

BUSINESS MANAGEMENT
UNITS 3&4
2021 Trial Examination

Reading time: 15 minutes

Writing time: 2 hours

SOLUTIONS

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EXTRA 2021 Business Management Units 3&4 Trial Exam

Question 1 (13 marks)

a) Outline the type of business of Ice Ice Babies. 2 marks

Ice Ice Babies is a partnership, which involves 2-20 partners owning and operating the business together. In their partnership, both Geraldine and Darryn have unlimited liability, meaning they are both personally responsible for any debts of Ice Ice Babies.

Marking guide:

- 1 mark: correct identification of partnership, brief definition
- 1 mark: one additional feature of a partnership identified & explained
- 'Outline' questions do not necessarily require in-depth explanations, but more than one feature should be identified. Simply defining 'partnership' in no more than one line is not sufficient for 2 marks.

b) Discuss why Ice Ice Babies may have decided to use the type of business identified in part a). 4 marks

One advantage of Ice Ice Babies being a partnership is that Geraldine and Darryn will be able to draw upon each other's skills, knowledge and experience to run the business. While Geraldine can draw upon her experience in the ice-cream business, Darryn's experience in IT services has also been helpful as he has installed the self-service kiosk, improving overall business performance.

However, a disadvantage of having a business run by more than one person may leave the multiple owners open to disputes and conflict where disagreements arise, which may impact business performance through loss of focus on key tasks such as customer service, which could decrease sales thus decreasing revenue.

Another advantage of a partnership is that Ice Ice Babies would be less liable to government regulations (compared to a private or public company), allowing them to invest greater time and money into making and selling their ice-cream.

However, another disadvantage is that partnerships also incur unlimited liability for the owners, meaning that Geraldine and Darryn are personally responsible for all business debts, which may decrease their profit through increased expenses if they do have debts.

Marking guide:

- 2 marks: two correct benefits of a partnership
- 2 marks: two correct costs
- -1 mark: no links to case study

c) Describe **one** driving force and **one** restraining force for the introduction of the self-serving ordering kiosk. 4 marks

A driving force is a pressure that provides support and momentum towards the introduction of a change. One driving force for the introduction of a self-serve kiosk at Ice Ice Babies is pursuit of profit. Implementing such technology would allow Ice Ice Babies to remain competitive in relation to their competitors, encouraging customers to buy their ice-cream instead of competitors' as the ordering is quick, easy and convenient. This may help Ice Ice Babies to increase their market share, increasing sales, leading to increased profit.

A restraining force is anything that hinders or obstructs the introduction of change within a business. One restraining force for Ice Ice Babies is organisational inertia. Employees have expressed "concerns" over the new technology, which may suggest that these employees fear the change in terms of their job security. This could impact the

introduction of the self-serve kiosk as the employees may be unwilling to assist in installing it and encouraging its' use, which may lead to the kiosk being unsuccessful and a waste of resources.

Marking guide:

- 1 mark: (define driving force), propose a driving force
- 1 mark: detailed description of the driving force, with links to Ice Ice Babies
- 1 mark: (define restraining force), propose a restraining force
- 1 mark: detailed description of the restraining force, with links to Ice Ice Babies
- **-1 mark: no links to case study**

d) Other than incentives, explain **one** low risk strategy that Geraldynes could implement to overcome employee resistance in introducing the ordering system. 3 marks

Low risk strategies involve a more participative approach to change through communication, empowerment, work groups and support for those who are being impacted upon by change. One low risk strategy Geraldynes could implement at Ice Ice Babies is communication, which would involve explaining clearly reasons for the change, and giving employees the opportunities to ask questions and voice concerns. This would help overcome employee resistance to the self-serve ordering system as they would be able to gain a greater understanding of why the kiosk is necessary to speed up the ordering process, increasing their chances of accepting the kiosk and assisting in its implementation.

Marking guide:

- 1 mark: Define low-risk strategies, propose one low risk strategy
- 1 mark: Explanation of strategy
- 1 mark: link strategy to ordering system & Ice Ice Babies

Question 2 (7 marks)

a) Describe how Colin could source new business opportunities domestically. 3 marks

Domestic opportunities allow businesses like Body Repair to take advantage of growth opportunities within the Australian or local market. One domestic opportunity which Colin could use is innovation, which describes any improvement that enhances or extends a business and provides another, or improved, product or service to the economy. Colin could use innovation to source new business opportunities as having a specialty service available at his physiotherapy venues, for example special equipment or also offering a chiropractor, would encourage customers to go to Body Repair for physiotherapy instead of their other competitors in North-Western Melbourne.

Marking guide:

- 1 mark: define domestic opportunities
- 1 mark: propose a domestic opportunity
- 1 mark: explanation of proposed strategy
- **-1 mark: no link to case study**

b) Outline how **two** principles of Senge's learning organisation can help Colin increase Body Repair's market share. 4 marks

Market share refers to the degree of control a business has, in relation to its competitors, in a given market. One principle of Senge that could help Colin increase Body Repair's market share is building shared vision, which is when leaders foster the ideas of others, facilitating opportunities for employee input and support genuine ownership of objectives rather than imposing goals on people. By building a shared vision at Body Repair where all employees are a part of the improvement, this would increase employee motivation to continually improve their performance in order to improve the business as a whole, allowing them to deliver high-quality physiotherapy services such as massages to customers to enhance Body Repair's reputation. This would encourage customers to visit Body Repair instead of their

competitors, increasing market share as Colin's business will gain a higher proportion of customers compared to competitors.

Another of Senge's principles which would help Colin increase market share is team learning, which is the state where all team members think together to achieve common goals through problem solving and learning. Team learning would allow less experienced physiotherapists at Body Repair to learn skills and knowledge from any more experienced physiotherapists, increasing the overall quality of treatment of sport-related injuries provided by Body Repair. This would also help to improve the business' reputation, encouraging the business of new customers and thus increasing market share as injured people choose Body Repair over rival physiotherapists.

Marking guide:

- 1 mark: propose 1st principle
- 1 mark: explain & link to business/market share
- 1 mark: propose 2nd principle
- 1 mark: explain & link to business/market share
- -1 mark: missing links to market share or case study

Question 3 (5 marks)

With reference to a contemporary case study, discuss corporate social responsibility considerations within the operations system of a business.

Corporate social responsibility (CSR) refers to the commitment by a business, such as Woolworths, to go above and beyond their legal requirements to act in a socially, ethically and environmentally sustainable manner.

One benefit of Woolworths implementing CSR considerations within their operations system is that it will improve the supermarket's reputation amongst the community. For example, Woolworths have implemented the CSR consideration of removing plastic bags from their operations system (an input to the service of customers shopping for groceries); instead, customers are encouraged to bring their own reusable bags to shop with, to decrease unnecessary waste having an adverse impact on the environment. This will encourage customers to shop with Woolworths as they are more likely to support a business with commitments to help the environment and overall community, increasing Woolworths' sales and revenue, potentially increasing profit.

However, CSR considerations may be expensive for businesses such as Woolworths to implement, in their processes. In Woolworths' case, it was necessary to advertise to customers that they would need to bring their own bags to shop with, which would have increased Woolworths' expenses thus impacting profit whilst implementing the CSR consideration of abolishing plastic bags. Other financial considerations also impacted profit in this way, such as paying to have employees trained in how to support the abolition of plastic bags.

Marking guide:

- 1 mark: define CSR; reference to contemporary case study
- 2 marks: benefit of a consideration; link to one aspect of operations system (IPO)
- 2 mark: cost of a consideration; link to one aspect of operations system (IPO)
- -1 mark: missing links to a contemporary case study

Question 4 (8 marks)

Describe how the following could be used to improve both efficiency and effectiveness within a business.

- Total Quality Management

Total Quality Management (TQM) refers to a process that emphasises continuous improvement in all aspects of an organisation by sharing responsibility among all members, with customer focus being the top priority. As TQM aims for continuous improvement throughout an entire business, it is designed to reduce waste through decreasing the amount of defective outputs produced which must then be discarded. This can help to improve efficiency, as less inputs are used but wasted, while more output can be produced and sold. TQM can also help improve the effectiveness of a business; as less flaws in outputs will increase the overall quality of the business' product sold to customers, this will encourage customers to purchase the high quality good or service, increasing revenue through sales and thus contributing to the objective of making a profit.

- Materials Requirements Planning (MRP)

Materials Requirement Planning (MRP) is a computer-based inventory management system designed to develop an itemised list of all materials involved in production to meet the specified orders. MRP involves knowing the exact amount of inputs needed for production at a specific time, planning ahead to avoid delays. This can help improve efficiency by reducing the likelihood of delays before production if not all materials are available when needed, which will allow more output to be produced within a smaller timeframe (input of time). MRP also decreases costs associated with storage, as smaller amounts of raw materials need to be stored for long-term periods if the business is able to continually receive exact amounts before production. This can improve effectiveness as it decreases expenses, while increasing revenue from less money wasted on materials which perish and become unusable, thus improving the business' ability to achieve the objective of making a profit.

Marking guide:

- 1 mark: define(/briefly explain) TQM
- 3 marks: link to efficiency and effectiveness
 - o Demonstrates adequate understanding of both terms and can explain how TQM can improve both.
- ****Repeat for MRP****

Question 5 (13 marks)

a) Outline two elements of the operations system at Nails by Alex. 3 marks

One element of the operations system at Nails by Alex is the inputs, which are the resources used in the production of their nail designs. Inputs at Nails by Alex may include raw materials, such as the acrylic nails and glue, as well as the time it takes to make the designs, and employee effort to create and send the designs to customers. Another element of the operations system is outputs, which describes the finished nail products delivered to the customer. Nails by Alex's outputs are the final designs on the nails created by their customers, which are then sent with application instructions via mail.

Marking guide:

- 1 mark: outline of one element
- 1 mark: outline of another element
- 1 mark: correct (yet brief) explanations of both
- **-1 mark: no links to case study**

b) Evaluate the effects of a change on two current stakeholders of Nails by Alex. Describe one Corporate Social Responsibility consideration for each stakeholder. 10 marks

A stakeholder is anyone with a direct or vested interest in the activities of a business such as Nails by Alex.

One stakeholder of Nails by Alex are the customers, who purchase the custom acrylic nails from the business. The change of Nails by Alex opening a new store in Alphington may have a positive impact on customers as they will now be able to physically see options for nail designs before purchasing them, which should lead to increased customer satisfaction; if customers can make more informed purchasing decisions, they are more likely to be happy with their designs. This may improve the business' reputation, increasing sales as more customers will choose to buy their nail designs at Nails by Alex compared to businesses without the ability to physically inspect products. However, as management would likely have to spend significant time and effort on opening the store, this may reduce time and effort available to produce the actual nail designs, potentially decreasing quality which may decrease sales. Overall, although the quality of the acrylic nail designs may decrease initially as effort is focused on ensuring the store's success, the new store would likely have a more positive impact for customers by allowing them to physically see their nail designs before purchasing.

Corporate social responsibility (CSR) refers to the commitment by a business, such as Woolworths, to go above and beyond their legal requirements to act in a socially, ethically and environmentally sustainable manner. One CSR consideration for the customers of Nails by Alex in relation to opening the new store may be ensuring the store is accessible for all customers. This may entail having a wheelchair ramp for disabled access to the store.

Another stakeholder of Nails by Alex are the employees, who provide labour in exchange for a fair wage to produce the custom nail designs sent out to customers. The new store may have a positive impact on employees - if Nails by Alex continues to increase its revenue and sales in Alphington, employees may be rewarded with pay increases and bonuses, increasing their job satisfaction. However, the new store may have a negative impact on employees in that they may be required to work longer hours to ensure the store can open and operate successfully, which may decrease their motivation and increase rates of staff turnover. Overall, though in the short term the new store may have a negative impact on employees due to longer hours, in the long term it is more likely to be beneficial by increasing their wages and providing them with a greater means of living.

One CSR consideration for employees at Nails by Alex is that the business could ensure any new employees hired to assist with the store are from the local Alphington area. This will benefit the community socially by increasing employment rates and strengthening the local economy.

Marking guide:

- ****please note**** there are two changes evident in the question, the new store and the global sourcing of inputs. Students can choose to write about either of these changes, so long as they provide appropriate, strong links and evaluate correctly.
- 1 mark: benefits of change for 1st stakeholder
- 1 mark: costs of change for 1st stakeholder
- 1 mark: evaluation of change for 1st stakeholder
- 1 mark: strong links
- 4 marks: repeat above for 2nd stakeholder
- 2 marks: one each for correct/appropriate CSR consideration for each stakeholder.
 - o Must have a brief description, not simply a statement of the consideration. However, as it is only one mark, not too much detail is required - one detailed sentence is enough.

Question 6 (4 marks)

Compare quality assurance and quality control as methods of improving a business's effectiveness.

Quality control is a process whereby products are checked and evaluated by a highly trained quality control team who inspect and remove faults in production before they reach the customer. Whereas, quality assurance is a process whereby a business receives certification that its systems and processes meet accepted national & international standards. A similarity between quality control and quality assurance is that they both aim to reduce defects in the operations system of a business, to decrease defective products produced and increase the overall quality of a business' outputs. Therefore, both help improve the effectiveness of a business as more high quality outputs can be produced with less time and waste, encouraging increased sales and increasing a business' ability to achieve objectives such as to make a profit.

Marking guide:

- 1 mark: demonstrates understanding (definition/explanation) of quality control and quality assurance
- 1 mark: similarity between both
- 1 mark: difference between both
- 1 mark: how do they improve effectiveness? Explain

SECTION B

Question 1 (3 marks)

Identify and describe **one** driving force behind FAY's switch to flexible working hours.

A driving force is a pressure that pushes a business towards a proposed change. One driving force behind FAY's switch to flexible working hours was the employees. As per the staff survey, majority of employees thought they would be able to work more productively if allowed to work flexible hours both in-office and from-home. This therefore supported the change of flexible hours because it is in FAY's best interest to have happy and productive employees, which it is evident this change will help achieve.

Marking guide:

- 1 mark: identify driving force
- 1 mark: define driving force
- 1 mark: further description/application of driving force
- -1 mark: no link to case study

Question 2 (6 marks)

Analyse the KPI data provided. Propose **one** management strategy to respond to one of the KPI's.

Key Performance Indicators (KPI's) are specific sets of criteria used to measure the extent to which a business has achieved its objectives. One KPI relevant to FAY is number of sales, which measures the amount of goods (fruits) sold within a given time period. Although FAY did experience an unfavourable decrease in their number of sales, from 20.9 million dollars in 2019 to 13.8 million in 2020 (likely due to the COVID-19 pandemic), it did increase again favourably in 2021 to \$21.2 million. This may reflect increased motivation of employees in FAY's sales department, who have been allowed to follow flexible working hours as part of their role at FAY, as sales staff with high levels of motivation will be better able to sell FAY's fruits to customers. Another KPI for FAY is rates of staff absenteeism, which measures the total number of days on which employees are unavailable for work due to illness or personal reasons. Since 2019, FAY have experienced a steady favourable decrease in their rates of staff absenteeism from 12% in 2019 to only 3% in 2021, which may also be indicative of high employee motivation as employees are less likely to be absent from their work of selling fruits if they enjoy their jobs. FAY has also experienced a favourable decrease in their number of workplace accidents, which measures the number of people injured or nearly injured at work due to unplanned events, from 12 in 2019, to 2 in 2020 to only 1 in 2021, which is most likely a result of more employees working from home. Furthermore, FAY's percentage of market share (which measures the total proportion of sales within a given industry, in relation to competitors, which a business has, expressed as a percentage within a given time period) has favourably increased to 18% in 2021, following an unfavourable decrease from 16% (2019) to 15% (2020), which could also indicate higher amounts of fruits sold due to high sales-employee motivation.

One management strategy that could help FAY further increase their market share after the 2020 decrease may be staff motivation, which involves inspiring employees to work harder to achieve business objectives. If FAY's sales staff's evident increase in motivation due to the ability to work flexibly has already helped them increase their market share (between 2020-21), further assistance to increase motivation (such as, recognising and rewarding employees who make new fruit sales) may help increase sales even further, potentially increasing percentage of market share if businesses can be encouraged to buy FAY's fruits instead of competitors'.

Marking guide:

- 4 marks: analysis of **all 4** KPI's
 - o Need to use specific data from table, state favourable/unfavourable etc. to get all 4 marks
- 1 mark: propose appropriate management strategy; link to appropriate KPI
- 1 mark: adequate explanation of strategy in relation to KPI
- -1 mark: no links to case study

Question 3 (3 marks)

Explain **one** strategy that FAY could use to seek new business opportunities globally.

Global opportunities exist to allow a business that is ready and prepared for change to expand into overseas markets. One strategy FAY could use to seek new business opportunities globally is exporting, which involves sending goods or services to another country for sale. FAY could do this by conducting research into the global market demand for businesses wanting fresh fruit for their employees, setting themselves up in countries where they would be likely to make sales and then exporting their fresh fruit to these countries. This could help FAY continue to counter their 2020 decrease in sales as accessing new markets will help them reach new customers and increase their sales, which will increase revenue in the long-term and contribute to increasing profit.

Marking guide:

- 1 mark: define global opportunities; propose appropriate strategy
- 2 marks: explanation of strategy
- -1 mark: no links to case study

Question 4 (2 marks)

Outline the method of determining wages and working conditions at FAY.

The method of determining wages and working conditions at FAY is an agreement, which can be tailored to meet the needs of particular organisations and is negotiated between employees & their employer. This is evident because FAY's agreement is set to be adjusted as needed to incorporate flexible working situations, as agreements provide adaptability as they are specific to particular workplaces.

Marking guide:

- 1 mark: identify that an AGREEMENT is being used
 - o No mark if awards are outlined
- 1 mark: explanation of agreement
- -1 mark: no links to case study

Question 5 (5 marks)

Describe an appropriate management style to address the feedback from the employee survey. Explain the relationship between the chosen management style and the management skills needed to address the survey data.

An appropriate management style for FAY to adopt may be a participative style. The participative management style involves managers joining with employees to make decisions, allowing high levels of employee input and empowerment. It involves two-way communication, decentralised authority, high levels of employee involvement and shared decision-making. This would be appropriate for FAY, as the survey has revealed that almost half of employees (40%) prefer working at home compared to in-office; a participative style would allow the sales employees to decide with their manager how much time they spend at home and in the office, so that they can reach an arrangement that they are happy with. As the participative style does still involve management in making decisions, this would help address the fact that 79% of employees felt that FAY could have supported them better throughout the pandemic, as they would still have access to guidance from management when required.

To effectively implement the participative management style, managers need strong communication, interpersonal and planning skills, in order to interact with employees in a way that facilitates them contributing to decision-making in an appropriate manner. Using communication and interpersonal skills in the implementation of a participative style will allow management to connect with their sales staff, providing greater levels of support to ensure that employees are satisfied and less likely to search for employment elsewhere (as more than half of FAY's staff stated they had searched

for employment elsewhere in 2020). Planning is also a necessary skill in the participative style as frequent meetings are required to facilitate employee input into decision-making; such meetings and discussions should be planned ahead, to ensure employees feel valued and supported.

Marking guide:

- 2 marks: propose & describe appropriate style
 - o Participative
- 3 marks: description of relationship between relevant skills & style proposed
 - o Marked globally
 - Looking for explanation of specific skills which relate to chosen style, why this style needs these skills, continually linking to FAY
- -1 mark: no links to case study

Question 6 (6 marks)

Evaluate **one** theory of motivation that could be used to improve employee motivation at FAY.

One theory of motivation is Maslow's Hierarchy of Needs. This describes a representation of human needs in the form of a pyramid or hierarchy, depicting the theory that within all individuals exists a hierarchy of 5 needs based on importance. The first level is physiological needs, followed by safety needs, social needs, self-esteem needs and self-actualisation needs. An employee's level of need in one level of the hierarchy must be satisfied before moving to the next level.

A strength of using Maslow's hierarchy at FAY is that it allows individual employees to be motivated according to their needs, as it recognises that not all employees will be motivated by the same things at the same point in time; one employee at the physiological level of the hierarchy may be motivated by financial incentives, while an employee at the self-actualisation level may need something more substantial, such as greater control over their work. This would allow FAY to implement different strategies for different employees, increasing the chances that the motivation of all employees will increase. This could help address the fact that more than half of FAY's employees searched elsewhere for employment in 2020, something indicative of low levels of motivation.

However, one weakness of Maslow's hierarchy at FAY is that it would be time-consuming to implement. Management must take the time to individually identify what level of the hierarchy each employee sits at to determine what will motivate them, which may be done through interviews and surveys, all of which detracts time available for regular tasks. This may further decrease the ability of management to support their employees in their everyday tasks, which could exacerbate the number of employees feeling that FAY is not doing enough to support them.

Overall, Maslow's hierarchy would be an effective method of motivating employees; even though it would be initially time-consuming to implement, this would pay off in the long-term as employees can continually be motivated according to their own personal needs.

Marking guide:

- 1 mark: propose & define a motivation strategy
- 2 marks: benefit of strategy + explanation
- 2 marks: cost of strategy + explanation
- 1 mark: overall evaluative statement
- -1 mark: no links to case study