



VCE BUSINESS MANAGEMENT UNIT 3/4

2023

Practice Examination D

**SUGGESTED
RESPONSES/ADVICE**

Section A

Question 1 (14 marks)

Car Werks is a family-owned business, with a number of franchised and company-owned stores across Australia providing tyre and automotive servicing and repairs. The CEO, Alexander Werks, wants to invest in new technologies such as automation and online services to seek new business opportunities in 2024. This might include implementing an online appointment booking system and automated vehicle inspections. However, he believes that there may be some employee resistance to this change.

- a. Outline three differences between the operations management of manufacturing and service businesses. 3 marks

Advice 1: Note the use of the task word ‘outline’ here, which requires students to do more than just state or identify something. However, it does require a little less than a full description or explanation.

Advice 2: This question has been included on this practice exam because students struggled with a similar question on the 2012 exam. Question 1e on that exam asked students to describe one difference between the operations management of a manufacturing organisation and a service organisation. The average score was 1.1 out of 2 but 37 per cent of students scored 0 marks. A similar question on the 2011 exam asked students to outline three differences between the operations management of service and manufacturing organisations (Question 3c). The average score was 1.1 out of 3 and 44 per cent of students scored 0 marks. The main issue was that many students struggled to directly show that there was a difference. For example, many attempted to say that service businesses produce intangibles whereas a manufacturing business produces standardised products. This difference is not directly related and the better performing students wrote that service businesses produce intangibles whereas a manufacturing business produces tangibles. More recently, a slightly different question on the 2019 exam asked students to compare the characteristics of operations management within a manufacturing business with those of a service business (Question 1b, Section A). That question required students to compare similarities and differences between the businesses in terms of operations management. The average score was 1.7 out of 4 and 20 per cent of students scored zero marks. Many responses referred to only the key elements of an operations system – the inputs, processes and outputs – and made no comparison (i.e. no similarities, no differences). On the 2022 exam, Question 3a in Section A asked students to describe one characteristic of the operations system of a service business. The average score was 1.1 out of 2 but 32 per cent of students scored 0 marks. Students were required to be clear and specific about the characteristic that they selected.

Advice 3: There are many differences between manufacturing and service businesses. For example, students could refer to the following types of differences:

- the nature of the product (tangible vs intangible)
- the level of customer interaction
- the distinction between standardised and differentiated products
- production and consumption occurring simultaneously in service businesses but occurring separately in manufacturing
- services not being able to be stored while manufactured goods can be stored.

Advice 4: Differences should be pointed out using words such as ‘whereas’, ‘however’ or ‘on the other hand’.

- 1 mark for outlining a difference between the operations management of manufacturing and service businesses
- Repeat for a second and third difference

Sample answer: *One difference between the operations management of manufacturing and service businesses is seen in the nature of the product that both types of businesses produce – a manufacturing business transforms inputs into physical goods (tangibles), which can be handled and stored before being sold to*

consumers, whereas a service business such as Car Werks transforms inputs into services (intangibles), which means that they cannot be touched or stored.

Another difference is that services tend to be differentiated. This means that they are provided to individual customers and are modified to suit each customer. For example, Car Werks would offer a range of products, many of which would be tailored to suit individual customers (such as providing two separate customers with different car service options or different tyre repairs). In contrast, goods tend to be homogenous – they are basically all the same for each customer purchasing a particular good.

Another difference is that production and consumption tend to occur simultaneously in service businesses. For example, at Car Werks, consumption will usually occur while the service is being performed. However, consumption typically occurs separately in manufacturing – for a manufacturing business, consumption of a good usually happens after it has been produced.

b. Discuss one low-risk strategy and one high-risk strategy for overcoming employee resistance and justify which one would be more effective as Car Werks invests in new technologies. 6 marks

Advice 1: Note the use of the task word ‘discuss’ here, which requires students to outline both sides of a proposition or topic. In the 2020 VCE Business Management examination report, the chief assessors noted that the task word ‘discuss’ requires students to provide both the benefits/strengths and limitations/weaknesses of a thing. They stated that a discussion requires a multifaceted approach and is not simply a linear explanation. The 2022 External Assessment Report stated several times that the task word ‘discuss’ requires students to explain strengths and limitations. For this question, students are required to consider both the advantages/ benefits and disadvantages/ limitations of one low-risk strategy and one high-risk strategy. There is no need for a student to have a certain number of advantages/ benefits and disadvantages/ limitations or even to have an equal number of both. However, there should be at least one of each.

Advice 2: The task descriptor ‘justify’ is also used in this question. This requires students to point out reasons for forming a particular conclusion, which may involve the provision of evidence to support the argument. For this question, students will need to select either their suggested low-risk strategy or their high-risk strategy as the one that would be more effective and point out reasons for their selection.

Advice 3: A similar question to this practice exam question appeared on the 2014 exam. Question 2d asked students to “Identify one low-risk practice and one high-risk practice for dealing with resistance to change” and “Discuss both practices and suggest which one would be more effective...” The question was answered reasonably well, however, some students struggled with the multiple elements that needed to be responded to. The average for this question was 2.8 marks out of 6. In the examination report for that exam, the chief assessors noted that, “It is essential that students read the question carefully, make note of what the task descriptor is asking them to do and then fully answer the question.” Similarly, the 2018 exam asked students to describe a high-risk strategy and a low-risk strategy that the manager in the case study could use to overcome employee resistance during a period of change (Question 5b, Section A). The average mark for that question was 2.4 out of 4 and only 11 per cent of students scored 0 marks. The question was ‘generally’ answered well, however many students struggled to explain how their strategies could be used to overcome employee resistance. It highlights the importance of reading each question carefully and avoiding the temptation to answer the question in rather general terms. In the context of the current question, it cannot be assumed that the strategies will overcome resistance – it is important to specifically address how the strategies actually work to overcome employee resistance. A 10-mark question appearing on 2022 exam asked students to evaluate a prompt (a short statement) that read ‘During a period of business change, all managers will end up using high-risk strategies some of the time’ (Question 5, Section A). The question also required students to make reference to a contemporary business case study. Responses that explored the positive aspects of high-risk strategies, examined the negative consequences of high-risk strategies, and then provided an evaluative statement tended to earn higher marks. Some students were able to use alternative options to

demonstrate ways in which the weaknesses of high-risk strategies might be overcome, such as using low-risk strategies. These students also tended to perform well.

Advice 4: According to the Business Management Study Design, low-risk strategies include communication, empowerment, support and incentives. High-risk strategies include manipulation and threat. Students should again take note that the question asks for only one low-risk strategy and one high-risk strategy. There is no point in writing about more than one low-risk strategy and/or more than one high-risk strategy.

- 1 mark for outlining the advantages/ benefits of a low-risk strategy
- 1 mark for outlining the disadvantages/ limitations of a low-risk strategy
- 1 mark for outlining the advantages/ benefits of a high-risk strategy
- 1 mark for outlining the disadvantages/ limitations of a high-risk strategy
- 2 marks for justification regarding the most effective strategy for Car Werks as it implements change

Sample answer: *Communication is an example of a low-risk strategy that will allow Car Werks to overcome employee resistance. Communication will be used as management at the business share information with employees and as employees ask questions about the new technologies that the business is planning. Communication with employees regarding this change would include holding meetings, sharing information about the new technologies and speaking with affected employees one-on-one. By making use of communication, Car Werks is likely to reduce fear and anxiety. As information is shared and employees are involved in the change process, trust and cohesion should develop between employees and management, reducing resistance to change. However, communication, particularly in the form of two-way communication, can be time consuming. It can take time to organise meetings, produce information and share it, and meet with individuals. On the other hand, management may provide too much communication to employees, resulting in information overload. Sometimes communication may lead to conflict, despite the best intentions of management. Communication may also be used by employees to agree or disagree with each other, and with management at Car Werks.*

Manipulation is an example of a high-risk strategy that involves managers exerting skilful or devious influence over employees in order to force compliance. When using manipulation, management may, for example, withhold certain information from staff when introducing change. Making use of high-risk strategies, such as manipulation, is beneficial in situations where a rapid response is required, or where change will be unpopular. Management might inform Car Werks employees of the exciting new promotional opportunities that investment in new technologies will provide. However, it may withhold the fact that this might require employees to retrain, or that some employees will lose their jobs. This strategy can therefore be used (relatively) successfully in the short-term. However, high-risk strategies are less likely to lead to success in the long-term as they can disenfranchise staff, create distrust, and therefore damage the business's culture and performance. For example, their use can leave employees feeling nervous, not valued and resentful, which ultimately has a negative impact on workplace productivity or performance. The use of high-risk strategies, such as manipulation, are likely to cause resistance in the long-term, and therefore be less effective at managing change.

Low-risk strategies, such as communication, are much more likely than high-risk strategies to result in successful change management in the long-term. As staff at Car Werks are more likely to feel valued as part of the change process, it should lead to more successful transformation in the long-term. Communicating what is going on with the investment in new technologies, throughout the entire process, is much more likely to reduce resistance at the business. In contrast, the use of high-risk strategies such as manipulation might work in the short term but are likely to cause resistance in the long-term, and therefore be less effective at managing change.

c. Other than investment in technology, propose and justify a management strategy that Car Werks could use to seek new business opportunities. 5 marks

Advice 1: The use of the task descriptors ‘propose’ and ‘justify’ here requires students to put forward and outline a management strategy for seeking new business opportunities that are suitable for Car Werks. Students then must point out the reasons or the arguments supporting the use of this strategy.

Advice 2: This question has been included in this practice exam because a similar question from the 2020 VCAA examination was not handled well by students. Question 3 of that exam required students to propose and justify a management strategy that the business in the case study could use to seek new global business opportunities. The average score was a very low 0.9 marks out of 5, and 57 per cent of students scored zero. It was one of the worst-answered questions on any Business Management exam. The previous Study Design did not list specific strategies for seeking business opportunities, and that may partly explain why this question was answered so poorly. The business in the case study was a courier, and many students did not appear to understand the nature of this business as providing a service. This meant that they applied a strategy that was not relevant to the business (such as exporting, offshoring or online shopping). Some students were simply unable to accurately identify an opportunity.

Advice 3: Note that investment in technology is not an acceptable response, because the question states ‘other than investment in technology’. Such a response is very likely to score zero marks.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
5	Comprehensive and accurate knowledge and understanding of the selected strategy for seeking new business opportunities related to a service business. Sophisticated and detailed proposal of a selected strategy, and justification of how it would assist Car Werks in its situation. Includes accurate and appropriate use of terminology.
4	Accurate knowledge and understanding of the selected strategy for seeking new business opportunities related to a service business. Detailed proposal of a selected strategy, and justification of how it would assist Car Werks in its situation. Includes generally appropriate use of terminology with some inaccuracies.
3	Adequate knowledge and understanding of the selected strategy for seeking new business opportunities related to a service business. Limited proposal of a selected strategy, and some justification of how it would assist Car Werks in its situation. Includes some appropriate use of terminology with inaccuracies.
1-2	Limited knowledge and understanding of the selected strategy for seeking new business opportunities related to a service business. Includes weak proposal of a selected strategy, and limited/no justification of how it would assist Car Werks in its situation. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.
0	Shows no knowledge of a strategy that a service business might use for seeking new business opportunities, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: One management strategy that would allow Car Werks to seek new business opportunities is the use of innovation. This would involve the business either creating a service or process, or significantly improving an existing one. For example, Car Werks could implement a new production technique that allows it to provide tyre and automotive servicing and repairs at lower cost. The business could implement an

automated inspection system making use of automation and artificial intelligence, that assesses the condition of tyres, brakes, suspension, and other car components, providing reports to Fixit technicians and/or customers regarding the condition of the tyres or components and what work may need to be completed. Alternatively, Car Werks could use a new marketing technique that would allow it to promote services in a different way that reaches a wider customer base.

Innovation will allow Car Werks to adapt to the way the market is changing, find new opportunities for growing revenue, and boost productivity and growth, giving the business an advantage over competitors. The use of innovation should enable Car Werks to differentiate itself from competitors by offering services or processes that are unique. This differentiation might attract customers, increasing sales, and growing revenue accordingly. This would give the business a competitive edge in the tyre and automotive servicing/repairs market. The use of innovative processes at Car Werks would be expected to improve efficiency, streamline operations and boost productivity. New marketing techniques should result in improvements to Car Werks' brand recognition, further differentiating the business from competitors and positively influencing consumer purchase decisions.

Question 2 (4 marks)

Describe two principles of Peter Senge's Learning Organisation.

Advice 1: A question related to Senge's Learning Organisation has only appeared on the VCAA Business Management exam twice. On the 2019 VCAA exam, Question 4 (Section A) asked students to analyse how managers can apply the principles of Senge's Learning Organisation during a period of change, in order to effectively manage employees, positively influence corporate culture, and ensure the change is implemented successfully. This was the ten-mark question. The average score was 4.4 marks out of 10, and 17 per cent of students scored zero marks. In the examination report, the chief assessors noted that there was generally a poor understanding of Senge's Learning Organisation, or an inability to apply it to the situations specified. On the 2022 VCAA exam, Question 3 (Section B) asked students to justify the use of Senge's Learning Organisation during the period of change at the business in the case study. The average score was 1.8 marks out of 4, and 27 per cent of students scored zero marks. Students here were expected to either focus on the advantages of using the theory itself, or through the advantages of applying principles of the theory to the business in the case study.

Advice 2: The use of the task word 'describe' indicates that students need to provide the characteristics and features of the thing, topic or issue they are asked to describe. For this question, students are required to provide detail on two principles of Peter Senge's Learning Organisation.

Advice 3: There are five disciplines, or principles, underpinning Senge's concept of a Learning Organisation. They are systems thinking, personal mastery, mental models, building shared vision and team learning. Students could describe any two of these.

- 2 marks for naming and describing a principle of Senge's Learning Organisation
- Repeat for a second principle

Sample answer: *One of the principles, or disciplines, of Senge's Learning Organisation is personal mastery. This refers to the practice of individuals undertaking personal growth and learning, and involves employees developing competence and skills, developing the ability to focus energy, and honestly reflecting and evaluating their abilities and weaknesses. Ultimately, businesses learn by way of individuals who are learning. As individual employees within a business improve, the business also improves its performance. A business whose workforce can learn quickly is very likely to find that it is successful during a period of change. Through this discipline, people in the business will continually clarify and deepen their personal visions, focus their energies, develop patience, and see reality objectively.*

Another of the principles, or disciplines, of Senge's Learning Organisation is mental models. These are the deep-seated assumptions and generalisations that influence people in the way in which they understand how the

world works and how they take action in response. This principle requires individuals to become aware of and self-reflect on their own values and beliefs, as well as those of others. If a business analyses what it does, its systems and its processes, and then acts upon what it has learnt, its employees will learn new skills and develop new orientations. To move in the right direction and successfully manage change, the business will need to transcend the internal politics and game playing that often dominates decision-making. A more open culture will promote inquiry and trust, supporting the successful implementation of change.

Question 3 (16 marks)

Pinnacle Resorts Limited owns and operates a number of entertainment complexes in Melbourne, Sydney, Perth and Brisbane. Each employee is covered by one of three enterprise agreements, all of which are currently being renegotiated. Crystal is the HR manager responsible for representing the business while negotiating these agreements. She believes that it is important that staff input be carefully considered and that employees should feel empowered. Crystal is comfortable with the idea of staff joining with management to make decisions. Most of the employees working at Pinnacle Resorts are very experienced, and Crystal considers that they have the skills and knowledge to negotiate collaboratively and effectively. She anticipates no problems with negotiating the enterprise agreements. However, Crystal is concerned about motivation levels at the business, which are not as high as the executive team would hope for. For this reason, she is investigating how to improve motivation at the business.

- a. Crystal appears to be using the participative style at Pinnacle Resorts. Referring to two factors indicating the appropriateness of management styles, discuss the use of the management style that Crystal has adopted. 6 marks**

Advice 1: The key knowledge relevant to this practice exam question (dot point six from Area of Study 1, Unit 3) has never appeared on a VCAA Business Management exam. The question also relates to outcome 1 of Unit 3, which states that students should be able to “analyse the relationship between corporate culture, management styles and management skills”. On the other hand, management style questions have appeared on nine exams over the last ten years (but not on the 2021 exam). This current question may prove to be difficult if it ever appears on the VCAA exam, simply because it would be a new, previously unseen question.

Advice 2: This question requires students to refer to two factors related to the appropriateness of management styles. According to the study design, these factors are the nature of task, time, experience of employees and manager preference. It is important to note that only these four factors listed in the Study Design will be accepted. Students are therefore required to discuss the use of the participative style at Pinnacle Resorts, making use of the material in the case study, while referring to two factors related to the appropriateness of management styles.

Advice 3: It is worth noting again that questions related to management styles have appeared on 9 of the last 10 VCAA exams. In general, management style questions are answered reasonably well. For example, the 2017 exam asked students to explain how a persuasive management style may assist in reducing the level of staff turnover (Question 1d, Section A). The average mark for this question was 1.5 out of 3. However, 22 per cent of students scored 0 marks, with some students being unable to explain how a persuasive management style could assist in reducing the level of staff turnover, and others explaining the consultative management style! The 2019 exam asked students to evaluate the suitability of the autocratic management style for store closures at the business referred to in the case study (Question 5, Section B). The average mark for that question was 2.5 out of 5, with only 12 per cent of students scoring 0 marks. However, only 7 per cent of students scored the full five marks. A similar question on the 2020 exam asked students to evaluate the suitability of the management style the character in the case study had adopted for achieving business objectives (Question 1b, Section A). The case study clearly stated that the character was using an autocratic style. The average mark for that question was 3.1 out of 5, with only 6 per cent of students scoring 0 marks. Many students misunderstood what was required by the question, suggesting a different style be used instead of autocratic.

- 1 mark for referring to a factor indicating the appropriateness of management styles

- 1 mark for outlining an advantage of the participative management style in relation to the chosen factor
- 1 mark for outlining a disadvantage of the participative management style in relation to the chosen factor
- Repeat for a second factor indicating the appropriateness of management styles

Sample answer: *One factor indicating the appropriateness of management styles is manager preference. This refers to the personality, background, experience, values, beliefs and skills of the manager. Crystal is clearly at ease with the use of this style and believes that it is important that employees should be listened to and feel empowered. An advantage of the participative management style is that it results in employees having ownership of the way that the business is run, as they play an active role in decision-making. As employees at Pinnacle Resorts feel more involved in their roles and in the determination of their enterprise agreement, they are likely to be highly motivated and committed to the business. However, the use of the participative style does have the potential to create conflict or resentment. The greater variety of ideas that will be put forward by employees working collaboratively at Pinnacle Resorts increases the likelihood of conflict between staff. Furthermore, some ideas may be ignored or overlooked in any final decisions made, as they may be irrelevant or unsuitable. This can result in resentment. It could also result in an enterprise agreement not being negotiated to the satisfaction of all employees.*

Another factor indicating the appropriateness of management styles is the experience of employees. Pinnacle Resorts has many experienced employees, for example, who Crystal considers have the skills and knowledge to work collaboratively. An advantage of the participative management style is the wide range and diversity of ideas that can be obtained through the opportunities that experienced employees at Pinnacle Resorts will have to put forward their suggestions. This should improve the overall quality of decisions made and should ensure that the enterprise agreements meet the needs of all employees. However, a disadvantage of the participative management style is the time consuming nature of seeking the involvement of employees in teams or groups when making decisions. All differing views will need to be considered and this could slow down the entire decision-making process at Pinnacle Resorts, and could result in the negotiation of the new enterprise agreements taking a long time.

b. Identify and explain two dispute resolution methods that may be included in a dispute resolution clause within an enterprise agreement. 4 marks

Advice 1: This question asks students to ‘identify’ two dispute resolution methods. This task word is not commonly used on the VCAA Business Management exam, and if it does appear, it is generally used in combination with other task words, such as ‘explain’ or ‘describe’.

Advice 2: The task word ‘explain’ requires students to include enough detail in their response that the main point, topic or issue is expanded on or made clear. This practice exam question requires students to clearly explain each chosen dispute resolution method.

Advice 3: While the resolution of conflict was key knowledge on past VCE Business Management study designs, the content never appeared in a VCAA exam question until 2017. ‘Resolution of conflict’ was renamed ‘dispute resolution’ for the former study design implemented in 2017, with students being required to understand an “overview of the dispute resolution process”. However, the 2017 exam was the first and last time this content appeared on the exam (as a question). Question 2 in Section A of this exam asked students to distinguish between mediation and arbitration as a means of dispute resolution. The average score was 1.4 marks out of 3, and 30 per cent of students scored zero. [Note that a question related to grievance procedures appeared on the 2022 exam, but this is no longer key knowledge in the current 2023 Study Design].

Advice 4: The Study Design states that the dispute resolution process includes mediation and arbitration. Students could identify and explain these two methods, or other methods including negotiation and conciliation.

- 1 mark for identifying a dispute resolution method that may be included in a dispute resolution clause within an enterprise agreement
- 1 mark for explaining the dispute resolution method
- Repeat for a second dispute resolution method

Sample answer: *One dispute resolution method that may be included in a dispute resolution clause within an enterprise agreement is mediation. This involves an independent third party, a mediator, assisting the parties who are in dispute to work towards their own agreement. The mediator will usually not offer suggestions or solutions, preferring to allow the parties to develop the agreement in their own terms. Their main role is to encourage the parties to examine all the issues. Simply ensuring that discussion is productive should ensure that the parties involved in a dispute can reach a decision cooperatively.*

Another dispute resolution method that may be included in a dispute resolution clause within an enterprise agreement is arbitration. This involves an independent third-party hearing arguments from both parties in dispute and then making a legally binding decision to resolve the conflict. This is the most formal dispute resolution method and occurs in a setting very much like a court. For example, if mediation (or conciliation) fails to resolve a dispute, the Fair Work Commission can conduct an arbitration, with a tribunal member hearing both arguments in the dispute and making a determination that is binding on the parties.

c. Crystal is considering the use of Locke and Latham’s theory of motivation or Lawrence and Nohria’s theory of motivation at Pinnacle Resorts.

Discuss the key aspects of both of these theories of motivation. Justify the theory that you believe Pinnacle Resorts should adopt. **6 marks**

Advice 1: A Locke and Latham Goal Setting Theory question appeared on the 2017 VCAA exam (Question 3c in Section A). The average score for that question, which asked students to examine whether Locke and Latham’s Goal Setting Theory would be appropriate for the business in the case study, was a relatively low 1.7 marks out of 4 and 23% of students scored zero marks. Many students struggled to provide the necessary detail for the question, or to apply the theory to the business in the case study.

Advice 2: A Lawrence and Nohria Four Drive Theory question appeared on the 2021 VCAA exam (Question 6 in Section B). Students performed reasonably well on that question, which asked students to describe how the business in the case study could use two drives from Lawrence and Nohria’s motivation theory to improve number of customer complaints, rate of staff absenteeism or rate of productivity growth, scoring an average of 2.8 marks out of 6 and 20% of students scoring zero marks.

Advice 3: The current practice exam question is similar to a theories of motivation question that appeared on the VCAA exam in 2015. Question 2b of that exam asked students to discuss how either Maslow’s or Herzberg’s (a motivation theory on the old Study Design) motivational theory would assist a human resource manager to motivate employees. Many students ignored the word ‘or’ and discussed both theories. The average score for this question was 3 out of 8 marks and 39 per cent of students scored from zero to 2 marks. Motivation theory questions are generally answered well, and it is likely that many students did not achieve full marks because they misread the question. It is worth noting that motivation theory questions have appeared on eight of the last ten exams.

Advice 3: Because this question makes use of the task word ‘discuss’, students should cover the strengths and weaknesses of each theory. Following this, the use of the task word ‘justify’ requires students to identify the most appropriate theory and provide evidence to support this conclusion.

- 1 mark for outlining the advantages/benefits of Locke and Latham's motivation theory
- 1 mark for outlining the disadvantages/limitations of Locke and Latham's motivation theory
- 1 mark for outlining the advantages/benefits of Lawrence and Nohria's motivation theory
- 1 mark for outlining the disadvantages/limitations of Lawrence and Nohria's motivation theory
- 2 marks for justification regarding the theory that should be adopted by Pinnacle Resorts

Sample answer: *Locke and Latham's theory focuses on the attainment of goals that are clear and specific, challenging but not overwhelming, and stresses the importance of feedback. Locke and Latham's motivation theory has a range of benefits and weaknesses. Setting goals that are clear and specific, challenging but not overwhelming will motivate employees and improve their performance, thereby contributing to Pinnacle Resorts' business objectives. Staff will perform at a higher standard due to their clear and specific goals, leading to a higher rate of productivity. Better relationships between management and employees will occur as managers work with each employee to collaboratively set goals and provide feedback.*

However, a weakness of Locke and Latham's theory is that the goals that individual employees set may clash with each other, with Pinnacle Resorts' objectives, or may not even support the attainment of business objectives. Furthermore, Goal Setting Theory only focuses on the setting of goals to improve performance. There are other factors that can contribute to improved performance.

Lawrence and Nohria's theory identifies four drives that shape the way in which all humans think and behave. According to Lawrence and Nohria, people can be motivated by all four of these drives. Lawrence and Nohria's motivation theory also has a range of benefits and weaknesses. The four drives work independently, allowing managers and employees to be flexible in the behaviours or strategies that they select or implement. The theory is very adaptable to complicated or intricate environments or situations. All four drives can be converted into effort by employees that will be directed at improving the way they think and behave. It is this motivation that can be used to improve Pinnacle Resorts' performance and achieve objectives.

However, a weakness of the Four Drive Theory is that some of the workplace applications involve competition between employees, and this competition can have detrimental effects on employees. For example, Pinnacle Resorts' workplace may suffer from a lack of co-operation or a lack of information sharing. Additionally, it is worth noting that there are other drives besides the four outlined by Lawrence and Nohria – the four drives do not necessarily explain all the individual characteristics that may motivate a person.

Pinnacle Resorts should adopt Locke and Latham's Goal Setting Theory because working towards goals that are clear and specific, challenging but not overwhelming, will provide employees with the motivation to reach those goals, thus improving performance. The use of this theory will have the added benefit of further improving already positive relationships in the business. Feedback provided by managers to employees will also be provided according to Locke and Latham's theory, should provide additional motivation. Many studies support the theory that challenging and specific goals, together with commitment and feedback will motivate employees.

Question 4 (6 marks)

Describe two possible effects that change may have on stakeholders of a business. In your response, refer to a contemporary business case study from the past four years.

Advice 1: This practice exam question relates to key knowledge in the Study Design that states that students must know "the effect of change on stakeholders, including managers, employees, customers, suppliers and the general community".

Advice 2: A similar question to the current question appeared on the 2014 VCAA exam. Question 5 of that exam asked students to describe two possible effects that change may have on the internal environment of a large-scale organisation (with reference to a significant change issue). Note that parts of that question related to content on the old study design ('internal environment' and 'significant change issue'); nevertheless, the question was not handled well. The average score was 1.4 marks out of 4, and 25 per cent of students scored

zero. On the 2017 exam, Question 4c asked students to analyse the impact that a reduction of the level of wastage may have on the suppliers of the business in the case study, and one other stakeholder. That question was handled reasonably well, with a higher average 2 marks out of 4, and with 16 per cent of students scoring zero

Advice 3: Questions asking for contemporary business case studies have appeared on the past four exams. These have required students to write about a situation occurring at a business within the past four years. Students have then been expected to either write about how the business made use of a strategy (or theory in the study design), how the business might have made use of a strategy (or theory), or how the business has been affected by a driving force/ driving forces/ restraining forces.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
6	Comprehensive and accurate knowledge and understanding of the effect of change on stakeholders. Sophisticated and detailed description of two possible effects that change may have on stakeholders of a business, with reference to a contemporary case study. Includes accurate and appropriate use of terminology.
5	Adequate knowledge and understanding of the effect of change on stakeholders. Includes a good description of two possible effects that change may have on stakeholders of a business, with good reference to a contemporary case study. Includes generally appropriate use of terminology with some inaccuracies.
3-4	Basic knowledge and understanding of the effect of change on stakeholders. Includes limited description of two possible effects that change may have on stakeholders of a business, with some reference to a contemporary case study; good description of one possible effect and some reference to a contemporary case study; or descriptions of two possible effects. Includes some appropriate use of terminology with inaccuracies.
1-2	Limited knowledge and understanding of the effect of change on stakeholders. Includes weak description of one possible effect that change may have on stakeholders of a business, with limited reference to a contemporary case study; good description of one possible effect but no reference to a contemporary case study; weak descriptions of two possible effects; or reference to a contemporary case study only. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.
0	Shows no knowledge of the effect of change on stakeholders, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: In September 2022, AGL released a Review of Strategic Direction and a Climate Transition Action Plan. The energy company announced that it planned to shut down all of its coal-fired generation by the end of the 2035 financial year, with annual greenhouse gas emissions to reduce from 40 million tonnes to net zero. AGL also said that it would invest up to \$20 billion by 2036 in new renewable and energy storage assets. The announcement followed a withdrawn demerger proposal in May 2022 as well as an attempted takeover of the company by Mike Cannon-Brookes, co-founder and co-CEO of software company Atlassian. AGL set an interim target to have up to 5 gigawatts of new renewable energy in place by 2030. The majority of its renewable and energy storage will come from wind farms and batteries.

As the people who have the responsibility for running a profitable or successful business, managers at AGL are very likely to support the change – it was management who initiated the change. The new chair of AGL, Patricia McKenzie, said that AGL had listened to its stakeholders, particularly shareholders, as well as government and energy regulatory authorities, suggesting that their views were an important consideration as management reviewed the company's strategic direction after withdrawing the demerger proposal. She said, "Today we have set a new direction for AGL. Our decarbonisation and energy investment strategy sets a clear pathway

for the company's future and its leading role in Australia's energy transition." Unfortunately, some managers may struggle with coming to terms with the change personally, or working towards the implementation of the change, at the same time as having to support employees through the change. Some managers may not be comfortable with using the new technologies or processes that may be introduced at AGL to reduce its greenhouse gas emissions.

Many AGL customers would be pleased with the business's decision to implement its new strategy, and would be likely to embrace the change, possibly even promoting the business to other people. They may find that the changes that the company introduces better meets their needs and expectations. Many AGL customers have been suggesting that the business reduce its greenhouse gas emissions and move to renewable energy. Interim CEO Damien Nicks said, "We have heard it from our customers, communities, governments, capital providers and shareholders - the time is now for AGL to show leadership in the energy transition."

Question 5 (10 marks)

As well as the attainment of business objectives, leaders face the challenge of managing change effectively.

Analyse the relationship between leadership and:

- **positively influencing corporate culture**
- **ensuring a change is implemented successfully**
- **achieving business objectives.**

Advice 1: The best performing students on a ten-mark question are typically those who read the question carefully and interpret it accurately. This same approach should be taken to this CPAP exam question, which focuses on analysing the relationship between leadership and positively influencing corporate culture, ensuring a change is implemented successfully, and achieving business objectives.

Advice 2: The use of the task word 'analyse' in this question requires students to identify the key components of factors, topics or issues and outline the relationship between them. The current question asks students to explain the links between leadership and corporate culture, change management and achieving business objectives.

Advice 3: A similar question appeared on the 2018 VCAA exam asking students to explain the importance of leadership in change management (referring to a contemporary business case study). That was Question 2 (Section A) and while many students were able to provide a theoretical explanation of the importance of leadership, they struggled to provide enough depth in their responses. Overall, the question was handled reasonably well, with an average score of 2.7 out of 6 marks and only 9 per cent of students scoring zero marks. The 2021 exam asked for an explanation of the importance of leadership in successful change management (Question 2a, Section A). That question was quite well-answered with an average of 2 out of 4 marks. However, responses that did not score well often simply stated that leadership would result in successful change management without saying how.

Advice 4: It is very likely that the ten-mark question on the 2023 VCAA exam will have several elements. A question with several elements that was very similar to the current practice exam question was on the 2019 VCAA exam. Question 4 (Section A) of that exam asked students to analyse how managers can apply the principles of Senge's Learning Organisation, during a period of change, in order to effectively manage employees, positively influence corporate culture, and ensure the change is implemented successfully. The average score was 4.4 marks out of 10, and 17 per cent of students scored zero marks. In the examination report, the chief assessors noted that there was generally a poor understanding of Senge's Learning Organisation, or an inability to apply it to the situations specified. The current question has similar elements to the 2019 ten-mark question. In the 2021 External Assessment Report, the chief assessors reminded students that they need to address every element of a question within their response to achieve full marks. In the 2022 External Assessment Report, the chief assessors pointed out that the ten-mark question on the 2022 exam

included a number of Business Management concepts, each of which needed to be explored for a response to receive a high score.

Advice 5: The best responses will be those that are coherent and flow. Paragraphs will be clearly expressed so that they consider all parts of this question and bring everything together.

Teachers are advised to assess student responses globally.

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
9-10	- Comprehensive and accurate knowledge and understanding of the relationship between leadership, corporate culture, change management and business objectives. - Sophisticated and detailed analysis of how leadership can positively influence corporate culture, ensure successful change management, and achieve business objectives. - Includes accurate and appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
7-8	- Detailed and accurate knowledge and understanding of the relationship between leadership, corporate culture, change management and business objectives. - Detailed analysis of how leadership can positively influence corporate culture, ensure successful change management, and achieve business objectives. - Includes appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
5-6	- Demonstrated adequate knowledge and understanding of the relationship between leadership, corporate culture, change management and business objectives. - Some analysis of how leadership can positively influence corporate culture, ensure successful change management, and achieve business objectives. - Includes generally appropriate use of terminology with some inaccuracies, which involved attempts at defining, describing and applying relevant business management concepts and terms.
3-4	- Demonstrated basic knowledge and understanding of the relationship between leadership, corporate culture, change management and business objectives. - Limited analysis of how leadership can positively influence corporate culture, ensure successful change management, and achieve business objectives. - Includes some appropriate use of terminology with inaccuracies, which involved limited attempts at defining, describing and applying relevant business management concepts and terms.
1-2	- Demonstrated limited knowledge and understanding of the relationship between leadership, corporate culture, change management and business objectives. - Weak analysis of how leadership can positively influence corporate culture, ensure successful change management, and achieve business objectives. - Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding, which involved limited/no attempts for use of defining, describing and applying relevant business management concepts and terms.
0	Shows no knowledge of leadership, corporate culture, change management and/or business objectives, or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: Leadership refers to influencing, positively encouraging, supporting and motivating staff to share in the vision of the business. A manager with effective leadership will tend to be a good communicator and will act as a role model, using their power to inspire loyalty, dedication and commitment in those that they lead.

Leadership can have a positive influence on corporate culture – the shared values, ideas, expectations and beliefs held by managers and staff of a business. A manager using leadership will act as a role model for employees. By constantly reflecting the values, ideas, expectations and beliefs of the business, a manager using leadership can act as an example for others. By influencing employees, positively encouraging them and motivating staff to share these values and beliefs, a leader can influence a positive change in culture. A leader using interpersonal skills is likely to create a positive and supportive atmosphere in which to work. The flow-on effect from good leadership should also result in a strong corporate culture, as employees who are motivated with a clear sense of direction about what the expected values and beliefs are will tend to work towards implementing that culture.

Business change is an alteration to the business caused by internal and/or external pressures. Whether it is a significant change that will impact on the whole business or a relatively minor change where only one part of the business is affected, the alteration will need to be managed. By showing leadership a manager can reduce resistance to change and ensure that a change is implemented successfully. A manager may demonstrate leadership during a change by listening, showing empathy, setting high expectations, showing support and developing trust. Leaders during a change will focus on building relationships with employees, management, shareholders and external stakeholders so that the transformation can be successfully implemented and consolidated. Successful leaders explain a change clearly, communicate a vision, resolve conflict, keep an open mind, share information, push on with the change and make it clear that they have confidence in people to cope with the change. In turn, employees who feel supported and believe that management is concerned about their welfare are generally more prepared to accept the risks involved with change. Stakeholders who are aware of what the change is, and how it will benefit the business, are more likely to support the change.

Leadership will be used by a manager to make sure that business objectives are achieved. Business objectives refer to the desired outcomes or specific results that a business intends to achieve; these include making a profit, increasing market share, fulfilling a market and/or social need, and meeting shareholder expectations. The main objective for most businesses is seeking profit. Effective leaders not only generate motivated and productive workers, but they also help to create environments where employees will be creative and work together. Good managers lead by example and encourage and praise good performance. Leaders will actively listen to what employees say and welcome new ideas, remain calm in the face of conflict and stressful situations, and delegate tasks so that work and responsibilities are shared with employees who have the capacity to handle them. The creation of a workplace where employees are motivated and productive should lead to innovation and the attainment of objectives such as making profit for the business. The actions of managers using leadership ensure that business objectives continue to be achieved.

Section B – Case Study

Case Study

Below is an extract from Mezza Supermarkets' full year results – release date 22 August 2023.

Statement from Mezza Supermarkets' CEO, Belinda Wilkinson

With more than 500 outlets across our business we saw an increase in our number of sales, achieving total revenue for the full year ended 30 June 2023 of \$18,006 million and net profit after tax of \$518 million from our operations. I would like to thank our team members who contributed to this successful outcome. I would also like to thank our customers for their support.

It has been a year of substantial change for Mezza Supermarkets following our merger with Casavilla Hospitality. Nevertheless, we continue to face great challenges. Consumer behaviour continues to evolve and is changing faster than ever. We are heading into one of the most competitive periods in Mezza's history, and there are considerable industry-wide headwinds on the horizon. However, Mezza is investing in new technologies and new partnerships. We are very excited that one of the biggest automation projects in our history will commence next year (2024) to improve our capacity to operate more quickly, and to further enhance efficiencies and the range and service we can offer to customers. Mezza has also entered into new commitments with international partners in online fulfilment centres and digital systems provision, to identify a few.

Despite our positive financial results, and good progress on our strategic agenda, our level of staff turnover has increased significantly over the full year (increasing by 15%), as have number of customer complaints. We will need to increasingly focus on our customers and team. To improve our motivation of employees, and to continue building a better business, we will be exploring more effective use of performance management.

Question 1 (2 marks)

Define the term 'level of staff turnover'.

Advice 1: In the 2022 VCE Business Management external assessment report, the chief assessors noted that all responses in Section B must refer to the case material provided, even if the question does not explicitly state this. On the 2021 exam, two questions (Questions 1 and 3 in Section B) did not explicitly refer students to the case material. However, the preliminary material at the beginning of the section states that students should "use the case study provided to answer the questions in this section" and that "answers must apply to the case study". It is therefore fairly clear that students must refer to the case material in all questions in this section of the exam.

Advice 2: Students tend to struggle with key performance indicator (KPI) questions on the VCAA Business Management exam. On the 2014 exam, students were asked to define a KPI on three different occasions. All three KPIs were from the Business Management Study Design. Question 1a asked students to define 'staff turnover'. A total of 34 per cent of students scored zero and the average mark was 0.7 out of 1. Question 3a asked students to define 'percentage of market share' and 'number of customer complaints'. A total of 41 per cent of students scored zero and the average mark was 0.8 out of 2. Students scored poorly on these questions because they tended to write definitions that simply repeated the words in the term, or they could not convince the assessors that they understood the KPI. However, there was some improvement on a KPI definition question on the 2019 exam. Question 1 (in Section B) asked students to define 'level of staff turnover'. This time, only 16 per cent of students scored zero and the average mark was 1.2 out of 2. Students were expected to state that staff turnover refers to the total number of employees leaving a business and who need to be replaced. The answer also needed a quantifier such as 'number of ' or 'rate of'. The same is true for this current practice exam question.

Advice 3: A similar question to the current question on the 2021 exam asked students to define what is meant by the ‘rate of staff absenteeism’. The question was not answered well, with a total of 44 per cent of students scoring zero and an average mark of 0.7 out of 2. Many students were not able to provide a clear and specific definition of the rate of absenteeism, and many did not make any reference to the case study material.

- 1 mark for an accurate definition of level of staff turnover (i.e. the rate at which employees leave a business and need to be replaced, or similar)
- 1 mark for referring to relevant data/information in the case study

Sample answer: *Level of staff turnover is a key performance indicator that measures the rate at which employees leave the business and must be replaced. For example, level of staff turnover at Mezza Supermarkets has increased by 15% for the year ended 30 June 2023, representing an increase in the number of staff leaving the business and needing to be replaced.*

Question 2 (6 marks)

Other than those named in the extract of the statement from the chief executive officer, explain how Mezza Supermarkets could use two KPIs to analyse business performance.

Advice 1: This current practice exam question is very similar to a question that appeared on the 2020 VCAA exam. Question 4 in Section B asked students to explain two KPIs that the business in the case study could use to assess business performance (other than the KPIs named in the case study). The question was poorly answered; while only 20 per cent of students scored zero, the average mark was 2.4 out of 6. Many students performed poorly on this question because they referred to KPIs already mentioned in the case study. Many students could not explain how their selected KPIs could be used to assess business performance.

Advice 2: KPIs mentioned within the text and therefore not able to be used within a response include: net profit figures, revenue, number of sales, level of staff turnover, number of customer complaints. KPIs listed in the study design that students could refer to include: rate of productivity growth, rates of staff absenteeism, level of wastage, number of workplace accidents. Other relevant KPIs not listed in the study design are also acceptable.

- 1 mark for accurately identifying and explaining a relevant key performance indicator
- 1 mark for explaining how the selected KPI could be used to analyse business performance
- 1 mark for linking the selected KPI to analysing business performance at Mezza Supermarkets
- Repeat for a second KPI

Sample answer: *A KPI that could be used by Mezza Supermarkets to analyse business performance is percentage of market share, which indicates the business’s share of the total sales within the supermarket industry. A high percentage of market share will suggest that the business is performing successfully, indicating that customers prefer Mezza over its competitors, perhaps because they have higher levels of service or have a better range of products than competitor supermarkets. By contrast, a fall in Mezza’s percentage of market share would indicate that the business is not performing well and that customers are choosing to shop at competitor supermarkets, rather than at Mezza’s supermarkets. Such a result would suggest that the business will need to review its customer service or its range of products.*

Another KPI that could be used by Mezza is level of wastage. This refers to the amount of unwanted or unusable material created during or after the processing stage of a business’s operations. Waste represents a cost to the business as it requires additional resources to be used to replace the unwanted or unusable material. If Mezza is able to cut its level of wastage, then this would be seen as a positive as costs are likely to be falling, and negative impacts on the environment reducing. A reduction in the level of wastage would therefore suggest that the business is performing successfully. On the other hand, an increase in its level of wastage would suggest that Mezza is not performing well. This is likely to indicate that Mezza should change aspects of its operations to improve efficiency.

Question 3 (6 marks)

Analyse how technology may have been a driving force for change at Mezza Supermarkets.

Advice 1: This question has been included in this practice exam because a similar question from the 2020 VCAA examination was not handled well by students. Question 6 (Section A) of that exam required students to analyse how societal attitudes had been a driving force for change in a contemporary business case study. The average score was a low 2.3 marks out of 6, and 22 per cent of students scored zero. The study design clearly refers to the driving forces and restraining forces, including societal attitudes and technology.

Advice 2: The examination report for 2020 suggested that students needed to include three things in their response to Question 6 (Section A). These included an explanation of a change that had occurred in a business within the past four years, an explanation of what the societal attitude was that drove the specific change, and an explanation of how that societal attitude had driven the business to make the change. The same approach should be taken for the current question, with the response focussed on technology and the business in the case study (Mezza Supermarkets). The chief assessors also noted that many students started their response by referring to social attitudes, but then wrote about customers or technology as driving forces.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
5-6	Comprehensive and accurate knowledge and understanding of what is meant by 'technology' as a driving force for change. Clear explanation of how technology may act as a driving force for change, as well as a clear link to Mezza Supermarkets. Includes accurate and appropriate use of terminology.
3-4	Adequate knowledge and understanding of what is meant by 'technology' as a driving force for change. Covers most of the key ideas identified above, but some aspects are missing – for example, there may be adequate explanation of how technology may act as a driving force for change, but no link to Mezza Supermarkets. Includes some appropriate use of terminology with inaccuracies.
1-2	Limited knowledge and understanding of the effect of change on stakeholders. Includes weak explanation of how technology may act as a driving force for change, with limited reference to Mezza Supermarkets; good description of technology or driving forces, but no link to Mezza Supermarkets; weak descriptions of technology and driving forces; or references to Mezza Supermarkets only. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.
0	Shows no knowledge of the effect of change on stakeholders, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: *Technology refers to the use of scientific knowledge, tools or techniques by a business to achieve objectives, or to solve a problem. It is important that businesses are prepared to respond to any change in technology. Driving forces are those that encourage or push for change, thereby supporting a business in achieving its objectives and ensuring the success of a change. This force is likely to act as a driving force for change at Mezza Supermarkets, because, as the company aims to improve efficiency, operate more quickly, and enhance the range of products and the services it offers customers, it is imperative that the business makes use of the most up-to-date technologies. It is very likely that Mezza's competitors will exploit technology in an attempt to capture greater market share, pushing or forcing the company to change so that it remains competitive. In this way, technology is likely to have acted as a major driving force behind the company's decision to invest in new technologies, including its automation project starting in 2023, and its partnerships in online fulfilment centres and the provision of digital systems. Even though investing in new technology would be expensive, management at Mezza Supermarkets have clearly decided to focus on improving efficiencies, and improving its product range and customer service. Technology will allow Mezza to operate its processes*

and practices more efficiently and effectively, cutting costs and improving productivity, further encouraging transformation at the business.

Question 4 (6 marks)

Apply the key principles of the Force Field Analysis theory (Lewin) to the implementation of new technology at Mezza Supermarkets.

Advice 1: This practice exam question is very similar to a question on the 2018 VCAA exam (Section B, Question 3). The question asked students to explain how the business in the case study could apply the principles of the Force Field Analysis theory (Lewin) in implementing its expansion plans. The average score for that question was 2.1 out of 5 and 26 per cent of students scored 0 marks. In the 2018 examination report, the chief assessors noted that students must be aware of the ranking or weighting of the forces in the Force Field Analysis theory. It is, for example, not correct to state that if there are more restraining forces than driving forces, then a change will not be successful. A similar question on the 2022 VCAA exam (Section B, Question 4) asked students to explain how the business in the case study could use Lewin's Force Field Analysis theory to help it make a decision. The average score for this question was 2.1 out of 4 and 19 per cent of students scored 0 marks. Students who answered this question well explained how the driving and restraining forces in the scenario should be identified, weighted or ranked, then explained how strategies might be put in place so that the driving forces were strengthened, and the restraining forces lessened, so that if the driving forces were weighted higher than the restraining forces, the change was likely to be successful.

Advice 2: The task word used in this exam practice question is 'apply', indicating that students need to use the information provided and/or the knowledge relevant to a particular situation and make links and connections. In the case of this question, students must demonstrate an understanding of Lewin's Force Field Analysis theory, and apply it to Mezza Supermarkets.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
5-6	Comprehensive and accurate knowledge and understanding of Lewin's Force Field Analysis theory. Clear application of the key principles of the Force Field Analysis theory to the implementation of new technology at Mezza Supermarkets. Includes accurate and appropriate use of terminology.
3-4	Adequate knowledge and understanding of Lewin's Force Field Analysis theory. Sound application of the key principles of the Force Field Analysis theory to the implementation of new technology at Mezza Supermarkets. Includes some appropriate use of terminology with inaccuracies.
1-2	Limited knowledge and understanding of Lewin's Force Field Analysis theory. Weak application of the key principles of the Force Field Analysis theory to the implementation of new technology at Mezza Supermarkets. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.
0	Shows no knowledge of Lewin's Force Field Analysis theory, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: *Force Field Analysis is useful for determining the forces that promote change and those that resist change. Management could make use of Lewin's theory to determine if change is needed or if it will be successful. In his theory, Lewin identified factors (or forces) that influence any given situation. According to Lewin, management needs to analyse which factors within a situation, or factors affecting a business, are acting as driving forces and which factors may be acting as restraining forces. At Mezza Supermarkets, a guiding group would identify the driving and restraining forces. The factors that may drive the change would be identified firstly by the group. An example of a driving force at Mezza is management who desire an improvement in efficiency, and an improvement in its product range and customer service. Other driving forces*

at Mezza that would push or drive the business to change include customers, the pursuit of profit, competitors and technology. Next, the factors that may impede or restrain the change need to be identified. A restraining force for Mezza would be financial considerations as the cost of new technologies and entering into new partnerships may work against the change, potentially reducing the profit of the business. Other restraining forces might include employees and time.

For each force, management should assign a score relative to the perceived strength of the force (with low scores suggesting a weak force and high scores suggesting a strong force). This allows management to rank the forces. By identifying the highest priority driving forces, the guiding group at Mezza can find support for the implementation of change. By identifying the highest ranking restraining forces, the guiding group can determine strategies to deal with resistance to change. According to Lewin's Force Field Analysis, the current conditions, or status quo, result from these two forces pushing in opposite directions. While there is equilibrium between the two sets of forces there will be no change. Mezza's management must be aware that, in order for change to occur, the weight of driving forces needs to exceed restraining forces. At this point, the business could move forward with the change, creating a group to lead the change and begin introducing an action plan for strengthening driving forces and overcoming the restraining forces. By strengthening driving forces and seeking to reduce or eliminate restraining forces, managers at Mezza can ensure that the implementation of the company's change will occur successfully.

Question 5 (5 marks)

Evaluate the use of either appraisals or employee observation as a performance management strategy for effectively reducing the level of staff turnover at Mezza Supermarkets.

Advice 1: Beware the 'either/or' question! The 2020 VCAA exam featured a question that required students to explain the role of either unions or employer associations in a workplace such as the business in the case study (Question 3, Section A). Students performed reasonably well on that question, with an average score of 1.5 out of 3, and only 19 per cent of students scoring zero marks. However, some covered both unions and employer associations (which meant only the first stated response was assessed). Both the 2015 and 2014 VCAA exams featured questions that required students to decide between two options. For example, Question 2b of the 2015 paper asked students to discuss either Maslow's or Herzberg's (a motivation theory on the old Study Design) motivational theory. Many students ignored the word 'or' and discussed both theories. Similarly, on the 2014 paper, Question 2a asked students to describe one driving force or one restraining force for change. The average score was 1 out of 2 marks and 30 per cent of students scored 0 marks. However, 46 per cent of students scored only 1 mark, reflecting the fact that many students wasted valuable time and wrote about both forces. In doing so, several students did not adequately explain how their first force (which was the one actually marked) linked to what was happening within the business mentioned in the case study. It is always possible that another "either/or" question will appear on the 2023 exam and students should avoid making the errors noted above.

Advice 2: In the 2020 VCE Business Management examination report, the chief assessors noted that the task word 'evaluate' requires students to refer to both strengths and weaknesses and then come to a conclusion about the suitability or worth of something (an overall judgement). Students often get muddled up with evaluation questions, believing that they are being asked to suggest a better strategy or thing. If this was the case, the question would ask for a more appropriate strategy or thing.

Advice 3: A question specifically asking about performance management strategies has only appeared on the exam a couple of times. Question 1c in Section A on the 2020 exam asked students to propose and justify a performance management strategy that the business in the case study could use to reduce staff absenteeism. The question was answered reasonably well, with an average mark of 1.7 out of 3, however, a total of 21 per cent of students scored zero marks. Many students were not able to explain or demonstrate a link between the strategy selected and a reduction in staff absenteeism. On the 2022 exam, students were asked to explain how appraisal could be used by the business in the case study to achieve one employee objective and one business objective (Section A, Question 3b). The average score for this question was 2.5 out of 6 and 19 per

cent of students scored 0 marks. Students often confused appraisal (a performance-management strategy) with motivation strategies.

- 2 marks for arguments related to the benefits or strengths of the use of appraisals or employee observation
- 2 marks for arguments related to the limitations or weaknesses of the use of appraisals or employee observation
- 1 mark for an overall conclusion regarding the worth of appraisals or employee observation as a performance management strategy for effectively reducing the level of staff turnover at Mezza Supermarkets

Sample answer: *Employee observation involves the business seeking a variety of opinions on the performance of an employee. This is a strategy that could assist with reducing the level of staff turnover at Mezza Supermarkets. For example, the use of an employee observation approach such as '360 degree feedback' would allow the business and employees to gain feedback from a range of different parties, such as from subordinates, colleagues and superiors, in order to arrive at a very comprehensive picture of past and current performance. For example, people who work with a specific individual employee would complete confidential evaluations of the employee's performance. In this way, Mezza employees would be able to determine their strengths and weaknesses in order to develop their future performance. In addition to identifying the strengths and weaknesses of employee performance, employee observation is very useful for evaluating skills in leadership, team work and interpersonal abilities. In doing so, the use of this strategy would contribute to the improvement of skills and knowledge of employees at Mezza, hopefully leading to an increase in job satisfaction and a feeling of value to the business, which should mean that they are less likely to leave.*

A limitation of using employee observation relates to its deficiencies in assessing technical skills or the achievement of business objectives. These may not always be fully understood by every participant in the process. Furthermore, the process could prove to be damaging if one of the participants happens to have a personal vendetta against the employee. It can also be time-consuming to gather all the feedback using the employee observation strategy.

Overall, employee observation is a worthwhile performance management strategy that can be used to effectively manage employees and reduce the numbers of staff leaving Mezza. Despite some limitations, it would allow Mezza Supermarkets and its employees to gather useful feedback from a variety of colleagues in the business whom, it would be expected, would have good knowledge of the employee's performance. As their skills and knowledge are developed, Mezza employees should be perform their roles more efficiently and effectively. It would be expected that as their job satisfaction improves, employees will feel more valued and less likely to leave the business, resulting in a reduction in the level of staff turnover at Mezza Supermarkets.

Alternative sample answer: *A performance management strategy that may assist in reducing the level of staff turnover at Mezza Supermarkets is appraisals. This refers to the formal assessment of how an employee is performing their role in the business. An appraisal will often include an initial meeting and the arrangement of regular reviews between an employee and a manager. This will allow discussion regarding the determination of standards of performance required by the employee, or the objectives that the employee is trying to achieve. Appraisals should allow positive relationships to build between management at Mezza and individual employees as discussions are held regarding performance. Appraisal also allows managers to provide employees with feedback, both positive and negative – to encourage employees to continue with positive behaviours, as well as to let them know what is required to be recognised as more productive employees in the future. Employees who improve their performance are more likely to feel confident in their own abilities and their position in the business, thereby becoming more satisfied in attending work. As employees are less inclined to leave Mezza, the level of staff turnover should be reduced.*

However, making use of appraisals can be time-consuming, particularly if the cycle becomes shorter (such as if performance appraisal occurs monthly or even weekly). Appraisals can also be particularly stressful for some employees, and even some managers. In addition, appraisals can become expensive for a business such as

Mezza, as employees who meet performance standards will often expect a pay rise or promotion. Mezza may be unable to afford these increases in pay.

Overall, the use of appraisals is a worthwhile performance management strategy that can be used to effectively manage employees and reduce the numbers of staff leaving Mezza. Despite some limitations, it would allow Mezza Supermarkets to provide its employees with useful feedback, which would be expected to improve performance. As they are made aware of clear areas for improvement, employees should be able to develop their skills and knowledge. It would be expected that as their job satisfaction improves, employees will feel more valued and less likely to leave the business, resulting in a reduction in the level of staff turnover at Mezza Supermarkets.