2019 VCE Business Management examination report

General comments

The 2019 examination was generally handled well by students. Most questions were attempted, which is a sign of confidence in their understanding of the course content.

However, while many students appeared to have learned the required knowledge, some found it difficult to apply that theoretical knowledge effectively to the scenarios provided in the examination material. There was notably poorer performance on questions for which a key component was the application of theoretical knowledge to a real-life or simulated situation.

Where options are offered, students should choose carefully. It appeared that some students chose the first option that came to mind, rather than considering the task and selecting the option that would best allow them to fully respond to the question.

Focus is also needed on the key task words in the questions. If a question asks a student to analyse, then full marks for that question will only be available for answers that include analysis. There is an expectation that the task word 'compare' calls for consideration of both similarities and differences, so a response that does not include both cannot achieve full marks for a comparison question. Students are expected to demonstrate that they have an understanding of what is required to effectively address each task word, so they can respond to questions accurately.

Specific information

Note: Student responses reproduced in this report have not been corrected for grammar, spelling or factual information.

This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

The statistics in this report may be subject to rounding resulting in a total more or less than 100 per cent.

Section A

Question 1a.

Marks	0	1	2	Average
%	14	26	60	**1.5**

This was an introductory question relating to the types of business ownership. While a definition was not required, students needed to outline 'characteristics'. A minimum of two characteristics were required to meet the requirements as stated in the question.

Accepted characteristics included, but were not limited to:

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- an incorporated business not listed on stock exchange
- restrictions on who can buy shares
- comprising up to 50 shareholders
- separate legal entity
- limited liability
- perpetuity.

The following is an example of a high-scoring response.

A private limited company is a business structure whereby the business is a separate legal entity to its owners. Its ownership is split into shares which are traded privately with the permission and approval of the other shareholders. A private limited company can only have up to 50 shareholders and the shareholders have limited liability meaning they are only liable up to their initial investment amount.

Question 1b.

Marks	0	1	2	3	4	Average
%	20	20	37	16	17	**1.7**

This question required students to compare the similarities and differences between the two businesses in terms of operations management. The question asked for a comparison of the characteristics of operations management but most responses referred only to the elements of an operations system – the inputs, processes and outputs and no comparison was evident. This was a misreading of the question and limited the opportunity to score at a high level.

Similarities between the businesses that could have been discussed included, but were not limited to:

- Both involve overseeing an operations system.
- Both use an operations system comprising three elements: inputs, processes and outputs.

Differences that could have been discussed included, but were not limited to:

- A manufacturing business will generally produce a homogenous, tangible output that can be stored while a service business provides an individualised output that is generally intangible and can't be stored.
- A manufacturing business usually results in production and consumption occurring separately with the customer not present during production. On the other hand, in a service business, production and consumption are often performed simultaneously and the customer is generally present during the provision of the service.

There was no requirement for students to provide an equal number of similarities and differences but at least one of each was required. There was also no requirement for students to refer specifically to ChocYum Pty Ltd in their response.

The following is an example of a high-scoring response.

The first stage of operations relate to inputs, these are the resources used to create an end output. For a manufacturing business like ChocYum Pty Ltd inputs are vital including cocoa and sugar but most importantly staff to run and operate the machines. Similarly to a service such as a haircut human resources are an essential part of operations that are required to create the end output. However they differ in the processes stage which relates to transforming inputs to outputs as often a manufacturing business is able to automate production using machines though a service business like haircuts can't do this. Finally the other key difference is in outputs which relates to the end product, a manufacturing business like ChocYum Pty Ltd create a tangible output that can be stored. Unlike a service businesses like a haircut who can't store a

haircut and it is intangible.

Question 1c.

Marks	0	1	2	3	4	5	6	Average
%	18	17	17	18	17	10	3	**2.4**

Students could have referred to a number of systems of lean management, which included, but were not limited to:

- Pull focused, Takt, One Piece Flow and Zero Defects
- 5S
- seven different types of waste: TIM WOOD
- Kaizen.

Some explanation of the broad principles of lean management was needed. The focus should have been on how the principles could be used to improve the efficiency or effectiveness of the operations system (inputs, processes and outputs). It was also important that some reference was made to the specific business mentioned in the question, ChocYum Pty Ltd.

Students who referred to both efficiency and effectiveness found it difficult to gain full marks, as they may not have provided sufficient detail about either in their responses.

Students should ensure they read the whole question, as lower-scoring responses made no link to either ChocYum Pty Ltd or the operations system of the business. Both were specifically asked for in the question.

The following is an example of a high-scoring response.

Lean management is the process of maximising customer value whilst reducing the amount of waste created by the business operations system. It includes four key principles such as Pull, takt, one piece flow and zero defects. ChocYum Pty Ltd can use pull to increase their efficiency as this is where customer demand pulls goods/services through the operations system. This means that the production of chocolate at ChocYum will be directly linked to production which can help reduce overproduction of chocolate thus reducing the amount of ingredients wasted leading to the more efficient use of resources, improving ChocYum's operation system's efficiency. Takt is the speed a product needs to be produced at to meet customer demand. This can help ChocYum ensure that there is always enough chocolate being produced to meet customer demand as this helps create a continuous flow of chocolate production which can lead to more customers being satisfied by ChocYum as there is enough chocolate being produced to meet the demand, that's improving the effectiveness of ChocYum's operation system. Zero defects will also help reduce the amount of wasted chocolate and resources as ChocYum will aim to produce chocolate with no errors/defects, thus improving the use of ingredients at ChocYum's operations system, improving effectiveness.

Question 2

Marks	0	1	2	3	4	Average
%	22	15	31	21	11	**1.9**

Many students were able to describe a proactive and a reactive approach to change, but many struggled to describe how these approaches can be used to actually manage change.

Examples of a proactive approach to change included:

- using results of KPIs to identify problems before they occur, then ensuring that appropriate policies are put in place as follow-up
- forecasting likely future events, then making changes to ensure the business is prepared to meet the identified challenges
- meeting with employees or consultants to develop changes that may make the business more efficient or effective, then acting on the advice received.

Examples of a reactive approach to change included:

- observing the actions of competitors, then seeking to implement similar processes to ensure that the business remains competitive
- dealing with a crisis, then putting measures in place to ensure that similar circumstances do not occur in the future
- responding to forces that drive a need for change, such as social attitudes, that require out-of-date policies to be updated.

The following is an example of a high-scoring response.

Change is any planned or unplanned, forced or unforced alteration to a business/work environment, driven by pressures from the internal or external environment. A proactive change is a change that is planned and occurs before a business is affected by pressures in their environment. A proactive approach is more effective in managing change as it allows the business to gain a competitive advantage due to not being affected negatively by the change in the environment. It even allows the business to be prepared when the change occurs, so that the change does not dramatically impact against the business. A reactive change however is a change that is unplanned and occurs after the business has been affected by the pressures from its environment. It is less effective in managing change for the business as the business is already been affected by the change potentially causing a loss in productivity or sales, due to their failure to recognise the change was imminent. The failure to respond immediately to the change can cause the business a loss of time to recover from the change.

Question 4

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	17	5	7	9	11	12	14	11	8	4	2	**4.4**

There was generally a poor understanding of Senge's Learning Organisation, or an inability to apply it to the situations specified in the extended-response question. It was not necessary to relate all five principles of Senge's theory to all elements of the question. Higher-scoring responses tended to take an organised approach and addressed the situations stated in the dot points in the question, then related these to the appropriate principles of Senge's theory. The question also required students to analyse. This required an attempt to show deeper analysis and not simply an explanation of the theory.

The following is an example of a high-scoring response.

Peter Senge stated that learning organisations are those businesses where managers and employees continually seek to improve and achieve their desired results. There are five principles that must be present in order to have a learning organisation: systems thinking, mental models, shared vision, personal mastery and team learning.

In order to effectively manage employees during a period of change, manages could apply the principle of personal mastery. Individuals show continual development towards achieving the vision they set for themselves. This could be done through providing employees with training in order to develop their proficiency and allow manages to successfully apply this principle. This will work towards successful change as managers are working with employees to ensure they can perform their work to the highest possible standard. However, applying personal mastery for every employee may become time-consuming and counter-productive towards managing employees.

To positively influence corporate culture, a business going through change could apply a shared vision (developing a vision every person in the business believes in) and team learning (developing capacity and ability of a team to create results members truly desire). This could involve providing regular communication to ensure employees understand the vision. Having a vision that everyone believes in will develop genuine commitment, as employees believe in the purpose of the business, leading to a positive influence on corporate culture. Team learning will enable employees to develop relationships within the business, therefore there is a positive relationship between team learning and corporate culture.

A business could apply mental models, (deeply ingrained assumptions) and systems thinking, (viewing bigger picture of business, not events in isolation) to ensure change is implemented successfully. A business could challenge the mental models of employees to help them accept and embrace change and become less resistant. Systems thinking, as the cornerstone of the learning organisation, could help to implement change successfully as managers can see how the change may impact different areas of the business. To do this, however, may be time-consuming to audit different areas of a business to see how the change could impact the business as a whole, in order to ensure successful change.

Question 5a.

Marks	0	1	2	Average
%	12	38	50	**1.4**

This was a two-mark definition question. To achieve both marks students needed to show their understanding that corporate social responsibility means going beyond the legal requirements

placed on a business, and give some indication of contexts in which such considerations may arise; for example, environmental or social obligations.

The following is an example of a high-scoring response.

Corporate social responsibility refers to a business's ability to go above and beyond legal obligations in relation to social, economic and environmental considerations. This could include the welfare of society, contribution to the local economy or impact of operations on the environment.

Question 5b.

Marks	0	1	2	3	4	Average
%	30	14	25	22	9	**1.7**

While many students had some understanding of Porter's Generic Strategies of Low Cost and Differentiation, some were not able to explain this well and relate it to the burger restaurant. For example, a number of students suggested that Dennis, as the business owner, was implementing both strategies, which was not possible. In this instance, differentiation was the only acceptable strategy that could have been used. Higher-scoring responses explained what differentiation was, then related this to how changing ingredients would address both declining sales and changing customer tastes.

The following is an example of a high-scoring response.

Dennis used the strategy of differentiation to respond to the issues of declining sales and changing customer tastes. Differentiation involves creating a point of uniqueness or distinctiveness in business operation from other competitors in the market. Dennis burger chain has decided to become more environmentally and economically sustainable than rivals in the burger industry by sourcing ethical and high-quality local ingredients. This creates demand for Dennis' burgers as they are different to others on the market giving Dennis freedom to charge a premium price for his burgers as customers become loyal to his business. Attitude among society are shifting towards sustainability focus and by taking advantage of this Denis's addressing the shift in the business environment. This may lead to an increase in the number of sales at his restaurant due to his unique ingredients and sustainable approach.

Question 5c.

Marks	0	1	2	3	Average
%	37	32	23	8	**1.1**

Responses to this question were generally low-scoring. Students seemed to interpret the question as being about low-risk strategies, rather than being specifically focused on the low-risk strategy of support. Those who responded with discussion of other low-risk strategies, such as communication, did not effectively address the question and therefore could not gain full marks. Higher-scoring responses explained what the specific low-risk strategy of support entailed and then were able to relate it to the specified situation at the burger restaurant.

The following is an example of a high-scoring response.

The low risk strategy of support relates to offering to try and aid the employees and nurture them with services to reduce the possible resistance. Dennis could implement this strategy that is likely to have very minimal negative consequences or backlash due to its rather positive nature. By offering support to his executive chef in the form of further training it allows the chef to feel as though despite the changes Dennis values him and wants him to be able to perform with the new ingredients and processes. By offering this training it builds the Chef's commitment to the job and in turn this reduces any potential resistance.

Question 5d.

Marks	0	1	2	3	4	Average
%	14	20	36	22	8	**1.9**

This question was about Lewin's three-step change model, of which most students demonstrated a basic knowledge. Students were required to relate this model to the implementation of the new pricing strategy at the burger restaurant. The reference to the pricing strategy, was specific and narrow, so a discussion about changes in ingredients was usually not relevant to this question. Many students struggled with this specific application, either because they did not note it, or were unable to link pricing to Lewin's theory.

The following is an example of a high-scoring response.

> *Lewin's three step model can be implemented to help facilitate effective change. The first step is to unfreeze the business. Dennis can do this to prepare his business for change and includes identifying what must change, the pricing strategy, then Dennis can create an urgency for change by demonstrating a need for the new prices to his employees, before finally challenging the status quo at Dennis' burgers that may resist the new pricing strategy. With the business unfrozen and prepared for change Dennis can now go about moving towards the new desired state by implementing the new pricing strategy. It is important that Dennis uses support and clear communication to his employees during this stage to enable its successful implementation. Supporting employees throughout this process, especially those that are struggling with the new pricing strategy, is important so that the transition at Denis's business is as smooth as possible.*

Question 6

Marks	0	1	2	3	4	5	6	Average
%	18	11	16	21	20	11	4	**2.6**

This question had three distinct components that students needed to consider in their response. They needed to name and apply both a motivational theory and a relevant strategy to a contemporary case study, to show how employees could be successfully managed.

In terms of a contemporary business case study, it had to be a business in operation within the last four years and students were not permitted to use the business in the hypothetical case study provided.

In responding to the question, students could have referred to any of the following theories of motivation:

- Hierarchy of Needs (Maslow)
- Goal Setting Theory (Locke and Latham)
- Four Drive Theory (Lawrence and Nohria).

Students were not required to present each theory in detail as the question was focused on application.

Examples of what students could have addressed in relation to a related motivational strategy included, but were not limited to:

- performance-related pay
- career advancement
- investment in training
- support
- sanction.

The following is an example of a high-scoring response.

Lawrence and Nohria's 4 drive theory states that humans have four main drives that shape the way humans think and behave. These four drives include the drive to acquire, (status and money), the drive to bond, (social relationships) the drive to learn, (develop abilities) and the drive to defend, (defend themselves and the business). In 2017 Bakers Delight was exposed for underpaying employees. This theory could be applied to re-motivate staff. The drive to acquire could be satisfied by providing pay through an agreement that allows employees to acquire material items. The drive to bond could be applied through managers holding regular social gatherings where employees mingle with each other and build rapport. Bakers Delight could satisfy the drive to learn by offering training programs that can satisfy the curiosity and improve product knowledge and customer service skills. The drive to defend could be satisfied by ensuring Bakers Delight has grievance procedures in place that everyone is aware of to be used when the need to defend arises. Motivation strategies that Bakers Delight could use is support; emotional/physical guidance provided to employees. This could be used to manage their employees as it will help to develop a positive corporate culture if employees see each other being supported. It will also help Bakers Delight employees feel valued by the business and that managers greatly appreciate their contribution towards business objectives.

Section B – Case study

Question 1

Marks	0	1	2	Average
%	16	45	38	**1.2**

To gain full marks for this definition question, two distinct characteristics were required. Students needed to state that staff turnover is both the total number of staff who leave a business and the staff who need to be replaced. The answer also had to include a quantifier such as 'number of ' or 'rate of'.

Lower-scoring answers specified the 'leaving' of staff was only for particular reasons, such as resignation, whereas the KPI is the total number of staff who leave, for all reasons. They also only included one of the elements of the definition.

The following is an example of a high-scoring response.

Level of staff turnover is a key performance indicator measuring the rate at which employees leave the business and must be replaced. This often indicates the motivation and satisfaction employees have working for a business.

Question 3

Marks	0	1	2	3	4	5	Average
%	4	6	22	38	23	7	**2.9**

Students needed to clearly identify two stores that should be closed, based on the data provided. Higher-scoring answers were able to:

- interpret all the data by describing how each store was performing in relation to all the others in the country
- make judgments as to possible consequences from these figures
- justify why their nominated stores, rather than any of the others, should be closed.

Lower-scoring responses retold the data presented in the table and only mentioned the data related to the two stores they had selected. Usually, no comparison was provided.

The following is an example of a high-scoring response.

> *Number of customer complaints refers to the quantity of written or verbal expressions of dissatisfaction given to a business about its products or services in a given period of time. In Perth, Adelaide and Melbourne the number of customer complaints have increased by 19%, 12% and 10% (sequentially), indicating that at these branches customers are becoming increasingly dissatisfied about their customer service and products they are buying. Net profit figures refers to the total amount of money made by a business after expenses (costs etc) have been deducted in a given period of time. It is the revenue minus the expenses. Net profit figures have decreased in all locations except for Adelaide by $0.2 million, where Adelaide has increased by $0.1 million, it is making a lower net profit figure of $0.9 million then all the other businesses. The level of staff turnover additionally at Adelaide and Perth is higher than all the other stores at 40% and 30% therefore, therefore Adelaide and Perth store should be closed as they have the highest levels of staff turnover, the highest number of customer complaints (increased by 12% and 19%) and have the lowest net profit figures of $0.9 million and $1.1 million compare to the other stores at Sydney, Brisbane and Melbourne.*

Question 4

Marks	0	1	2	3	4	5	6	Average
%	20	15	21	19	16	7	2	**2.3**

To gain full marks for this question, students had to consider the task word 'explain' and take the mark allocation into account. They were required to link their answer to the case study, specifically to the role played by the Human Resource Manager. Many students did not provide enough detail for a question allocated six marks.

Examples of suitable management skills that the Human Resource Manager would require during the period of the store closures, as listed in the study design, included:

- communicating
- planning
- leading
- decision-making
- interpersonal
- delegating.

For full marks, students had to explain each skill and then apply it to the case study, clearly stating how the Human Resource Manager would use the skills during the store closures. Most students referred to communicating, leading and interpersonal skills.

The following is an example of a high-scoring response.

> *The human resources manager will require communication, as they must effectively transfer relevant information such as dates, people being made redundant, outline process being undertaken before closure to staff affected by this change. As it is a significant change affecting likely hundreds of employees, being able to concisely deliver appropriate information to staff affected is crucial. The human resources manager should be adept in all forms of communication whether it is verbal or through written correspondence as the length and complexity of information he needs to deliver would vary. Another skill needed by the manager would be decision-making. Having identified the deficits in the stores that need closure such as potential lack of proper training or selection and recruitment issues of staff and potential effects on corporate culture, the manager must identify viable options. Then he should review these options, such as training, motivational strategies or corporate culture improvement strategies and consider alternatives. Lastly, he should select strategies that are the most appropriate and implement them to address potential issues caused by the closure of the stores such as negative corporate culture for remaining stores and training opportunities so others won't be made redundant.*

Question 5

Marks	0	1	2	3	4	5	Average
%	12	13	22	27	20	7	**2.5**

Students needed to read the question carefully and focus their response on whether the Human Resource Manager's use of an autocratic management style was suitable during the implementation of the store closures (with a link to the case study). The task word 'evaluate' required students to provide at least one strength and one weakness of the autocratic management style and then come to a conclusion about whether this management style was suitable or not in this scenario.

Some students focused on other management styles in their answer, but this was not the focus of the question.

The following is an example of a high-scoring response.

> *One advantage of the autocratic style is that it's non-time-consuming, as it involves centralised decision-making. It is evident that employees at the stores will be in opposition to the closure, since the manager is the only one with decision-making powers, he would not have to consider the employee suggestions and can make a decision with no interference relatively quickly. On*

the other hand, the autocratic style does not facilitate two-way communication so staff have no input into a decision that will make them redundant. Furthermore, the staff are not offered an explanation as to why the stores are being closed which will fuel their confusion and sense of injustice. In my opinion, whilst an autocratic style in instances where difficult decisions must be made and drastic change must be taken, is extremely effective as it saves a significant amount of time on discussions, when employees are being made redundant due to store closures, they should be treated more empathetically and become aware of the reasons behind these decisions.

Question 6

Marks	0	1	2	3	4	Average
%	33	22	23	14	8	**1.4**

Many students left this question blank, indicating time management issues.

The question required a description of both an employee entitlement issue and a transition issue that may result from the ATI-TUDE store closures.

Students had to describe both issues with reference to the case study, for full marks. Many students provided a list of possible options rather than a description of each issue, so did not gain full marks.

The following is an example of a high-scoring response.

One employee entitlement issue will be the payment of outstanding wages and redundancy payouts. Management needs to ensure that all owed wages including long service leave and annual leave, as well as redundancy payments which are usually a few cycles of pay based on employees total time working at the store, must be paid. One employee transition issue can be their ability to be re-employed. Management should offer outplacement services, for example hire people to conduct mock job interviews, host classes on writing and updating resumes to increase chances of their re-employment and other organisations after the store closures. Management can also offer more flexible working hours to facilitate current employees attendance at job interviews.