



VCE BUSINESS MANAGEMENT 3/4

2020

Practice examination No. 1

**SUGGESTED
RESPONSES/ADVICE**

Section A

Question 1 (2 Marks)

Distinguish between driving forces for change and restraining forces for change.

Advice 1: The task word 'distinguish' requires students to note the difference between two terms. When asked to distinguish between terms, students should aim to show directly that there is a difference. This can be made clear by precisely defining both terms and then providing further information related to each term to highlight the key difference. Using words such as 'whereas', 'however' or 'on the other hand' can be useful when attempting to clarify differences.

Advice 2: While the task word 'distinguish' is rarely used on Business Management exams, over the last five years it has appeared on the 2017, 2016 and 2015 VCAA examinations. On the 2016 exam, for example, Question 4a asked students to distinguish between driving forces and restraining forces for change (and describe an example of each). The question was answered reasonably well with an average mark of 1.9 out of 3 marks. However, only 39 per cent of students scored 3/3. In general, students provided reasonable examples but struggled to distinguish between the two forces. A common error was not demonstrating a sufficient understanding of each of the terms. It is therefore recommended to define the terms before establishing a clear point of difference between the two.

Note: Full marks cannot be awarded for answers that simply define the two terms. A clear point of difference between the two terms must be clearly explained.

- 1 mark for demonstrating an understanding of both terms
- 1 mark for establishing a clear point of difference between the two terms

***Sample answer:** Driving forces are the forces that support any change that a business is making. Driving forces initiate, encourage or sustain a change. On the other hand, restraining forces are the forces that work against the change. Restraining forces create resistance and can hold back successful change.*

The key difference between the two forces relates to the way in which they influence change: driving forces will actively promote a change in a business whereas restraining forces will counteract driving forces and prevent change from occurring.

Question 2 (21 Marks)

Global Engines Pty Ltd is a manufacturer of high performance racing engines and components. Its labour costs remain above the industry standard, making it difficult for the company to return dividends to its shareholders or reinvest profit back into the business. Consequently, management has decided to move the company's manufacturing base to the Philippines. The CEO has assured staff that only manufacturing employees working for Global Engines will be affected by this change. The human resources manager of the company has been tasked with overseeing the redundancies of employees and the management of remaining staff.

- a. Explain one employee entitlement issue and one employee transition issue that may result from Global Engines' relocation of manufacturing from Australia to the Philippines. 4 marks**

Advice 1: The task word 'explain' requires students to include enough detail in their response that expands on the main point, topic or issue, or makes it clear. This question requires students to explain clearly one employee entitlement issue and one employee transition issue that might arise because of the business relocating its manufacturing from Australia to an overseas country.

Advice 2: A question relating directly to entitlement and transition issues first appeared on the 2019 Business Management exam. Question 6 (Section B) asked students to describe an employee entitlement issue and a transition issue resulting from the business in the case study closing stores. The question was poorly answered, with a total of 33 per cent of students scoring zero marks and an average mark of 1.4 out of 4. Many students left this question blank, indicating that they experienced time management issues (the question was the last one on the exam). Both issues were expected to be described by students, with reference to the case study.

Advice 3: As the business in the case study (Global Engines) is mentioned in the question, students must explain both issues with reference to the situation at Global Engines.

- 1 mark for explaining an entitlement issue that the human resource manager at Global Engines will need to consider as the business relocates its manufacturing from Australia to the Philippines
- 1 mark for relating the entitlement issue to Global Engines
- 1 mark for explaining a transition issue that the human resource manager at Global Engines will need to consider as the business relocates its manufacturing from Australia to The Philippines
- 1 mark for relating the transition issue to Global Engines

***Sample answer:** An entitlement issue resulting from Global Engines' decision to relocate its manufacturing to the Philippines is a redundancy payment. Redundancy occurs when an employee's job no longer exists, which is the situation facing employees at Global Engines. The relocation of the company's manufacturing base will mean that a number of staff will be eligible for redundancy payments, which is compensation that becomes necessary as an employee's job disappears. The amount of redundancy pay will typically depend on the amount of continuous service that the employee has with the business.*

A transition issue associated with Global Engines' decision to relocate its manufacturing base is assisting employees affected to find new positions through outplacement services. This may include offering advice to redundant employees about job seeking, additional training, résumé writing and interview preparation. Global Engines could provide outplacement services to reduce the stress that employees experience when departing the workplace and to improve the morale of employees remaining in the workplace.

b. Management at Global Engines are known for making use of the autocratic management style. This management style was used in deciding to relocate the company's manufacturing base.

With reference to at least two factors indicating the appropriateness of management styles, discuss the use of this management style as Global Engines relocates manufacturing to the Philippines. 6 marks

Advice 1: This practice exam question makes use of the task word 'discuss'. In the 2016 VCE Business Management examination report, the chief assessors noted that "students did not always interpret questions accurately and so did not directly answer the question being asked. In some cases this came from not focusing appropriately on the task word in the question and omitting portions of what would be a full response. Students must be aware of the requirements of task words; for example, 'discuss', 'compare' and 'evaluate'." The 2014 Examination Report clarified that the term 'discuss' means "to talk about something in detail, considering both pros and cons, benefits and limitations". For this question, students are required to consider both the advantages/ benefits and disadvantages/ limitations of the autocratic management style at Global Engines.

Advice 2: Appropriateness of management styles' is new key knowledge in the current VCE Business Management Study Design, and this type of question has never appeared on the exam. The question asked in this practice exam requires students to refer to two factors related to the appropriateness

of management styles. According to the study design, these factors are the nature of task, time, experience of employees and manager preference. It is important to note that only these four factors listed in the Study Design will be accepted. Students are therefore required to discuss the use of the autocratic style at Global Engines, making use of the material in the case study, while referring to two factors related to the appropriateness of management styles.

Advice 3: It is worth noting that questions related to management styles have appeared on 9 of the last 10 VCAA exams. In general, management style questions are answered reasonably well. For example, the 2017 exam asked students to explain how a persuasive management style may assist in reducing the level of staff turnover (Question 1d, Section A). The average mark for this question was 1.5 out of 3. However, 22 per cent of students scored 0 marks, with some students being unable to explain how a persuasive management style could assist in reducing the level of staff turnover, and others explaining the consultative management style! The 2019 exam asked students to evaluate the suitability of the autocratic management style for store closures at the business referred to in the case study. The average mark for this question was 2.5 out of 5, with only 12 per cent of students scoring 0 marks. However, only 7 per cent of students scored the full five marks.

- 1 mark for referring to a factor indicating the appropriateness of management styles (maximum of 2 marks)
- 1 mark for outlining an advantage of the autocratic management style
- 1 mark for outlining a disadvantage of the autocratic management style
- 1 mark for further detail related to advantages and disadvantages of the autocratic management style
- 1 mark for referring to the use of the autocratic style at Global Engines

Sample answer: *One factor indicating the appropriateness of management styles is manager preference. This refers to the personality, background, experience, values, beliefs and skills of management. Management of Global Engines is clearly comfortable in using the autocratic style. Management would believe that it is important that they make all the decisions and dictate work methods with no employee input. An advantage of the autocratic management style is that it results in clearly defined directions and procedures, which should assist the nature of the situation at Global Engines, which if not responded to, could result in decreasing profit. By outlining clear strategies for employees, they would be able to work with a common purpose, such as increasing the amount of components produced each day. This could lead to an improvement in Global Engines' performance. However, the use of the autocratic style may result in staff feeling less valued because of the lack of employee input. Employees may feel frustrated because they are denied participation in the decision-making process.*

Another factor indicating the appropriateness of management styles is the nature of the task itself. Global Engines has implemented a new strategy in response to potentially poor financial performance. Seeking to position the business for the future, management have used the autocratic management style in deciding to relocate the business's manufacturing base. The use of the autocratic management style in this situation should result in time saved as a feature of this style is centralised control. Management making use of the autocratic style will not consult with employees, so time can be used more efficiently and the problems facing Global Engines will be dealt with quickly. However, there is the potential for conflict between management and employees, because an 'us and them' mentality may develop through the lack of employee input.

c. Describe communicating and decision-making as management skills that Global Engines' human resource manager will require to facilitate a smooth transition of the business's manufacturing from Australia to the Philippines. 6 marks

Advice 1: The use of the task word 'describe' indicates that students need to provide the characteristics and features of the thing, topic or issue they are asked to describe. For this question, students are required to describe each skill (communicating and decision-making) and then apply each to the Global Engines case study, as well as suggesting how the human resources manager would use the skills during the relocation of the business's manufacturing base.

Advice 2: This question has been included on this CPAP exam because a similar question appeared on the 2019 VCAA exam. On that exam, students were asked to explain two skills that the human resources manager of the business in the case study would require during a period of store closures (question 4, section B). The average mark for that question was 2.3 out of 6. Many students did not provide enough detail to receive the full 6 marks, with only 2 per cent of students scoring 6 marks. A recurring issue with management skills questions is that students are typically able to identify an appropriate skill and justify its use (or apply it to a case study), but they are rarely able to explain the skill.

- 1 mark for describing communicating
- 1 mark for describing how communicating would be used by the human resource manager
- 1 mark for describing how communicating would be used to facilitate a smooth transition from Australia to the Philippines
- 1 mark for describing decision-making
- 1 mark for describing how decision-making would be used by the human resource manager
- 1 mark for describing how decision-making would be used to facilitate a smooth transition from Australia to the Philippines

Sample answer: *The human resource manager could use communicating to facilitate a smooth transition of Global Engines' manufacturing base from Australia to the Philippines. This management skill relates to the ability to transfer information from a sender to a receiver, and to listen to feedback to ensure that the message is clear and has been understood. The human resource manager will require communicating when transferring important information such as key dates, an outline of the process being undertaken and redundancy details to those employees impacted by the business's relocation of manufacturing. The human resource manager may meet with staff as a group to announce the decision, explain the details and offer support to those who will be affected. This may need to be followed up by face-to-face meetings with individual staff to provide assistance in terms of redeploying the employee or helping them to find a position in another business.*

The human resource manager could use decision-making. This skill relates to the ability to identify the options available and then choose a specific course of action from the alternatives. The human resource manager would need to begin by firstly identifying the issue, which in this case is managing the employees who will be affected by the relocation of Global Engines' manufacturing base from Australia to the Philippines. The facts would then need to be gathered, alternative solutions identified and then decisions made about considerations such as entitlement issues, transition issues, training, motivation strategies and the impact of the change on the business's corporate culture. The most appropriate strategies will need to be chosen and implemented – these might involve the timing of redundancies and the provision of assistance to employees affected by the change. Using decision-making should allow the human resource manager to address the issues related to the business's relocation of manufacturing in a timely and methodical manner.

d. Evaluate the use of overseas manufacture at Global Engines.

6 marks

Advice 1: This question makes use of the task word 'evaluate', which requires students to outline both sides of a proposition or topic, then provide an overall conclusion or judgement about which argument is the more persuasive and why. In this case, students will need to evaluate the use of the overseas manufacture and relate this to Global Engines. At least one strength and one weakness or limitation of overseas manufacture should be provided. Students will then need to make a judgement as to the worth of the approach.

Advice 2: This question requires students to evaluate a global consideration in operations management. A question specifically related to global considerations in operations management has never appeared on the VCAA exam. This question has been included in this CPAP exam because it covers key content from the study design; the study design lists the global considerations in operations management as global sourcing of inputs, overseas manufacture, global outsourcing and an overview of supply chain management.

- 1 mark for briefly outlining the key features of overseas manufacture
- 2 marks for outlining the advantages of overseas manufacture in relation to Global Engines
- 2 marks for outlining the disadvantages of overseas manufacture in relation to Global Engines
- 1 mark for an overall conclusion or judgement based on the arguments related to overseas manufacture in relation to Global Engines

Sample answer: *Overseas manufacture refers to a business, such as Global Engines, producing its products in a country that is different to the location of the business's headquarters. Global Engines is relocating its manufacturing base in the Philippines.*

Overseas manufacture will enable Global Engines to reduce the cost of production. This will occur through lower labour costs (as employees in another country are likely to be paid less than workers in Australia). This will benefit Global Engines in relation to its high labour costs if overseas workers can do the same type of work as their domestic counterparts for lower pay. The costs of utilities, infrastructure and materials are also lower in overseas countries such as the Philippines. However, it will be expensive for Global Engines to commence manufacturing in the Philippines because a plant will need to be constructed (or purchased) and new employees recruited and trained. There may also be hidden costs associated with different cultures and time zones; for example, miscommunication due to different cultural customs may lead to misunderstandings and mistakes occurring.

Overseas manufacture may enable Global Engines to get its product to the market more quickly in overseas markets. As the business's manufacturing facilities will be located in Asia, markets in Asia will be closer in distance to the manufacturing base, so speed of delivery to those markets may increase. However, if manufactured items need to be brought back to Australia, then lead times may increase. Customers in Australia may have to wait for some time for delivery of Global Engines' products.

Overall, the use of overseas manufacture will benefit Global Engines as it will reduce expenses such as labour, overhead and component costs. Labour costs has been identified as a major concern for the business. While it will have a negative impact on employees in Australia, manufacturing in the Philippines should enable the business to get its product to the market more quickly, reduce the cost of production and reduce delivery costs.

Question 3 (10 Marks)

Operations managers attempting to meet the needs of stakeholders will look to strategies related to

- technological developments
- materials
- quality
- waste minimisation.

Referring to a contemporary business case study, explain how an operations manager could improve the efficiency and effectiveness of operations using one of the strategies listed above.

Advice 1: Generally, the best performing students on a 10-mark question read the question carefully and interpret it accurately. This same approach should be taken to this CPAP exam question, which focuses on choosing one operations strategy and explaining how it can be used to improve the efficiency and effectiveness of operations. Students need to refer to a relevant contemporary business case study in their response.

Advice 2: Questions asking for contemporary business case studies have appeared on the past two exams. These have required students to write about a situation occurring at a business within the past four years. Students have then been expected to either write about how the business made use of a strategy (or theory in the study design), or how the business might have made use of a strategy (or theory).

Advice 3: It is very likely that the 10 mark question on the 2020 VCAA exam will have several elements. In the 2016 Examination Report, the chief assessors reminded students that they should be aware that questions might have many elements that need to be addressed. For this reason, students need to ensure that they cover each element of the question in their responses. Students were reminded that they should read the question carefully and plan their responses. It is worth remembering that the 10 mark question could come from Unit 3 or Unit 4, or from both.

Advice 4: The best responses will be those that are coherent and flow. Paragraphs will be clearly expressed so that they consider all parts of this question and bring everything together.

Teachers are advised to assess student responses globally.

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
9-10	<ul style="list-style-type: none">• Comprehensive and accurate knowledge and understanding of the selected operations strategy.• Sophisticated and detailed explanation, with appropriate examples from the contemporary case study, of how the selected operations strategy could improve the efficiency and effectiveness of operations.• Includes accurate and appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
7-8	<ul style="list-style-type: none">• Detailed and accurate knowledge and understanding of the selected operations strategy.• Detailed explanation, with appropriate examples from the contemporary case study, of how the selected operations strategy could improve the efficiency and effectiveness of operations.• Includes appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
5-6	<ul style="list-style-type: none">• Demonstrated adequate knowledge and understanding of the selected operations strategy.• Some explanation, with appropriate examples from the contemporary case study, of how the selected operations strategy could improve the efficiency and effectiveness of operations.• Includes generally appropriate use of terminology with some inaccuracies, which involved attempts at defining, describing and applying relevant business management concepts and terms.

3-4	<ul style="list-style-type: none"> • Demonstrated basic knowledge and understanding of the selected operations strategy. • Some explanation, with limited/no examples from the contemporary case study, of how the selected operations strategy could improve the efficiency and effectiveness of operations. • Includes some appropriate use of terminology with inaccuracies, which involved limited attempts at defining, describing and applying relevant business management concepts and terms.
1-2	<ul style="list-style-type: none"> • Demonstrated limited knowledge and understanding of the selected operations strategy. • Weak explanation, with limited/no examples from the contemporary case study, of how the selected operations strategy could improve the efficiency and effectiveness of operations. • Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding, which involved limited/no attempts for use of defining, describing and applying relevant business management concepts and terms.
0	<ul style="list-style-type: none"> • Shows no knowledge of the selected operations strategy and/or no attempt to engage with the question.
NA	<ul style="list-style-type: none"> • No attempt at a response.

Sample answer: *Operations management is the area of management that has responsibility for producing a business's product. It consists of all the activities in which managers engage to oversee the transformation of inputs into finished output. Two key areas that the operations area of management responsibility must focus on are effectiveness (the degree to which a business has accomplished its stated objectives) and efficiency (how well a business uses resources in achieving these objectives). In the area of quality, strategies to improve the efficiency and effectiveness of operations include quality control, quality assurance and Total Quality Management.*

SPC, a manufacturer of fruit and vegetables, was forced to begin manufacturing 24 hours a day, seven days a week to keep up with demand for canned and packaged food products during the COVID-19 pandemic. Products were being loaded straight from production lines in the factory at Shepparton onto trucks. The business stopped making varieties of its core products so that the production line could operate at full capacity. At the same time, the company needed to maintain its strict quality standards.

SPC makes use of quality assurance. This quality strategy involves the use of a system that ensures that set standards are being achieved in production. These standards provide guidelines on how a business should adopt specific procedures, controls, and recording and documentation measures. SPC makes use of quality materials that comply with Food Standards Australia New Zealand (FSANZ). The company also requires its suppliers to achieve Freshcare Accreditation from the National On-Farm Assurance Program. Quality assurance is a proactive strategy because the attainment of set standards throughout the production process is intended to prevent quality issues before they occur. As the costs associated with waste and defects are reduced, efficiency should increase as SPC makes better use of resources. Because customers are likely to feel assured that they are purchasing a product that is fit for purpose, the use of quality assurance should lead to an improvement in customer satisfaction, and sales would be expected to increase. This will have a positive impact on effectiveness as SPC achieves its objectives. Further, as costs are reduced, the likelihood of SPC making a profit increases; in this way quality assurance should also impact positively on the effectiveness of the business's operations.

SPC also makes use of quality control. This involves the use of physical inspections at various points in the production process to check for problems and defects. Businesses will typically make use of this strategy by setting specifications or benchmarks and then comparing actual performance to the established criteria. Quality control is said to be a reactive strategy because it detects defects in goods and services that have already been produced. However, it should benefit SPC in reducing problems and defects in its products. Efficiency should improve as the costs associated with waste and faulty products are reduced and SPC makes better use of resources. The use of quality control should also improve the way that SPC meets customer expectations as established standards are met. Customers, more willing to purchase quality products, should buy more of SPC's products, leading to an increase in sales, which will improve effectiveness. Effectiveness will improve as SPC achieves its objectives.

Further, as costs are reduced, improvements in quality should increase the possibility that the business will maximise profit. In this way quality control should also impact positively on the effectiveness of the business's operations.

Question 4 (17 Marks)

MurrayHR is a human resources consulting business. The company was founded by Britt Murray twenty years ago and helps more than 1000 businesses to coordinate their human resources needs, including writing job descriptions, organising payroll, managing performance and resolving disputes. MurrayHR has a culture of teamwork and innovation. Due to the COVID-19 pandemic, MurrayHR was forced to adapt to remote work to keep its staff engaged and connected with clients.

- a. Compare the use of on-the-job training with one other training option that MurrayHR could implement to manage its employees effectively. 4 marks**

Advice 1: The task word 'compare' requires students to consider similarities and differences. In the case of this question, students will need to write about the similarities and differences between on-the-job training and a chosen training option. In the 2019 Examination Report, the chief assessors stated that, "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."

Advice 2: Compare questions are typically not handled well by students on VCAA exams. Take for example a compare question featured on the 2017 exam (Section B, Question 3). Students were required to compare quality control with one other quality strategy. The question was poorly answered, with 40 per cent of students scoring zero marks, and only 4 per cent scoring the full 4 marks. The average score was a very low 1.3 out of 4. A compare question on the 2019 exam (Section A, Question 1b) asked students to compare the characteristics of operations management within a manufacturing business with those of a service business. This was better answered than the 2017 question – with an average score of 1.7 marks out of 4 and only 20 per cent of students scoring zero marks. However, 77 per cent of students scored between 0 and 2 marks.

Advice 3: Students typically struggle to find similarities in compare questions. When responding to a compare question, a good strategy for students is to begin by using the word 'both' to ensure there is at least one similarity. Differences should be pointed out using words such as 'whereas', 'however' or 'on the other hand'. It is also important to be precise with the similarities and differences. Defining key terms should allow students to find a point of difference. The similarity, however, should be something that the two terms share in common.

Advice 4: A question relating to a form of training appeared on the 2015 exam (Question 3d). Many students wrote about on-the-job or off-the-job training. However, a large number of students could not name a form of training (now renamed training options in the new study design) and 40 per cent of students scored 0 marks out of 2. The average mark was 1 out of 2 marks. Question 3b (Section A) on the 2017 exam asked students to discuss a suitable training option that could be used for the employees of the business in the case study. The question was reasonably well-answered with an average mark of 2.3 out of 4 marks, however, more than half of students scored between 0 and 2 marks.

Advice 5: As the business in the case study (MurrayHR) is mentioned in the question, students must explain similarities and differences with reference to the situation at MurrayHR. Students are not expected to have an equal number of similarities and differences; it is possible to score full marks on this question, for example, with a detailed explanation of one similarity and two well-explained differences.

- 2 marks for explaining a similarity/similarities between on-the-job training and one other training option, related to MurrayHR
- 2 marks for explaining a difference(s) between on-the-job training and one other training option, related to MurrayHR

Sample answer: *MurrayHR could make use of off-the-job training during its period of remote work as well as on-the-job training for any employees continuing to work in the workplace. The training options are similar in that they both relate to the process of teaching staff how to do their job more efficiently and effectively by boosting their knowledge and skills. However, the two training options differ in that on-the-job training involves employees learning skills to perform particular tasks within the workplace, which usually make use of the equipment and documents that are present within MurrayHR's working environment. In contrast, off-the-job training involves employees learning skills away from the workplace and usually involves the business sending individuals or groups of employees to a specialised training institution. During remote work for example, MurrayHR might require employees working at home to complete online courses offered through external training institution to improve their skills.*

Another similarity between off-the-job training and on-the-job training is that both involve the use of a person (or persons) who teaches the knowledge and skills to employees. However, the two training options differ. In the case of on-the-job training, an experienced co-worker, a leader or a manager with particular or specific expertise, will often provide the training. Whereas, off-the-job training will usually be provided by a specialist provider (typically at a training institution, such as a university or TAFE college) that has particular knowledge relevant to an industry, type of equipment or product. This type of training will usually involve employees gaining a recognised qualification that will assist them in performing more effectively and efficiently at work (in addition to making them more valuable and employable more generally).

b. MurrayHR normally makes use of appraisals as its performance management strategy.

Propose and justify a different performance management strategy that could be effective in improving employee performance at MurrayHR during remote work.

4 marks

Advice 1: The use of the task descriptors 'propose' and 'justify' here requires students to put forward and outline a performance management strategy that will allow MurrayHR to improve employee performance during its remote work period. Students then must point out the reasons or the arguments supporting the use of this strategy.

Advice 2: This question requires students to propose and justify a performance management strategy. A question specifically related to performance management strategies has never appeared on the VCAA exam. This question has been included in this CPAP practice exam because it covers key content from the study design – which specifically lists the performance management strategies as management by objectives, appraisals, self-evaluation and employee observation. As the question asks for a strategy other than appraisals, self-evaluation would seem to be the most appropriate strategy for employees working from home.

- 1 mark for identifying or suggesting a performance management strategy that will allow MurrayHR to improve employee performance during remote work
- 1 mark for briefly outlining the performance management strategy
- 2 marks for justifying the choice of performance management strategy, clearly linking it to the remote work situation at MurrayHR

Sample answer: *A performance management strategy that could be effective in improving employee performance at MurrayHR during remote work is self-evaluation. This refers to the process*

whereby employees carry out a process of self-assessment, based on a set of agreed criteria. Using this strategy, employees will assess their own contribution to the business, their own strengths and weaknesses, as well as how they can improve their performance. An employee would normally be expected to ask themselves questions such as: what are my strengths, what are my weaknesses (and what can I do overcome them, or reduce their impact on my work performance), what could I have done better during the period under review, and what initiatives can I take to become a better employee in the future?

Self-evaluation allows employees to be actively involved in the process of performance management and assists them in understanding their role in the business. They will also understand how greater responsibility and leadership could be taken on in the future. For the business, self-evaluation provides the opportunity to gain an insight into how employees perceive their performance, as well as understand their strengths and weaknesses. Employee self-evaluation can also highlight the need for training, and allows employees to request training opportunities to assist them to improve work performance and productivity.

c. Examine how MurrayHR could use Maslow's Hierarchy of Needs to motivate its employees during the remote work period. 6 marks

Advice 1: The task word used in the current question is 'examine', which requires students to make the detail or meaning of something clear (and possibly explore both sides or cause and effect). Students must therefore demonstrate knowledge of Maslow's theory and then comment on how it may be used to address staff motivation at MurrayHR. Students do not necessarily need to cover both benefits and limitations of Maslow's theory to gain full marks. A good response could point out the benefits of the theory or the limitations of the theory for MurrayHR.

Advice 2: This question is similar to question 3c in Section A of the 2017 VCAA exam. That question asked students to examine whether Locke and Latham's Goal Setting Theory would be appropriate for the business in the case study (a car cleaning and detailing business). To do well on the question, students needed to demonstrate knowledge of Locke and Latham's theory and then comment on whether it could be beneficial or unhelpful in addressing staff motivation. This involved looking at the theory in detail and commenting on its suitability for the car cleaning and detailing business. Many students struggled to provide the necessary detail for the question, or to apply the theory to the business in the case study. The average score was a relatively low 1.7 marks out of 4 and 23 per cent of students scored zero marks.

- 1 mark for an outline or definition of Maslow's Hierarchy of Needs
- 1 mark for outlining a feature of Maslow's Hierarchy of Needs relevant to MurrayHR (maximum of 3 marks)
- 2 marks for outlining how Maslow's Hierarchy of Needs applies to MurrayHR

Sample answer: *Maslow's Hierarchy of Needs is a theory that arranges human needs in a hierarchy based in the order of their importance. There are five levels and each need acts as a source of motivation for employees to achieve goals. The most basic needs are situated at the bottom of the hierarchy, progressing to higher level needs at the top. An employee's level of needs at a specific level must be satisfied before they can move up to the next level. Once a particular need is satisfied it is no longer a motivator.*

Maslow's Hierarchy of Needs would be useful for providing MurrayHR's employees with motivation while they work from home. The business could make use of motivation strategies that satisfy the lower order needs of Maslow's hierarchy. For example, the business would continue to offer staff generous salaries and appropriate conditions of employment, such as leave. These conditions would satisfy the employees who are motivated by physiological needs. Particularly relevant during the remote learning period would be assuring employees that their positions are secure for the

foreseeable future. Job security would satisfy those employees who are motivated by safety and security needs.

MurrayHR's could make use of motivation strategies that satisfy social needs. The company values teams and employees would be used to working with other staff. During remote work they are likely to miss contact with other employees. Management at MurrayHR might provide opportunities for employees to meet online, such as through video conferencing. The use of online social events would satisfy employees who are motivated by social needs.

The higher order needs of Maslow's Hierarchy of Needs are esteem needs and self-actualisation. MurrayHR may make use of motivation strategies that satisfy these higher order needs. Staff at MurrayHR could be given time and space to be creative. Employees who need to be challenged at work could be provided with greater responsibility. Recognition of those employees who have been innovative or taken on more responsibility is likely to satisfy the employees who are motivated by esteem needs, while providing employees with flexibility and autonomy in their jobs should satisfy the employees who are motivated by self-actualisation.

However, Maslow's theory has a number of limitations. It is only a theory, and is not supported by empirical evidence. Furthermore, the stages in the hierarchy do not apply to all individuals. A manager at MurrayHR making use of Maslow's theory may struggle to identify the stage that is relevant for each individual employee – which makes it difficult to determine an appropriate strategy to motivate each employee.

d. Explain how management at MurrayHR could use the motivation strategy of support to effectively managing employees during remote work. 2 marks

Advice 1: This question requires students to explain how support (as a motivation strategy) could be used to manage employees during the situation at MurrayHR. Questions specifically related to motivation strategies have appeared on the VCAA Business Management exam twice, though not directly to support (as a motivation strategy). The 2017 exam asked students to describe an appropriate motivation strategy that the owner of the business in the case study could use to improve the performance of his employees (question 3a, Section A). The 2019 exam asked students to explain a motivation strategy (related to a theory of motivation and a contemporary business case study).

Advice 2: This question is similar to question 5c in Section A of the 2019 VCAA exam. That question asked students to explain support as a low-risk strategy (which is not key knowledge in the *amended* 2020 study design) and how it could be used to overcome possible employee resistance to the changes at the business in the case study. The average score was a low 1.1 marks out of 3 and 37 per cent of students scored zero marks. When answering this question, many students wrote about other low-risk strategies such as communication, rather than writing about support as required. Other students writing about support struggled to define the term. To do well on the question, students needed to define support, or demonstrate an understanding of the term in their response, and then relate the strategy to the situation at the business in the case study.

- 1 mark for explaining support as a motivation strategy
- 1 mark for outlining how the motivation strategy of support might apply to the situation at MurrayHR

Sample answer: *The motivation strategy of support relates to assistance or services (such as counselling and mentoring) provided by management to help employees cope with difficulties that may impede their work performance. Management at MurrayHR could implement this strategy as most employees want to feel that the employer values their contribution to the business and that they will be treated with sensitivity to their needs. While working at home, employees at MurrayHR would expect management to be sympathetic to their changed circumstances and regularly check how they are coping or help to resolve any issues. This should result in employees feeling encouraged and more confident, particularly those staff who may feel a little overwhelmed, in turn motivating them to increase performance.*

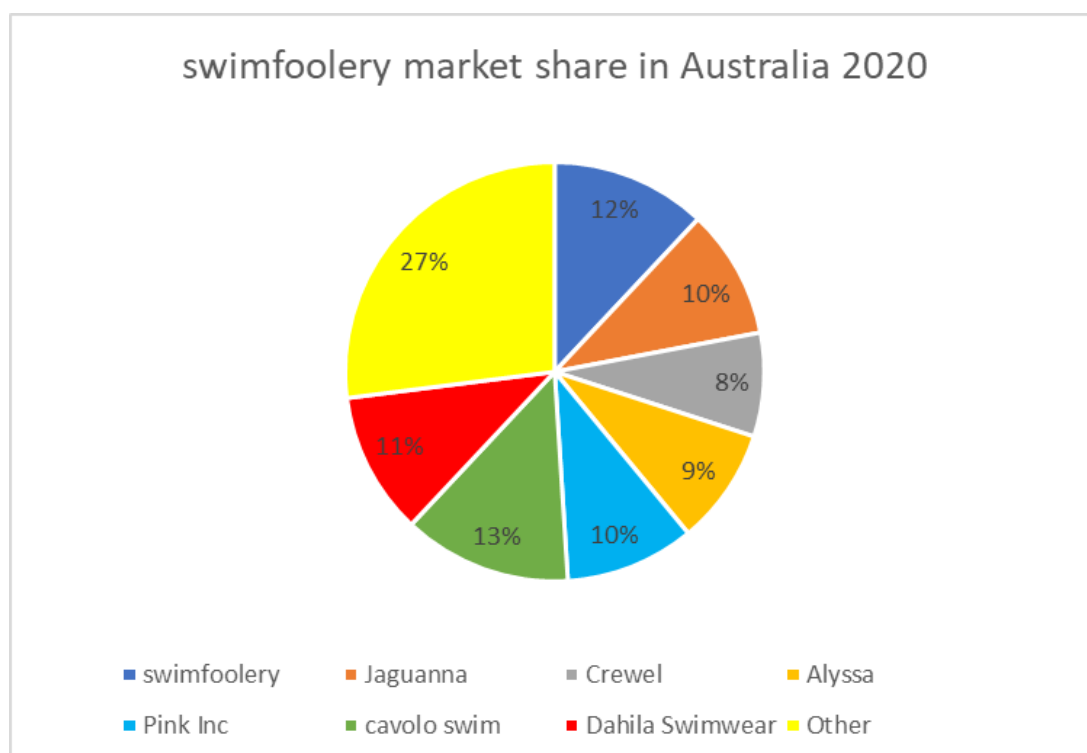
Section B – Case Study

Case Study

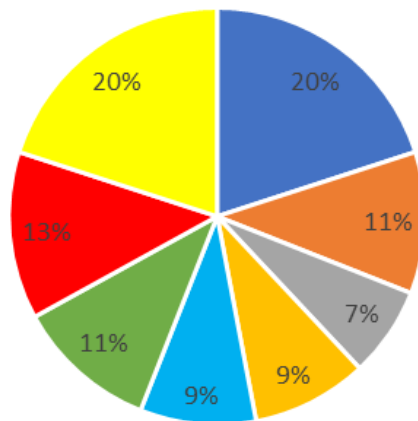
Isabella Pasternak founded swimfoolery in 1970. The company sells a range of swimwear, activewear and accessories. With its headquarters in Melbourne, the business has grown domestically and internationally. Employing more than 100 staff working in product design, sales and marketing, technology support, finance, operations, human resources and retail, swimfoolery aims to use sustainable materials and generate the least amount of waste from its processes as possible. The business's products are now sold in over 2000 locations globally, including major retailers and online sites. The business operates flagship stores in Australia, United States, France and the United Kingdom.

One of swimfoolery's objectives is to create a unique customer experience around the world. The company is proud of its fashion-forward designs and high-quality products. It is also proud to have a policy of using only ethically sourced, high-quality materials. The business is a member of the Ethical Trading Initiative (ETI), an alliance of companies, trade unions and non-governmental organisations that promotes respect for workers' rights around the world. The business outsources its manufacturing to a business in Australia as well as mills in China.

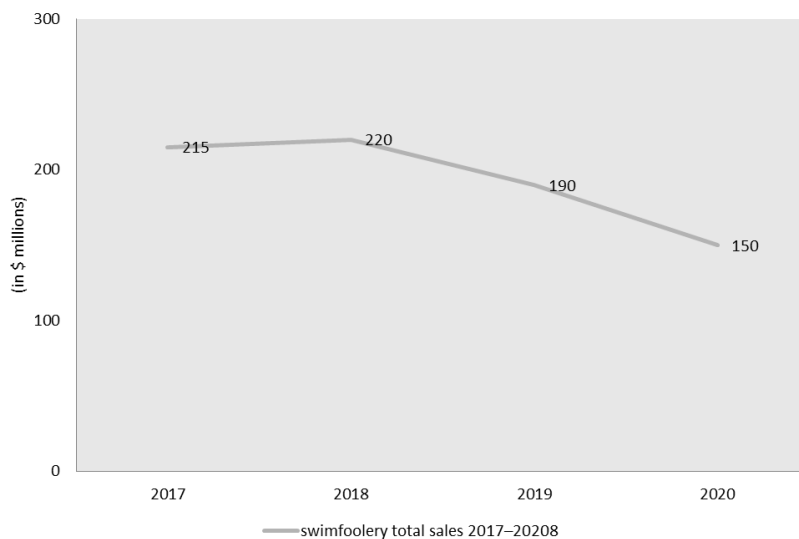
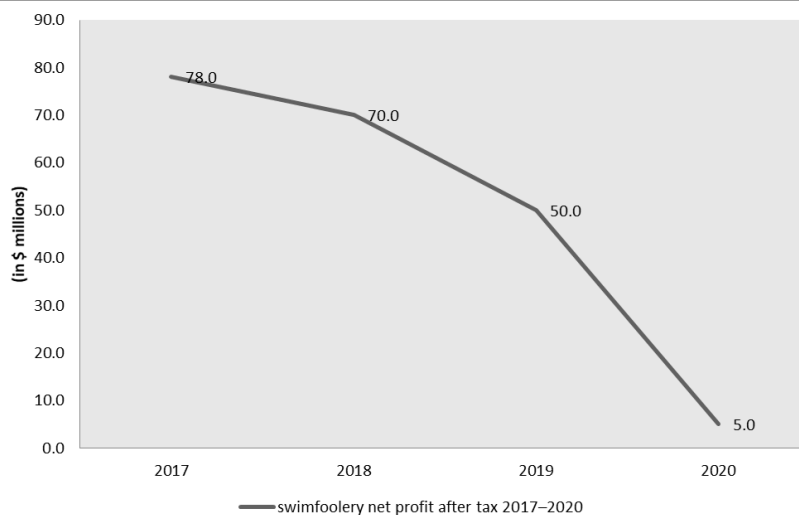
After reviewing swimfoolery's recent business performance, management at the company are concerned about the business's future. KPIs showing the business's percentage of market share, net profit figures and sales are shown below.



swimfoolery market share in Australia 2017



■ swimfoolery ■ Jaguanna ■ Crewel ■ Alyssa
■ Pink Inc ■ cavolo swim ■ Dahila Swimwear ■ Other



Question 1 (3 Marks)

Outline how swimfoolery has used the differentiation approach from Porter's Generic Strategies.

Advice 1: Note the use of the task word 'outline' here, which requires students to do more than just state or identify something. However, it does require a little less than a full description or explanation.

Advice 2: This CPAP practice exam question relates to the key knowledge dot point in the study design requiring students to understand, "the two key approaches, lower cost and differentiation, to strategic management by Porter's Generic Strategies (1985)." A question relating to Porter has appeared on the 2017 exam (where students were asked to identify and discuss one of the key approaches to strategic management) and on the 2019 exam (where students were asked to analyse how a manager had used Porter's Generic Strategies).

Advice 3: This particular question has been included on this practice exam because students experienced difficulties with a similar question on the 2019 exam. Question 5b in Section A required students to analyse how the manager in the case study had used Porter's Generic Strategies to respond to the issues of declining sales and changing customer tastes). The average score for that question was a respectable 1.7 out of 4 marks, however 30 per cent of students scored 0 marks. Many students had some understanding of Porter's Generic Strategies, but were not able to explain it well or relate it to the business in the case study.

Advice 4: The current question is an example of one that requires students to apply their knowledge to a scenario. Students must therefore refer to the situation at swimfoolery within their response. Following past exams, the chief assessors have highlighted an issue with students' demonstrating a lack of ability to apply content knowledge to scenarios and situations provided in the exam. This is particularly important for Section B. In the 2017 Examination Report, the chief assessors stated that, "In the case study questions in Section B, students were asked to ensure that their responses applied to the case material. High-scoring responses were detailed and showed an understanding of the business in its nature and objectives, rather than general comments..." Similar comments were made in the 2019 Examination Report. The chief assessors stated that, "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."

- 1 mark for outlining differentiation as a key approach to strategic management from Porter's Generic Strategies
- 2 marks for outlining examples of how swimfoolery has used the differentiation approach

Sample answer: *The differentiation approach involves a business making their product different, unique or superior in some way to that of competitors. This allows the business to gain a competitive edge over its competitors and to market itself as a leader or innovator in its industry. A business may make use of a brand name, a delivery method, advertising, innovation, high-quality or a number of other factors to establish a difference.*

For example, swimfoolery aims to create a unique customer experience. It offers the most up-to-date and high-quality fashions. These features should lead to customers valuing or perceiving the business's product as being unique and better than the competition. Furthermore, swimfoolery attempts to be more socially responsible than its competitors. Through this strategy, the company should be able to improve its connections with customers who value a business that is seen as being environmentally friendly and socially aware, which should build long-term loyalty to its brand and products.

Question 2 (4 Marks)

Explain the positive and negative aspects that will need to be considered by swimfoolery as it implements socially responsible practices.

Advice 1: This question requires students to consider the positive and negative outcomes or effects of implementing socially responsible practices. A similar question to this CPAP practice exam question was asked way back on the 2009 exam, where students were asked to explain the positive and negative aspects of two ethical and social responsibility issues (Question 2e). The average mark was 2.4 out of 6 marks and 29 per cent of students scored 0 marks, while 9 per cent of students scored 6 marks. Another comparable question on the 2006 exam asked students to evaluate the positive and negative consequences on large-scale organisations of having socially responsible policies (Question 5). The average mark was 2.8 out of 6 marks. Only 5 per cent of students scored 6 marks. Another similar question on the 2007 exam asked students to evaluate the positive and negative aspects of two ethical and social responsibility issues (Question 3f). The average mark was 2.6 out of 6 marks. Again, only 5 per cent of students scored 6 marks. These statistics highlight the difficulty students have experienced demonstrating an understanding of this part of the course. It is therefore wise for students to adequately prepare for a similar question.

Advice 2: Corporate social responsibility questions are nearly always on the VCAA Business Management exam, and are nearly always handled poorly (as highlighted above). The last instance was in 2018 where students were asked to analyse two ways in which CSR considerations influence decisions made by managers (referring to two different areas of management responsibility). This was question 4 in Section A – the ten marker. The average mark was 3.3 out of 10 marks.

- 1 mark for explaining a positive aspect that will need to be considered by swimfoolery as it implements socially responsible practices (maximum of 2 marks)
- 1 mark for explaining a negative aspect in relation to socially responsible practices that will need to be considered by swimfoolery (maximum of 2 marks)

Sample answer: *One positive aspect that swimfoolery will need to consider as it implements socially responsible practices is an improvement in its reputation. Customers and the general population are likely to find out which businesses are acting responsibly and which ones are not. If customers believe that swimfoolery is making use of socially responsible practices, they are likely to believe that the company is a reputable business. Subsequently, another positive consequence is increased sales. Customers are more likely to be attracted to and reward businesses that are perceived as showing concern for society, being environmentally friendly or making good decisions. As customers purchase more of swimfoolery's products it is likely that it will experience an increase in sales.*

A negative consequence of implementing socially responsible practices is the financial cost. It can be expensive to draft, proofread and produce policies and documentation, such as codes of conduct and social reports. The practices that swimfoolery has introduced have a financial cost. This can reduce a business's profit, particularly in the short term. Another consequence is the time-consuming nature of implementing socially responsible practices. Preparing policies and procedures, training staff in their effective implementation and communicating the new practices can take a long time. This is time that swimfoolery may have spent on implementing other practices within the business.

Question 3 (4 Marks)

Describe the term 'number of sales' and explain how a decline in this key performance indicator may impact on one business objective relevant to swimfoolery.

Advice 1: The study design lists key performance indicators in Unit 4, AOS 1, including number of sales. As this key performance indicator is specifically referred to in the study design, students are expected to be able to define it or describe it. In addition to requiring a description of 'number of sales', the question also asks students to explain how the decline in sales may impact on a business objective. The study design lists business objectives including to make a profit, to increase market share, to fulfil a market and/or social need and to meet shareholder expectations. Any of these objectives would be relevant to swimfoolery.

Advice 2: This particular question has been included on this CPAP practice exam because students experienced difficulties with a similar question on the 2017 VCAA exam. Question 1c in Section A asked students to describe the impact that an increase in the level of staff turnover may have had on one other key performance indicator. The average mark was 0.8 out of 2 marks and 46 per cent of students scored 0 marks. Many students did not understand the key performance indicator, and many others could not provide a link between staff turnover and another different KPI. The current question is different in that it requires a link to be made between the sales KPI and a business objective. Nevertheless, students still need a good understanding of number of sales to explain how it might impact on a business objective.

- 1 mark for describing the term 'number of sales'
- 1 mark for further detail describing the term 'number of sales'
- 1 mark for demonstrating an understanding of a business objective relevant to swimfoolery
- 1 mark for explaining how the decline in sales may impact on the chosen business objective

Sample answer: *Number of sales refers to the amount or quantity of products sold in the normal operations of a business. Calculating the number of sales helps a business to determine whether it is meeting objectives related to sales and marketing – a business will typically be satisfied with its performance if the number of sales increases over a given period of time, even if this means poor financial performance in the short-term due to higher marketing costs. The assumption is that such a strategy should lead to improved financial performance in the longer-term.*

According to its key performance indicators, sales at swimfoolery have been declining since 2017. This is likely to impact on the company's business objective of increasing market share. Market share refers to the proportion of total sales in a given market or industry that is controlled or held by a business, calculated for a specific period. The percentage of market share at swimfoolery has fallen since 2017, which is consistent with the fall in sales. As sales have fallen at the business, its proportion of all sales in the swimwear/ activewear fashion industry has fallen.

Question 4 (4 Marks)

Other than operations and human resources, explain how two areas of management responsibility at swimfoolery can contribute to the achievement of its objective of creating a unique customer experience.

Advice 1: The study design lists the areas of management responsibility that students need to know, including operations, finance, human resources, sales and marketing, and technology support. The study design also states that students need to know how each area contributes to the achievement of business objectives. As this question excludes operations and human resources, students will need to relate two of finance, sales and marketing or technology support to swimfoolery's objective of creating a unique customer experience.

Advice 2: The 2017 and 2018 VCAA exams both had questions relating to the areas of management responsibility key knowledge dot point. Question 1 in Section B on the 2017 exam asked students to identify an area of management responsibility (part a) and explain how it can contribute to achieving the objective of becoming more environmentally sustainable (part b). The performance by students on question 1a (Section B) was poor, with an average mark of 0.6 out of 1 and 43 per cent of students scoring 0 marks. This suggests that students simply had not learnt the areas of management responsibility. Further, some students identified operations, despite the question stipulating 'other than operations'. The performance on question 1b (Section B) was even worse, with an average of 0.6 out of 2 and 55 per cent of students scoring 0 marks. In the main, students were unable to establish a clear link between the selected area of management responsibility and the objective stated in the question.

Advice 3: Students did not perform well responding to a similar question on the 2018 VCAA exam. Question 4 (Section A) asked students to analyse two ways in which corporate social responsibility considerations influence decisions made by managers, and in their response, refer to two different areas of management responsibility. This was the ten-mark question on the paper and a total of 16 per cent of students scored zero marks, with an average mark of only 3.3 out of 10.

- 1 mark for explaining an area of management responsibility (maximum of 2 marks)
- 1 mark for explaining how the area of management responsibility might contribute to the achievement of swimfoolery's objective of creating a unique customer experience (maximum of 2 marks)

Sample answer: *One area of management responsibility that might contribute to the achievement of swimfoolery's objective of creating a unique customer experience is sales and marketing. The sales and marketing area of management responsibility deals with relationships with individual customers and the marketing mix, often referred to as the 7 Ps (product, price, place, promotion, people, physical evidence and process). Sales and marketing strategies undertaken by the sales and marketing area include developing the product, pricing, promoting and distributing products to current and potential customers. These strategies, as well as a focus on forming relationships with customers and building brand loyalty, will support swimfoolery in creating a unique customer experience. Without the idea for a product, without any promotion of the product and without any relationships being developed with customers, the business will not be able to provide a satisfactory customer experience. Sales and marketing work towards beginning and developing long-term relationships with customers that will ensure the business continues to provide a unique customer experience.*

Another area of management responsibility that might contribute to the achievement of swimfoolery's objective of creating a unique customer experience is technology support. The technology support area of management responsibility deals with the installation and maintenance of technology, as well as the provision of assistance to the users of technology in the business. These technologies may include mobile phones, computers, computer networks, software products or other electronics.

Without a technology support area it is unlikely that swimfoolery would be able to provide any customer experience at all. The strategies used by the technology support area, such as helping employees to solve specific computer-related problems and ensuring that the technologies used by the business are appropriate for meeting customer expectations, will contribute to swimfoolery's objective of creating a unique customer experience.

Question 5 (5 Marks)

Interpret swimfoolery's key performance indicators to analyse the performance of the company.

Advice 1: The use of the task word 'analyse' in this question requires students to identify the key components of factors, topics or issues and outline the relationship between them. The task word 'interpret' is also used in this question, requiring students to draw meaning from information, perhaps indicating how it relates to other ideas or topics. Therefore, this CPAP practice exam question requires students to identify and use the key performance indicators for swimfoolery to explain how the company has performed over time, making links between the KPIs and performance. In the 2019 Examination Report, the chief assessors stated that, "If a question asks a student to analyse, then full marks for that question will only be available for answers that include analysis."

Advice 2: The key performance indicators (KPIs) in the swimfoolery case study should be reasonably familiar to students. Percentage of market share, net profit figures, and number of sales are listed in the study design. This question is related to Unit 4 AOS 1, which states that students should be able to "...use key performance indicators to analyse the performance of a business..."

Advice 3: Questions over the last three VCAA exams have required students to interpret or analyse key performance indicators. For example, on the 2019 exam students were asked to interpret the KPIs provided in the case study to propose and justify a decision in relation to the business in the case study. The question was reasonably well answered, with only 4 per cent of students scoring zero marks and an average mark of 2.9 out of 5. However, only 7 per cent of students scored the full five marks. Lower-scoring responses simply retold the data presented in the case study. Higher-scoring students interpreted all the data and described how all stores in the case study were performing in relation to the others across the country. They also made judgements regarding possible consequences from the data.

- 1 mark for interpreting the data related to 'percentage of market share'
- 1 mark for interpreting the data related to 'net profit figures'
- 1 mark for interpreting the data related to 'number of sales'
- 2 marks for relating swimfoolery's key performance indicators to its performance

Sample answer: *Percentage of market share refers to a proportion of the total industry sales controlled or held by a business, expressed as a percentage. Percentage of market share at swimfoolery has fallen from 20 per cent in 2017 to 12 per cent in 2020. This corresponds with other businesses such as Crewel, Pink Inc and cavolo swim who have increased their share of the market over the corresponding period. This highlights that swimfoolery is not performing successfully as it is losing market share to its competitors. The evidence from this key performance indicator is reinforced through the data revealed by number of sales – the amount or quantity of products sold in the normal operations of a business. Number of sales for swimfoolery has also declined between 2017 and 2020. This KPI, and the fall in market share, suggests that customers are not as pleased with swimfoolery's products as they used to be. Fewer customers appear to be purchasing swimfoolery's products, and have instead turned to their competitors.*

Net profit figures are the numbers found at the end of an income statement that show the net profit, or what remains when expenses are deducted from the revenue earned. The net profit figures for

swimfoolery also suggest that the business is not performing successfully. Starting with profit of \$78 million in 2017, the company's profit has fallen to only \$5 million in 2020. The low profit for swimfoolery in 2020 suggests that the business is experiencing several problems, including reduced sales and poor customer service, and possibly inadequate management of expenses. While sales at swimfoolery have clearly fallen between 2017 and 2020, the decline has not been as drastic as net profit, suggesting that the decline in profitability is due more to an inability to control costs. This is also highlighted by the fact that sales actually increased between 2017 and 2018, when net profit actually fell over the same time period. This provides further evidence that swimfoolery has major problems controlling costs/expenses (in addition to problems with lower sales and declining market share).

Question 6 (5 Marks)

Describe how cost cutting and redeployment of resources could assist swimfoolery in responding to its key performance indicators.

Advice 1: The study design lists management strategies to respond to key performance indicators as staff training, staff motivation, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques and redeployment of resources (natural, labour and capital). As 'cost cutting' and 'redemption of resources' are both named in the study design, students are expected to be able to define each term or describe them.

Advice 2: This CPAP practice exam question has been included because a similar question was asked on the 2018 VCAA exam. Question 3c in Section A asked students to explain how redeployment of resources and a change in management style could be used to respond to the KPIs in the case study and position the business in the case study for the future. While only 12 per cent of students scored zero, the average mark was a disappointing 3.2 marks out of 8 and a relatively high 60 per cent of students scored 3 marks or less. Surprisingly, only 2 per cent of students scored full marks. In the 2018 examination report, the chief assessors noted that students answered the first part of the question well, but struggled to adequately reference the second part of the question, which asked them how each strategy might position the business in the case study for the future

- 1 mark for demonstrating an understanding of cost cutting
- 1 mark for demonstrating an understanding of redeployment of resources
- 1 mark for describing how cost cutting could be used to respond to swimfoolery's key performance indicators
- 1 mark for describing how redeployment of resources could be used to respond to swimfoolery's key performance indicators
- 1 mark for further detail describing how cost cutting and/or redeployment of resources could be used to respond to swimfoolery's key performance indicators

Sample answer: *Cost cutting refers to a business reducing its expenses through a variety of methods, such as lowering salary/wage costs or reducing the use of resources. Every area in a business creates costs and a business will need to examine all of its activities and decide where costs in the production of its good (or provision of its services) can be cut. It is possible for swimfoolery to cut costs by reducing direct and indirect costs (or operating at lower cost), using assets more efficiently or controlling the supply chain to reduce the cost of inputs. Reducing costs is likely to have a positive impact on the business's net profit (what remains when expenses related to the operation of the business are deducted from the revenue earned), helping to improve on the \$5 million profit for 2019. Reducing costs in areas of the business not directly related to the provision of a 'great experience for customers' would allow swimfoolery to target areas that do focus on building customer relationships – perhaps by directing some of the savings to those areas or by pursuing lower-cost*

strategies. For example, swimfoolery could make use of low-cost marketing strategies, such as interacting with customers on social media to improve customer sentiment, hopefully increasing sales and improving market share.

Redeployment of resources refers to the reassignment of resources (including natural, labour and capital resources) from one area in a business to another area of a business. For example, a business may decide to relocate a particular store or a factory, or redeploy some activities to other countries to reduce costs and to improve productivity. Deciding to move resources to a different area in the business should help swimfoolery to improve efficiency. This strategy is likely to reduce waste and costs, and have a positive impact on net profit figures. Moving employees (labour) to areas of the business directly dealing with customers could improve customer service, resulting in customers becoming more satisfied with swimfoolery's products. This may have a positive impact on number of sales (the amount or quantity of products sold in the normal operations of a business). As swimfoolery's sales increase, its market share should increase (depending on the strategies of competitors).