

BUSINESS MANAGEMENT

Unit 3&4 Examination 1

MARKING GUIDE

SECTION A

Instructions for Section A

Answer **all** questions in the spaces provided.

Question 1 (14 marks)

Safe Install connects various items into new houses, such as ovens, rangehoods, and air conditioners. It is owned and operated by two brothers, Jerry and Fred.

- a. Identify the type of business that *Safe Install* is and outline one of its characteristics. 3 marks

1 mark – identifying the type of business *Safe Install* is

2 marks – outline of one characteristic of this type of business

Safety Install operates as a partnership. One characteristic of a partnership is unlimited liability. This means that the two brothers are personally liable for all the debts of the business.

- b. Explain how the elements of operations apply to service businesses such as *Safe Install*. 6 marks

2 marks – explanation about how inputs apply to a service business like *Safety Install*

2 marks – explanation about how processes apply to a service business like *Safety Install*

2 marks – explanation about how outputs apply to a service business like *Safety Install*

Note: Only 1 mark can be awarded for a list of the elements of operations

If there is no link to a service business for each of the 3 elements, then a maximum of only 1 mark can be given for the explanation of each element x 3

*Inputs are all the resources used to provide the service, which would include capital equipment, raw materials, labour, and finance. *Safe Install* would use various tools to connect air conditioners to the wall of a house. The partners and employees would also be a resource as they are needed to install the various items.*

*Process refers to the conversion of all inputs into the final output. For a service business like *Safety Install*, this would involve the completion of all the tasks that customers are paying for, including the installation of the ovens, rangehoods, and air conditioners into the new homes.*

*Output refers to the final goods or the completion of services that customers have paid for to be able to use or enjoy. For a service business like *Safe Install*, it will involve the various items being properly and safely connected to the satisfaction of the customers.*

- c. Below is an extract of some key performance indicator data for *Safe Install* over the past two years.

Key performance indicator	2020	2021
Number of workplace accidents	7	24
Net profit	\$110 000	\$130 000

Analyse each of these key performance indicators in relation to *Safe Install*.

5 marks

Mark globally

Sample grid:

Mark Allocation	Descriptor: typical performance in each range
5 marks	<i>Response provides a detailed analysis of both:</i> <i>Net profit figures in relation to Safety Install</i> <i>Number of workplace accidents in relation to Safety Install</i>
4 marks	<i>Response provides a moderate analysis of both:</i> <i>Net profit figures in relation to Safety Install</i> <i>Number of workplace accidents in relation to Safety Install</i>
3 marks	<i>Response provides an analysis of either:</i> <i>Net profit figures in relation to Safety Install</i> <i>Number of workplace accidents in relation to Safety Install</i>
1 - 2 marks	<i>Limited answer referring to only 1 – 2 relevant points with little or no link to Safety Install</i>
0	<i>Response does not relate to any elements of the question or no attempt to answer the question</i>

Net profit could have risen by \$20 000 due to increased sales revenue and/or decreased expenses. For instance, if more people are building houses, then there will be more demand for various household items to be connected, increasing revenue. Perhaps Safe Install found ways to cut back on expenses, maybe through finding cheaper office space to rent.

The number of workplace accidents rose quite significantly from 7 in 2020 to 24 in 2021. This could be the consequence of increased sales revenue, which involves doing more installations. With more installations comes a greater risk of injuries, especially if employees are rushing between job sites to meet increased demand. Safe Install could have also hired more employees, who lacked

experience or were inadequately trained leading to the increase in workplace accidents.

Question 2 (10 marks)

Pots Galore manufactures pots and garden decorations which are sold to customers and retail outlets. Employees are given specific instructions about how to design and decorate these items. Management does not seek any feedback from employees due to concerns it will slow down operations.

- a. Outline how an autocratic management style is being used at *Pots Galore*. 2 marks

1 mark – statement about how an autocratic management style is used at Pots Galore

1 mark – further details about the use of this management style at Pots Galore

Note: 1 mark can only be awarded if an autocratic management style is outlined in general with no reference to the scenario.

An autocratic style is being used as employees are given “very specific directions” about how to do the work. The employees are not being told why the work must be done a certain way.

Communication is very much one way due to management not seeking any employee feedback.

Management makes all decisions and do not want employee input, making the management style autocratic.

- b. Discuss the suitability of an autocratic style being used at *Pots Galore*. 5 marks

2 marks – explanation about how this management style is suitable at Pots Galore

2 marks – explanation about this management style is not suitable at Pots Galore

1 mark – reference to the scenario

One benefit of the autocratic style is that employees have clarity about how to design and decorate the garden items. This means employees should understand how to do their job, leading to greater productivity as there is no discussion between management and staff.

However, creativity on the part of employees is not fostered when they are developing the designs of the decorations, as no employee input is sought. Sub-standard decorations could result due to management having excessive control, leading to reduced customer satisfaction and lower net profit in the longer term.

- c. Explain how stakeholder conflict can lead to reduced productivity in businesses such as *Pots Galore*. 3 marks

1 mark – explanation about how stakeholder conflict can cause problems

1 mark –link between stakeholder conflict and reduced productivity

1 mark –reference to scenario

Stakeholder conflict can cause problems when various interests are not being met in a synchronised or coordinated way. It results in a lack of unity and focus towards achieving business objectives

such as increased productivity growth. For instance, employees may have an interest in being allowed to have greater ownership in the decisions related to manufacturing the pots and creating the decorations, but management seems to have an interest in tightly controlling how employees work. As a result, employee morale could suffer leading to decreased productivity.

Question 3 (6 marks)

Describe how the following strategies can result in long term motivation for employees.

- Investment in training
- Career advancement

2 marks - description about how investment in training results in employee motivation

1 mark – specific reference to long term motivation

2 marks –description about how career advancement results in motivation

1 mark - specific reference to long term motivation

Investment in training motivates employees as it gives them greater clarity about how to do their job through the allocation of resources to improve their skills. Furthermore, employees tend to feel appreciated if management invests in their training as it provides opportunities for employees to learn and develop their skills and abilities. Confidence and role clarity results, leading to employees being more willing and able to do their work. This is especially true if training opportunities are offered on a regular basis, in which case employees will be consistently motivated over the long term.

Career advancement motivates employees as it gives them something to strive for in terms of a higher role in the business, which often corresponds to additional responsibilities and higher pay. When such opportunities are consistently offered to employees, then they are more driven as there will always be something for them to strive for, leading to long term motivation. Employees who are promoted achieve greater work satisfaction in the longer term as they wanted to be challenged in their job roles.

Question 4 (6 marks)

Referring to a business you have studied this year, explain how one motivation theory can be used to increase employee motivation.

2 marks- explanation of the key elements of the motivation theory

2 marks- explanation of how the theory can be used to increase employee motivation

2 marks- detailed reference to a specific business

Flight Centre has experienced significant decreased employee motivation due to job security concerns (due to job losses) associated with COVID-19 restrictions on travel. One motivation theory that could be used to assist is the 4 Drive theory developed by Lawrence and Nohria which focuses on the four basic motivational sources that drive people's emotions and behaviour.

The theory is made up of the drive to comprehend which can be addressed by providing employees with additional training that can equip them with the skillset to be suitable recruits for other

employers and businesses, should their job at Flight Centre not last.

If employees are multiskilled then they will experience less stress over job security as they will be able to find a new job. Employees will remain more motivated to work well in their current positions at Flight Centre. This ties in with the drive to defend, as employees want to keep what they have in terms of a stable income into the future. This drive can also be met through management finding ways to ensure that employees keep their jobs at Flight Centre if they continue to meet certain sales targets for domestic flights given the current travel restrictions. This could mean that employees would be more motivated to work well to achieve these targets to retain their job.

The drive to acquire relates to individual employees seeking material goods and status in their workplace. For the employees at Flight Centre the knowledge that they have a job and can earn an income to satisfy their needs during this pandemic will motivate them to focus on their job until domestic and international flights resume and then management can offer further incentives in terms of bonuses and promotions to boost employee motivation.

The Drive to Bond is the final of the four drives and involves the desire for employees to participate in social interactions and develop positive workplace relationships. Management at Flight Centre could still conduct team bonding activities, ensure that staff are remembered on special occasions such as birthdays and organise regular social events like morning teas to boost employee motivation.

Question 5 (10 marks)

“Unless products are made properly, there is no potential for business success”.

Explain the importance of operations management in facilitating business effectiveness. In your response, refer to how another area of management responsibility can also assist.

Mark globally

Sample grid:

Marks	Descriptor: typical performance in each range
9-10 Very High	<i>Response provides a reference to the statement with a detailed explanation of each of the following:</i> <i>The importance of operations management in facilitating business effectiveness using examples of specific operations strategies</i> <i>Identification of another area of management responsibility and how this can also assist in business effectiveness</i>
7-8 High	<i>Response provides a reference to the statement with an explanation of each of the following:</i> <i>The importance of operations management in facilitating business effectiveness using examples of specific operations strategies</i> <i>Identification of another area of management responsibility and how this can also assist in business effectiveness</i>

5-6 Medium	<i>Response provides little reference to the statement with only a moderate explanation of each of the following:</i> <i>• The importance of operations management in facilitating business effectiveness using examples of specific operations strategies</i> <i>• Identification of another area of management responsibility and how this can also assist in business effectiveness</i>
3-4 Low	<i>Response provides no reference to the statement with only some explanation of one of the following:</i> <i>• The importance of operations management in facilitating business effectiveness</i> <i>• Identification of another area of management responsibility and how this can also assist in business effectiveness</i>
1-2 Very Low	<i>Response makes no reference to the statement and does not provide an explanation of each element of the question. It may only refer to one or two key points.</i>
0	<i>Response does not relate to any elements of the question or there is no answer provided</i>

Operations is vital for increasing business effectiveness and various strategies can be implemented to help businesses achieve their objectives. For instance, a business could use a materials management strategy like Just in Time, which involves ordering inputs in the right amount and at the right time as they are needed for the next production cycle. This helps reduce costs due to less wastage, and through utilising less space for the storage of materials. This can then position a business to be effective through increasing profits.

In terms of Operations being able to know the precise number of inputs required and when these inputs are required, the Sales and Marketing area can assist by providing information to operations about the number of orders placed by customers. This way, Operations can accurately implement the Just in Time strategy.

Business effectiveness can also be facilitated through operations management strategies associated with quality. For instance, quality assurance can be implemented to ensure that set standards in production are met, based on the criteria of a well-recognised external body. If a business obtains certification from an external body, then this results in customers having greater confidence in the quality of products sold. This is likely to increase sales and therefore help the business meet the objective of increasing net profit. Sales and Marketing could also assist in this regard through engaging in market research about what assurances customers want or seek in that industry to buy the product. From this data collected, recommendations can be made to Operations about the importance of quality assurance.

Technology strategies can also help with business effectiveness through meeting objectives related to increased productivity. For example, computer aided manufacturing speeds up the production process as it is faster than human labour. Increased accuracy in production will also mean less need to discard inputs used incorrectly, meeting the business objective of reducing waste.

Question 6 (4 marks)

Compare how one global strategy and one domestic strategy can result in more opportunities for businesses.

2 marks – how the two strategies are similar (maximum of 1 mark only for a brief outline)

2 marks – how the two strategies differ (maximum of 1 mark only for a brief outline)

One domestic strategy involves multiple branding, which can generate opportunities through having more shelf space in a retail outlet, due to the various brands offered by the same business.

One global strategy involves utilising online sales through the internet to sell internationally, not just domestically. Both strategies increase opportunities by accessing more potential customers, whether it is through more shelf space, or selling via the internet to a worldwide audience. As a result, both can lead to increased sales and therefore more profit. However, these strategies differ in that multiple branding is not so much about targeting a worldwide audience, but about having greater business exposure locally through the offer of different brands by the same business while online sales focus on reaching a broader market through the creation and maintenance of an accessible website.

End of Section A

SECTION B – CASE STUDY

Instructions for Section B

Use the stimulus material provided to answer the questions in this section. Answers must apply to the stimulus material. Answer **all** questions in the spaces provided.

2020 has been the year of disruption. For the accounting and finance sector, it's dramatically shifted how firms manage their teams, how they interact with their clients and how they plan for the future. But despite the challenges the pandemic has caused, smart organisations and future-looking leaders are embracing the disruption and using it to their advantage. Here are five ways the accounting industry has changed in 2020.

1. Firms are managing staff entirely remotely

In addition to government-mandated rules around social distancing, proper hygiene, and even mandatory masks in states like Victoria, businesses have had their traditional environments turned upside down due to COVID-19.

The accounting sector, while not as heavily impacted as solely customer-facing industries like retail and hospitality, has still had to take steps to abide by these restrictions. The largest of which is office closures – or at the very least, only a certain number of people allowed in a building at any one time. That means firms must equip their staff with the right tools and software to work from home and offer support from management to ensure they are getting the most out of their teams.

2. Both organisations and staff are enjoying cost savings and unexpected benefits

While remote working has been a struggle for many, it's had positive knock-on effects in the form of greater work-life balance – although not for all – and cost savings for both employees and the firms themselves.

Staff, for example, no longer have to endure lengthy commutes and the associated costs of working in an office (e.g. fuel, public transport fees, takeaway coffees and lunches). And firms can do away with unnecessary meetings – which cost businesses approximately \$400 billion in 2019 – while also seeing increased productivity across the board.

3. Accountancy firms are embracing cloud-based workflow solutions

If there is one thing mandatory remote work has shown organisations, it's that staff need to be given the right tools in order to transition to work-from-home. Not only that, but they need to be supported by their leaders.

If there is any winner to come out of this pandemic, it's the cloud. Businesses are accelerating their digital transformations just to stay competitive, and they are looking to cloud-based workflow solutions to help them.

For example, according to the *CommBank Accounting Market Pulse – June 2020 report*, accounting firms now understand the true value of workflow products for increased productivity and efficiency.

It is why “almost 60% of firms use cloud-based computing and storage”, with the same report showing cloud tools have the second-highest growth rate across firms (after cybersecurity).

4. Opportunities for hiring are expanding

Traditionally, in-house employees have made up most staff numbers at firms, but the pandemic is forcing the C-suite to reassess its hiring strategies. With remote work eliminating regional boundaries, it makes sense that businesses would look further afield for top talent.

Whether that is a Sydney firm poaching someone from Perth and not requiring them to travel across the country for a better role or looking abroad to reduce payroll while still being able to onboard and train up new staff digitally. These are exciting times for HR and hiring managers, but it is key to approach hiring with due diligence, and in a similarly methodical way as before.

Here’s how the accounting industry has transformed in 2020, APS Software, 01/04/2020, <<https://www.accountantsdaily.com.au/sponsored-features/14774-here-s-how-the-accounting-industry-has-transformed-in-2020>>

Question 1 (4 marks)

Describe how two driving forces can encourage businesses to change.

2 marks – description about how one driving force can encourage change with reference to the above case study

2 marks – description about how another driving force can encourage change with reference to the above case study

Note: if there is no reference to the case study then a maximum of 1 mark can be allocated for the description of each driving force x 2

One driving force is technology. This involves businesses being pressured to change to make use of technological trends and interfaces that can make it easier and less costly to run a business. For instance, accounting firms can run remotely due to various ways of communicating through the internet and the use of specific software in a different setting, which means it is not necessary to do so in person at the office. This drives change as the business can make better use of financial resources which would usually need to be spent on larger office space to allow employees to work in a physical building.

Another driving force is employees who complete work tasks to meet the needs of the business. Employees have their own expectations and can put pressure on businesses to change when the change is perceived to be in their interest. Employees in accounting firms could pressure such businesses to transition towards operating remotely as there are greater prospects of achieving a work-life balance by not having to physically commute to and from work each day. Employees can also convince businesses that their productivity levels increase when they work remotely in order to ‘sell this idea’ to their employers.

Question 2 (7 marks)

a. Define 'rate of staff absenteeism'.

2 marks

1 mark – reference to absenteeism involving taking time off work

1 mark – reference to quantity/amount/percentage

The rate of staff absenteeism refers to the percentage of staff (e.g. employees who work at finance/accounting firms) not attending work in a specific period of time when they are scheduled to do so.

b. Evaluate how an increased investment in technology can impact this key performance indicator.

5 marks

2 marks – explanation about how this can have a positive impact on this KPI with reference to the case study

2 marks – explanation about how this can have a negative impact on this KPI with reference to the case study

1 mark – overall conclusion with reference to the case study

An increased investment in technology can help to decrease staff absenteeism by allowing staff to work in a variety of settings rather than just at the office or workplace. For instance, if accounting firms invest in technology that enables more opportunities for staff to work remotely, it is more likely that staff will not be seeking to take time off work, since it is easier to get ready for work at home, instead of commuting to a physical building. However, investment in technology might not solve systemic problems that might be the cause of staff absenteeism in some workplaces. For instance, if a finance firm has a bad corporate culture, employees might lack the desire to attend work even in a remote setting, due to such a negative culture still permeating through virtual meetings and e-mails. Overall, investment in technology can reduce staff absenteeism if staff are happy to work remotely especially if it provides more of a work-life balance for them and is not indicative of other workplace issues.

Question 3 (10 marks)

- a. Outline one of Porter's generic strategies and discuss its ability to help generate a competitive advantage. 5 marks

1 mark – outline of one generic strategy

2 marks – explanation about how it can result in a competitive advantage for an accounting or financial business

2 marks – explanation about how it can may not result in a competitive advantage for an accounting or financial business

Note: if no reference is made to accounting or financial businesses then a maximum of 1 mark can be allocated for the explanation of each x 2

One of Porter's generic strategies is lower cost. This involves striving for cost leadership in an industry through having the lowest operating costs. It can help generate competitive advantage through positioning a business to offer customers the best price. Cost savings can be passed onto consumers in the form of lower prices. The business is then able to generate more sales due to offering lower prices than its competitors. For instance, if an accounting firm managed to significantly decrease costs by having smaller offices due to more employees working remotely, it would then be able to offer clients lower fees when doing their tax returns or providing other financial advice. This will increase demand for this accounting firm's services as more clients would be attracted to the firm as opposed to rival firms. However, lower cost can be challenging to implement if other businesses are also adopting similar cost cutting strategies. In such cases, lowering costs will not lead to the business gaining a competitive advantage, especially if other accounting firms in the industry are also moving towards remote operations. Furthermore, even when savings are passed onto clients through lower prices/accounting fees, some might not be attracted to the accounting business due to concerns that lower prices correspond to poor quality services.

- b. Compare two training options that can be considered when implementing the generic strategy referred to in Question 3a. 5 marks

2 marks – explanation of the similarities of two training options

2 marks – explanation of the differences of two training options

1 mark – clear connection/ link to the generic strategy referred to in Question 3a

One training option is on- the- job training, which would involve showing employees ways to reduce costs while they still do the work at the specific workplace. The other option is off- the- job training, which -involves employees being trained outside the workplace about how to engage in cost cutting procedures. Both methods should increase employee knowledge about how to enact strategies to help their employer reduce costs. However, one difference is that on-the-job training could result in

employees learning how to help with cost cutting in a way that directly relates to how that particular business operates. One other hand, with off- the- job training, employees might learn of ways to implement the strategy that does not correspond to the nature of the business they are working at (e.g.: learning how to cut costs in sourcing cheaper machinery for manufacturing, which would not be relevant to accounting firms which plan to reduce costs through remote operations).

Question 4 (4 marks)

Describe the importance of businesses reviewing key performance indicators to evaluate the effectiveness of business transformation. Include an example of a key performance indicator to support your answer.

2 marks – description of importance of reviewing KPI's

2 marks – reference to an example of a specific KPI relevant to case study

It is critical that both accounting and financial businesses measure business performance using a range of key performance indicators that will provide data about their performance over a specific time period. This data can be compared to the data of rival businesses or to their own previous results to determine whether the business transformation (for example, the move to more remote operations) has been successful.

The accounting and financial businesses could review the rate of productivity growth for example to determine if this has improved over time when employees are working in locations other than the office e.g. from home. With less time spent on travelling to and from work and the ability to achieve a better work-life balance the businesses would anticipate that this business transformation would translate to increased productivity levels. If productivity has remained the same or declined, then the accounting and financial businesses would need to examine other key performance indicators to determine whether they have had an impact on productivity e.g. rate of absenteeism and level of staff turnover and implement further change to address this issue.