



Units 3&4 Business Management Practice Exam

2023 Trial 2 – Assessment Guide

Section A (50 marks)

VCAA Key
Knowledge

Question

Answer Guide

Pat's Pergolas is a small business owned and managed by Pat Hillview that has been constructing and modernising timber decks and pergolas in Melbourne since 2019. Pat's business has steadily grown over the past three years and currently employs five full-time and three apprentice carpenters. Holly, one of Pat's most experienced staff members, is moving to Sydney and Pat sees this as an opportunity to restructure the business and bring Holly on board as a partner in order to continue growing the business' reach across Australia.

types of
businesses
including sole
traders,
partnerships,
private limited
companies, public
listed companies,
social enterprises
and government
business
enterprises

Question 1a (2 marks)
With reference to Pat's Pergolas, outline **one** difference between a sole trader and a partnership business.

Answer:

- A sole trader is a business with one owner; this differs from a partnership, which can have between two and 20 owners.
- Pat's Pergolas is currently structured as a sole trader business, with Pat as the sole owner; however, Pat is considering restructuring into a partnership with two owners.

Marking Protocol:

One mark for each of the above points.

types of
businesses
including sole
traders,
partnerships,
private limited
companies, public
listed companies,
social enterprises
and government
business
enterprises

Question 1b (2 marks)
Explain one reason why Pat might benefit from expanding the business into a partnership rather than continuing as a sole trader.

Answer:

- A partnership business structure has the benefit of being able to access the skills, experience, capital and other resources of multiple owners, rather than just one, enabling the business to potentially expand much more quickly than compared with sole trader businesses.
- If Pat were to continue as a sole trader, it might not be possible for him to manage the business' operations across both Melbourne and Sydney. By expanding into a partnership, Pat can use Holly's knowledge and experience of the business to continue its expansion into a new market, allowing the business to grow beyond what might be possible in Melbourne.

Marking Protocol:

One mark for each of the above points.

key principles of the Force Field Analysis theory (Lewin) including weighting, ranking, implementing a response and evaluating the response

driving forces for change in business including owners, managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes

restraining forces in businesses including managers, employees, time, organisational inertia, legislation and financial considerations

Question 1c (6 marks)
Analyse how Pat could use Lewin's Force Field Analysis theory to implement the new business structure.

Answer:

- Lewin's Force Field Analysis theory argues that driving forces (those which initiate and support change) and restraining forces (those that restrict change from moving forward successfully) must be carefully considered and managed in order to successfully implement change (in this case, restructuring Pat's Pergolas [PP] into a partnership business).
- According to this theory, Pat must identify and apply a weighting or strength to each driving force and restraining force and establish a ranking for each force so as to prioritise strengthening and/or weakening these forces before implementing the new partnership structure.
- For instance, one driving force may be the pursuit of profit by maximising revenue (income) from sales by expanding PP into a new market – Sydney, which could become more possible if the business expanded into a partnership. This could be a strong driving force, especially if Pat feels that the business has achieved all that it can in Melbourne and needs to further expand.
- However, a restraining force may be financial considerations. Expanding PP into a new market and bringing Holly on board as a partner may be quite expensive for Pat, as it is likely that more staff will be needed to provide the business' services in Sydney.
- Once Pat establishes a weighting and ranks each force, he must develop an 'action plan.' The action plan must either neutralise the restraining forces or strengthen the driving forces to ensure that the weight of driving forces exceeds the weight of restraining forces so that the new partnership structure can be successfully implemented.
- Finally, after implementing an action plan (e.g. taking on a business loan to help fund the expansion and maintain cash flow), Pat would need to monitor and evaluate the success of the change as PP transitions into an expanded partnership business.

Marking Protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

5-6 High	• All elements of the question are addressed, showing an advanced understanding of key terms and concepts. • A high-level analysis of how Pat could use Lewin's forcefield analysis theory to implement the new business structure. • Response clearly and accurately explores to a high standard the concepts of the weighting and ranking of driving and restraining forces as well as the need for a response to be implemented and reviewed. • Response makes accurate and consistent reference to the situation at Pat's Pergolas; specifically the expansion of the business and change to a partnership structure.
3-4 Medium	• Some elements of the question are addressed, showing a good understanding of concepts. • A good analysis of how Pat could use Lewin's forcefield analysis theory to implement the new business structure. • Response may lack depth of analysis, showing a more basic understanding of the forcefield analysis theory. • Response may not show any understanding of key principles of the theory (e.g. weighting, ranking, implementing and evaluating a response) and instead focus predominantly on the existence of driving and restraining forces.
1-2 Low	• Few elements of the question are addressed, showing only a basic understanding of concepts. • Response may provide a basic outline of one or two ideas related to Lewin's forcefield analysis theory.
0 Marks	• Response does not demonstrate any understanding of the question.

Laura's Café started serving customers breakfast and brunch in Melbourne's CBD in 2022. The business has quickly established a reputation as one of the best breakfast spots in the city and, to assist with the growth in customers, Laura has employed a new barista and waiter. Since employing the new barista, Laura has noticed that the performance of her original (and, previously, only) staff member, Fabian, has significantly decreased. Laura has received a number of complaints from customers about Fabian's attitude and standard of service. It is clear to Laura that Fabian has become resistant to the recent staffing changes and that his motivation and performance issues need to be addressed before the café's strong brand and reputation are damaged.

performance management strategies to achieve both business and employee objectives, including management by objectives, appraisals, self-evaluation and employee observation

Question 2a (2 marks)

Outline **one** performance management strategy that Laura could implement to address issues with the performance of her staff.

Answer:

- *Laura may hold a performance appraisal meeting with Fabian and identify concerns about his performance, particularly the rise in customer complaints regarding his attitude and service. This would involve Laura formally reviewing Fabian's performance against pre-determined standards (benchmarks).*
- *This could address his performance issues by providing feedback in relation to his customer service. Laura could also give Fabian the opportunity to explore any issues or concerns that he has and how Laura could address these to support him.*

Marking Protocol:

One mark for each of the above points.

low-risk strategies to overcome employee resistance including communication, empowerment, support and incentives

high-risk strategies to overcome employee resistance including manipulation and threat

Question 2b (4 marks)

Compare low-risk strategies and high-risk strategies to overcome employee resistance to change.

Answer:

- Low-risk strategies are an approach to overcoming employee resistance to change by involving employees and supporting them, which is much less likely to lead to negative outcomes (such as resentment or distrust) towards management.
- High-risk strategies are similar to low-risk strategies in that both low- and high-risk approaches aim to overcome employee resistance to a business change so that it is able to successfully transform.
- However, the clear difference is that high-risk strategies are typically a much more forceful approach to overcoming resistance by making employees feel scared or fearful of a sanction (consequence) if they continue to oppose the change.
- Low-risk strategies such as communication and support can be successful in the long term by bringing employees on board with the change, actively involving them and giving them a voice. In contrast, high-risk strategies tend to only succeed in the short term because, when threats and manipulation are repeatedly used, it can damage the employee's relationship with management and lead to further resistance in future.

Marking Protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

4 High	• All elements of the question are addressed. • A high-level comparison of low-risk and high-risk strategies for overcoming employee resistance to change, including clear points of difference and similarity which shows an in-depth understanding of concepts. • <i>Note: The response can include more similarities or differences, but both sides must be represented for full marks.</i>
3 Medium	• Some elements of the question are addressed, showing a good understanding of concepts. • A reasonable attempt at comparing multiple similarities or differences, but not both (or one side is explored superficially). • <i>Note: This is the maximum score that can be awarded to a response that explores only one side (i.e. similarities or differences) in relation to low-risk and high-risk strategies to overcome employee resistance.</i>
1-2 Low	• Few elements of the question are addressed, showing only a basic understanding of concepts. • Response may explore only one similarity or one difference, two similarities only or two differences only to a superficial standard.
0 Marks	• Response does not demonstrate any understanding of either concept.

management strategies to respond to key performance indicators and/or seek new business opportunities, including staff training, staff motivation, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques, redeployment of resources (natural, labour and capital), innovation, global sourcing of inputs, overseas manufacture and global outsourcing

Question 2c (6 marks)

In a recent meeting with Fabian, Laura became aware that Fabian has only worked in cafés where he is the only barista and has never had to work in a larger team environment until now. Fabian has requested training to support the development of his teamwork and interpersonal skills.

Explain how investing in training and **one** other management strategy (other than performance management) could support Laura to respond to issues with her employee's performance.

Answer:

- Investing in training would involve Laura engaging staff (including Fabian) in on-the-job or off-the-job programs that develop their knowledge, skills and experiences to improve their job performance.
- In this instance, Laura could provide coaching or mentoring to Fabian to support his teamwork skills and improve his ability to work cohesively with the new barista.
- By providing Fabian with examples of situations where he could work alongside and more collaboratively with the other barista, monitoring his interactions and providing feedback to him, Fabian may improve his teamwork and interpersonal skills, feel more positive and valued at work whilst also improving his overall performance and customer service.
- Another management strategy that Laura could implement is to focus on staff motivation; specifically, providing employees like Fabian with career advancement opportunities (i.e. a promotion, job enrichment or rotations) to incentivise improved performance.
- By providing career advancement opportunities, Laura can motivate Fabian as well as her new staff to strive for growth and development, addressing higher-order needs and drives, potentially promoting long-term motivation.
- Providing Fabian with the incentive of striving to gain a promotion (for example, as the head barista) may prompt him to develop his skills in working more effectively with others, helping to boost his performance.

Marking Protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

5-6 High	• All elements of the question are addressed. • Accurate and sophisticated use of business management terminology (i.e. two management strategies are explained to a very high standard). • A high-level application of both management strategies, exploring how each could support Laura's Café to respond to issues with employee performance.
3-4 Medium	• Most elements of the question are addressed. • Accurate use of business management terminology (i.e. two management strategies explained to a good standard). • Response makes no attempt or a superficial attempt to apply each management strategy to the context of Laura's Café or, alternatively, may apply only one management strategy to a high standard.
1-2 Low	• Few elements of the question are addressed, showing only a basic understanding of concepts. • Response may provide one or two basic ideas related to management strategies to respond to poor employee performance.
0 Marks	• Response does not demonstrate any understanding of either concept.

global considerations for operations management including global sourcing of inputs, overseas manufacture and global outsourcing

corporate social responsibility considerations for an operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs

Question 3 (10 marks)

Evaluate the potential impact of a business decision to source its inputs either globally or locally, relating this to the concept of corporate social responsibility.

Refer to a contemporary business example in your response.

Sample Answer 1: Global Sourcing of Inputs

- *Global sourcing of inputs is a consideration of operations management that involves procuring raw materials and other resources for the production of goods or services from a foreign country and importing them into Australia to transform into a finished product.*
- *Globally sourcing inputs, such as the Yarra Valley Chocolaterie's (YVC) decision to source 80% of its cocoa beans from Africa, can have both positive and negative impacts on its corporate social responsibility (CSR).*
- *One of the positive outcomes from YVC's global sourcing of cocoa beans is that it enables farmers in developing African countries to generate an income and facilitate farm-regeneration projects.*
- *This is an example of an action by YVC that contributes positively to economic and environmental development outside of Australia, potentially enhancing YVC's reputation and differentiating the chocolaterie from other chocolate producers.*
- *YVC also processes its raw cocoa beans overseas and then imports the chocolate buds which are used to produce its product range.*
- *This is beneficial for the business as it avoids creating significant carbon emissions and 'billowing chimneys' in the Yarra Valley region, having a favourable impact on the air quality and environment in the area.*
- *However, the decision to globally source inputs can also represent an action by YVC to not prioritise its CSR – in particular, the impact that this could have on local employment opportunities in the area.*
- *In procuring cocoa beans and chocolate buds globally, YVC may be seen to be limiting opportunities for local Australian cocoa bean farmers and producers of raw chocolates to create employment and generate an income in the Australian economy.*
- *Further, this decision also extends YVC's supply chain across the globe; it sources five containers worth of chocolate each month, which must be shipped from Europe, contributing to increased carbon emissions and a negative environmental impact.*
- *Overall, the decision by YVC to globally source its chocolate from overseas suppliers is consistent with promoting CSR. While there are some negative impacts through higher emissions, the business has offset this through sustainable development projects locally and in Africa.*

Sample Answer 2: Local Sourcing of Inputs

- *Locally sourcing inputs is a consideration of operations management that involves procuring raw materials and other resources for the production of goods or services from Australian suppliers before transforming them into a finished product.*
- *Locally sourcing inputs, such as what is done by Dynamic Vegies (DV) in Eltham – which sources all of its organic fruit, vegetables, coffee beans and other grocery items from local producers – can have both positive and negative impacts on its corporate social responsibility (CSR).*

- *One of the positive outcomes of DV's local sourcing of its products is that it enables local farmers and producers in the Shire of Nillumbik to generate an income and local employment opportunities.*
- *This is an example of an action taken by DV to positively contribute to the economic and social development of its local area, potentially enhancing its reputation in the local community and possibly differentiating DV from other produce stores in the region.*
- *By sourcing its organic and biodynamic fresh produce locally, DV limits its supply chain to a smaller geographical area and, thus, reduces its carbon footprint as its supplier network does not have to deliver produce over large distances.*
- *This is beneficial for the business as it avoids creating significant carbon emissions, having a favourable impact on the local environment and air quality.*
- *However, the decision to locally source inputs can also represent an action by DV to not prioritise its CSR – in particular, the impact that this could have on employment opportunities and development in developing countries that experiencing poverty.*
- *In procuring its fresh produce locally, DV may be seen to be limiting opportunities for foreign farmers and producers of fruit and vegetables to create employment and generate an income in their economies.*
- *Sourcing local materials and produce can also come at a premium price for businesses like DV, which can lead to decisions by management to redirect business resources away from other community or environmental causes, negatively impacting its CSR.*
- *Overall, the decision by DV to locally source its organic fresh produce from local suppliers is consistent with promoting CSR. While there are some negative impacts, such as there being fewer opportunities for producers in developing countries, prioritising its local community is certainly a socially responsible action.*

Marking Protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

9-10 Very High	• All elements of the question are addressed to a very high standard. • A sophisticated evaluation of global considerations for operations management that is related to globally and locally sourcing inputs. • Shows an advanced understanding of: ◦ global and local sourcing of inputs; and ◦ at least one strength and one weakness of each approach. • Response makes consistent reference to a contemporary business example. • Response provides an assessment as to the overall impact of globally or locally sourcing inputs for the business.
7-8 High	• Most elements of the question are addressed to a high standard. • A high-level evaluation of global considerations for operations management that is related to globally and locally sourcing inputs. • Shows an in-depth understanding of: ◦ global and local sourcing of inputs; and ◦ at least one strength and one weakness of each approach. • Response may lack consistent reference to a contemporary business example. • Response may provide an assessment as to the overall impact of globally or locally sourcing inputs for the business.
5-6 Medium	• Some elements of the question are addressed, showing a good understanding of concepts. • There may only be a focus on one aspect of the response, for instance: ◦ the response provides a comprehensive explanation of global or local sourcing of inputs with some attempt to relate to this a contemporary business example; however, the evaluation is superficial. OR ◦ the response provides a good understanding of the general strengths or weaknesses of global or local sourcing of inputs without an application of this knowledge.
3-4 Low	• Few elements of the question are addressed, showing only a basic understanding of the concepts. • Little to no evaluation of global or local sourcing of inputs; the response may provide a good explanation of one approach, with some attempt to extend knowledge to a contemporary business example superficially, without elaboration.
1-2 Very Low	• A very limited response that shows a simple understanding of global or local sourcing of inputs. • Response may make one or two points about either approach without elaboration.
0 Marks	• Response does not demonstrate an understanding of the concepts.

Staff turnover at Palm Beach Resort, a major resort in Sydney's northern beaches, has been cut dramatically because of new and, according to staff, significantly improved leadership after the resort's previous manager resigned. In August 2021, the owner of Palm Beach Resort conducted a SWOT (strengths, weaknesses, opportunities and threats) analysis and was surprised to learn that the staff were unhappy with the previous management's approach to running the resort. Concerns including bullying, disrespect and a lack of involvement in decision-making among the resort's most experienced staff resulted in the introduction of a more open and people-focused manager who encourages greater staff involvement in day-to-day operations. Despite this change, the owner still firmly believes that managers are employed to be responsible for the ultimate direction that the resort takes as it strives to be the highest-rated resort in Australia.

the importance of leadership in change management

Question 4a (2 marks)

Outline **one** reason why leadership is important when managing change.

Answer:

- *Good leadership can help to reduce employee resistance during a change process, especially when the change itself directly affects employees and their work (e.g. when employing a new manager with a different approach to managing the business).*
- *By providing clear communication and establishing a trust- and empathy-based approach to the change process, a leader is able to bring employees on board and help them feel more empowered and involved in the change process so that it is not simply something that happens to them but something of which they are a part.*

Marking Protocol:

One mark for each of the above points.

management styles including autocratic, persuasive, consultative, participative and laissez-faire

Question 4b (1 mark)

Identify the management style that is being used by the new manager at Palm Beach Resorts.

Answer:

- *The consultative style.*

Marking Protocol:

One mark for the above point.

Note: The consultative style is the only appropriate response. The case study explains that the new manager encourages the greater involvement of employees; however, the owner still believes that the manager should be responsible for the ultimate direction that the resort takes (i.e. major decisions). These characteristics are consistent with the consultative style. Responses that identify any other management style should not be awarded marks.

management skills including communication, delegation, planning, leadership, decision-making and interpersonal

the relationship between management styles and management skills

management styles including autocratic, persuasive, consultative, participative and laissez-faire

management skills including communication, delegation, planning, leadership, decision-making and interpersonal

the relationship between management styles and management skills

Question 4c (5 marks)

Analyse the relationship between the management style being used by the manager at Palm Beach Resort and **two** of the following management skills:

- Communication
- Leadership
- Interpersonal

Answer:

- *A consultative manager engages employees in a two-way discussion around the key decisions that are to be taken by the resort, seeking ideas and input from employees so that a more informed course of action can be taken.*
- *As such, consultative managers use open, two-way communication whereby ideas are openly encouraged and exchanged between employees and the manager as part of the decision-making process.*
- *A consultative manager is also one who is responsible for taking on board the input of staff prior to making their own final decision.*
- *It can be difficult for management to include all employees' views in the final decision and, therefore, the consultative manager must have strong interpersonal skills that allow them to maintain strong relationships based on trust and respect.*
- *As such, consultative managers must use their 'people' (interpersonal) skills to help to maintain positive relationships with employees whose ideas may not be reflected in the final decision, such as recognising and thanking them for their contribution and providing the context for why a decision was taken.*

Marking Protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

4-5 High	- All elements of the question are addressed. - Accurate and sophisticated use of business management terminology (i.e. the chosen management style is accurately characterised). - A comprehensive analysis of how the chosen management style would apply two of the listed management skills, showing an in-depth understanding of the relationship between management styles and management skills.
3 Medium	- Most elements of the question are addressed. - Accurate and sophisticated use of business management terminology (i.e. the chosen management style is accurately characterised). - Response may provide either a superficial analysis of how the chosen management style would apply two of the listed management skills or, alternatively, a strong analysis applied to only one skill.
1-2 Low	- Few elements of the question are addressed, showing only a basic understanding of concepts. - Response may outline one or two characteristics of the chosen management style without elaboration.
0 Marks	Response does not demonstrate any understanding of this question.

Note: Consequential marking should apply to this question. If a student analyses the relationship between a management style that they identified in 4b other than the consultative approach (e.g. participative, persuasive, etc.), they are able to achieve full marks for this question if they follow a similar approach to the suggested answer and global marking criteria. In this case, students are penalised for incorrectly identifying a different style other than consultative in 4b but are not consequentially penalised for this error in 4c.

Shiny Diamonds Pty Ltd has been manufacturing hand-crafted designer jewellery for 15 years, selling to retail jewellery stores which then sell to the public. Senior management is investigating introducing a retail store that provides diamond grading, polishing and repair services, however the Operations Manager is concerned this change will take too much focus away from its manufacturing operations and lead to a reduction in quality standards.

key elements of an operations system: inputs, processes and outputs

characteristics of operations management within both manufacturing and service businesses

Question 5a (4 marks)

Outline two differences in the operations system of manufacturing and service businesses. Refer to Shiny Diamonds Pty Ltd in your answer.

Answer:

- *Manufacturing businesses produce a tangible output that can be seen, touched and stored away for later use, such as Shiny Diamonds' hand-crafted jewellery.*
- *This differs from most service businesses which produce an output that is intangible and cannot necessarily be seen, touched or stored for later use and the customer must have the service carried out again when required. For instance, jewellery cleaning and repair services if an item is damaged or dirty.*
- *Manufacturing businesses are typically capital-intensive in regard to the inputs and resources used in production. For instance, Shiny Diamonds' jewellers may rely on pressing and moulding machines to produce their jewellery products in larger volumes.*
- *Service businesses, however, tend to be labour-intensive and rely on employees' skills and knowledge as inputs to tailor the service to the specific needs of the customer. For instance, jewellers may need to carefully hand-polish diamonds as they can be fragile, requiring careful handling which may not be possible with robotics and machinery.*

Marking protocol:

One mark for each of the above points.

strategies to improve both the efficiency and effectiveness of operations related to quality, including quality control, quality assurance and Total Quality Management

Question 5b (6 marks)

Describe and justify two quality management strategies that could be implemented to improve the effectiveness of Shiny Diamonds Pty Ltd's operations system as the company expands into retail services.

Answer:

- *Total Quality Management (TQM) is a business-wide approach to the management of quality where; all employees are responsible for achieving excellence in every aspect of operations, the customer is the main focus of how 'quality' is defined, and Kaizen (continuous improvement) is pursued in all processes so that defect-free production can be achieved.*
- *As part of a TQM approach, the Operations Manager at Shiny Diamonds could introduce quality circles where quality improvements for both its manufacturing and service operations are identified and implemented by employees at all levels.*
- *This could support improved effectiveness (how well the company is able to achieve stated objectives) by enhancing the quality of its hand-crafted jewellery items, as well as the overall customer experience in store, attracting a reputation for high quality, and increased sales and profits.*
- *Quality control (QC) is a process whereby quality checks and inspections are conducted on a sample of manufactured items or aspects of the service provided, comparing actual achieved quality standards with pre-determined benchmarks.*
- *This process could involve employees and management identifying potential quality concerns in Shiny Diamonds' manufacturing processes before a defective jewellery item becomes a finished product. Corrective action can be taken to address quality issues prior to the output (jewellery) reaching the end customer and damaging the company's reputation.*
- *Effective QC can help sustain increased sales and a higher percentage of market share as it supports a more consistent level of achieved quality, and preserves the company's reputation. This can help attract more loyal customers and therefore improve how effectively the company is able to sell its products and generate a profit.*

Marking protocol:

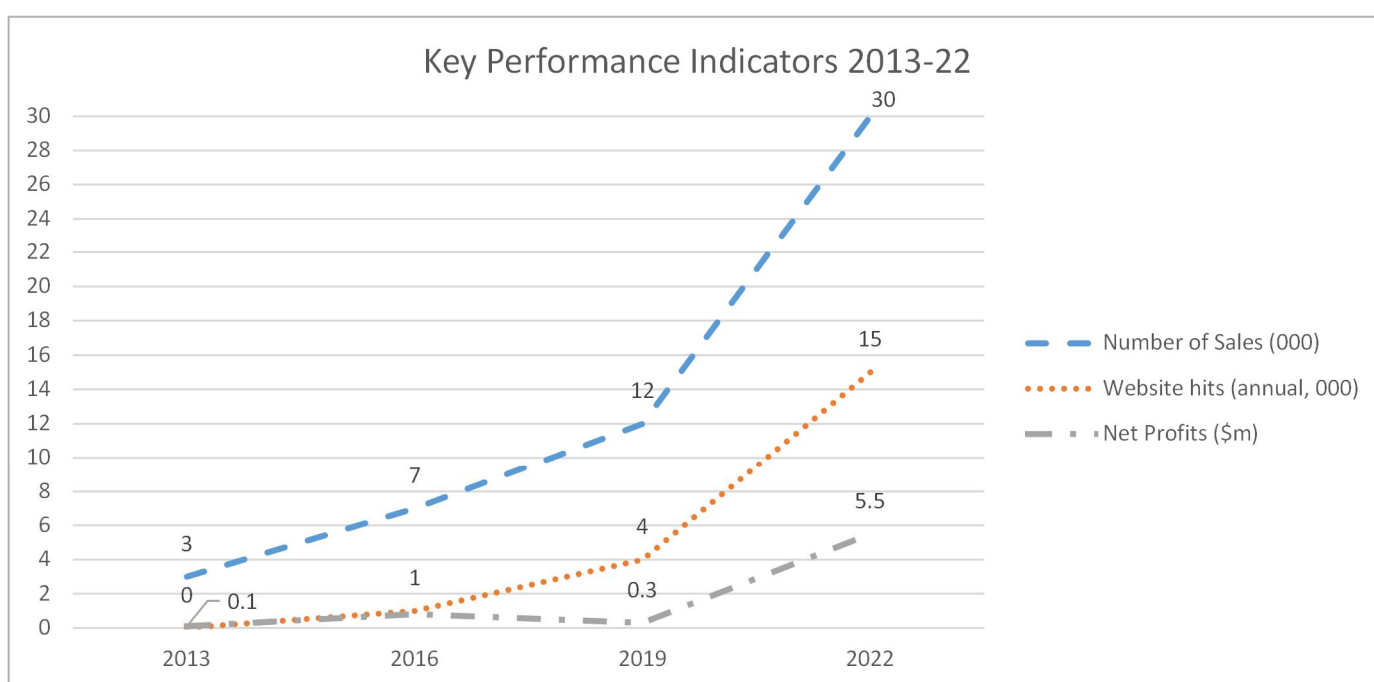
This answer is globally marked (i.e., an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

5-6 High	• All elements of the question are addressed. • Accurate and sophisticated use of business management terminology (i.e. two quality strategies explained to a very high standard). • A high-level justification of both quality strategies which explores how each could increase effectiveness in operations at Shiny Diamonds Pty Ltd.
3-4 Medium	• Most elements of the question are addressed. • Response may describe and justify only one quality strategy to a high standard, or alternatively may describe and justify two quality strategies superficially. • Response may lack clear and appropriate links to how one or both of the quality strategies can support improved effectiveness of operations.
1-2 Low	• Few elements of the question are addressed which shows only a basic understanding of concepts. • Response may provide one or two basic ideas related to quality strategies, or provide one or two basic definitions of related quality strategies.
0 Marks	• Response does not demonstrate any understanding of either concept.

Section B (25 marks)

Fashionista Sisters Pty Ltd opened its first retail clothing and footwear store in Melbourne in 2012 after fashion design graduates and sisters, Kate and Lani Woodhouse, decided to start their own fashion label. After almost five years in business, in 2016, Kate and Lani decided to explore new ways to expand their target market. They paired up with Code2U, an innovative technology start-up business that assists clients to launch a website and attract increased customer traffic and sales.

In 2019, Code2U helped Kate and Lani to write a code that enabled them to track fashion-related customer searches and web page visits through artificial intelligence. This enabled them to gain an increased understanding of emerging trends so that they could better forecast designs to produce for their store. The company's new website has been active for 12 months and is used to process customer purchases online, promote the Fashionista Sisters brand and show the range of clothing and footwear that is available in store. Data resulting from the relationship with Code2U can be seen in the graph below:



A big focus for the sisters in 2023 is to motivate their 15 staff members to increase their sales performance. Kate has read some research articles on motivation and believes that the company should change from its current approach to deciding employee wages and working conditions through the industry award. Kate is planning to introduce a workplace agreement including performance-related pay incentives for employees whose sales figures are the highest each month, with scaling bonuses based on customer satisfaction ratings and the number of sales.

key performance indicators as sources of data to analyse the performance of businesses, percentage of market share, net profit figures, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints, number of website hits and number of workplace accidents

Question 1 (2 marks)

Define the term 'number of website hits.'

Answer:

- The number of website hits is a key performance indicator that is used by businesses to track the amount of website traffic and instances where a request to download or access a file is made.
- In relation to Fashionista Sisters, the number of website hits has increased from zero in 2013 to 15,000 in 2022.

Marking Protocol:

One mark for each of the above points.

key performance indicators as sources of data to analyse the performance of businesses, percentage of market share, net profit figures, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints, number of website hits and number of workplace accidents

Question 2 (3 marks)

Describe the relationship between the number of website hits and **one** other key performance indicator.

Sample Answer 1: Number of Sales

- An increase in the number of website hits is likely to support an increase in the number of sales made by Fashionista Sisters (FS), as is reflected by their KPI data that is shown in the graph.
- An increase in the number of website hits from zero to 15,000 since 2013 correlates with an increase in the number of sales from 3,000 per year in 2013 to 30,000 in 2022.
- This is because FS' clothing items may be more visible and accessible to a much larger target market around Australia (or even the world), allowing the business to promote and sell its products to a much larger market than is possible through their physical store.

Sample Answer 2: Net Profit Figures

- An increase in the number of website hits is likely to support an increase in the net profit figures of Fashionista Sisters (FS), as is reflected by their KPI data that is shown in the graph.
- An increase in the number of website hits from zero to 15,000 since 2013 is shown to correlate with an increase in net profit figures from \$0.1m in 2013 to \$5.5m in 2022.
- This is because FS' clothing items may be more visible and accessible to a much larger target market around Australia (or even the world), allowing the business to promote and sell its products to a much larger market than is possible through their physical store.

Marking Protocol:

One mark for each of the above points.

strategies to improve both the efficiency and effectiveness of operations related to technological developments, including the use of automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence and online services

Question 3 (6 marks)

Explain how **two** of the following strategies might have impacted the performance of Fashionista Sisters Pty Ltd:

- Artificial Intelligence
- Online Services
- Forecasting

Sample Answer 1: Online Services and Forecasting

- Online services involve businesses adapting internet and information and communications technologies (ICT) to facilitate important operations processes and create an output online.
- The decision to create a business website in 2016 may have been a key reason for the growth in Fashionista Sisters' (FS) annual website hits (0 to 1,000) and number of sales (1,000 to 7,000).
- It is likely that the website has enabled FS to carry out important operations processes, such as transacting and purchasing fashion items, online. The convenience, increased exposure and access to FS' products are likely key factors in the company's improved performance.
- Forecasting is a materials management strategy that involves using past and present sales data to predict future sales as well as material needs in order to avoid over- or under-stocking specific products.
- Using this strategy may have enabled FS to improve its net profit figures from \$0.3 million in 2019 to \$5.5 million in 2022 as forecasting trends in fashion may have enabled the company to better allocate its resources. This would have allowed FS to produce products that customers find appealing and are more likely to purchase.
- This can improve performance through a more efficient use of resources (i.e. less material input waste) and improved effectiveness, whereby the

strategies to improve both the efficiency and effectiveness of operations related to materials, including forecasting, master

production
schedule,
materials
requirement
planning and Just
in Time

company's sales and profits increase due to higher levels of customer demand.

Sample Answer 2: Artificial Intelligence and Forecasting

- Artificial intelligence (AI) refers to the ability of computer systems to learn and make decisions based on data and analytics, completing tasks that normally require human intelligence.
- The decision to use AI to track fashion-related customer searches and website visits in 2019 may have been a key reason for the growth in Fashionista Sisters' (FS) annual website hits (4,000 to 15,000), its number of sales (12,000 to 30,000) and net profits (\$0.3 million to \$5.5 million), which have all increased exponentially.
- It is likely that the AI program is more effective and efficient at identifying trends in customer tastes and preferences, guiding FS' decision-making around fashion items to sell in-store and on their website, attracting more customers and, therefore, improving the company's performance.
- Forecasting is a materials management strategy that involves using past and present sales data to predict future sales and materials needs in order to avoid over- or under-stocking specific products.
- Using this strategy may have enabled FS to improve its net profit figures from \$0.3 million in 2019 to \$5.5 million in 2022; forecasting fashion trends may have enabled the company to better allocate its resources. This would have allowed FS to produce products that customers find appealing and are more likely to purchase.
- This can improve performance through a more efficient use of resources (i.e. less material input waste) and improved effectiveness, whereby the company's sales and profits increase due to higher levels of customer demand.

Marking Protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

5-6 High	• All elements of the question are addressed. • Accurate and sophisticated use of business management terminology (i.e. both operations management strategies explained to a very high standard). • A high-level explanation of how both of the chosen operations management strategies might have positively or negatively impacted on business performance at Fashionista Sisters Pty Ltd. • Response makes clear and consistent references to the case study and key performance indicator data.
3-4 Medium	• Most elements of the question are addressed. • Accurate use of business management terminology (i.e. both operations management strategies explained to a good standard). • Response makes no attempt or a superficial attempt to explain how each of the chosen operations management strategies could have impacted the performance of Fashionista Sisters Pty Ltd or, alternatively, explains only one operations management strategy and its impact to a high standard.
1-2 Low	• Few elements of the question are addressed, showing only a basic understanding of concepts. • Response may provide one or two basic ideas related to the chosen operations management strategies.
0 Marks	• Response does not demonstrate any understanding of either concept.

awards and agreements as methods of determining wages and conditions of work

business objectives including to make a profit, to increase market share, to improve efficiency, to improve effectiveness, to fulfil a market need, to fulfill a social need and to meet shareholder expectations

Question 4 (4 marks)

Explain how the decision to introduce a workplace agreement could impact the achievement of **one** business objective.

Answer:

- A workplace agreement involves management at Fashionista Sisters (FS) directly negotiating with employees (or their union) to establish an agreed set of employment and entitlement conditions for the company.
- Introducing a workplace agreement can provide FS with the flexibility to tailor the agreement and reward employees for high levels of performance (e.g. increased sales) above what is paid in the industry award.
- Employees may apply more effort to increase their monthly sales in order to receive rewards (e.g. commission or bonuses) that are part of the agreement.
- This could stimulate increased motivation among employees to improve the quality of customer service so as to attract an increase in the number of sales, improving net profit figures as a business objective.

Marking Protocol:

One mark for each of the above points.

stakeholders of businesses including owners, managers, employees, customers, suppliers and the general community

characteristics of stakeholders of businesses including their interests and potential conflicts between stakeholders

the effect of change on stakeholder groups including owners, managers, employees, customers, suppliers and the general community

Question 5 (4 marks)

Explain how the proposed workplace agreement at Fashionista Sisters Pty Ltd could impact employees and **one** other stakeholder.

Sample Answer 1: Employees and Customers

- *The introduction of a workplace agreement is a change that could have a positive impact on employees who provide their labour to the company and have a vested interest in increasing their income as well as in having ongoing job security.*
- *Employees at Fashionista Sisters (FS) may have a greater degree of influence over their income as they can apply more effort to improve their performance and achieve performance incentives such as commission and bonuses. It is also likely that higher-performing employees will have more ongoing job security as the company improves its performance.*
- *Customers, whose vested interests include receiving high-quality service and value for money, are also likely to benefit from improved employee performance.*
- *If employees, motivated by increased rewards for effort, improve the quality of their customer service, it is likely that customers will be more satisfied with their decision to shop at FS.*

Sample Answer 2: Employees and Shareholders

- *The introduction of a workplace agreement is a change that could have a positive impact on employees who provide their labour to the company and have a vested interest in increasing their income as well as in having ongoing job security.*
- *Employees at Fashionista Sisters (FS) may have a greater degree of influence over their income as they can apply more effort to improve their performance and achieve performance incentives such as commission and bonuses. It is also likely that higher-performing employees will have more ongoing job security as the company improves its performance.*
- *Shareholders also have a vested interest in the success of FS in increasing their financial performance through improved sales and net profits, generating better financial returns, dividends and return on their investment in the company.*
- *If employees, motivated by increased rewards for effort, improve the quality of their customer service, it is likely that customers may become more satisfied with the company and become repeat, loyal customers. This could attract stronger sales growth and net profits over time, having a positive impact on shareholder returns.*

Marking Protocol:

One mark for each of the above points.

key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria) Motivation

strategies including performance-related pay, career advancement, investment in training, support strategies and sanction strategies

advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation

Question 6 (6 marks)

As part of the new workplace agreement, management at Fashionista Sisters Pty Ltd are planning to introduce performance-related pay to increase employee motivation.

With reference to Maslow's hierarchy of needs theory, discuss the impact of performance-related pay and **one** other motivation strategy on the long-term motivation of employees.

Answer:

- *Performance-related pay, such as financial bonuses or commissions based on sales performance, is likely to have a favourable impact on employee motivation at Fashionista Sisters (FS) by addressing basic physiological needs (i.e. increased wages) in Maslow's hierarchy.*
- *This is because employees may be able to earn a higher income by applying more effort, with the prospect of financial reward potentially stimulating increased energy in performing their tasks to a higher standard.*
- *However, Maslow's theory argues that physiological needs are lower-order and may not stimulate long-term motivation, especially if the performance bonuses are not sustained or repeated over time. It is likely that performance-related pay may only be effective in the short term as other higher-order needs, such as career advancement, may become more important.*
- *Career advancement (e.g. a promotion or other job enrichment or enlargement opportunities) may be more effective at stimulating longer-term motivation as, according to Maslow's theory, it could address higher-order needs like self-esteem and self-actualisation, enabling employees to grow.*
- *This can be more effective than performance-related pay as career advancement provides employees with something to strive for long-term and, therefore, motivates them to develop their skills and experiences in order to achieve this.*
- *However, career advancement opportunities at FS may be limited as the company only has 15 employees, meaning that any opportunity to be promoted could lead to competition and rivalry among its staff. Any employee who misses out on a promotion may become resentful and bitter, reducing their motivation.*

Marking Protocol:

This answer is globally marked (i.e. an overall mark is awarded for the entire answer). The following criteria could be used to assess a response:

5-6 High	• All elements of the question are addressed. • Accurate and sophisticated use of business management terminology. • A high-level discussion of performance-related pay and one other motivation strategy which shows an in-depth understanding of at least one positive and one negative impact of each strategy on the long-term motivation of employees at Fashionista Sisters Pty Ltd. • Response makes clear and appropriate links to Maslow's hierarchy of needs throughout the discussion, showing an in-depth understanding of the theory. • <i>Note: Students do <u>not</u> need to provide an explanation of Maslow's hierarchy of needs for full marks; note also that the question asks for reference to Maslow's theory, which indicates that responses only need to relate some aspect of the discussion to key aspects of this theory to achieve a high standard.</i>
3-4 Medium	• Most elements of the question are addressed. • Accurate use of business management terminology. • Response may provide a superficial discussion of strengths or weaknesses (not necessarily both) of each motivation strategy in a general sense (i.e. there is no application to the case study); alternatively, the response may provide a high-level discussion of only one motivation strategy. • <i>Note: The distinction between three or four marks in this range is whether the response provides a superficial discussion of both strategies and attempts to link this to Maslow's theory (4) or if it provides a superficial discussion without any attempt to link this to Maslow's theory (3).</i>
1-2 Low	• Few elements of the question are addressed, showing only a basic understanding of concepts. • Response may provide one or two basic ideas related to one or two motivation strategies.
0 Marks	• Response does not demonstrate any understanding of either concept.