



Trial Examination 2021

VCE Business Management Units 3&4

Written Examination

Suggested Solutions

SECTION A

Question 1 (12 marks)

- a. A partnership is a type of business that is owned by 2–20 people (or partners) who operate the business together. It provides an opportunity for people to bring together their resources and expertise.
A partnership agreement is entered into and covers areas such as partner details, division of profits and remuneration, the responsibilities of each partner and how any disagreements might be resolved. A partnership normally has a set life and may be dissolved if one or more partners leave the business.

2 marks

Award 1 mark for providing a limited definition of a partnership.

Award 2 marks for defining a partnership and detailing how a partnership operates.

- b. One possible business objective for True Active may be a focus on social needs. This relates to the role of the business beyond its core products and services. It revolves around how a business might be a 'good citizen'. This need may focus on the provision of community services, contribution to the community, and a focus on being socially and environmentally sustainable in the operations of the business. True Active may also wish to contribute to the local community through sponsorships and contributions to community causes.

2 marks

Award 1 mark for defining one relevant business objective other than making a profit.

*Award 2 marks for defining one business objective **and** explaining the focus of the objective.*

Note: Acceptable business objectives include to increase market share and to fulfil a market need. Responses should link the explanation to True Active.

- c. *For example:*

On-the-job training is completed in the workplace. It can include coaching and mentoring by other employees or managers, an apprenticeship, or participation in a range of work activities designed to increase the skills and experience of employees. Off-the-job training usually takes place through activities such as lectures or conferences by external providers, e-training or e-learning modules, or formal TAFE and university courses. Off-the-job training is often designed to extend skills and knowledge and may go beyond the current role of the employee.

The type of training that would suit True Active employees is on-the-job training. This would be a better training type as it will allow the business to develop a training program that will focus on exactly the skills and capabilities it wants its employees to have. On-the-job training will also mean that it can be tailored to suit the current level of staff and will mean that there is consistency between employees when they are carrying out their duties.

On-the-job training is also a more financially cost-effective option for True Active as it may not be able to find a course or workshop that suits the needs of the business. While there may be a cost in terms of the time and effort involved in setting up the training, once it is implemented, the business has this training in place for other employees who may join in the future.

5 marks

Award 1–2 marks for explaining the difference between on-the-job and off-the-job training.

*Award 3 marks for explaining the difference between on-the-job training and off-the-job training **and** proposing an appropriate type of training for True Active's employees.*

*Award 4–5 marks for explaining the difference between on-the-job training and off-the-job training **and** proposing **and** justifying an appropriate type of training for True Active employees.*

Note: Accept responses that choose off-the-job training if appropriate justification is provided.

d. For example:

One performance management strategy Angus and Maddie could use is performance appraisals. A performance appraisal is the process or method to measure an employee's performance over a period of time. Performance appraisals are usually used to report on the employee's past performance and usually link directly to the objectives of the business or predetermined standards for employees in that role or position. They can also be used as a way to focus on how the employee can be supported and how their skills can be developed in the future. While a performance appraisal is generally a formal process, it does not have to be. It could also include an employee being given targeted feedback after they have completed a task or project.

Using the performance management strategy of performance appraisal will allow Angus and Maddie to further develop their relationship with their employees and improve their understanding of employee performance and areas where further training can be provided. By understanding the needs of their employees, Angus and Maddie should be able to focus on the areas where extra support and training is needed.

3 marks

Award 1 mark for identifying one performance management strategy.

*Award 2 marks for identifying **and** explaining one performance management strategy.*

*Award 3 marks for identifying **and** explaining one performance management strategy **and** linking the performance management strategy to True Active and their business objectives.*

Note: Acceptable performance management strategies include management by objectives, self-evaluation and employee observation.

Question 2 (3 marks)

Businesses should consider the impact of their activities on their stakeholders, including customers, employees, shareholders and communities. There is pressure from all these stakeholders for a business to become more socially responsible. Strategies to improve social responsibility in the operations system can include sustainable and socially responsible procurements of inputs, such as ensuring they are environmentally friendly. Ensuring that inputs are also ethically sourced is important for businesses, as is ensuring that outputs are of a high quality and packaged in a way that minimises unnecessary use of materials.

One business that has focused on integrating corporate social responsibility is David Jones. David Jones is a retailer that provides products to customers. When sourcing inputs and materials, it has focused on ensuring that products are only purchased from suppliers that have ethical and sustainable practices in place. David Jones requires its suppliers to sign a code of conduct so it can be confident that it is offering ethical and sustainable products. Many customers and potential customers look at where retailers are sourcing their products from and will be more willing to buy from retailers and other businesses that put these requirements in place.

3 marks

Award 1 mark for explaining how a business could incorporate social responsibility into its operations system.

*Award 2–3 marks for explaining how a business could incorporate social responsibility into its operations system **and** referring to a contemporary business case study.*

Note: Accept any relevant contemporary business case study.

Question 3 (12 marks)

a. *For example:*

There are a number of global considerations a business might take into account when reviewing its supply chain management. In 2020, the COVID-19 pandemic resulted in many businesses having to reconsider where they were sourcing inputs and which services they had outsourced as it was more difficult to have a regular and reliable supply and delivery.

One global consideration that the businesses should have considered is global outsourcing. The ability to source products and materials from a range of businesses around the world allows a business to obtain the best and most cost-effective inputs and materials to allow their business to prosper. Global outsourcing is when some non-core activities of the business are performed by another business. These activities may include call centres, financial services and information technology, and these can be outsourced in Australia or in other countries. Therefore, it would have been important for businesses reviewing their supply chain management in 2020 to ensure that they used outsourcing to support the performance of the business.

Another global consideration that the businesses should have considered is global sourcing of inputs, like materials and services, due to changing economic and other conditions. Businesses needed to continually develop global partnerships to ensure that they could secure global sources of inputs with suppliers and other businesses to ensure a reliable supply of materials, products and inputs needed for their customers and clients. While many businesses continued with their global partnerships with suppliers and other businesses, some found it difficult to obtain materials and products for their customers and clients. For that reason, some businesses started to investigate and build other partnerships. If a business had not looked at different ways to ensure a reliable supply of products and components, they may have found they were unable to deliver products to their customers.

4 marks

Award 1 mark for identifying one global consideration.

Award 2 marks for identifying two global considerations.

*Award 3–4 marks for identifying two global considerations **and** justifying why it is important for a business to take them into consideration when reviewing supply chain management.*

Note: Responses should refer to businesses in 2020, but are not required to refer to specific case studies. Acceptable global considerations include overseas manufacturing.

b. *For example (efficiency):*

It is important for a business to control operations related to materials as this can impact how competitive and efficient a business is. Strategies to improve the efficiency of operations related to materials include using a master production schedule and the Just In Time inventory management system.

If a business ensures that it has the correct inputs and materials available, orders will be able to be met and customers will be satisfied. A master production schedule enables a business to order exactly the inputs it needs and can optimise the operations system when it determines production schedules. This means that all resources such as labour, raw materials and the production line are used efficiently.

Using an inventory management system such as Just In Time ensures that inventory is managed efficiently. Holding minimal inventory reduces the amount of storage space required and will also reduce costs related to the storage of materials and less waste, particularly if materials and inputs can become obsolete or spoil. This will also ensure that the business reduces its costs in relation to materials and inventory.

4 marks

Award 1 mark for proposing one materials management strategy.

Award 2 marks for proposing two materials management strategies.

*Award 3–4 marks for proposing two materials management strategies **and** justifying each strategy in improving efficiency or effectiveness.*

Note: Acceptable materials management include forecasting and materials requirement planning.

c. The operations management system facilitates the transformation of inputs into finished outputs (goods and/or services). A manufacturing-based operations system focuses on a product or tangible good. It is usually more capital intensive than a service-based operations system and goods or products are produced, stored and usually then distributed to retailers who sell the goods.

A service-based operations system usually involves intangible services (rather than physical goods) and are usually produced and consumed at the same time. Service-based systems generally do not have separate distribution systems and are customised for the customer, whereas often a manufacturing operations system is more standardised.

4 marks

Award 1 mark for explaining either a manufacturing-based or service-based operations management system.

*Award 2 marks for explaining both a manufacturing-based **and** service-based operations management system.*

*Award 3–4 marks for explaining both a manufacturing-based **and** service-based operations management system **and** comparing the characteristics of a manufacturing-based and service-based operations management system.*

Question 4 (10 marks)

It is important for all businesses to have strong leadership when implementing and managing change. Leaders play a vital role in business leadership as change is generally complex and continuous. Leaders need to have a range of skills and attributes including being able to communicate with all stakeholders, delegation, negotiation, decision-making and problem-solving skills, and the ability to develop and articulate a vision for the business. If the leaders of a business do not have a clear vision of what the changes will be, or how the business will implement the changes and cannot communicate the benefits of the changes, then the business is unlikely to be successful.

Business change affects all stakeholders in some way, although some may be impacted more than others. Managers, for example, have to lead and manage the change process and support others while also dealing with the impact of change on themselves. If managers are finding the change process difficult to cope with in their own roles and tasks, it may be even more difficult for others such as employees who may feel that their jobs are adversely affected or in jeopardy.

Customers are another stakeholder who can be impacted business change. They may be affected if they find that products or services are no longer available or if the business has changed their product or service range. Customers may then be dissatisfied and no longer purchase goods or services from the business. On the other hand, changes to a product or service range may attract new customers, which will be advantageous for the business in the future. Completing market research and being clear about the needs and wants of the customers is important if the business is going to be able to implement the changes required.

As part of the management of change, a business needs to examine and evaluate the key performance indicators (KPIs) and other data to determine the effectiveness of any changes that have been made. By reviewing performance, a business can judge whether the changes that have been implemented have been successful or need to be reviewed and evaluated and further changes made. If a business has made changes, these should always be followed by a review of the changes and the KPIs of all the management functions, particularly if the changes have been widespread. Evaluations should be conducted for the whole business and in particular, operations management, human resources, financial, sales and marketing. All corporate social responsibility considerations need to be reviewed and evaluations can also take place at the individual and team level. Change is complex and it is important to evaluate whether any alterations or modifications have been successful. Not all changes will be successful and using KPIs and other data to monitor progress is vital for all businesses regardless of their size.

10 marks

Award 1–2 marks for describing the importance of leadership in change management.

*Award 3–4 marks for describing the importance of leadership in change management **and** the effect of change on one stakeholder.*

*Award 5–6 marks for describing the importance of leadership in change management **and** the effect of change on two stakeholders.*

*Award 7–8 marks for describing the importance of leadership in change management **and** the effect of change on two stakeholders **and** explaining why a business should review KPIs.*

*Award 9–10 marks for describing the importance of leadership in change management **and** the effect of change on two stakeholders **and** explaining why a business should review KPIs **and** other data.*

Note: Acceptable stakeholders include employees, suppliers, trade unions, competitors, government and community.

Question 5 (9 marks)

- a. Redundancy and retirement are both methods of terminating employment. The main difference between redundancy and retirement is the reason why the employment ceases.

Redundancy is the termination of employment by a business. It is usually due to the employee's position no longer being required or available. Redundancy is usually involuntary as the employee does not choose to leave the business. Reasons for redundancy include closures of part or all of a business, an organisational restructure, relocating the business or the introduction of new technology which may make some jobs and skills obsolete.

In contrast, retirement is voluntary and refers to when an employee decides to leave the workforce permanently. If an employee decides to retire, there are entitlements that they are eligible to receive including untaken or accrued annual leave and unused long service leave.

3 marks

Award 1 mark for explaining redundancy or retirement.

*Award 2 marks for explaining both redundancy **and** retirement.*

*Award 3 marks for explaining both redundancy **and** retirement **and** explaining the difference between them.*

- b. Businesses can use a number of strategies to ensure changes are implemented. Low-risk strategies are a more proactive approach to introducing change. These strategies usually mean that employees are more accepting of changes and change can be sustained.

An example of a low-risk strategy used to overcome employee resistance to change is the use of two-way communication between leaders, managers and employees. If there is honest and open communication, all parties are kept up to date and are more likely to understand the changes and the reasons why the changes are required. It also allows employees to provide feedback, which can be beneficial as they may have practical knowledge that managers do not always have. This may mean that better decisions are made.

An example of a high-risk strategy used to overcome employee resistance to change is the manipulation of information about the change and leaving out important information that may not be seen as positive. While high-risk strategies may result in change in the short term, they are less likely to be successful in the long term compared to low-risk strategies. Employees may feel that the managers cannot be trusted, and this may also have an impact on their motivation and productivity levels.

4 marks

Award 1 mark for explaining one low-risk strategy or one high-risk strategy.

*Award 2 marks for explaining one low-risk strategy **and** one high-risk strategy.*

*Award 3 marks for explaining one low-risk strategy **and** one high-risk strategy **and** how one of these strategies can be used to overcome employee resistance to change.*

*Award 4 marks for explaining one low-risk strategy **and** one high-risk strategy **and** how both strategies can be used to overcome employee resistance to change.*

Note: Acceptable low-risk strategies include empowerment of employees, support and incentives. Acceptable high-risk strategies include threats.

- c. Financial considerations can be a restraining force on a business. Lack of access to money and finance can make it more difficult for a business to implement changes. For example, if interest rates are low, making a loan more affordable, there is still a need for a business to have security so that banks and other financial institutions feel confident lending the money. If a business cannot access the finance, then it may not be possible for it to implement changes.

2 marks

Award 1 mark for briefly outlining how financial considerations can act as a restraining force on a business.

Award 2 marks for clearly explaining how financial considerations can act as a restraining force on a business.

Question 6 (4 marks)

Locke and Latham's Goal Setting Theory noted that setting both individual and team-based goals for employees could assist in ensuring focus on tasks, increased effort and persistence by employees with their work. All these factors can help to motivate employees, which should mean more productive and efficient employees and increased business performance.

The Goal Setting Theory ensures that clear and achievable goals are established for employees. There are five principles outlined in Locke and Latham's theory: clarity, challenge, commitment, the complexity of the task and feedback to employees.

Clarity: Goals should link to the objectives and priorities of a business, which means employee work will directly support and work towards the business being more successful.

Challenge: Goal setting should ensure that tasks will 'stretch' employees but not be too difficult and allow employees to receive feedback about their performance.

Commitment: Businesses can also use goal setting to ensure that employees are accountable and committed at an individual level and also provide the opportunity for teams to have goals set that they can work towards. This will often assist with the development of skills and the cohesion of the team or group.

Complexity: Developing goals that are achievable is important for motivating employees. It is also important to ensure that there is complexity in the tasks employees are expected to complete, as providing opportunities for employees to improve and challenge their skills will also assist in motivating employees.

Feedback: All employees should receive feedback about the work they and their teams are completing.

Receiving continual feedback will help motivate employees as they understand how they are progressing.

4 marks

Award 1–2 marks for identifying the key principles of the Goal Setting Theory.

*Award 3–4 marks for identifying the key principles of the Goal Setting Theory **and** explaining how a business can use each key principle to motivate employees.*

SECTION B – CASE STUDY

Question 1 (3 marks)

One management skill that Ahmad may use to address the shortage of hire cars and drivers is communication skills. Communication skills are important for a manager and involve communication between two or more people. This can be verbal or internal communication within a business and external communication with other stakeholders. If a manager wants to ensure that employees are clear about their tasks, it is important that they have excellent communication skills.

As First Class Formals and Graduations is having problems with shortages of drivers and car hire, then Ahmad needs to make sure he has spoken to those involved to work out if there is a reason for the shortages, how this could be overcome and to also explain the need for drivers to be available when they are required. If Ahmad does not use communication skills then it is unlikely that the issues will be resolved. It is particularly important that Ahmad uses clear communication with new employees to ensure that they have an understanding of what is required when they start with the business.

3 marks

Award 1 mark for briefly explaining one management skill.

*Award 2–3 marks for explaining one management skill **and** linking this management skill to First Class Formals and Graduations.*

Note: Acceptable management skills include interpersonal skills, time management, decision making, delegation, leading and planning. The management skill chosen should be appropriate for the scenario.

Question 2 (4 marks)

Corporate culture is the set of beliefs, values and attitudes of a business and its management and employees. Corporate culture is important as businesses with a positive corporate culture are more likely to attract and retain employees. There are a range of strategies a business can use to develop and improve corporate culture.

One strategy to improve corporate culture is the implementation of policies. A policy is a written statement that details processes, procedures, rules and regulations. Policies ensure that there is consistency in the way things happen, employees know the procedures and there are processes in place to ensure that all employees feel that they are treated fairly and consistently. By putting in place policies such as social media usage, complaints and grievance processes, anti-bullying policies and clear procedures for how roles are carried out, employees feel that they are treated equally and there is certainty. This usually results in a more positive corporate culture within the business.

If First Class Formals and Graduations review their policies, it should lead to employees having a clearer understanding of work attendance and commitments and therefore decrease the rate of staff absenteeism. It should also lead to a more positive corporate culture within the business, which should in turn decrease the rate of staff turnover as there will be more certainty for employees.

4 marks

Award 1 mark for explaining corporate culture.

*Award 2 marks for explaining corporate culture **and** identifying one strategy.*

*Award 3 marks for explaining corporate culture **and** identifying **and** explaining one strategy.*

*Award 4 marks for explaining corporate culture **and** identifying **and** explaining one strategy **and** linking the strategy to First Class Formals and Graduations.*

Note: Acceptable strategies include the creation of formal written vision and mission statements, establishing management structures, implementing management styles, business documentation and improving how employees are treated.

Question 3 (6 marks)

The number of customer complaints is a KPI. If the number of complaints is high or has risen over time, it is an indication that customer service and products may not be as good as the business would like.

The management strategy of improving quality in production may assist First Class Formals and Graduations. Customer complaints have risen over time, according to the pie chart shown in the case study, and feedback from customers also indicates some dissatisfaction with the quality of the services provided. Quality is clearly linked to profit and business success and a service-based business, such as First Class Formals and Graduations, needs to ensure that the quality of delivery is excellent if it is to be competitive. The managers of First Class Formals and Graduations should make sure there is a proper process in place to ensure that all events are performed as well as possible. Guaranteeing that all events are carried out to a high standard and making sure resources and staff are used appropriately should also assist with reducing customer complaints.

First Class Formals and Graduations can improve quality in production operations by using Total Quality Management. Total Quality Management may assist First Class Formals and Graduations as it is a quality system based on continuous improvement throughout the whole business. It is a holistic approach to quality where everyone in the business or organisation participates in looking for ways to improve the business in an ongoing way. There needs to be a commitment by all stakeholders to incremental and continuous improvement.

First Class Formals and Graduations could also improve quality in production operations through quality control. Information and feedback from customers also indicate concerns about the quality of the table decorations and the negative impact this has on the opinions of customers. As part of the quality control strategy, First Class Formals and Graduations should look at where table decorations are being sourced from and whether there is another supplier that can provide a similar or better product that would improve customer opinions and experiences. Putting in place quality control systems will also assist the managers in identifying any potential problems with the decorations, photography or the bookings before the events.

6 marks

Award 1 mark for briefly describing the management strategy.

Award 2–3 marks for describing the management strategy.

*Award 4–6 marks for describing the management strategy **and** linking the strategy to First Class Formals and Graduations.*

Note: Responses should include Total Quality Management and quality control to receive full marks.

Question 4 (3 marks)

One management strategy First Class Formals and Graduations could implement to respond to the KPIs of staff absenteeism and staff turnover is staff training.

This strategy focuses on improving the skills and abilities of the employees in the business. At First Class Formals and Graduations, both staff turnover and staff absenteeism have increased from 2018 to 2021. This can be costly for the business as it means it has to train new employees. If employees are leaving, this may indicate that employees are unhappy at work, which can affect their performance.

Focusing on training and upskilling employees should allow them to be able to handle issues, increase job satisfaction if employees have the opportunity to develop their skills and knowledge and reduce staff turnover. In turn, this might also reduce the number of complaints about the service provided to clients.

3 marks

Award 1 mark for identifying one appropriate management strategy.

*Award 2 marks for identifying **and** explaining one appropriate management strategy that addresses the KPIs of staff absenteeism and staff turnover.*

*Award 3 marks for identifying **and** explaining one appropriate management strategy that addresses the KPIs of staff absenteeism and staff turnover **and** linking the strategy to First Class Formals and Graduations.*

Note: Acceptable management strategies include staff motivation, change in management style and skills, increased investment in technology and redeployment of resources.

Question 5 (4 marks)

Business change can be defined as the process of taking an existing business, altering it and establishing a new or modified form. Change can be far reaching or only affect one part of the business. Employees can be a driving force for change as they are able to supply a point of difference and a competitive edge. If employees can come up with ideas and embrace changes and the way the business operates, they can drive the business to change. Employees are well-suited to drive change, as they have first-hand experience with the way the business operates and therefore will know what kind of change will be useful to the business.

At First Class Formals and Graduations, the employees that deliver the graduation packages to schools would have a good understanding of what aspects of the business were in need of change. Listening to an employee's suggestions could improve the experience of customers, which may lower the number of customer complaints that First Class Formals and Graduations receives. Allowing employees to take part in business change may also improve the KPIs of staff turnover and staff absenteeism, as changes to the way First Class Formals and Graduations operates could encourage employees to remain with the business.

4 marks

Award 1 mark for defining the concept of business change.

*Award 2–3 marks for defining the concept of business change **and** explaining how employees can be a driving force for change.*

*Award 4 marks for defining the concept of business change **and** explaining how employees can be a driving force for change **and** linking to First Class Formals and Graduations.*

Question 6 (5 marks)

Senge's Learning Organisation is based on a number of key principles including systems thinking, personal mastery, mental models, building a shared vision and team learning. Senge believed that only businesses that are able to be flexible, adaptive and productive when implementing change will be successful.

Each of these principles looks at different aspects of how the business operates. Systems thinking looks at the whole organisation and how all the parts of it relate. Personal mastery focuses on employees learning so the business can also learn. Mental models are the ways people view the world and their assumptions and ideas. Building a shared vision is also important as it needs to be developed by a group of people within the business, not just the managers or leaders. Allowing teams of employees to work and learn together is also important so people develop teamwork.

Two principles of Senge's Learning Organisation that First Class Formals and Graduations can use are building a shared vision and team learning.

Ensuring staff have a shared vision is important and can support the business to further improve and remain competitive in the future. If all staff have a clear understanding of what the vision is, it can support the everyday work of employees. A shared vision, if it is known throughout the business, can encourage and inspire everyone involved in the business.

When all employees participate in team learning they develop their capacity to act as a cohesive group. This will lead to improvements in understanding of the processes in the business and will assist in developing every member of the team's capacity. As many employees work together on events, a focus on team learning and development should also provide another opportunity for the business to develop and be successful.

5 marks

Award 1–2 marks for providing an overview of the principles of Senge's Learning Organisation.

*Award 3–4 marks for providing an overview of the principles of Senge's Learning Organisation **and** explaining how the business may use two principles.*

*Award 5 marks for providing an overview of the principles of Senge's Learning Organisation **and** explaining how the business may use two principles **and** linking to First Class Formals and Graduations.*