



Trial Examination 2022

VCE Business Management Units 3&4

Written Examination

Suggested Solutions

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SECTION A**Question 1** (18 marks)

a. *For example:*

James and Sienna could use a private limited company as they expand Artisan Foods. A private limited company can have between one and fifty shareholders. This type of business would provide some protection for James and Sienna as the company becomes a separate legal entity, which limits shareholder liability. This would suit James and Sienna as they could access funds to expand their business while protecting their own personal assets. Extra capital can usually be obtained, which will also assist in their expansion plans.

3 marks

Award 1 mark for recommending one business structure.

*Award 2 marks for recommending one business structure **and** providing reasons why the structure is suitable.*

*Award 3 marks for recommending one business structure **and** providing reasons why the structure is suitable **and** linking the response to Artisan Foods.*

Note: Acceptable business types include private limited company and public company.

b. *For example:*

Customers are a stakeholder of Artisan Foods. Customers want the business to continue to be successful as they prefer to have access to the business's products and the high-quality food and service.

2 marks

Award 1 mark for identifying one stakeholder.

*Award 2 marks for identifying one stakeholder **and** explaining the interests of the stakeholder.*

Note: Acceptable stakeholders include customers, competitors, management, employees, unions, suppliers, banks and financial institutions, the general community and government.

c. Employees are often the main difference between one business and another. The success of a business and its ability to achieve its objectives is often due to the competitive edge it gains through its employees. Being able to attract and retain skilled, motivated and productive employees will allow a business to meet objectives such as increased market share and increased profits. If a business is focused on quality service and products, then it is more likely to achieve its objectives; well-managed employees support this work.

3 marks

*Award 1 mark for explaining managing employees **and/or** business objectives.*

Award 2 marks for describing the relationship between managing employees and business objectives.

Award 3 marks for comprehensively analysing of the relationship between managing employees and business objectives.

d. *For example:*

One motivation strategy James and Sienna could implement is investment in training. This could motivate employees as it provides them with the opportunity to improve their skills and knowledge. It also creates an environment where employees feel valued because of the time and money being invested in their training. This in turn will increase productivity and may make the business attractive to new employees. It will also assist in retaining current employees. If James and Sienna use this strategy to support existing employees, it should result in the employees having increased job satisfaction and commitment to the business.

One advantage of staff training is that it helps to create a positive corporate culture as employees stay in their roles at Artisan Foods, become more confident and skilled and also assist in establishing shared values and behaviours. One disadvantage of staff training is that it can be expensive to implement. Additionally, if employees do not have the chance to use the new skills they have developed or do not have access to promotion opportunities despite their new skills, this may contribute to them deciding to leave the business. In a small business such as Artisan Foods, employees may not have as many opportunities to advance their careers. This may be a problem if the business has spent money on staff training and staff decide to leave anyway.

7 marks

Award 1 mark for proposing one motivation strategy.

*Award 2–3 marks for proposing **and** justifying one motivation strategy.*

*Award 4–5 marks for proposing **and** justifying one motivation strategy **and** outlining one advantage **or** one disadvantage of the strategy for Artisan Foods specifically.*

*Award 6–7 marks for proposing **and** justifying one motivation strategy **and** outlining one advantage **and** one disadvantage of the strategy for Artisan Foods specifically.*

Note: Acceptable motivation strategies include training, performance-related pay, career advancement, support and sanctions.

e. *For example:*

One corporate social consideration Artisan Foods could pursue while implementing changes is its impact on the local community. Artisan Foods has set up a partnership with a local charity to provide food for those who need it. As the business grows and expands into other geographical areas, it needs to make decisions as to whether this work will continue or grow. It is possible Artisan Foods could make links with other charities in its new locations, or it could cease the partnership with the charity altogether.

3 marks

Award 1 mark for describing one corporate social responsibility consideration that could be pursued when implementing changes.

*Award 2 marks for describing one corporate social responsibility consideration **and** explaining how the consideration could be pursued when implementing changes.*

*Award 3 marks for describing one corporate social responsibility consideration **and** explaining how the consideration could be pursued when implementing changes **and** linking the response to Artisan Foods.*

Note: Acceptable considerations include impact on the local community, impact on suppliers and customers, waste management, support of local community groups, new programs to support the community, and negative impact of increased emissions with deliveries to regional towns.

Question 2 (7 marks)**a.** *For example (time and experience of employees):*

There are a number of different management styles that a manager can use. These may vary depending on the situation and a range of factors. One factor that may affect the management style used is time. If a manager must make a quick or urgent decision, they may not be able seek input from others or give reasons for their decision. This may mean they use an autocratic management style so that the decision can be made far more quickly. If there is more time available to seek the feedback and opinions of others, a manager may instead use a consultative or participative style.

Another factor that may affect management style is the experience of employees. If a manager has a team of experienced and skilled employees, the employees may have the expertise to assist in decision-making. The manager may then decide to use a participative management style because this style enables group decision making, two-way communication and input from others. If the experience of employees is limited, then a manager may decide to use a persuasive style of management. This style allows the manager to make a decision themselves, and they may choose to provide the reasons why the decision was made.

4 marks

Award 1–2 marks for explaining how one of the listed factors can affect management style.

Award 3–4 marks for explaining how two of the listed factors can affect management style.

b. There is a relationship between management styles and management skills. Some management styles require a manager to have certain management skills. If a manager uses a participative or consultative style, they need to be able to work with their employees. This means that they require excellent communication and interpersonal skills.

If a manager uses a persuasive or autocratic style, they need to be able to make a decision and be positive that it is the best decision to make given the circumstances. This means that they need to have decision-making and planning skills.

A manager who uses a laissez-faire management style needs to set the conditions for employees to work in and then give employees the autonomy to make decisions about tasks. This means that they should have excellent leading and communication skills.

3 marks

*Award 1 mark for analysing management style **and/or** management skills.*

Award 2–3 marks for analysing the relationship between management styles and management skills.

Note: Examples may be used to develop the response but are not required to obtain full marks.

Question 3 (3 marks)

Technological development can improve the effectiveness and efficiency of an operations system. Website development can ensure that a business, either service-based or product-based, can remain competitive, find potential customers and ensure its customers are looked after. Website development can improve the efficiency of the system as it means that, once the website is established, customers can access the business and purchase products or services and/or look at what the business offers.

Website development also provides a business with the opportunity to improve the effectiveness of its operations system. A business can track sales and the needs of customers through the website. In this way, the business can ensure it receives customer feedback easily and is not carrying excess inventory of products. The website may also assist in monitoring the effectiveness of the business and its ability to meet business objectives.

3 marks

Award 1 mark for explaining website development.

*Award 2 marks for explaining website development **and** how it can improve efficiency **or** effectiveness.*

*Award 3 marks for explaining website development **and** how it can improve efficiency **and** effectiveness.*

Question 4 (10 marks)*For example:*

There are a number of business opportunities in global and domestic economies that businesses can pursue, and a business needs to implement management strategies to seek out new opportunities to enable it to grow and prosper. Two strategies a business could implement are innovation and developing a market niche.

Innovation is about being able to ‘think outside the box’ and look at new ways to create opportunities, new markets and a new customer base. Being able to invent a product, create a new service or improve on an existing service provides an opportunity for a business to expand and increase its market share, sales and profit levels. Innovation also allows businesses of any size to access markets and customers that they may not be able to otherwise.

A second strategy a business could implement is developing a market niche. If a business can develop their product or have something unique, it can gain a strong customer base and be able to compete with other businesses, regardless of its size. By finding a gap in the market, a business can become profitable and is unlikely to have a lot of competition. In this way, a business can become more profitable, particularly if there is no other product or service similar to what it offers. Finding a market niche can enable small businesses to compete with larger businesses, increase sales and profit, and can allow a business to compete both in the domestic and global markets.

There are a number of driving forces that may lead a business to seek out new business opportunities. One driving force is competitors. If a company wishes to successfully compete with other businesses, it must make sure that it stays ahead of its competitors. By innovating, a business can have a point of difference from its competitors and, therefore, increase its market share and business performance. If a business is able to develop a market niche, it will not have competitors for at least some period of time. This may allow it to develop a customer base and become the established business in that area. This is an advantage, even if other businesses enter the market.

The pursuit of profit is another driving force that can lead to a business seeking out new opportunities. A business and its owners/shareholders want the business to make a profit. Profit can be distributed to shareholders and also allows the business to have access to money for future expansion. The pursuit of profit may also be a driving force to lead a business to innovate and implement new ideas. Higher profit figures are supported by innovative products and services, and higher profits allow a business to continue to innovate and try new ways of doing business. If a business can develop a market niche or gap, this can lead to increased sales, which should also contribute to higher profit levels.

It is important for a business to continually pursue new business opportunities and seek out new ways of becoming successful or building on past success.

10 marks

Award 1–2 marks for describing one management strategy.

Award 3–4 marks for describing two management strategies.

*Award 5–6 marks for describing two management strategies **and** explaining one driving force.*

*Award 7–8 marks for describing two management strategies **and** explaining two driving forces.*

*Award 9–10 marks for describing two management strategies **and** explaining two driving forces **and** explaining the link between the management strategies and driving forces.*

Note: Acceptable management strategies include joint ventures with other businesses, exporting products to different markets, importing products not available and offering new services. Acceptable driving forces include managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes.

Question 5 (6 marks)

a. *For example, any one of:*

- One element of an operations system is inputs, which are the resources and components used in the operations system. These include labour, equipment, time, money, employees, information, parts and natural resources used to make a product or deliver a service. For example, Yakult uses a range of inputs to make its product, a probiotic drink. Some of Yakult's inputs include machinery and equipment, labour and natural materials such as skim milk, water, glucose–fructose syrup, sugar, flavourings and the bacteria strain *Lactobacillus paracasei Shirota*.
- One element of an operations system is process, where the inputs are transformed into a finished product or service. Processes include production line processes, an item being assembled and a person completing a service for a client or customer. For example, Yakult has a factory where inputs are combined to make the probiotic drink. Product testing is part of the process as well.
- One element of an operations system is output, which is the final product or service provided by the business. Outputs include a finished product or item and the completion of a service that has been delivered. For example, Yakult has a number of finished products, including different types of the probiotic drink (regular and sugar-free). The final product is packaged and delivered to shops and supermarkets from the factory.

2 marks

Award 1 mark for describing one of the key elements of an operation system.

*Award 2 marks for describing one of the key elements of an operations system **and** supporting the response with an example of a contemporary business case study.*

Note: Accept any suitable contemporary business case study.

b. *For example:*

An operations system can be service-based or manufacturing-based. While both systems have inputs, processes and outputs, there are differences between the two. One characteristic of a service-based operations system is that the outputs produced are intangible. A service-based system provides a service to meet the needs of the customer. Examples include a haircut, completion of a tax return and legal advice. These services may vary and are unique. The operations system may depend on the particular needs of the customer or client, their situation and the experience of the person delivering the service.

One characteristic of a manufacturing-based operations system is that the outputs produced are tangible. The product or good can be stored as inventory or stock. This means a manufacturer or supplier produces products, which are stored at a factory or other site and then delivered to retailers or customers directly. Examples include kitchen appliances, furniture and clothing. The manufacturer needs to pay to store products or goods until they are delivered or sold. Manufacturing-based systems need to have plans in place regarding how much inventory should be stored and how much should be produced.

4 marks

*Award 1 mark for a limited discussion of one characteristic of **either** a service-based system **or** a manufacturing-based system.*

*Award 2 marks for discussing one characteristic of **either** a service-based system **or** a manufacturing-based system.*

*Award 3 marks for a limited discussion of one characteristic of a service-based system **and** one characteristic of a manufacturing-based system.*

*Award 4 marks for discussing one characteristic of a service-based system **and** one characteristic of a manufacturing-based system.*

Note: Acceptable characteristics of a service-based system include services are performed; production and consumption occur simultaneously; services are intangible; services are customised to suit the needs of the customer; and a high degree of customer contact. Acceptable characteristics of a manufacturing-based system include goods or products are tangible; production and consumption of the goods are usually separate; products can be standardised; usually minimal contact with customers; and usually capital and machinery involved in the production process.

Question 6 (6 marks)

- a. Gold Star Conference Services has used Porter's Generic Strategy of differentiation. A differentiation approach is when a business focuses on an attribute or quality that it believes its current and potential customers consider to be important. This approach allows a business to focus on something that will make it unique and stand out from other businesses in the sector. Gold Star Conference Services has built a reputation for providing high-quality service to its clients, which is a consideration other than price. As the business expands into virtual conferences, it will focus on continuing this approach.

3 marks

*Award 1 mark for identifying the differentiation approach.**Award 2 marks for identifying the differentiation approach **and** explaining the approach.**Award 3 marks for identifying the differentiation approach **and** explaining the approach **and** using specific information about Gold Star Conference Services to support the response.*

- b. Gold Star Conference Services may use employee observation as a performance strategy because it allows the business to determine the skills a new employee has and where they may need additional training and support. Feedback can be collected at regular intervals and can come from a number of sources. Gold Star Conference Services could gain feedback from other employees, managers who oversee the new employee, clients and people at the conferences. Using employee observations, Gold Star Conference Services can have conversations with the new employee and set goals to support them as they become more familiar with their role in the business.

3 marks

*Award 1–2 marks for explaining employee observation.**Award 3 marks for explaining employee observation **and** explaining how it can be used by Gold Star Conference Services for new employees.*

SECTION B – CASE STUDY**Question 1 (3 marks)**

Agreements are established and relate to a particular business or workplace. They allow for flexibility in terms of the pay and employment conditions for the business. However, an agreement cannot go below the relevant award that has been established. Premium Pro Building and Construction can use a relevant agreement to ensure that there is flexibility in managing their employees. This can help the business retain productive and skilled staff during the challenging times it is facing.

3 marks

Award 1–2 marks for describing how agreements can be used to determine wages and conditions.

*Award 3 marks for describing how agreements can be used to determine wages and conditions **and** linking the response to Premium Pro Building and Construction.*

Question 2 (6 marks)

The Three Step Change Model (Lewin) can be used to analyse and implement the changes being implemented by Premium Pro Building and Construction. In the first step of the model, the business needs to ‘unfreeze’ the current position or the status quo. This means making sure that the current ways of doing business and the processes in place are stopped so that the current practices are no longer the norm. The removal of the residential division means that positions may disappear and processes will change. Premium Pro Building and Construction needs to make sure that employees and others affected by the change know what is happening and that there will be changes; this may assist in unfreezing the current position.

In the second step of the model, the business needs to move from its current position to the new position. This can be complex; there may need to be adjustments and changes made and some trial and error may occur if there are unforeseen consequences. Premium Pro Building and Construction needs to manage the change process as the work that employees do may change. If the number of employees required is reduced, this will also need to be managed.

The third step of the model is ‘refreezing’ in the new or desired position. It is important for a business to refreeze so that the changes that have been introduced are sustained. If this is not done properly, it is likely that employees will go back to the way things were done in the past. Premium Pro Building and Construction needs to make sure that the changes are in place and will continue in the future if business performance is to improve.

6 marks

Award 1 mark for identifying the three steps of the model.

*Award 2–3 marks for identifying **and** describing the three steps of the model.*

*Award 4 marks for identifying **and** describing **and** applying the model to Premium Pro Building and Construction.*

*Award 5–6 marks for identifying **and** describing **and** applying each of the three steps of the model to Premium Pro Building and Construction.*

Question 3 (4 marks)

Financial considerations: Financial considerations may act as a restraining force on Premium Pro Building and Construction. Lack of access to finance, money or lending when needed, and increased costs may mean that plans to focus on the commercial sector may become more difficult. Usually, a commercial project needs extra funds because of the time and scale involved.

Employees: Employees can act as a restraining force on Premium Pro Building and Construction if they are reluctant to embrace and accept changes. If they are not on board or do not understand a change and their role in it, they may act as a restraining force. Employees are facing significant change at Premium Pro Building and Construction as the residential division is being closed. Many employees will fear for their jobs and be uncertain about what will happen in the next few years. This will affect current business projects and may cause further issues for Premium Pro Building and Construction.

4 marks

Award 1 mark for explaining financial considerations as a restraining force.

*Award 2 marks for explaining financial considerations **and** employees as restraining forces.*

*Award 3 marks for explaining financial considerations **and** employees as restraining forces **and** linking financial considerations **or** employees to Premium Pro Building and Construction.*

*Award 4 marks for explaining financial considerations **and** employees as restraining forces **and** linking financial considerations **and** employees to Premium Pro Building and Construction.*

Question 4 (4 marks)

Premium Pro Building and Construction can use materials requirement planning and Just In Time to improve the efficiency of their operations system related to materials.

Materials requirement planning allows a business to schedule and place orders for materials in a timely manner. This ensures that materials are only ordered when needed and that there are sufficient materials and components available to complete projects or orders. As Premium Pro Building and Construction has had issues obtaining materials and some materials have become more expensive, the more materials requirement planning that takes place, the better.

A Just In Time inventory system is a system that aims to avoid holding excess amounts of materials and inventory. Supplies also arrive just as they need to be used, which reduces costs associated with insurance and storage costs. It also reduces the possibility of materials spoiling or becoming obsolete.

Premium Pro Building and Construction has identified issues with materials shortages and waste of materials and products. Using a Just In Time inventory system where adequate supplies of materials are on hand and managed should allow the business to manage this area more efficiently, which could improve the management of projects.

4 marks

*Award 1 mark for explaining materials requirement planning **or** Just in Time.*

*Award 2 marks for explaining materials requirement planning **and** Just in Time.*

*Award 3 marks for explaining materials requirement planning **and** Just in Time **and** linking materials requirement planning **or** Just in Time to Premium Pro Building and Construction.*

*Award 4 marks for explaining materials requirement planning **and** Just in Time **and** linking materials requirement planning **and** Just in Time to Premium Pro Building and Construction.*

Question 5 (6 marks)*For example:*

Management strategy 1: One management strategy that Premium Pro Building and Construction could use is improving quality in production. This would allow the business to focus on ensuring that the quality of the buildings and any construction it completes is excellent. The business will be more likely to gain additional sales and profit, which declined from 2020 to 2021. Improving quality should also help reduce the number of customer complaints, which have increased during the past few years. Implementing strategies such as quality control and Total Quality Management across the business will also help Premium Pro Building and Construction. A quality strategy should also assist the business to reduce wastage. Total Quality Management is also a system that focuses on continuous improvement. There are similar concerns in both the commercial and residential divisions of the business, so the strategy should improve both divisions.

Management strategy 2: Premium Pro Building and Construction could use cost cutting as a management strategy, which could improve some of the business data and key performance indicators (KPIs). Costs can be reduced by reducing expenses, including reviewing where supplies are being sourced. It may be possible for the business to find other suppliers or renegotiate contracts to gain discounts for bulk orders or early payment. When Premium Pro Building and Construction phases out the residential division, this may mean it can buy in bulk, which may also decrease costs. Reducing wastage will also reduce costs; if there is less waste, then more materials can be used in the production process. Administrative support will only be required for one division rather than two, which may streamline processes and cut costs.

6 marks

*Award 1 mark for proposing one management strategy.**Award 2 marks for proposing two management strategies.**Award 3 marks for proposing two management strategies **and** justifying one of the strategies.**Award 4 marks for proposing **and** justifying two management strategies.**Award 5 marks for proposing **and** justifying two management **and** linking one of the strategies to Premium Pro Building and Construction.**Award 6 marks for proposing **and** justifying two management strategies **and** linking both strategies to Premium Pro Building and Construction.*

Note: Acceptable management strategies include staff training, staff motivation, change in management styles or management skills, increased investment in technology, cost cutting, initiating lean production techniques, improving quality in production and redeployment of resources (natural, labour and capital). High-scoring responses must link the management strategies chosen to the KPIs, data and other information in the case study.

Question 6 (2 marks)*For example:*

Premium Pro Building and Construction could use the low-risk strategy of communication to overcome employee resistance to change. The use of two-way communication between management and employees will allow Premium Pro Building and Construction to implement changes and assist with managing the changes. The changes that need to be made – a change in the direction of the business and the closure of the residential division – are substantial and will affect many people. By ensuring there is clear communication about these changes and any other changes that may need to be implemented, the business may encourage employees to view the changes positively (for example, reducing costs and waste and being more competitive).

2 marks

*Award 1 mark for explaining one low-risk strategy.**Award 2 marks for explaining one low-risk strategy **and** linking the response to Premium Pro Building and Construction.**Note: Acceptable low-risk strategies include communication, empowerment, support and incentives.*