*
- *However, motivation theories mostly agree that monetary-based incentives will only motivate employees and satisfy lower-order needs, which is difficult to sustain long-term (as money is an extrinsic motivator). These incentives are dependent on the financial performance of the business; an employee's performance may improve in the long-term, however if the business records lower profit levels, performance bonuses may be lower, which can de-motivate employees over time.*
- *Another motivation strategy is career advancement, which involves the business providing promotional opportunities for staff, which includes more experience, responsibility or authority in the business.*
- *Career advancement will likely have a positive impact on long-term employee motivation. Providing promotion opportunities may provide employees with an opportunity to satisfy higher-order motivation needs such as self-esteem, self-actualisation (Maslow) and the drive to comprehend and acquire status, etc. (Lawrence & Nohria).*
- *Providing career advancement opportunities can also show the business cares about the development of employees (rather than simply recruiting for positions externally). Long-term, this can promote higher levels of loyalty to the business and help support sustained motivation as employees may be able to see they can make an impact on the long-term success of the business in the future.*
- *Career advancement opportunities can provide short-term stimulus to employees as well; however, it may also breed an unhealthy culture of competition between internal employees. If one employee misses out on a promotion they feel they deserved, this can damage relations (between employees and also management), and lead to lower motivation for the employee who 'missed out'.*

- *On the whole, performance-related pay and career advancement can both have a positive impact on employee motivation. As performance-related pay is 'extrinsic', it can have a more positive impact short-term, but its long-term effect may be limited, and it is expensive to continue rewarding employees in this way. Career advancement can show employees that they are important to the business, and give them long-term goals to work towards, which is more effective in the long-term in sustaining motivation compared to performance-related pay.*

Sample Answer 3:

- *Performance-related pay refers to a financial reward to employees (as individuals or groups) whose work performance has reached or exceeded a set benchmark or standard. This can be in the form of bonuses, commission, etc.*
- *Performance-related pay can be highly effective in the short-term. Initially, employees may see a relationship between their effort and performance, and their pay. This may energise them to increase their work effort in order to achieve these rewards.*
- *However, motivation theories mostly agree that monetary-based incentives will only motivate employees and satisfy lower-order needs, which is difficult to sustain long-term (as money is an extrinsic motivator). These incentives are dependent on the financial performance of the business; an employee's performance may improve in the long-term, however if the business records lower profit levels, performance bonuses may be lower, which can de-motivate employees over time.*
- *Another motivation strategy is support and sanction, which involves the business providing encouragement and acknowledgement of positive employee performance (support) or a form of penalty/punishment to discourage negative employee performance or actions that are reckless (sanction).*
- *Support will likely have a positive impact on long-term employee motivation. By acknowledging positive employee contributions to the business through praise and other encouragements, employees may feel a greater sense of value. Long-term, this can promote a more positive corporate culture and loyalty to the business, positive employee-employer relations, and sustained motivation.*
- *Another advantage of support is that it is relatively inexpensive to provide, meaning businesses do not need to expend as much on monetary rewards.*
- *Motivating through threats and negative consequences (sanctions) may be effective in the short-term, as employees may dislike the consequences for their actions or behaviour, helping them to adjust to a more acceptable standard. The threat of job loss or demotion may active the 'drive to defend'*

(their job safety) and motivate them, albeit at a lower-order need.

- *On the other hand, sanction is not very effective in the long-term, as it can damage employee-employer relations. If a manager consistently focuses on negative employee performance without offering support or praise, this will likely create a toxic culture, low morale, absenteeism and ultimately turnover.*
- *On the whole, performance-related pay and support/sanction can both have a positive impact on employee motivation. As performance-related pay is 'extrinsic' it can have a more positive impact short-term, but its long-term effect may be limited, and it is expensive to continue rewarding employees in this way. Providing support can show employees that they are important to the business, which is more effective in the long-term in sustaining motivation compared to performance-related pay and sanction.*

Marking protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

7-8 Very High	• All elements of the question addressed. • A very high-level evaluation of both performance-related pay and one other motivation strategy, which shows in-depth understanding of both concepts. • Evaluation considers the effectiveness of each motivation strategy on both short- and long-term motivation. • Response provides an 'overall judgement' of the impact of motivation strategies on short- and long-term motivation.
5-6 High	• Most elements of the question addressed. • A high-level evaluation of both performance-related pay and one other motivation strategy, which shows in-depth understanding of both concepts. • Evaluation may only consider the effectiveness of one motivation strategy on both short- and long-term motivation, or both motivation strategies on either short- or long-term motivation (but not both). • Response may lack an 'overall judgement'.
3-4 Medium	• Some elements of the question addressed. • A fair explanation of both performance-related pay and one other motivation strategy, which shows a good understanding of both concepts. • Response provides a limited evaluation of motivation strategies with only superficial

		reference to relevant strengths and weaknesses.
1-2 Low		• Few elements of the question addressed. • Response provides a superficial understanding of two motivation strategies. • No evaluation of either motivation strategy provided.
0 No score		• Response does not demonstrate any understanding of motivation strategies.

As this is an 'evaluate' question, students are required to use their theoretical knowledge of a concept – in this case motivation strategies, to make an assessment of the strengths and weaknesses of each, as well as an overall 'judgement' as to the effect of each motivation strategy on both short- and long-term employee motivation. It is not enough to just explore the advantages and disadvantages (this is 'discussing') and the overall assessment is required to show the higher-order thinking of 'evaluate'.

Key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria).

Apply knowledge about managing employees to practical and/or simulated business situations.

Question 4d (4 marks)

Describe the principles of the Four Drive theory. Refer to the information from the case in your answer.

Answer:

- *The drive to acquire relates to employees being motivated by 'acquiring' things of value to them in their work (e.g. money, power, status). In the article, this is identified as the main source of reward to motivate most employees, but on its own may no longer be enough.*
- *The drive to bond is satisfied when employees feel connected to their peers or colleagues and have a sense of 'belonging'. With the rise in social networking, people are feeling increasingly 'disconnected' and this could flow into the workplace.*
- *The drive to comprehend relates to employees wanting to learn and develop new skills and knowledge which will benefit their performance and career advancement. Investing in the development of employees helps foster greater loyalty and sense that the business values them (i.e. recognition).*
- *The drive to defend relates to employees needing to protect the safety and security of themselves and their job. This drive only becomes active when there is a threat to one's safety. Employees may feel unmotivated if they are not recognised with a contract which provides them with ongoing job stability, which can explain why so many people feel undervalued.*

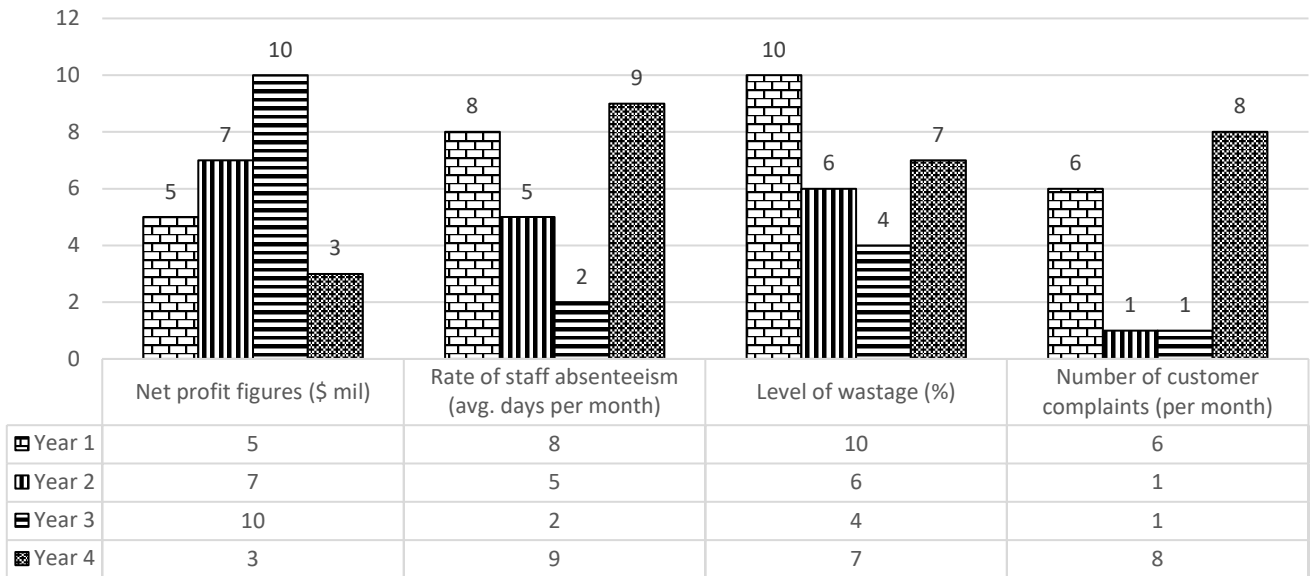
Marking protocol:

One mark for each of the above points.

Responses that only explain the principles of the Four Drive theory should only be awarded a maximum of two marks.

Responses that simply list each of the four 'drives' should only be awarded a maximum of one mark.

ABC Cafe - Key Performance Indicators



The data shows that the financial and non-financial performance of ABC Café has changed over time. Management are considering areas of the business in need of change to respond to these key performance indicators.

Management strategies to respond to key performance indicators, including staff training, staff motivation, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques and redeployment of resources (natural, labour and capital).

The effect of change on stakeholders, including managers, employees, customers, suppliers and the general community.

Propose and justify strategies in response to key performance indicators and to assist in

Question 5 (10 marks)

Analyse **two** management strategies that ABC Café could implement to respond to trends in its key performance indicators. Discuss the effect of these changes on **two** relevant stakeholders of ABC Café.

Answer:

- Staff training involves investing in programs which contribute to the development of employee skills, knowledge and abilities in performing work tasks.
- An increase in the number of days absent from work in Year 4 compared to the previous two years may suggest that employees are experiencing a reduction in morale. This could also explain the increase in levels of wastage (which have almost doubled from Year 3 to 4) and the huge rise in customer complaints, as employees may take less care in their work when they lack morale and are unmotivated.
- One reason staff may be lacking morale is due to a feeling that the business does not value them. By investing in staff training (e.g. on-the-job coaching), this can not only boost their job performance of employees, but also give them a sense that the business values and appreciates them. This strategy could help ABC Café (ABC) improve its non-financial, and subsequently financial performance in Year 5. If employees begin to feel valued, they may take more care in their work, leading to less wastage and customer complaints.
- Improving quality in production is a strategy that involves investing in quality management as part of the operations system, such as introducing strict quality control testing of coffees, cakes, etc., in order to improve the standard of goods produced and service provided by ABC.
- It is evident that ABC has an issue with its quality in Year 4, with significant growth in both level of waste (i.e. misuse of raw materials and resources) and level of customer complaints,

implementing
change in a
business.

Interpret business
information and
ideas.

Apply business
management
knowledge to
practical and/or
simulated business
situations

indicating customers are not happy with the final output and/or service provided.

- By investing in quality control processes, where the good or service is regularly tested/inspected, compared to a set quality standard, and corrected if poor quality is detected, this could help reduce waste and improve customer satisfaction. This is because management would be able to clearly pinpoint where their operations system is breaking down, and correct this before the end customer experience is affected.
- Implementing these changes could have a positive impact on customers as more skilled employees are better able to perform their job to a higher standard, improving the customer service experience.
- However, the investment in training and quality control is costly, and management at ABC could pass these costs on to customers in the form of higher prices, which can limit their purchasing power.
- Implementing training would have a positive impact on employees, as they would develop new knowledge, skills and abilities which can boost their chances of career advancement, etc.
- However, the introduction of quality control processes can place added pressure on employees, who may feel they are constantly monitored and in fear of producing poor quality goods/services.

Marking protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

9-10 Very High	• All elements of the question addressed. • A sophisticated and thorough analysis of two management strategies to respond to key performance indicators (KPIs) which shows an in-depth understanding of each concept. • A very high-level discussion of two stakeholders that could be impacted – both positively and negatively – by the changes in management strategies. • Response makes clear and appropriate reference to the KPIs for ABC Café, referencing the data provided specifically.
7-8 High	• Most elements of the question addressed. • Analysis is detailed and shows a sound understanding of each concept. • Discussion is detailed, considering positive and negative impact on each stakeholder. • Response makes appropriate reference to the KPIs for ABC Café.

5-6 Medium	- Some elements of the question addressed, which shows a moderate understanding of each concept. - Analysis is moderate, which may lack detail in important areas (i.e. doesn't clearly establish how each strategy can address the KPI). - Moderate discussion, which may lack consideration of both sides (i.e. only positive or negative, but not both). - Response makes limited reference to the KPIs for ABC Café.
3-4 Low	- Few elements of the question addressed, which shows only basic understanding of each concept. - Analysis is limited, with a basic explanation of each management strategy provided. - Discussion is limited, with a basic explanation of how two stakeholders could be impacted. - No reference made to the KPIs for ABC Café.
1-2 Very Low	- Analysis is very limited, or not there. - Response may only show a weak understanding of management strategies used to respond to KPIs, or of the impact of change on stakeholders.
0 No score	Response does not demonstrate any understanding of management strategies to respond to key performance indicators, or the impact of change on stakeholders.

Students should note that there are two different task words in this question. The first (analyse) requires students to show an in-depth understanding not only of the selected management strategies, but also **how** each can impact on the key performance indicators of ABC Café. The second (discuss) requires students to show an understanding of two sides; how a change in each management strategy identified could impact both positively and negatively on each stakeholder group.

The sample response provided considers staff training and improvement in quality as two management strategies. Students may use any of the management strategies listed in the study design, or others they have studied as part of the Units 3 and 4 course.

Section B

'The Grange Hotel Group' becomes 'Grange Resorts'

'The Grange Hotel Group' Ltd. runs 4-star hotels which offer beachfront accommodation and restaurant services in Sydney, Perth, Bali and Fiji. It also operates a range of water sports and activities including jet skiing, surfing, snorkelling and parasailing.

In response to increasing competition from local and global hotels, management at 'The Grange' have conducted market research and discovered the following:

- Families with young children are seeking 'all inclusive' resort-style accommodation options, especially in Bali and Fiji;
- 'The Grange' is highly rated by its customers (4.3/5 stars) but its restaurants are not as well reviewed (only 2.2/5 stars);
- Customers would like to see better in-hotel entertainment including an outdoor cinema, live bands, and a 'Kids Club' for families travelling with young kids;
- Customers feel 'The Grange' is inferior to 'high end' hotels in massage, fitness and wellbeing services. Its gym is rated 'poor' and it does not have an on-site spa centre;
- Customers feel 'The Grange' could promote more sustainable practices in its hotels.

In response to this feedback, management have decided to rebrand the Hotel Group and become Grange Resorts Ltd., expanding each of the four hotels into five-star luxury, family-friendly resorts. Each resort will include:

- 8 new restaurants, serving the highest-quality cuisines from around the world
- Two bars, with live local and international performers from Thursday-Sunday
- Private beach access
- Waterslide and pools
- Spa and wellness centre
- All-inclusive package options
- A 'Kids Club' for children aged 4-12
- New lean management processes in order to increase their level of corporate social responsibility.

This expansion is expected to cost Grange Resorts more than \$4 billion to complete over five years. New staff will need to be hired, and existing staff trained in five-star hotel standards. Senior management know this will be a significant change; however, they believe the real corporate culture of its existing 2,500 staff will help it succeed and become a world leader in luxury resort living.

Characteristics of operations management within both manufacturing and service businesses.

Apply operations management knowledge to practical and/or simulated business situations.

Question 1 (4 marks)

Distinguish between the operations of a service business such as Grange Resorts and the operations of a manufacturing business you are familiar with.

Answer:

- *Service businesses such as Grange Resorts (GR) provide an output which is 'intangible', meaning it cannot be physically touched or stored for later use.*
- *On the other hand, a manufacturing business such as Coca Cola produces a 'tangible' output (e.g. bottle of Coke), meaning it can be physically touched and stored for later use.*
- *Service businesses such as GR provide a final output that is customised to suit customer needs. For instance, a massage at their new spa and wellness centre.*
- *Whereas, manufacturing businesses such as Coca Cola mass produce a standardised output (e.g. can of Coke) that is the same all around the world.*

Marking protocol:

One mark for each of the above points.

All responses in Section B must relate back to the case study (Grange Resorts). The sample answer provided considers tangible vs intangible outputs, and standardisation vs customisation as two differences between manufacturing and service operations. Responses may also consider the degree of customer contact, when the 'final output' is consumed (e.g. services simultaneously consumed), labour-intensive vs capital-intensive processes, etc.

Training options including on-the-job and off-the-job training, and the advantages and disadvantages of each.

Propose and justify strategies to manage employees effectively.

Apply knowledge about managing employees to practical and/or simulated business situations.

Question 2 (7 marks)

Discuss **two** suitable training options that could be used for Grange Resorts' employees. Propose and justify which option senior management at Grange Resorts should adopt.

Answer:

- *On-the-job training is one suitable training option for Grange Resorts (GR), which includes teaching employees new job-related knowledge and skills on-site (i.e. at the actual resorts). This can include competency-based training, coaching, etc.*
- *On-the-job training is very cost effective as it can be performed by senior employees. Keeping costs low will be important for Grange Resort given the costs of this project (\$4bn). By providing on-the-job training, employees also benefit from practical learning that can be applied in a familiar environment.*
- *However, on-the-job training may not be as effective as the employees providing it may not have the necessary skills in teaching others. Trainers can also pass on bad habits, often without realising, leading to sub-standard performance.*
- *Off-the-job training is another suitable training option for GR, which includes teaching employees new job-related knowledge and skills off-site. This can include workshops, or University/ TAFE courses.*
- *A benefit of off-the-job training is that it is provided by trained experts, who may be more skilled in teaching staff appropriate skills for a five-star resort service. Employees may also be formally recognised for their training (i.e. become qualified).*
- *However, off-the-job training can be less practical as it is not carried out in the resort itself. It can also be very expensive to pay for trained experts, which will add to GR's high costs.*
- *As GR is transforming into a five-star resort, it is important that staff receive extensive on-the-job competency-based training in order to develop the knowledge and skills necessary to perform the demanding tasks required of a five-star resort. Therefore, this is the most appropriate option for senior management.*

Marking protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

7 Very High	• All elements of the question addressed. • A very high-level discussion of two suitable training options (on-the-job and off-the-job), which shows in-depth understanding of concepts. • A clear proposal for one training approach is made, with a clear and appropriate justification related to Grange Resorts. • The response makes clear and appropriate reference to Grange Resorts.
5-6 High	• Most elements of the question addressed. • A detailed discussion, which shows a sound understanding of concepts.

		- The response may lack a clear proposal and justification for one training approach, or provide one with only a weak justification. - The response makes appropriate reference to Grange Resorts.
	3-4 Medium	- Some elements of the question addressed, which shows a moderate understanding of concepts. - A moderate discussion, which may lack consideration of both sides (i.e. may only consider advantages or disadvantages, but not both). - Response does not clearly propose or justify which training option is more suited to Grange Resorts.
	1-2 Low	- Few elements of the question addressed, which shows only basic understanding of concepts. - Little to no discussion of either training option; response may provide a basic explanation of one or both options.
	0 No score	Response does not demonstrate any understanding of training options.

All responses in Section B must relate back to the case study (Grange Resorts). In order to achieve a 'very high', students must provide a clear proposal for on-the-job or off-the-job training. It is not important which option is chosen; what is important is the option is well justified, and related specifically to Grange Resorts.

Management styles including autocratic, persuasive, consultative, participative and laissez-faire.

Analyse and discuss management styles and management skills necessary for successful business management.

Apply business management knowledge to practical and/or simulated business situations.

Question 3a (4 marks)

Describe and justify an appropriate management style that could support Grange Resorts in successfully implementing its five-year expansion plan.

Sample Answer 1:

- The consultative management style is the most appropriate for Grange Resorts' (GR) five-year expansion. This style includes two-way communication between management and employees, where ideas are sought from staff prior to management making the final decision.*
- Consultative managers, while making a centralised decision, are both people- and task-orientated, meaning management consider the opinions of staff, but will ultimately make the best decision for the business.*
- This style is most appropriate as existing staff at GR may have previously worked at a five-star resort, and will have ideas that can lead to better decisions when transforming the hotels. If management do not seek these ideas from employees, the expansion may be less effective.*
- Given the nature of the change at GR (at a cost of \$4bn), it is important for management to remain task-focused, but also people-focused as change can be stressful for employees. The consultative style will ensure management achieve a positive balance between effective decisions, and care for staff.*

Sample Answer 2:

- *The persuasive management style is the most appropriate for Grange Resorts' (GR) five-year expansion. This style involves management making a centralised decision, but taking the time to explain to employees why the decision has been taken (one-way, top-down communication) in order to convince them it is the best course of action.*
- *Persuasive managers, while making a centralised decision, are task-orientated, meaning management prioritise the achievement of business goals, which is important when undertaking such a big change.*
- *This style is most appropriate as staff will need to understand why this change is in their best interests. Rather than simply 'telling' employees what decisions have been made, by taking the time to 'convince' staff why changing into a five-star resort is necessary, they may be more willing to accept the change.*
- *Given the nature of the change at GR (at a cost of \$4bn), it is important for management to retain control over decision-making, and maintains a task focus, to maximise the chances of the business succeeding.*

Sample Answer 3:

- *The participative management style is the most appropriate for Grange Resorts' (GR) five-year expansion. This style involves management uniting with staff to make collective decisions regarding the expansion of the business.*
- *Participative managers use two-way communication to completely involve employees in all decisions, and prioritise 'people' ahead of the 'task', believing if employees are on board and motivated, the task will be successful.*
- *This style is most appropriate as existing staff are very experienced and will have many ideas that can support the business in expanding successfully. By prioritising people, this also ensures the business retains its strong real corporate culture despite bringing in many new staff.*
- *Given the nature of the change at GR (at a cost of \$4bn), it is important that people are on board with the change and supporting it, and the participative style is best suited to achieving this as people will feel more valued and empowered.*

Sample Answer 4:

- *The autocratic management style is the most appropriate for Grange Resorts' (GR) five-year expansion. This style involves management making a completely centralised decision and 'telling' staff about the expansion without them being involved in the planning and decision-making (i.e. top-down communication).*

- *Autocratic managers are task-orientated, meaning management prioritise the achievement of business goals, which is important when undertaking such a big change.*
- *This style is most appropriate as existing staff are inexperienced in operating a five-star resort. It will be important to give staff very clear direction, and the autocratic manager is effective in delivering one clear message, which must be followed.*
- *Given the nature of the change at GR (at a cost of \$4bn), it is important that people very clear on what is being changed, and why. Should the business ignore the results of its research, or be slow in taking action, it may fell behind rivals. The autocratic manager is swift and decisive, and will avoid this.*

Marking protocol:

One mark for each of the above points.

All responses in Section B must relate back to the case study (Grange Resorts). Given the nature of the changes undertaken, laissez-faire would not be an appropriate style (existing employees do not have the required expertise) and responses selecting this style should receive 0 marks.

When justifying the selected management style, students should be careful to ensure this relates to the implementation of the five-year expansion plan. Responses that do not relate to this can only receive a maximum of two marks.

Strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including the principles of lean management.

Corporate social responsibility considerations in an operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs.

Question 3b (6 marks)

Analyse how **two** principles of lean management could support Grange Resorts' plan to become both more efficient, and increase their corporate social responsibility.

Answer:

- *Lean management involves the process of reducing or eliminating waste in production in order to improve the efficiency of operations (i.e. how well a business is able to transform inputs into outputs).*
- *One principle of lean management is being 'pull focused'. This involves only producing goods or services that are demanded by customers to avoid using unnecessary resources.*
- *In relation to GR, this could be applied at each resort's eight restaurants by not providing a buffet breakfast option, which can lead to a lot of waste. Food could instead only be made to order.*
- *Another principle of lean management is being 'value focused'. This involves ensuring that what customers define as 'quality' is provided, without going over and above which can create overburden on people and resources.*
- *In relation to GR, this could be applied by ensuring linen in rooms at each resort (e.g. towels, bedsheets, etc.) are only replaced at the customer's request.*
- *Applying each of these principles would make GR more efficient as fewer resources would be needed to provide their hotel services, improving productivity and reducing waste created.*

- *GR would also increase their corporate social responsibility as its creation of waste food products would be lower, leading to less landfill. By only changing linen when requested, this would also help to conserve water, limiting the negative impact on the environment.*

Marking protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

5-6 High	• All elements of the question addressed, which shows an advanced understanding of each concept. • A sophisticated and thorough analysis of how two principles of lean management could support Grange Resorts to become both more efficient and increase their corporate social responsibility. • The response makes clear and appropriate reference to Grange Resorts.
3-4 Medium	• Some elements of the question addressed, which shows a good understanding of concepts. • A moderate analysis, which may lack consideration of how each principle of lean management can improve the efficiency or corporate social responsibility of Grange Resorts (i.e. response may only consider one or the other, or both to a weaker level).
1-2 Low	• Few elements of the question addressed, which shows only basic understanding of concepts. • No analysis of lean management principles evident; response may provide a simple explanation of lean management.
0 No score	• Response does not demonstrate any understanding of lean management, efficiency, or corporate social responsibility.

All responses in Section B must relate back to the case study (Grange Resorts). As this is an 'analyse' question, students must be able to go into detail about **how** each principle of lean management could enable Grange Resorts to become more efficient and corporate socially responsible.

The sample response provided considers 'pull focused' and 'value focused' principles of lean management. It should be noted that there is not an established, agreed-upon set of principles of lean management. Various textbooks explore a range of principles, and students should focus on those that limit or remove different

types of waste in production (e.g. wasted materials, time/effort, etc.).

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.

Apply business management knowledge to practical and/or simulated business situations.

Question 4 (4 marks)

Describe **one** driving force and **one** restraining force that may impact on the success of Grange Resorts' planned changes over the next five years.

Sample Answer 1:

- *Driving forces are those which encourage and support change to occur in a business, such as management - those employed by the business to make decisions in the best interests of owners.*
- *Management will have a significant impact on the success of the planned changes at Grange Resorts (GR) through their planning and decision-making. Management are the clear drivers of the change, conducting market research to identify new business opportunities. They will also be responsible for leading employees through a difficult change process, and ensuring its expansion is implemented efficiently and effectively. Poor management will likely lead to the change failing.*
- *Restraining forces are those which restrict change from occurring successfully in a business, such as financial considerations – the financial costs associated with implementing change.*
- *GR faces significant costs over the next five years (estimated \$4bn) to implement its expansion plans. This will act as a significant restraint on the business' planned changes, as its shareholders' returns will be affected negatively, which could restrict its ability to introduce its plans over the next five years. Also, during the planned re-developments, revenue may be lower as the resorts may not be able to operate at full capacity, putting financial pressure on the business.*

Sample Answer 2:

- *Driving forces are those which encourage and support change to occur in a business, such as pursuit of profit – the desire to create profitable returns for owners/investors.*
- *Grange Resorts (GR) are investing a significant amount of money (\$4bn) in order to expand into a five-star resort. Ultimately, this decision would have been driven by the pursuit of profit. This means GR's investors would be seeking greater returns from the business by better meeting the needs and wants of customers, as directed in its market research. Risking such a large amount of shareholder capital will ensure the business is driven towards making these changes successful, or it could face serious financial stress in the future.*
- *Restraining forces are those which restrict change from occurring successfully in a business, such as resistance from employees – the people who provide their labour to the business and carry out its day-to-day operations.*
- *Employees may be fearful of the changes being proposed at GR as they are unsure about the impact it will have on their day-to-day tasks, and even their workload. There will be significant*

strain placed on employees who will have to undergo training and improve their job performance, which may lead to some or many of them resisting the change, making it less likely to succeed.

Marking protocol:

One mark for each of the above points.

All responses in Section B must relate back to the case study (Grange Resorts). As this is a 'describe' question, students need to ensure they are providing the necessary detail when exploring the driving and restraining forces – it is not enough to simply define driving and restraining forces. Responses must also relate the driving and restraining force to Grange Resorts' five-year plan; responses that do not do this can only be awarded a maximum of two marks.

The sample answer provided considers management and financial considerations as a driving and restraining force respectively. Students may use any of the driving and restraining forces listed in the study design, or others that have been taught as part of the Units 3 and 4 course.