



VCE BUSINESS MANAGEMENT UNITS 3/4

2024

Practice examination A

SUGGESTED RESPONSES AND ADVICE

Section A

Question 1 (2 marks)

Identify two factors in relation to the appropriateness of management styles.

Advice 1: This question asks students to 'identify' (or list) two factors relating to the appropriateness of management styles. This command term is not commonly used on the VCAA Business Management exam, and if it does appear, it is generally used in combination with other command term, such as 'explain' or 'describe'. However, the command term 'identify' was used on its own on the exam in 2017 (Section B, Question 1 a). That question had a limited number of answers, so it is important to realise that such questions require answers that are concise and accurate. More recently, on the 2023 exam, students were asked to identify and then describe two management skills. Marks were awarded for identifying the names of two appropriate management skills.

Advice 2: This key knowledge ('the appropriateness of management styles') has been in the VCE Business Management Study Design since 2017, but has never appeared on the exam. In relation to this practice exam question, the factors related to the appropriateness of management styles are the nature of task, time, experience of employees and manager preference. Only these four factors listed in the Study Design will be accepted.

- 1 mark for each correct factor (maximum of 2 marks)

Sample answer: *Two factors in relation to the appropriateness of management styles are the nature of task and time.*

Question 2 (4 marks)

Compare global sourcing of inputs and overseas manufacture as global considerations for operations management.

Advice 1: In the 2023 VCE Business Management external assessment report, the chief assessors noted that the command term 'compare' requires similarities and differences. The 2021 external assessment report made the same comment. In that report, the chief assessors suggested writing a response with a section referring to 'similarities are...' and a section referring to 'differences are...'. Another approach is to begin a response by using the signposting word 'both' to ensure there is at least one similarity. The similarity should be something that the two terms share in common. Differences should be pointed out using signposting words such as 'whereas', 'however' or 'on the other hand'. Defining key terms should allow students to find a point of difference. The 2021 external assessment report also noted that, regarding differences, it is important that the same criteria are compared (e.g. one is voluntary while the other is involuntary, one occurs within the workplace while the other occurs outside of the workplace), rather than just writing two explanations that do not contain similar or different elements. In the case of this current practice exam question, students will need to write about the similarities and differences between global sourcing of inputs and overseas manufacture.

Advice 2: In the 2021 VCE Business Management external assessment report, the chief assessors also noted that students will sometimes 'discuss' for a compare question. In the 2020 report, the chief assessors noted that students who wrote about strengths and limitations for a compare question (question 3b) were not awarded any marks as this is not a comparison of the two terms.

Advice 3: Compare questions are typically not handled well by students on VCAA exams – this is largely because of a problem with finding similarities, but students will sometimes struggle with differences. On the 2023 exam, there were two 'compare' questions – one asking students to compare Maslow's Hierarchy of Needs with one other motivational theory and the other asking for a comparison of transition considerations and entitlement considerations. For both questions, the examination report noted that the compare command term requires students to provide similarities and differences, and for both questions, the average score was 1.8 out of 4. For Question 3 (Section A) – the motivation theory question – the average score was

2.8 out of 6 and 16 per cent of students scored zero marks, while 23 per cent of students scored zero for Question 3 (Section B) with an average score of 2.3 out of 6 marks (the transition and entitlement considerations question).

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
4	Detailed explanation of at least two clear similarities and two clear differences OR a detailed explanation of three of one side and one of the other Demonstrates a strong understanding of both global considerations
3	An explanation of at least two clear similarities and a clear difference OR an explanation of at least two clear differences and a clear similarity OR an explanation of at least two of one side but not the other Demonstrates an understanding of both global considerations
2	An explanation of a similarity and a difference OR an explanation of two similarities OR an explanation of two differences Demonstrates some understanding of both global considerations
1	A limited explanation of a similarity OR a limited explanation of a difference Demonstrates limited understanding of global considerations
0	Shows no knowledge of global considerations, and/or no attempt to engage with the question.
NA	No attempt at a response

Sample answer: Both global sourcing of inputs and overseas manufacture are global strategies that businesses will use to improve their operations. Both strategies involve a business taking opportunities overseas in order to reduce costs and improve competitiveness by taking advantage of lower-cost skilled labour, lower-cost raw materials and other economic factors such as reduced taxes and low trade tariffs due to free trade agreements. However, these two considerations do have differences. Global sourcing of inputs refers to the strategy where an operations manager will seek the most cost-efficient materials and other resources, including from countries overseas. Businesses do this to exploit efficiencies that can be gained from the lower input costs and production costs. On the other hand, overseas manufacture is the production of a good in a country that is different from the location of the business's headquarters. Manufacturing in countries outside Australia can enable a business to get its product to the market more quickly, reduce costs of production and reduce delivery costs. The use of global sourcing of inputs means that the business is heavily reliant on the supplier to ensure that the inputs are of high quality and environmentally sustainable (although a business is still obligated to ensure the inputs meet certain standards), whereas the use of overseas manufacture means that a business assumes all risks associated with operating in another country (such as financial and political risks).

Question 3 (4 marks)

Describe how each of the following performance management strategies can achieve both business and employee objectives.

Advice 1: The use of the command term 'describe' indicates that students need to provide the characteristics and features of the thing, topic or issue they are asked to describe. In the case of this question, students must describe how the two performance management strategies can achieve both business and employee objectives.

Advice 2: 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.

Management by objectives

- 1 mark for demonstrating understanding of management by objectives
- 1 mark for describing how management by objectives can achieve both business and employee objectives

Sample answer: *Management by objectives is a process by which management and employees agree collaboratively on a set of goals for each employee, with these goals all contributing to the objectives of the business as a whole. Progression towards business objectives is monitored and feedback is provided whilst goals are being achieved and once goals are achieved. As part of the process, each employee should be aware of the objectives of the business, as well as their own responsibilities in achieving those objectives. Management by objectives ensures that each employee understands their own role in contributing to the success of the business, improving their motivation and performance. As the individual employee goals align with the business's objectives, employees working toward achieving their goals should drive the business towards its objectives.*

Appraisals

- 1 mark for demonstrating understanding of appraisals
- 1 mark for describing how appraisals can achieve both business and employee objectives

Sample answer: *Appraisals refer to formal assessments of how employees are performing their roles in a business over a set period of time. 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. By recognising areas of strength and addressing gaps in performance, appraisals assist the development of employees allowing the business to provide targeted training and opportunities for career advancement. In this way, performance feedback ensures that employees achieve their personal objectives as well as supporting the business in achieving its objectives.*

Question 4 (13 marks)

EnergySphere, an Australian energy supplier, has recently proposed a merger with a local business that specialises in the manufacture of advanced energy storage technologies. The proposed merger would create a large renewable energy company that is capable of offering energy generation, storage and distribution. EnergySphere believes that this will create an opportunity to combine strengths of the two businesses, expand their market share, and drive innovation in the energy sector. However, the decision has raised concerns about potential staff redundancies, prompting the need for careful management of entitlement considerations and transition considerations.

a. Define the term 'innovation'.

2 marks

Advice 1: The use of the command term 'define' here simply requires students to provide meaning for a term. Students should try to write a definition that does not make use of the term itself. Straight definition questions do not necessarily require examples. However, it is often worthwhile providing an example to convince assessors that the student really does understand what the term means via its application to a real world or contemporary setting.

Advice 2: Learning definitions is an important part of preparing for the Business Management exam. A recent Examination Report stated that "there are some preparation tasks that students could perform that would

improve their performance. For example, a glossary that precisely and accurately defines key terms will assist students to gain better marks when answering those questions requiring a definition.”

Advice 3: Two-mark definition questions have featured on the previous six exams in a row (2018, 2019, 2020, 2021, 2022 and 2023) – and they require students to be precise with use of terminology and typically provide two pieces of information related to the term in question. Generally, students have been rewarded with full marks when making use of key words in their definitions. This expectation is true for this practice exam question (where two marks has been designated to the definition in the marking scheme).

- 1 mark for stating that innovation involves creating something new or improving/ altering/ changing something that already exists (or similar)
- 1 mark for referring to what would be created or improved (i.e. goods, services, processes, ideas or similar)

Sample answer: *Innovation refers to the process of creating a new or significantly improved good, service or process (a way of doing something)*

b. EnergySphere’s corporate culture will be impacted by the proposed merger.

Outline one way in which EnergySphere could develop a positive corporate culture. 3 marks

Advice 1: The use of the command term ‘outline’ for this question 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 practice exam question is similar to a question that appeared on the 2023 VCAA exam (Question 2 in Section B), which asked students to outline a way in which the business in the case study could develop its corporate culture after implementing a change. For this question, 22 per cent of students scored zero and the average mark was 1.5 marks out of 3. Many students were able to identify a relevant strategy and explain how it could be used to develop corporate culture. However, a large number struggled to link their selected strategy to the changes made at the business in the case study.

Advice 3: Accepted strategies for developing a positive corporate culture might include: management acting as a role model, making use of symbols, rewarding employees who model values, communicating desired values to staff, training, promotion, performance appraisal, external recruitment, promotion or support of heroes, change the prevailing management style, alter objectives, style of dress and language.

- 1 mark for outlining a strategy that could be used to develop corporate culture
- 1 mark for outlining how the selected strategy could be used to develop the culture of a business
- 1 mark for making reference to the corporate culture at EnergySphere

Sample answer: *A strategy that EnergySphere could use to develop its corporate culture is for management to role model the expected culture to staff. Management can act as a positive example for employees by constantly demonstrating the company’s values, ideas and beliefs and desired behaviours in their actions and decisions. For example, as EnergySphere values innovation, management could actively encourage creative thinking and teamwork in daily interactions at the business. By consistently influencing employees and positively encouraging them to adopt similar behaviours, management might be able to foster the development of a desired culture at a business. In this way, employees are likely to have a clear sense of direction about what the expected values and beliefs are, and would therefore be expected to work towards implementing that culture.*

c. Explain two similarities between entitlement considerations and transition considerations. 4 marks

Advice 1: The command term used here is 'explain'. This requires students to include enough detail in their response that the main point, topic or issue is expanded on or made clear.

Advice 2: This question has been included in this practice exam because, as already noted, comparison questions have featured heavily on recent exams and students have found it difficult to write about similarities. The current question is similar to a question on the 2023 VCAA exam. Question 3 in Section B asked students to compare transition considerations with entitlement considerations. Most students were able to explain differences, but many neglected to include similarities. In the external assessment report, the chief assessors suggested using signposting statements such as "... a similarity between entitlement and transition considerations is..." On Question 3 (Section B), 23 per cent of students scored zero with an average score of 2.3 out of 6 marks.

Note: A number of similarities could be addressed for this current question, including:

- both may require a need for union involvement
- both can contribute to a business's labour expenses
- both apply during the termination process
- both may be built into redundancy packages

Similarity 1

- 1 mark for identifying a similarity between entitlement considerations and transition considerations
- 1 mark for further detail explaining the similarity

Sample answer: *Transition considerations and entitlement considerations are similar in that they are both part of the termination process. This means that they will both apply during a period in which employees are leaving the business. Ensuring an orderly and fair departure for employees, entitlement considerations focus on the rights to benefits and payments that employees have when leaving the workplace, such as any wages or salary owing, as well as leave entitlements such as accrued annual leave and long-service leave, while transition considerations address the support provided to employees as they leave, including career counselling, providing assistance with updating resumes, and exit interviews.*

Similarity 2

- 1 mark for identifying a second similarity between entitlement considerations and transition considerations
- 1 mark for further detail explaining the second similarity

Sample answer: *Transition considerations and entitlement considerations are similar in that both can contribute to a business' labour expense. Entitlement considerations include costs such as any wages or salary owing, as well as paying employees out entitlements such as accrued annual leave and long service leave. Transition considerations such as providing outplacement services through external organisations, career counselling, and resume writing workshops will also require financial outlays from the business, impacting on labour costs during the termination process.*

- d. Describe the impact that the proposed merger may have on EnergySphere’s customers and one other stakeholder. 4 marks**

Advice 1: This 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 2017 exam (Question 4c) which 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 an average of 2 marks out of 4, and 16 per cent of students scoring zero. More recently, on the 2023 exam, Question 6 in Section B asked students to explain the effect of change on two stakeholders (the general community, suppliers or customers). For this question, the average mark was 2.8 out of 4 marks. Many students found it difficult to distinguish between customers and the general community as stakeholders.

Note: For this current question, appropriate other stakeholders would include managers, employees, suppliers, the general community or competitors.

- 1 mark for suggesting an appropriate impact on customers from the proposed merger
- 1 mark for further description of this impact
- 1 mark for suggesting an appropriate impact on a second stakeholder from the proposed merger
- 1 mark for further description of this impact

Sample answer: *Customers of EnergySphere’s might be pleased with the business’s decision to merge with the local business, and might even promote the business to other people. This is because, with the combined resources and expertise of both companies, the impact on customers might be an improvement in service quality due to more advanced energy solutions and a broader range of services. In this way, customers may find that the change results in the business better meeting their needs and expectations. Additionally, the merger could lead to more competitive pricing due to an improvement in efficiency in the business’s operations, positively impacting on customer satisfaction and loyalty.*

Another stakeholder impacted by the proposed merger is employees. For EnergySphere’s employees (as well as the employees of the local business), the merger could present both opportunities and challenges. On one hand, the merger might create new job opportunities and career advancement prospects due to the expansion in the operations of the new energy company. However, there could be concerns about job security and potential redundancies as the two businesses integrate their operations and seek to eliminate duplication of roles. This period of uncertainty may affect employee morale and require communication and support from management to address concerns.

Question 5 (11 marks)

Choc Harmony is a manufacturer of a range of high-quality chocolate products located in regional Victoria. The business has recently changed its business structure from being a sole trader to a private limited company, and the new board of directors is now proposing to expand into new markets.

a. Define the term 'private limited company'.

2 marks

Advice 1: Students were asked to define 'sole trader' on the 2017 VCAA Business Management exam (Section A, Question 1a). While this question was generally answered reasonably well, the key term 'owned' was expected in the definition. In some responses there was a lack of precision with the definition as some students used the terms 'control', 'operate' or 'run'. A total of 20 per cent of students scored 0 marks and the average mark was 0.8 out of 1 mark. The chief assessors said that "...students are reminded that they should use appropriate business terminology rather than colloquial terms when answering questions in examinations."

Students were asked to define the term 'partnership' as a type of business on the 2018 exam (Section A, Question 1a). This question was generally answered well. However, like the 'sole trader' definition question on the 2017 exam, students needed to state that the business was 'owned' in their definition. Students also needed to refer to the fact that a partnership is owned by between 2 and 20 people/partners. A total of 12 per cent of students scored zero marks and the average mark was 1.4 out of 2. In the 2018 examination report, the chief assessors said that "the use of the terms 'control', 'operate' or 'run' were insufficient as they did not indicate knowledge that the business partnership is an ownership structure."

On the 2022 exam, students were asked to define 'government business enterprise' (Question 1a, Section A). This was answered reasonably well, with a total of 19 per cent of students scoring zero and an average mark of 1.2 out of 2. Many students were not able to state that government business enterprises are owned by the government. Note that, when defining types of businesses (sole traders, partnerships, both types of companies, government business enterprises), you need to refer to who owns the type of business.

Advice 2: A question about private limited companies appeared on the 2019 exam. Students were asked to outline the characteristics of a private limited company in Question 1a in Section A. The question was well-answered with a total of 14 per cent of students scoring zero and an average mark of 1.5 out of 2. Most students were able to write about at least two characteristics. A definition question requiring students to write about who owns this type of business might prove to be slightly trickier on future exams.

- 1 mark for stating that a 'private limited company' is owned by shareholders
- 1 mark for correctly defining 'private limited company' as owned by between one and 50 (non-employee) shareholders

Sample answer: *A private limited company is an incorporated business that is owned by a minimum of one shareholder and a maximum of 50 non-employee shareholders. Shares in a private limited company are offered only to those people whom the business wishes to have as part owners.*

b. Justify two reasons why Choc Harmony may have decided to operate as a private limited company rather than as a sole trader. 4 marks

Advice 1: The command term ‘justify’ requires students to point out reasons for forming a particular conclusion. This may involve the provision of evidence to support an argument. In the 2023 external assessment report, the chief assessors commented that the term ‘justify’ means to ‘show, prove or defend, with reasoning and evidence, an argument, decision and/or point of view using given data and/or other information’. The 2022 External Assessment Report clarified that the command term ‘justify’ does not require disadvantages or limitations, or similarities and differences. This current practice examination question effectively requires students to explain why the change to a private limited company was appropriate for Choc Harmony.

Advice 2: This question has been included because a similar question appeared on the 2017 VCAA exam, where students were asked to outline a reason why a business may choose to operate as a partnership rather than as a sole trader (Question 1b, Section A). For that question, most students were able to state a reason why a partnership may be advantageous compared to a sole trader. However, few students were able to then expand on the reason. Only one reason was required for the question and some students stated two reasons – but the second reason could not be awarded a mark. The average mark for this question was 1.2 out of 2. A similar question appeared on the 2023 exam, asking students to justify the decision by the business in the case study to become a public listed company (Question 2a, Section A). Students were required to explain why the change to a public-listed company was appropriate, using the situation in the case study as stimulus. The average mark for this question was 1.9 out of 4.

Note: There are a number of reasons why a business may choose to operate as a private limited company rather than a sole trader. Accepted responses include: limited liability, access to capital, long life – perpetual succession, greater spread of risk, tax benefits (company tax is taxed at a lower rate than personal income tax rates), separation of ownership and management, easier transfer of ownership through the sale of shares.

- 1 mark for outlining a reason for operating as a private limited company
- 1 mark for further detail linking the reason to Choc Harmony
- Repeat for a second reason

Sample answer: *Choc Harmony may have decided to operate as a private limited company rather than as a sole trader as this type of business provides limited liability protection. Choc Harmony was previously owned by one person, but now may have multiple owners (shareholders). Limited liability means that the shareholders' personal assets are protected if the business faces financial difficulties, as their liability is limited to the amount they have invested in the company. This level of financial security is not available to a sole trader, who is personally liable for all business debts and obligations.*

A second reason is that a private limited company can facilitate easier access to capital. Choc Harmony can raise funds by issuing shares to a select group of investors, which can be crucial for financing its expansion plans, whether this be through opening new direct to the public outlets or investing in advanced chocolate-making equipment. In contrast, sole traders often face limitations in raising substantial capital, as they primarily rely on personal savings or loans. The ability to attract investment through shares could provide Choc Harmony with the capital needed to grow, ensuring long-term success.

c. Evaluate the use of Porter's differentiation strategy at Choc Harmony as it expands into new markets.
5 marks

Advice 1: In the 2020 VCE Business Management examination report, the chief assessors noted that the command term '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 request that students offer a more appropriate strategy or thing.

Advice 2: A similar question relating to Porter's Generic Strategies appeared on the 2017 exam, where students were asked to identify and discuss one of the key approaches to strategic management (Question 5, Section B). The average score for this question was 1.9 out of 5 marks and 30 per cent of students scored zero marks. On the 2022 exam, students were asked to discuss how the business in the case study could use one of Porter's Generic Strategies (Question 6, Section B). Students performed much better on that question than on the 2017 question: the average score was 2.7 out of 6 marks and 23 per cent of students scored zero marks. The requirement to evaluate would make this type of question more challenging.

Advice 3: For the current question, students should explain how Choc Harmony could use the differentiation strategy as part of their explanation of the strengths and weaknesses of using the strategy. For example, as well as providing high-quality products, Choc Harmony could introduce unique flavours or ingredients, customise its products for special occasions, provide health-conscious options, or make use of innovative packaging.

- 2 marks for an explanation of benefits or strengths of the differentiation strategy
- 2 marks for an explanation of limitations or weaknesses of the differentiation strategy
- 1 mark for an overall conclusion or judgement based on the arguments related to the use of Porter's differentiation strategy at Choc Harmony as it expands into new markets

Sample answer: *Differentiation involves providing customers with a product that is different, unique or superior in some way to those of competitors, to gain a competitive edge and allow the business to market itself as the leader or innovator in that industry. Choc Harmony already differentiates itself through its high-quality chocolate products. However, it could find other points of difference, including emphasising the use of high-quality ingredients, or offering a unique range of flavours or ingredients that cannot be found anywhere else. Making further use of the differentiation approach will allow Choc Harmony to improve its connections with customers and build long-term loyalty to its brand and products. The business should be able to promote the new points of difference, potentially attracting customers who are looking for high-quality ingredients or unique types of chocolates. In addition, if Choc Harmony is able to improve the distinctive attributes of its product, it should be able to charge premium prices because it will be able to pass costs on to its customers. If Choc Harmony can charge premium prices for its products, then it should be able to improve its profit. If the business can maintain or improve customer loyalty, then it should also be in a better position to gain market share from competitors.*

However, implementing a differentiation approach can be financially expensive and the pursuit of this approach can be risky, particularly if competitors copy Choc Harmony's new strategies and take its customers. The business may not have sufficient customer demand to offset higher costs, which may lead to an increase in expenses relative to revenue and lead to a reduction in profits. In addition, it may take years before the business successfully establishes its unique flavours or range of chocolates, meaning that it could take a long time for Choc Harmony to stand apart from its competitors. During that time, consumer tastes or preferences may change.

Overall, a differentiation approach would be an appropriate strategy for Choc Harmony, particularly as it seems to be already pursuing such an approach. The business could further develop its differentiation approach by creating new points of difference. While it does have some limitations, the differentiation approach is a

strategy that should develop a strong reputation for quality, attract loyal customers, and improve sales at the business, as well as improving profitability, positioning the business for the future.

Question 6 (10 marks)

‘Achieving and maintaining efficiency and effectiveness can only occur at a business through the use of operations strategies.’

Discuss the extent to which you agree or disagree with this statement.

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 discussing whether or not operations strategies are the only way to achieve and maintain efficiency and effectiveness (and to what extent).

Advice 2: Note the use of the command term ‘discuss’ used in this question, which requires students to outline both sides of a proposition or topic. The 2022 External Assessment Report stated several times that the command term ‘discuss’ requires students to explain strengths and limitations. 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 3: A similar question from the 2017 VCAA examination was not handled well by students. Question 6 in Section A of that exam asked students to evaluate the statement, ‘Improved productivity, competitiveness and effectiveness for a business can only come from advances in technology.’ Many students were able to evaluate technology as a means to improve productivity, competitiveness and effectiveness. However, large numbers of students missed the part of the question that suggested that technology is the only means to improve productivity, competitiveness and effectiveness. The average score for this question was 4.1 out of 10 marks and 41 per cent of students scored less than 4 marks. Students who performed well read the question carefully and interpreted it correctly. This same approach should be taken to this practice exam question, which focuses on evaluating whether staff training is the only means of improving productivity, competitiveness and effectiveness.

Advice 4: It is very likely that the ten-mark question on the 2024 VCAA exam will have several elements. In the 2016 Examination Report, the chief assessors reminded students that they should be aware that questions might have many elements that need to be addressed. For this reason, students need to ensure that they cover each element of the question in their responses. Students were reminded that they should read the question carefully and plan their responses. It is worth remembering that the ten-mark question could come from Unit 3 or Unit 4, or from both. 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 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.

Note: Operations strategies do contribute to efficiency and effectiveness. However, there are several other means that can also contribute, including:

- development of corporate culture
- use of motivation strategies – such as performance-related pay
- training options including on-the-job and off-the-job training
- introduction of performance management strategies – such as management by objectives
- the business becoming a learning organisation.

Teachers are advised to assess student responses globally.

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
9-10	• Indication of the extent to which the student agrees or disagrees with this statement. • Comprehensive and accurate knowledge and understanding of strategies that can be used by a business to improve efficiency and effectiveness. • Sophisticated and detailed discussion of how at least one operations strategy, and other management strategies, can improve efficiency and effectiveness. • Includes accurate and appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
7-8	• Indication of the extent to which the student agrees or disagrees with this statement. • Detailed and accurate knowledge and understanding of strategies that can be used by a business to improve efficiency and effectiveness. • Detailed discussion of how at least one operations strategy, and other management strategies, can improve efficiency and effectiveness. • Includes appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
5-6	• Some indication of the extent to which the student agrees or disagrees with this statement. • Demonstrated adequate knowledge and understanding of strategies that can be used by a business to improve efficiency and effectiveness. • Some discussion of how at least one operations strategy, and other management strategies, can improve efficiency and effectiveness. • 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	• Poor or no indication of the extent to which the student agrees or disagrees with this statement. • Demonstrated basic knowledge and understanding of strategies that can be used by a business to improve efficiency and effectiveness. • Limited discussion of how at least one operations strategy, and other management strategies, can improve efficiency and effectiveness. • 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	• Poor or no indication of the extent to which the student agrees or disagrees with this statement. • Demonstrated limited knowledge and understanding of strategies that can be used by a business to improve efficiency and effectiveness. • Weak discussion of how at least one operations strategy, and other management strategies, can improve efficiency and effectiveness. • 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 strategies that can be used by a business to improve efficiency and effectiveness and/or no attempt to engage with the question.
NA	• No attempt at a response.

Sample answer: *I agree with this statement, but only to some extent. Operations strategies can certainly be used by a business to improve efficiency and effectiveness. However, these are not the only way to improve these business objectives. Achieving and maintaining efficiency and effectiveness can also come about through the use of other strategies.*

An example of an operations strategy that a business could use to improve efficiency and effectiveness is total quality management. This is an ongoing, business-wide commitment to excellence that would be applied to every aspect of a business's operations, including an improved customer focus, employee empowerment, and continuous improvement. The use of total quality management should lead to improved product quality and competitiveness, as well as reduced costs and waste. In maintaining a customer focus, a business should be able to improve product quality, contributing favourably to its competitive advantage. By doing this, a business should improve effectiveness (the degree to which objectives have been accomplished). As more and more customers purchase its products, a business would anticipate that sales would increase, as well as profit. However, the introduction of total quality management can be expensive, which may have a negative impact on effectiveness. A business would be required to pay upfront costs such as investing in training, new processes and systems, and quality improvement activities. On the other hand, involving employees in activities such as regular quality circles could result in improvements in employee motivation and commitment to the business, resulting in an improvement of customer service and quality across the business.

The use of a total quality management strategy should ensure that a business's operations system is defect-free as it continuously strives to improve its standards. In doing so, the business would reduce costs and waste, thereby contributing to an improvement in efficiency (how well resources are used in achieving objectives). However, the introduction of total quality management can be time-consuming, which may have a negative impact on efficiency. The strategy relies on the full participation of all employees, but it is possible that its introduction may be resisted, as the employees at a business would be required to change their way of thinking and attitude. Employees would need to be trained in customer service and problem solving, and it would take time for improvements to be seen across the business.

There are other operations strategies that can be used by a business that also result in improvements in efficiency and effectiveness. For example, new technologies may be introduced to the processes of a business to improve productivity (a measure of the efficiency of a business in converting inputs into useful outputs). A business may use an automated production line to manufacture goods at faster rate, with greater precision. An increase in the speed of production and a reduction in waste should lead to increased productivity. As costs are reduced through the use of technology such as automation, it would be expected that the effectiveness of the business would improve.

However, there are other strategies used by a business that can also improve efficiency and effectiveness, such as training and motivation strategies. For example, training options such as on-the-job and off-the-job training can be implemented to improve many areas of the business. Training involves teaching staff how to perform their job by boosting their knowledge and skills. By providing employees with training, the performance of staff should improve. For example, with improved skills, staff may be able to serve more customers in the same amount of time or produce more goods in the same amount of time, as well as making less errors. In this way, the training of employees will improve productivity, increasing efficiency. Furthermore, if training leads to an improvement in customer service, customer satisfaction may improve, and the improved reputation of the business may lead to more sales. The enhanced quality of the product arising from reduced errors made by well-trained employees should also lead to increased sales. This will mean that the business has become more effective. However, there are a number of limitations in the effect that staff training will have on efficiency and effectiveness. Training can be expensive, which may limit effectiveness, and a business will need to carefully select the most appropriate areas for its application. Training can also be time-consuming and may distract employees from completing important work activities. This may have the effect of reducing productivity and efficiency.

Similarly, the use of a motivation strategy such as support could also result in improvements in efficiency and effectiveness. Using support (assistance to employees or services such as counselling or mentoring to help employees cope with difficulties that may impede their work performance) can result in employees working more effectively towards achieving business objectives and should improve productivity and efficiency.

Question 7 (6 marks)

Using a contemporary business case study from the past four years, analyse the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation.

Advice 1: The introductions/preambles to both Units 3 and 4 in the study design make it clear that students should be using contemporary business case studies from the past four years. Accordingly, questions asking for contemporary business case studies have appeared on the past six exams. These questions 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.

Advice 2: The use of the command term ‘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 reviewing key performance indicators and evaluating the effectiveness of business transformation using a contemporary business case study.

Advice 3: This question has been included on this practice examination because a similar question appeared on the 2020 VCAA exam, where students were asked to explain the importance for the business in the case study of reviewing its KPIs when evaluating the effectiveness of business transformation (Section B, Question 5). This is the only time that this key knowledge has appeared on the exam. The average mark for this question was 1.9 out of 4, however, only 7 per cent of students scored the full four marks. Most students were able to comment on the importance of reviewing KPIs, refer to a relevant KPI in the case study, explain why a review would be used by the business and relate the process to effectiveness. The same approach should be taken to this practice examination question.

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 importance of reviewing key performance indicators to evaluate the effectiveness of business transformation. Sophisticated and detailed analysis of the importance of reviewing key performance indicators, with reference to relevant key performance indicators, effectiveness and a contemporary case study. Includes accurate and appropriate use of terminology.
5	Adequate knowledge and understanding of the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation. Includes a good analysis of the importance of reviewing key performance indicators, with reference to relevant key performance indicators, effectiveness and a contemporary case study. Includes generally appropriate use of terminology with some inaccuracies.
3-4	Basic knowledge and understanding of the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation. Includes limited analysis of the importance of reviewing key performance indicators, with some reference to relevant key performance indicators, effectiveness and a contemporary case study. Includes some appropriate use of terminology with inaccuracies.
1-2	Limited knowledge and understanding of the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation. Includes weak analysis of the importance of reviewing key performance indicators, with limited/no reference to relevant key performance indicators, effectiveness and a contemporary case study. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.

0	Shows no knowledge of the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: Key performance indicators (KPIs) are specific measures or sets of data used by businesses to determine if objectives have been achieved. A business will review KPIs once its transformation, or change, has been implemented as part of its evaluation and review of the changes it has introduced. For example, Australia Post announced a four-year transformation program in 2022, known as the Post26 strategy, which involves the business improving its delivery services, improving/simplifying its operations and simplifying its product range. Australia Post’s CEO and managing director Paul Graham said that the transformation program would “help position Australia Post to be financially, socially and environmentally sustainable and enable the business to make a positive contribution to Australian communities, now and in the future”.

It is very important for Australia Post to review its KPIs following the implementation of this transformation. Essentially, this must be done to determine whether the strategies, used as part of the transformation of the business, were successful or whether there is a need to make further changes or modifications. When a business reviews KPIs to evaluate how effective a transformation was, it means that the business is considering how the change or changes impacted on its objectives – this enables the business to see whether it has been effective or not. As Australia Post reviewed its KPIs in August 2023, it found that it had made a loss of \$200.3 million. While this might suggest that the GBE’s new strategy is not working, Mr Graham had warned earlier in the year that Australia Post was headed for a loss. The transformation program was only introduced in 2022 and the change is likely to need more time to take effect. In February 2024, Australia Post reported a \$33.6 million profit for the six months up to December 31, 2023. This was an increase of \$10 million on the same period for the 2023 financial year. However, its letters business lost \$182.1 million and customer visits to post offices declined. This is occurring as fewer people send letters, the cost of delivering letters increases, and online services replace over-the-counter transactions. This suggests that the strategies in the company’s transformation may have had some success. If Australia Post did not review its KPIs, then there is no way that the business would be able to determine whether the Post26 strategy was successful or whether more needed to be done.

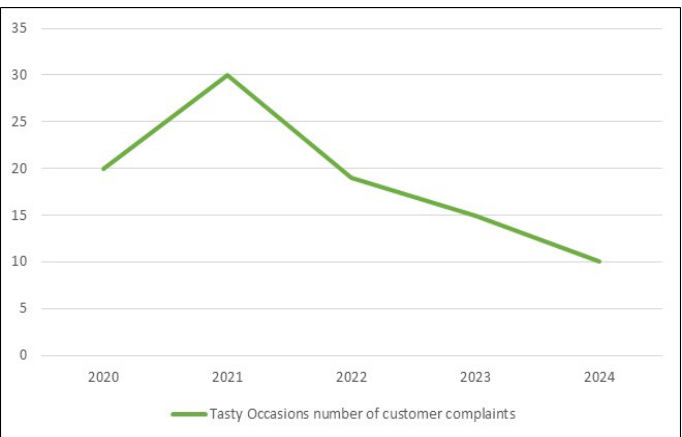
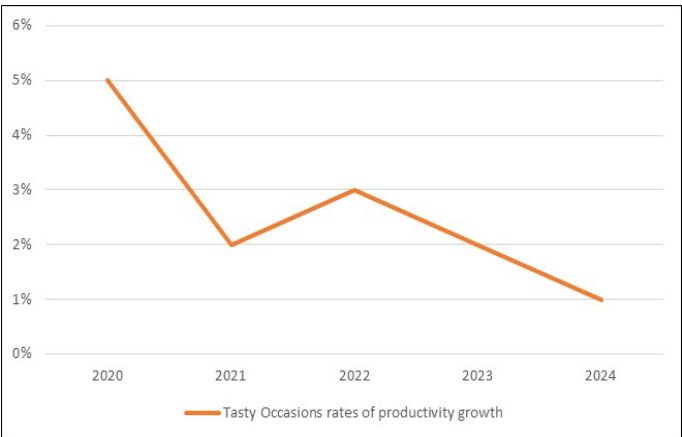
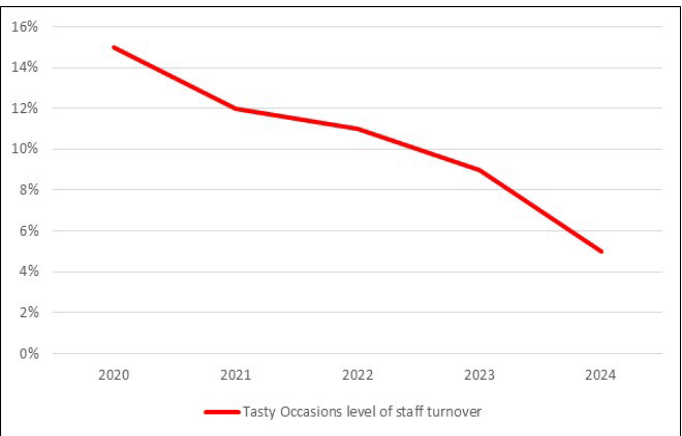
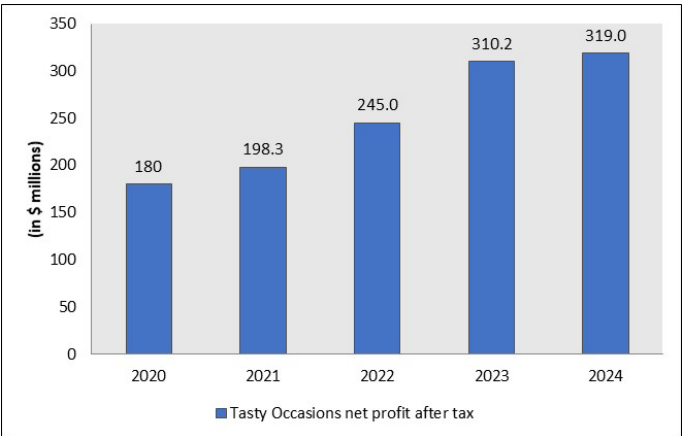
Section B – Case Study

Case Study

Tasty Occasions is a multifaceted catering service founded by chef Maria Thompson five years ago. The business began as a home-based side hustle focusing on providing catering for private events and corporate gatherings. Maria’s culinary expertise and her commitment to using high-quality, seasonal and locally-sourced ingredients quickly resulted in the growth of a loyal customer base. The business is now experiencing strong financial results due to an expansion into larger events, improved productivity from its experienced staff adopting more efficient systems in its kitchen, and rigorous quality control. Maria ensures that every aspect of the catering experience is flawless, from the planning of menus and preparation of food, to the final presentation and service, making sure that customer expectations are exceeded.

To build on its success, and to position the business for the future, Tasty Occasions is now planning to make further improvements by cutting costs and increasing investment in technology. To cut costs, Maria intends to reduce administrative expenses by the adoption of a paperless billing and invoicing system and reducing energy consumption through the implementation of energy-efficient kitchen equipment. Additionally, the business will invest in technology such as advanced event management software and a new customer relationship management system to better track customer preferences and feedback.

Maria has also implemented a number of initiatives with the aim of developing Tasty Occasions as a learning organisation. A team approach has been implemented, where teams of staff develop their own goals that align with business objectives. Employees are encouraged to undertake personal growth and learning, and Maria has developed a new vision for the business with her staff: ‘to be the leading provider of catering services in Australia’.



Question 1 (2 marks)**Define the term 'number of customer complaints'.**

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 of these KPIs were from the 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.

- 1 mark for an accurate definition of number of customer complaints (i.e. amount of dissatisfied customers voicing their dissatisfaction through verbal or written forms, or similar)
- 1 mark for referring to relevant data/information in the case study

Sample answer: *Number of customer complaints is a key performance indicator that measures the amount of dissatisfied customers voicing their dissatisfaction through verbal or written forms. For example, the fall in customer complaints at Tasty Occasions, from 20 in 2020 to only 10 in 2024, suggests an improvement in customer satisfaction with the business’s service.*

Question 2 (2 marks)**Explain how leadership would be important in the management of the change at Tasty Occasions.**

Advice 1: This question relates to the key knowledge dot point in the study design which states that students must understand, “the importance of leadership in change management”. The question is similar to question 2 (Section A) on the 2018 VCAA exam that asked students to explain the importance of leadership in change management (referring to a contemporary business case study). That question was worth 6 marks 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. On the 2021 exam, students were asked to explain the importance of leadership in successful business change management (Question 2a, Section A). Students performed reasonably well, with an average score of 2 out of 4 marks. Unlike these VCAA exam questions, this practice exam question is only worth two marks, but it does require students to relate the importance of leadership when managing change to the Tasty Occasions case study.

Advice 2: To achieve full marks on this question, students must do more than simply define the term ‘leadership’. They must explain why leadership is important in the management of change at Tasty Occasions.

A good response may start with an explanation of what leadership is, but then continue to explain what will occur during a change when there is effective leadership.

- 1 mark for demonstrating an understanding of leadership and of change management (these do not need to be explicitly defined)
- 1 mark for explaining the importance of leadership in change management at Tasty Occasions

Sample answer: Leadership refers to the process of positively influencing, motivating or encouraging individuals to set and achieve objectives. At Tasty Occasions, Maria will need to exercise leadership as she develops the company into a learning organisation. Leadership is important in change management because an effective leader is able to understand the situation now and what it could be like in the future. Maria and her management team will need to clearly explain changes being made to all stakeholders, including employees and customers. This should ensure that they are more likely to support the change. As a leader, Maria will focus on building relationships with employees, management, shareholders and external stakeholders so that change can be successfully implemented and consolidated.

Question 3 (4 marks)

Compare the characteristics of operations management within a manufacturing business with those of a service business (such as Tasty Occasions).

Advice 1: A similar question appeared on the 2019 VCAA exam, asking students to compare the characteristics of operations management within a manufacturing business with those of a service business (Question 1b, Section A). Students were required 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).

Advice 2: A different type of question related to characteristics of operations management appeared on the 2022 exam. Question 3a in Section A on that exam asked students to describe one characteristic of the operations system of a service business. It highlighted an issue that students have when answering operations management questions with reference to service businesses. The average score was 1.1 out of 2 but 32 per cent of students scored 0 marks. A number of students struggled to write about examples that applied to service businesses. Students were required to be clear and specific about the characteristic that they selected.

Note: Similarities of operations management within a manufacturing business and operations management within a service business might include:

- Both involve the overseeing of an operations system
- Both use an operations system comprising the three key elements - inputs, processes and outputs
- Both produce an output which is sold to earn revenue
- Both are focused on maximising efficiency and effectiveness

Differences of operations management within a manufacturing business and operations management within a service business might include:

- Manufactured output is tangible whereas services are intangible
- Manufactured goods can be stored whereas services are unable to be stored
- Manufactured output is consumed after production whereas a service is consumed during provision
- Manufactured output is often homogenous whereas services tend to be differentiated
- There is usually low customer input during the process of manufacturing a good whereas there is often a high customer input in the process of producing a service.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
4	Detailed explanation of at least one clear similarity and one clear difference. Response makes reference to at least one of the key elements of an operations system (inputs, processes or outputs). Solid reference(s) made to the Tasty Occasions case study. Includes accurate and appropriate use of terminology.
3	Explanation of at least one clear similarity and one clear difference. Response makes reference to at least one of the key elements of an operations system (inputs, processes or outputs). Some reference is made to the Tasty Occasions case study. Includes generally accurate and appropriate use of terminology.
2	Limited explanation of a similarity or a difference. Response makes reference to at least one of the key elements of an operations system (inputs, processes or outputs). Limited/no reference is made to the Tasty Occasions case study. Includes some inaccurate and/or inappropriate use of terminology.
1	Partial or incomplete explanation of the characteristics of operations management. Identifies elements of an operations system. Includes limited use of terminology with inaccuracies.
0	Shows no knowledge of the characteristics of operations management, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: Both manufacturing and service operations systems share the goal of maximising efficiency and effectiveness, with both focussed on reducing costs, improving quality and meeting customer needs. Additionally, both operations management within a manufacturing business and a service business like Tasty Occasions aim to produce outputs that are sold to maximise revenue and profit. However, operations management within manufacturing and service businesses do differ, in that the goods provided by manufacturing businesses tend to be homogenous, which means that they are basically all the same or similar. Conversely, service businesses produce services which tend to be differentiated; that is, they are provided to individual customers and are modified to suit each customer. For example, Tasty Occasions is a catering business which provides a service that is able to customise menus according to the needs of its clients, whereas an automobile manufacturer produces cars that all have the same or similar physical characteristics and has limited (or zero) flexibility to tailor make vehicles..

Another difference is that, for manufacturing businesses, there is little to no consumer interaction as the consumption of goods occurs after production. In contrast, service businesses will have high levels of customer interaction as consumption usually occurs while a service is being produced. For an automobile manufacturer, customers are unlikely to interact directly with the business as they are more likely to purchase the vehicles after they have been manufactured. On the other hand, the provision of Tasty Occasions' catering services will generally involve guests physically attending events or interactions with customers to finalise menus.

Question 4 (5 marks)

Interpret the key performance indicators provided (page 13) to analyse why Tasty Occasions may have decided to cut costs and increase investment in technology.

Advice 1: The command term ‘interpret’ requires students to draw meaning from information, perhaps indicating how it relates to other ideas or topics. Note also the additional use of the command term ‘analyse’ here, requiring students to identify the key issues and outline the relationship between the KPIs and Tasty Occasions’ decision. Therefore, this question requires students to identify and use the key performance indicators for Tasty Occasions to explain how the company has performed over time, making links between the KPIs and the company’s decision to cut costs and increase investment in technology. In the 2019 Examination Report, the chief assessors stated that, “If a question asks a student to analyse, then full marks for that question will only be available for answers that include analysis.”

Advice 2: This question is related to Outcome 1 of Unit 4 Business Management, which states that students should be able to “...use key performance indicators to analyse the performance of a business...” The key performance indicators (KPIs) in the Tasty Occasions case study should be reasonably familiar to students. Net profit figures, rates of staff absenteeism, level of staff turnover, and number of customer complaints are all listed in the Study Design.

Advice 3: Questions requiring students to interpret or analyse key performance indicators in some way, have regularly appeared on VCAA Business Management exams. For example, on the 2019 exam students were asked to interpret the KPIs provided in the case study to propose and justify a decision in relation to the business in the case study (Question 3 in Section B). The question was reasonably well answered, with a total of 4 per cent of students scoring zero marks and an average mark of 2.9 out of 5. However, only 7 per cent of students scored the full five marks. Lower-scoring responses simply retold the data presented in the case study. Higher-scoring students interpreted the data and described how stores in the case study were performing in relation to the others across the country, making judgements regarding possible consequences from the data. 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 could not explain how their selected KPIs could be used to assess business performance. Question 4 in Section B of the 2021 VCAA exam asked students to use data provided in the case study to explain the relationship between the rate of staff absenteeism and the number of customer complaints. The average mark was 1.7 out of 3 and only 12 per cent of students scored zero. Some students described the trends in the data with no explanation of any relationship between the two KPIs. On the 2022 VCAA exam, Question 2b in Section A asked students to explain how not being able to source building materials might affect the rate of productivity growth or the number of workplace accidents. To earn full marks on this question, students needed to demonstrate that they understood the KPI and how it might change in the circumstances. The average mark was 1.9 out of 3 and only 6 per cent of students scored zero. The most common mistake was failing to provide an adequate link to the case study business. Question 4c in Section A on the same exam asked students to analyse the effect that increased staff absenteeism may have on achieving a business objective. For this question, students were expected to demonstrate a good understanding of what staff absenteeism is and link the KPI to a business objective. The average mark was 2.5 out of 4 and only 6 per cent of students scored zero. The ten-mark question on the 2023 exam asked students to analyse the relationship between key performance indicators and management strategies during change (Question 4 in Section B). The average mark was 3.7 out of 10 and 16 per cent of students scored zero.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
5	Comprehensive interpretation of the key performance indicators provided to analyse the performance of Tasty Occasions Detailed analysis of why Tasty Occasions may have decided to cut costs and increase investment in technology Includes accurate and appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
3-4	Interpretation of the key performance indicators provided to analyse the performance of Tasty Occasions Analysis of why Tasty Occasions may have decided to cut costs and increase investment in technology Includes appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms
2	Some interpretation of the key performance indicators provided to analyse the performance of Tasty Occasions Some analysis of why Tasty Occasions may have decided to cut costs and increase investment in technology Includes some appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms
1	Partial or incomplete interpretation of the key performance indicators provided to analyse the performance of Tasty Occasions Limited analysis of why Tasty Occasions may have decided to cut costs and increase investment in technology 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	Information is largely inappropriate and/or inaccurate
NA	No attempt at a response

Sample answer: Net profit figures are the numbers found at the end of an income statement that show the net profit, or what remains when expenses are deducted from the revenue earned. The net profit after tax for Tasty Occasions has increased steadily between 2020 and 2024, from \$180m to \$319m, suggesting that the business is performing successfully financially. The business's KPIs also suggest that employees are satisfied with their working conditions. The level of staff turnover, which indicates the number, or the rate, of employees who are leaving the business, and need to be replaced by new employees, has fallen at Tasty Occasions. Level of staff turnover has decreased from 15 per cent in 2020 to only 5 per cent in 2024.

The number of customer complaints refers to the amount of customers expressing their dissatisfaction with the business either in spoken or in written form – indicating the reliability of the service, prices or the customer service that they receive. For Tasty Occasions, number of customer complaints have fallen over the 2020-24 period, from 20 in 2020 to only 10 in 2024 (though there was a high of 30 complaints in 2021). This suggests that the business's customers are becoming increasingly satisfied about customer service or the product they are purchasing.

Rate of productivity growth refers to the change in productivity in one year compared to the previous year. This has declined across the 2020-24 period, suggesting that Tasty Occasions is becoming less efficient in its use of resources over time. Employee productivity may have decreased due to inadequate training or there may be inefficiencies in the business's operations. The latter may be why Tasty Occasions has decided to cut costs and increase investment in technology. By investing in technology, the business would be hoping to improve productivity. Additionally, while Tasty Occasions' net profit has increased across the 2020-24 period, net profit

only improved from \$310.2 million to \$319 million between 2023 and 2024. Tasty Occasions may be hoping to increase its net profit more dramatically by reducing costs.

Question 5 (8 marks)

Explain how each of the following management strategies could be used to respond to Tasty Occasions' key performance indicators and position the business for the future.

Advice 1: This question has been included because a similar question was asked on the 2018 exam. Question 3c in Section A asked students to explain how redeployment of resources and a change in management style could be used to respond to the KPIs in the case study and position the business in the case study for the future. The average mark was a disappointing 3.2 marks out of 8, and 60 per cent of students scored 3 marks or less. Only 2 per cent of students scored full marks. In the 2018 examination report, the chief assessors noted that students answered the first part of the question well, but struggled to adequately reference the second part of the question, which asked them about how each strategy might position the business in the case study for the future. A similar question on the 2021 exam asked students to explain how two management strategies might be used to respond to the data in the case study (Question 5, Section B). Students were able to choose from increased investment in technology, cost cutting, change in management skills and redeployment of capital resources. The average mark was 2.6 marks out of 6 and 16 per cent of students scored 0 marks.

- **Cost cutting**

- 1 mark for demonstrating understanding of cost cutting
- 1 mark for explaining how cost cutting could be used to respond to Tasty Occasions' key performance indicators
- 2 marks for explaining how cost cutting might position Tasty Occasions for the future

Sample answer: Cost cutting refers to a business reducing its expenses through a variety of methods, such as lowering salary costs or reducing the use of resources. Every area in a business creates costs. A business such as Tasty Occasions will need to examine all of its activities and decide where costs in production can be cut. Tasty Occasions may decide to cut costs by reducing direct and indirect costs (or operating at lower cost), using assets more efficiently or controlling the supply chain to improve its net profit figures. For example, costs could be cut by reducing administrative expenses or by using more energy-efficient kitchen equipment. Reducing costs is likely to have a positive impact on the business's net profit (what remains when expenses related to the operation of the business are deducted from the revenue earned), helping to increase it above the healthy \$319 million profit for 2024. Cost cutting could also impact on Tasty Occasions' falling rate of productivity growth, which has declined from 5 per cent to 1 per cent over the 2020-24 period. By reducing unnecessary expenses, Tasty Occasions could redeploy resources towards improving productivity. In doing so, the use of this strategy should position Tasty Occasions for the future, helping to prevent a further fall in the rate of productivity growth. Creating a leaner business and increasing productivity growth should help to reduce per unit costs and contribute to improved financial performance (via a higher net profit), ensuring that the business maximises its chances of experiencing success in the future.

- **Increased investment in technology**

- 1 mark for demonstrating understanding of increased investment in technology
- 1 mark for explaining how increased investment in technology could be used to respond to Tasty Occasions' key performance indicators
- 2 marks for explaining how increased investment in technology might position Tasty Occasions for the future

Sample answer: Increased investment in technology refers to a business directing more funds into applications of knowledge that change people's lives and change the way in which a business operates. All businesses will

make use of technologies such as computers, software and mobile technology. Tasty Occasions could, for example, invest in advanced event management software. Directing finances into new technology will allow the business to operate its processes and practices more efficiently and effectively, cutting costs and improving productivity. Therefore, when Tasty Occasions invests in new technology, its use will help to increase the rate of growth in productivity (the level of output produced from a given level of inputs) up from the relatively low rate of 1 per cent recorded for 2024. This is because the new technology has the potential to increase production speeds, allowing greater output to be produced per hour or day. This should then reduce unit costs of production and help to raise net profit above the \$319 million recorded for 2024. Investing in technology that improves the business's efficiency should allow staff to focus on delivering high-quality service, potentially reducing the number of customer complaints and improving customer satisfaction. In addition, increased investment in technology strategies, such as website development, could have a positive impact on sales. This would position Tasty Occasions for future growth and success and help to boost productivity growth and increase net profit.

Question 6 (4 marks)

Justify the use of Senge's Learning Organisation during the period of change at Tasty Occasions.

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: This practice exam question is similar to the 2022 VCAA exam question. Students could approach this question by focusing on the advantages of Senge's theory, or on the advantages of applying principles of the theory to Tasty Occasions. Regardless of the approach taken, students should refer to more than one principle of Senge's theory. There are five disciplines, or principles, underpinning Senge's concept of a Learning Organisation: systems thinking, personal mastery, mental models, building shared vision and team learning. Students could justify any of these principles, however, they do not necessarily need to be applied for full marks.

- 1 mark for outlining why Tasty Occasions might use Senge's theory (an advantage or a positive) during change OR for outlining how Tasty Occasions might apply one principle from Senge
- 1 mark for more detail explaining the advantage of Senge's theory OR for detail explaining why the principle would be advantageous to Tasty Occasions during change
- Repeat for a second reason why Tasty Occasions might use Senge's theory OR a second principle

Sample answer: *Personal mastery is the practice of individuals undertaking personal growth and learning. This involves developing competence and skills, developing the ability to focus energy, and honestly reflecting and evaluating oneself, one's abilities and weaknesses. The idea is that Tasty Occasions will learn by way of individuals who are learning – as individual employees within the business improve, the business also improves its performance. As Tasty Occasions' workforce learns, perhaps through the use of training and development, the business 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. Personal mastery is necessary for ensuring that the business is able to effectively manage change, because it involves the learning of individuals.

Mental models are deep-seated assumptions, generalisations and images that influence how people understand how the world works and how they take action. Mental models require individuals to become aware of and self-reflect on their own values and beliefs, as well as those of other individuals. Tasty Occasions will need to be able to analyse what it does, its systems and processes and then act upon what it has learnt. If the business is to do this, its employees must learn new skills and develop new orientations, and there must be institutional changes that encourage such a change. If Tasty Occasions is to move in the right direction and successfully manage change, then it will need to transcend the internal politics and game playing that often dominates decision-making. A more open culture will promote inquiry and trust, as well as some risk taking, supporting the successful implementation of change.