

NAME: _____

VCE® Business Management
UNITS 3 & 4 Practice Examination

Reading time: 15 minutes

Writing time: 2 hours

QUESTION AND ANSWER BOOKLET

Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	5	5	50
B	6	6	25
Total			75

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

Materials supplied

- Question and answer book of 24 pages.
- Additional space is available at the end of the book if you need extra paper to complete an answer.

Instructions

- Write your **student name** on this page.
- All written responses must be in English.

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

SECTION A**Instructions for Section A**

Answer **all** questions in the spaces provided.

Question 1 (16 marks)

Exford is a clothing manufacturer and retailer that operates across the country. It sells through traditional stores in shopping centres as well as online. Exford has the goal of being an innovative alternative to higher priced brands and combines high quality products at affordable prices. The business has continually increased its market share.

The owner of the business, Felix Nguyen, is very demanding and sets high expectations for all staff. He has built the business over the past 8 years and has difficulty in delegating any of the decision making to other managers in the business. The business is facing threats from cheaper overseas competitors.

a. Define the term delegation.

2 marks

b. Identify and describe **two** features of the management style that Nguyen is using at Exford.

2 marks

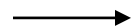
c. Evaluate the use of the management style identified in **Question 1b.**

5 marks



- d. Identify and describe **two** areas of management responsibility that could assist Exford in achieving its business objectives.

4 marks



- e. Using Exford as the example, distinguish between a manufacturing business and a service business.

3 marks

Question 2 (10 marks)

The Human Resource Manager at Pearman Construction wants to move employees from an award to an agreement but is having difficulty persuading the union representing employees that this is a positive move. Negotiations have ceased with the union refusing to attend mediation.

- a.** Define the term award. 2 marks

- b.** Discuss the use of an agreement at Pearman Construction. 4 marks



- c. The Human Resource Manager recently stated that “*the business has no other option than to go to the Fair Work Commission to resolve this dispute*”.

Explain the role of the Fair Work Commission in resolving these disputes. 4 marks



Question 3 (6 marks)

Using a contemporary business case study, explain the use of Porter's Generic Strategies.

[illegible]

Question 4 (8 marks)

A business has provided the following data:

		2017	2018
Total number of customer complaints		372	297
Reason	Quality	23%	44%
	Cost	37%	18%

The Operations Manager is concerned with the increase in customer complaints about the quality of the product. He is considering adopting lean management principles and would like to incorporate more rigorous quality process.

Explain how lean management principles will assist this business with its level of quality. In your response, identify a quality strategy that could assist with the focus on lean management and resolve the issue of the increase in customer complaints on quality.

[illegible]

Question 5 (10 marks)

‘Corporate social responsibility should be part of any businesses plan when implementing an operating system **or** adopting change.’

Evaluate this statement.



[illegible]

SECTION B – Case study**Instructions for Section B**

Use the case study provided to answer the questions in this section. Answers must apply to the case study.

Answer **all** questions in the spaces provided.

Lansfield's is a private limited company that has been in operation for over 35 years having started as a sole trader. It operates as a wholesale nursery with many of the large hardware stores and commercial nurseries as their main customers. Many of Lansfield's employees have been with the company for over 15 years. Processes at the business have largely remained the same, despite an increase in demand from customers. Lansfield's has a high percentage of market share. However, this has been decreasing over the past few years. The managing director of the business, Bridget Lovell, is concerned about the levels of productivity required to meet the increasing demands of their major customers.

Lovell recently returned from overseas where she visited similar businesses, which use automation to improve their productivity. Lovell believes that an increase in the investment in technology that makes the potting of small plants fully automated could increase production levels from 1000 per day to 8000 per day. This plan has raised concerns with employees who fear for their long-term job security. Lovell believes that, through communication and support, employees will be less resistant to any changes that are planned.

With the redeployment of labour resources to operate the new machinery, there will be a need to train employees in the use of the equipment and this could lead to changes in the motivation of employees. There are several training options that Lovell is considering in order to provide employees with the required skills to operate the new machinery. Lovell hopes that the investment in training will also lead to an increase in the motivation of staff. However, she is also willing to consider other strategies should employee motivation fall.

The shareholders of the business are keen to get an understanding of the impact that these proposed changes may have on other stakeholders in the business before committing to the investment in technology. They have asked Lovell to provide them with information on this impact and an explanation of how she proposes to measure the success of the changes once implemented.

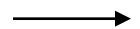
Question 1 (3 marks)

Distinguish between a sole trader and a private limited company.

[illegible]

Question 2 (3 marks)

Apart from investment in training, propose and justify a motivation strategy that Lovell could adopt.



Question 3 (8 marks)

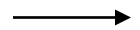
Lovell continues to be concerned about the levels of staff motivation. She is considering adopting either Maslow's Hierarchy of Needs or Lawrence and Nohria's Four Drive Theory.

Discuss these motivational theories and make a recommendation to Lovell as to which theory she should adopt.

[illegible]

Question 4 (6 marks)

Apply the principles of Lewin's Three Step Change Model to Lansfield's.

[illegible]

Question 5 (3 marks)

Evaluate the use of on-the-job training for the employees at Lansfield's with regards to training employees with the new machinery.

Question 6 (2 marks)

Propose and justify a key performance indicator that Lovell could use to assess the success of the training of the employees.

Extra Space

Clearly number all responses

[illegible]

[illegible]

Solution Pathway



NOTE: This task is sold on condition that it is NOT placed on any school network or social media site (such as Facebook, Wikispaces, etc.) at any time.

NOT FOR PRIVATE TUTOR USE.

Below are sample answers. Please consider the merit of alternative responses.

Section A

Question 1 (16 marks)

- a. Students need to make two relevant points to gain the 2 marks for this question. This was the case with the 2018 VCAA exam and this has been used in this exam. Relevant points could include the transfer of responsibility, the fact that employers and employees are involved, and that this can free up time for a manager.

Sample response

Delegation is a process whereby formal authority and responsibility is passed down a hierarchy of a business, from a manager to employee or employees. Delegation can help free up a manager and allow them to focus on management and strategic issues. A business may be able to achieve more in a given timeframe through delegation.

- b. One mark is awarded for the identification of the two features of the identified management style and a further mark for each of the descriptions of the identified features for a total of 2 marks. From the information presented, the management style identified would most likely be **autocratic**. Features that could be described include manager centred control and authority, importance of achieving a task, one-way communication from top down, no employee involvement in decision making, decisions can be made quickly and efficiently, teamwork discouraged.

Sample response

It appears that Nguyen is using an autocratic management style at Exford. Two features of this style include a centralised method of decision making and top down communication. The autocratic style has the manager making all decisions with no input from employees.

Communication is one way from the top down with the manager telling the employees about decisions made.

- c. Evaluate questions require students to demonstrate understanding of the pros and cons (or advantages and disadvantages) of a particular element followed by an assessment as to whether the element is appropriate. Some advantages of the autocratic style are quickness of decision making, communication is direct and uses time efficiently. Disadvantages include a lack of teamwork, potentially lower job satisfaction for employees, lack of employee involvement to name a few. There are two marks awarded for the advantages and two marks awarded for the disadvantages. Two advantages could equate to two marks or one well explained advantage could be awarded two marks. The same situation applies to the disadvantages. The final mark is awarded for the evaluation component where students need to state whether or not the style is appropriate for a total of 5 marks. There is no need for students to propose an alternative management style if they conclude that the autocratic style is not appropriate.

Sample response

The use of the autocratic management style has been successful thus far at Exford. However, it may not be the most appropriate for the business in the future. Advantages of the autocratic management style include the ability to make a quick decision and direct communication. As the manager is the one making the decisions, this can be done in an efficient and timely manner as there is no need to involve other employees. Decisions made by Nguyen can also be directly communicated to employees, which allows for precise information to be passed on.

The autocratic management style discourages teamwork and the use of employees in decision making, which could lead to low levels of employee satisfaction. Communication is one way only. Employees may be able to offer a unique perspective on decisions within the business and without their involvement, Nguyen may miss an opportunity. Allowing employees to have a voice in decision making, whilst adding time to decisions being made, may prove beneficial.

With the issues the business is facing, it may be prudent for Nguyen to employ an alternative management style. The autocratic management style may not be best suited for the next stage of the business' growth.

- d. Students could pick any of the 5 areas of management responsibility from sales and marketing, technology support, operations, finance or human resources. 1 mark awarded for the identification of the area of management responsibility and 1 mark awarded to the description. This is done twice for a total of 4 marks.

Sample response

Sales and marketing, as well as operations, would be important areas of management responsibility to assist Exford in achieving its objectives.

In a competitive market it would be important for Exford to stand out from its competitors. The Sales and Marketing area of responsibility is vital in building an ongoing relationship with

customers and building this into revenue for the business. This would assist Exford in building market share and allow it to compete with other well-known brands.

The Operations area of management responsibility will allow Exford to create an output from the operating system that is of a high level of quality. Exford would also need to be mindful of increased overseas competition and production, which could impact on Exford in the future.

- e.** Distinguish questions require students to show the difference between two elements. In this instance, the elements of manufacturing and service businesses are to be distinguished and linked to Exford. Students cannot receive the full 3 marks if they only supply two definitions. There are several possibilities, including the nature of the output, production processes and customer contact.

Sample response

A business such as Exford operates as both a manufacturing and service business. A manufacturing business produces a physical, tangible product which can be seen and touched. This differs from a service business which has a non-physical product as its output. Exford not only produces its product in a manufacturing capacity but then sells the product both online and in physical stores.

Question 2 (10 marks)

- a.** Definition questions are worth two marks. Therefore, two points need to be made in defining the term to be awarded 2 marks. Students should mention something about determining wages and conditions of work.

Sample response

An award is a method of determining wages and conditions of employment across an industry. Awards are legally binding minimum requirements for wages and conditions, which are reviewed every four years by the Fair Work Commission.

- b.** Discuss questions require students to show two sides to an element, in this case an agreement. Students should explain the advantages and disadvantages of an agreement in these circumstances. 2 marks are awarded for explaining advantages and 2 marks are awarded for explaining disadvantages.

Sample response

An agreement at Pearman Construction can allow for greater flexibility in conditions, as well as rewards for employees if productivity increases. Disadvantages could include increased disparity in wages for some employees and a greater potential for disputes if employers and employees struggle to find common ground.

An agreement may provide the opportunity for both the employer and employees to provide wages and conditions of employment that cater for the individual characteristics of a workplace. This could include the inclusion of rewards for employees if certain productivity gains are made by employees.

Agreements can lead to greater inequality between skilled and unskilled workers within a business. Unskilled workers generally have less bargaining power compared with skilled workers and may be disadvantaged. The ability to reach an agreement can prove difficult if employers and employees are wanting different things. It may take some time before an agreement can be reached that is beneficial to both the employer and employees.

- c. Students should identify two key elements in response to this question on the role of the Fair Work Commission. Two marks are awarded per element for a total of 4 marks. Responses could include the following points: creating and maintaining minimum conditions of employment, approving agreements and (for this question in particular) the ability to assist with mediation or arbitration.

Sample response

The Fair Work Commission is the peak body in the workplace relations system. The Fair Work Commission plays a role in assisting in dispute resolution for awards and agreements by acting as a tribunal or industrial court. The Fair Work Commission has the power to make binding decisions and orders in relation to workplace relations. The Fair Work Commission can approve agreements and assist in resolving disputes.

In this instance, the Fair Work Commission could intervene and assist in resolving the dispute between the management of Pearman Construction and their employees. They may make a ruling on the dispute at hand or they could approve industrial action that employees might take. The Fair Work Commission could play a role as an arbiter in any dispute between the employees and management at Pearman Construction.

Question 3 (6 marks)

4 marks will be awarded for the explanation of Porter's Generic Strategies and a further 2 marks can be awarded for the link to a contemporary business example for a total of 6 marks. The example could be either the low cost or the differentiation strategy, depending on the business used.

Sample response

Porter's Generic Strategies describes how a business can seek a competitive advantage in its industry or market to assist it to increase its market share. In order to gain a competitive advantage, a business can take one of two options, either a lower cost strategy or a differentiation strategy.

A lower cost strategy will see a business pursue the goal of implementing factors that will minimise the cost of production or provision of service and thus lead to an increase in profit and/or market share. By implementing a focus on lower costs, the business could pass these benefits onto customers in the form of lower prices or gain an increased profit for the business. A lower cost strategy would be beneficial to a business in a price conscious market.

A differentiation strategy sees a business attempt to make their good or service appear to have a unique point of difference from competitors. The differentiation could take the form of the product itself, the way the product or service is delivered, or the marketing of the product or

service. Brand loyalty is a vital component of the differentiation strategy and allows businesses to charge a premium price for their product or service.

Aldi has used the lower cost strategy to great effect to build its market share in the grocery industry. Aldi has focused on a model that sees less of a product offer and a “no-frills” approach in store to minimise the costs of providing customers with a range of products. These savings are then passed on to the customers through lower prices.

Question 4

3 marks are awarded for an explanation of lean management principles and a further 2 marks are awarded for the link between quality and lean management with reference to the data provided. 3 marks are then awarded for the identification and explanation of a quality strategy for a total of 8 marks.

Sample response

Lean management refers to a range of systematic measures to eliminate waste and costs in production, so the end customer gets the most value. Lean management achieves efficiency and effectiveness by delivering customer value, eliminating waste and striving for continuous improvement. Lean management looks to review all stages of the operating system and remove any inefficiencies to improve productivity and eliminate waste. One key aspect of this method is to aim for zero defects through continuous improvement.

Lean management and quality are closely linked. A business that wishes to minimise waste and improve productivity will simultaneously improve the quality of the output. All businesses will strive to improve the efficiency and effectiveness of their operations. Lean management could assist in decreasing the level of customer complaints on the quality of the product delivered. Through continuous improvement, waste and defects should be minimised.

Total quality management is a quality strategy that aims to improve the efficiency and effectiveness of the operating system with the aim to improve the quality of the product or service that the business wishes to deliver. TQM requires all employees to focus on all areas of the business to seek continuous improvement. It is a holistic approach that drives continuous improvement in the business. There is also a focus on both internal and external customers. Levels of quality should be managed, and issues identified and rectified, thus minimising waste and improving quality.

Question 5

10 mark questions need to be marked globally. The table below provides a guide as to how this question should be marked.

For this question, students need to evaluate corporate social responsibility and apply this to either operations or change. There is no need to do both. Evaluation requires students to show both sides of the issue and then form an opinion.

Mark Range	Descriptor: Typical performance in each range
9 – 10 marks Very High	Very high level of detail in response, which address all elements of the question. Student shows an in-depth understanding of the elements of the question including: • clear description of the pros, or advantages, of corporate social responsibility • clear description of the cons, or disadvantages, of corporate social responsibility • a definitive link to either operations system or change • a conclusion as to whether there should be an inclusion of corporate social responsibility in business planning
7 – 8 marks High	High level of detail in response, which addresses most elements of the question. Student shows an in-depth understanding of the elements of the question including: • a good description of the pros, or advantages, of corporate social responsibility • a good description of the cons, or disadvantages, of corporate social responsibility • a good link to either operations system or change • a conclusion as to whether there should be an inclusion of corporate social responsibility in business planning
5 – 6 marks Medium	Response has addressed some elements of the question, including: • a basic description of the pros, or advantages, of corporate social responsibility • a basic description of the cons, or disadvantages, of corporate social responsibility • a basic link to either operations system or change • an attempt at a conclusion as to whether there should be an inclusion of corporate social responsibility in business planning
3 – 4 marks Low	Limited level of response to some elements of the question, including: • some description of the pros, or advantages, of corporate social responsibility • some description of the cons, or disadvantages, of corporate social responsibility • a link to either operations system or change • little, if any, conclusion as to whether there should be an inclusion of corporate social responsibility in business planning
1 – 2 marks Very Low	Response is very limited or missing elements. There is: • limited description of the pros, or advantages, of corporate social responsibility • limited description of the cons, or disadvantages, of corporate social responsibility • no link to either operations system or change • a lack of a conclusion

0	Response does not relate to the elements of the question.
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Some considerations with student responses. Responses should have a clearly expressed:

- link between corporate social responsibility and one of the elements selected, either operations or change.
- explanation of the pros and cons or advantages and disadvantages of corporate social responsibility. These do not need to be word perfect but do need to show a clear understanding and should not be generalist in nature.
- conclusion about the inclusion of corporate social responsibility in business planning.

Sample response

Corporate social responsibility should be an integral component to any business and their operating system. This focus on corporate social responsibility will come at a cost and take time and energy to implement.

When a business reviews its corporate social responsibility on inputs, it should look to ensure that inputs are environmentally sustainable and are able to be appropriately sustained. This could take the form of supply chains that ensure suppliers are sourcing materials from ethical suppliers, or that employees of a supplier are paid a fair wage and are able to work in appropriate conditions. This has the possibility of increasing the cost of production, but it will assist in building a reputation of being a socially responsible business. Sourcing these suppliers may take time as well. However, the business will benefit in the long term from these associations.

A business needs to consider the level of waste from its production processes. The corporate social responsibility issues raised here include the opportunity to recycle this waste or the manner in which the waste will be disposed. Recycling of waste can be expensive and time consuming. A business needs to ensure that it has appropriate processes in place to assist employees in understanding what needs to be done so that this strategy will be successful. A business should also look to dispose of waste in an ethical manner. A business needs to ensure that it has an appropriate relationship with those disposing of the waste. This should minimise the impact on the environment but could be a costly exercise.

The final output of the operating system should also have corporate social responsibility considerations. The product that is to be consumed should not be harmful and the packaging of this product should have a minimal environmental impact. This should be supported through honest marketing of the product. This could cause conflict with some stakeholders who wish to maximise the outcomes for themselves. This could also be appealing to those shareholders who wish to invest in a business that is looking to improve its reputation.

Corporate social responsibility in operations can be costly, time consuming and it may cause issues with some stakeholders. It will, however, prove beneficial as it will attract likeminded customers and investors.

Section B**Question 1**

Distinguish questions require students to show the difference between two elements. Students can not get full marks if they only provide two definitions. There must be a distinction shown for the full 3 marks.

Sample response

A sole trader is a business that has a single owner who assumes sole responsibility for the operation and management of a business. They are also liable for any debts that a business has. This differs from a private limited company, which is owned by a limited number of shareholders and managed on their behalf. The private limited company has a limited liability and is a separate legal entity to the owners.

Question 2

1 mark awarded for the proposed motivation strategy. 1 mark awarded for a detailed explanation of the strategy. 1 mark for the justification of the strategy for a total of 3 marks.

Sample response

Performance related pay could prove beneficial as a motivation strategy at Lansfield's. Lansfield's could offer employees an incentive to complete the training on the new equipment and then offer further incentives once training has been completed. These incentives could be based on increased levels of productivity. This could benefit the business as overall productivity levels could increase.

Question 3

3 marks are awarded for the discussion of Maslow's and a further 3 marks are awarded for the discussion of Lawrence and Nohria's. The discussion needs to demonstrate the pros and cons (or advantages and disadvantages) of each theory. The focus of the response should not be on an explanation of the theory. The final 2 marks are awarded for the recommendation of which theory is more appropriate to Lansfield's for a total of 8 marks.

Sample response

Maslow's hierarchy of needs can meet the individualised needs of each employee. Intrinsic and extrinsic factors motivate staff and both higher and lower levels can act as motivators. This theory can be very time consuming as each employee requires different forms of motivation as each is at a different level. Maslow's theory also assumes that all employees are motivated in the same order.

Lawrence and Nohria's Four Drive Theory provides management with some flexibility as to how to motivate employees. There is a profile of employees provided and it allows management to have a concrete way to work with, and motivate, employees. Over time, the driver for employees

will wane as the strength of the drive will differ over time. Working out how each employee can be motivated by a driver can be quite time consuming and this can be difficult for a manager.

Lovell should adopt Maslow's hierarchy of needs as this more appropriately addresses the employees at Lansfield's. While employees may be at different levels in the hierarchy, there will be more in common given the introduction of the new machinery and it should be easier to coordinate and see results.

Question 4

3 marks are awarded for the steps in Lewin's Change Theory - 1 mark per step explained. A further 3 marks are awarded for the application of each step to the business for a total of 6 marks.

Sample response

Lewin developed a three-step model to assist a business in implementing a change. Lansfield's could use Lewin's model in the following way.

Unfreeze: Lewin's model suggests that a business needs to unfreeze and prepare for change. Managers should prepare employees for the change and ensure that there is appropriate support. Lansfield's has decided to move into greater automation in its facility. Lovell will need to prepare employees for this change, reassure those who are anxious and provide a clear pathway forward. Driving and restraining forces could be analysed by Lovell and action taken to manage these forces.

Change: The second step in Lewin's model sees a business put strategies in place to ensure that the new change is implemented and reinforced. Employees could be provided with training and appropriate resources. Employees should be involved in the process and they should feel empowered. Clear goals should be identified and communicated. Lovell should ensure that employees have a clear understanding of what is expected of them and continually communicate with them. The empowerment of employees at Lansfield's will help ensure the success of the change.

Refreeze: The final step is to embed and anchor the change in the business. Managers should undertake an evaluation of the implementation of the change and adjust if necessary. There should be continued support and training offered to employees and successes should be celebrated. Lovell needs to ensure that all employees have buy in to the change and that they do not revert to the past form of the business.

Question 5

1 mark awarded for a pro of on-the-job training, 1 mark for a con explained for on-the-job training. The final mark awarded for the recommendation as to whether on-the-job training is appropriate for Lansfield's for a total of 3 marks.

Sample response

On-the-job training provides employees at Lansfield's with an opportunity to be trained on the specific equipment that they will be using in the workplace. This should allow a tailored program

to suit all employees. However, employees may be distracted by the environment they are in and wish for the “old ways” of conducting their work.

The benefits of on-the-job training, in this instance, far outweighs any costs. With the training linked to change in the business, it is vital that it is done correctly and that it allows employees to become proficient in a short space of time.

Question 6

1 mark awarded for nominating a key performance indicator that would be relevant. A second mark awarded for the justification of this key performance indicator for a total of 2 marks. There are several answers which could be appropriate for this question.

Sample response

Rate of productivity growth would be an appropriate indicator for Lansfield’s to assess the success of the training of employees. If the training has been successful, then it is likely that productivity will increase due to the automation.