

VCE BUSINESS MANAGEMENT

UNIT 3&4

TRIAL EXAMINATION

2019

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SUGGESTED MARKING SCHEME AND SAMPLE RESPONSES

Suggested Marking Scheme and Sample Responses

(Teachers should feel free to alter the marking scheme to suit their needs. There are many ways to approach these questions so the sample responses are to be used as a guide only).

SECTION A

Question 1 (9 marks)

Luxury Cruises is a young Australian cruise operator that has been in operation since 2015. The company owns three large cruise liners and specialises in cruises between Australia and New Zealand. Below is some of Luxury Cruises most recent key performance indicator data.

Key Performance Indicator	Previous Year	Current Year
Percentage of Market Share	8 per cent	8 per cent
Number of Customer Complaints	16 per cruise	30 per cruise
Net Profit	\$300,000	\$280,000
Level of wastage	↑ 2%	↑ 6%

a. Define level of wastage

1 mark

Suggested Marking Scheme

One mark is allocated to an appropriate definition. The definition does not need to be word perfect from a textbook but must capture the essence of the term. It is expected that students address the concept that resources (or a similar term) are discarded. Responses should refrain from using the term 'wastage' in the definition and marks should not be awarded to such responses.

Sample Response

Level of wastage is the amount of resources and finished or unfinished goods discarded from the operations system.

b. Distinguish between the operations of a manufacturing business and a service business such as Luxury Cruises.

3 marks

Suggested Marking Scheme

This question is marked high/medium/low (3/2/1). To receive full marks, the differences between the operations of a manufacturing business and service business must be clear. Students must also refer to Luxury Cruises in their response. Responses that do not refer to Luxury Cruises can receive a maximum of two marks. If students provide more than one difference, they do not need to refer to Luxury Cruises for each difference.

Students can approach this question in a variety of ways. It is foreseeable that some students will provide a variety of differences to demonstrate a breadth of knowledge, while others may only provide one difference but do so in depth (demonstrating depth of knowledge). Either approach is acceptable.

Sample Response

A manufacturing business is one that produces tangible goods that can be touched and handled. For example, a computer manufacturer produces a computer that can be touched. Whereas a service business such as Luxury Cruises produces outputs that are intangible, meaning they cannot be touched or handled.

Another difference between the two is that in a manufacturing business, there is very little customer involvement during the production of a good, whereas in services, the customer is heavily involved in the final output. For example, at Luxury Cruises, the customer needs to be present on the cruise to receive the final output, yet does not need to be present during the production of a computer.

A final difference is that service businesses often rely more heavily on inputs such as labour and information, whereas a manufacturing business relies more on machinery and equipment for their inputs.

- c. Michael Porter found that businesses are able to gain a competitive advantage using generic strategies.

Justify the most appropriate generic strategy for Luxury Cruises to help them gain a competitive advantage. In your response, refer to two of the identified key performance indicators your chosen strategy will impact. 5 marks

Suggested Marking Scheme

One mark is allocated to a description of the chosen generic strategy. Although the question does not ask students to describe the strategy, it is often an expectation with a justify question. Students should only refer to either the Lower Cost strategy (also known as Cost Advantage or Cost Leadership), or the Differentiation strategy. Porter's generic strategy, Focus is not part of the study design and should not be used.

Two marks are allocated to a strong justification of how it will help Luxury Cruises gain a competitive advantage. The justification MUST be linked to Luxury Cruises gaining a competitive advantage. Weak justifications can receive a maximum of one mark.

One mark is allocated to each reference to a key performance indicator and the impact the strategy will have on this KPI. The KPIs used must be from the case material. It is important to note that the impact on the KPI does not need to be a positive one. Student can justify an appropriate generic strategy and state how it will improve the competitiveness of Luxury Cruises, but state that it may impact negatively on one of the KPIs. The KPIs referred to in this question must come from those in the case material i.e. percentage of market share, number of customer complaints, net profit or level of wastage.

Sample Response

Luxury Cruises should implement the differentiation strategy. This is where a business looks to gain a competitive advantage by being unique in some way that is valued by customers. Luxury Cruises may be able to differentiate themselves by offering a higher quality experience than their competitors. For example, they may be able to pay for celebrity entertainers or higher quality chefs to be part of the experience for customers. This would enable Luxury Cruises to improve their competitive advantage by standing out in the market and would attract more customers to cruise with them, as they will not be able to receive the offering on any other cruise liner. The improved experience would have a positive impact by reducing the number of customer complaints, which have risen significantly in the past twelve months. While the improved customer experience will increase expenses, by

differentiating themselves as a business, they will also be able to charge a premium price for their cruises as customers are willing to pay more for the unique experience. Charging a premium price will improve the profit margins of each cruise sold, leading to improved overall net profits, which have declined over the past 12 months.

Question 2 (15 marks)

Megatrack Ltd is the leading manufacturer of toy racing car sets in Australia. The design facility in Melbourne designs both the toy cars and racing tracks. While the manufacturing facility in Wodonga produces the toy sets and distributes them throughout Australia. Increased competition from global competitors has made market conditions tougher in recent times. Operations manager, Wendy Prowse is concerned employees are not working to their full potential. In order to improve competitiveness, Wendy is looking to improve efficiency in the operations system.

- a. Outline how the area of operations can help a business increase sales 2 marks

Suggested Marking Scheme

Two marks are given for a strong outline of how operations can help a business increase sales. The response can refer to Megatrack, but does not need to in this instance. To receive full marks, students must provide more than simply stating a reason. The response must provide some form of elaboration. This does not need to be extensive, but must be shown. Responses that only state how, without outlining can receive a maximum of one mark. A clear link between operations and increased sales must be demonstrated.

Sample Response

Operations is the area of the business that produces the goods or services. This area can help a business increase their sales by producing a quality product that customers desire. If the operations area can improve their quality processes to ensure only the highest quality products make it to the consumer, it will improve customer satisfaction, leading to improved sales.

- b. Describe one performance management strategy. Explain how this strategy can help the employees at Megatrack reach their full potential and improve the competitiveness of the company 5 marks

Suggested Marking Scheme

Two marks are allocated to a strong description of a specific performance management strategy. In order to receive full marks for the description, students should show a good understanding of the chosen strategy. Descriptions should be more than a brief definition. Brief definitions can receive a maximum of one mark.

Three marks are allocated to the explanation. One mark is allocated to a link to the employees reaching their full potential. One mark is allocated to a link about how the strategy will help improve competitiveness at Megatrack. One mark is allocated to the application to Megatrack.

Sample Response

Megatrack could use management by objectives (MBO). MBO is a performance management strategy that aims to improve both employee and business performance by setting clearly defined objectives that are agreed to by both the employee and the manager. The employees are then assessed against these objectives and provided feedback as to their performance.

MBO can help Megatrack's employees reach their full potential because the objectives can be set to extend the employees. The manager and employees can set specific goals that will challenge the employees. This will not only keep them focused on their work but also help them improve their performance, helping them work towards their full potential. MBO helps align the employee objectives to the business objectives, which will help Megatrack improve their competitiveness. The set goals cannot only challenge the employees to get the best out of them, but can also be aimed at improving areas of the business that will improve their competitiveness. For example, manufacturing employees may be set goals around quality standards so that customers receive quality race tracks, which will improve their ability to sell their toy race tracks, improving their competitiveness.

c. Discuss how each of the following strategies could be used by Megatrack to improve their efficiency 8 marks

- Computer-aided design
- Lean management

Suggested Marking Scheme

This question is marked globally, which means that marks are not allocated to specific parts of the question. Instead, the question read and an overall mark is awarded. For this question, each part is separated into four marks. Therefore although global, each strategy cannot receive more than four marks.

To receive full marks, students must discuss how each strategy can improve the efficiency at Megatrack. This requires students to address both sides (benefits and limitations). Students that fail to address both the benefits and limitations can receive a maximum of 3 marks for each strategy. Students do not need to define or describe the strategies, however a clear understanding of each must be demonstrated.

It is foreseeable that students will approach lean management in various ways. It is important to note there are no universal set of principles for lean management so many variations should be accepted. Students do not necessarily need to address the specific principles for lean management, although it will help them provide depth to their response.

Responses MUST address the concept of how each strategy improves efficiency. It is likely that this is overlooked by some students. Students that discuss how each strategy will improve operations or the business in general can receive a maximum of two marks (two for each strategy).

Sample Response

Computer aided design (CAD) is software that is used in the creation, modification, analysis and optimisation of a product design. Megatrack could use CAD to help design new race tracks and toy cars. The CAD system would allow the designers to easily make modifications to their designs based on feedback. This would improve the efficiency of Megatrack as it would speed up the design process, using less resources such as time and labour. If changes need to be made to the design, they can be made easily using the software rather than starting again using traditional design techniques. This flexibility, improves the productivity of the design team, improving efficiency. However, not only can the CAD software be costly to purchase and implement, it will cost the business time and money to train the design staff to learn to use the software. This can increase the costs and reduce productivity in the short term.

Lean management is a business philosophy that aims to improve the value for customers while minimising waste throughout the business. Megatrack can use lean management to reduce the amount of waste they are producing. For example, Megatrack may use the pull principle, where they only produce race tracks and cars based on consumer demand. This prevents overproduction of the race tracks and cars, reducing wastage through damaged stock in storage as well as stock that cannot be sold, improving efficiency. During the manufacturing process, Megatrack could look at reducing the waiting times by removing bottlenecks. This will help improve efficiency as production will have a continuous flow, reducing wastage. However, introducing lean management can result in very small margins of error. For example, if Megatrack is to implement the pull principle, they may find it difficult to cope with a sudden rise in demand, resulting in lost sales by being out of stock.

Question 3

Using a contemporary business you have studied this year as an example, explain one strategy this business has implemented in response to key performance indicator data. Explain the impact this strategy had on two of the business's stakeholders. 6 marks

Suggested Marking Scheme

The first part of this question is marked globally and is worth four marks. This means that marks are not allocated to specific parts of the question. Instead, the response is read, and an overall/global mark is awarded. To receive full marks the student must:

1. Explain the strategy. While there are specific strategies listed in the study design about how businesses can respond to KPI data, this list is not exhaustive. Students can use other strategies to express their understanding.
2. Explain how the strategy was used by a business in response to KPI data. It is important that students address specific KPIs in their response. While students do not need to state specific numbers in their responses, they should be linking the chosen strategy to specific indicators.
3. Refer to a specific contemporary case study. It is assumed that the case study is no longer than four years old. It must also be clear that the student has studied the chosen business in some depth. While the student does not need to identify specific numbers for the KPI data, they should demonstrate a strong understanding of the KPIs that influenced the business to implement a specific strategy.

The second part of the question is worth two marks (one mark for each impact). To receive full marks, students must explain how the strategy impacted on a specific stakeholder group. The impact can be a positive impact or negative impact.

Sample Response

In 2018 Telstra announced a number of changes it was going to implement into the business. One of these changes was to implement cost cutting measures by introducing a restructure. Cost cutting is where the business looks to minimise their expenses to help improve profits. The changes were in response to some poor key performance indicator data. One KPI that Telstra was failing in was net profits. Net profits were down by more than 40% since 2016, and their percentage of market share in the mobile market was also down significantly in the same period. Increased competition and rising wages costs were major reasons for these poor results. This caused Telstra to look at areas they could reduce costs to help improve profits. Reducing costs from the business, allowed Telstra to also invest in other areas of the business to help improve their percentage of market share.

The restructure resulted in approximately 8,000 redundancies, mainly in middle management. These redundancies have a significant impact on the employees who were left without employment, placing them and their families under financial stress. However, the cost cutting measures impacted on the shareholders positively. Due to the reducing profits, Telstra was able to implement the changes to reduce costs, which will positively impact the profits in the long term. This impacts the shareholders positively as it can increase the return on their investment.

Question 4 (10 marks)

Comm 5 is a telecommunications company that specialises in business communications technology. The company installs and maintains business communication packages including phone, cloud solutions, high speed internet and teleconferencing. Due to increased operating costs, Comm 5 has decided to undergo a restructure. The restructure will result in new technology being implemented so sales staff can better communicate with customers. The restructure will also cause 80 redundancies from multiple areas of the business. Employees received a memorandum notifying them of the changes. Many have expressed their anger regarding the announcement.

a. Define redundancy

1 mark

Suggested Marking Scheme

One mark is allocated for a correct definition. The definition should stipulate that the employee is leaving the business (or terminated) along with some reference to their job no longer existing. There is no need to be any reference to voluntary redundancy or involuntary redundancy. If students refer to redundancy being voluntary or involuntary, this should not harm the response and full marks can be awarded.

Sample Response

Redundancy is a form of termination where the employee leaves the business because their job no longer exists.

- b. Explain how Comm 5 could consider corporate social responsibility when implementing the changes 3 marks

Suggested Marking Scheme

This question is marked high/medium/low (3/2/1). To receive full marks, students must address HOW Comm 5 can consider CSR when implementing the new structure. This may include the redundancies OR the introduction of the new technology. Students should provide an understanding of CSR theory, while also applying to the case material. Responses can look at one way of being socially responsible in regards to the changes, or multiple ways. Either approach is acceptable. The key to receiving full marks is providing a clear understanding of CSR when implementing changes, while applying it to the case material.

It is foreseeable that many students will address implementing CSR in regards to redundancies. For example, students may address that Comm 5 can consider implementing further training to help employees in their future employment endeavours, or bringing in outplacement services to assist in the transition. This approach is perfectly fine.

Students may also decide to look at CSR when implementing the changes. For example, some students may bring in using low risk strategies such as communication or empowerment as a way of being ethical in the transition. This approach (along with other legitimate approaches) should be accepted.

Sample Response

When implementing the redundancies, Comm 5 can look to bring in outplacement services to help manage the transition. Employees will be left without employment, placing them under financial stress due to having no source of income. Bringing in outplacement services will help the employees find new employment opportunities. While this will be a significant cost to Comm 5, it demonstrates their willingness to go above legal obligations to show their redundant employees, they value their contribution to the business and care for their future. When introducing the new technologies, Comm 5 could ensure that they invest in their employees by providing them with ongoing training to help the employees get the best out of the technology. This is again costly and time consuming to implement, however ensures the employees are improving their abilities.

- c. Due to the new technologies, sales employees will need to undergo training.
Discuss the most appropriate form of training to help Comm 5 implement the new technology effectively 4 marks

Suggested Marking Scheme

This question is marked globally, meaning that marks are not allocated to specific parts of the question. Instead, the response is read and an overall/global mark is awarded. To receive full marks, the response must look at ONE appropriate training method. Either on-the-job or off-the-job training is acceptable. The response must also address both the benefits and limitations of this training method. Students that only address either the benefits OR the drawbacks can receive a maximum of three marks. The response must ensure it is well applied to Comm 5 and the technology the business is introducing. Responses that fail to address the new technology for sales employees can receive a maximum of two marks.

Sample Response

Comm 5 should introduce off-the-job training. This is the process of improving the employees' skills and knowledge away from the workplace. This will be the most effective form of training for Comm 5's sales employees because they will be able to spend time learning how to use the new technology without any workplace distractions or interruptions. Using this form of training will also allow the sales employees to learn from experienced trainers that are experts in the technology. This will help the employees learn how to use the technology, as they will be able to hear from trainers with vast experiences. Employees will also be able to ask questions so they can bring the new knowledge back into their work. This will ensure the new technology is implemented effectively into the business as the employees will have developed the necessary skills. However, off-the-job training comes at a significant financial cost to the business. It also takes employees away from their work while they are being trained which may result in less sales during this time, due to the sales staff being away from the workplace while training is being conducted.

- d. Describe one low risk strategy that the management at Comm 5 could use to reduce employee resistance to the restructure. 2 marks

Suggested Marking Scheme

One mark is allocated to a strong description of a specific low risk strategy. The low risk strategies listed in the study design are communication, empowerment, support and incentives.

One mark is allocated to how the chosen low risk strategy can reduce the employee resistance to the new restructure.

Sample Response

Comm 5 could use the low risk strategy of communication. Communication is the transfer of information from sender to receiver with the ability to listen to feedback. Being open and transparent with employees about the restructure will ensure the employees are fully aware of the changes including the redundancies. This will reduce resistance created through rumours within the business. Informing employees about the change and answering questions around the restructure will help prepare the employees for the changes, reducing employee resistance.

Question 5

“Learning is not a one-time event. Great businesses recognise that the ability to constantly learn, innovate and improve is vital to their success”.

Referring to three disciplines in Senge’s learning organisation, analyse the validity of the above statement. 10 marks

Suggested Marking Scheme

This question should be marked globally. It is important to note that the term analyse means to examine in depth. Students may approach this in a number of ways, so an overall/global mark should be awarded. To receive full marks, the response does not need to be perfect, but should demonstrate a very high level of understanding and address all parts of the question.

To receive full marks, students should demonstrate an understanding of three disciplines in Senge’s theory. They must then refer EACH of their chosen disciplines to the statement. It is foreseeable that students will structure their responses in a variety of ways, which is acceptable. The disciplines in Senge’s theory are Personal Mastery, Mental Models, Shared Vision, Team Learning and Systems Thinking. No other disciplines are accepted.

Below is a guide on the typical performance in each mark category. Due to the various approaches, this table should be used as a guide only.

Mark Range	Typical Performance (Guide Only)
9 – 10 marks Very High	An in-depth analysis is provided for three disciplines in Senge’s theory. Each discipline is referred to the validity of the statement provided. The response shows a very high level understanding of the three chosen disciplines and how each contributes to the statement.
7 – 8 Marks High	A strong analysis of three disciplines in Senge’s theory is shown. At least two of the disciplines are referred strongly to the validity of the statement. Some depth may be lacking in some areas, or only a high level understanding is demonstrated.
5 – 6 Marks Medium	A moderate analysis of three disciplines in Senge’s theory is shown. There is likely some depth lacking. Some consideration to the statement is shown, however only a moderate understanding is demonstrated.
3 – 4 Marks Low	A low level analysis of the disciplines is shown. There is likely some parts of the question not addressed or parts covered in very little depth. A basic understanding is demonstrated of the disciplines, but analysis is lacking.
1 – 2 Marks Very Low	A very low level analysis is shown. There may be descriptions of one or more of the disciplines, with a lack of analysis. It is likely that many parts of the question are not addressed or lack detail. A very poor understanding of Senge’s theory is shown,
0	The response does not relate to the question, or does not demonstrate enough understanding to warrant marks.

Sample Response

One of Senge's disciplines is personal mastery. Personal mastery is where individuals have a vision for themselves that they are passionate about pursuing. Personal mastery is where individuals are driven to constantly learn and are not satisfied unless they are learning. This is an important part of the learning organisation, because if individuals are driven to learn, it can drive learning throughout the business. This shows the statement is true because personal mastery is not based on one off training. It is about constantly learning and growing so that the business can learn. Businesses need to provide opportunities for individuals to learn and follow their passions, which is vital to their success. Businesses that provide these ongoing opportunities for individuals to learn will enable employees to find new ways to innovate, leading to the success of the business.

Another discipline is mental models. Mental models are the ingrained beliefs and assumptions that people have. These mental models shape the way that individuals think and behave. Senge found that if individuals in a business are not able to understand their mental models and challenge them, the business will find it difficult to innovate as they will not see new ways of doing things. This again supports the statement because if the employees are able to remove their mental models, they will be open to learning new ways of doing things, enabling them to innovate and succeed. In order to learn and innovate, businesses need to help employees challenge their mental models so they can continue to learn and grow by finding new ways of doing things. This helps ongoing learning of not only the employees but also the business overall.

Another discipline in Senge's learning organisation is team learning. Team learning is where the members of a team are able to learn from each other. Senge found that teams that can learn from each other will learn more rapidly and be more flexible and adaptable during change. This again shows that the statement is valid, for if a business is able to invest in teams within the business, they will be able to constantly learn from each other. Team learning promotes the concept of the statement by demonstrating that employees will continue to learn from each other as they work together in a team. This can help creativity and innovation, leading to overall business success.

SECTION B

Question 1

Outline one advantage and one disadvantage if Lumiere was to move to a public listed company
2 marks

Suggested Marking Scheme

One mark is allocated to one advantage of Lumiere moving to a public listed company. It is important that the advantage is actually outlined and not simply stated.

One mark is allocated to one disadvantage of Lumiere moving to a public listed company. It is important that the disadvantage is actually outlined and not simply stated.

Students that simply state one advantage and one disadvantage, without outlining them can receive one mark.

Lumiere is currently a private limited company which is an important element to this question. Because the question is asking about moving to a public listed company, marks should not be awarded for responses around advantages of companies in general. For example, if a response states that one advantage of moving to a public listed company is that Lumiere will have limited liability, marks should not be awarded, because Lumiere's shareholders already have this benefit as a private limited company.

Sample Response

One advantage if Lumiere was to move to a public listed company is that it increases the company's ability to raise capital. Allowing members of the public to purchase shares in the company increases the ability for people to invest in the business, increasing the capital Lumiere can use to grow the business.

One disadvantage is that the current shareholders will need to dilute their ownership percentage. Allowing new investors to own shares in the business will bring down the ownership percentage of the current shareholders, possibly impacting the dividends they receive.

Question 2

Describe the key principles of the Four Drive Theory and explain how Kylie could use this theory to improve the motivation of employees and reduce staff absenteeism
5 marks

Suggested Marking Scheme

Two marks are allocated to a strong description of the principles of the Four Drive Theory. The key aspects of the theory should be described. To receive full marks for this, students must address all four of the drives. Students do not need to explain in what each drive is, but must at least mention all four drives. Students that only state the four drives without clearly describing the theory, can receive a maximum of one mark.

Three marks are allocated to a strong explanation of how Kylie can use the theory to improve the motivation of employees at Lumiere. In terms of application, students can apply one or multiple drives to this part of the question. To receive full marks for this section, responses must address the concept of improving motivation and reducing staff absenteeism at Lumiere. The application should

address the reasons employee motivation is currently low and how the four drive theory will address these areas.

Sample Response

The four drive theory is a motivation theory where humans have four key drives that are part of their evolutionary past. The four drives are the drive to acquire, the drive to learn, the drive to bond and the drive to defend. The theory states that all humans have the four drives, however the drive to defend is more latent. All drives can occur at the same time in individuals and businesses need to provide opportunities for employees to satisfy the drives.

To motivate employees Kylie needs to ensure Lumiere provides opportunities for employees to satisfy each of their drives. With poor motivation being a result of poor conditions and employees feeling undervalued, Kylie should focus on providing training opportunities for employees along with career advancement. This investment in employees will show them that the business values their input, which should make them feel appreciated. Investing in training will ensure the business values the employees and helps satisfy the employees' drive to learn. Allowing opportunities for career advancement will satisfy their drive to acquire as employees are rewarded for their hard work and are able to improve their status within the business.

Question 3

Justify an appropriate quality strategy that Lumiere can implement to ensure the quality of their mattresses is consistent for all customers. 4 marks

Suggested Marking Scheme

One mark is allocated to a description of the chosen quality strategy. Although the question doesn't ask for a description, it is generally an expectation in a justify question. The quality strategies in the study design are quality control, quality assurance and total quality management.

Three marks are allocated to a strong justification. This section can be marked high/medium/low (3/2/1). To receive full marks, students must state how the strategy will ensure Lumiere's quality is **consistent** for all customers. Responses that justify in general can receive a maximum of two marks for this section.

Sample Response

Lumiere should implement total quality management. Total quality management is a whole business approach to quality where every employee is focused on improving the quality of the business and its products. Lumiere could implement total quality management so that all employees are focused on improving the consistency of the mattresses so all customers receive the highest quality mattress. Total quality management uses employee meetings (known as quality circles). During these meetings, employees are able to discuss how to improve the quality of the mattresses so that only those that meet the set standards make it to the end consumer, ensuring consistency. TQM is also focused on continuous improvement so that the quality of the mattresses will continue to improve for all customers, leading to a consistent product for customers.

Question 4

Explain the impact the change to introduce a physical retail store can have on two of Lumiere's stakeholders

4 marks

Suggested Marking Scheme

Two marks are allocated to each explanation of the impact the change will have on stakeholders (2 + 2). Students can select from any relevant stakeholder. While it is fine for students to describe the chosen stakeholders, it is not a requirement and marks should not be awarded for this part of a response. It is important that the focus of the impact is on the change to introduce the physical store layouts.

Students are likely to approach this in a number of ways as there are various impacts the change will have on differing stakeholders. The impact on stakeholders can be a positive one or a negative one. It is also likely that some students will vary in the impact they believe the change will have on a key stakeholder. For example, some students may believe the change will impact shareholders positively because the new physical locations may result in improved sales and profits. Others may believe the impact may be a negative one for shareholders because it is often more expensive to run physical locations which may result in less profits for the company.

Sample Response

One stakeholder that may be impacted are the shareholders that own the company. With the investment in physical stores, sales will likely rise which can have a positive impact on profits for the company. While it will be expensive to set up the stores initially, if Lumiere is able to run the stores at a profit, it will increase the return on investment for the shareholders.

Another stakeholder that may be impacted are the employees. The employees are already under immense pressure resulting in lowered morale. It is likely that the new stores will result in a rise in sales. This will place even more pressure on the operations employees to keep up with the demand in the marketplace. The employees may have to work even harder to try and keep up with demand, lowering morale further.

Question 5

Analyse the driving and restraining forces for Lumiere opening a physical retail store (6 marks)

Suggested Marking Scheme

Three marks are allocated to a strong analysis of the driving forces for Lumiere opening a physical retail store. These three marks are to be assessed as high/medium/low (3/2/1).

Three marks are allocated to a strong analysis of the restraining forces for Lumiere opening a physical retail store. These three marks are to be assessed as high/medium/low (3/2/1).

There is no specific number of driving or restraining forces that students must address. Students may address one driving and one restraining force and provide good depth of analysis, to demonstrate depth of knowledge. Alternatively, they may address multiple driving and restraining forces in less depth to show breadth of knowledge. To receive full marks, it is important that the forces are applied to Lumiere and more specifically to their decision to open a physical retail store. Responses that do not address the specific change of introducing a physical store, can receive a maximum of one mark.

Sample Response

One driving force for the change at Lumiere is customers. Customers are those that purchase goods and services from the business. While Lumiere has grown significantly, there are still a large portion of potential customers that feel uneasy about purchasing a mattress online. Many people still want to lay on a mattress to test before purchasing. This has put pressure on Lumiere to invest in the physical store to attract these types of customers.

Another driving force is the pursuit of profits. This is where a business looks to increase the profits it makes for shareholders. Investing in the physical store is aimed to attract more customers to Lumiere so they can sell more mattresses and grow their profits.

A final driving force is competitors, which are rival businesses that sell similar goods in the same market. While Lumiere has transformed the mattress market by selling mattresses online, there are still major competitors that have physical stores. These competitors are able to allow customers to test their mattresses before buying which is something Lumiere finds difficult being an online only store. This has driven Lumiere to invest in the physical retail store to help compete with these rival businesses.

Restraining forces are those that work against the change and aim to keep the business in its current state. A restraining force at Lumiere would be the financial considerations. Opening a new physical layout that can hold many different mattresses would come at a significant financial cost to Lumiere. There would be the cost of either building or purchasing the facility and then fitting out the retail store. This may place the businesses under financial stress with such a large investment. There is also the chance that the ongoing costs of running a physical location may not allow the store to be profitable.

Another restraining force could be the operations employees. These employees are already feeling overworked and undervalued. Any increase in sales will put further pressure on these employees to keep up with demand, resulting in them working against the change.

Question 6

Lumiere has recently launched a national marketing campaign to increase sales. Operations manager, Alice Fritz understands the importance of her team keeping up with an increase in demand.

Describe two skills that Alice could use to ensure the operations team can keep up with demand. (4 marks)

Suggested Marking Scheme

One mark is allocated to each description of an appropriate management skill (1 + 1). One mark is then allocated to applying the chosen skill to how Alice can use it to ensure the operations team keep up with demand (1 + 1).

There are many skills that can be used here, but it is important that students address the specifics of the question. Students must refer the skill to the operations team keeping up with demand. This could include a variety of approaches from students. Students that apply the skill to operations in general without applying to keeping up with increased demand, cannot receive marks for the application part of the question. They can only receive marks for the description of their chosen skills (if done well).

Sample Response

Alice would need to use planning which is the ability of a manager to set objectives and detail strategies to achieve these objectives. It would be important for Alice to set an objective around the amount of mattresses she has forecast the business will need to produce. She can then work out strategies to achieve this increased target by detailing how many staff will be required to work and for how many hours. Setting out a clear plan will help ensure that the operations team and facility is prepared for the increased demand, helping them meet this increase.

Alice would need to use communication. Communication is the ability of a manager to transfer information from sender to receiver with the ability to listen to feedback. Alice would need to communicate to a number of stakeholders including the employees. Alice would need to communicate the new targets to employees so they know how many mattresses need to be produced each day. Alice would also need to communicate with suppliers to ensure they are able to deliver more materials to the production facility. Having enough materials on hand and notifying employees of targets will ensure that Lumiere is able to meet the increased demand.