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VCE BUSINESS MANAGEMENT

Units 3 & 4

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CONTENTS

FEATURES OF THIS BOOK IV
APPROACHING EXAM-STYLE QUESTIONS VI
WHAT IS A CONTEMPORARY CASE STUDY? X

Unit 3: Managing a business 1

Chapter 1: Business foundations 3

1A Types of businesses ... 4
1B Business objectives ... 14
1C Stakeholders ... 23
1A–C Business fundamentals review ... 31
1D Management styles ... 33
1E The appropriateness of management styles ... 42
1F Management skills ... 47
1G Management skills for management styles ... 54
1H Corporate culture ... 61
1D–H Management styles and skills review ... 68
Unit 3 AOS 1 review ... 70

Chapter 2: Human resource management 77

2A Human resource management ... 78
2B Maslow's Hierarchy of Needs ... 82
2C Lawrence and Nohria's Four Drive Theory ... 90
2D Locke and Latham's Goal Setting Theory ... 97
2E Motivation strategies: Part 1 ... 105
2F Motivation strategies: Part 2 ... 114
2A–F Motivation theories and strategies review ... 121
2G Employee training ... 123
2H Performance management ... 130
2I Termination management ... 139
2G–I Human resource functions review ... 146
2J Participants in the workplace ... 148
2K Awards and agreements ... 157
2L Dispute resolution ... 165
2J–L Workplace relations and dispute resolutions review 171
Unit 3 AOS 2 review ... 173

Chapter 3: Operations management 181

3A Operations management ... 182
3B Key elements of an operations system ... 186
3C Characteristics of manufacturing and service businesses ... 191
3A–C Operations management fundamentals review 197
3D Technological strategies ... 198
3E Materials strategies ... 209
3F Quality strategies ... 216
3G Waste minimisation ... 227
3H Lean management ... 235
3D–H Optimising operations review ... 242
3I CSR in operations ... 244
3J Global considerations ... 251
3I–J Global and CSR considerations review ... 260
Unit 3 AOS 3 review ... 262
Unit 3 review ... 268

Unit 4: Transforming a business 271

Chapter 4: The need for change 273

4A Business change ... 274
4B KPIs: Part 1 ... 281
4C KPIs: Part 2 ... 288
4A–C Business change and KPIs review ... 299
4D Force Field Analysis ... 301
4E Driving forces: Part 1 ... 306
4F Driving forces: Part 2 ... 312
4G Restraining forces ... 320
4D–G Force Field Analysis review ... 328
4H Porter's Generic Strategies ... 330
Unit 4 AOS 1 review ... 338

Chapter 5: Implementing change 347

5A Change leadership ... 348
5B Management strategies to respond to KPIs: Part 1 352
5C Management strategies to respond to KPIs: Part 2 361
5D Management strategies to respond to KPIs: Part 3 370
5E Developing corporate culture ... 378
5F Senge's Learning Organisation ... 383
5A–F Strategies for change review ... 389
5G Low-risk strategies ... 391
5H High-risk strategies ... 397
5I Lewin's Three-step Change Model ... 403
5G–I Applying changes review ... 407
5J Change and stakeholders ... 409
5K CSR considerations and change ... 416
5L Evaluating change ... 423
5J–L Impacts of change review ... 428
Unit 4 AOS 2 review ... 429
Course review ... 436

Answers 439

GLOSSARY 591
ACKNOWLEDGEMENTS 596

Back to contents

FEATURES OF THIS BOOK

Edrolo's VCE Business Management Units 3 & 4 textbook has the following features.

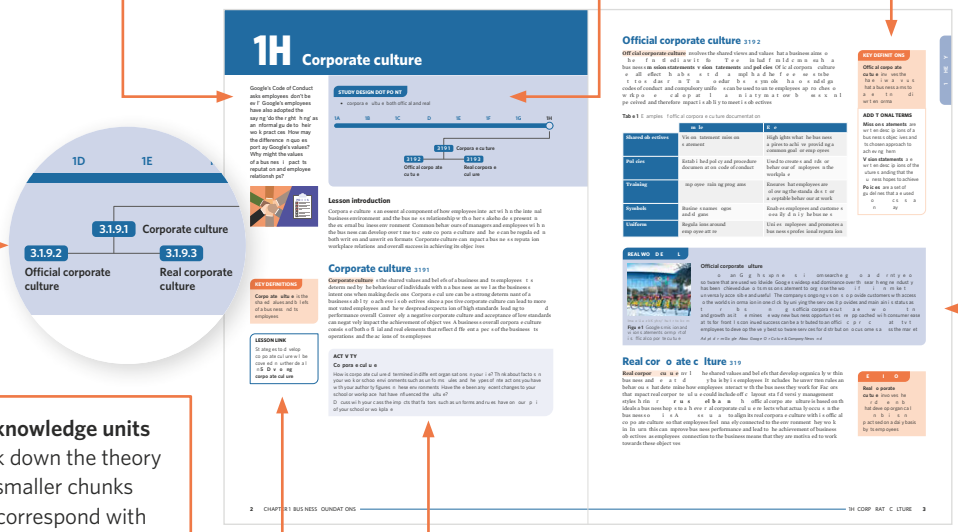
Theory

Hooks introduce the content of the lesson in an approachable way.

Study design dot points provide explicit links between the content covered in each lesson and the VCAA curriculum.

Key definitions are provided for the business terms that are explicitly included in the curriculum.

Additional terms are terms not explicitly included in the curriculum that are defined to assist students to understand the context of the theory.



Real-world examples provide context for understanding business concepts and information about businesses that can be used as contemporary case study examples in exam responses.

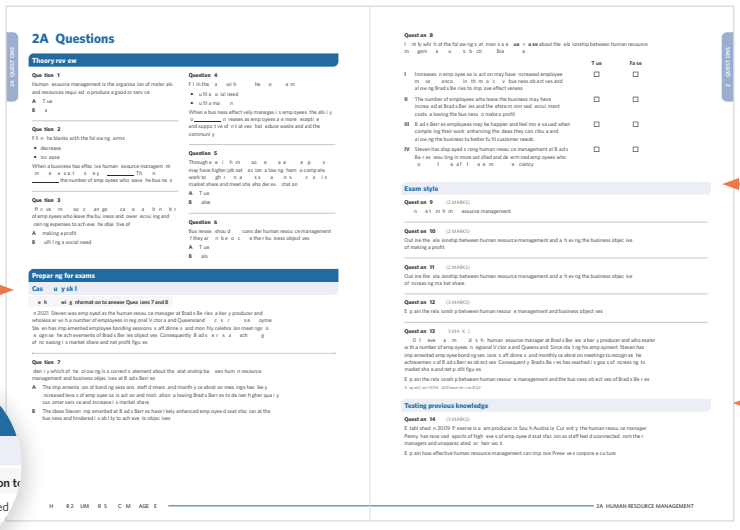
Key knowledge units break down the theory into smaller chunks that correspond with the relevant theory lesson videos on the Edrolo online platform.

Explore boxes include useful tips, lesson links, and extension opportunities.

Activities provide engagement and an opportunity to apply understanding of the content covered in each lesson.

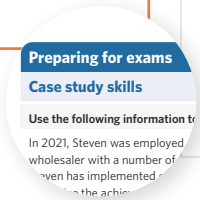
Questions

Theory review questions test if students have understood the fundamental concepts within the lesson.



Exam-style questions reflect the style of questions presented in the end-of year exam.

Case study skills questions develop information-extraction skills and enable students to infer information required to answer case study exam-style questions within the same lesson.

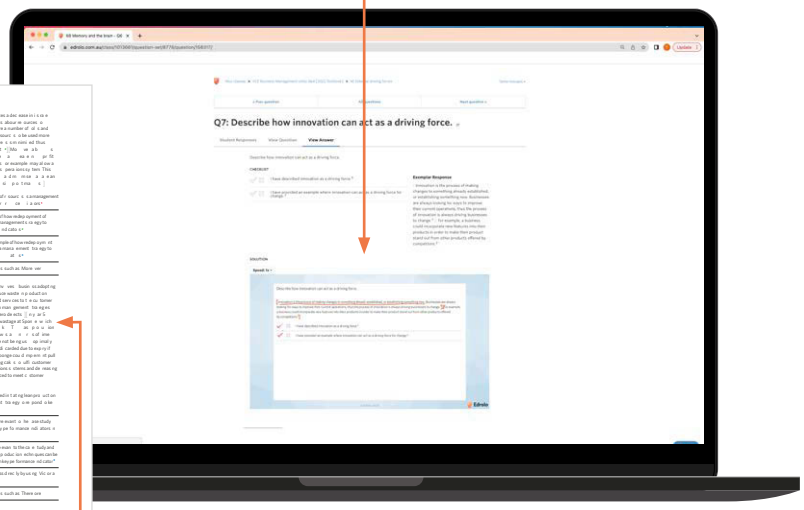


Testing previous knowledge questions provide an opportunity for students to re-engage with related concepts from earlier lessons.

Answers

Explanations are provided for each theory review question to help students understand the answer in greater detail.

Online video solutions provide immediate feedback and extra guidance on how to answer questions.





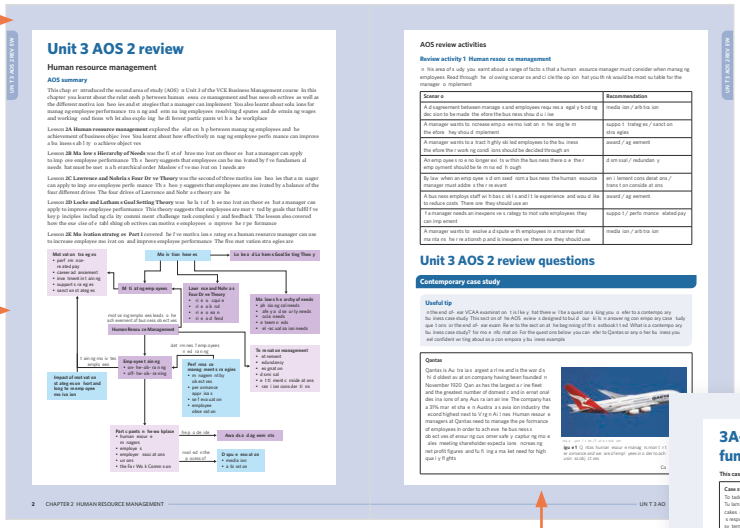
Checklists break down exam-style questions to highlight what is required to earn full marks.

Exemplar responses are provided for every exam-style question to demonstrate what a full mark response could look like.

Other acceptable responses are included when there are multiple answers that could achieve full marks.

Reviews

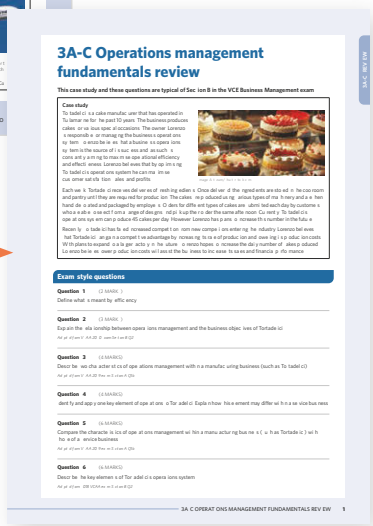
AOS review questions include exam-style questions that can be used as a practice test to prepare for School Assessed Coursework (SACs) and the end-of-year exam.



AOS review activities help students to revise and develop their understanding of the content covered throughout the whole AOS.

Area of Study (AOS) summaries outline knowledge from the entire AOS, and include a concept map demonstrating the relationships between ideas.

A contemporary business case study can be used as a resource to answer the exam-style questions that follow.



Lesson reviews reflect Section B of the end-of-year exam and include a hypothetical case study.

Approaching exam-style questions

The VCE Business Management examination is worth 50% of your study score for Units 3/4 Business Management. Therefore it is important for you to understand how to interpret exam-style questions and respond to them appropriately. To excel in the exam, you will need to understand:

- how to dissect a question in order to respond appropriately
- how to plan a response
- how to approach ten-mark questions.



Dissecting a question

Before approaching an exam-style question, it is necessary to dissect the question into its parts to understand what you are required to do. For larger-mark questions, this can also allow you to assess how many marks might be available for each part of the question, and can therefore indicate how much time you spend on each part. Exam-style questions contain the following features: command terms, limiting terms, and content terms. Please note, not all questions have limiting terms. In Example A, there is also a case study provided as a stimulus, which has been common in previous VCE Business Management exams.

Example A

Command term | Limiting terms | Content term

Outline **one** advantage and **one** disadvantage of **Maslow's Hierarchy of Needs.** (2 MARKS)

Command terms

The Victorian Curriculum and Assessment Authority (VCAA) has published a glossary of 'command terms', which are instructional words commonly used across the Victorian curriculum, including in VCE exams. These terms are often referred to as 'task words' and they communicate instructions to students. In the context of VCE exams, command terms instruct students on how to respond to a question. Common examples of command terms used in Business Management include define, describe, explain, analyse, discuss, and evaluate. You should refer to the VCAA website for the most up-to-date information about command terms.

Limiting terms

Limiting terms are terms that provide further clarification about what you need to do, or how you need to respond to the question. Limiting terms may quantify the instructions by specifying a number of factors that you need to limit your answer to, or they might qualify the instructions by specifying more information.

Content terms

Content terms are the terms that come from the VCE Business Management Study Design. These are the topics and concepts you will have studied.

USEFUL TIP

You can remember the three categories of key terms as 'CLC'

- **C**ommand terms
- **L**imiting terms
- **C**ontent terms

You can apply this framework to guide your response to any question in the exam!

An 'IDEaL' approach to case study questions

Many questions in past VCE Business Management exams have contained hypothetical case studies to refer to when responding to the question. When faced with a question like Example B, it can be helpful to use the IDEaL approach. This stands for **I**dentify, **D**efine, **E**xample **a**nd **L**ink.

Example B

Travel Time is a travel agent located in the CBD that specialises in Australian travel. Since the demand for travel rapidly increased in 2022. Travel Time has employed five new employees to work in its office. The manager, Timothee, is concerned that the business is still not meeting customer demand and wants to gain insight from his employees on how they can improve their customer service to meet demand.

Case study

Apart from 'to improve efficiency', explain one business objective relevant to Travel Time. (3 MARKS)

Command term

Limiting terms

Content term

Adapted from VCAA 2018 exam Section A Q1b

The following exemplar response and checklist demonstrate how using an IDEaL framework can ensure you have comprehensively addressed the requirements of the question.

Identify

Define

[One business objective relevant to Travel Time is to fulfil a market need, which is when a business fills a gap in the market, and involves addressing customer needs that are currently unmet or under-represented by other businesses in the same industry.[1]] [As there has been an increase in demand for travel since 2022, Travel Time has hired five more employees to work in its office.[2]]

Example

Link

[By employing more people to provide advice to the increase in prospective travellers, Travel Time is working towards meeting the currently under supplied demand for travel advice, which works towards achieving the business objective of fulfilling a market need.[3]]

Identify

- ✓ ✗ I have identified and defined one business objective.[1] — Define
- ✓ ✗ I have provided an example relevant to the case study.[2] — Example

Link

- ✓ ✗ I have linked the example to my chosen business objective.[3]
- ✓ ✗ I have referred to the business directly by using 'Travel Time' and 'Timothee'.

Ten-mark questions

In the past VCE Business Management exams, one of the questions in Section A has been an extended-response question worth **10 marks**.

Many extended-response questions require you to demonstrate in-depth knowledge of a particular topic, as well as your ability to apply this knowledge to different scenarios. This is an opportunity for you to show how well you can connect and apply different areas of the study design.

Tips for tackling the ten-mark question

Ten-mark questions can be challenging. The following steps can help you understand what is being asked of you and can help you to answer extended-response questions accordingly.

Step 1: Dissect the question

Highlight all the key terms in the question. Use a different colour for each command terms, limiting terms, and content terms.

Example C

'The official corporate culture of a business is usually very different from the real corporate culture'. **Explain** the difference between **official corporate culture** and **real corporate culture. Propose** and **justify two management strategies for developing a corporate culture** that promotes the achievement of **business objectives**. (10 MARKS)

Command terms

Limiting terms

Content terms

Command terms

Adapted from VCAA 2021 exam Section A Q3b

Step 2: Plan your response

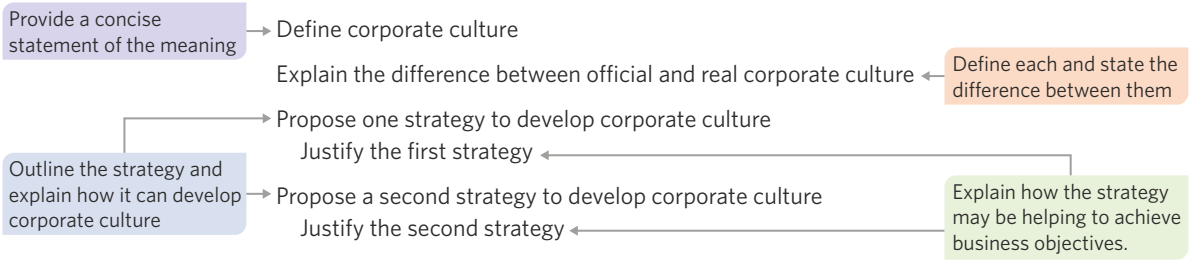
A short plan is extremely valuable when you are under pressure in an exam. It is a good idea to take a minute to list (in dot points) what you will include in each paragraph of your response. This is something you can also use the exam reading time to think about, and write your plan as soon as the writing time begins.

For instance, a plan for the Example C question may look like this:

1. Define corporate culture
2. Explain the difference between official and real corporate culture
3. Propose one strategy to develop corporate culture
   - Justify the first strategy
4. Propose a second strategy to develop corporate culture
   - Justify the second strategy

Note that when you break this question down into four parts like this, you can essentially approach this extended-response question as four short-answer questions. This makes it much easier to manage!

You may wish to break your plan down even further, by identifying more specifically what you need to include in each section, even if you don't necessarily write this down.



USEFUL TIP

The command term '**justify**' requires you to 'show, prove or defend, with reasoning and evidence, an argument, decision and/or point of view using given data and/or other information' (VCAA, n.d.-a.).

For the question shown in Example C, you are required to give reasons for your choice of strategy – in this case, by explaining how the strategy helps achieve business objectives.

Explaining how your chosen strategies develop corporate culture and therefore helps achieve business objectives = **justifying** your choice of strategies.

The response plan for Example C aligns with the requirements of the question and the expectations of the examiner. The below extract, in relation to the Example C question, is taken from the VCE Business Management external assessment report (VCAA, 2021):

'Students needed to:

- explain the difference between official and real corporate culture
- identify a management strategy that will develop corporate culture and then go on and explain how that strategy will also promote the achievement of business objectives
- identify a second management strategy that will develop corporate culture and then go on and explain how that strategy will also promote the achievement of business objectives.'

Answer checklists in this textbook can be used to self-assess your responses, but can also be a useful planning tool. For example, we could use a ten-part checklist to self assess our response for the Example C ten-mark question.

Checklist

- ✓ ✗ I have defined corporate culture.[1]
- ✓ ✗ I have defined official corporate culture.[2]
- ✓ ✗ I have defined real corporate culture.[3]
- ✓ ✗ I have provided a key difference between official corporate culture and real corporate culture.[4]
- ✓ ✗ I have identified and described one strategy to develop corporate culture.[5]
- ✓ ✗ I have explained how my chosen strategy can be used to develop a business's corporate culture.[6]
- ✓ ✗ I have explained how my chosen strategy can lead to the achievement of business objectives.[7]
- ✓ ✗ I have identified and described another strategy to develop corporate culture.[8]
- ✓ ✗ I have explained how my chosen strategy can be used to develop a business's corporate culture.[9]
- ✓ ✗ I have explained how my chosen strategy can lead to the achievement of business objectives.[10]
- ✓ ✗ I have signposted my response by using 'One strategy'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

Please note that for ten-mark questions, there is often a variety of approaches you could take to respond sufficiently and gain full marks. The Edrolo-style checklist is simply one example of an approach to take to this question. Exam assessors often take a 'global' approach when marking your response rather than itemising single marks. However, as a student, it can be useful to itemise a question so that you can approach each aspect of the question methodically.

Step 3: Write your response

Sample response

[Corporate culture is the shared values and beliefs of a business and its employees.[1]][Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.[2]][In contrast, real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.[3]][A key difference is that official corporate culture usually contains the formal, written aspirations of the business, whereas real corporate culture involves the informal, unwritten interactions that actually occur between employees of the business.[4]][One strategy that can be used to develop official corporate culture is publishing or updating mission statements.[5]][Mission statements are written descriptions of a business's objectives and its chosen approach to achieving them. As an indicator of a business's intentions and aspirations, a mission statement can be used to guide employees to contribute to achieving a business's overall goals.[6]][For example, a mission statement can outline how employees are expected to complete their work, leading to greater employee productivity, increased sales, and therefore meet a business's objective to make a profit.[7]][Additionally, a strategy to develop real corporate culture is tailoring employee hiring criteria to the specific needs of the business.[8]][Creating criteria when hiring new employees can ensure that new employees joining the business have values aligned with the business's existing culture, possess the appropriate skills to perform at a high standard, and have the business's interests in mind when they start work.[9]][Hiring skilled employees that understand the business's interests can help achieve its objective of improving effectiveness. Employees can use their skills to increase productivity, and work towards achieving business goals, therefore improving effectiveness.[10]]

Step 4: Self-assess your response

Use a checklist (like the example shown) to self-assess your response. In an exam situation, you will not have time to write a detailed checklist, but you can self-assess your response simply by thinking through a mental checklist and referring back to your rough plan. The checklists included throughout this resource are designed to help you self-assess your answers when preparing for exams and School Assessed Coursework (SACs). They can be a useful tool to gain an understanding of the elements necessary for a response to achieve full marks.

USEFUL TIP

You can use the step-by-step approach to responding to any exam-style question in this textbook, in your SACs, and the VCE Business Management exam. Good luck!

What is a contemporary business case study?

The VCE Business Management study design (VCAA, n.d.-b.), for accreditation period 2023-2027, has a focus on using contemporary business case studies to allow students to 'develop an understanding of the complexity of the challenges facing decision-makers in managing businesses and their resources'. These contemporary case studies must be drawn from the past four years.

This Edrolo resource aims to provide you with a contemporary business example for as many concepts in the study design as possible. Throughout every chapter in this textbook, you will find many real-world examples and extended real-world examples, all of which could be drawn upon when responding to exam questions that require an answer referencing a contemporary business. Each Area of Study (AOS) review also contains an extended contemporary business case study.

For example, in the 2021 VCE Business Management exam, students were required to answer the following question:

> Using a contemporary business case study, analyse the driving and restraining forces that have had an impact on business change. (6 MARKS)

The examiner's report on the 2021 exam (VCAA, 2021) reinforced that 'contemporary' 'is within the last four years. If the response included a change that occurred more than four years ago it could not be awarded full marks.'

To answer a question requiring a contemporary business case study to be referenced, similar to the 2021 question, you could utilise the contemporary case study on McDonald's in this textbook's Unit 4 AOS1 review. You could also draw upon some of the many real-world examples throughout chapter 4, including examples about driving and restraining forces at Facebook, Google, Qantas, and Toyota.



Images (left to right): tanuha2001, solomon7, rvlsoft, monticello, rvlsoft/Shutterstock.com

The contemporary case studies provided within this textbook are drawn from events occurring between 2020-2022, and could, therefore be used in your exam responses in the four years following the particular case study date. However, it is always advisable to stay informed about recent news media and be aware of recent events occurring in well-known businesses.

The many real-world examples and longer contemporary case studies throughout this textbook provide you with context for understanding the concepts in the VCE Business Management study design. It is unlikely that studying just one business will enable comprehensive case study examples to be provided for all possible questions addressing all aspects of the study design, so it is advisable that you study a few businesses in depth. Your choice of businesses to focus on might depend on what is happening in the real world at the time you are studying, but you might also wish to focus on some of the businesses featured throughout this textbook.

Table 1 provides a summary of business case studies included as either real world examples, extended real-world examples, or as a contemporary case study in an AOS review. Where a business is featured as the subject of an activity or a 'Want to know more' extension task, these have been included in the table also.

Table 1 Summary of business case studies featured multiple times in this textbook

Business	Lesson/chapter	Type of example	Concepts covered
Amazon	2C Lawrence and Nohria's Four Drive Theory	Extended real-world example	The drive to acquire The drive to bond The drive to learn The drive to defend
	4G Restraining forces	Real-world example	Managers as a restraining force

Continues ▶

Table 1 Continued

Business	Lesson/chapter	Type of example	Concepts covered
Apple Inc.	1B Business objectives	Want to know more	To fulfil a market need
	1C Stakeholders	Activity	Stakeholder conflicts
	4C KPIs: Part 2	Real-world example	Number of website hits
Australia Post	1A Types of businesses	Real-world example	Government business enterprise
	2B Maslow's Hierarchy of Needs	Real-world example	Physiological needs Safety and security needs Social needs Esteem needs Self-actualisation needs
	2J Participants in the workplace	Extended real-world example	The role of employees
Australian supermarket industry (ALDI, Coles, IGA, Woolworths)	1B Business objectives	Real-world example	To increase market share
	4B KPIs: Part 1	Real-world example	Percentage of market share
Commonwealth Bank	1A Types of businesses	Real-world example	Public listed company
	2A Human resource management	Real-world example	The relationship between human resource management and business objectives
Facebook / Meta	2H Performance management	Real-world example	Employee observation
	4G Restraining forces	Real-world example	Organisational inertia as a restraining force Time as a restraining force Financial considerations as a restraining force
Google	1H Corporate culture	Real-world example	Official corporate culture Real corporate culture
	2H Performance management	Real-world example	Performance appraisals
	4E Driving forces: Part 1	Real-world example	Employees as a driving force
	4F: Driving forces: Part 2	Real-world example	Competitors as a driving force
	4G: Restraining forces	Real-world example	Employees as a restraining force
McDonald's	4F Driving forces: Part 2	Real-world example	Technology as a driving force
	Unit 4 AOS 1 Review	Contemporary case study	-
Qantas	2I Termination management	Real-world example	Transition considerations
	Unit 3 AOS 2 Review	Contemporary case study	-
	3C Characteristics of manufacturing and service businesses	Real-world example	Characteristics of a service business
	4C KPIs: Part 2	Real-world example	Rates of staff absenteeism

Continues ▶

Table 1 Continued

Business	Lesson/chapter	Type of example	Concepts covered
Qantas	4D Force Field Analysis	Real-world example	Force Field Analysis
	4E Driving forces: Part 1	Real-world example	Pursuit of profit as a driving force Reduction of costs as a driving force
Telstra	1C Stakeholders	Extended real-world example	Owners Managers Employees Customers Suppliers General community Stakeholder interests Stakeholder conflicts
	5I Lewin's Three-step Change Model	Real-world example	Lewin's Three-step Change Model
Toyota	2E Motivation strategies	Real-world example	Performance-related pay Career advancement Investment in training
	3D Technological strategies	Real-world example	Automated production lines Robotics Computer-aided design (CAD) Computer-aided manufacturing techniques (CAM) Artificial intelligence (AI) Online services
	3E Materials strategies	Real-world example	Just in Time
	3F Quality strategies	Real-world example	Total Quality Management (TQM)
	4B KPIs: Part 1	Real-world example	Number of sales
	4E Driving forces: Part 1	Real-world example	Managers as a driving force
Woolworths	1B Business objectives	Real-world example	To make a profit To increase market share To meet shareholder expectations To fulfil a market need To fulfil a social need To improve efficiency
	1B Business objectives	Extended real-world example	To improve effectiveness
	2G Employee training	Real-world example	On-the-job training
	4F Driving forces: Part 2	Real-world example	Innovation as a driving force Societal attitudes as a driving force
	5A Change leadership	Real-world example	Leadership in change management
	5J Change and stakeholders	Activity	Effect of change on customers
	5K CSR considerations and change	Activity	CSR considerations and change

Continues ▶

Table 1 Continued

Business	Lesson/chapter	Type of example	Concepts covered
Yakult	3B Key elements of an operations system	Extended real-world example	Inputs Processes Outputs
	3C Characteristics of manufacturing and service businesses	Real-world example	Characteristics of a manufacturing business
	3F Quality strategies	Real-world example	Quality control Quality assurance
	3G Waste minimisation	Extended real-world example	Reduce Reuse Recycle

Back to contents



Back to contents

3

UNIT 3

Managing a business

In this unit, students explore the key processes and considerations for managing a business efficiently and effectively to achieve business objectives. Students examine different types of businesses and their respective objectives and stakeholders. They investigate strategies to manage both staff and business operations to meet objectives, and develop an understanding of the complexity and challenge of managing businesses. Students compare theoretical perspectives with current practice through the use of contemporary Australian and global business case studies from the past four years.

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Back to contents

UNIT 3 AOS 1

Business foundations

This area of study introduces students to the key characteristics of businesses and their stakeholders. Students investigate potential conflicts between the different demands of stakeholders on a business. They examine corporate culture and a range of management styles and management skills that may be used when managing a business, and apply these to contemporary business case studies from the past four years.

Outcome 1

On completion of this unit, the student should be able to analyse the key characteristics of businesses, their stakeholders, management styles and skills, and corporate culture.

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Back to contents

1

CHAPTER 1

Business foundations

LESSONS

1A	Types of businesses
1B	Business objectives
1C	Stakeholders
1A–C	Business fundamentals review
1D	Management styles
1E	The appropriateness of management styles
1F	Management skills
1G	Management skills for management styles
1H	Corporate culture
1D–H	Management styles and skills review
	Unit 3 AOS 1 review

KEY KNOWLEDGE

- types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises
- business objectives including to make a profit, to increase market share, to improve efficiency, to improve effectiveness, to fulfil a market need, to fulfill a social need and to meet shareholder expectations
- stakeholders of businesses including owners, managers, employees, customers, suppliers and the general community
- characteristics of stakeholders of businesses including their interests and potential conflicts between stakeholders
- management styles including autocratic, persuasive, consultative, participative and laissez-faire
- the appropriateness of management styles in relation to the nature of the task, time, experience of employees and manager preference
- management skills including communication, delegation, planning, leadership, decision-making and interpersonal
- the relationship between management styles and management skills
- corporate culture, both official and real

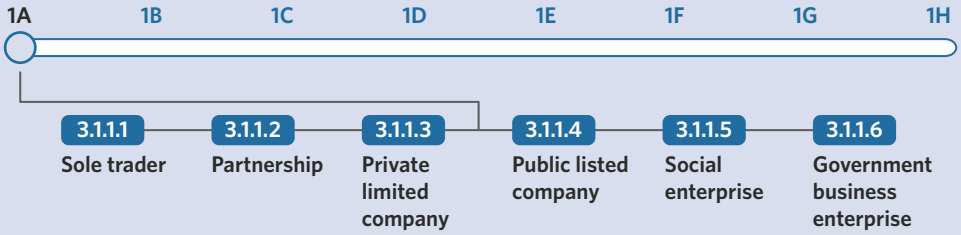
1A Types of businesses

The world is filled with different types of businesses that vary in size, legal status, number of owners, and financial obligations. This lesson will cover sole traders, partnerships, private and public companies, social enterprises, and government business enterprises, as types of businesses.



STUDY DESIGN DOT POINT

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



Lesson introduction

Business owners have control over the type of their business. When making this decision, the different characteristics, advantages, and disadvantages of each type of business must be considered. The business owner should decide which type of business is most appropriate based on their circumstances.

KEY DEFINITIONS

A **sole trader** is a business structure that is owned and operated by one individual.

ADDITIONAL TERMS

Unincorporated is a legal status of a business whereby the business owner and the business are viewed as the same legal entity.

Unlimited liability is the personal legal responsibility a business owner has for an unincorporated business's debts.

Personal income tax is a portion of an individual's earnings that is paid to the government for public services.

Debt is the amount of money that an individual or business owes.

Sole trader 3.1.1.1

A **sole trader** is a business structure that is owned and operated by one individual. A sole trader has full decision-making power and is legally responsible for all aspects of the business. A sole trader is the cheapest and simplest type of business to operate. As a sole trader, the owner and business are considered the same legal entity, meaning they are **unincorporated** and therefore have **unlimited liability**. Sole traders assume full responsibility for their business legally and financially. This level of responsibility means the business owner is entitled to all of the business's profits after **personal income tax** has been paid. Tax is a compulsory payment that is used to finance the provision of public goods and services, such as courts and police services. However, sole traders are also fully responsible for the business's **debt**, meaning their personal assets could be seized to pay debts if the business fails. Sole traders can hire employees, however, the owner is responsible to make all business decisions.

Table 1 Advantages and disadvantages of a sole trader

	Advantages	Disadvantages
Business	• The owner has full control and decision-making power. • There is a low risk of disputes as there is only one owner making decisions.	• Unlimited liability puts the owner's personal assets at risk, as they can be seized to pay off business debts. • The knowledge and skills are limited to the owner, meaning the owner may not have appropriate expertise in various areas. • The life of the business ends when the owner dies.
Employee	–	–
Time	• Easy to register and set up. • Fewer reporting requirements and minimal government regulation. • Other owners do not need to be consulted when making decisions, therefore decision-making can be quick.	• It may be difficult to take time off work for holidays or when sick, as no one else can operate the business.

Continues ▶

Table 1 Continued

	Advantages	Disadvantages
Money	• Least expensive type of business to set up. • The owner can retain all business profits.	• Difficult to raise money to expand the business due to being limited to the owner's personal savings. It also can be difficult to access money from financial institutions.

LESSON LINK

Tax will be covered in further detail in **1B Business objectives**.

Partnership 3.1.1.2

A **partnership** is a business structure that is owned by two to 20 owners. A partnership structure is unincorporated and all of the owners have unlimited liability over business debts. Similar to sole traders, partnerships are easy and inexpensive to establish. Generally, partnerships have a **partnership agreement**, which is a document signed by all of the partners and includes partner details, distribution of profit, responsibilities of each partner, and financial contributions from each partner. Having multiple business owners means the responsibility and financial risks of the business venture are shared, and the resources and expertise of partners are combined. Each partner must pay personal income tax on their share of the profits.

KEY DEFINITIONS

A **partnership** is a business structure that is owned by two to 20 owners.

ADDITIONAL TERMS

A **partnership agreement** outlines the roles and expectations of the partners in a business.

Table 2 Advantages and disadvantages of a partnership

	Advantages	Disadvantages
Business	• Greater range of expertise and ideas amongst numerous partners. • The financial and legal risks are shared between partners.	• Unlimited liability means that the partners' personal assets are at risk, as they can be seized to pay off business debts. • Conflicts could arise due to shared decision-making and personality clashes amongst partners.
Employee	–	–
Time	• Owners can share the workload and take time off as there are multiple people that can manage the business. • Easy and simple to register and set up. • Fewer reporting requirements and minimal government regulation.	• If one partner leaves, it could be time-consuming to restructure the partnership.
Money	• Greater access to finances as there are more people involved. • Minimal startup costs.	• Profit needs to be shared between the partners. • Liability for debts incurred by other partners is held by all of the partners.

REAL WORLD EXAMPLE

Partnership

Ben & Jerry's is a successful business that sells ice cream, frozen yogurt, and sorbet in over 35 countries around the world. Although Ben & Jerry's is now a public listed company, the business began as a partnership. The business was started in 1978 by two childhood friends, Ben Cohen and Jerry Greenfield, who sold ice cream out of a renovated gas station.

Adapted from Ben & Jerry's, 'About Us', n.d.



Image: Joshua Small-Photographer/Shutterstock.com

Figure 1 Ben & Jerry's started as a partnership business structure

KEY DEFINITIONS

A **private limited company** is an incorporated business structure that has at least one director and a maximum of 50 shareholders.

A **public listed company** is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX.

ADDITIONAL TERMS

Incorporated is a legal status of a company whereby the company is established as a separate legal entity to the shareholder/s.

A **director** is a person or a group of people who are responsible for and in charge of making decisions for a company.

Shareholders are the individuals or organisations who have purchased shares of a company and therefore are part-owners of the company.

Shares are portions of an incorporated business that can be bought and sold as a means for the business to gain revenue.

Dividends are regular sums of money paid out to shareholders from a company's profit.

Company tax is the portion of profits a company pays to the government for public services.

Limited liability is when shareholders are only liable to the extent of their original investment, meaning they are not personally responsible for the business debts.

Capital is the resources that can be used for funding a business, such as cash, machinery, and equipment.

Australian Securities Exchange (ASX) is the electronic market where Australian public company shares are bought and sold.

Private limited company 3.1.1.3

A **private limited company** is an **incorporated** business structure that has at least one **director** and a maximum of 50 **shareholders**. The shareholders need to be specifically selected and approved by the board of directors. Owners are referred to as shareholders, as they own **shares** in the business. Shareholders expect a return on their original investment by receiving **dividends**, which are a portion of the business's profits, as well as the value of their shares to increase over time. However, prior to shareholders receiving a return on their shares, the company's profits are subject to **company tax**. Shareholders can only sell their shares to people approved by the business. The shareholders of the company have private ownership and **limited liability** over the business's debts. This business structure is identified by the term 'proprietary limited' (Pty Ltd.), which must be included after the business name of private limited companies.

Table 3 Advantages and disadvantages of a private limited company

	Advantages	Disadvantages
Business	• There is limited liability for shareholders. • There is a greater variety of expertise and ideas as more people are involved. • The business's existence is not threatened by the removal of one director.	• Complex reporting requirements, such as annual reports, need to be published for shareholders. • It is difficult to change structure once a company has been established.
Employee	–	–
Time	–	• It is complex to establish, as the setup process requires more time. • Increased reporting requirements and government regulation.
Money	• Since incorporated businesses have greater access to **capital**, banks are more inclined to provide them with loans.	• It is expensive to set up and operate as there are higher set-up and ongoing administration costs.

REAL WORLD EXAMPLE



Image: Marlon Trottmann/Shutterstock.com

Figure 2 Cotton On Clothing Pty Ltd. is an Australian private limited company

Private limited company

Cotton On Group is a private limited company and is one of Australia's largest global retailers. The Cotton On Group has over 1500 stores in 18 countries and has seven different brands. The company was ranked 16 in the list of Australia's top private companies and reported a revenue of $2.08 billion in the 2019 financial year.

Adapted from The Cotton On Group, 'Our Story', n.d. and Australian Financial Review, 'Australia's top 500 private companies revealed', 2019

Public listed company 3.1.1.4

A **public listed company** is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX. A public listed company requires a minimum of one shareholder and three directors to operate the business. A public listed company is managed by a board of directors. All public listed companies have 'limited' (Ltd.) after their business name, which represents the limited liability of its owners. A public listed company is listed on the **Australian Securities Exchange (ASX)** and any member of the general public can freely buy and sell its shares. Due to the high level of government regulation of these businesses, public listed companies are required to share their financial reports to the public and pay company tax.

Table 4 Advantages and disadvantages of a public listed company

	Advantages	Disadvantages
Business	• Shareholders have limited liability. • There is greater access to expertise and ideas as more people are involved. • No permission is needed to trade and sell shares. • The life of the company can live longer than the directors.	• Conflicts could arise through shared decision-making between directors. • There are complex reporting requirements, such as annual financial reports, that need to be published to the public.
Employee	–	–
Time	–	• Greater time taken to set up as it is a complex business structure. • Producing annual financial reports can be a time-consuming process.
Money	• Greater access to capital as any member of the public can purchase shares.	• It is expensive to set up and operate.

REAL WORLD EXAMPLE

Public listed company

Commonwealth Bank of Australia is a multinational bank operating in Australia, New Zealand, Asia, United States, and the United Kingdom. Commonwealth Bank of Australia is ranked among the top three largest companies on the ASX in regards to the total value of the company's shares. It has been reported that the total value of CommBank's shares is $152.9 billion.

Adapted from CommBank, 'Our company', 2022 and Disfold, 'Top 30 companies of Australia in the ASX index 2021', 2021



Image: TK Kurikawa/Shutterstock.com

Figure 3 Commonwealth Bank of Australia Ltd. is a public company that operates in various countries around the world

Social enterprise 3.1.1.5

A **social enterprise** is a type of business that aims to fulfil a community or environmental need by selling goods or services. Social enterprises are not considered legal business structures in Australia. Instead, social enterprises are sole traders, partnerships, or private companies that have the main objective to support social or environmental causes, such as reducing poverty, providing employment, and reducing environmental damage. Making a profit is still a fundamental business objective of social enterprises so that they can continue to support their chosen social cause in the future. Unlike other businesses, social enterprises have a primary aim of devoting the majority of their profits to addressing a social issue, rather than shareholders and owners. To be considered a social enterprise in Victoria, a business must contribute at least 50% of its profits towards fulfilling a social or environmental cause. A social enterprise is different from a charity as it earns most of its revenue through sales rather than donations.

KEY DEFINITIONS

A **social enterprise** is a type of business that aims to fulfil a community or environmental need by selling goods or services.

Table 5 Advantages and disadvantages of a social enterprise

	Advantages	Disadvantages
Business	• The community benefits from the business's activities. • The business can develop a positive reputation as they are helping and contributing to society.	–
Employee	• Employees have purposeful work so they are more likely to be satisfied with their job.	–
Time	–	–

Continues ▶

Table 5 Continued

	Advantages	Disadvantages
Money	• Likely to receive financial support from other businesses and the government as they have a positive social mission.	• Difficult to balance the achievement of financial objectives with social objectives. • May be difficult to obtain a bank loan as the business does not solely focus on financial objectives.

EXTENDED REAL WORLD EXAMPLE

Social enterprise

STREAT is a food systems social enterprise that provides disadvantaged young people with support in developing life skills and real world work experience. STREAT was started in 2009 by Rebecca Scott and Kate Barrelle with the purpose of addressing homelessness in Australia by offering training and employment pathways in hospitality. Bec and Kate agreed that there needs to be a holistic approach to their enterprise. When working with disadvantaged and homeless young people, it involves justice, mental health, or drug and alcohol issues. STREAT collaborates with numerous groups of people to bring in resources, such as trainers, trainees, suppliers, and supporters to help effectively train up young people and encourage connections to be made. Young people who begin working at STREAT complete training courses and on-the-job training sessions at its outlets, such as kiosks, cafes, and caterers. STREAT also provides their trainees with individual assistance through drug, alcohol, and mental health programs, as well as housing support.

Since starting STREAT, Bec, Kate, and their team have supported more than 3100 young people, and have invested over 240,000 hours in individualised support services, training, and employment pathways. As a social enterprise, STREAT reinvests 100% of its profits into supporting and training disadvantaged young people.

In the future, the co-founders want to help the planet as well as people. According to Bec 'caffeine is our gateway drug for social change', and initiatives such as sourcing coffee beans sustainably, handling waste responsibly, using renewable energy, and minimising the packaging work towards protecting the planet.

STREAT plans to establish more long-term partnerships with other social enterprises. Bec has contributed to the establishment of 'Moving Feast', which is a collaborative project that focuses on building a fairer, healthier, and more regenerative food system for Victoria. Therefore, STREAT's young trainees will now have the choice of agriculture or hospitality programs. STREAT has a lot of potential to continue growing and helping more disadvantaged and homeless youth.

Adapted from Prospa, Helping young people learn STREAT smarts', 2021



Image: https://www.streat.com.au/

Figure 4 STREAT is a social enterprise that helps homeless youth

Questions

1. Why did Bec and Kate start STREAT?
2. What social issues do STREAT aim to tackle?
3. How is STREAT looking to grow in the future?

KEY DEFINITIONS

A **government business enterprise (GBE)** is a business that is owned and operated by the government.

Government business enterprise 3.1.1.6

A **government business enterprise (GBE)** is a business that is owned and operated by the government. A GBE operates in the public sector of the economy and fulfils a specific purpose outlined by the government. Generally, a GBE's purpose is to cater for essential public needs through large-scale public services, such as transport, housing, or communication. The government holds a strong interest in the performance and financial returns of the business, and can propose changes in strategic direction and objectives. Therefore, a GBE should ensure they uphold all reporting requirements as it is accountable to the government and the public.

Table 6 Advantages and disadvantages of a government business enterprise

	Advantages	Disadvantages
Business	• Delivers goods and services that help the community and the community's needs. • Provides healthy competition to the private sector. • GBEs can operate with some independence from the government. • GBEs provide services that the private sector would hesitate to invest in.	• Governments and politicians can interfere and change the strategic direction of the business.
Employee	–	–
Time	–	• GBEs have to follow significant 'red tape', which refers to excessive rules and formalities, compromising how quickly GBEs can do things. • Productivity may be lower than private-sector businesses as there tends to be a lack of accountability in the **public sector.**
Money	• GBEs can rely on the government for the initial investment.	–

ADDITIONAL TERMS

Public sector is the part of the economy that is operated by the government.

REAL WORLD EXAMPLE

Government business enterprise

Australia Post is a government business enterprise with the purpose of providing Australia with a high-quality and efficient national postal service. Although Australia Post is part of the public sector and is solely owned by the Australian government, it receives no government funding. It is self-funded from the profits that are generated from its postal service operations. In 2021, Australia Post reported a profit of $100.7 million. The profits are either distributed to the Australian government, or reinvested back into the business.

Adapted from Australia Post, 'Annual Report 2021', 2021



Image: ymgerman/Shutterstock.com

Figure 5 Australia Post is a GBE with the purpose of providing Australia with postal services

ACTIVITY

Types of businesses

Match the businesses to the type of business they are.

Small hairdressing salon run by Li Li is the only owner of the local hairdressing salon. He takes on a small number of clients so is able to do all the hairdressing, whilst another employee does the admin and answers the phone.	●	● Social enterprise
Defence Housing Australia Defence Housing Australia provides housing and services to Australian Defence Force members and their families.	●	● Partnership
Woolworths Group Ltd. Woolworths Group is one of Australia and New Zealand's leading retail groups, owning well-known brands, such as Woolworths and Big W.	●	● Private limited company
Thankyou Thankyou sells products, such as water and soap, to help end global poverty in this lifetime.	●	● Government business enterprise
Charlie and Alex's Babysitting Business Charlie and Alex equally own and run a babysitting business together.	●	● Sole trader
Linfox Pty. Ltd. Linfox is an Australian logistics, transport, and supply chain business founded in 1956 by Lindsay Fox.	●	● Public listed company

Theory summary

The different types of businesses have their own characteristics, as well as, advantages and disadvantages. A business owner can decide whether they want to be a sole trader, partnership, private or public company, or social enterprise. However, the government decides whether a business can be a GBE.

- A sole trader is an individual owner of a business.
- A partnership is an unincorporated business with between two to 20 owners.
- Private limited companies are incorporated businesses with up to 50 shareholders.
- Public listed companies are incorporated businesses that have an unlimited number of shareholders.
- Social enterprises are a type of business that aims to fulfil a social or environmental need through selling products.
- GBEs are businesses owned and operated by the government.

Table 7 The characteristics of different types of businesses

	Sole Trader	Partnership	Private limited company	Public listed company	Social enterprise	Government business enterprise
Cost of set-up	Low	Low	Medium	High	Differs on the social enterprise being a sole trader, partnership, or private limited company	–
Government regulation	Low	Low	Medium	High		High
Raising funds	Owner and loans	Owners and loans	Owners, loans, and selling shares to private investors	Owners, loans, and selling shares to public investors		Self-funded
Ownership	Owner	Multiple partners	Shareholders	Shareholders		Government
Owner liability	Unlimited	Unlimited	Limited	Limited		–
Decision-making	Owner	Multiple partners	Board of directors	Board of directors		Board of directors
Tax on profits	Personal income tax	Personal income tax	Company and personal income tax	Company and personal income tax		–
Profits	Owner retains all profits	Split between partners	Shared between all shareholders	Shared between all shareholders	Reinvested in business or donated to other organisations	Reinvested into business or distributed to the government

1A Questions

Theory review

Question 1

All businesses have the same legal structure.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- sole trader
- company

A _____ has minimal costs to set up, whereas a _____ is expensive to set up.

Question 3

Fill in the blanks with the following terms:

- sole trader
- partnership

The business profits need to be shared with a _____ structure, however, profits don't need to be shared with a _____ structure.

Question 4

A partnership is an unincorporated business structure.

A. True

B. False

Question 5

Fill in the blanks with the following terms:

- limited liability
- unlimited liability

Shareholders of a private limited company have _____, whereas owners of a partnership have _____.

Question 6

Business owners and shareholders are all personally responsible for paying business debts.

A. True

B. False

Question 7

Social enterprises have a primary aim of devoting the majority of their profits to addressing a social issue, rather than distributing profits to shareholders and owners.

A. True

B. False

Question 8

An advantage of government business enterprises is that they deliver goods and services that help the community and the community's needs.

A. True

B. False

Question 9

Government business enterprises and partnerships have a board of directors that makes decisions.

A. True

B. False

Question 10

The different types of business structures suit different situations as each business type has its own advantages and disadvantages.

A. True

B. False

Preparing for exams

Case study skills

Question 11

Postal NZ is a public sector postal service that delivers mail and packages to the New Zealand population. The purpose of Postal NZ is outlined by the government and is to ensure that the community is connected through a postal service no matter where in New Zealand they live, as well as to make a profit.

Identify which of the following is a correct statement about Postal NZ.

A. Postal NZ is a social enterprise because its purpose is outlined by the government.

B. Postal NZ is a government business enterprise because its purpose is outlined by the government.

Use the following information to answer Questions 12 and 13.

AltTech Productions Ltd. manufactures and supplies technology parts that would be used in creating products, such as record players, speakers, and DJ decks. In its recent annual financial report, AltTech Productions Ltd. reported revenue of $7 million and a profit of $5.5 million to its shareholders. The business is expected to grow a minimum of 10% by the next financial year, which should make shareholders very satisfied.

Question 12

Identify which of the following are characteristics of AltTech Productions Ltd. as a public listed company.
(Select all that apply)

I. AltTech Productions Ltd. has the suffix 'Ltd.' to represent the limited liability of shareholders.

II. AltTech Productions Ltd. is listed on the Australian Securities Exchange meaning the public can buy shares in the business.

III. The shareholders of AltTech Productions Ltd. have unlimited liability.

Question 13

Identify whether the following are **advantages** or **disadvantages** of AltTech Productions Ltd. being a public listed company.

		Advantage	Disadvantage
I.	Shareholders have limited liability.	☐	☐
II.	The life of the company can live longer than the directors.	☐	☐
III.	Producing annual financial reports can be a time-consuming and complex process.	☐	☐
IV.	It is expensive to set up and operate.	☐	☐

Use the following information to answer Questions 14 and 15.

Ping is thinking of starting a babysitting business with her sister An. Ping and An both want to invest an equal amount of money into the business and share the responsibility of the business. They are both quite young and have limited money.

Question 14

Identify which of the following is a correct statement about Ping and An's business they are thinking of starting up.

A. A partnership business structure would suit their business best as there are low set-up costs and responsibilities can be shared.

B. A sole trader structure would suit their business best as Ping wants to independently own and operate the business.

Question 15

Identify whether the following are **advantages** or **disadvantages** of Ping and An's business structure.

		Advantage	Disadvantage
I.	Conflict could arise between the two sisters through the shared decision-making required.	☐	☐
II.	Ping and An must share the business profits.	☐	☐
III.	Ping and An can share the workload.	☐	☐
IV.	It is cheap and easy to set up their business as a partnership.	☐	☐

Exam-style

Question 16 (2 MARKS)

Define the term 'partnership'.

Adapted from VCAA 2017 exam Section A Q1a

Question 17 (2 MARKS)

Define the term 'sole trader' and give one distinguishing feature.

Adapted from VCAA 2017 Sample exam Section A Q1

Question 18 (2 MARKS)

Define the term 'private limited company' and give one distinguishing feature.

Adapted from VCAA 2017 Sample exam Section A Q1

Question 19 (2 MARKS)

Outline two features of a social enterprise.

Question 20 (3 MARKS)

Postal NZ is a public sector postal service that delivers mail and packages to the New Zealand population. The purpose of Postal NZ is outlined by the government and is to ensure that the community is connected through a postal service no matter where in New Zealand they live, as well as to make a profit.

Using evidence from the case study, define and explain what type of business Postal NZ is.

Adapted from VCAA 2020 exam Section B Q1

Question 21 (4 MARKS)

AltTech Productions Ltd. manufactures and supplies technology parts that would be used in creating products, such as record players, speakers, and DJ decks. In its recent annual financial report, AltTech Productions Ltd. reported revenue of $7 million and a profit of $5.5 million to its shareholders. The business is expected to grow a minimum of 10% by the next financial year, which should make shareholders very satisfied.

Describe two features that would classify AltTech Productions Ltd. as a public listed company. Outline one advantage and one disadvantage of AltTech Productions Ltd. being a public listed company.

Question 22 (5 MARKS)

Ping is thinking of starting a babysitting business with her sister An. Ping and An both want to invest an equal amount of money into the business and share the responsibility of the business. They are both quite young and have limited money.

Identify and discuss an appropriate type of business for Ping and An.

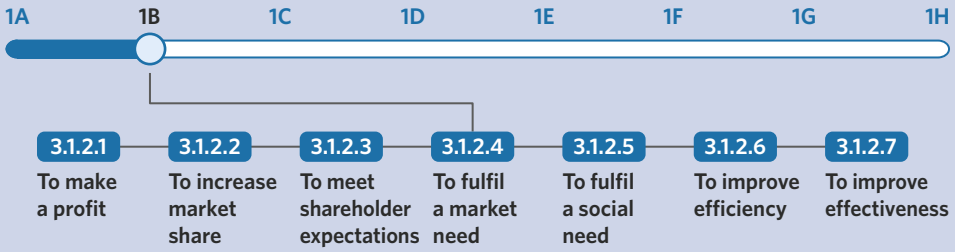
1B Business objectives

What is a business's purpose? Most people will identify that making a profit is an objective of most businesses, but did you know that successful businesses also strive to achieve other things? Some types of businesses have social goals as primary goals, rather than financial goals.



STUDY DESIGN DOT POINT

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



Lesson introduction

Business objectives are the goals a business intends to achieve. Business objectives provide a business with direction, as it can implement strategies to achieve these objectives. For businesses to be successful, they must establish clear, specific, time-bound, and measurable objectives. A business will constantly work towards achieving various objectives at the same time.

To make a profit 3.1.2.1

Making a **profit** is a fundamental objective for businesses. Profit occurs when a business creates more **revenue** than **expenses**. When businesses make a profit, it can be distributed to owners. For private limited and public listed companies, profit is vital to pay shareholders a return on their original investment. Businesses can also use profit to grow, such as implementing a new advertising campaign, building a business website, creating new products and enhancing existing ones, and hiring employees with greater skills and expertise. To make a profit, businesses will constantly seek to reduce costs where possible and increase revenue.

KEY DEFINITIONS

Business objectives are the goals a business intends to achieve.

Profit is total revenue earned minus total expenses incurred.

ADDITIONAL TERMS

Revenue is the amount of money a business generates from its normal business activities.

Expenses are the costs of operating a business.



Twiggy's is a cafe which serves coffee and toasties in Melbourne's CBD. In 2022, Twiggy's generated $80,000 of revenue, and spent $65,000. How much profit did Twiggy's make?

$80,000 (revenue) – $65,000 (expenses) = $15,000 (profit)

City Chemist is also located in Melbourne's CBD. Recently it spent a lot of money on renovating its interior. In 2022, City Chemist generated $40,000 of revenue, and spent $50,000. How much profit did City Chemist make?



$40,000 (revenue) – $50,000 (expenses) = –$10,000 (loss)
As the chemist's expenses exceeded its revenue, it made no profit and lost $10,000.

Figure 1 An example of how profit is calculated

REAL WORLD EXAMPLE

To make a profit

Woolworths Group Ltd. is a major Australian company that owns various well-known Australian brands, including Woolworths supermarkets and BIG W. In the past five years, Woolworths Group consistently reported net profit figures well over $1 billion each **financial year**. At the end of the 2021 financial year, Woolworths Group reported $1.97 billion dollars in net profit after **tax**.

Adapted from Statista, 'Net profit after tax of Woolworths Group in Australia from the financial year 2015 to 2021', 2022

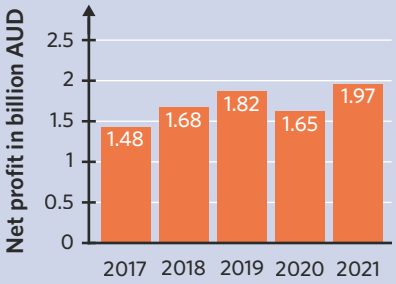


Figure 2 The net profit of Woolworths Group from 2017-2021

To increase market share 3.1.2.2

Market share is a business's percentage of total sales within an industry. Therefore, when a business increases its number of sales, it can consequently increase its percentage of market share. Generally, businesses aim to increase their market share within their industry as it is a reflection of how competitive they are. There are a number of strategies a business can implement to increase its market share, such as:

- producing products with new technology
- increasing customer loyalty to encourage repeat sales from customers
- hiring skilled employees that produce goods and services of desired quality
- implementing advertising which attracts more customers and sales
- offering lower prices to generate more sales.

Increasing its percentage of market share has numerous benefits for a business. Higher market share can further increase sales, as existing customers may develop brand loyalty and purchase more products. Existing customers may also encourage new customers to purchase from the business through **word-of-mouth recommendations**, which also increases sales and therefore market share. Furthermore, businesses with a significant percentage of market share may purchase supplies in bulk due to producing a large number of products, meaning they can receive discounted prices from suppliers.

REAL WORLD EXAMPLE

To increase market share

Woolworths Group Ltd. is the market leader in Australia's supermarket industry. In 2021, Woolworths Group held 37% of market share. Its strongest competitor, Coles Group Ltd., held 28.4% of market share. ALDI is the next biggest competitor in this industry and accounts for 10.5% of sales in the market. Woolworths is constantly implementing new strategies to increase its market share and maintain its competitive position as the market leader.

Adapted from Statista, 'Market share of grocery retailers in Australia 2021', 2022

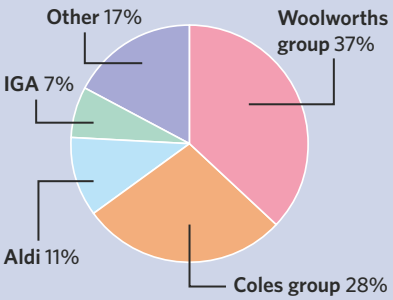


Figure 3 Market share of grocery retailers in Australia in 2021.

KEY DEFINITIONS

Market share is a business's percentage of total sales within an industry.

ADDITIONAL TERMS

Financial year is a period of 12 months that is used by the government, businesses, and other entities to calculate budgets and report profits and losses. The Australian financial year begins on 1 July and ends the following year on 30 June.

Tax is a compulsory payment to the government, which is used by the government to provide public goods and services, such as courts and police services.

Word-of-mouth recommendations occur when a customer's interest in a business's good or service is recommended to others through conversation.

WANT TO KNOW MORE?

The two leading companies in the supermarket industry are Woolworths and Coles. However, in 2001, ALDI, a German supermarket, expanded into Australia. ALDI currently has a market share of 10.5%, and it is predicted that ALDI's market share could potentially double in the next ten years. This would mean Coles, Woolworths and ALDI would have a fairly similar percentage of market share in the grocery industry (Powell, 2019).

To meet shareholder expectations 3.1.2.3

Shareholders are the owners of private limited companies and public listed companies. Shareholders invest their own money into a business by purchasing a company's shares. This investment can facilitate the growth and development of a business, leading to different market opportunities. Ultimately, shareholders expect a return on their original investment. This financial return is through the payment of **dividends** or achieving **capital gains**. Let's have a look at the difference between capital gains and dividends.

ADDITIONAL TERMS

Dividends are regular sums of money paid out to shareholders from a business's profit.

Capital gain is an increase in the value of a share, meaning an investor can sell their shares at a higher price than what they originally purchased them for.

LESSON LINK

Shareholders were introduced in **1A Types of businesses**.

Capital gains

A capital gain occurs when an individual sells a company's shares at a higher price than they initially purchased them for. For example, if an individual purchases 1000 shares for $1 each, their original investment is $1000. If they later sell these shares when they are worth $2 each, they will sell them for $2000 meaning their capital gain on selling these shares is $1000. Therefore, shareholders expect companies to increase the value of their shares meaning investors can eventually realise capital gains when they choose to sell.



Figure 4 Capital gains occur when a company's shares are sold at a higher price than they were originally purchased for

Dividends

When companies make a profit, they may pay their shareholders a portion of that profit through dividends. These dividends may be paid periodically throughout the year. A shareholder's dividends are dependent on the number of shares they own. For example, a company's dividend payout may be $2 per share. Therefore, an individual who owns 100 shares will receive a $200 dividend payment. Not all companies pay their shareholders dividends and instead, reinvest profits into growing the business. However, shareholders who invest in companies that pay a consistent dividend expect dividend payments in the future.

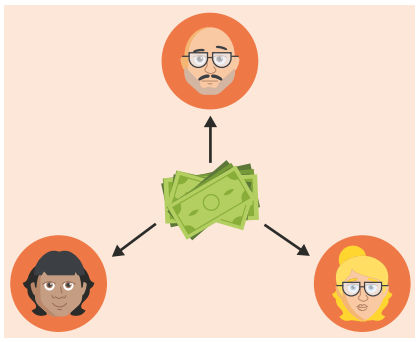


Figure 5 Individuals may elect companies who pay dividends to their shareholders

REAL WORLD EXAMPLE

To meet shareholder expectations

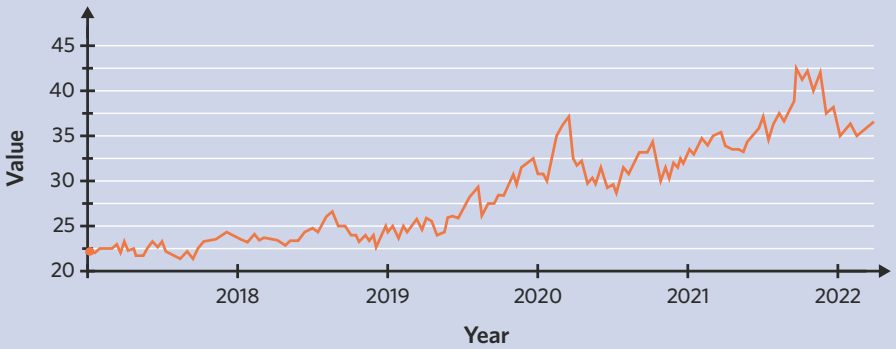


Figure 6 Woolworths Group Ltd. share price from 2017 to 2022

To meet shareholder expectations of a return on their investment, the share price of Woolworths Group Ltd. has gradually increased since 2017. The share price of Woolworths Group increased from $22.38 in March 2017 to a high of $41.99 in August 2021. Woolworths Group began consistently paying dividends per share in November 1993 at 6 cents per share. Woolworths Group paid a dividend of 55 cents per share in October 2021.

Adapted from Woolworths Group, '2021 Annual report', 2021, and Woolworths Group, 'Dividends', n.d.

To fulfil a market need 3.1.2.4

To fulfil a market need is when a business fills a gap in the market, which involves addressing customer needs that are currently unmet or underrepresented by other businesses in the same industry. For a business to fulfil a market need, it must identify its **target market** and their needs in order to cater goods and services to existing and potential customers. When goods or services fulfil a market need, a business can increase its number of sales, subsequently increasing market share and revenue from sales. Meeting customer needs can improve customer loyalty, which helps businesses establish consistent revenue from sales and therefore make a profit.

KEY DEFINITIONS

To fulfil a market need is when a business fills a gap in the market, which involves addressing customer needs that are currently unmet or underrepresented by other businesses in the same industry.

ADDITIONAL TERMS

Target market is the specific group of customers a business aims to sell its goods and/or services to.

REAL WORLD EXAMPLE

To fulfil a market need

Woolworths Food Group refers to the Woolworths Group Ltd. supermarket chain. Woolworths supermarkets seek to meet customer needs by offering lower prices and providing customers with an affordable shopping experience. Woolworths supermarkets continually widen their range of products to meet all of their customers' needs and improve the freshness and quality of their meat, fruit, and vegetable supply. As the number of customers who prefer to shop online has increased, the Woolworths Food Group has met this preference by increasing its Click & Collect locations, including a drive-thru option. Ultimately, Woolworths constantly identifies needs within the market and responds with strategies to meet these needs, contributing to its position as an industry leader.

Adapted from Woolworths Group, 'Woolworths Food Group's plan to get customers to put us first', 2022



Image: Clare Seibel-Barnes/Shutterstock.com

Figure 7 Customers can order their grocery shopping online from Woolworths and pick up their order without having to enter the supermarket

WANT TO KNOW MORE?

There is a fairly high chance you are using or know someone who is using an Apple device. Since Apple was co-founded by Steve Jobs and Steve Wozniak in 1977, it has become one of the most central and successful technology businesses in the world. In August 2020, Apple broke records by becoming the first U.S. company to be worth $2 trillion (Beattie, 2021). A key way Apple has become so successful is it developed an understanding of its customers' needs. Before Apple had released its famous products, such as the iMac, iPod, iPhone, and iPad, a lot of this technology already existed among other companies. However, what made Apple unique is that it took existing technology and made it more valuable for customers. Apple achieved this by producing technology that was simple to use, and aesthetically pleasing. Apple identified the customer need for usable technology, and subsequently enhanced and improved existing technology. Ultimately, Apple fulfilled a market need as its products allowed 'people who may have never touched technology before all of a sudden use it with relative ease' (Ironhardt, 2020).

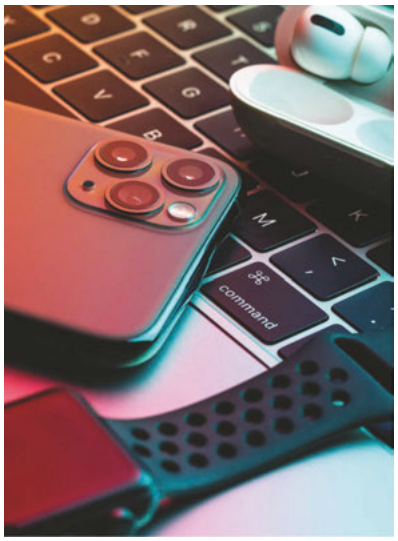


Image: Shahid Jamil/Shutterstock.com

Figure 8 Apple produces usable and well-designed products to meet the market need of simple technology

To fulfil a social need 3.1.2.5

To fulfil a social need is improving society and the environment through business activities. Society faces issues such as homelessness, drug or alcohol abuse, domestic violence, discrimination against Aboriginal and Torres Strait Islanders, and ill-treatment of refugees and asylum seekers. Environmental issues include climate change, polluted waterways, extinction of species, and waste in landfills. A business may focus on addressing social issues or environmental issues, or both. In today's world, it is no longer acceptable for businesses to purely focus on financial objectives. Therefore, businesses must implement strategies to address a social need alongside their other objectives. Unlike other types of businesses, a social enterprise primarily focuses on fulfilling its targeted social need.

KEY DEFINITIONS

To fulfil a social need is improving society and the environment through business activities.

Efficiency is how productively a business uses its resources when producing a good or service.

ADDITIONAL TERMS

Productivity is the number of goods or services that are produced compared to the number of resources used in the production process.

LESSON LINK

Social enterprises were introduced in **1A Types of businesses**.

ACTIVITY

To improve efficiency

Watch the video on how ALDI operates efficiently.

Search *'ALDI – Why they're successful'* on YouTube and watch from 3:30 until 10:55 (Company Man, 2019). Then complete the following activity:

In your exercise book, list the numerous ways ALDI is efficient.

REAL WORLD EXAMPLE

To fulfil a social need

The Woolworths Group Ltd. was forced to adapt to the changing social conditions at the beginning of the COVID-19 pandemic in March 2020. To address the social need of preventing the spread of COVID-19, Woolworths offered customers an option to pre-book their grocery shopping, as well as the ability to see online how busy each supermarket was to maintain social distancing in-store. As the pandemic made supermarket shopping more difficult for the elderly and vulnerable, Woolworths responded to the social need of protecting these groups by opening stores exclusively to these groups an hour earlier at 7am, before opening to other customers at 8am.

Adapted from Woolworths Group, 'COVIDSafe', 2022

To improve efficiency 3.1.2.6

All businesses want to get the most out of their resources, aiming to maximise the use of their time, money, effort, employees, and materials. Businesses constantly try to improve **efficiency**, which is how productively a business uses its resources when producing a good or service. In other words, doing something efficiently is producing something without wasting any resources. Therefore, businesses will constantly assess how they can improve their **productivity** across all departments. By optimising a business's use of resources, production costs can be minimised, levels of waste may decline, and the time taken to produce goods or services can be reduced. Ultimately, improving the level of efficiency within a business can have positive implications on a business's performance and the achievement of other business objectives.

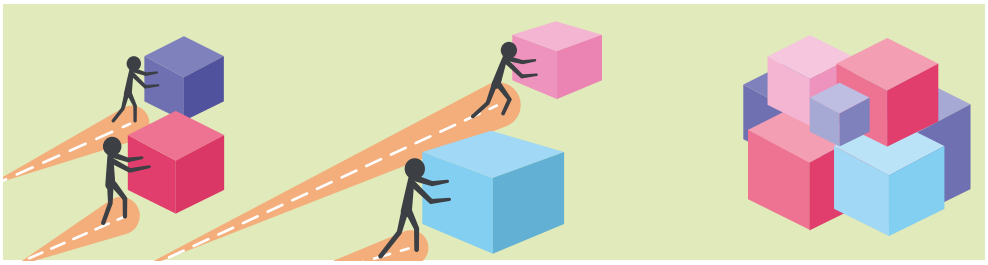


Figure 9 Efficiency is about doing something using minimal amounts of time, effort, and materials

REAL WORLD EXAMPLE

To improve efficiency

In 2020 Woolworths Group Ltd. introduced 'micro-automation technology' in the Melbourne-based Carrum Downs supermarket. This technology was implemented to speed up the delivery of online orders by five times. Not only does this technology enable Woolworths to deliver online orders faster, but also with greater accuracy. By increasing the speed of online orders, Woolworths increases efficiency through the time it saves. Furthermore, delivering orders with greater accuracy means Woolworths reduces wastage and costs associated with the incorrect delivery of products.

Adapted from ZD Net, 'Woolworths speeds up online grocery orders with automated fulfilment technology', 2020

To improve effectiveness 3.1.2.7

For a business to be competitive, it must continuously set targets to achieve. Whether or not a business achieves its goals relates to its **effectiveness**. Effectiveness is the extent to which a business achieves its stated objectives. Effectiveness can concern small-scale things, such as whether a specific employee of a business is performing at a desired level. Effectiveness can also measure mid to large-scale aspects of a business, such as whether a business-wide objective has been achieved. Businesses can improve effectiveness by improving their performance to meet set targets and goals.

KEY DEFINITIONS

Effectiveness is the extent to which a business achieves its stated objectives.

USEFUL TIP

Effectiveness relates to a business's performance of the other business objectives we have learnt in this lesson. We also learnt that business effectiveness relates to smaller targets, such as the quality of a produced good or service. It can also include other larger business objectives we have not learnt in this lesson, such as reducing waste in all departments.

EXTENDED REAL WORLD EXAMPLE

To improve effectiveness

Woolworths Group performance in the 2021 financial year (F21)

As one of Australia's largest companies, Woolworths Group Ltd. has extensive objectives it seeks to achieve every financial year. Despite the ongoing impact of COVID-19, the Woolworths Group managed to perform impressively in F21 (1 July 2020–30 June 2021). Key performance points include:

- Sales increased by 5.7% from the previous year
- In-store sales at Woolworths supermarkets increased by 2%
- Australian food eCommerce sales through Woolworths increased by 74.7% compared to the previous financial year
- 10 new supermarkets opened in metro areas
- Customer satisfaction scores were relatively similar to the previous year.
- Improvements in ease of pickup, queue waiting times, and quality of produce, despite the disruption of COVID-19
- Metro food store sales declined by 4.9%, due to the impact of COVID-19 on certain locations, such as areas where people travel to work.

Woolworths Group has also implemented a '2025 Sustainability Plan' which has targets to help it make a difference to the community and planet. By the end of F21, they had made some progress, which is illustrated in figure 10.

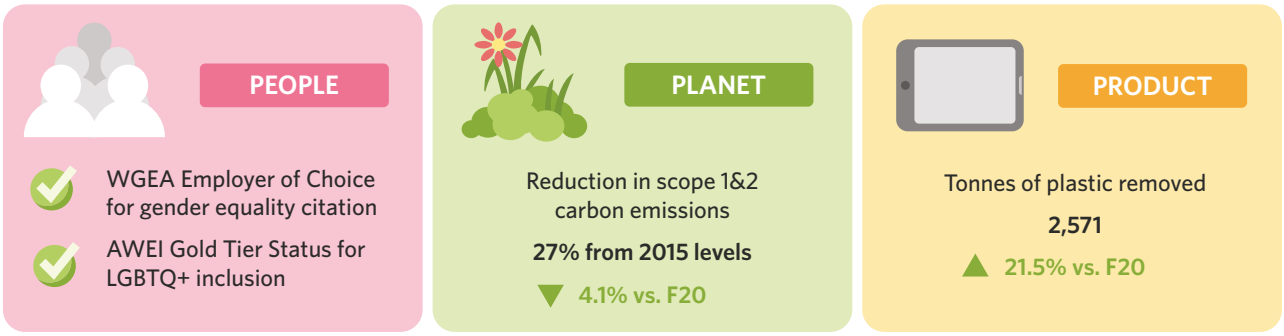


Figure 10 Woolworths Group progress towards its 2025 Sustainability Plan by end of F21

Questions

1. What are five areas in which the Woolworths Group performed well in F21?
2. What is one area the Woolworths Group underperformed in during F21? Why did this happen?
3. How does the Woolworths Group's improvements in performance in F21 relate to effectiveness?

Adapted from Woolworths Group, 'F21 Full Year Profit and Dividend Announcement', 2021

USEFUL TIP

The terms 'efficiency' and 'effectiveness' are often used interchangeably and treated as having the same meaning. However, they are different concepts. Efficiency is optimising the use of a business's resources, such as time, money, materials, and employees. Effectiveness is the extent to which a business achieves its predetermined targets. Improving efficiency can result in an improvement in effectiveness. For example, an efficient use of resources can save money, which can assist a business to achieve its set target of making a profit, hence improving effectiveness. Moreover, business tasks completed efficiently can be ineffective, and vice versa. Consider this example:

- Employees can listen to their training videos at 2x speed and learn a minimal amount. This is *efficient* as it saves time, but may not be *effective* in achieving the goal of training employees.
- Employees can listen to their training videos at 0.5x speed and learn every single detail. This is *effective* as employees are being trained, but not *efficient* as training is taking double the time.
- Employees can listen to their training videos at 1x speed and learn the required amount. This is *efficient* as training is being conducted in the expected amount of time, as well as *effective* as employees are being adequately trained.

Theory summary

Every business will have its own objectives in order to be competitive and successful. These objectives will look different for each business. However, a business will typically have the specific objectives that you learnt in this lesson. These objectives are:

- to make a profit
- to increase market share
- to meet shareholder expectations
- to fulfil a market need
- to fulfil a social need
- to improve efficiency
- to improve effectiveness.

1B Questions

Theory review

Question 1

All businesses have objectives they want to achieve.

A. True

B. False

Question 2

A business is unsuccessful if it does not make a profit.

A. True

B. False

Question 3

Shareholders only expect businesses to improve their financial performance in order to have a return on their investment.

A. True

B. False

Question 4

A social enterprise is the only type of business that fulfils a social need.

A. True

B. False.

Question 5

It is unlikely that a business will increase its market share if it does not currently fulfil a market need.

A. True

B. False

Question 6

Identify which of the following business examples relate to effectiveness. **(Select all that apply)**

I. Reaching 2022 profit targets.

II. Achieving the 2021 goal to reduce waste by 25% since 2017.

III. A business changing its logos.

Question 7

Effectiveness and efficiency are the same thing.

A. True

B. False

Question 8

Identify which of the following business examples relate to efficiency. **(Select all that apply)**

I. Achieving the objective of increasing market share to 32% by 2022.

II. Reducing the amount of time taken to produce the desired good or service.

III. Cutting down the amount of waste when producing products by 10%.

Question 9

A business can only have the following business objectives: to make a profit, to increase market share, to meet shareholder expectations, to fulfil a market need, to fulfil a social need, to improve efficiency, and to improve effectiveness.

A. True

B. False

Preparing for exams

Case study skills

Question 10

Hi Hanna Ltd. is a Melbourne-based brand that sells female fashion to young women. It is now opening stores in other states including New South Wales, Western Australia, and Queensland.

Identify which of the following is a correct statement about Hi Hanna Ltd.

A. Opening stores in New South Wales, Western Australia, and Queensland will likely increase Hi Hanna Ltd. sales and therefore revenue, which could result in making a profit.

B. Opening stores in New South Wales, Western Australia, and Queensland will likely meet the expectations of Hi Hanna Ltd. shareholders, which could generate a profit.

Use the following information to answer questions 11 and 12.

Alpel is an Australian business that designs and produces premium gaming laptops for the international market. 80% of the metal and plastic materials used to build Alpel laptops are made from recyclable materials. Alpel has also begun producing USB sticks with leftover plastic and metal to reduce its waste.

Question 11

Identify which of the following is a correct statement about Alpel.

A. Using recyclable materials at Alpel fulfils a social need as it is more profitable.

B. Using recyclable materials at Alpel fulfils a social need as it reduces the amount of landfill waste from plastic and metals which are discarded.

Question 12

Identify which of the following is a correct statement about Alpel improving its efficiency.

A. Alpel can improve efficiency by using wasted materials for USBs as it assists Alpel to make a profit.

B. Alpel can improve efficiency by utilising wasted materials as it is an optimal use of resources.

Question 13

Zina and Wroud own Eating Well, a cooking school that operates as a partnership in the west of Melbourne. The school offers cooking classes on unique cuisines that are taught by cooks or chefs who arrived in Australia as refugees. During the class, the chefs share their cuisine, culture, and stories with participants. Zina wants to open another store in North Melbourne.

Identify which of the following business objectives are likely relevant to Eating Well. **(Select all that apply)**

I. Make a profit by generating more revenue from selling the cooking courses than the expenses.

II. Increase market share by opening a new store in North Melbourne.

III. Meet shareholder expectations by providing dividends to partners.

IV. Fulfil the market need of cooking courses for ethnic cuisines.

V. Fulfil the social need of employing refugees in local communities.

Exam-style

Question 14 (1 MARK)

Outline the business objective of meeting shareholder expectations.

Question 15 (2 MARKS)

Define the term 'business objective'.

Adapted from VCAA 2020 exam Section A Q1a

Question 16 (3 MARKS)

Using an example, explain the business objective of improving effectiveness.

Question 17 (3 MARKS)

Hi Hanna Ltd. is a Melbourne-based brand that sells female fashion to young women. It is now opening stores in other states including New South Wales, Western Australia, and Queensland.

Describe how Hi Hanna Ltd. opening new stores could meet the objective 'to make a profit'.

Question 18 (4 MARKS)

Alpel is an Australian business that designs and produces premium gaming laptops for the international market. 80% of the metal and plastic materials used to build Alpel laptops are made from recyclable materials. Alpel has also begun producing USB sticks with leftover plastic and metal to reduce its waste.

Explain how Alpel achieves the business objectives of fulfilling a social need and improving efficiency.

Question 19 (4 MARKS)

Zina and Wroud own Eating Well, a cooking school that operates as a partnership in the west of Melbourne. The school offers cooking classes on unique cuisines that are taught by cooks or chefs who arrived in Australia as refugees. During the class, the chefs share their cuisine, culture, and stories with participants. Zina wants to open another store in North Melbourne.

Explain two business objectives (other than to make a profit) that would be relevant to Eating Well.

Adapted from VCAA 2018 exam Section A Q1b

Testing previous knowledge

Question 20 (3 MARKS)

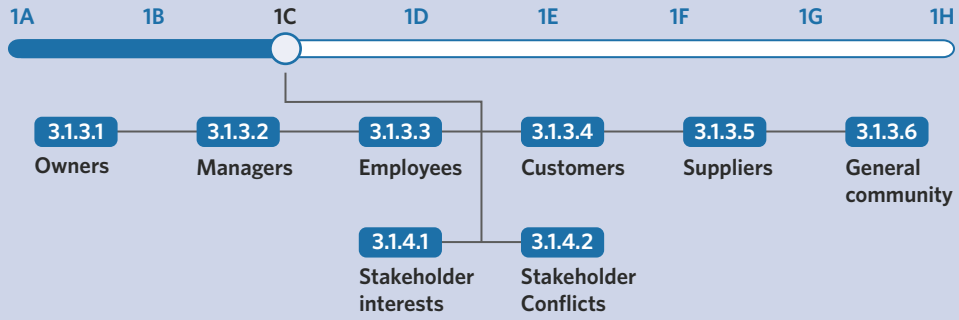
Define social enterprise. Explain one business objective a social enterprise may have.

Back to contents

1C Stakeholders

STUDY DESIGN DOT POINTS

- stakeholders of businesses including owners, managers, employees, customers, suppliers and the general community
- characteristics of stakeholders of businesses including their interests and potential conflicts between stakeholders



Businesses interact with many different people, groups, and organisations every day that each contribute to their overall performance. Effectively managing the interests of these groups is challenging for a business as these interests often conflict. How might your interests in a business differ from your peers, parents, and the wider world?

Lesson introduction

Stakeholders are individuals, groups, or organisations who have a **vested interest** in the performance and activities of a business. A business has both **internal stakeholders** and **external stakeholders** who each have different interests that they want to be fulfilled. Businesses must recognise and address any conflicts between stakeholder interests to ensure the business fulfils as many of its expectations as possible.



Figure 1 The various stakeholders of a business

Owners 3.1.3.1

Owners are individuals who establish, invest, and have a share in a business, often with the goal of earning a profit from its operations. Owners are internal stakeholders and invest in the business to provide its initial capital. This enables the business to grow and develop further in the future. In supporting the business, owners hope to reap the benefits of its success. In public listed and private limited companies, owners are known as shareholders as they purchase shares of the business as an initial investment into that company.

LESSON LINK

Shareholders and shares were introduced in **1A Types of businesses**.

KEY DEFINITIONS

Stakeholders are individuals, groups, or organisations who have a vested interest in the performance and activities of a business.

Owners are individuals who establish, invest, and have a share in a business, often with the goal of earning a profit from its operations. In public listed and private limited companies, owners are known as shareholders.

ADDITIONAL TERMS

A **vested interest** is a strong reason or connection for involving oneself with a business that can involve personal benefit and gain.

Internal stakeholders are individuals, groups, or organisations who are employed by or have a financial share in the business.

External stakeholders are individuals, groups, or organisations who are outside the business and are impacted by or interested in a business's activities.

WANT TO KNOW MORE?

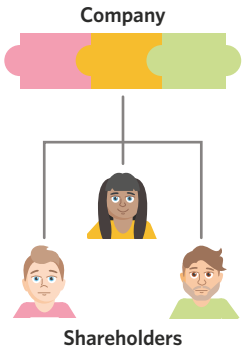


Figure 2 Shareholders purchase portions of ownership in private limited and public listed companies

Shareholders are individuals who have purchased shares in a company and are therefore part-owners of that company. Only incorporated businesses, specifically private limited and public listed companies, have shareholders. In owning shares, shareholders have limited liability, meaning they are not required to sell their personal assets if the company incurs debt. This is different to owners of unincorporated businesses, such as sole traders and partnerships, who have unlimited liability meaning their personal assets may be seized if the business owes debts.

For private limited companies, individuals must be personally asked to become shareholders as the company is not listed publicly on the Australian Securities Exchange (ASX), where shares may be bought and sold by the public. In contrast, public listed companies are openly listed on the ASX and anyone can become a shareholder and trade shares in the company.

Although shareholders are technically owners of the company, they often lack the same amount of control as owners of unincorporated businesses. For example, shareholders are rarely involved in everyday decision-making and often do not oversee the general business operations. However, shareholders have the right to attend annual general meetings and are able to vote on important matters regarding the company.

KEY DEFINITIONS

Managers are individuals who oversee and coordinate a business's employees and lead its operations to ultimately achieve the business's objectives.

Employees are individuals who are hired by a business to complete work tasks and support the achievement of its objectives.

Customers are individuals or groups who interact with a business by purchasing and utilising its goods and services.

Suppliers are individuals or groups that source raw materials, component parts, and processed materials and sell them to a business for use in the production of its goods and services.

Managers 3.1.3.2

Managers are individuals who oversee and coordinate a business's employees and lead its operations to ultimately achieve the business's objectives. As managers work within the business, they are internal stakeholders and are responsible for overseeing work tasks and progressing the business towards achieving its objectives. There can be numerous managers within one business who have specific roles. For example, a human resource manager is responsible for facilitating the relationship between a business and its employees, whilst an operations manager is responsible for organising a business's production of goods and services from raw materials. In smaller businesses, there is often only one manager who is responsible for all managerial tasks. Therefore, managers can have a diverse range of roles and responsibilities in the business that are crucial to its overall success.

Employees 3.1.3.3

Employees are individuals who are hired by a business to complete work tasks and support the achievement of its objectives. Without employees, a business would struggle to operate as employees enable the simultaneous achievement of different business objectives by producing goods and services, engaging with customers, and assisting overall operations. Therefore, as internal stakeholders, employees play a crucial role in business performance.

Customers 3.1.3.4

Customers are individuals or groups who interact with a business by purchasing and utilising its goods and services. As external stakeholders, customers engage with businesses that provide goods and services that meet their needs and therefore gain their interest. Fulfilling customer expectations leads to more customers purchasing the business's goods and services, therefore the business can make a profit. Engaging with customers and fostering the development of customer loyalty is important in maintaining a steady business income. A business that has a strong, positive relationship with its customers is not only likely to gain a competitive advantage, but also attain greater business success by achieving its objectives.

Suppliers 3.1.3.5

Suppliers are individuals or groups that source raw materials, component parts, and processed materials and sell them to a business for use in the production of its goods and services. Businesses often rely on suppliers, as external stakeholders, to provide them with the necessary materials to produce specific goods and services, meaning positive supplier relationships are crucial to an efficient and effective production system. Therefore, a business needs to ensure that it establishes an honest, reliable, and mutually beneficial relationship with its suppliers to ensure it is able to achieve its overall objectives.

General community 3.1.3.6

The **general community** is the individuals and groups who are impacted by a business's operations and decisions, often because they are located in close proximity to the business. These individuals do not necessarily purchase from the business but observe the outcomes of business activities on their environment and wellbeing. For example, a business that uses renewable energy in its operations system and produces sustainable goods and services, minimises pollution and environmental damage, therefore positively impacting the wellbeing and livelihood of the general community. A business should seek to positively impact the general community, as they can strongly influence a business's reputation and public perception, which may impact business performance.

KEY DEFINITIONS

The **general community** is the individuals and groups who are impacted by a business's operations and decisions, often because they are located in close proximity to the business.

Stakeholder interests 3.1.4.1

Each internal and external stakeholder within the business environment has different priorities and expectations that they want the business to fulfil. These are their stakeholder interests. When a business fulfils stakeholder interests, it strengthens the relationship it has with these stakeholders, positively impacting business reputation and performance.

Table 1 The vested interests of business stakeholders

Stakeholder	Vested interest
Owners	• Establishing and fostering positive relationships with other stakeholders to enhance business reputation and performance. • Receiving a return on their investment, often through business growth, in the form of increases in share price, dividends, or profits.
Managers	• Being recognised for the achievement of business objectives. • Having opportunities to increase their status and engage in career advancement and promotion. • Receiving bonuses from business owners for achieving business objectives. • Receiving appropriate wages and working conditions that reflect their managerial role and responsibility within the business.
Employees	• Provision of long-term job security. • Receiving fair pay and working conditions. • Having opportunities to engage in personal and professional development, as well as training to advance their careers and receive promotions.
Customers	• Receiving high-quality goods and services at affordable prices. • Engaging with businesses that are ethical and sustainable. • Receiving friendly and helpful customer service and assistance.
Suppliers	• Increasing their revenue. • Earning a profit from the raw materials and resources they supply. • Having reliable and honest relationships with businesses they supply.
General community	• Observing business activities that lead to improvements in the community and environment. • Increasing the local employment rate and boosting the local economy.

Stakeholder conflicts 3.1.4.2

Although businesses try to address stakeholders and their interests, often the priorities and expectations of one group will conflict and disagree with those of another. This can lead to stakeholder conflicts. A business should always aim to address and overcome stakeholder conflicts to ensure that all individuals with a vested interest in the business are satisfied by its activities. By doing so, a business can gain a positive reputation and improve its public perception as a considerate and ethical business.

Owners – want to increase profits by decreasing the salary of managers.	VS	Managers – want to receive greater rewards and salaries from the business as recognition for the achievement of objectives.
Owners – want to increase profits and minimise expenses by decreasing employee wages or replacing them with high-quality, efficient technology.	VS	Employees – want increased wages for completing tasks that contribute to the achievement of objectives, as well as greater job security.
Owners – want to increase profits by increasing prices or decreasing supply costs, to allow for business growth and to receive a return on their investment.	VS	Customers – want the highest quality goods for the lowest prices.
Owners – want to minimise business expenses to generate higher profits.	VS	Suppliers – want to increase their profits from sourcing materials for businesses.
Owners – want to decrease business expenses by sourcing cheaper materials and increasing the use of automated technology.	VS	General community – want to minimise the environmental impact of business activities and boost the local economy by increasing employment rates.
Managers – want to receive recognition for achieving business objectives and therefore may take full control of tasks with minimal delegation.	VS	Employees – want to have opportunities for personal growth and skill development within the workplace.
Managers – want to decrease expenses and therefore may purchase cheap, unsustainable, and poor-quality materials to minimise supply costs.	VS	Customers – want to engage with ethical businesses that produce high-quality products for a low price.
Managers – want to minimise business expenses as much as possible to drive profit margins.	VS	Suppliers – want to increase revenue to enhance their overall profits from sourcing materials.
Managers – want to reduce wage costs by minimising employee labour in the business, and replacing it with technology.	VS	General community – wants to increase employment in the local area to boost the local economy and avoid social consequences of unemployment, such as homelessness.
Employees – want to increase their wages and working conditions, including working fewer hours and completing fewer tasks for the same pay.	VS	Customers – want reliable customer service and to pay minimal prices for high-quality goods and services.
Employees – want to take pride in the work of the business and feel reassured that sustainable and ethical supplies are used in production.	VS	Suppliers – want to increase profits and therefore may use unsustainable and unethical methods of sourcing raw materials and resources.
Employees – want increased wages for the tasks they complete and to work fewer hours.	VS	General community – wants sustainable business activities which may cost more for a business and prevent employee wages from increasing, or may increase the time taken to complete work tasks.
Customers – want to receive high-quality goods and services at low prices.	VS	Suppliers – want to minimise costs and increase profits and therefore, may source low-quality raw materials and resources.
Customers – want goods and services that are produced in a timely manner, are of high quality and at an affordable price.	VS	General community – wants increases in wages for employees, local employment rates, and the level of sustainable practices within a business.
Suppliers – want to minimise costs and enhance profits and therefore may utilise unsustainable methods.	VS	General community – wants environmental damage minimised and ethical practices to be upheld.

Figure 3 Potential conflicts that can exist between stakeholders

USEFUL TIP

Although at least one example of a conflict that may exist between each stakeholder has been provided in figure 3, stakeholder conflicts are not strictly limited to this list. There may be more conflicts that exist depending on the business's situation. Therefore, whilst it is useful to know a possible example of a conflict that exists between stakeholders, it is also important to answer questions in the context of the business in the case study and ensure that the conflict relates to the information provided. Remember, no extra marks are awarded for creativity, so it is best to use examples that clearly relate to the question and that you feel most comfortable explaining the relationship between.

EXTENDED REAL WORLD EXAMPLE

Stakeholders

Telstra is an Australian telecommunications company that operates a number of networks to keep people connected through phone, internet, and television services. As a public listed company, Telstra has a number of shareholders who can freely buy shares in the telecommunications company via the ASX. Telstra also has a number of managers across its many departments and, as of 2021, has 27,015 employees. The telecommunications company has a range of customers, from small to large businesses, as well as individual households. Telstra utilises many suppliers to ensure it is able to provide reliable and efficient services to its customers and benefit the general Australian community.

In May 2022, Telstra received a number of customer complaints after the Queensland outback region of Birdsville, Bedourie, experienced their fourth 2–3 day connection outage within the last two months. Such outages have not only caused local businesses to struggle in their operations, but it has also impacted the ability to call emergency services in times of need, posing a serious threat to local residents. In this case, Telstra was unable to fulfil the customer interest of reliable and high-quality services, resulting in complaints and frustration that negatively impacted its business reputation. Furthermore, Telstra attributed the outage to 'parts not being on site', suggesting the company had an issue with its suppliers. Therefore, these outages highlight how conflicts between suppliers and managers can negatively impact the business's ability to fulfil customer interests. Suppliers want reliable and honest relationships with businesses it supplies to and to make a profit from sourcing business materials.

Alternatively, managers want to minimise business costs and achieve business objectives. Furthermore, customers want reliable, high-quality services at low prices, whilst suppliers want to make a profit from sourcing and selling materials to businesses and to have open and transparent relationships with them. In this situation, Telstra's managers may have failed to appropriately inform or purchase the required resources from their suppliers, leading to a lack of parts being available and preventing Telstra from meeting its business objectives. This consequently led to the extensive outages experienced in these regions and prevented customer interests from being fulfilled, whilst essentially putting the community in danger as individuals were unable to reach emergency services. To overcome this, Telstra suggested that all Birdsville customers purchase satellite networks as backup options in case outages occur again, however, this comes with additional costs that many customers cannot afford. This poses another conflict between stakeholder interests, as managers and owners of Telstra want to make a profit from providing customers with their current telecommunications services, yet customers want affordable, reliable, and high-quality services from the company. Ultimately, Telstra must try to overcome these conflicts and improve its services in these regional areas to avoid losing customers and the profits that they bring to the company.

Adapted from ABC News, 'Elon Musk's Starlink touted as Telstra outage solution in Birdsville, Bedourie', 2022, and MacroTrends, 'Telstra: Number of Employees 2010-2021', n.d.

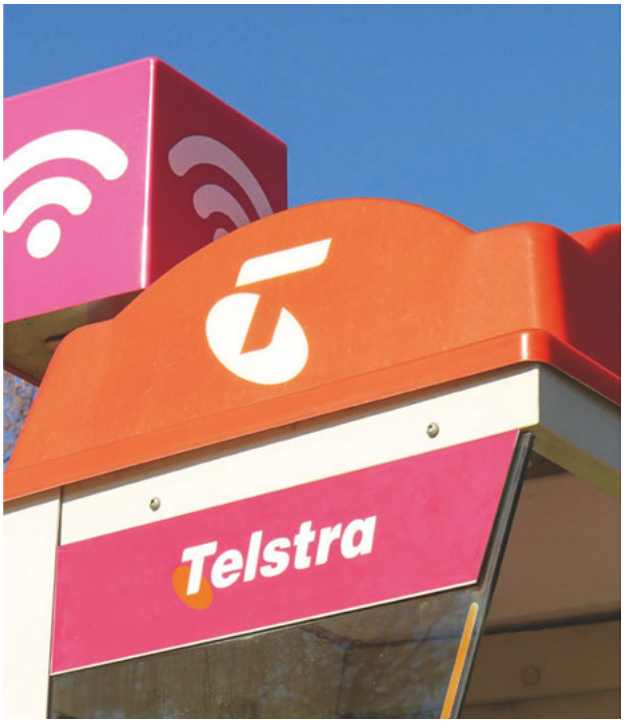


Image: Kim Britten/Shutterstock.com

Figure 4 Telstra outages in the Birdsville region during 2022, due to a potential conflict between managers and suppliers, caused customer frustration and complaints

Questions

1. With regard to stakeholders, how could Telstra have avoided the outages in this outback region?
2. What other stakeholders may have been impacted by these outages?
3. How could Telstra overcome the outage issue in Birdsville, and what are the consequences of failing to do so?
4. If Telstra were to spend more money on improving the connection networks in Birdsville, which stakeholders would this impact and whose interests may be in conflict?

ACTIVITY

Stakeholders

Search up '*Inside Apple's iPhone Factory In China*' on YouTube and watch the entire video (Tech Vision, 2021).

Apple is a world-renowned technology company that sells its phones, laptops, tablets, and accessories across the globe. The company has a range of stakeholders whose interests must be considered in Apple's everyday activities. After watching the video, consider the following questions:

1. What stakeholders did you identify in the video?
2. What are the interests of these stakeholders?
3. How might the interests of these stakeholders conflict?
4. How could Apple overcome these stakeholder conflicts?

Theory summary

In any business environment, there are internal and external stakeholders who have a vested interest in the performance and activities of a business. Internal stakeholders include owners, managers, and employees, whilst external stakeholders include customers, suppliers, and the general community. Each stakeholder has its own interests that it expects the business to meet through its operations. However, the interests of one stakeholder may clash with another, leading to stakeholder conflicts. Therefore, businesses must aim to consider the interests of their stakeholders in all their decisions to minimise stakeholder conflicts and maintain a positive reputation.

1C Questions

Theory review

Question 1

Stakeholders are individuals, groups, or organisations who have a vested interest in a business's performance because they are receiving a share of the business's profits.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- owners
- managers

In public and private limited companies, _____ can be called shareholders, and they are internal stakeholders who invest in the business and expect a return on this investment.

Question 3

Customers have an interest in:

A. receiving high-quality goods and services at an affordable price.

B. observing a business achieve its business objectives.

Question 4

A potential conflict that may exist between owners and customers is owners wanting to increase profits by increasing prices, making goods and services less affordable for customers.

A. True

B. False

Question 5

Fill in the blanks with **three** of the following terms:

- internal
- external
- increasing
- decreasing

As an _____ stakeholder, the general community have an interest in _____ local employment rates and _____ environmental damage.

Question 6

Fulfilling stakeholder interests is important in maintaining a positive business reputation and public perception.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 7 and 8.

Cynthia is the manager of a poetry slam restaurant and bar in the inner city laneways of Melbourne. Last month, Cynthia released a new lineup of poets who would be performing and competing against each other each week, which attracted many new customers. Consequently, Cynthia had to increase the volume of her restaurant's organic ingredient orders from her suppliers and the frequency of their deliveries, to meet the increased customer demand.

Question 7

Identify which of the following statements are correct about supplier and manager interests.
(Select all that apply)

I. Suppliers have an interest in increasing their revenue by reducing the costs they charge Cynthia for the restaurant's ingredients.

II. As a manager, Cynthia has an interest in receiving career advancement opportunities and recognition for the achievement of objectives at the poetry slam restaurant.

III. Managers at the poetry slam restaurant have an interest in increasing their wages and having fair working conditions.

IV. Cynthia's suppliers have an interest in maintaining open, honest, and reliable communications with the restaurant to ensure both businesses have a mutually beneficial relationship.

Question 8

Identify which of the following statements are correct about stakeholder conflict at the poetry slam restaurant.
(Select all that apply)

I. Managers want to source cheap ingredients to minimise business expenses, whereas suppliers want to increase their revenue and generate a profit from selling materials to the restaurant.

II. Suppliers and managers both want to make a profit from their business activities.

III. Cynthia's sudden increase in demand for ingredients may conflict with the current schedule of suppliers who may be unable to deliver ingredients at this frequency.

Question 9

Sherman owns Wallaby Way, an Australian wildlife park on the outskirts of Sydney that is home to a number of native flora and fauna. Recently, Sherman made a policy that all cafes within the wildlife park must use organic, ethically sourced, and sustainably produced ingredients. Consequently, many customers have recognised this shift at Wallaby Way and have complemented Sherman on his proactive approach to preserving the environment.

Identify which of the following statements are **true** or **false** about stakeholders at Wallaby Way.

		True	False
I.	Customers are more satisfied by Wallaby Way's transition to using ethical and sustainably sourced ingredients as it benefits the environment.	☐	☐
II.	Wallaby Way is having no impact on the general community as a result of this policy.	☐	☐
III.	The cafe's customers may be deterred from purchasing from Wallaby Way as they are more aware of where the ingredients have come from.	☐	☐
IV.	By using ethically sourced ingredients, Wallaby Way is ensuring that farmers and other workers involved in ingredient production are treated fairly.	☐	☐

Exam-style

Question 10 (2 MARKS)

Define the term 'stakeholder'.

Adapted from VCAA 2021 exam Section A Q1a

Question 11 (2 MARKS)

Outline the interests of employees and one other stakeholder of a business.

Question 12 (3 MARKS)

Distinguish between stakeholders and shareholders.

Adapted from VCAA 2005 exam Q2a

Question 13 (4 MARKS)

Cynthia is the manager of a poetry slam restaurant and bar in the inner city laneways of Melbourne. Last month, Cynthia released a new lineup of poets who would be performing and competing against each other each week, which attracted many new customers. Consequently, Cynthia had to increase the volume of her restaurant's organic ingredient orders from her suppliers and the frequency of their deliveries, to meet the increased customer demand.

Outline the interests of suppliers and managers as stakeholders at the poetry slam restaurant and bar. Explain how these interests may be in conflict.

Adapted from VCAA 2018 exam Section B Q5

Question 14 (4 MARKS)

Sherman owns Wallaby Way, an Australian wildlife park on the outskirts of Sydney that is home to a number of native flora and fauna. Recently, Sherman made a policy that all cafes within the wildlife park must use organic, ethically sourced, and sustainably produced ingredients. Consequently, many customers have recognised this shift at Wallaby Way and have complemented Sherman on his proactive approach to preserving the environment.

Analyse the impact that using organic, ethically sourced, and sustainably produced ingredients has on customers and the general community.

Adapted from VCAA 2018 exam Section B Q5

Testing previous knowledge

Question 15 (6 MARKS)

Newt solely owns Gravity, an athletics shoe store that has been supporting Olympic-grade runners to find the perfect running shoes for over 20 years. Gravity only sells shoes that are produced in an environmentally sustainable manner. Newt always aims to hire experienced employees from the local area.

Identify and define the type of business mentioned in the case study. Outline the interests of the general community and one other stakeholder at Gravity.

1A–C Business fundamentals review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Founded in 2014 by Francesco Feelinitou, Fran's Fireplaces Pty Ltd. is an Australian business that specialises in the sale of modern indoor and outdoor fireplaces. Francesco established the business in the hopes of satisfying the rising demand in Australia for modern European fireplaces. The business stocks a wide range of European-imported gas, wood, and electric fireplaces in its retail stores located in Melbourne and Sydney.



Image: Artazum/Shutterstock.com

In recent years, Francesco has faced various supply chain issues, with some suppliers taking up to 12 months to fulfil supply shipments. This has required Francesco to inform customers that they will face longer waiting times.

Consequently, Fran's Fireplaces has experienced a decline in customer satisfaction due to the extended wait times, resulting in some customers purchasing fireplaces from competing businesses. Francesco has been communicating with suppliers to increase order quantities to prevent stock shortages in the future. In addition to this, Francesco has also researched alternative suppliers that are able to fulfil supply shipments faster.

Over the past two years, Fran's Fireplaces has employed 30 more employees throughout its six retail stores. Recently, employees have been voicing their concerns regarding wages and working hours to Francesco. Many employees believe that they currently do not get paid enough and would like to see increased wages for working longer shifts. Francesco says that he will address their concerns soon, but is too busy addressing the supply of stock at the moment. Later this month, Francesco is set to inform shareholders about how the business is planning to address the current issues regarding employees and suppliers.

Exam-style questions

Question 1 (2 MARKS)

Define the term 'business objective'.

Adapted from VCAA 2020 exam Section A Q1a

Question 2 (2 MARKS)

Define the term 'public listed company' as a type of business.

Adapted from VCAA 2018 exam Section A Q1a

Question 3 (2 MARKS)

Outline two benefits of being a public listed company.

Adapted from VCAA 2018 exam Section B Q1

Question 4 (2 MARKS)

With reference to Fran's Fireplaces, define the term stakeholder.

Adapted from VCAA 2021 exam Section A Q1a

Question 5 (3 MARKS)

Distinguish between a public listed company and a private limited company.

Question 6 (4 MARKS)

Explain two business objectives (other than to make a profit) that would be relevant to Fran's Fireplaces.

Adapted from VCAA 2018 exam Section A Q1b

Question 7 (5 MARKS)

Using evidence from the case study, identify and discuss the type of business Fran's Fireplaces is.

Adapted from VCAA 2020 exam Section B Q1

Question 8 (5 MARKS)

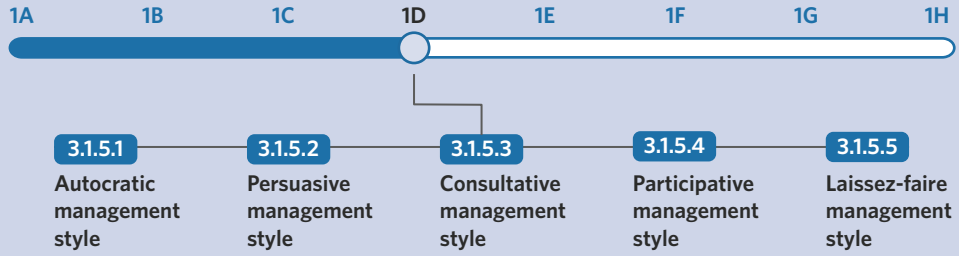
Outline the interests of two relevant stakeholders of Fran's Fireplaces. Explain how these interests may be in conflict.

Adapted from VCAA 2018 exam Section B Q5

1D Management styles

STUDY DESIGN DOT POINT

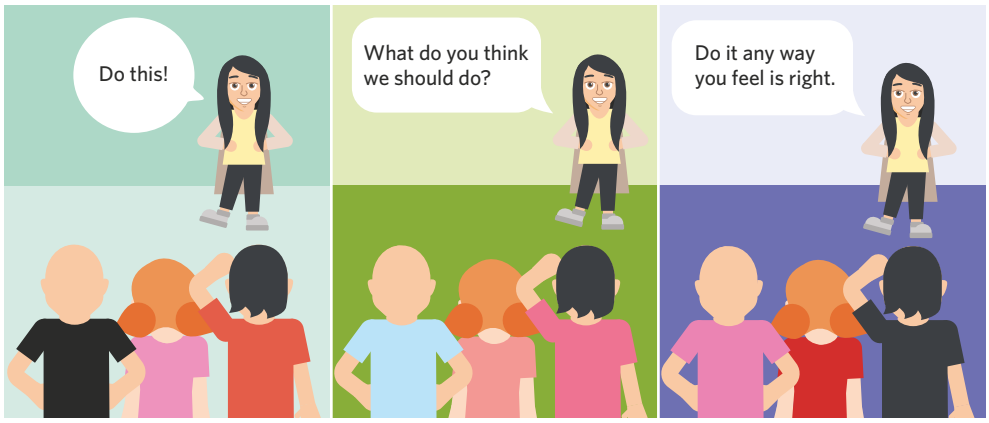
- management styles including autocratic, persuasive, consultative, participative and laissez-faire



There's no one right way to manage people in the workplace. How would you like to be managed? Do you like being told exactly what to do, or do you like having the responsibility to make decisions yourself? How would you manage people if you were in a management position?

Lesson introduction

A management style is the approach and manner in which employees are directed and motivated within a business. It is essentially the manager's way of communicating and organising within the workplace. There are five management styles a business leader can adopt to manage employees and achieve business objectives. Management styles can be characterised in terms of **communication flow**, **decision-making**, and control.



Autocratic management style 3.1.5.1

An **autocratic management style** involves a manager making decisions and directing employees without any input from them. By using an autocratic management style, a manager retains **centralised control** over all business decisions. The communication flow between managers and employees is in a one-way, top-down manner. Employees do not have any involvement in business decision-making and are purely expected to follow the directions of the manager.

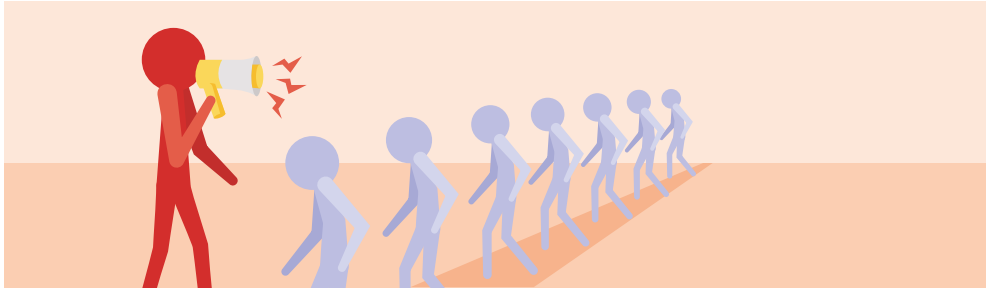


Figure 2 Autocratic managers have control and direct employees to achieve tasks

KEY DEFINITIONS

An **autocratic management style** involves a manager making decisions and directing employees without any input from them.

ADDITIONAL TERMS

Communication flow is the direction of information transfer between managers and employees, which can occur in a one-way or two-way manner.

Decision-making is determining a course of action for a business from a set of alternatives.

Centralised control is one individual having concentrated authority to make decisions.

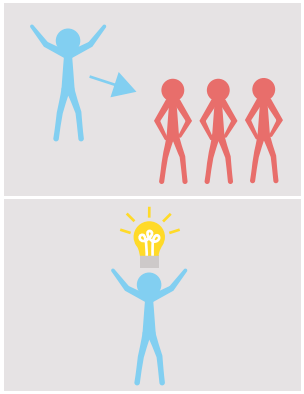


Figure 1 Autocratic managers use one-way communication and make decisions alone

Table 1 Advantages and disadvantages of the autocratic management style

	Advantages	Disadvantages
Business	• Decision-making power lies solely with management.	• All solutions and ideas come from the potentially limited views of the manager alone, as there is no contribution from employees. • Businesses lack the opportunity to take into account a broader range of approaches and ideas from employees.
Employee	• Employees have clearly defined roles with reduced responsibility and risk, as they only have to follow the manager's instructions.	• Employees' potential for promotions may be restricted as they are not given the opportunity to contribute to decision-making. • Lack of involvement in decision-making processes can lead to low employee motivation, as they feel undervalued due to their inability to contribute. • Low employee motivation can lead to increased sick leave due to unfulfillment and detachment from the business and its goals.
Time	• Decision-making can be quick as it is only done by the manager and no discussion or consultation is required with employees. • Work tasks can be completed quickly as management's instructions are straightforward and structured, and employee compliance is immediate.	–
Money	• Quick decision-making allows for work processes to be completed faster, leading to improvements in productivity which may increase revenue.	• May increase costs associated with replacing employees as staff may leave the business due to low motivation.

Persuasive management style 3.1.5.2

KEY DEFINITIONS

A **persuasive management style** involves a manager making decisions and communicating the reasons for those decisions to employees without their input.

A **persuasive management style** involves a manager making decisions and communicating the reasons for those decisions to employees without their input. This is similar to an autocratic style of management, in that employees have little input. However, in contrast to the autocratic style, when using a persuasive management style the manager communicates the reasons for the business's decisions to employees. By communicating the benefits and reasoning for a business decision in a one-way, top-down manner, the manager can establish trust and credibility among employees because employees feel considered. The decision-making still remains centralised with the manager.

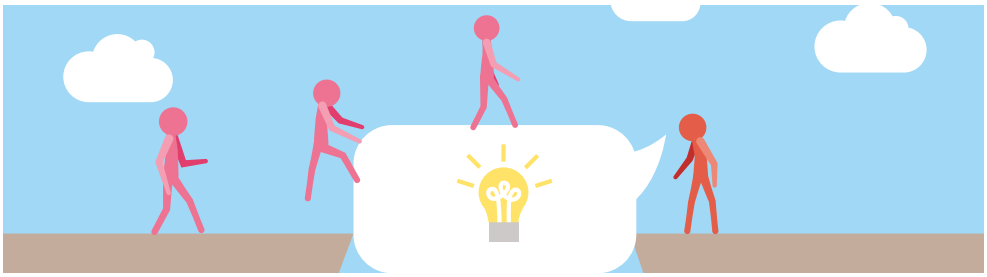


Figure 4 Persuasive managers communicate the reasons behind their decisions and employees follow their instructions

Table 2 Advantages and disadvantages of the persuasive management style

	Advantages	Disadvantages
Business	• Management retains full decision-making control within the business and may gain employee trust and support by explaining the reasons for decisions.	• All solutions and ideas come from the potentially limited views of the manager alone, as there is no contribution from employees. • Businesses lack the opportunity to take into account a broader range of approaches and ideas from employees.
Employee	• Employees have clearly defined roles with less responsibility and risk, as they only have to follow the manager's instructions. • Employees may feel a greater sense of involvement and engagement in the business when given explanations of business decisions.	• Employees' potential for promotion may be restricted as they are not given the opportunity to contribute to decision-making. • Employee motivation may be low as they feel undervalued from being excluded from decision-making. • Low employee motivation can lead to increased sick leave due to unfulfillment and detachment from the business and its goals.
Time	• Decision-making can be quick as it is only done by the manager and no consultation is required with employees. • Work tasks can be completed quickly as management's instructions are straightforward and structured, and employee compliance is immediate.	• The process of informing employees of the reason behind decision-making processes can be time-consuming.
Money	• Quick decision-making allows for work processes to be completed faster, leading to improvements in productivity which may increase revenue.	• May increase costs associated with replacing employees as staff may leave the business due to low motivation.

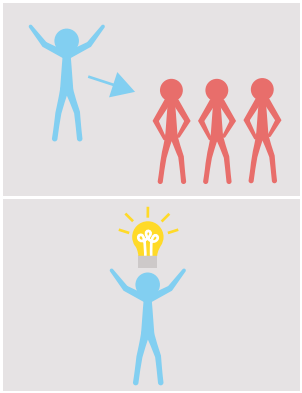


Figure 3 Persuasive managers use one-way communication and make decisions alone but will communicate the reasons behind the decisions to employees

Consultative management style 3.1.5.3

A **consultative management style** involves a manager seeking input from employees on business decisions but making the final decision themselves. A consultative management style uses a two-way communication flow between employees and managers, which allows employees to provide input when making business decisions. The manager actively considers employee feedback, ideas, and opinions, which leads to employees feeling valued. However, consultative managers maintain centralised control as they have full authority over the final business decisions.

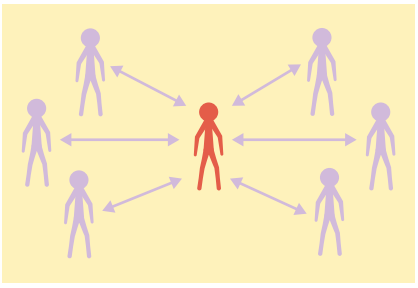


Figure 5 Consultative managers obtain employee input and will use the suggestions to make the final decision themselves

KEY DEFINITIONS

A **consultative management style** involves a manager seeking input from employees on business decisions but making the final decision themselves.

Table 3 Advantages and disadvantages of the consultative management style

	Advantages	Disadvantages
Business	• Management can gain multiple perspectives and suggestions from employees who carry out the work, which can lead to more informed decision-making outcomes.	• Employees may offer unsuitable suggestions because they may not fully understand the complexity of a business situation.

Continues ▶

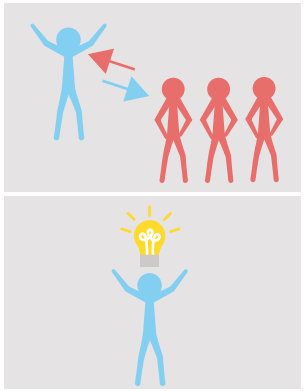


Figure 6 Consultative managers use two-way communication and make decisions alone

Table 3 Continued

	Advantages	Disadvantages
Employee	• Employees may feel more motivated and involved with the business when asked to contribute their ideas, therefore improving their sense of value.	• Employee conflict and resentment could arise if their ideas are ignored or overlooked when the final decision is enacted by the manager.
Time	–	• The collection and consultation of different perspectives can take a significant amount of time, leading to slower decision-making processes.
Money	• There is potential for increased sales and profit as the quality of decisions may be improved by obtaining multiple perspectives.	–

Participative management style 3.1.5.4

KEY DEFINITIONS

A **participative management style** involves a manager sharing information with employees so that employees can participate in decision-making.

ADDITIONAL TERMS

Decentralised control occurs in a business when multiple people have the authority to make business decisions.

A **participative management style** involves a manager sharing information with employees so that employees can participate in decision-making. A participative management style encourages managers and employees to discuss information and problems together so as to share information and the role of decision-making. It uses a two-way communication flow between employees and managers to encourage open discussions and shared decision-making. The decisions must be agreed upon collectively by the manager and employees, thus, there is **decentralised control** when the participative management style is used.



Figure 7 Participative managers encourage managers and employees to make decisions together

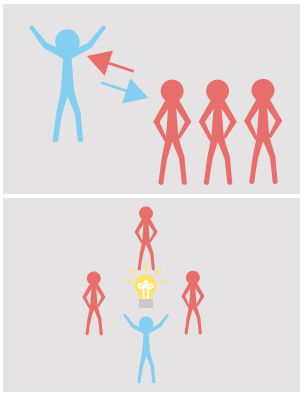


Figure 8 Participative managers use two-way communication to allow employees to participate in decision-making

LESSON LINK

Corporate culture will be covered in further detail in **1H Corporate culture**.

Table 4 Advantages and disadvantages of the participative management style

	Advantages	Disadvantages
Business	• The quality of decisions may improve because various perspectives from managers and employees are used. • Relationships between management and employees may improve due to open two-way communication.	• Accommodating multiple perspectives from managers and employees may result in a compromise that decreases the overall quality of a business decision. • Hierarchical structures within the business can be disrupted, as managers may lose some control as employees are given decision-making power.
Employee	• Employees may feel more motivated when contributing their ideas and participating in decision-making, therefore improving their sense of value. • Employees feel empowered and can develop a sense of ownership over decisions to achieve business objectives. • There is potential for a more positive corporate culture and a supportive work environment. • Employees may be able to grow and develop their skills and experiences due to more opportunities within the workplace.	• There is potential for conflict between employees and managers when there is a disagreement between different views and opinions. • Some employees prefer to follow directions and may feel intimidated or uncomfortable contributing ideas.

Continues ▶

Table 4 Continued

	Advantages	Disadvantages
Time	–	• It can be time-consuming to collate ideas and make decisions as a consensus between everyone must be reached.
Money	• There is potential for increased profit as the quality of decisions may be improved due to employee collaboration and shared decision-making.	–

Laissez-faire management style 3.1.5.5

A **laissez-faire management style** involves a manager communicating business objectives to employees and giving them freedom to make decisions independently. A laissez-faire management style is characterised by two-way communication whereby a manager communicates the broader business direction and goals to employees while listening to their ideas on how these objectives can be achieved. Employees are given the freedom to make decisions that achieve the business's objectives. Therefore, management control is decentralised but the manager can provide additional support when required. A laissez-faire management style empowers employees to have a high level of responsibility and take ownership of business tasks and decisions.

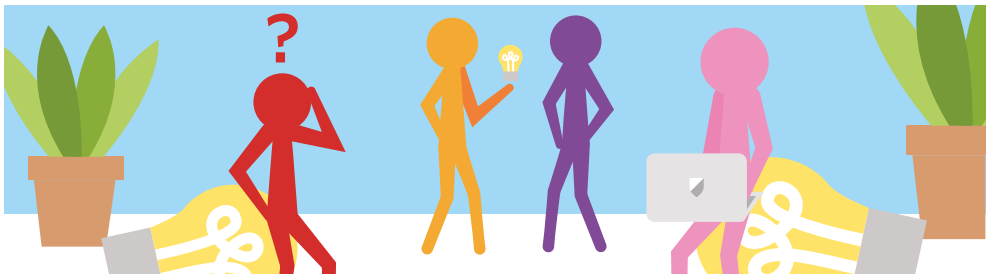


Figure 9 Laissez-faire managers provide employees with broad guidelines and objectives for the employees to make decisions

Table 5 Advantages and disadvantages of the laissez-faire management style

	Advantages	Disadvantages
Business	• Fosters an environment in which creativity and innovation are valued, leading to a broader scope of possible decisions.	• Loss of control by management since employees make final business decisions. • Business objectives may not be met by employees due to a lack of direction from managers.
Employee	• Employees may have increased motivation as they feel empowered and trusted in a work environment that fosters creativity.	• There is potential for conflict when employees do not cooperate and collaborate with each other and instead insist on implementing their own ideas.
Time	–	• Decision-making may be very time-consuming due to extensive employee discussion and collaboration to reach a consensus.
Money	• Collaboration between employees to reach a decision-making outcome can lead to many insights and innovation, and therefore increase sales and profits.	• There is potential for employees to make poor decisions, leading to an inappropriate allocation of business resources and unnecessary costs.

KEY DEFINITIONS

A **laissez-faire management style** involves a manager communicating business objectives to employees and giving them freedom to make decisions independently.

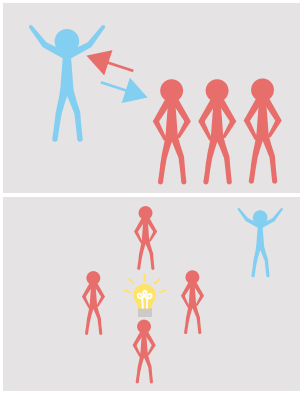


Figure 10 Laissez-faire management uses two-way communication and provides employees with freedom and authority to make decisions independently

ACTIVITY

Evaluating management styles

Have a think about which management style you think is the best. In your notebook or on your laptop, draw a mindmap that highlights all the benefits and drawbacks/limitations of your chosen management style. Discuss with your classmates to find out which management style they thought was the best, and why.

ACTIVITY

Management styles

Match the features to the relevant management style. Note that some features can belong to multiple management styles.

The manager makes the final decision	Autocratic management style
The employees can input their suggestions	Persuasive management style
Top-down communication	Consultative management style
Two-way communication	Participative management style
The employees make the final decision	Laissez-faire management style

USEFUL TIP

When answering questions about types of management styles, use the acronym CALD to guide your response:

- **C**ommunication: is there one-way or two-way communication between managers and employees?
- **A**uthority: is the authority centralised or decentralised?
- **L**evel of employee involvement: do employees have a high or low level of engagement within the company?
- **D**ecision-making: does decision-making rest with the manager or is it shared with employees?

CALD for characteristics of management styles

- Communication: one way / two way
- Authority or control: centralised / decentralised
- Level of employee involvement: low / medium / high
- Decision-making: centralised / decentralised

Theory summary

The five management styles primarily differ in terms of communication flow, decision-making, and control. Each management style also has its own characteristics, advantages, and disadvantages. The management of employees is important in order to achieve business objectives.

Table 7 Characteristics of the different management styles

	Autocratic	Persuasive	Consultative	Participative	Laissez-faire
Degree of management control	Centralised control			Decentralised control	
Decision-making	Manager	Manager	Manager	Shared decision-making by managers and employees	Employees
Communication flow	One-way top-down	One-way top-down	Two-way	Two-way	Two-way
Example of manager communication	*'You all need to be trained to use this new technology.'*	*'We are implementing a new technology in order to increase productivity so you all need to be trained to use it.'*	*'I would like to get your ideas on whether you think this new technology will help improve business productivity or if you have other suggestions.'*	*'We have a decision to make about how we are going to improve the business's productivity. Let's have a discussion and we can make the final decision together.'*	*'We are aiming to increase business productivity. I'm leaving it up to you to decide strategies you would like to implement for this business objective to be achieved.'*

1D Questions

Theory review

Question 1

There is only one right way to manage employees in the workplace.

A. True

B. False

Question 2

One-way, top-down communication is used for an autocratic management style.

A. True

B. False

Question 3

Employees do not have any involvement in decision-making and purely follow the manager's orders when working under:
(Select all that apply)

I. an autocratic manager.

II. a persuasive manager.

III. a consultative manager.

Question 4

Persuasive managers ask for employee input when making decisions.

A. True

B. False

Question 5

The decision-making process for consultative managers may be slower as employee input and suggestions must be obtained.

A. True

B. False

Question 6

Managers retain centralised control over decision-making in both the consultative and participative management styles.

A. True

B. False

Question 7

Fill in the blanks with the following terms:

- participative manager
- laissez-faire manager

Employees can independently make decisions under a _____, whereas managers and employees make decisions together under a _____.

Question 8

Laissez-faire managers utilise two-way communication and encourage employee empowerment.

A. True

B. False

Question 9

Managing employees is important for achieving business objectives.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 10 and 11.

Sachi is the manager of Sweet Bliss, a speciality baked goods store in Coburg. The store comes up with innovative product specials to sell every week. Sachi has a consultative management style as she likes to seek input from employees when deciding on these weekly specials to create, but prefers to make the final decisions herself.

Question 10

Identify which of the following are characteristics of the consultative management style that Sachi has adopted. **(Select all that apply)**

I. Sachi encourages employees to decide on the weekly specials the store will feature.

II. Sachi obtains employee input on what weekly specials they think the store should make.

III. Sachi obtains employee suggestions, however, she will ultimately make the final decision about the weekly specials that will be baked.

Question 11

Identify which of the following are **advantages** or **disadvantages** of Sachi's consultative management style.

		Advantage	Disadvantage
I.	A variety of ideas from employees can be heard which can lead to more creative weekly specials being created.	☐	☐
II.	Employee conflict may emerge or employees may feel undervalued if their ideas are overlooked or ignored by Sachi.	☐	☐
III.	Sweet Bliss employees may have increased motivation since they can contribute to decision-making.	☐	☐
IV.	The decision-making process may be slower since Sachi needs to take time to consult her employees for input.	☐	☐

Use the following information to answer Questions 12 and 13.

Cassie is the manager of CreativCase, a business that sells uniquely designed phone cases. She has shared her vision of becoming 'Australia's leader in creative and fun phone accessories' with her qualified team. She encourages her team to take ownership of the business tasks and make decisions.

Question 12

Identify which of the following is a correct statement about the management style that is being used by Cassie.

A. The consultative management style because Cassie shares her vision with the team but retains control over decision-making.

B. The laissez-faire management style because Cassie encourages her team to take ownership of business decisions.

Question 13

Identify which of the following are advantages of the management style that Cassie uses. **(Select all that apply)**

I. A creative and innovative environment is encouraged which can help achieve Cassie's business vision.

II. Cassie has full control over decision-making to achieve business objectives.

III. Employee morale is likely to be high due to high levels of trust and involvement in decision-making at CreativCase.

Exam-style

Question 14 (2 MARKS)

Define the participative management style.

Question 15 (2 MARKS)

Explain the characteristics of the laissez-faire management style.

Adapted from VCAA 2007 exam Q3ai

Question 16 (2 MARKS)

Compare the consultative and participative management styles.

Adapted from VCAA 2009 exam Q1b

Question 17 (3 MARKS)

Distinguish between the autocratic and persuasive management styles.

Question 18 (4 MARKS)

Sachi is the manager of Sweet Bliss, a speciality baked goods store in Coburg. The store comes up with innovative product specials to sell every week. Sachi has a consultative management style as she likes to seek input from employees when deciding on these weekly specials to create, but prefers to make the final decisions herself.

Identify two characteristics of this management style and explain one advantage and one disadvantage of Sachi using this style.

Adapted from VCAA 2012 exam Q2bi

Question 19 (4 MARKS)

Cassie is the manager of CreativCase, a business that sells uniquely designed phone cases. She has shared her vision of becoming 'Australia's leader in creative and fun phone accessories' with her qualified team. She encourages her team to take ownership of the business tasks and make decisions.

Describe the management style that is being used by Cassie and explain two benefits of using this style.

Adapted from VCAA 2017 Sample exam Section A Q7c

Testing previous knowledge

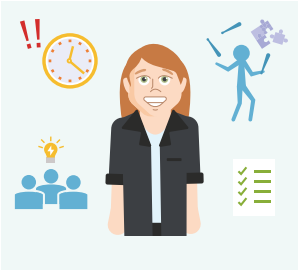
Question 20 (2 MARKS)

Explain one advantage and one disadvantage of the laissez-faire management style in relation to achieving business objectives.

1E The appropriateness of management styles

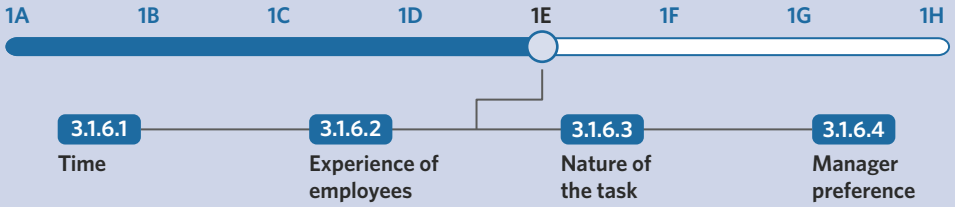
'In matters of style, swim with the current; in matters of principle, stand like a rock.' – Thomas Jefferson

How can managers respond to the changing patterns of the business environment? What factors may influence their decision to manage employees with a particular style?



STUDY DESIGN DOT POINT

- the appropriateness of management styles in relation to the nature of the task, time, experience of employees and manager preference



Lesson introduction

Different management styles are suitable for different business situations. A manager must consider a variety of factors when selecting an appropriate management style. These factors include the time in which decisions must be made, the experience of employees, the difficulty and type of work tasks to be done, and the manager's own preferences in managing employees. It is important for managers to adapt their management style depending on the business's current situation, so they may fulfil their role in assisting the business to achieve its objectives.

LESSON LINK

Management styles were introduced in **1D Management styles**.



Figure 1 Decisions need to be made quickly when time is limited

Time 3.1.6.1

The length of time in which a manager must complete a task or make a business decision can change and thus influence the management style utilised. The time available to make different business decisions can vary from a few seconds to several months. During times of crisis or emergency, a manager may have very limited time to research possible solutions and make well-informed decisions. In these time-sensitive situations, the autocratic or persuasive management style would be most appropriate, as managers do not need to discuss options with employees, and therefore decisions can be made rapidly. Furthermore, in an emergency situation, these styles can allow managers to give straightforward and direct instructions for employees to follow. On the other hand, when an extended period of time is available for task completion and decision-making, the consultative, participative, or laissez-faire management styles may be more appropriate. These styles allow for two-way communication between managers and employees, to promote the sharing of ideas and decision-making responsibility.

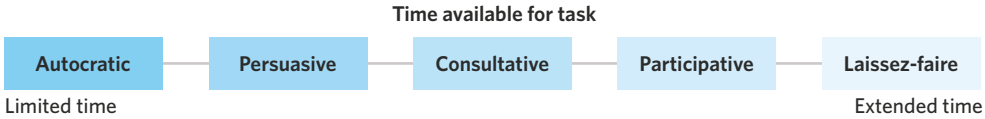


Figure 2 The appropriateness of different management styles depending on the time available

Experience of employees 3.1.6.2

A manager's approach to their management style can be influenced by the level of experience employees have within the business. The experience of employees can range from untrained and inexperienced to highly skilled and qualified experts. The autocratic or persuasive management styles are most appropriate to use when a manager is working with inexperienced employees who may have little to contribute to the decision-making process, due to their lack of experience in planning or analysing the broader scale of the business. In such cases, one-way communication and centralised decision-making would be the most appropriate approach for a manager to take. Conversely, the insights and suggestions of highly experienced and skilled employees can be utilised to make well-informed business decisions. In these situations, managers may adopt the consultative, participative, or laissez-faire management style as these styles establish two-way communication and create opportunities for the contribution of different perspectives. This may help the manager better achieve business objectives.

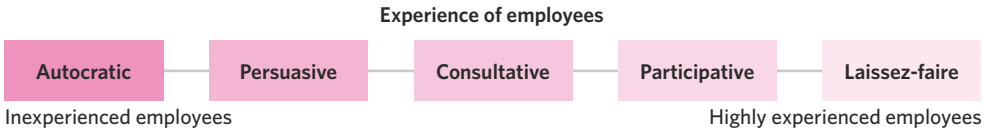


Figure 4 The appropriateness of different management styles depending on the experience of employees



Figure 3 Experienced employees have the ability to give meaningful insights during decision-making processes

Nature of the task 3.1.6.3

The nature of tasks to be completed can influence the appropriateness of the management style used. Business tasks can range from simple and straightforward in nature, to highly complex, technical work. When business tasks are simple, the discussion of ideas may not be needed, and the one-way, top-down communication mode of the autocratic and persuasive management styles is ideal. On the other hand, two-way communication and open discussions are important for complex tasks, as managers and employees can make more innovative and well-informed decisions by sharing ideas and suggestions. In this case, consultative, participative, and laissez-faire approaches would be the most appropriate management styles to use. Managers may also encourage employees to make decisions for themselves when complex tasks require their specialised knowledge and skills. The complexity of managerial tasks may also influence the management style adopted. A manager's simple, daily tasks may not require employee input and therefore an autocratic or persuasive approach may be adopted. However, complex tasks including workplace disputes and employee issues, will likely require staff input to resolve. This lends itself to the consultative, participative, or laissez-faire management styles.

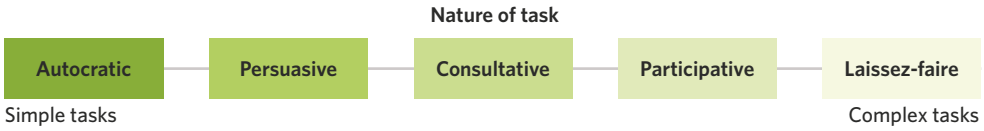


Figure 6 The appropriateness of different management styles depending on the complexity of the task

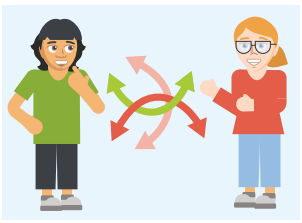


Figure 5 Complex tasks require open communication and discussion to reach well-informed decisions

Manager preference 3.1.6.4

A manager's preferences can be highly individualised and may determine which management style is most appropriate for them to use. Some managers desire a high degree of control over decision-making within the business, whereas others may not be as detail-oriented, and could be comfortable with having a reduced level of control. A manager with a desire for control may prefer a management style that has centralised decision-making and one-way communication, such as the autocratic or persuasive approaches. This allows for the efficient completion of work tasks, and decision-making processes that exclude employees. On the other hand, a manager with a reduced desire for control may prefer a management style with two-way communication and employee involvement in the decision-making processes. In such cases, the consultative, participative, and laissez-faire management styles may be adopted by the manager to help the business achieve its objectives.

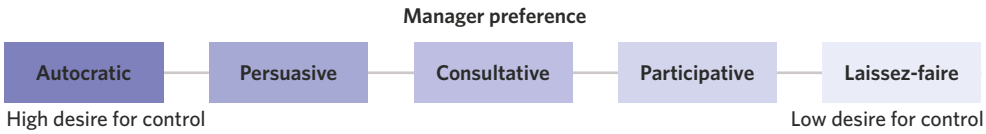


Figure 8 The appropriateness of different management styles depending on the manager's preference



Figure 7 Some managers prefer to be in control of business decision-making processes

ACTIVITY

The appropriateness of management styles

Anna is the manager of ArchTect, an architecture firm located in Melbourne. ArchTect is currently working on a massive project, which involves designing a new skyscraper in the city. Anna has a large team of highly qualified architects working on this complex project. Anna trusts her team to develop innovative and creative designs, however, her detail-orientated approach means that she prefers to take part in the majority of the decisions being made concerning the project. There is a huge rush to get the skyscraper designs done as the builders have a tight deadline set by the landowner and executives who are expecting to work in the new skyscraper.

Discuss with your classmates which management style could be most appropriate for Anna and ArchTect's current business situation.

USEFUL TIP

Sometimes in exams or SACs you may encounter complex case studies where it may seem difficult to work out one definitive answer for the most suitable management style.
In these situations, the most important skill is the ability to justify why the management style you have chosen is the most suitable for the situation at hand.

Theory summary

The appropriateness of management styles depends on a variety of factors, including the amount of time available for the decision-making process, the level of experience of employees, the complexity of work tasks, and the manager's desire for control. Highly effective managers will adapt their management style based on the business's situation in order to achieve objectives. More restrictive management styles with centralised control and one-way communication may be used in situations where time is limited, employees lack experience, tasks are straightforward, or if the manager has a high personal desire for control. In contrast, less authoritative management styles could be used for less time-sensitive decisions, or decisions that concern highly specialised workers who carry out complex work tasks. In such a situation, a manager may have a reduced desire to maintain total control, and therefore styles with decentralised control and two-way communication may be the most appropriate for a manager to adopt.

Table 1 The appropriateness of different management styles against the factors of time, employee experience, nature of the task, and manager preference

	Time	Experience of employees	Nature of task	Manager preference
Autocratic	Limited	Inexperienced	Simple	High desire for control
Persuasive	↓	↓	↓	↓
Consultative				
Participative				
Laissez-faire	Extended	Highly experienced	Complex	Low desire for control

1E Questions

Theory review

Question 1

Once a manager has decided on their management style, it can never change.

A. True
B. False

Question 2

A manager should employ the laissez-faire management style when there is a limited amount of time to make decisions.

A. True
B. False

Question 3

Fill in the blank with **one** of the following terms:

- autocratic
- participative

When managing inexperienced employees, the most appropriate management style would be _____ .

Question 4

The most appropriate management styles for open discussions concerning complex business tasks could be:
(Select all that apply)

I. Persuasive
II. Participative
III. Laissez-faire

Question 5

The autocratic management style would be appropriate for a manager who has a high desire for control.

A. True
B. False

Question 6

Choosing appropriate management styles for different business situations can allow a business to more effectively approach and achieve business objectives.

A. True
B. False

Preparing for exams

Case study skills

Question 7

Edward is the owner of an engineering consulting firm that works with businesses to meet their design and construction needs. Edward hires highly qualified, capable, and passionate engineers and consultants to ensure his clients are receiving the highest quality engineering and consultancy services. Edward prefers to focus on broader business strategies and objectives and does not mind having less control over daily business decisions.

Identify which of the following is a correct statement about the management style Edward may adopt.

A. The laissez-faire management style would be most suitable for Edward as he is comfortable having less control over daily business decisions.

B. The persuasive management style would be most suitable for Edward as he hires employees that are highly qualified and skilled.

Question 8

Tom is the CEO of TraderTools Pty. Ltd., a business that manufactures tools and machinery. Tom currently has a consultative management style, where he seeks employee perspectives before making a decision. However, sometimes he wastes a lot of time explaining the complexity of decisions to employees who lack the experience to understand. Recently, Tom has noticed a decrease in productivity and a rise in customer complaints. Tom knows he must act swiftly to address these issues.

Identify which of the following are **advantages** or **disadvantages** of Tom using the consultative management style in overcoming the decrease in productivity.

		Advantage	Disadvantage
I.	Decision-making processes may be slower because Tom needs to consult with many different employees to gain multiple perspectives.	☐	☐
II.	Employee motivation and morale can be improved since their ideas are valued by Tom.	☐	☐
III.	Employees struggle to understand the complexity of business decisions at TraderTools, therefore decision-making processes may be much slower.	☐	☐
IV.	Employee conflict and resentment could arise if they feel as though Tom has overlooked their ideas when he makes the final decision.	☐	☐
V.	More informed decisions can be made as multiple perspectives are gathered by Tom, therefore long-term profits may improve.	☐	☐

Question 9

Aayush is the manager of a café. In the coming year, the café wants to achieve the following business objectives:

- To increase profits by 10%
- To reduce the number of days staff are absent from work by 15%
- To create an overall welcoming and inclusive atmosphere in the café

Aayush has adopted an autocratic management style.

Identify which of the following are **advantages** or **disadvantages** of Aayush adopting the autocratic management style to achieve the café's business objectives.

		Advantage	Disadvantage
I.	Aayush has full control over business decisions and will be fully accountable for reaching the café's objectives.	☐	☐
II.	The café is unable to benefit from employees' ideas as there is no collaboration.	☐	☐
III.	Decision-making can occur much faster since it is centralised and Aayush does not need to consult employees.	☐	☐
IV.	Employees may feel undervalued and take more days off from the café because they are unable to contribute to business decisions	☐	☐

Exam-style

Question 10 (2 MARKS)

Outline why an autocratic management style may be appropriate in a crisis situation.

Question 11 (3 MARKS)

Justify how a participative management style could be used in the resolution of conflicts that may arise in the workplace.

Adapted from VCAA 2016 exam Q5c

Question 12 (3 MARKS)

Explain why the persuasive management style is appropriate for managing inexperienced staff.

Question 13 (3 MARKS)

Edward is the owner of an engineering consulting firm that works with businesses to meet their design and construction needs. Edward hires highly qualified, capable, and passionate engineers and consultants to ensure his clients are receiving the highest quality engineering and consultancy services. Edward prefers to focus on broader business strategies and objectives and does not mind having less control over daily business decisions.

Describe a management style that would best suit Edward when managing his engineering consultancy firm.

Question 14 (5 MARKS)

Tom is the CEO of TraderTools Pty. Ltd., a business that manufactures tools and machinery. Tom currently has a consultative management style, where he seeks employee perspectives before making a decision. However, sometimes he wastes a lot of time explaining the complexity of decisions to employees who lack the experience to understand. Recently, Tom has noticed a decrease in productivity and a rise in customer complaints. Tom knows he must act swiftly to address these issues.

Evaluate the suitability of Tom's consultative management style in overcoming the decrease in productivity that he has observed.

Adapted from VCAA 2019 exam Section B Q5

Question 15 (5 MARKS)

Aayush is the manager of a café. In the coming year, the café wants to achieve the following business objectives:

- To increase profits by 10%
- To reduce the number of days staff are absent from work by 15%
- To create an overall welcoming and inclusive atmosphere in the café

Aayush has adopted an autocratic management style.

Evaluate the suitability of the management style Aayush has adopted for achieving the café's business objectives.

Adapted from VCAA 2020 exam Section A Q1b

Testing previous knowledge

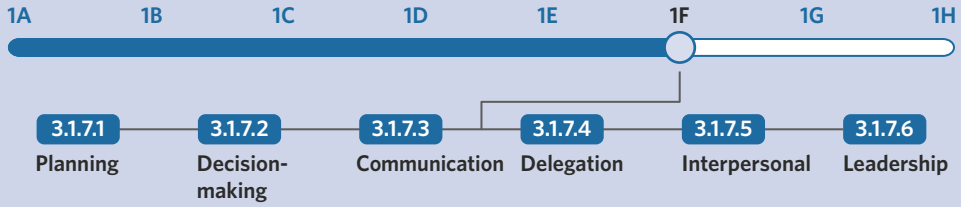
Question 16 (3 MARKS)

Outline the interests of employees and explain how the use of the participative management style can meet those interests.

1F Management skills

STUDY DESIGN DOT POINT

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



A manager has many different responsibilities within the business and may use a different set of skills when approaching the different tasks they oversee. What kind of skills are essential for a manager to use when managing projects? Do these skills change when they interact with different people in the workplace?



Lesson introduction

Managers must utilise a variety of skills when completing tasks in order for the business to meet its objectives. A manager may need to use one or many skills when completing a single task, as different business activities may require varied skillsets. Whilst some skills are used to organise a business's operations, others are used to manage employees. Six of the management skills that a manager may use are planning, decision-making, communication, delegation, interpersonal, and leadership.

Planning 3.1.7.1

Planning is the process of determining a business's objectives and establishing strategies to achieve these aims. A manager must outline the goals of the business before strategies can be implemented to achieve them. The development of a business plan involves establishing policies and procedures which can be used to outline expectations of the business's future actions. The process of planning can improve a business's level of organisation, and therefore help it to achieve its objectives as efficiently as possible. Failing to develop a plan when approaching business decisions may render them unsuccessful, and consequently, the business may fail to meet its objectives. Managers use this skill when engaging in **strategic planning**, **tactical planning**, and **operational planning**, as each of these are used to manage a business's operations and make decisions of varying scale and impact. Planning is essential in organising a business's resources to ensure the business is equipped to enact plans and fulfil business decisions and can be used to determine alternative options for a business's actions.

KEY DEFINITIONS

Planning is the process of determining a business's objectives and establishing strategies to achieve these aims.

ADDITIONAL TERMS

Strategic planning involves the broadest scope of what a business aims to achieve in the next two to five years and affects the general direction of business decisions made.

Tactical planning involves the long-term strategies a business intends to use in the next one to two years in order to fulfil its strategic plan.

Operational planning involves the short-term actions a business takes on a daily basis to achieve its tactical plan.

WANT TO KNOW MORE?

A SWOT analysis can be used by managers to help plan business decisions. SWOT analyses take into account the environment the business is currently operating in, including the strengths, weaknesses, opportunities, and threats that are present when the business is considering possible actions. While the strengths and opportunities identified act as positive influences on the business, weaknesses and threats are negative influences. Strengths and weaknesses have an internal origin, as they come from the business itself. In contrast, opportunities and threats have an external origin, as they arise outside of the business's operating environment.

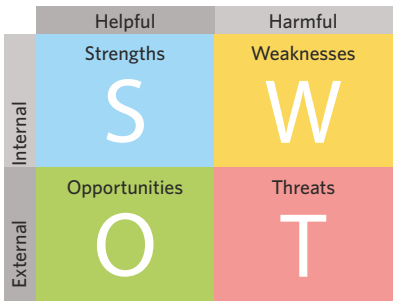


Figure 1 SWOT analyses can be used to evaluate different aspects of the business environment in planning processes

ACTIVITY

Planning

How do you approach planning in different aspects of your life? Do you use any tools to help your planning process? Discuss with your peers how you plan different events in your schedule, and how you may use different levels of planning to organise your time.

For example, would your planning for a homework schedule differ from your approach to planning a three-week long trip overseas?

Decision-making 3.1.7.2

KEY DEFINITIONS

Decision-making is the skill of selecting a suitable course of action from a range of plausible options.

Communication is the skill of effectively transferring information from one party to another.

Delegation is the skill of assigning work tasks and authority to other employees who are further down in a business's hierarchical structure.

ADDITIONAL TERMS

Subordinate employee is a person that has a lower rank or position within a business.

LESSON LINK

Management styles were introduced in **1D Management styles**.

Decision-making is the skill of selecting a suitable course of action from a range of plausible options. Managers play a central role in a business's decision-making process and can change the level of input that employees have in making business decisions, depending on the management style they choose to adopt. Decision-making can be centralised, and therefore is the responsibility of management, or decentralised, which means that decision-making responsibility is shared between managers and employees. A manager may use decision-making as a skill when considering potential growth opportunities for the business and determining courses of action in daily operations. To ensure they are making informed decisions, a manager should consider the environment in which the business operates when making decisions, evaluate the advantages and disadvantages of all options available, and determine the most appropriate alternative that aligns with the business's objectives.

Communication 3.1.7.3

Communication is the skill of effectively transferring information from one party to another. A manager is involved in liaising with many different people to ensure a business achieves its objectives. Varying responsibilities in areas such as operations, human resources, and finance means that managers need to interact with people and share information on a daily basis. Managers use communication skills when interacting with the wide range of people they encounter in order to ensure business operations run smoothly. Communication involves clearly sharing information and responding to both verbal and non-verbal means of communication, which can impact the quality of professional relationships in the workplace. To communicate effectively, a manager should provide appropriate feedback and constructive criticisms of employee performance, and listen to employee input and suggestions. A manager uses the skill of communication when outlining business objectives and explaining the reasons behind business decisions to employees. Communication is an essential skill that all managers must use in order to oversee employees and ensure the achievement of business objectives.

Delegation 3.1.7.4

Due to their many responsibilities across varied aspects of a business, a manager may not have time to oversee every decision that is made during the business's operations. Time constraints experienced by a manager, their lack of experience, and their underdeveloped knowledge in specific areas of operations can mean that other employees may be better suited to complete certain tasks. **Delegation** is the skill of assigning work tasks and authority to other employees who are further down in a business's hierarchical structure. The manager who delegates the task retains responsibility for the work to be done, as they keep ultimate responsibility over the business's operations and ability to meet its objectives. However, through delegation, they transfer the authority to take actions to complete the task to a **subordinate employee**. This means the manager ensures the task is completed, however, they allow another employee to take charge of making decisions corresponding to that task on their behalf. A manager's use of delegation skills may vary depending on the complexity of the work they hand down. Ultimately, managers must ensure the employee they select is capable of completing the task to an appropriate standard.

To ensure efficient completion of business tasks, a manager should complete the following steps when delegating work to other employees:

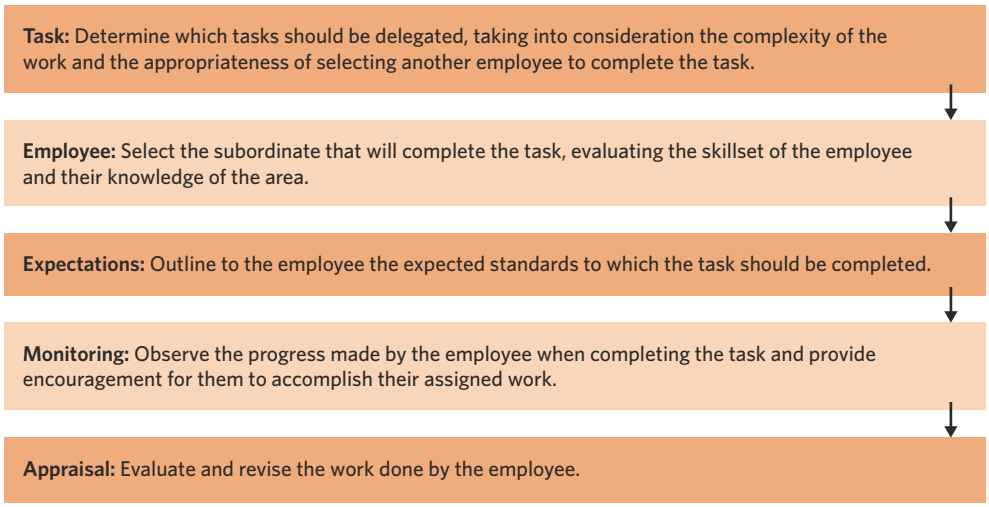


Figure 2 Steps a manager may use when delegating tasks to other employees

A manager delegating work to other employees may lead to the business benefiting from the employees' expertise and knowledge in the specific task. Managers also benefit from delegating tasks, as it allows for their attention to be directed towards other business tasks that only they can complete, therefore allowing for more efficient achievement of business objectives.

Interpersonal 3.1.7.5

Interpersonal is the skill of creating positive interactions with other employees, to foster beneficial professional relationships. A manager's ability to form positive relationships with their employees is essential to ensure the achievement of business objectives, as employees contribute significantly to the work completed. This means that employee satisfaction can influence their productivity and therefore the business's overall success. Employees may feel more connected to managers who are relatable, supportive, and aim to understand their professional and personal lives. Managers use interpersonal skills when providing positive feedback to employees, making an effort to understand their approach to work and motivations, and acknowledging their personal backgrounds in a professional manner.

Leadership 3.1.7.6

Leadership is the skill of motivating others in order to achieve a business's objectives. A manager can act as a role model to other employees, as they set the standards for acceptable conduct and behaviour within the workplace. Their support, or lack thereof, towards particular aspects of the workplace environment and wider business operations can influence employee behaviour. Managers could share the business's **vision** with employees, create an inclusive and positive corporate culture, and act as role models to demonstrate strong leadership. Employees are more likely to be productive when they understand how their contributions are important to the overall success of the business. It is important that the manager outlines the business's aims, and seeks to embody these in their approach to management, in order to inspire the business's employees and ensure the business's overall success.

KEY DEFINITIONS

Interpersonal is the skill of creating positive interactions with other employees, to foster beneficial professional relationships.

Leadership is the skill of motivating others in order to achieve a business's objectives.

ADDITIONAL TERMS

Vision involves the aspirations of what a business hopes to achieve in its operations.

LESSON LINK

Corporate culture will be covered in further detail in **1H Corporate culture**.

EXTENDED REAL WORLD EXAMPLE

Management skills

The Super Retail Group is the parent company to many successful retail brands, mostly attracting customers that are interested in outdoor activities. The group initially started as a small business selling car parts and accessories through mail-order in 1972, which was later named Super Cheap Auto. Since 1972, The Super Retail Group has since acquired other successful brands, such as Rebel Sport, Boating Camping and Fishing (BCF), and Macpac. Managers display a variety of skills when liaising with staff from the different branches within the Super Retail Group.

Planning is needed to seek out future business opportunities, such as the potential for acquiring a new brand, as the group have done in the past. Managers of varying levels need to engage in planning to ensure that day-to-day operations are able to run as smoothly as possible. Once a brand, such as Macpac, is found to be worthwhile acquiring, an owner or manager of suitable authority within the Super Retail Group would use decision-making skills to review the alternative options associated with a store acquisition. These options would have been discovered and researched during the planning process.

In the case of acquiring Macpac, the Super Retail Group needed to ensure that communication in the internal business environment was effective so that all employees were informed of the substantial change occurring within the business. Managers of higher authority would need to use their delegation skills in order to appoint branch managers of newly acquired or recently opened stores, determine which tasks to delegate, and which employees to delegate to, by considering the type of work and the capabilities of particular individuals. This skill is particularly important in such an expansive business group, which has had stores open in international locations. Managers throughout the Super Retail Group are responsible for developing strong and positive connections with other members of staff, and subordinate employees. Periods of change in a business can be daunting, and it is the manager's responsibility to lead by example. Leadership figures within the group have extensive experience in the retail sector when it comes to managing employees, and handling the many management and ownership responsibilities of such an established business group.

Adapted from Super Retail Group, 'About Us', n.d.



Figure 3 Managers of the Super Retail Group use a variety of skills in order to acquire other brands, such as Rebel Sport, BCF, and Macpac

Questions

1. How might poor planning negatively impact the Super Retail Group's ability to acquire new brands?
2. What methods could managers of a higher authority use to effectively communicate brand additions to the Group to subordinate managers and lower-level employees?
3. Type 'Super Retail Group: Home' into your web browser, and spend some time investigating the 'About Us' section of Super Retail Group's webpage. Which management skills may be difficult to observe as an outsider to the business environment? Why might this be?

ACTIVITY

Management skills

Janine Allis, founder of Boost Juice, noticed a gap in the market for healthy fast food alternatives. After extensive marketing and brand development, Boost Juice is currently one of the most successful franchises in Australia.

Conduct some research on Janine Allis and her approach to opening and managing her own business, as well as the franchises of her brand following its expansion. You may wish to begin your research using the Boost Juice website's 'About Boost Juice' page.

After you have completed some research, answer the following:

1. How has Janine Allis used management skills to ensure the growth and success of Boost Juice?
2. What are some important skills for a manager or founder of a franchise, such as Janine Allis, to possess?
3. From your research, are some management skills harder to observe from a position outside of the business? Why might this be?

Theory summary

Managers of a business have many different responsibilities that require them to possess and frequently use a variety of skills to fulfil their management role. Management skills used by managers include:

- Planning is used to outline a business's objectives and strategies that can be used to achieve them.
- Decision-making is used to select the most appropriate strategy for a business to adopt from a range of plausible options.
- Communication is used to effectively transfer information between a manager and other individuals that they may interact with.
- Delegation is used to select a competent employee to oversee business decisions regarding a specific task in place of a manager.
- Interpersonal skills are used to form positive and professional relationships in the workplace.
- Leadership is used to guide and motivate employees to complete work tasks for the overall success of the business.

These skills can be important when managing tasks and people, and form a crucial part of a manager's ability to ensure a business achieves its objectives and therefore experiences overall success.

Table 1 The management skills that could be used in various business activities

		Management skill					
		Planning	Decision-making	Communication	Delegation	Interpersonal	Leading
Business activities	Formulating business strategy	✓	✓				
	Assigning business tasks to employees	✓	✓	✓	✓		
	Resolving employee disputes		✓	✓		✓	✓
	Motivating employees			✓	✓	✓	✓

1F Questions

Theory review

Question 1

A manager always uses the same management skills for every task they complete within the business.

A. True

B. False

Question 2

A manager would only use planning in the short term, as it is not useful for managers to use in the long term.

A. True

B. False

Question 3

Fill in the blanks with **two** of the following terms:

- subordinate
- superior
- responsibility
- authority

Managers should seek to delegate some appropriate tasks to _____ employees, and transfer over _____ for the work to be done.

Question 4

The main purpose of interpersonal skills is to:

A. create positive professional relationships between a manager and other employees.

B. create an efficient transfer of information between employees.

Question 5

Managers only use communication skills when giving employees clear instructions and feedback on their work performance.

A. True

B. False

Question 6

Decision-making involves selecting a suitable course of action from a range of plausible options.

A. True

B. False

Question 7

Leadership can be observed in the management actions of: **(Select all that apply)**

I. sharing a business vision.

II. creating a positive corporate culture.

III. assigning employees to complete tasks instead of the manager.

IV. leading by example.

Question 8

Managers only ever need to use one management skill in each task they approach.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 9 and 10.

Jack is the owner of Jack O's Lanterns, a small business specialising in the manufacturing of outdoor lighting fixtures, such as lanterns and custom light globes. Jack understands that the employees he manages come from varying backgrounds, and meets with each employee on a monthly basis to discuss both work and personal matters, fostering positive relationships with his team. Jack O's Lanterns has employed a number of electricians to manufacture the lanterns and globes. Jack recognises that the electricians' knowledge of technical components is more advanced than his own. He allows them to make decisions on how to best use materials in the manufacturing process and lets them conduct appropriate testing to ensure quality.

Question 9

Identify which of the following is a correct statement about Jack's use of delegation at Jack O's Lanterns.

A. Jack uses delegation when assigning appropriate tasks to subordinate employees who have a higher skill level in dealing with the electrical components of products.

B. Jack uses delegation to determine the strategies to be used for the business to achieve its objectives.

Question 10

Identify which of the following is a correct statement about Jack's use of interpersonal skills at Jack O's Lanterns.

A. Jack uses interpersonal skills when scheduling regular meetings to ensure the effective transfer of information between himself and his employees.

B. Jack uses interpersonal skills when scheduling regular meetings to create positive professional relationships and promote trust from employees.

Question 11

Simon is the operations manager of SweetSide, a confectionery company that is seeking to introduce new products to the market. In particular, SweetSide is hoping to develop new chewing gum and mint products that have not been previously developed in the confectionery industry. By doing so, SweetSide aims to fulfil a market need.

Identify which of the following statements are correct about Simon's use of planning and decision-making skills at SweetSide. **(Select all that apply)**

I. Simon could utilise planning skills to motivate and guide employees at SweetSide through the process of introducing a new product line.

II. Simon could utilise planning skills to determine strategies that can be used to achieve SweetSide's business objectives during the introduction of the new product line.

III. Simon could use decision-making skills to give subordinate employees authority over some work tasks at SweetSide.

IV. Simon could use decision-making skills to select the processes that SweetSide should use to approach the manufacturing of new products.

Exam-style

Question 12 (2 MARKS)

Define the management skill of delegation.

Question 13 (3 MARKS)

Distinguish between communication and interpersonal skills.

Question 14 (4 MARKS)

Jack is the owner of Jack O's Lanterns, a small business specialising in the manufacturing of outdoor lighting fixtures, such as lanterns and custom light globes. Jack understands that the employees he manages come from varying backgrounds, and meets with each employee on a monthly basis to discuss both work and personal matters, fostering positive relationships with his team. Jack O's Lanterns has employed a number of electricians to manufacture the lanterns and globes. Jack recognises that the electricians' knowledge of technical components is more advanced than his own. He allows them to make decisions on how to best use materials in the manufacturing process and lets them conduct appropriate testing to ensure quality.

Explain how Jack uses delegation and interpersonal skills in order to manage Jack O's Lanterns effectively.

Adapted from VCAA 2017 Sample exam Section B Q2

Question 15 (4 MARKS)

Simon is the operations manager of SweetSide, a confectionery company that is seeking to introduce new products to the market. In particular, SweetSide is hoping to develop new chewing gum and mint products that have not been previously developed in the confectionery industry. By doing so, SweetSide aims to fulfil a market need.

Explain how Simon could use planning and decision-making skills at SweetSide during the introduction of new products.

Adapted from VCAA 2019 exam Section B Q4

Testing previous knowledge

Question 16 (4 MARKS)

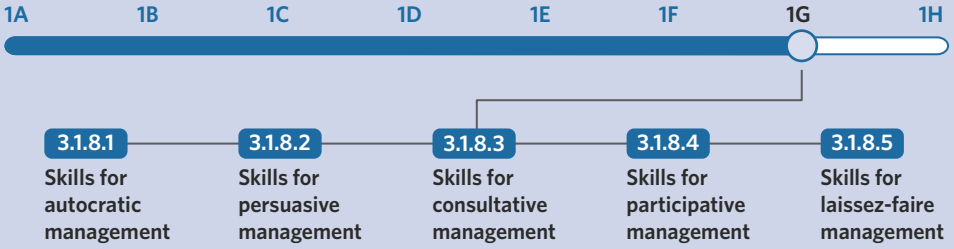
Identify and explain two skills that managers would use when interacting with shareholders.

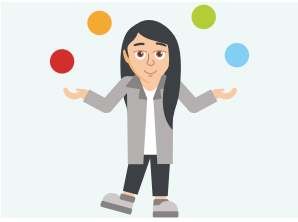
1G Management skills for management styles

Managers must choose to adopt different management styles according to the situation they are in. As they change their management style, managers should also alter the balance of management skills they use to approach different tasks. Which skills would be frequently used for each management style?

STUDY DESIGN DOT POINT

- the relationship between management styles and management skills





Lesson introduction

Each management style requires a manager to use a different set of skills. This is because different management styles feature different levels of communication, authority, employee involvement, and decision-making. As a manager changes their management style, the corresponding balance of management skills also varies accordingly. Each management style uses a unique balance of skills to allow a manager to manage employees effectively.

LESSON LINK

Management styles were introduced in **1D Management styles**.

Management skills were introduced in **1F Management skills**.

Skills for autocratic management 3.1.8.1

The autocratic management style features one-way communication from managers to employees, and centralised control as managers maintain all authority over business decisions. A manager using the autocratic management style clearly instructs employees to complete specific tasks and is solely responsible for planning business activities that ensure objectives are met.

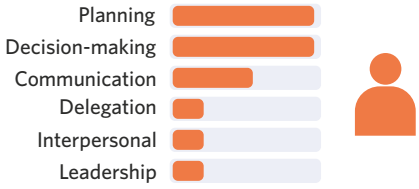


Figure 1 The possible balance of skills used by an autocratic manager

Table 1 Management skills for autocratic management

Management skill	Relationship to management style
Planning	• All business decisions are made by the manager, therefore, they are responsible for assigning resources needed to achieve business objectives.
Decision-making	• A manager's centralised control over business decisions means that they must be able to select a suitable course of action from a range of plausible options.
Communication	• A manager's instructions must be clear and concise so unskilled workers can achieve an adequate understanding of their work tasks. • Feedback is provided to employees but not received by the manager due to one-way communication.
Delegation	• Complex tasks and responsibilities are not often handed down to employees, as they are likely to be unskilled. Therefore, a manager rarely uses delegation.
Interpersonal	• Managers do not provide reasoning for their decisions, and employees are expected to follow their instructions, reducing the use of a manager's interpersonal skills.
Leadership	• Managers are not as concerned with sharing the business's vision with inexperienced workers, who are already expected to carry out instructions, and are more likely to be motivated by financial incentives rather than personal connection to the business.

Skills for persuasive management 3.1.8.2

The persuasive management style features one-way communication from management down to employees, with managers retaining centralised control relating to business decisions. However, with a persuasive management style, managers provide employees with the reasons behind their decisions. A manager who uses the persuasive management style expects employees to follow instructions, plans for the business decisions they make, and delegates some tasks depending on their complexity and the skill level of each employee.



Figure 2 The possible balance of skills used by a persuasive manager

Table 2 Management skills for persuasive management

Management skill	Relationship to management style
Planning	• All business decisions are made by the manager, therefore, they are responsible for assigning resources that are needed to achieve business objectives.
Decision-making	• A manager's centralised control over business decisions means that they must be able to select a suitable course of action from a range of plausible options.
Communication	• A manager's instructions must be clear and concise for employees to adequately understand how to complete their work tasks to an appropriate standard. • The reasoning given for decision-making should be clear so that all employees can understand why specific actions are being taken. • Feedback is provided to employees but not received by the manager due to one-way communication.
Delegation	• A manager decides which complex tasks can be assigned to employees who possess the necessary skills and knowledge to complete them appropriately.
Interpersonal	• Managers provide employees with reasoning for the business decisions they make, which can foster trust and promote professional workplace relationships.
Leadership	• Managers are not as concerned with sharing the business's vision with inexperienced workers, who are already expected to carry out instructions, and are more likely to be motivated by financial incentives rather than personal connection to the business. • Explanations of the reasoning for business decisions can help employees understand the importance of the work they complete.

Skills for consultative management 3.1.8.3

The consultative management style features two-way communication between management and employees, with managers maintaining centralised control in relation to business decisions. A manager using the consultative management style interacts with employees to gain valuable insights when decision-making and establishing objectives. This allows the manager to develop strategies that can be used to achieve business objectives, whilst also creating a shared vision that guides employees in their work.



Figure 3 The possible balance of skills used by a consultative manager

Table 3 Management skills for consultative management

Management skill	Relationship to management style
Planning	• All business decisions are made by the manager, therefore, they are responsible for assigning the resources for strategies that are needed to achieve business objectives.
Decision-making	• Centralised control means that only managers are responsible for considering all possible decision-making options and selecting the most appropriate direction for the business.
Communication	• Instructions and information given to employees should be clear and concise to ensure they understand how to efficiently complete their work tasks. • A manager receives feedback from employees during the collaborative process and should strive to interpret these opinions correctly.
Delegation	• A manager decides which complex tasks can be assigned to employees who possess the necessary skills and knowledge to complete them appropriately.
Interpersonal	• Managers engage with employees to gain insights and ideas, promoting professional workplace relationships and placing value on employee involvement in discussions.
Leadership	• Managers involving employees in discussions can help motivate them to complete their work tasks and understand the vision of the business.

Skills for participative management 3.1.8.4

The participative management style features two-way communication between management and employees and decentralised control, meaning decisions are made collaboratively between the manager and employees. A manager using the participative management style places emphasis on interpersonal skills so that positive professional relationships can be formed. They also utilise their leadership skills to ensure employees are motivated to complete their work tasks to a high standard.



Figure 4 The possible balance of skills used by a participative manager

Table 4 Management skills for participative management

Management skill	Relationship to management style
Planning	• Employees are involved in the planning process and help determine the strategies that are used to achieve business objectives.
Decision-making	• Decentralised control means that all employees are included in the decision-making process and the manager has reduced responsibility in making business decisions.
Communication	• Managers should facilitate discussion between employees so that work can be coordinated and completed to an appropriate standard. This allows business objectives to be achieved in a timely manner. • A manager receives feedback from employees when they share their insights during collaborative processes and managers should strive to interpret their opinions correctly.
Delegation	• Employees and managers are both responsible for assigning work tasks to employees who are capable of completing them to a high standard.
Interpersonal	• A manager must seek to understand how each employee approaches work so that business productivity can be optimised. • Failure to form positive professional workplace relationships can result in the business failing to meet objectives.
Leadership	• Managers should share the vision and purpose of the business with employees to motivate them to strive towards achieving objectives. • A manager's ability to lead by example can influence how well employees work in a group, which can affect the overall efficiency and effectiveness of the business.

Skills for laissez-faire management 3.1.8.5

The laissez-faire management style features two-way communication between management and employees, and decentralised control, with almost all decisions being made by the business's employees. A laissez-faire manager utilises communication to ensure all employees are coordinated in the completion of work tasks, whilst delegating tasks to highly-skilled employees who are able to perform at an appropriate standard.



Figure 5 The possible balance of skills used by a laissez-faire manager

Table 5 Management skills for laissez-faire management

Management skill	Relationship to management style
Planning	• As employees determine the strategies used for the business to meet its objectives, a manager rarely utilises this skill.
Decision-making	• As most business decisions are made by employees, who are highly skilled and capable of understanding the many conditions in which the business operates, a manager rarely utilises this skill.
Communication	• Managers should facilitate discussion between employees to coordinate work tasks and ensure they are completed to an appropriate standard. This allows business objectives to be achieved in a timely manner. • A manager receives feedback from employees when they share their insights during collaborative processes and managers should strive to interpret their opinions correctly.
Delegation	• Managers should assign different tasks to employees based on their level of experience and knowledge. • Highly-skilled workers may be given authority over large portions of the business and a manager must select a competent employee accordingly.
Interpersonal	• A manager must seek to understand how each employee approaches work so that business productivity can be optimised, and objectives are met. • However, the highly-specialised nature of employees may mean that managers lose some contact with them, reducing the quality of the relationships that can be formed.
Leadership	• Managers should share the vision and purpose of the business with employees to motivate them to complete work tasks. • A manager's ability to lead by example can influence how well employees work in a group, therefore affecting the overall efficiency and effectiveness of the business.

ACTIVITY

Management skills for management styles

Pranav is the manager of a dental practice and uses a participative management style when interacting with the business's employees, as he prefers to have open communication between himself and his employees. Pranav values employee involvement in the decision-making processes at the practice.

Pranav is supervising the clinic on a weekday, and a fire starts in the storage room where dental equipment is organised, sterilised, and stored. Pranav immediately delivers clear instructions to employees and makes quick decisions without employee input. He successfully ensures the safe evacuation of all employees and patients from the premises as a result of his concise instructions and quick response time.

How did Pranav's management style change during the course of the fire at the clinic? How did his use of management skills change during this situation? Why might this have occurred?

Theory summary

Some management skills are more relevant for a manager's use when they are adopting a specific management style. As management styles change from centralised to decentralised control, decision-making and planning skills are used to a lesser extent. Similarly, as communication patterns move from one-way to two-way, managers increase their use of communication and interpersonal skills. Delegation and leadership are more prevalent when a manager interacts with highly-skilled employees. Therefore, as management styles shift to accommodate different factors in the workplace, such as employee experience, the balance of management skills used also changes.

Table 6 Potential level of use of management skills for each management style

	Planning	Decision-making	Communication	Delegation	Interpersonal	Leadership
Autocratic	Frequent	Frequent	Sometimes	Infrequent	Infrequent	Infrequent
Persuasive	Frequent	Frequent	Sometimes	Sometimes	Sometimes	Infrequent
Consultative	Frequent	Frequent	Frequent	Sometimes	Sometimes	Sometimes
Participative	Infrequent	Sometimes	Frequent	Sometimes	Frequent	Frequent
Laissez-faire	Infrequent	Infrequent	Frequent	Frequent	Sometimes	Frequent

1G Questions

Theory review

Question 1

Managers always use the same skills to the same extent for every management style they adopt.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- increases
- decreases

When a manager uses the centralised, autocratic management style, their use of decision-making skills _____ , whilst their use of communication skills _____ .

Question 3

When using a management style that involves two-way communication, managers must:

A. use communication skills to provide clear instructions and receive feedback from employees.

B. use communication skills to only provide feedback to employees, as they are expected to follow instructions without question.

Question 4

Fill in the blanks with the following terms:

- frequent
- infrequent

The laissez-faire management style requires _____ use of decision-making skills, and _____ use of leadership skills.

Question 5

As employees become more skilled and highly experienced, managers use planning and decision-making skills to a lesser extent.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 6 and 7.

Robert manages Porcelain Thrones, a toilet manufacturing business operating in regional Victoria. Robert has a detail-oriented approach, and maintains all decision-making responsibilities in the business, as he prefers to give his workforce of unskilled employees direct, clear instructions for them to follow in the manufacturing process. However, he does not provide any opportunity for employees to provide their insights when he is making decisions at Porcelain Thrones.

Question 6

Identify which of the following is a correct statement about Robert's use of management style and skills at Porcelain Thrones.

A. Robert has adopted the autocratic management style, using planning skills to a large extent, as he is solely responsible for the development and implementation of strategies to achieve business objectives.

B. Robert has adopted the autocratic management style, using planning skills to a small extent whilst handing down work to subordinate employees.

Question 7

Identify which of the following is a correct statement about Robert's use of management style and skills at Porcelain Thrones.

A. Robert's use of the autocratic style means he maintains centralised control over business decisions and uses decision-making skills to determine which resources are needed in the manufacturing process.

B. Robert's use of the autocratic style means that he has decentralised control over business decisions and uses decision-making skills to determine which resources are needed in the manufacturing process.

Question 8

Vicky is the manager of a film development business called Click which aims to 'develop memories'. As part of the services provided, Click provides customers with rental cameras and film, detailed instructions on how to use the camera equipment, and services to develop the pictures taken by customers. Vicky oversees a small group of employees who are given opportunities to share their insights on business decisions. However, Vicky prefers to make the decisions herself after their input. Some employees with technical training in the handling of the film are chosen by Vicky to supervise the film development services in the workplace, as she does not have the same level of experience. Vicky knows that as spring approaches, Click will experience increased demand from customers holding special events.

Identify which of the following statements are **true** or **false** about Vicky's use of management skills during periods of high demand.

		True	False
I.	Vicky uses a management style with two-way communication and therefore, uses communication skills to provide clear instructions to employees and receive their feedback regarding work tasks.	☐	☐
II.	Vicky should use delegation skills to assign tasks of increased complexity to untrained employees and give them authority over the film development process during periods of increased demand.	☐	☐
III.	Vicky should use planning skills to allocate sufficient resources to Click's operations during periods of high demand so it can achieve its business objectives.	☐	☐
IV.	Vicky has centralised control over Click's business decisions, and therefore, uses decision-making skills to individually make choices for the business.	☐	☐
V.	Vicky uses leadership skills to determine Click's objectives and assign the resources necessary to achieve them.	☐	☐
VI.	Vicky uses interpersonal skills to determine the level of demand that Click will experience in spring.	☐	☐

Exam-style

Question 9 (2 MARKS)

Outline one skill a manager should use when adopting the consultative management style.

Question 10 (4 MARKS)

Compare two skills used by a manager utilising the participative management style to those used in the laissez-faire management style.

Question 11 (4 MARKS)

Other than leadership, explain two management skills a participative manager could use when resolving employee conflict.

Adapted from VCAA 2016 exam Q5d

Question 12 (4 MARKS)

Robert manages Porcelain Thrones, a toilet manufacturing business operating in regional Victoria. Robert has a detail-oriented approach, and maintains all decision-making responsibilities in the business, as he prefers to give his workforce of unskilled employees direct, clear instructions for them to follow in the manufacturing process. However, he does not provide any opportunity for employees to provide their insights when he is making decisions at Porcelain Thrones.

Referring to his management style, explain how Robert might use planning and decision-making skills to manage Porcelain Thrones effectively.

Adapted from VCAA 2017 Sample exam Section B Q2

Question 13 (7 MARKS)

Vicky is the manager of a film development business called Click which aims to 'develop memories'. As part of the services provided, Click provides customers with rental cameras and film, detailed instructions on how to use the camera equipment, and services to develop the pictures taken by customers. Vicky oversees a small group of employees who are given opportunities to share their insights on business decisions. However, Vicky prefers to make the decisions herself after their input. Some employees with technical training in the handling of the film are chosen by Vicky to supervise the film development services in the workplace, as she does not have the same level of experience. Vicky knows that as spring approaches, Click will experience increased demand from customers holding special events.

Identify which management style Vicky has adopted, and explain two skills that she will use during periods of high demand at Click.

Adapted from VCAA 2019 exam Section B Q4

Testing previous knowledge

Question 14 (2 MARKS)

Outline one management skill that a consultative manager would use when managing a private listed company and interacting with the business's shareholders.

1H Corporate culture

STUDY DESIGN DOT POINT

- corporate culture, both official and real

1A 1B 1C 1D 1E 1F 1G 1H

3.1.9.1 Corporate culture

3.1.9.2 Official corporate culture

3.1.9.3 Real corporate culture

Google's Code of Conduct asks employees 'don't be evil'. Google's employees have also adopted the saying 'do the right thing' as an informal guide to their work practices. How may the difference in quotes portray Google's values? Why might the values of a business impact its reputation and employee relationships?



Lesson introduction

Corporate culture is an essential component of how employees interact within the internal business environment, and the business's relationship with other stakeholders present in the external business environment. Common behaviours of managers and employees within the business can develop over time to create corporate culture, and these can be regulated in both written and unwritten formats. Corporate culture can impact a business's reputation, workplace relations, and overall success in achieving its objectives.

Corporate culture 3.1.9.1

Corporate culture is the shared values and beliefs of a business and its employees. It is determined by the behaviour of individuals within a business, as well as the business's intentions when making decisions. Corporate culture can be a strong determinant of a business's ability to achieve its objectives, since a positive corporate culture can lead to more motivated employees, and the widespread expectation of high standards, leading to improved performance overall. Conversely, a negative corporate culture and acceptance of low standards can negatively impact the achievement of objectives. A business's overall corporate culture consists of both official and real elements that reflect different aspects of the business, its operations, and the actions of its employees.

KEY DEFINITIONS

Corporate culture is the shared values and beliefs of a business and its employees.

ACTIVITY

Corporate culture

How is corporate culture determined in different organisations in your life? Think about factors in your work or school environments such as uniforms, rules, and the types of interactions you have with your authority figures in these environments. Have there been any recent changes to your school or workplace that have influenced the culture?

Discuss with your class the impacts that factors, such as uniforms and rules, have on your opinions of your school or workplace.

LESSON LINK

Strategies to develop corporate culture will be covered in further detail in **5E Developing corporate culture**.

Official corporate culture 3.1.9.2

KEY DEFINITIONS

Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.

ADDITIONAL TERMS

Mission statements are written descriptions of a business's objectives and its chosen approach to achieving them.

Vision statements are written descriptions of the future standing that the business hopes to achieve.

Policies are a set of guidelines that are used to come to decisions in a rationalised way.

Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format. These can include formal documents such as a business's **mission statements**, **vision statements**, and **policies**. Official corporate culture generally reflects what a business intends to accomplish, and therefore represents its best intentions and aspirations. Training procedures, business symbols such as logos and slogans, codes of conduct, and compulsory uniforms can be used to unite employees' approaches to work processes. Official corporate culture can significantly impact how a business is externally perceived, and therefore impact its ability to meet its objectives.

Table 1 Examples of official corporate culture documentation

	Examples	Effect
Shared objectives	Vision statement, mission statement.	Highlights what the business aspires to achieve, providing a common goal for employees.
Policies	Established policy and procedure documentation, code of conduct.	Used to create standards for the behaviour of employees in the workplace.
Training	Employee training programs.	Ensures that employees are following the standards set for acceptable behaviour at work.
Symbols	Business names, logos, and slogans.	Enables employees and customers to easily identify the business.
Uniform	Regulations around employee attire.	Unites employees, and promotes a business's professional reputation.

REAL WORLD EXAMPLE



Image: Uladzik Kryhin/Shutterstock.com

Figure 1 Google's mission and vision statements form part of its official corporate culture

Official corporate culture

Technology giant, Google, has expanded its services from search engines to many different types of software that are used worldwide. Google's widespread dominance over the search engine industry has been achieved due to its mission statement to 'organise the world's information and make it universally accessible and useful'. The company's ongoing vision is to provide customers with access to the world's information in one click, by unifying the services it provides and maintaining its status as the preferred global search engine. Google's official corporate culture paves the way for its evolution and growth, as it determines the way new business opportunities are approached, with consumer ease at its forefront. Its continued success can be attributed to an official corporate culture that motivates employees to develop the very best software services for distribution to customers across the market.

Adapted from Google, 'About Google, Our Culture & Company News', n.d.

Real corporate culture 3.1.9.3

KEY DEFINITIONS

Real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.

Real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees. It includes the unwritten rules and behaviours that determine how employees interact with the business they work for. Factors that impact real corporate culture could include office layout, staff diversity, management styles, hiring criteria, **rituals**, and **celebrations**. While official corporate culture is based on the ideals a business hopes to achieve, real corporate culture reflects what actually occurs in the business's operations. A business should aim to align its real corporate culture with its official corporate culture, so that employees feel innately connected to the environment they work in. In turn, this can improve business performance and lead to the achievement of business objectives, as employees' connection to the business means that they are motivated to work towards these objectives.

Table 2 Examples of real corporate culture

	Examples	Effect
Type of employees	Hiring criteria, staff diversity.	A business chooses which employees to hire and they should be carefully selected both for their technical skill and their ability to uphold the business's values.
Workplace environment	Office layout.	The arrangement of the workspace can impact level of interaction between employees.
Business ideologies	Celebrations, rituals.	Highlight the standard practices and expectations of employees within the business.
Management styles	Autocratic, persuasive, consultative, participative, and laissez-faire styles.	Affects the relationship between managers and their employees, and therefore impacts their interactions in the workplace.

ADDITIONAL TERMS

Rituals are behavioural patterns and social gatherings that are often unique to the business.

Celebrations are used as a recognition of high employee work ethic and their constructive contribution to the business.

LESSON LINK

Management styles were introduced in **1D Management styles**.

REAL WORLD EXAMPLE

Real corporate culture

Google's real corporate culture is one that values employee creativity and innovation, whilst providing opportunities for career development to upskill its staff. The company has an interactive business environment due to its unconventional office layout that promotes collaboration and teamwork. Hiring practices that seek out highly qualified employees, a flatter organisational structure with fewer levels of management, and Google's progression to foster diversity and acceptance, each contribute to the corporate culture that creates positive employee feedback. Consequently, Google has a high percentage of employees who express satisfaction with their workplace, allowing the technology giant to maintain high performance in the industry and achieve its business objectives.

Adapted from Employee Experience Magazine, 'Company Culture at Google', 2022



Image: Shawn Goldberg/ Shutterstock.com

Figure 2 Google's real corporate culture promotes employee diversity and positive interactions between employees

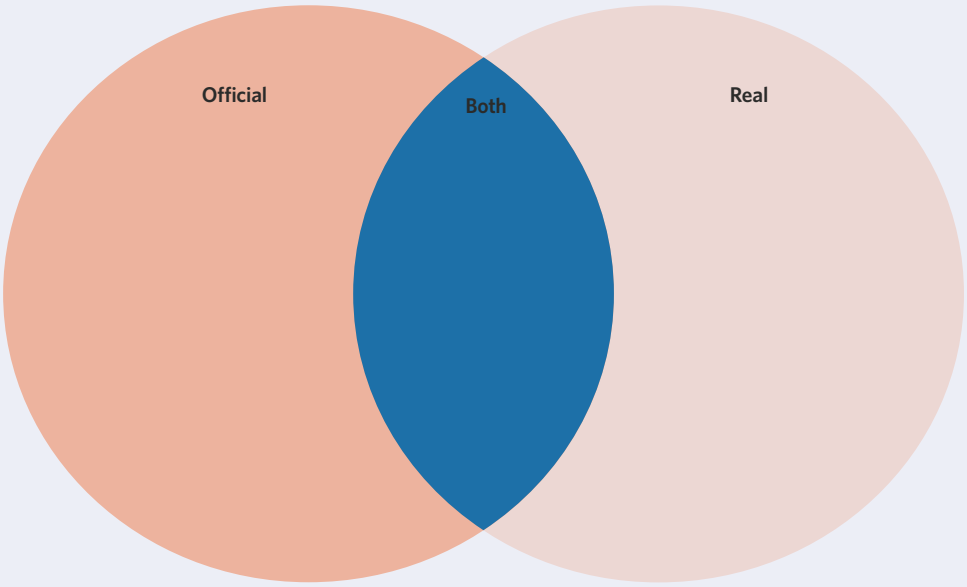
Table 3 Similarities and differences – Official corporate culture and real corporate culture

	Official corporate culture	&	Real corporate culture
Similarities	• Both official and real corporate culture are concerned with the shared values and beliefs of people in the business. • Fostering both a positive official and positive real corporate culture can lead to improved business performance. • Both official and real corporate culture aim to change the way employees interact with each other and the business.		
Differences	• Official corporate culture is often written in business documents, whereas real corporate culture is usually unwritten. • Official corporate culture is institutionalised by formal documents and rules, whereas real corporate culture develops organically in unwritten interactions between employees. • Official corporate culture includes the ideals of businesses, whereas real corporate culture includes what occurs in actuality.		

ACTIVITY

Corporate culture

Copy out the following Venn diagram into your workbook with the terms given, sorting them as either 'official', 'real', or 'both' types of corporate culture.



- Celebrations
- Hiring criteria
- Staff diversity
- Shared values
- Codes of conduct
- Mission statements
- Business logos
- Policies
- Management styles
- Vision statements
- Business slogans
- Shared beliefs
- Office layout
- Uniform regulations

For each of the terms above, consider the following:

1. What effect does each factor have on employee connectedness and involvement in the business?
2. How may a manager or owner of a business utilise the factor in order to improve corporate culture?

USEFUL TIP

In the end-of-year exam, you may be asked how corporate culture can influence different elements of business operations. For example, a positive corporate culture can enhance employees' connectedness to the business, and therefore improve productivity, efficiency, and effectiveness. Conversely, a poor corporate culture can result in a lack of employee motivation, and therefore negatively impact a business's operations.

By identifying the ways in which employees are affected by corporate culture, a business can adopt strategies to foster positive corporate culture and work environment across all areas of operations.

Theory summary

Corporate culture is made up of a business's official and real corporate culture, which are determined by the shared values and beliefs of employees involved in the business. Business performance can be improved by aligning real and official corporate culture. The development of a positive corporate culture can lead to greater efficiency and effectiveness of a business, as employees feel connected to, and motivated by their workplace. Consequently, developing a positive corporate culture can improve a business's reputation and overall success.

1H Questions

Theory review

Question 1

Corporate culture is:

A. the shared values and beliefs of a business and its employees.

B. the growth of a business's workforce to include more experienced employees.

Question 2

A business's vision statement can be used as an indicator of its real corporate culture.

A. True

B. False

Question 3

Fill in the blanks with the following terms:

- written
- unwritten

Official corporate culture tends to be found in _____ form, whereas real corporate culture can be observed as _____ mannerisms and behaviours of employees.

Question 4

Official corporate culture can be recognised in a business's:
(Select all that apply)

I. mission statement.

II. hiring criteria.

III. office layout.

IV. business logos.

Question 5

Corporate culture can be improved by making official and real components as different to each other as possible.

A. True

B. False

Preparing for exams

Case study skills

Question 6

Julia owns Sparkling Snow Designs, a product design and marketing consulting firm that has recently expanded its services into Europe. Its mission is to provide 'Sparklingly clear designs for high-end marketing' to the luxury brands of its clients. Highly-qualified staff are instructed by Sparkling Snow Designs' code of conduct to reach a desirable design 'Snow matter what' to ensure customer satisfaction. The company logo is sleek and upmarket to reflect the skills of its employees and attract customers.

Identify which of the following statements are correct about Sparkling Snow Designs' corporate culture.
(Select all that apply)

I. Julia created a positive official corporate culture at Sparkling Snow Designs by developing a logo that is reflective of the skills, hard work, and dedication of the business's employees.

II. Julia's implementation of a code of conduct contributes to a positive official corporate culture, as it outlines the expectations set for employees to follow at Sparkling Snow Designs.

III. Julia improved Sparkling Snow Designs' real corporate culture by establishing a mission statement and code of conduct that outline how employees are expected to approach their work.

Use the following information to answer Questions 7 and 8.

Susie's Hats for Cats operates in metropolitan Melbourne and creates high-quality, customisable pet costumes, drawing the attention of social media influencers as its primary customer base. Susie has hired many talented staff, and has the vision to 'Make all pets feel fetch'. Hats for Cats' business slogan is 'Making fun times paw-sible'. Susie has encouraged an open workspace layout, so that employees can gain inspiration from each others' work, and seeks out potential staff who are 'paw-ssionate' about their work when hiring.

Question 7

Identify which of the following is a correct statement about Hats for Cats' corporate culture.

A. Hats for Cats' official corporate culture is evident in its workspace layout and its slogan, whereas its real corporate culture is evident in its vision statement and hiring criteria.

B. Hats for Cats' official corporate culture is contained in its vision statement and its slogan, whereas its real corporate culture is contained in its workspace layout and hiring criteria.

C. Hats for Cats' official corporate culture is contained in its vision statement and its hiring criteria, whereas its real corporate culture is contained in its workspace layout and slogan.

Question 8

Identify which of the following is a correct statement about Hats for Cats.

A. Hats for Cats' open workspace layout is likely to demotivate its employees, as they may feel their original work and intellectual property will be stolen or copied by their colleagues, therefore having a negative impact on corporate culture.

B. Hats for Cats' open workspace layout is likely to motivate its employees, as it provides the opportunity for open communication and collaboration when creating quality products for customers, strengthening employee relationships and therefore, real corporate culture.

Exam-style

Question 9 (2 MARKS)

Define the term 'corporate culture'.

Adapted from VCAA 2016 exam Q2a

Question 10 (3 MARKS)

Outline the characteristics of real corporate culture.

Question 11 (3 MARKS)

Distinguish between official and real corporate culture.

Adapted from VCAA 2021 exam Section A Q3

Question 12 (4 MARKS)

Julia owns Sparkling Snow Designs, a product design and marketing consulting firm that has recently expanded its services into Europe. Its mission is to provide 'Sparklingly clear designs for high-end marketing' to the luxury brands of its clients. Highly-qualified staff are instructed by Sparkling Snow Designs' code of conduct to reach a desirable design 'Snow matter what' to ensure customer satisfaction. The company logo is sleek and upmarket to reflect the skills of its employees and attract customers.

Explain two ways in which Julia has created a positive official corporate culture at Sparkling Snow Designs.

Question 13 (6 MARKS)

Susie's Hats for Cats operates in metropolitan Melbourne and creates high-quality, customisable pet costumes, drawing the attention of social media influencers as its primary customer base. Susie has hired many talented staff, and has the vision to 'Make all pets feel fetch'. Hats for Cats' business slogan is 'Making fun times paw-sible'. Susie has encouraged an open workspace layout, so that employees can gain inspiration from each others' work, and seeks out potential staff who are 'paw-ssionate' about their work when hiring.

Explain how Susie has developed a positive corporate culture, referring to both official and real elements.

Testing previous knowledge

Question 14 (8 MARKS)

Evaluate whether a consultative management style or an autocratic management style is more effective in fostering a positive corporate culture.

1D–H Management styles and skills review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Lorenzo is the manager of Landscaping Legends, a landscaping and gardening business operating in suburban Melbourne. Landscaping Legends employs over 40 staff members that have the skills to meet customers' gardening needs, offering expertise in landscaping design, garden maintenance, and in-store consultations. Lorenzo usually prefers to plan work allocations two months in advance, working with employees to assign different tasks based on their strengths and interests. He regularly provides feedback to employees regarding their performance using information gathered from customer satisfaction surveys and provides opportunities for discussions between all employees of the business so they may collaborate on their individual assignments.



Image: Adriaticfoto/Shutterstock.com

Landscaping Legends' employees are asked to regularly attend monthly meetings to plan for the next period and provide a comprehensive list of materials and inputs required to best meet customer needs and expectations. Employees are highly encouraged to contribute to short-term planning and are involved in the process of assigning work. However, Lorenzo maintains responsibility for setting the strategies to achieve Landscaping Legends' business objectives.

Landscaping Legends has seen a decline in customer interest in landscaping and gardening services in the previous year and has recognised that in order for the business to continue operating, it may have to merge with another gardening business, Backyard Beauticians. The businesses have chosen to combine and adopt a new name, Greenskeepers, to reflect the change. Greenskeepers aim to make a profit and increase market share in the twelve months immediately after the merger.

Lorenzo has decided to take a different management approach until employees have settled into their new roles. He thinks it is best to take control of all of the decisions being made at Greenskeepers. For example, he will assign work to employees based on their skills and will provide justification for assignments given. With this approach, he won't be allowing employees the opportunity to provide input in the process of allocating work. Moreover, planning meetings are to be temporarily halted, and resource estimations are instead to be made by Lorenzo alone, including instructions to employees about which materials they are expected to use in their work.

The prospect of a business merger has had a significant impact on employees of both Landscaping Legends and Backyard Beauticians, as employees are concerned that their job security is at risk. To overcome any friction between the two business's employees, Lorenzo has decided to assign more group-based work, rather than individual assignments, and change the business uniform to incorporate elements of both previous businesses. He has asked that all employees will attend training programs together and has drafted a new employee Code of Conduct as the business settles into its new structure.

Exam-style questions

Question 1 (2 MARKS)

Define the term 'corporate culture'.

Adapted from VCAA 2016 exam Q2a

Question 2 (3 MARKS)

Explain what is meant by 'official corporate culture'.

Question 3 (3 MARKS)

Identify the management style that Lorenzo is initially using at Landscaping Legends and explain two benefits of using this style.

Adapted from VCAA 2017 Sample exam Section A Q7c

Question 4 (3 MARKS)

Distinguish between the persuasive and participative management styles.

Question 5 (4 MARKS)

Explain the difference between official corporate culture and real corporate culture, and use an example from the case study to demonstrate how Lorenzo is using elements of official corporate culture to meet business objectives.

Adapted from VCAA 2021 exam Section A Q3

Question 6 (4 MARKS)

Explain how Lorenzo might utilise planning and communication skills in order to manage Greenskeepers effectively.

Adapted from VCAA 2017 Sample exam Section B Q2

Question 7 (6 MARKS)

Evaluate the suitability of the management style that Lorenzo has adopted for achieving Greenskeepers' business objectives.

Adapted from VCAA 2020 exam Section A Q1b

Unit 3 AOS 1 review

Business foundations

AOS summary

This chapter introduced the first area of study (AOS) of the VCE Units 3 and 4 Business Management course. In this chapter, you learnt about the different types of businesses, their objectives, and stakeholders. You also learnt about the range of management styles and skills that can be used when managing a business, as well as corporate culture.

Lesson **1A Types of businesses** covered the six types of businesses, including the characteristics, advantages, and disadvantages of each type of business. The six types of businesses are:

- sole traders
- partnerships
- private limited companies
- public listed companies
- social enterprises
- government business enterprises.

Lesson **1B Business objectives** covered business objectives, including seven different business objectives a business may have. These business objectives are:

- to make a profit
- to increase market share
- to fulfil a market need
- to fulfil a social need
- to meet shareholder expectations
- to improve efficiency
- to improve effectiveness.

Lesson **1C Stakeholders** introduced the various stakeholders of a business. This included:

- characteristics of stakeholders
- interests of stakeholders
- potential conflicts between stakeholders.

Lesson **1D Management styles** covered the five different management styles, including the characteristics, advantages, and disadvantages of each style. The five management styles are:

- autocratic
- persuasive
- consultative
- participative
- laissez-faire.

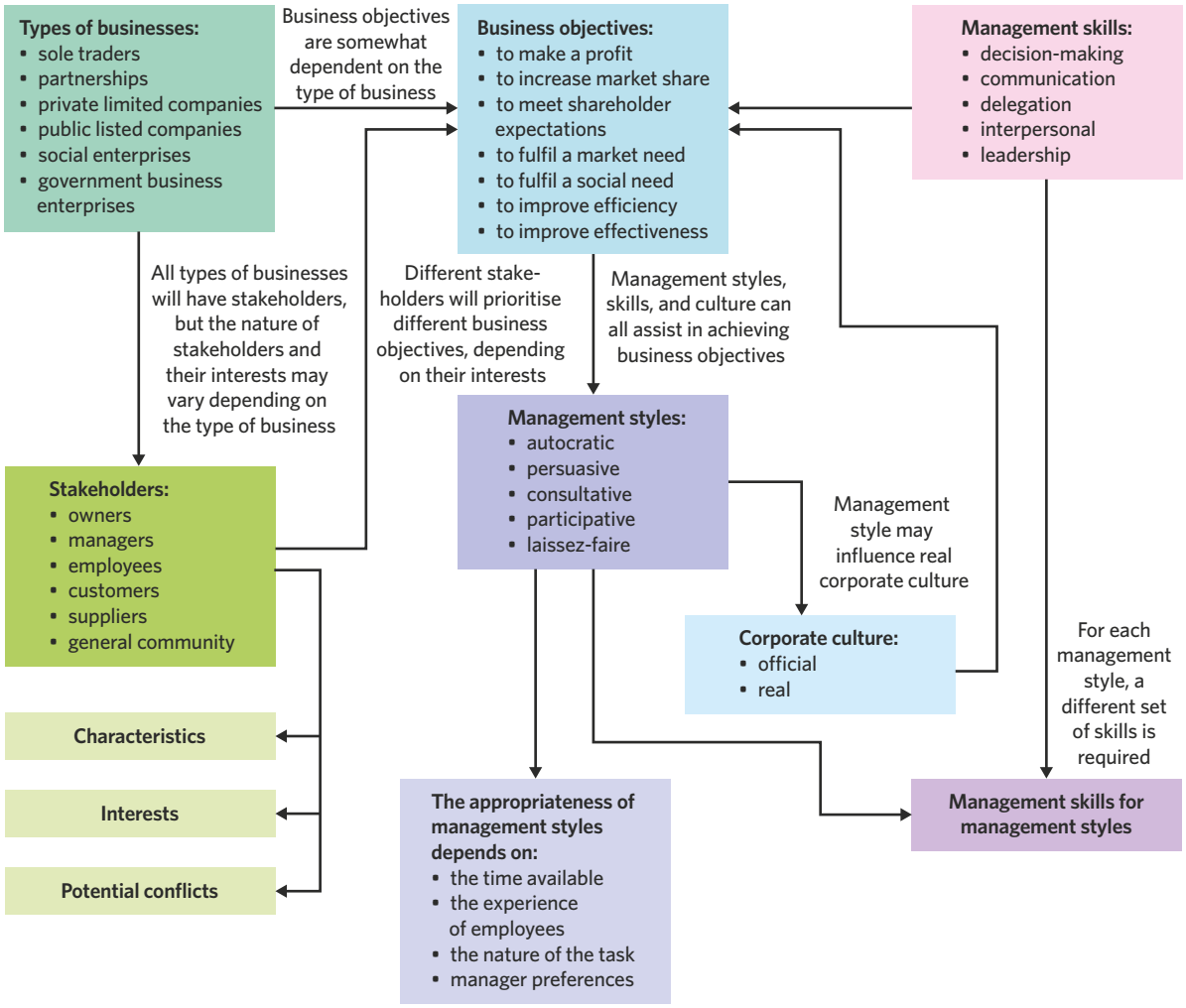
Lesson **1E The appropriateness of management styles** covered the different factors that impact the suitability of management styles, such as the nature of the task, time, employee experience, and manager preferences.

Lesson **1F Management skills** was about the six different management skills which can be used when running a business. These management skills are:

- planning
- decision-making
- communication
- delegation
- interpersonal
- leadership.

Lesson **1G Management skills for management styles** covered the importance of each management skill for the various management styles.

Lesson **1H Corporate culture** covered corporate culture, including official corporate culture and real corporate culture. You also learnt about the similarities and differences between official and real corporate culture.



AOS review activities

Review activity 1: Summary table

You have learnt about the different management styles and management skills that can be used when managing a business. It is important to remember the description and relevant features of each management style and skill and how management skills and management styles are related. Copy out the table into your notes. Use this table to revise the definitions for each management style and management skill. Fill in at least two management skills that are highly important for each management style.

	Planning	Leadership	Communication	Decision-making	Delegation	Interpersonal
Definition						
	Autocratic	**Persuasive**	**Consultative**	**Participative**	**Laissez-faire**	
Definition						
List two important skills for each management style						

Review activity 2: Fill in the blanks

Fill in the blanks with the following terms:

- unlimited liability
- partnership
- partnership agreement
- stakeholder conflict
- owners
- customers

Sandra, Ely, and Hans are the owners of a gym. This type of business is a _____ , which is an unincorporated business structure that is owned by two to 20 owners. Two months ago, they created a document that outlined the details of each owner, their responsibilities, and the division of the gym's profits amongst the owners. This document is a _____ . Their business type means Sandra, Ely, and Hans have _____ , therefore if the gym fails, their personal assets can be seized, and they are personally responsible for potential losses.

The gym has various stakeholders, including Sandra, Ely, and Hans, who are the _____ . Another stakeholder is the people who use the gym who are referred to as its _____ . Sandra, Ely, and Hans want to only keep the gym open between 5am and 8pm to keep costs low, whereas some gym members want the gym to be open 24/7 for their convenience. This is an example of a _____ .

Review activity 3: Match the term with the explanation

During this area of study, you were introduced to seven different business objectives. It is important to understand each business objective, as they are relevant across the entire course. Match the key terms on the left with the correct description on the right.

Business objectives	increasing a business's percentage of total sales within an industry.
To increase market share	the goals a business intends to achieve.
To meet shareholder expectations	improving society and the environment through business activities.
To fulfil a social need	achieving a business's stated objectives.
To improve efficiency	occurs when a business generates more revenue than expenses.
To make a profit	filling a gap in the market, which involves addressing customer needs that are currently unmet or underrepresented by other businesses in the same industry.
To improve effectiveness	providing shareholders a return on investment, such as the payment of dividends or the achievement of capital gains through higher share prices.
To fulfil a market need	enhancing how productively a business uses its resources when producing a good or service.

Unit 3 AOS 1 review questions

Contemporary case study

Useful tip

In the end-of-year VCAA examination, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions for the end-of-year exam.

Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the following questions, you can refer to Serotonin Eatery, Exercise + Education or any other business you feel confident writing about as a contemporary business example.

Serotonin Eatery, Exercise + Education

Serotonin Eatery, Exercise + Education Pty Ltd. is a plant-based happiness centre in Burnley, Melbourne and has been registered as a private company since 9 April 2015. As the name suggests, Serotonin has three main elements; an eatery, education platform, and exercise centre.

Emily Hazell is the founder of Serotonin Eatery, Exercise + Education. Since Emily was a teenager, she experienced her own battles with mental health. A big part of claiming back her health was through shaping her lifestyle and diet to improve her physical and mental wellbeing. This passion for a healthy lifestyle resulted in Emily establishing Serotonin Eatery, Exercise + Education to create a community that wants to exchange information about health and wellbeing.



Figure 1 Serotonin Eatery provides delicious plant-based meals

Eatery

The eatery component is the main function of the business. Serotonin Eatery is a cafe that has a plant-based menu consisting only of healthy brunch options. This idea came from her desire to have a 'no-brainer menu' that has many nourishing and healthy food options when dining out. Therefore, Emily addressed the gap in the market of needing more healthy food options for customers when they eat out for brunch. The cafe is designed to feel like a sanctuary for people who are looking for a relaxing environment. To create this calming sensation, Emily worked with a colour psychologist to create the most peaceful design possible.

Exercise

Serotonin recognises that exercise can release endorphins. Therefore, Serotonin regularly offers free exercise sessions for the community. Every fortnight, Serotonin runs a group exercise session on Saturday at 7:30 am with a qualified personal trainer. Serotonin also conducts weekly 'Mums and bubs' pilates on a Wednesday, which are pilates classes conducted by a qualified pilates teacher, and specifically designed for mothers to bring their children along to the exercise classes.

Education

Serotonin conducts regular seminars designed to educate participants on how the body functions, and how moods are regulated. The seminars share simple strategies and techniques that can be incorporated into daily life to improve overall happiness. There is a range of free and paid education events offered.

Emily aims to motivate her team members to contribute to her mission of empowering people to establish a healthy lifestyle by educating others on food, exercise, and mindfulness. Her mission for the team is not limited to running Serotonin and providing a positive customer experience, but also to change the world for the better.

Serotonin's website lists the business's various missions. These include:

- 'Change negative behaviours and help future generations'
- 'Reduce preventable deaths and diseases by changing minds and lives'
- 'Work with the best team, as a team'

Emily wishes to expand Serotonin by opening a number of Happiness Airbnbs, which she has already begun to develop in Byron Bay and Melbourne. These Airbnbs are designed for guests who want to incorporate wellness into their routine while on holiday, by providing a location that includes yoga sessions, healthy food options, in-home massages, and facials.

Adapted from Serotonin Eatery, Exercise + Education, 'Our story', n.d.

Answer questions 1–4 with reference to the Serotonin Eatery, Exercise + Education case study shown, or any other contemporary business case study you have studied.

Question 1 (2 MARKS)

Referring to a contemporary business case study, explain one benefit of the owner choosing the business type they have used when establishing their business.

Question 2 (5 MARKS)

Distinguish between real corporate culture and official corporate culture in a contemporary business you have studied this year.

Question 3 (4 MARKS)

With reference to a contemporary business case study, identify and describe two management skills an owner and/or manager can use when running a business.

Question 4 (5 MARKS)

Referring to a contemporary business case study, outline the interests of two stakeholders and a potential conflict they may have.

Exam-style

These questions are typical of Section A in the VCE Business Management exam.

Question 5 (10 MARKS)

In 2020, Adelina was employed as the manager of a deli with 60 employees. In 2022, the business set the following business objectives:

- to decrease food waste by 20% in order to improve efficiency.
- to increase profits by 7%.

Adelina has adopted a persuasive management style.

a. With reference to the deli, define the term 'stakeholder'. (2 MARKS)
Adapted from VCAA 2021 exam Section A Q1a

b. Evaluate the suitability of the management style Adelina has adopted for achieving the deli's business objectives. (5 MARKS)
Adapted from VCAA 2020 exam Section A Q1b

c. Outline the interests of two relevant stakeholders of the deli. Explain how these interests may conflict. (3 MARKS)

Question 6 (10 MARKS)

This is an extract of a speech delivered to shareholders of Innova Tech Ltd. by its CEO at the annual general meeting on 1 August 2022. Innova Tech is a software company that develops and sells software to businesses.

'2022 posed several challenges to our business. Since 2020, the business's share price on the Australian Securities Exchange (ASX) has decreased by 10%. Sales have also plummeted since 2020. The number of employees leaving Innova Tech has significantly increased over the past three years. We promise to work towards a better future for Innova Tech. To improve our share price and sales, we have employed a new manager who will be a leading software developer to improve the quality of our products. We are also encouraging our managers to adopt a persuasive management style while we work to improve the performance of Innova Tech.'

a. Using evidence from the case study, outline what type of business Innova Tech is. (2 MARKS)
Adapted from VCAA 2020 exam Section B Q1

b. Managers at Innova Tech have been known for an autocratic management style in the past. Discuss the suitability of this management style at Innova Tech. (4 MARKS)

c. Describe two management skills that managers at Innova Tech could use as they implement a persuasive management style. (4 MARKS)
Adapted from VCAA 2009 exam Q1f

Question 7 (11 MARKS)

Travel Time is a travel agent located in the CBD that specialises in Australian travel. Since the demand for travel rapidly increased in 2022, Travel Time has employed five new employees to work in its office. The manager, Timothee, is concerned that the business is still not meeting customer demand and wants to gain insight from his employees on how they can improve their customer service to meet this demand.

a. Propose and justify the suitability of one management style for Travel Time. Describe how this management style could achieve the business objective 'to improve efficiency'. (4 MARKS)

b. Apart from 'to improve efficiency', explain one business objective relevant to Travel Time. (3 MARKS)

Adapted from VCAA 2018 exam Section A Q1b

c. Explain the interests of customers and the general community at Travel Time. (4 MARKS)

Question 8 (9 MARKS)

Bookworm is a bookshop located in Albert Park. Bookworm is a sole trader and is owned and operated by Joe. Apart from Joe, there are three employees at Bookworm whose role is primarily to serve customers. Joe likes to employ people who are passionate about reading and can recommend books to customers. The bookworm packaging includes its business slogan 'a book is a gift you can open again and again'.

a. Outline one advantage and one disadvantage of a sole trader. (2 MARKS)

b. Distinguish between official corporate culture and real corporate culture. Use an example from Bookworm to demonstrate official and real corporate culture. (5 MARKS)

c. Identify and describe the interests of one stakeholder relevant to Bookworm. (2 MARKS)

Back to contents



UNIT 3 AOS 2

Human resource management

In this area of study, students investigate considerations for the effective management of employees to ensure business objectives are achieved. They consider employee motivation in terms of Maslow's Hierarchy of Needs, Locke and Latham's Goal Setting Theory, and Lawrence and Nohria's Four Drive Theory. Using these theories of motivation and motivation strategies, students propose and justify possible strategies for employee management in contemporary business case studies from the past four years. Students study an overview of workplace relations, including the main participants and their roles in the dispute resolution process.

Outcome 2

On completion of this unit, the student should be able to explain theories of motivation and apply them to a range of contexts, and analyse and evaluate strategies related to the management of employees.

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Back to contents



2

CHAPTER 2

Human resource management

LESSONS

2A	Human resource management
2B	Maslow's Hierarchy of Needs
2C	Lawrence and Nohria's Four Drive Theory
2D	Locke and Latham's Goal Setting Theory
2E	Motivation strategies: Part 1
2F	Motivation strategies: Part 2
2A–F	Motivation theories and strategies review
2G	Employee training
2H	Performance management
2I	Termination management
2G–I	Human resource functions review
2J	Participants in the workplace
2K	Awards and agreements
2L	Dispute resolution
2J–L	Workplace relations and dispute resolutions review
	Unit 3 AOS 2 review

KEY KNOWLEDGE

- the relationship between human resource management and business objectives
- key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria)
- motivation strategies including performance-related pay, career advancement, investment in training, support strategies and sanction strategies
- advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation
- training options including on-the-job and off-the-job training, and the advantages and disadvantages of each
- performance management strategies to achieve both business and employee objectives, including management by objectives, appraisals, self-evaluation and employee observation
- termination management including retirement, redundancy, resignation and dismissal, entitlement considerations and transition considerations
- the roles of participants in the workplace including human resource managers, employees, employer associations, unions and the Fair Work Commission
- awards and agreements as methods of determining wages and conditions of work
- an overview of the dispute resolution process including mediation and arbitration

2A Human resource management

For a business to thrive and grow, employees must be appropriately managed and cared for within the workplace. By doing so, a business is more likely to achieve its objectives and succeed in its respective industry, as employees are motivated to complete their work tasks.



STUDY DESIGN DOT POINT

- the relationship between human resource management and business objectives

2A 2B 2C 2D 2E 2F 2G 2H 2I 2J 2K 2L

3.2.1.1
The relationship between human resource management and business objectives

KEY DEFINITIONS

Human resource management is the organisation of employees' roles, pay, and working conditions.

LESSON LINK

The role of human resource managers will be covered in further detail in **2J Participants in the workplace**.

Lesson introduction

Human resource management is the organisation of employees' roles, pay, and working conditions. Effective human resource management can enable a business to retain its employees, as it promotes high levels of motivation and job satisfaction among staff. On the other hand, poor human resource management may result in employees being unsatisfied and demotivated by their work tasks, affecting a business's ability to meet its objectives. Therefore, human resource managers have a crucial role in a business, as they are responsible for ensuring employees are motivated and connected with the business. In doing so, they can ensure that employees can positively contribute to the achievement of objectives, enhancing the business's overall performance and culture.

The relationship between human resource management and business objectives 3.2.1.1

Within a business, a human resource manager coordinates and directs employees throughout all stages of their employment. When managed effectively, employees are likely to feel valued, encouraged, and motivated to perform at their best, which can contribute to higher levels of job satisfaction. Subsequently, high-performing employees can improve a business's performance and assist the business in achieving its objectives.

Effect of successfully managing employees	Effect on business	Business objective achieved
When employees have increased job satisfaction, the number of employees leaving the business is likely to decrease.	The costs associated with recruiting and training replacement employees for leaving staff are reduced.	To make a profit
When employees have increased job satisfaction, the quality of the goods and services manufactured and delivered is likely to also increase.	A higher quality of goods and services can lead to increased customer satisfaction and sales.	To increase market share
When employees have increased job satisfaction, they are motivated to work harder and to a higher standard.	Highly motivated employees can enable a business to increase its sales and profit, allowing higher dividends to be paid to shareholders.	To meet shareholder expectations
When employees have increased job satisfaction, they are more likely to contribute innovative ideas.	A business that produces unique goods and services may be able to better meet customer needs.	To fulfil a market need
When employees have increased job satisfaction, their support of business initiatives is also likely to increase.	Business initiatives that aid the community and reduce waste are more likely to be successful.	To fulfil a social need
When employees have increased job satisfaction, they are more motivated and determined to complete work tasks, doing so in a focused, error-free, and productive manner.	A business is able to produce goods and services at a faster pace and to a higher quality, with fewer errors and discarded materials.	To improve efficiency
When employees have high job satisfaction, they are more motivated to achieve business objectives and have greater resilience when doing so.	A business can more readily achieve its objectives and continue improving its performance.	To improve effectiveness

Figure 1 The relationship between human resource management and achieving business objectives

USEFUL TIP

In Unit 3 AOS 1, you learnt about business objectives. Businesses often target one or many business objectives simultaneously in their everyday activities. It may be helpful for you to recall the seven business objectives you have learnt so far this year, which include:

- to make a profit
- to increase market share
- to meet shareholder expectations
- to fulfil a market need
- to fulfil a social need
- to improve efficiency
- to improve effectiveness.

LESSON LINK

Business objectives were introduced in **1B Business objectives**.

REAL WORLD EXAMPLE

The relationship between human resource management and business objectives

The Commonwealth Bank of Australia is a financial services company that offers a range of banking options to its customers. In 2022, Commonwealth Bank was named Australia's best company to work for in LinkedIn's annual employee survey. The finance company has been recognised for offering 'strong career progression' and 'professional development' opportunities to its employees. The satisfaction of its 36,000 employees, likely contributed to the company's growth rate of 3.4 per cent in 2022, allowing Commonwealth Bank to consistently achieve its objectives and remain rated as Australia's top bank by both employees and consumers.

Adapted from 7 News, 'Commonwealth Bank, Woolworths and NAB named Australia's top companies to work for in 2022', 2022

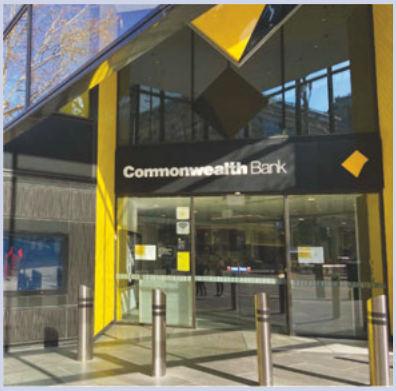


Image: QianLin/Shutterstock.com

Figure 2 Commonwealth Bank was named Australia's best company to work for in 2022, contributing to its ability to meet its objectives for business growth

ACTIVITY

The relationship between human resource management and business objectives

Jack & San is a law firm that has been operating for the last five years and recently hired a number of new staff to improve business performance and meet objectives. However, the human resource manager, Jan, has noticed that these newly hired employees are intimidated by those who have been working at Jack & San for many years. Consequently, there has been a decrease in the workflow and number of ideas at Jack & San as these new employees are not contributing to business processes, including planning for client cases and collaborating with their teams. Jan is now worried that Jack & San's objectives, to better fulfil customer needs and increase market share by 5%, will be unable to be achieved.

After reading the case study, answer the following questions in your workbook and then discuss your responses as a class:

1. Why are the new employees at Jack & San unwilling to contribute to business processes?
2. How could Jan contribute to improving the performance of the new employees?
3. How would improving the performance of the new employees assist Jack & San in achieving its business objectives?
4. If Jan was unable to increase the contribution of the new employees, how could this impact Jack & San's performance?

Theory summary

In any business, human resource management is important as it ensures employees are connected and satisfied with their work, completing their required tasks, and contributing to the achievement of business objectives. To effectively manage employees, a business can provide appropriate wages, tasks, and working conditions that maximise job satisfaction and encourage employees to achieve objectives.

2A Questions

Theory review

Question 1

Human resource management is the organisation of materials and resources required to produce a good or service.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- decrease
- increase

When a business has effective human resource management, employee satisfaction is likely to _____ . This can _____ the number of employees who leave the business.

Question 3

Effective human resource management can decrease the number of employees who leave the business and lower recruiting and training expenses to achieve the objective of:

A. making a profit.

B. fulfilling a social need.

Question 4

Fill in the blanks with **one** of the following terms:

- fulfil a social need
- fulfil a market need

When a business effectively manages its employees, the ability to _____ increases, as employees are more receptive and supportive of initiatives that reduce waste and aid the community.

Question 5

Through effective human resource management, employees may have higher job satisfaction, allowing them to complete work to a higher standard, assisting a business to increase its market share and meet shareholder expectations.

A. True

B. False

Question 6

Businesses should only consider human resource management if they are unable to achieve their business objectives.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 7 and 8.

In 2021, Steven was employed as the human resource manager at Brad's Berries, a berry producer and wholesaler with a number of employees in regional Victoria and Queensland. Since starting his employment, Steven has implemented employee bonding sessions, staff dinners, and monthly celebration meetings to recognise the achievements of Brad's Berries objectives. Consequently, Brad's Berries has reached its goals of increasing its market share and net profit figures.

Question 7

Identify which of the following is a correct statement about the relationship between human resource management and business objectives at Brad's Berries.

A. The implementation of bonding sessions, staff dinners, and monthly celebration meetings has likely increased levels of employee satisfaction and motivation, allowing Brad's Berries to deliver higher quality customer service and increase its market share.

B. The ideas Steven implemented at Brad's Berries have likely enhanced employee dissatisfaction at the business and hindered its ability to achieve its objectives.

Question 8

Identify which of the following statements are **true** or **false** about the relationship between human resource management and business objectives at Brad's Berries.

		True	False
I.	Increases in employee satisfaction may have increased employee motivation, encouraging them to achieve business objectives and allowing Brad's Berries to improve effectiveness	☐	☐
II.	The number of employees who leave the business may have increased at Brad's Berries, therefore minimising recruitment costs and allowing the business to make a profit.	☐	☐
III.	Brad's Berries employees may be happier and feel more valued when completing their work, enhancing the ideas they contribute and allowing the business to better fulfil customer needs.	☐	☐
IV.	Steven has displayed strong human resource management at Brad's Berries, resulting in more satisfied and determined employees who complete tasks at a faster pace, improving efficiency.	☐	☐

Exam-style

Question 9 (2 MARKS)

Define the term 'human resource management'.

Question 10 (2 MARKS)

Outline the relationship between human resource management and achieving the business objective of making a profit.

Question 11 (2 MARKS)

Outline the relationship between human resource management and achieving the business objective of increasing market share.

Question 12 (3 MARKS)

Explain the relationship between human resource management and business objectives.

Question 13 (3 MARKS)

In 2021, Steven was employed as the human resource manager at Brad's Berries, a berry producer and wholesaler with a number of employees in regional Victoria and Queensland. Since starting his employment, Steven has implemented employee bonding sessions, staff dinners, and monthly celebration meetings to recognise the achievements of Brad's Berries objectives. Consequently, Brad's Berries has reached its goals of increasing its market share and net profit figures.

Explain the relationship between human resource management and the business objectives of Brad's Berries.

Adapted from VCAA 2020 exam Section B Q2

Testing previous knowledge

Question 14 (3 MARKS)

Established in 2009, Preserve is a jam producer in South Australia. Currently, the human resource manager, Penny, has received reports of high levels of employee dissatisfaction as staff feel disconnected from their managers and unappreciated for their work.

Explain how effective human resource management can improve Preserve's corporate culture.

2B Maslow's Hierarchy of Needs

When climbing a staircase, each step must be passed before the top of the staircase is reached. Now, consider the top of the staircase to be an individual's optimal level of performance. For a person to reach their optimal performance and therefore their full potential, they must address each step, or 'need', along the way and in a sequential order. These needs act as a source of motivation to progress the individual up the steps.



STUDY DESIGN DOT POINT

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

2A 2B 2C 2D 2E 2F 2G 2H 2I 2J 2K 2L

3.2.2.1 **Maslow's Hierarchy of Needs**

- 3.2.2.1.1 Physiological needs
- 3.2.2.1.2 Safety and security needs
- 3.2.2.1.3 Social needs
- 3.2.2.1.4 Esteem needs
- 3.2.2.1.5 Self-actualisation needs

Lesson introduction

For employees to perform with high rates of productivity, a business must ensure they are motivated by their work. **Motivation** is the willingness of an individual to expend energy and effort in completing a task.

KEY DEFINITIONS

Motivation is the willingness of an individual to expend energy and effort in completing a task.

Maslow's Hierarchy of Needs is a motivational theory that suggests people have five fundamental needs, and their sequential attainment of each need acts as a source of motivation.

Maslow's Hierarchy of Needs 3.2.2.1

Maslow's Hierarchy of Needs is a motivational theory that suggests people have five fundamental needs, and their sequential attainment of each need acts as a source of motivation. Maslow's theory proposes that the unfulfilled needs on the hierarchy act as a source of motivation as an individual is willing to put in effort and time to achieve each need. Once a need has been fulfilled, it no longer acts to motivate the individual. Maslow explained that humans are motivated to satisfy five needs in a sequential order. From lowest to highest order, these five needs are physiological, safety and security, social, esteem, and self-actualisation. The lowest-order need, physiological needs, must be met before a person is motivated to satisfy the subsequent needs in the hierarchy.

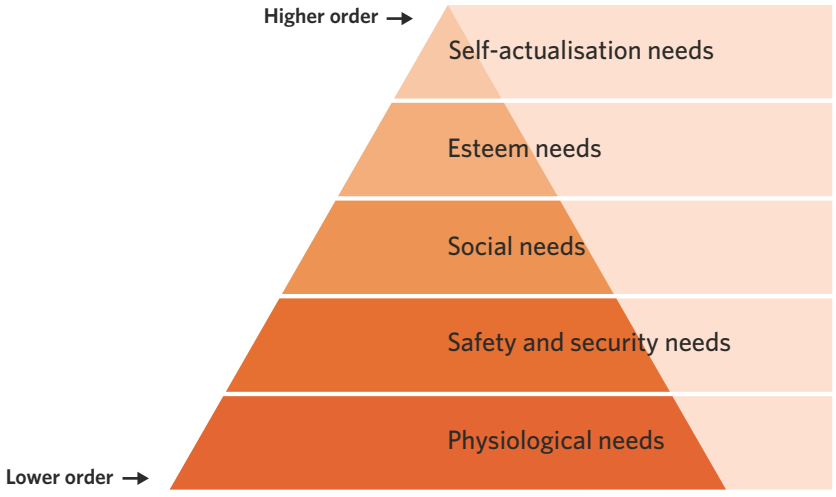


Figure 1 The ranking of the five needs that comprise Maslow's Hierachy of Needs

Physiological needs 3.2.2.1.1

Physiological needs are the basic requirements for human survival, such as food, water, and shelter. In Maslow's theory, physiological needs form the first tier of the hierarchy. This is because an individual is unlikely to be motivated by any other needs until they fulfil the requirements needed for their survival. When Maslow's Hierarchy of Needs is applied to a business setting, employees fulfil these physiological needs by using the wages they earn from work to purchase essential items, such as meals and housing. Managers can satisfy the physiological needs of their employees by paying them a **living wage**. Employees who are paid a wage that allows them to acquire necessities are able to focus their attention on the next level of the hierarchy.

REAL WORLD EXAMPLE

Physiological needs

Australia Post is a government business enterprise that provides postal services across Australia. As of 2015, Australia Post pays all of its employees above the minimum wage, according to the Australia Post Enterprise Award 2015. The average hourly rate for a postman at Australia Post is $22. This ensures all staff are able to afford necessities, such as food, water, and shelter. By paying all employees adequately so they can afford to purchase items needed for their survival, Australia Post is fulfilling its employees' physiological needs.



Image: ChameleonsEye/Shutterstock.com

Figure 2 Australia Post is committed to paying all staff a living wage

Adapted from Payscale, 'Average Hourly Rate for Australia Post Employees in Australia', 2022

Safety and security needs 3.2.2.1.2

Safety and security needs are the desires for protection from dangerous or threatening environments. All individuals have a desire to avoid environments that pose a risk to their physical, mental, or emotional health. Safety needs are a priority for most individuals and are therefore positioned lower down on Maslow's hierarchy. When applied to employees of a business, safety needs include avoiding physical harm in the workplace, while security needs include having a stable income and **job security**.

To satisfy the safety needs of employees, a manager must ensure the business abides by all relevant **OH&S regulations** and that employees are provided with safe conditions of work, such as protective clothing and adequate training to use dangerous equipment. The provision of training and personal protective equipment (PPE) can minimise hazards in the workplace and promote physical safety. To satisfy the security needs of employees, a manager can provide long-term employment contracts to enhance job security, and introduce anti-discrimination policies. These measures can reduce employees' anxiety regarding their job security, and promote fair treatment. Ensuring that the workplace mitigates possible threats to employee safety and security allows employees to become motivated to fulfil the next need in the hierarchy.

REAL WORLD EXAMPLE

Safety and security needs

Australia Post highlights safety as a core value on its website. Australia Post has put in place robust safety programs, policies, management plans, and training to prioritise employee safety. Such actions emphasise employee safety as a matter of utmost importance to Australia Post. In addition to these regular protocols, Australia Post introduced its 'COVIDSafe Plan' in 2020, which outlined a number of controls introduced during the pandemic to protect staff and customers from contracting the virus. The introduction of the 'COVIDSafe Plan' demonstrates Australia Post's prioritisation of the satisfaction of employees' safety and security needs, as the business seeks to promote a safe and healthy work environment.

Adapted from Australia Post, 'Safety', n.d. and Australia Post, 'COVID-19 health and safety', n.d.



Image: Hananeko_Studio/Shutterstock.com

Figure 3 Australia Post introduced many safety practices during the COVID-19 pandemic

KEY DEFINITIONS

Physiological needs are the basic requirements for human survival, such as food, water, and shelter.

Safety and security needs are the desires for protection from dangerous or threatening environments.

ADDITIONAL TERMS

Living wage is the minimum income an employee needs to afford basic shelter, food, and other necessities.

Job security is the likelihood of an employee keeping their job.

OH&S regulations are the occupational health and safety rules and laws that aim to protect the wellbeing of employees and the public.

LESSON LINK

Awards will be covered in further detail in **2K Awards and agreements**.

Social needs 3.2.2.1.3

KEY DEFINITIONS

Social needs are the desires for a sense of belonging and friendship among groups, both inside and outside the workplace.

Social needs are the desires for a sense of belonging and friendship among groups, both inside and outside the workplace. Once the first two needs have been fulfilled, individuals seek to satisfy their social needs by developing their interpersonal relationships. Interpersonal relationships can exist in many different forms, including friendships, familial, romantic, and professional relationships. For an employee, different types of relationships at work may arise between themselves and their peers or managers. A manager can satisfy social needs by encouraging team-based work, celebrating employee birthdays, and organising collaborative events to commemorate important milestones. Employees are then able to shift their attention towards fulfilling the unmet, higher-order needs after a sense of belonging is established at work.

REAL WORLD EXAMPLE



Image: EQRoy/Shutterstock.com

Figure 4 Australia Post introduced initiatives to encourage collaboration and fulfil employees' social needs

Social needs

In March 2021, Australia Post launched its TIES (Trust, Inclusivity, Empowerment and Safety) Time value campaign to celebrate the business's core values. The campaign involved a series of team discussions and activities, each aiming to foster a welcoming environment for employees. Australia Post sought to use the campaign as an opportunity for employees from across the business to share their experiences of working at Australia Post to generate a sense of belonging and camaraderie among peers. Such a campaign can contribute to fulfilling employees' social needs at Australia Post, as it enables the development of friendships within the workplace.

Adapted from Australia Post, 'Australia Post Annual Report 2021', 2021

Esteem needs 3.2.2.1.4

KEY DEFINITIONS

Esteem needs are an individual's desires to feel important, valuable, and respected.

Esteem needs are an individual's desires to feel important, valuable, and respected. Once people gain a sense of belonging, they will desire increased prestige, attention, and independence as the next step in Maslow's Hierarchy of Needs. In the workplace, employees may seek to satisfy their esteem needs by achieving promotions, prestigious job titles, or financial bonuses in recognition of their performance. A manager can fulfil an employee's esteem needs by acknowledging their strong performance with monetary rewards, increasing their job responsibilities, or promoting them to a higher position. As an employee seeks to satisfy their esteem needs, they may increase their productivity and performance. After esteem needs have been met, they no longer require satisfaction, and the employee becomes motivated to achieve the highest-order need in the hierarchy.

REAL WORLD EXAMPLE

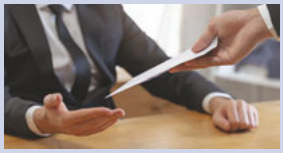


Image: Kmpzzz/Shutterstock.com

Figure 5 Australia Post fulfils esteem needs by providing financial bonuses to recognise high-performing employees

Esteem needs

To fulfil esteem needs, Australia Post rewards high performing employees through the provision of bonuses. In the 2021 financial year, the business reportedly spent $79 million on financial bonuses for employees. An Australia Post spokesperson reported that 2000 of these payments were made to its frontline workers who 'managed through extraordinary circumstances' during the height of the pandemic from the start of 2020 to the end of 2021. As high performance is recognised with financial bonuses, employees at Australia Post may feel valued by the business, and therefore, have their esteem needs fulfilled.

Adapted from The Sydney Morning Herald, 'Australia Post, NBN pay out $300 million in bonuses during COVID', 2021

Self-actualisation needs 3.2.2.1.5

KEY DEFINITIONS

Self-actualisation needs are the desires of an individual to reach their full potential through creativity and personal growth.

ADDITIONAL TERMS

Intrinsic motivation is a drive that comes from within an individual.

Self-actualisation needs are the desires for an employee to reach their full potential through creativity and personal growth. Self-actualisation is the final need in Maslow's hierarchy as it relies on the **intrinsic motivation** of an individual to accomplish their goals and objectives. Unlike the other needs of the hierarchy, external factors no longer act as motivation, and individuals are instead driven by personal interest and self-satisfaction. This means that self-actualisation may be harder to attain compared to other needs, as it relies on highly-personalised, intangible rewards, specific to each individual. Employees who reach self-actualisation in Maslow's hierarchy strive to achieve personal growth and advancement through their work. A manager can facilitate self-actualisation in the workplace by providing employees with challenging work, opportunities for skill and knowledge development, and offering employees work that enables them to express their creativity. After the achievement of self-actualisation, employees can perform at their highest possible level, improving overall business performance.

REAL WORLD EXAMPLE

Self-actualisation needs

In 2019, Australia Post introduced 'Tech Academy'; a two-year program that trains successful applicants in the digital and technology field. The program involves professional training and mentoring to build a successful career in the technology industry. Applicants are able to attend coding masterclasses, participate in regular excursions, and engage in academic coaching. Employees are also provided with a starting salary as part of the program. This allows employees to experience opportunities for knowledge and skill development, fulfilling their self-actualisation needs.

Adapted from Australia Post, 'Tech Academy', n.d.



Image: Gorodenkoff/Shutterstock.com

Figure 6 Australia Post's 'Tech Academy' program allows employees to achieve self-actualisation by providing them with opportunities to engage in challenging tasks

ACTIVITY

Maslow's Hierarchy of Needs

Johnny is the manager of Johnny's Juice, a gourmet juice business based in Melbourne. He predominantly hires teenagers who work part-time after school, as well as three full-time employees who work during the weekdays. All employees are paid above the minimum wage requirement for their respective ages. Johnny provides all employees with two weeks of paid training to ensure they can safely use the juicer, as it can be a hazardous machine if used incorrectly. He also provides all employees with gloves and safety glasses that must be worn at all times when operating the juicer. Johnny does not offer any employee bonuses, however he does name an 'employee of the month' every month. This has created tension among staff who refuse to help one another, only focusing on their own duties as they attempt to become 'employee of the month'. The teenage employees generally do not get along as they only do their own duties, refraining from ever learning new skills outside of the regular jobs they must complete. Johnny has made no attempts to unite staff, claiming 'there's no harm in a little workplace drama'.

In the table below, fill out each box with either a 'yes' or 'no' to indicate if Johnny's Juice is currently fulfilling the certain need for his employees. Brainstorm some ways in which Johnny could fulfil the other needs which have not yet been satisfied. Discuss with small groups the reasons behind your decisions.

	Yes/No
Physiological needs	
Safety and security needs	
Social needs	
Esteem needs	
Self-actualisation needs	

Theory summary

Managers can make use of Maslow's Hierarchy of Needs to determine the factors that act as a source of motivation for their employees. After assessing which level of the hierarchy an employee is at, managers can develop a business environment that better satisfies the unfulfilled needs of each employee, allowing them to focus on the higher-order need that follows the need they last fulfilled.

The five needs that Maslow suggests must be satisfied are:

- Physiological needs, which are the basic requirements needed for survival.
- Safety and security needs, which are the desires to be free from harm.
- Social needs, which are the desires for interactions with others.
- Esteem needs, which are the desires to feel valued and confident.
- Self-actualisation needs. which are the desires to reach one's full potential.

Continues ▶

Theory summary – continued

Table 1 The advantages and disadvantages of Maslow's Hierarchy of Needs

	Advantages	Disadvantages
Business	• Can give managers a clear path to motivate employees. • Can help managers determine which level of the hierarchy is motivating an employee. This therefore allows a manager to introduce targeted strategies that directly address specific employee needs. • Employees who reach self-actualisation can improve business performance through creative work.	• It is difficult to measure success, as the levels of satisfaction gained at each stage can vary among people. For example, for some employees, it may only take monthly catch-ups to fulfil their social needs, while others may need to collaborate with different people every day to be satisfied. • Assumes all employees are motivated in the same order.
Employee	• Employees can work in an engaging environment that allows them to reach their full potential.	• Not all employees will be motivated by the same needs at once. • Assumes that there are no other fundamental needs that can motivate employees.
Time	• Motivation can occur quickly when employees progress through the lower levels of the hierarchy.	• It may be time-consuming for a manager to determine the level of each individual employee, and implement appropriate strategies for each. • Higher-order needs may take more time to assess and fulfil, therefore becoming a tedious process when employees reach more complex needs.
Money	• Satisfying social needs may not increase business expenses. For example, a business could organise weekly meetings for staff to facilitate collaboration and allow for friendships to flourish in the workplace. This can fulfil employees' social needs and may come at no cost to the business. • Satisfying safety and security needs may not come at any cost to the business. For example, a business can host diversity training and introduce policies that prevent discrimination in the workplace, promoting safety.	• Satisfying physiological and esteem needs may result in a direct increase in business expenses, as businesses need to offer opportunities for promotions and pay suitable wages.

2B Questions

Theory review

Question 1

Maslow's theory suggests that each need acts as a source of motivation for employees while it remains unfulfilled.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- physiological
- esteem

The basic requirements for survival, such as food, water, and shelter, are known as _____ needs, while the desires to gain recognition and respect are _____ needs.

Question 3

Employees will not be motivated by any need except physiological if they are not able to afford their basic necessities for survival.

A. True

B. False

Question 4

To fulfil an employee's esteem needs, a manager could:

A. provide them with a bonus and promote them to a higher position.

B. provide them with opportunities to network with fellow employees at the business.

Question 5

Safety and security needs could be fulfilled by:

A. providing staff with safety training, protective equipment, and long-term contracts.

B. paying staff above the minimum wage to ensure they can afford food to stay safe.

Question 6

The following is the sequential order of human motivational needs from lowest to highest, according to Maslow's Hierarchy of Needs: safety and security, physiological, esteem, social, and self-actualisation.

A. True

B. False

Preparing for exams

Case study skills

Question 7

Watson's Designs is a prestigious architecture firm that takes pride in hiring skilled architects to work for the business. In addition, it is well known for paying staff salaries that are significantly higher than the industry average. Despite this, the amount of staff who leave the business before two years of employment is much higher than competitors.

Identify which of the following statements are **true** or **false** about employees of Watson's Designs.

		True	False
I.	Employees of Watson's Designs receive a high salary, which satisfies their physiological and security needs as they have a sense of financial security and can afford essentials.	☐	☐
II.	Employees of Watson's Designs will always be motivated by high salaries as their lower order needs are not currently satisfied.	☐	☐
III.	Employees of Watson's Designs are more likely to be motivated by higher-order needs that remain unfulfilled, such as social needs, esteem needs, and self-actualisation.	☐	☐
IV.	Employees of Watson's Designs are leaving the business as their higher-order needs are not being fulfilled by the business.	☐	☐

Question 8

Lo-Fi Cinemas is an independent movie theatre that showcases foreign, indie, and documentary-style films. Sally, the human resource manager, has noticed that employees of the business are not productive and are failing to provide high-quality customer service. In a staff survey, some employees expressed that they were unhappy with the lack of social activities available to them.

Identify which of the following are **advantages** or **disadvantages** of Sally using Maslow's Hierarchy of Needs to improve employee motivation at Lo-Fi Cinemas.

		Advantage	Disadvantage
I.	The theory can help Sally understand that her employees are at different levels in the hierarchy, therefore a variety of strategies must be implemented to address different needs.	☐	☐
II.	Not all employees will be motivated by the same needs at once as some employees at Lo-Fi Cinemas may value certain needs more than others.	☐	☐
III.	It may be time-consuming for Sally to determine which level on the hierarchy each employee is at and which needs they need to fulfil.	☐	☐
IV.	If Sally is able to improve her employee's higher-order needs, such as self-actualisation, she may be able to improve the overall business performance of Lo-Fi Cinemas as employees will perform better if they are more engaged in their work.	☐	☐

Question 9

XYZ Kids is a childcare centre that provides services for children under five. Janice, the owner of the centre, wants to provide high-quality and reliable childcare in her local area. Recently, employees expressed that they are not happy at work and their motivation is low. Janice fears that employees will begin to leave the business as a result.

Identify which of the following statements are **true** or **false** about employees of XYZ Kids.

		True	False
I.	Employees at XYZ Kids are likely already having their physiological needs satisfied as Janice would be paying them at or above the minimum wage in accordance with the law.	☐	☐
II.	By providing her employees with masks to wear around the children at XYZ Kids, Janice can help prevent the spread of germs, fulfilling her employee's self-actualisation needs.	☐	☐
III.	Employees at XYZ Kids could have their social needs fulfilled if Janice introduced programs, such as monthly work outings, which could create a sense of community and belonging among staff and parents at XYZ Kids.	☐	☐
IV.	By providing her employees with financial bonuses or promotions, Janice could demonstrate to her employees that she values them and recognises their strong work performance, thus fulfilling their esteem needs.	☐	☐

Exam-style

Question 10 (2 MARKS)

Define Maslow's Hierarchy of Needs.

Question 11 (3 MARKS)

Distinguish between physiological needs and self-actualisation needs.

Question 12 (3 MARKS)

Watson's Designs is a prestigious architecture firm that takes pride in hiring skilled architects to work for the business. In addition, it is well known for paying staff salaries that are significantly higher than the industry average. Despite this, the amount of staff who leave the business before two years of employment is much higher than competitors.

Explain, with reference to Maslow's Hierarchy of Needs, why the high salaries may not be motivating staff at Watson's Designs.

Adapted from VCAA 2014 exam Q1b

Question 13 (4 MARKS)

Lo-Fi Cinemas is an independent movie theatre that showcases foreign, indie, and documentary-style films. Sally, the human resource manager, has noticed that employees of the business are not productive and are failing to provide high-quality customer service. In a staff survey, some employees expressed that they were unhappy with the lack of social activities available to them.

Discuss whether Maslow's theory is appropriate for Lo-Fi Cinemas.

Adapted from VCAA 2017 exam Section A Q3c

Question 14 (6 MARKS)

XYZ Kids is a childcare centre that provides services for children under five. Janice, the owner of the centre, wants to provide high-quality and reliable childcare in her local area. Recently, employees expressed that they are not happy at work and their motivation is low. Janice fears that employees will begin to leave the business as a result.

Define Maslow's Hierarchy of Needs and explain how it could be applied at XYZ Kids to improve employee motivation.

Adapted from VCAA 2018 exam Section A Q1c

Testing previous knowledge

Question 15 (4 MARKS)

With reference to Maslow's Hierarchy of needs, explain how the characteristics of the laissez-faire management style could improve employee motivation.

2C Lawrence and Nohria's Four Drive Theory

Throughout VCE you may be motivated by a number of different factors simultaneously. Are you driven by high grades, making friendships, learning new things, or representing your school in competitions?



STUDY DESIGN DOT POINT

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

2A 2B 2C 2D 2E 2F 2G 2H 2I 2J 2K 2L

3.2.2.2 Lawrence and Nohria's Four Drive Theory

- 3.2.2.2.1 Drive to acquire
- 3.2.2.2.2 Drive to bond
- 3.2.2.2.3 Drive to learn
- 3.2.2.2.4 Drive to defend

Lesson introduction

Employees are extensively involved in a business's operations and are responsible for providing labour and skills to a business in order for it to meet its objectives. The Four Drive Theory is a theory of motivation that managers can use to improve employee engagement, increase their productivity in completing work, and therefore improve efficiency and overall business performance.

Lawrence and Nohria's Four Drive Theory 3.2.2.2

KEY DEFINITIONS

The **Four Drive Theory** is a motivational theory that suggests that people strive to balance four fundamental desires.

The **drive to acquire** is the desire to achieve rewards and high status.

ADDITIONAL TERMS

Financial rewards are monetary payments given to employees to recognise their high performance.

Non-financial rewards are non-monetary benefits given to employees to recognise their high performance.

Lawrence and Nohria's **Four Drive Theory** is a motivational theory that suggests that people strive to balance four fundamental desires. It highlights four universal drives which can be applied to business settings to understand employee motivation, relating to their desires to acquire, bond, learn, and defend. The four drives rely on an employee's desire to attain rewards, form relationships, develop knowledge and skills, and protect themselves and the business. A manager may use each of the four drives to motivate employees and create an environment in which they are able to complete tasks to the best of their ability. However, managers should be aware that failing to balance employees' drives can lead to a lack of motivation and therefore reduced business productivity.



Drive to acquire | Drive to bond | Drive to learn | Drive to defend

Figure 1 The four drives of Lawrence and Nohria's theory

Drive to acquire 3.2.2.2.1

The **drive to acquire** is the desire to achieve rewards and high status. In a business setting, the drive to acquire motivates employees who want to receive **financial rewards** and **non-financial rewards** in recognition of their effort and performance. A manager can increase employee motivation and fulfil the drive to acquire by rewarding employees who make meaningful contributions towards business objectives.

Table 1 Financial and non-financial rewards that can be used to fulfil the drive to acquire

Financial	Non-financial
Performance-based bonuses	Pathways for promotions
Higher wages	Prestigious job titles
Increase in salary due to a promotion	Increased range of responsibilities

Drive to bond 3.2.2.2.2

The **drive to bond** is the desire to participate in social interactions and feel a sense of belonging. Employees that are motivated by the drive to bond seek to engage in social activities with other people and develop positive relationships. A manager can fulfil the drive to bond by creating an environment that promotes both work-related and personal interactions. Activities that help to develop an inclusive workplace environment may include:

- introducing recreational team bonding activities, such as sports days.
- encouraging group work instead of tasks to be done by a single person.
- celebrating employee milestones and birthdays.
- holding social events that employees can regularly attend and participate in.

KEY DEFINITIONS

The **drive to bond** is the desire to participate in social interactions and feel a sense of belonging.

The **drive to learn** is the desire to gain knowledge, skills, and experience.

The **drive to defend** is the desire to protect personal security as well as the values of the business.

Drive to learn 3.2.2.2.3

The **drive to learn** is the desire to gain knowledge, skills, and experience. Employees that are motivated by the drive to learn seek to improve their capabilities at work through training, mentoring, and taking responsibility for new tasks. Managers can cater to this drive by offering opportunities to educate and upskill employees. Furthermore, managers may rotate responsibilities and tasks within the business so that all employees have an opportunity to broaden their range of skills, experience, and knowledge.

An employee that aims to continually improve their understanding of themselves, their environment, and society as a whole can become increasingly motivated by new opportunities and responsibilities within the business. Managers may fulfil the drive to learn by taking measures to create continuous learning environments, such as:

- facilitating internal and external work-related training courses.
- adopting a mentoring system between junior and senior employees.
- regularly rotating the types of tasks assigned to employees.
- sponsoring employees to pursue further education and qualifications.
- assigning challenging work tasks to employees to broaden their range of skills.

Drive to defend 3.2.2.2.4

The **drive to defend** is the desire to protect personal security as well as the values of the business. An employee is motivated by the drive to defend when they are required to protect their personal position within the business and the business's values as a whole. When an employee perceives a threat to their own or the business's position, they become interested in taking action to defend themselves. In doing so, an employee can ensure they preserve their own safety, fair treatment, job security, and the values of the business. The drive to defend can reflect an individual's pride, their connection to the business, and their willingness to protect it from competitors and negative publicity.

A manager must ensure that employees are able to defend themselves and the business when required to. This may involve establishing grievance procedures and support systems to facilitate action that results in optimal levels of employee motivation. Managers should also lead by example, treat employees fairly, and increase trust between the business and its employees. A business can help its employees appropriately fulfil their drive to defend by:

- developing a vision that employees agree with.
- implementing policies using employee input.
- ensuring that managers represent business values.
- building trust by supporting and collaborating with employees.
- facilitating transparent communication between managers and employees.
- implementing job contracts so that employees understand their work responsibilities and requirements.

WANT TO KNOW MORE?

The drive to defend is a latent drive, meaning that it only becomes active when an individual encounters a situation they need to respond to. When employees perceive a threat to their job security, personal safety, or the business's overall values, they become motivated to take action, and their drive to defend becomes active. In contrast, other drives in Lawrence and Nohria's theory are active drives, as an event does not need to occur in order for an employee to seek rewards, develop new skills, or form meaningful relationships.

EXTENDED REAL WORLD EXAMPLE

Lawrence and Nohria's Four Drive Theory

Amazon is a highly successful company operating in the online shopping space, boasting access to hundreds of thousands of items. As a result of its resounding success in recent years, Amazon has a very large workforce to keep day-to-day operations running as smoothly as possible. In order to motivate employees at Amazon, managers may use the Four Drive Theory to structure employee benefits and expectations.

Amazon has a number of measures in place for employees to meet their drive to acquire. A starting wage of USD$18 per hour and opportunities for career development indicate that employees who seek increased financial and non-financial rewards for their work are appropriately awarded, according to their work ethic and performance in the business.

Amazon aims to fulfil its employees' drive to bond by offering parental leave and support services for families. Employees have access to up to 20 weeks of paid maternity leave, allowing them to form connections with their close family and newborns as they enter a new stage of life. Additionally, family support services allow working parents and caretakers to join the workforce, develop positive professional relationships, and foster a sense of belonging with other employees.

Amazon caters to its employees' drive to learn through its Career Choice program. Employees can use the program to access funded college tuition, which covers the costs of classes, books, and fees. Amazon also provides opportunities for employees to upskill themselves, by offering training programs to broaden an employee's experience and level of understanding. Therefore, the company is able to fulfil its employees' drive to learn by providing pathways that they can use to improve their knowledge and skills within the business and in the broader scope of society as a whole.

Amazon takes steps to ensure that employees are protected from avoidable workplace accidents, by developing benchmarks for safety, focusing on health and wellbeing, and analysing potential risks to avoid injury and illness. This ensures that its employees are able to fulfil their drive to defend. Furthermore, fostering an environment that values diversity and equity means that employees are unlikely to feel unsafe or discriminated against in the workplace.

Overall, Amazon has numerous policies and procedures in place so that employees' drives are adequately fulfilled and balanced. This leads to greater employee motivation, and therefore greater productivity, which has helped Amazon become a highly successful international company.

Adapted from Amazon, 'Our Workplace', n.d.



Image: Sundry Photography/Shutterstock.com

Figure 2 Amazon's employees are motivated by the drives that Lawrence and Nohria outline in their Four Drive Theory

Questions

1. How does the drive to acquire differ from the drive to learn at Amazon?
2. How does Amazon cater to its employees' drive to bond?
3. What services does Amazon provide to meet its employees' desire to develop both familial and professional relationships?

ACTIVITY

Lawrence and Nohria's Four Drive Theory

Match the drives of Lawrence and Nohria's Four Drive Theory to each of the following scenarios:

A human resource manager recognises that employees do not engage with each other in the workplace environment, and this has led to a lack of collaboration that impacts group work at the business. The human resource manager schedules monthly social events for employees of the business to connect with each other, and has received feedback of increased employee satisfaction at work and greater productivity.	Drive to acquire
A small business has recently entered an agreement with a competitor to merge the two workforces together. As a result, some employees from each business will lose their position at work, due to an excess of staff after the merge. Employees of the businesses feel threatened by the proposed change and fear for their job security.	Drive to bond
A human resource manager has identified a lack of motivation among employees, and has implemented new systems in the workplace to recognise the outstanding achievements of hard-working employees with bonuses and pay increases.	Drive to learn
Employees of a business have given feedback to their manager after the introduction of new automated technology used in the business's operations. They feel they do not understand how this technology works, and are interested in training courses to improve their comprehension of the equipment. Management complies with the employees' wishes and organises external training sessions to fill in the gaps in their knowledge.	Drive to defend

Theory summary

Lawrence and Nohria's Four Drive Theory outlines four universal human desires that act as a means to motivate individuals. This theory can be applied to business settings as managers can help employees achieve a balance of the four drives to increase their motivation.

The four drives of Lawrence and Nohria's theory are:

- the drive to acquire, which is the desire to gain rewards and status.
- the drive to bond, which is the desire to interact with others and develop relationships.
- the drive to learn, which is the desire to comprehend the world and gain skills.
- the drive to defend, which is the desire to protect one's position and job security.

Table 2 Advantages and disadvantages of Lawrence and Nohria's Four Drive Theory

	Advantages	Disadvantages
Business	• The model provides a simple approach for motivating employees and is easy for managers to implement. • All four drives can be attained simultaneously, and are not restricted to sequential orders, therefore increasing motivation efficiently for the business.	• Managers may find it difficult to manage four drives simultaneously.
Employee	• The four drives act as a means to motivate employees and can allow them to feel more engaged in their work.	• Some drives can be overlooked and therefore, an employee's full potential may not be achieved. • Employees may not value all drives equally and therefore, a balance between drives cannot be achieved. • Rewarding individual employees may lead to unhealthy competition in the workplace.
Time	–	• Individual employees may have different drives that are yet to be met and a manager may spend a lot of time analysing these to cater to employees.
Money	• Satisfying drives can improve employee performance and business productivity and therefore increase business profits.	• Training programs and sponsoring the education of employees to fulfil the drive to learn can increase business expenses. • Financial rewards that are provided to employees to fulfil the drive to acquire can increase business expenses.

USEFUL TIP

By assigning letters to each of the four drives, you may be able to recall them more quickly.

- Drive to acquire: A
- Drive to bond: B
- Drive to learn (comprehend): C
- Drive to defend: D

The 'ABCD' drives may be useful for quick recall as you approach your end-of-year exam.

2C Questions

Theory review

Question 1

The Four Drive Theory highlights four universal human desires that can be used by a manager to motivate employees.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- drive to learn
- drive to acquire

The _____ is the desire to achieve rewards and high status, whereas the _____ is the desire to gain knowledge, skills, and experience.

Question 3

An employee's drive to bond is:

A. their desire to protect personal security and the values of the business.

B. their desire to participate in social interactions and feel a sense of belonging.

Question 4

An employee's drive to learn can be met by a manager by:
(Select all that apply)

I. rotating employee responsibilities.

II. adopting a mentor system between new and experienced employees.

III. encouraging employees to only develop skills related to their work lives.

IV. assigning employees to a single task for prolonged periods of time.

Question 5

An employee's drive to defend only concerns their personal interests in the business, such as their job security.

A. True

B. False

Question 6

Lawrence and Nohria's Four Drive Theory is always beneficial for a business to use when they seek to reduce costs and increase profits.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 7 and 8.

Alessio is the manager of a bed and breakfast chain, Camper's Lodge, and oversees a large cohort of younger workers who are employed to ensure the business's operations run as smoothly as possible. Alessio found that employees are not engaged in their work and lack motivation, so he intends to find a way to overcome this issue.

Question 7

Identify which of the following is a correct statement about the use of the Four Drive Theory at Camper's Lodge.

A. Employees at Camper's Lodge would be motivated by the sequential attainment of each drive, which can improve overall business productivity.

B. Employees at Camper's Lodge would be motivated by the simultaneous balancing of each drive, which can improve overall business productivity.

Question 8

Identify which of the following statements are correct about the use of the Four Drive Theory at Camper's Lodge.
(Select all that apply)

I. Alessio can fulfil employees' drive to acquire by regularly scheduling work-related functions to ensure employees are able to connect with one another.

II. Alessio can fulfil employees' drive to bond by giving rewards, such as promotions and increased responsibilities.

III. Alessio can fulfil employees' drive to learn by providing opportunities, such as training workshops, for the development of their skills and knowledge.

IV. Alessio can fulfil employees' drive to defend by implementing procedures that can be followed to ensure employees do not feel that their safety or job security is at risk.

Question 9

Lincoln is the new human resource manager at Hyrule, a business that provides security services to banks. Recently, Lincoln overheard employees discussing their desire to leave the business for higher positions at a competing business. The owner of Hyrule, Zelda, has indicated to Lincoln that the old human resource manager did not encourage teamwork or develop trust between management and employees.

Identify which of the following statements are correct about the use of the Four Drive Theory at Hyrule.
(Select all that apply)

I. Lincoln can fulfil employees' drive to acquire by providing pathways to attain more prestigious positions with greater responsibilities at Hyrule.

II. Lincoln can fulfil employees' drive to bond by encouraging group-based tasks instead of individual ones.

III. Lincoln can fulfil employees' drive to learn by reducing the number of staff employed at Hyrule.

IV. Lincoln can fulfil employees' drive to defend by establishing a mentoring program between new and experienced employees of the business to share knowledge and skills.

Question 10

Alexander is the owner of Ham's Sandwiches, a small sandwich bar operating in Melbourne's CBD. Alexander recently conducted an employee survey to gain insight into the level of staff satisfaction at Ham's Sandwiches and has been reviewing some of the feedback. Ham's Sandwiches has also received a number of complaints from customers informing Alexander that employees are providing a poor customer experience, and appear to be unengaged in their work.

Identify which of the following are **advantages** or **disadvantages** of using the Four Drive Theory at Ham's Sandwiches.

		Advantage	Disadvantage
I.	Balancing the drives of the Four Drive Theory can lead to increased employee motivation at Ham's Sandwiches, therefore leading to higher levels of satisfaction and engagement.	☐	☐
II.	Rewarding individual employees for high performance can lead to competition in the workplace and conflicts may arise between co-workers, as employees at Ham's Sandwiches may not receive the same benefits at the same time	☐	☐
III.	Alexander may need to spend prolonged periods of time to understand each employee's individual drives and implement appropriate strategies to create a balance between them.	☐	☐
IV.	Using the Four Drive Theory at Ham's Sandwiches can lead to higher levels of employee motivation, leading to increased business productivity, and business profits. Therefore, positively influencing the business's financial position	☐	☐

Exam-style

Question 11 (2 MARKS)

Define Lawrence and Nohria's Four Drive Theory.

Question 12 (3 MARKS)

Distinguish between Lawrence and Nohria's drive to acquire and drive to learn.

Question 13 (3 MARKS)

Alessio is the manager of a bed and breakfast chain, Camper's Lodge, and oversees a large cohort of younger workers who are employed to ensure the business's operations run as smoothly as possible. Alessio found that employees are not engaged in their work and lack motivation, so he intends to find a way to overcome this issue.

Explain how Alessio could apply one principle of Lawrence and Nohria's theory of motivation to successfully manage employees.

Adapted from VCAA 2019 exam Section A Q6

Question 14 (4 MARKS)

Lincoln is the new human resource manager at Hyrule, a business that provides security services to banks. Recently, Lincoln overheard employees discussing their desire to leave the business for higher positions at a competing business. The owner of Hyrule, Zelda, has indicated to Lincoln that the old human resource manager did not encourage teamwork or develop trust between management and employees.

With reference to two principles of Lawrence and Nohria's Four Drive Theory of motivation, describe how Hyrule could use this theory to improve the performance of employees.

Adapted from VCAA 2021 exam Section B Q6

Question 15 (6 MARKS)

Alexander is the owner of Ham's Sandwiches, a small sandwich bar operating in Melbourne's CBD. Alexander recently conducted an employee survey to gain insight into the level of staff satisfaction at Ham's Sandwiches and has been reviewing some of the feedback. Ham's Sandwiches has also received a number of complaints from customers informing Alexander that employees are providing a poor customer experience, and appear to be unengaged in their work.

Lawrence and Nohria's Four Drive Theory has been suggested to Alexander as an appropriate motivational theory for improving employee performance. Describe this theory of motivation and discuss its use at Ham's Sandwiches to increase customer satisfaction.

Adapted from VCAA 2018 Section A Q1c

Testing previous knowledge

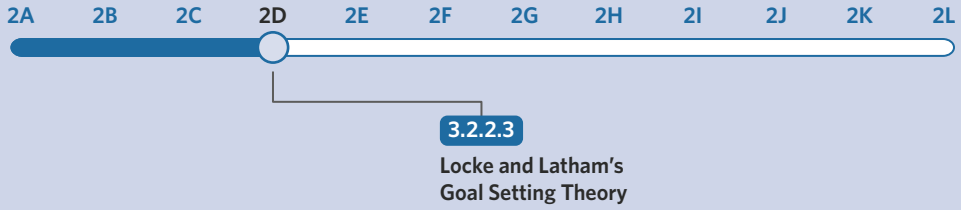
Question 16 (6 MARKS)

With reference to two business objectives, explain how a manager could use Lawrence and Nohria's theory of motivation to effectively manage employees.

2D Locke and Latham's Goal Setting Theory

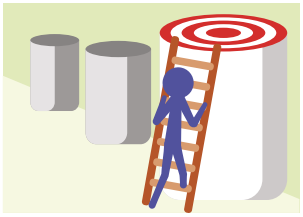
STUDY DESIGN DOT POINT

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



'Setting goals is the first step in turning the invisible into the visible' – Tony Robbins

Managers can motivate and inspire employees by sharing their vision for the future and developing a concrete plan for how employees can work towards reaching their shared goals for success.



Lesson introduction

Edwin Locke and Gary Latham developed the Goal Setting Theory which examines how work-related goals can motivate employees to increase their performance in the workplace. Their theory suggests that goals that fulfil five key principles are the most effective in motivating employees.

Locke and Latham's Goal Setting Theory 3.2.2.3

The **Goal Setting Theory** is a motivation theory that states that employees are motivated by clearly defined goals that fulfil five key principles. The theory proposes that managers should set goals that fulfil the five criteria in order to effectively motivate employees within the workplace.

KEY DEFINITIONS

The **Goal Setting Theory** is a motivation theory that states that employees are motivated by clearly defined goals that fulfil five key principles.

Table 1 The five key principles of the Goal Setting Theory

Key principle	Impact on goals
Clarity	• Goals should be specific and easy to measure. • Employees should be able to clearly understand what is expected of them.
Commitment	• Employees should be involved in setting their goals. • Goals should incorporate the personal interests of employees.
Challenge	• The goal should be difficult enough to encourage employees to improve in order to achieve it.
Task complexity	• The goal should not overwhelm employees and should be achievable. • Employees should receive adequate training and time to achieve their goals.
Feedback	• Managers should provide regular support to employees and adjust goals as needed. • Managers should constantly monitor the progress of employees to keep them on track, clarify misunderstandings, and encourage them to achieve their goals.

In order to adopt the Goal Setting Theory within the workplace, a manager must work collaboratively with each employee to set individual goals that meet these five principles. The achievement of employees' individual goals can then contribute to the achievement of wider business objectives. As each employee has a unique set of knowledge and skills within the business, the manager must ensure that each goal aligns with the employee's capabilities and is curated to sufficiently motivate them. A manager can ensure that goal setting is effective as a motivator for employees by following a five-step process.

USEFUL TIP

Exam questions often reference motivation theories only by the names of the theorists (e.g. Locke and Latham's theory) rather than the name of the theory (e.g. Goal Setting Theory). Therefore, it is important to ensure that you can identify each motivation theory by both the name of the theorists and the name of the theory.

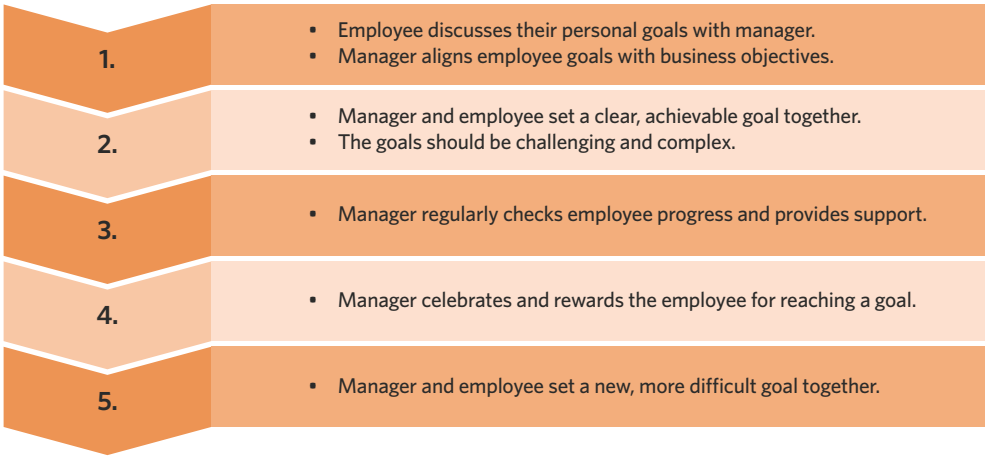


Figure 1 The process of implementing the Goal Setting Theory

When implementing the Goal Setting Theory, managers should set goals regularly with all employees across different roles and departments. Managers can motivate employees to complete tasks that contribute to broader business objectives by setting goals such as:

- sales goals – an employee may have a sales target to meet.
- knowledge and skills goals – an employee may have a goal to learn a new skill.
- deadline goals – an employee may have a date they need to complete a task by.
- productivity goals – an employee may have a **production quota** to meet.

ADDITIONAL TERMS

A **production quota** is a goal for how many products are to be made within a specific time period.

ACTIVITY

Locke and Latham's Goal Setting Theory

The collaborative process of goal setting is essential because whether or not an employee will find a goal challenging enough will depend on their personal skill set and capabilities.

Individually, rank the following goals from 1–6, with 1 being the least challenging and 6 being the most challenging:

Goals	
Performing a song at assembly	☐
Tutoring a group of peers on writing an English essay	☐
Efficiently inputting data into an excel spreadsheet for analysis	☐
Writing a blog post once a week for a school newspaper	☐
Creating an exercise plan for a friend who wants to start working out	☐
Cooking a delicious lunch for 50 people	☐

Discuss the following questions with your classmates:

1. After comparing answers, what skills and knowledge do you possess that would allow you to find certain tasks easier than others?
2. Do some tasks seem more appealing to you because of your personal interests? How might a manager apply this to motivate employees?
3. Are some of these goals more challenging to measure than others? How could a manager ensure that all the goals above are specific and measurable?

With your peers, work together in groups to establish a goal for each person that fulfils the five key principles explored earlier in this lesson.

Theory summary

Locke and Latham's Goal Setting Theory can be used by managers to establish well-defined objectives that motivate employees. In order for goals to motivate employees, this theory suggests that goals should incorporate five key principles:

- Clarity – goals should be specific and easy to measure.
- Commitment – employees should be involved in setting their goals.
- Challenge – goals should be reasonably difficult to achieve.
- Task complexity – goals should not overwhelm employees.
- Feedback – managers should provide support to employees in reaching their goals.

Table 2 Advantages and disadvantages of the Goal Setting Theory

	Advantages	Disadvantages
Business	• Goals that align employee goals with achieving business objectives are likely to improve business performance. • The process of managers setting goals with employees can improve levels of trust and the relationship between employees and management.	• It may be difficult for a manager to always align an employee's personal goals with business objectives.
Employee	• An employee can clearly understand management's expectations through straightforward goals and regular feedback. • Employees may be more motivated to complete tasks if work goals align with their personal interests.	• Employees may become stressed and demotivated if they have too many goals at once. • Failure to meet a goal may result in an employee losing confidence and feeling less motivated to contribute to business objectives.
Time	• As goals are specific and measurable, it is not time-consuming for managers to assess whether an employee has achieved their goal or not.	• The process of setting goals and providing feedback to each employee can be time-consuming for management.
Money	• When employee goals align with business objectives, they can contribute to a business's financial aims, such as increasing sales and net profit.	–

Continues ▶

LESSON LINK

Maslow's Hierarchy of Needs was introduced in **2B Maslow's Hierarchy of Needs**.

The Four Drive Theory was introduced in **2C Lawrence and Nohria's Four Drive Theory**.

Theory summary – continued

Selecting an appropriate motivational theory for a business can depend on the ability of a manager to apply the theory, as well as the nature and needs of employees. There are similarities and differences between the three motivation theories that a manager should consider.

Table 3 Similarities and differences between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory

	Maslow's Hierarchy of Needs & Lawrence and Nohria's Four Drive Theory
Similarities	• Both theories focus on motivating employees holistically, through addressing their physical, social, and emotional desires. • Both theories suggest employees are motivated by the desire to feel a sense of belonging within the workplace through social needs and the drive to bond. • Both theories suggest that employees are motivated by a desire to improve their knowledge and skills through self-actualisation needs and the drive to learn.
Differences	• Maslow's Hierarchy of Needs must be met in sequential order, whereas the Four Drive Theory suggests any drive may be relevant to an employee in no particular order. • The Hierarchy of Needs states that employees are motivated to fulfil only one need at a time, whereas the Four Drive Theory states that all needs can drive employee behaviour simultaneously.

Table 4 Similarities and differences between Maslow's Hierarchy of Needs and Locke and Latham's Goal Setting Theory

	Maslow's Hierarchy of Needs & Locke and Latham's Goal Setting Theory
Similarities	• Both theories recognise that personal gain is a factor that can motivate employees. Esteem needs can be satisfied by providing jobs with higher status to employees, whilst goals fulfilling the commitment principle consider the personal objectives of employees. • Both recognise the importance of feedback from management. Self–esteem needs can be satisfied by recognising employees' efforts and goals that fulfil the feedback principle require management to acknowledge employee efforts in reaching their goal. • Both theories place emphasis on motivating through intrinsic factors. The goal setting theory involves setting intrinsic goals, whilst higher-order needs, such as esteem and self-actualisation are also considered to be intrinsic motivators.
Differences	• Maslow's Hierarchy of Needs focuses on fulfilling one need at a time in sequential order, whereas the Goal Setting Theory requires all principles to be incorporated simultaneously to motivate an employee. • Maslow's Hierarchy of Needs can be applied by a manager alone by observing the needs of an employee, whereas the Goal Setting Theory requires employee input to create goals collaboratively. • The Goal Setting Theory believes that an individual can be motivated through purely intrinsic factors, whereas Maslow's theory focuses on both intrinsic and extrinsic motivators, such as physiological needs.

Table 5 Similarities and differences between Lawrence and Nohria's Four Drive Theory and Locke and Latham's Goal Setting Theory

	Lawrence and Nohria's Four Drive Theory & Locke and Latham's Goal Setting Theory
Similarities	• Both theories recognise that employees are motivated to achieve success. This can be through the drive to acquire a higher position or achieve the goal of being promoted to a position with more responsibility. • Both suggest that multiple factors motivate an employee at any given time. All four drives may be active simultaneously, and business goals should incorporate multiple principles simultaneously.
Differences	• The Goal Setting Theory involves employee input, whereas the Four Drive Theory is applied by a manager alone. • The Goal Setting Theory requires a manager to address each employee individually, which is not necessary when applying the Four Drive Theory. • The Goal Setting Theory believes that an individual can be motivated through purely intrinsic factors, whereas the Four Drive Theory also addresses extrinsic motivators through the drive to acquire.

2D Questions

Theory review

Question 1

The Goal Setting Theory involves an interaction between employees and their manager to form goals that are aligned with broader business objectives.

A. True

B. False

Question 2

Locke and Latham's theory of motivation states that goals should address five key principles in order to be effective motivators for employees, including: **(Select all that apply)**

I. task complexity.

II. teamwork.

III. commitment.

IV. simplicity.

Question 3

Fill in the blanks with the following terms:

- task complexity
- challenge

Goals should fulfil the principle of _____ by ensuring they are reasonably difficult to achieve. However, in order to fulfil the principle of _____ , goals should not overwhelm employees or be unrealistic.

Question 4

An advantage of Locke and Latham's Goal Setting Theory is that:

A. implementing goal setting can be done efficiently as it requires minimal interaction between managers and employees.

B. the process of setting goals and providing feedback can strengthen the relationship between employees and management.

Question 5

A disadvantage of Locke and Latham's Goal Setting Theory is that:

A. it can be challenging to align each employee's personal goals with business objectives, which may make it hard to motivate all employees.

B. it is often expensive for a business to invest in programs to implement goal setting.

Question 6

Fill in the blank with **one** of the following terms:

- Maslow's Hierarchy of Needs
- Lawrence and Nohria's Four Drive Theory

A similarity between Locke and Latham's Goal Setting Theory and _____ is that both recognise that multiple factors can motivate employees simultaneously.

Question 7

Locke and Latham's Goal Setting Theory differs from Maslow's Hierarchy of Needs because:

A. the Goal Setting Theory recognises that each principle must be addressed in sequential order, whereas the Hierarchy of Needs can be applied in whichever order the manager decides.

B. the Goal Setting Theory focuses on all five principles simultaneously, whereas the Hierarchy of Needs focuses on fulfilling one principle at a time.

Question 8

The Goal Setting Theory can be best described as:

A. a continual and collaborative process between managers and employees whereby appropriate goals are established and achieved.

B. a set of criteria that outlines the holistic factors contributing toward employee motivation within the workplace.

Preparing for exams

Case study skills

Question 9

Croft's Collection is a business that sources and sells rare, historical artefacts that are in mint condition. Cleaning and restoring these artefacts can be tedious for employees and requires high levels of attention to detail. A staff survey found that Croft's Collection's employees were unmotivated due to the combination of difficult work and high management expectations. Lara, the business owner, has decided to implement the Goal Setting Theory to motivate her employees.

Identify which of the following statements are correct about how Lara could apply the Goal Setting Theory at Croft's Collection. **(Select all that apply)**

I. Lara could increase employee motivation by working with her staff to create clear and achievable goals, as they will feel inspired to complete realistic goals.

II. Lara could use Locke and Latham's theory to motivate employees by fulfilling their drive to learn through monthly training programs in sales.

III. Lara may be able to increase the motivation of her employees by working collaboratively with them to set individual goals, thereby aligning their personal goals with the objectives of Croft's Collection.

IV. Lara could improve employee motivation by providing feedback that recognises their efforts and strengthens her relationship with them.

Question 10

Hyper Health is a Melbourne-based business that produces pharmaceutical supplies for hospitals across Australia. Danny, the owner of Hyper Health, has struggled to motivate employees to perform to a high standard, and, as a result, the business's production rate has decreased. One departing employee, Chun-Li, stated that the key reason for leaving the business was a lack of interest in the day-to-day tasks. Consequently, Danny has started using the Goal Setting Theory to motivate his employees.

Identify which of the following statements are **true** or **false** about Danny motivating employees through the Goal Setting Theory at Hyper Health.

		True	False
I.	Goals should satisfy the principle of clarity, by ensuring that employees clearly understand what Danny expects them to achieve at Hyper Health.	☐	☐
II.	When motivating employees at Hyper Health, Danny should ensure that he monitors employee progress towards achieving goals and provides support and advice, in order to fulfil the principle of feedback.	☐	☐
III.	Danny should ensure that the principle of challenge is fulfilled so employees are not overwhelmed and demotivated by a goal that is too confusing or difficult.	☐	☐
IV.	Danny should work with employees to set goals that fulfil the principle of commitment, meaning the goals employees have at Hyper Health align with their personal interests.	☐	☐
V.	Employees at Hyper Health will be effectively motivated by goals that satisfy the principle of task complexity, as goals should be challenging enough to engage and motivate employees, improving performance.	☐	☐

Use the following information to answer Questions 11 and 12.

Oak's Lab is a long-established manufacturer and retailer of pet supplies in Australia. Ash, the human resource manager, has observed that the quality of customer service has been decreasing over time as employees are unmotivated. Additionally, some employees have left Oak's Lab to join its main competitor, Rocket Supplies. Rocket Supplies is well known in the industry for having a positive corporate culture and motivated employees.

Question 11

Identify which of the following are **similarities** or **differences** between the Goal Setting Theory and the Four Drive Theory.

		Similarity	Difference
I.	Oak's Lab's employees are motivated by multiple factors at once, such as the four different drives or the five principles of goal setting.	☐	☐
II.	Goal Setting Theory requires Ash to set goals with each individual employee, whereas the Four Drive Theory can be applied to employees at Oak's Lab in a collective manner.	☐	☐
III.	Goal Setting Theory requires input from Oak's Lab's employees, whereas the Four Drive Theory can be applied without any input from employees.	☐	☐
IV.	These theories suggest Oak's Lab's employees will be motivated to achieve personal success in the workplace through the drive to acquire or achieving an individual goal.	☐	☐

Question 12

Identify which of the following statements are **true** or **false** about Ash motivating employees at Oak's Lab.

		True	False
I.	The Goal Setting Theory could minimise the number of employees who leave Oak's lab to go to Rocket Supplies, as employees may be motivated by a variety of different drives at once.	☐	☐
II.	Ash can use the Goal Setting Theory to provide employees with a clear understanding of the customer service expectations, motivating them to work towards achievable goals that align with the objectives of Oak's Lab.	☐	☐
III.	The Four Drive Theory can allow Ash to motivate employees by engaging their drive to acquire, learn, and bond, thereby increasing the likelihood that they do not resign from Oak's Lab.	☐	☐
IV.	Ash could implement Lawrence and Nohria's motivation theory by working with employees to set challenging and clear goals that align with their personal interests.	☐	☐

Exam-style

Question 13 (2 MARKS)

Define Locke and Latham's Goal Setting Theory.

Question 14 (3 MARKS)

Distinguish between Locke and Latham's Goal Setting Theory and Maslow's Hierarchy of Needs.

Question 15 (4 MARKS)

Croft's Collection is a business that sources and sells rare, historical artefacts that are in mint condition. Cleaning and restoring these artefacts can be tedious for employees and requires high levels of attention to detail. A staff survey found that Croft's Collection's employees were unmotivated due to the combination of difficult work and high management expectations. Lara, the business owner, has decided to implement the Goal Setting Theory to motivate her employees.

Examine whether Locke and Latham's motivation theory is appropriate for Croft's Collection.

Adapted from VCAA 2017 exam Section A Q3c

Question 16 (5 MARKS)

Hyper Health is a Melbourne-based business that produces pharmaceutical supplies for hospitals across Australia. Danny, the owner of Hyper Health, has struggled to motivate employees to perform to a high standard, and, as a result, the business's production rate has decreased. One departing employee, Chun-Li, stated that the key reason for leaving the business was a lack of interest in the day-to-day tasks. Consequently, Danny has started using the Goal Setting Theory to motivate his employees.

With reference to the principles of Locke and Latham's theory of motivation, describe how Hyper Health could use this theory to improve employee performance.

Adapted from VCAA 2021 exam Section B Q6

Question 17 (6 MARKS)

Oak's Lab is a long-established manufacturer and retailer of pet supplies in Australia. Ash, the human resource manager, has observed that the quality of customer service has been decreasing over time as employees are unmotivated. Additionally, some employees have left Oak's Lab to join its main competitor, Rocket Supplies. Rocket Supplies is well known in the industry for having a positive corporate culture and motivated employees.

Compare the Four Drive Theory with Locke and Latham's Theory of motivation. Justify which motivational theory would be most suitable for Oak's Lab.

Adapted from VCAA 2017 Sample exam Section A Q6

Testing previous knowledge

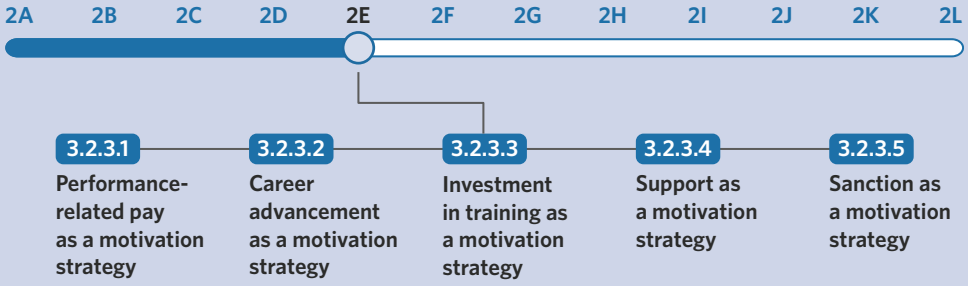
Question 18 (4 MARKS)

Describe two management skills a manager could use when implementing Locke and Latham's theory of motivation.

2E Motivation strategies: Part 1

STUDY DESIGN DOT POINTS

- motivation strategies including performance-related pay, career advancement, investment in training, support strategies and sanction strategies
- advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation



'You don't build a business, you build people, and then people build your business'
– Zig Ziglar, American author and motivational speaker

Employees are the building blocks for business success. How can managers engage with employees in the workplace and bring out the best in them to achieve business objectives?



Lesson introduction

Motivated employees are able to perform at a high standard and thus can improve a business's performance and competitiveness. To improve employee motivation, a manager must have a plan of action that encourages the achievement of business objectives. Managers should provide employees with the necessary resources to sustain and direct their efforts toward work tasks. Depending on the situation, a manager may consider implementing motivation strategies, such as performance-related pay, career advancement, investment in training, support, or sanction.

Performance-related pay as a motivation strategy 3.2.3.1

Performance-related pay is a financial reward that employees receive for reaching or exceeding a set business goal. Employees are motivated by performance-related pay as it links their performance to increased **remuneration**. This generally leads to employees feeling that they can personally gain from putting more effort into their work. When implementing performance-related pay, managers should carefully develop a reward system that is measurable and clearly linked to meeting business objectives. A manager can reward performance by providing several types of remuneration, such as:

- a **pay rise**
- a **bonus**
- **commission** on sales.



Figure 1 The process of implementing performance-related pay as a motivation strategy

KEY DEFINITIONS

Performance-related pay is a financial reward that employees receive for reaching or exceeding a set business goal.

ADDITIONAL TERMS

Remuneration is the money paid to an employee by an employer in exchange for completing work tasks.

A **pay rise** is a permanent increase in an employee's salary or hourly wage rate.

A **bonus** is a one-off payment made for meeting a set objective. It is provided in addition to an employee's regular salary.

Commission is a payment provided to an employee for selling a good or service. It is usually paid as a percentage of the price of the good or service being sold.

USEFUL TIP

It is important to remember that motivation strategies are different to motivation theories. It is a common mistake for students to confuse these two concepts when answering exam questions, so make sure to carefully read the question before writing your response.

REAL WORLD EXAMPLE



Figure 2 Toyota utilises an entirely performance-related payment system

Performance-related pay as a motivation strategy

Toyota Motor Corporation is a Japanese automotive manufacturer that operates globally. Toyota is currently the largest motor vehicle retailer in Australia's automotive industry, with 15.2% of the market share. To maintain a competitive edge in the automotive industry, Toyota has implemented performance-related pay by providing employees with bonuses. Since 2021, Toyota has been utilising an entirely performance-based payment system for its employees that aims to reward high-performing workers.

Adapted from The Mainichi, 'Toyota to adopt entirely performance-based annual raise system', 2020

Table 1 Advantages and disadvantages of performance-related pay as a motivation strategy

	Advantages	Disadvantages
Business	• Employee goals can be directly and indirectly aligned with business objectives through remuneration. • Can be used to motivate many employees at once, which can improve overall business performance.	• Employees may take harmful shortcuts to reach their set objective, potentially compromising quality. • May have a negative impact on the business's corporate culture if there are unhealthy levels of competition between employees.
Employee	• Employees can personally gain from achieving objectives through the tangible reward of increasing their wealth.	• Over time, employees may require increases in the value of financial rewards to remain motivated. • May create conflict if incentives or rewards are unequal between employees.
Time	• Employees can be motivated quickly through the incentive of financial rewards.	• It can be time-consuming for the manager to review each employee's performance against criteria and determine who receives a financial reward.
Money	–	• Can increase the expense of wages significantly, particularly if the value of rewards increases over time.

Career advancement as a motivation strategy 3.2.3.2

KEY DEFINITIONS

Career advancement is the upwards progression of an employee's job position.

ADDITIONAL TERMS

Job enlargement involves combining various duties within an existing role.

Job enrichment involves an increase in the level of responsibility and complexity in an existing role.

Career advancement is the upwards progression of an employee's job position. This can be achieved through promoting employees or giving them more challenging tasks. The opportunity to progress to a higher position can motivate ambitious employees who want more responsibility, authority, or status in the workplace. For example, career advancement can be achieved through **job enlargement**, where additional tasks are added to the employee's existing role. Another example is **job enrichment**, whereby employees are motivated through increased authority over their work and a greater depth of content.

A manager can use career advancement as a motivation strategy by:

- ensuring employees are aware of any promotion criteria.
- ensuring employees are aware of any senior positions that need to be filled.
- promoting from within the business to ensure that employees are constantly working towards career progression.

REAL WORLD EXAMPLE

Career advancement as a motivation strategy

Toyota motivates its employees by prioritising growth in the workplace. A major focus at Toyota is to promote employees from within the business, as opposed to filling senior roles with new employees. This is done through a formal promotion and rotation program that provides all employees with a foundation for career advancement. This philosophy of career growth led to Toyota being ranked as the top company in the automotive industry after a survey of 17,000 employees was conducted.

Adapted from AsiaOne, 'Toyota Motor Asia Pacific Recognised as One of Singapore's Best Employers of 2022', 2022



Image: testing/Shutterstock.com

Figure 3 Toyota utilises career advancement through its job rotation program

Table 2 Advantages and disadvantages of career advancement as a motivation strategy

	Advantages	Disadvantages
Business	• Promoting employees from within the business helps retain high-performing employees, protecting the intellectual property of the business.	• Limited senior positions can prevent career advancement from being used for a large number of employees. • Some employees may be promoted beyond their capabilities which may negatively impact business performance. • Negative corporate culture may develop if employees begin to focus solely on career advancement.
Employee	• Provides employees with the opportunity to increase their contribution to the business and achieve personal goals. • Employees may feel more valued by the business when promoted, improving their overall morale.	• Some employees may not desire increased responsibility, so motivation may not increase through a promotion. • Employees may be demotivated if they are overlooked for a promotion.
Time	• Employees that are promoted from within the company can be efficiently trained on-the-job, saving time.	• May not motivate employees immediately as a promotion can take time to earn.
Money	• Promoting employees from within the business can be cheaper than recruiting new employees.	• Promoting employees to higher positions will usually involve an increase in the cost of wages.

Investment in training as a motivation strategy 3.2.3.3

Investment in training is allocating resources to improve employee skills and knowledge. It equips employees with the expertise required to perform at a higher level and can motivate them by providing opportunities to develop their abilities through their work. Training can also cultivate a positive corporate culture that values personal growth and the sharing of knowledge, which may further motivate employees. A manager can implement investment in training through:

- on-the-job training
  - providing employees with **mentoring**
  - training programs within the business
- off-the-job training
  - paying for employees to be trained by other professionals outside of the business

KEY DEFINITIONS

Investment in training is allocating resources to improve employee skills and knowledge.

ADDITIONAL TERMS

Mentoring is a senior employee assisting a junior employee in developing the skills and knowledge needed for their work.

LESSON LINK

On-the-job training and off-the-job training will be covered in further detail in **2G Employee training**.

Table 3 Advantages and disadvantages of investment in training as a motivation strategy

	Advantages	Disadvantages
Business	• Employees can complete tasks more efficiently and effectively after improving their skill set. • Employees can build a strong interpersonal relationship with management as both parties benefit.	• Training may not be directly relevant to tasks undertaken by employees.
Employee	• Employees may feel more valued as the business wants to advance their skills. • Employees may experience improved job satisfaction as they can perform their roles better.	• Some employees may not value improving their skills and knowledge.
Time	• The skills and knowledge gained from training may assist employees to complete tasks quicker.	• Training employees is time-consuming and can delay the completion of work tasks.
Money	–	• Training programs can be costly for a business.

REAL WORLD EXAMPLE



Image: Jenson/Shutterstock.com

Figure 4 Toyota invests in training programs to upskill its employees

Investment in training as a motivation strategy

Toyota has adopted a business model emphasising the continuous development of its employees, with both internal and external training opportunities. The business has a focus on daily training between team managers and employees in order to adjust production techniques and maximise productivity. Currently, Toyota makes an investment in training across four key areas: Toyota programs, leadership, operations, and service.

Adapted from Shinka Management, 'Personnel development ', n.d.

Support as a motivation strategy 3.2.3.4

KEY DEFINITIONS

Support strategies involve providing employees with any assistance that improves their satisfaction at work.

Support strategies involve providing employees with any assistance that improves their satisfaction at work. Support motivates employees as it allows them to feel valued, understood, and considered by their managers. This can also improve employee morale and corporate culture. A manager can support employees by:

- regularly checking on their health and wellbeing.
- praising and encouraging good performance.
- recognising achievements through rewards or personal recognition.
- accommodating for an employee's out-of-work obligations.



Figure 5 The types of support strategies a manager can utilise to motivate employees

Table 4 Advantages and disadvantages of support as a motivation strategy

	Advantages	Disadvantages
Business	• Employees who feel supported are less likely to leave the business.	• May be ineffective if a manager does not have good interpersonal skills.
Employee	• Employees may feel more valued by managers, as their wellbeing is being considered.	–
Time	• Problems can be dealt with efficiently before they escalate, saving time.	• It can be time-consuming for a manager to maintain relationships with staff. • May not motivate employees quickly if they do not see the benefits of support in the short term.
Money	• Implementation involves very few additional expenses.	• Hiring wellbeing support for the business can be costly.

Sanction as a motivation strategy 3.2.3.5

Sanction strategies involve penalising employees for poor performance or breaching business policies. Employees are motivated by sanctions as they fear punishment for failing to fulfil a business's expectations. When sanction strategies are utilised, employees are more likely to abide by the business's policies, minimise errors, and put effort into their work. A manager can implement sanctions by:

- verbally warning employees.
- providing written warnings.
- dismissing under-performing staff.

KEY DEFINITIONS

Sanction strategies involve penalising employees for poor performance or breaching business policies.



Figure 6 The types of sanction strategies a manager can use to motivate employees

Table 5 Advantages and disadvantages of sanction as a motivation strategy

	Advantages	Disadvantages
Business	• Can pressure employees to act in accordance with management instructions.	• Can create a negative corporate culture as tasks are completed out of fear. • Prolonged use can lead to employees leaving the business.
Employee	–	• Levels of trust between employees and management may decrease.
Time	• Can motivate employees immediately as they will improve performance quickly to avoid punishment.	• Replacing employees who have left due to excessive penalties can be time consuming.
Money	• Does not incur any immediate cost to implement.	• Replacing employees who have left due to excessive penalties can be costly.

ACTIVITY

Motivation strategies

Lululemon is an athleisure brand which is globally renowned for its high-quality sports apparel, whilst also being ranked 9th on Glassdoor's 'Best Places to Work 2022' list. The company has a key focus on supporting employee growth and wellbeing by offering holistic benefits on an ongoing basis. A few examples of how employees are motivated at the company are:

- training and development programs
- parenthood programs and support groups
- paid vacation leave
- mental health benefits
- one-on-one professional coaching.

Discuss the following questions with your classmates:

1. What motivation strategies can you identify within the scenario?
2. What motivation strategies would be most appropriate for Lululemon to implement into its goals of holistic employee growth?
3. Are there any strategies that you think would be less effective at Lululemon?
4. What motivation strategy do you think you would personally be motivated by and why?

Adapted from Lululemon, 'Lululemon Releases Second Annual Global Wellbeing Report', 2022

Theory summary

Implementing motivation strategies can enable employees to perform at a high level. Motivated employees can improve the performance of the business and contribute to the achievement of business objectives.

There are five motivation strategies that a manager can implement:

- Performance-related pay is financially rewarding employees for reaching a goal.
- Career advancement is promoting employees to roles with increased responsibility and status.
- Investment in training is improving employee skills and knowledge.
- Support strategies involve a manager assisting employees to improve their performance.
- Sanction strategies involve a manager punishing employees to get them to perform as needed.

2E Questions

Theory review

Question 1

Some motivation strategies may be more effective than others, depending on the business.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- career advancement
- investment in training

The motivation strategy of _____ is the opportunity for an employee to gain a higher job position in a business. In contrast, _____ is equipping employees with required expertise and skills.

Question 3

Investment in training can be an effective motivation strategy as: **(Select all that apply)**

I. participating in training programs can be time-consuming and reduce productivity.

II. employees will experience increased job satisfaction as they feel that they can complete their job better.

III. employees may be able to perform their roles more productively from the knowledge and skills they gain, benefiting business performance.

Question 4

The motivation strategy of career advancement is more likely to develop a positive corporate culture compared to sanctions.

A. True

B. False

Question 5

An advantage of performance-related pay is that:

A. employees are likely to be motivated by the opportunity to have more authority in the business.

B. many employees can be motivated simultaneously, which improves business performance.

Question 6

Fill in the blanks with the following terms:

- sanction strategies
- support strategies

An advantage of implementing _____ is that problems can be dealt with more efficiently before they escalate, saving time. In contrast, an advantage of implementing _____ is that it can pressure employees into acting in accordance with management expectations.

Question 7

Implementing motivation strategies can improve employee motivation which assists the achievement of business objectives.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 8, 9 and 10.

Goldfinch Insurance is a large insurance business that employs over 600 service staff across Australia. Theo, the general manager, believes that motivated employees will allow the business to lower costs, whilst still providing a competitively priced service. Theo has already experimented with employee motivation by offering promotions to hard-working employees at Goldfinch Insurance. However, this has contributed to unhealthy levels of competition among staff members. The human resource manager suggested to Theo that employees may be motivated through a training program that develops their skills; although, this would be too costly for the business as employees would need to take time off work.

Question 8

Identify which of the following statements are **true** or **false** about Goldfinch Insurance.

		True	False
I.	Career advancement would not be suitable for Theo to use as it created a competitive work environment in the past, demotivating employees.	☐	☐
II.	Performance-related pay would be an effective motivation strategy for Theo to use to motivate his 600 employees.	☐	☐
III.	Support or sanction strategies would be suitable for Theo to implement as they are generally inexpensive.	☐	☐
IV.	Implementing investment in training would be suitable at Goldfinch Insurance as a motivation strategy.	☐	☐

Question 9

Identify which of the following statements suggests that support strategies would be suitable to motivate employees at Goldfinch Insurance. **(Select all that apply)**

I. Support strategies would require lower levels of interaction between Theo and his employees and would be quick to motivate employees.

II. It would be inexpensive for Theo to implement support as a motivation strategy, which would allow the business to lower costs.

III. Support strategies are more effective in the long term and will contribute to a positive corporate culture at Goldfinch Insurance.

Question 10

Identify which of the following statements suggests that sanction strategies would be suitable to motivate employees at Goldfinch Insurance. **(Select all that apply)**

I. Sanctions are low-cost and will allow Goldfinch Insurance to provide competitive pricing.

II. Sanctions can be used by Theo to motivate employees to fulfil instructions quickly.

III. Implementing sanctions may lead to employees at Goldfinch Insurance feeling valued and less likely to leave the business.

Use the following information to answer Questions 11 and 12.

Ripley's is a producer of pest control supplies and retails in major cities across Australia. In the past three months, Ripley's production rate has had to increase significantly due to increased demand. However, an employee survey found that employees felt that management had very high expectations of them but provided low remuneration. Furthermore, employees complained that they were blamed for accidents in production despite lacking the skills required to prevent them. Ellen, the owner, is considering strategies to improve the motivation and performance of employees.

Question 11

Identify which of the following is a correct statement about using performance-related pay to motivate employees at Ripley's.

A. Ellen's employees would be motivated by being given the opportunity to take on more responsibility.

B. Employees at Ripley's will not be motivated quickly by performance-related pay.

C. Performance-related pay would increase employee satisfaction and motivation at Ripley's, as employees feel that they are currently provided with low remuneration.

D. Performance-related pay is a low-cost strategy for Ellen to use to motivate employees.

Question 12

Identify which of the following is a correct statement about using investment in training to motivate employees at Ripley's.

A. Ellen would need to pay for an external training program in order to motivate employees through investment in training.

B. Ellen could use investment in training to motivate Ripley's employees by ensuring they have the skills and knowledge to complete their work safely.

C. Implementing investment in training would lead to employees fulfilling orders from their manager as they are fearful of punishment.

D. Investment in training would only be able to motivate a few of Ellen's employees at once.

Exam-style

Question 13 (2 MARKS)

Define career advancement as a motivation strategy.

Question 14 (2 MARKS)

Define investment in training as a motivation strategy.

Question 15 (2 MARKS)

Outline one advantage and one disadvantage of a manager using performance-related pay to motivate employees.

Question 16 (4 MARKS)

Discuss the use of sanction strategies to increase employee motivation.

Question 17 (3 MARKS)

Goldfinch Insurance is a large insurance business that employs over 600 service staff across Australia. Theo, the general manager, believes that motivated employees will allow the business to lower costs, whilst still providing a competitively priced service. Theo has already experimented with employee motivation by offering promotions to hard-working employees at Goldfinch Insurance. However, this has contributed to unhealthy levels of competition among staff members. The human resource manager suggested to Theo that employees may be motivated through a training program that develops their skills; although, this would be too costly for the business as employees would need to take time off work.

Propose and justify one strategy that could be used to increase employee motivation at Goldfinch Insurance.

Adapted from VCAA 2021 exam Section A Q5c

Question 18 (4 MARKS)

Ripley's is a producer of pest control supplies and retails in major cities across Australia. In the past three months, Ripley's production rate has had to increase significantly due to increased demand. However, an employee survey found that employees felt that management had very high expectations of them but provided low remuneration. Furthermore, employees complained that they were blamed for accidents in production despite lacking the skills required to prevent them. Ellen, the owner, is considering strategies to improve the motivation and performance of employees.

Describe how Ellen could use performance-related pay and investment in training to increase the motivation of employees at Ripley's.

Adapted from VCAA 2017 exam Section A Q3a

Testing previous knowledge

Question 19 (6 MARKS)

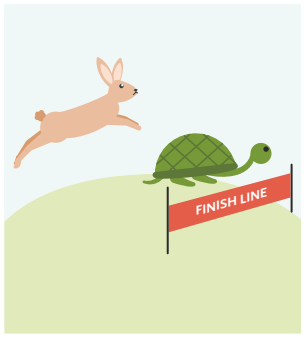
Level-Up Shoes is a Melbourne-based store that designs and creates custom shoes for clients. The manager, Roy, wants to expand the business and is aiming to produce and sell a minimum of 150 pairs of shoes a week. He has noticed a decrease in employee productivity at the business over the last month, particularly for employees who have worked at the business for longer. Roy prides himself on his close relationships with employees and wants to find a way to encourage them to be motivated in the workplace.

Explain how Roy could apply one theory of motivation and a related motivational strategy to successfully manage employees.

Adapted from VCAA 2019 exam Section A Q6

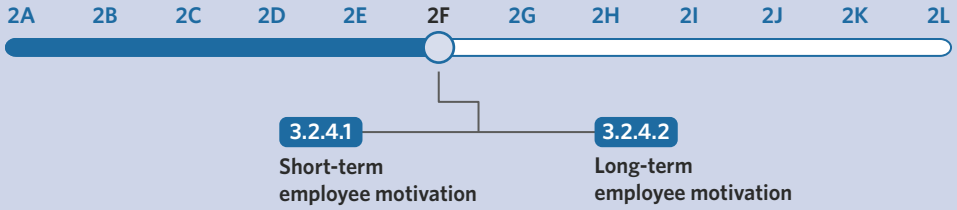
2F Motivation strategies: Part 2

In a running race, athletes have to decide whether to sprint at the start and get ahead of the pack or jog at a steady pace and conserve their energy. Similarly, managers must balance trying to motivate their employees quickly with the need to sustain long-term motivation.



STUDY DESIGN DOT POINT

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



LESSON LINK

Motivation strategies were introduced in **2E Motivation strategies: Part 1**.

Lesson introduction

When implementing strategies to motivate employees, a manager must consider the amount of time they have to improve employee motivation. In some circumstances, it is necessary to quickly motivate employees in order to complete an important task in a certain time frame. In other situations, a manager may need to sustain employee motivation over an extended period of time to cater to business tasks requiring long-term motivation. The available time and the type of work to be completed must be considered by a manager, as various motivation strategies can have different impacts on short and long-term employee motivation.

Short-term employee motivation 3.2.4.1

A manager may choose to implement a strategy that has a short-term effect on employee motivation in order to boost employee performance over a short period of time. Short-term motivation strategies are usually easy to implement in a business, and therefore can be quickly used by managers to rapidly increase employee motivation. In situations where a manager aims to quickly motivate employees, such as during a crisis, motivation strategies that provide immediate gain will be most effective. It should be noted that support strategies are typically more effective at motivating employees in the long term, although this strategy can still be implemented in the short term.

Table 1 Short-term effects of motivation strategies on employee motivation

Motivation strategies	Positive effect on short-term motivation	Negative effect on short-term motivation
Performance-related pay	• Employees may be motivated to improve performance quickly in order to gain financial rewards.	• Employees may be demotivated if they are competing against their colleagues for financial rewards.
Career advancement	• Employees may be rapidly motivated if they are taking on more responsibility in the workplace.	• Employees may become resentful and demotivated if they believe they were not considered for a promotion.
Investment in training	• Employees may be motivated in the short term by the opportunity to learn new skills.	• Taking time off work to participate in training programs may cause employees to lose momentum and consequently lack motivation.

Continues ▶

Table 1 Continued

Motivation strategies	Positive effect on short-term motivation	Negative effect on short-term motivation
Support strategies	• Employees may be motivated by working in a business where their wellbeing is considered and valued.	–
Sanction strategies	• Employees may be motivated to quickly follow instructions in order to avoid punishment.	• Employees may become resentful of their managers if they utilise threats and punishments, potentially leading to resignations and decreases in productivity.

Long-term employee motivation 3.2.4.2

Long-term employee motivation generally requires employees to have a high level of job satisfaction that acts as a source of motivation over a sustained period of time. A business can create a positive work environment when employees consistently feel valued and have strong relationships with management and their colleagues in the workplace. To develop and sustain job satisfaction, motivation strategies that improve corporate culture and provide employees with personal development opportunities should be implemented by managers. Some motivation strategies can contribute to a negative corporate culture as they do not allow for the development of strong interpersonal relationships with management and often cause employees to compete with one another for rewards.

LESSON LINK

Corporate culture was introduced in **1H Corporate culture**.

Table 2 Long-term effects of motivation strategies on employee motivation

Motivation strategies	Positive effect on long-term motivation	Negative effect on long-term motivation
Performance-related pay	• When there is a history of reward and recognition for high-performing employees within the business, employees are more likely to be motivated by the expectation that they will receive rewards in the future.	• Employees may become demotivated if they continually have to compete with their peers to achieve financial rewards. • Employees may become demotivated if the rewards they receive do not continuously increase in value.
Career advancement	• Employees may be motivated by ongoing opportunities to be promoted or take on additional responsibilities.	• There may be a limited number of responsibilities an employee can absorb into their role within a business; therefore, there are fewer career advancement opportunities for that employee to experience. This can limit the potential for long-term employee motivation.
Investment in training	• Employees may be constantly motivated as they feel valued by the business when they are provided with opportunities to develop their skills. • Employees may feel consistently motivated by a working environment that promotes learning.	• Employees may become demotivated by the consistent workflow interruptions caused by training programs.
Support strategies	• Employees may be motivated for a long period of time when they feel valued by management and are able to resolve issues efficiently.	–

Continues ▶

Table 2 Continued

Motivation strategies	Positive effect on long-term motivation	Negative effect on long-term motivation
Sanction strategies	–	• Over time, employees can become desensitised to the threat of punishment and no longer be motivated by sanctions. • The use of sanctions can contribute to a negative workplace environment, decreasing employee satisfaction and motivation.

ACTIVITY

Short- and long-term employee motivation

When considering short- and long-term employee motivation, managers have to decide which motivation strategy will be the best fit for all of their employees. In most businesses, it would be very time-consuming to determine which motivation strategy is the most suitable for each employee.

Discuss the following questions with your classmates:

1. Which motivation strategy do you think you would personally be most motivated by in the short term?
2. Which motivation strategy do you think you would personally be most motivated by in the long term?
3. Which motivation strategies would be the most effective in the short term for a business with a large number of employees?
4. Which motivation strategies would be the most effective in the long term for a business with a large number of employees?

Theory summary

When implementing motivation strategies, a manager should consider the positive and negative effects on employees in the short and long term. Whilst almost all strategies can be used as a short- or long-term motivator, some are more suitable for motivating employees over a certain time frame, depending on the business situation.

If a manager wants to motivate employees in the short term, they should adopt strategies that provide employees with an immediate benefit or penalty. The most suitable strategies for short-term motivation include performance-related pay, investment in training, and sanction strategies.

However, if a manager wants to sustain motivation over a long period of time, they should adopt strategies that encourage ongoing job satisfaction, such as career advancement, investment in training, and support strategies.

2F Questions

Theory review

Question 1

Fill in the blanks with the following terms:

- short term
- long term

Some motivation strategies are more effective in the _____ as they need a greater amount of time to act as a source of motivation. Whereas, some motivation strategies are more effective for a business to use in the _____ as they may be difficult to sustain.

Question 2

A manager can ensure employees are effectively motivated in the short term by using strategies such as: **(Select all that apply)**

I. sanction strategies, as employees will be quickly encouraged to improve performance to avoid negative repercussions.

II. support strategies, as employees will be immediately motivated as they feel valued by their manager.

III. career advancement, as employees will be quickly motivated if they are given responsibilities that exceed the scope of their skills.

IV. performance-related pay, as employees will be motivated to quickly fulfil objectives and gain financial rewards.

Question 3

Whilst support strategies are generally more effective as a motivator in the long term, they can still be used to motivate employees in the short term.

A. True

B. False

Question 4

In order for a motivational strategy to be considered effective in the long term:

A. it must support the assumption that the most effective motivating factor for employees is increasing their personal wealth.

B. it must have a focus on employee wellbeing and provide continual opportunities for development.

Question 5

A manager can ensure employees are effectively motivated in the long term by using strategies such as: **(Select all that apply)**

I. performance-related pay, as employees will be encouraged by competition with other employees for financial rewards.

II. investment in training, as employees would feel consistently motivated by a workplace that promotes learning and skill development.

III. support strategies, as employees would be continually motivated by working in a positive environment in which they feel valued.

IV. sanction strategies, as employees would learn to respect management over time and be motivated to fulfil tasks that allow them to avoid punishment.

Question 6

Fill in the blank with **one** of the following terms:

- investment in training
- career advancement

A positive effect of _____ on an employee's long-term motivation is that it can provide them with ongoing opportunities to take on more responsibility and expand their role.

Question 7

Managers should be aware that some motivation strategies may only motivate employees for a short period of time, whilst others may only be effective in the long term.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 8, 9 and 10.

The Grand is a luxury hotel located near Sydney Harbour that prides itself on providing the highest quality service of all the hotels in the area. Last month, all employees completed a mandatory training program to sharpen their hospitality skills. However, according to a staff survey, this resulted in decreased levels of employee satisfaction. The general manager, Gustave, is aiming to increase the motivation and satisfaction of employees by implementing a motivation strategy that will allow him to demonstrate his appreciation for his staff at a low cost.

Question 8

Identify which of the following motivation strategies would be appropriate for Gustave to implement at The Grand. **(Select all that apply)**

I. Performance-related pay, as Gustave is looking for a low-cost motivation strategy.

II. Support strategies, as Gustave will be able to ensure that employees feel valued by the business.

III. Investment in training, as employees at The Grand were more motivated after the recent hospitality training program.

IV. Sanction strategies, as employees will feel increasingly supported and valued by the business.

V. Career advancement, as employees will be motivated by the opportunity to increase their level of responsibility at The Grand.

Question 9

Identify which of the following is a correct statement about motivating employees in the long term with career advancement.

A. Gustave's employees are likely to be motivated by the opportunity to improve their performance in return for a financial bonus.

B. Employees at The Grand will be motivated by opportunities to be promoted and assume positions of higher authority.

Question 10

Identify which of the following is a correct statement about motivating employees in the long term with support strategies.

A. Employees may be motivated by support strategies and feel increasingly valued as Gustave is invested in their personal wellbeing.

B. Gustave will motivate his employees in the long term by providing regular opportunities to improve their skill sets through training and mentoring programs.

Question 11

Bo's Diner is a retro-style fast food restaurant located in Melbourne. For the summer holidays, Bo's Diner has been running a special price on kids' meals in order to attract more families. However, the business has not been meeting its goal of selling 50 kids' meals per day. Deb, the manager, suspects that employees are not motivated to reach this goal. She is considering implementing a rewards program to increase employee motivation.

Identify which of the following statements are correct about the effects of performance-related pay on employee motivation at Bo's Diner. **(Select all that apply)**

I. In the short term, employees at Bo's Diner may be motivated quickly to improve their performance in return for a financial reward, such as a bonus.

II. In the short term, employees are unlikely to be motivated by the offer of a financial reward.

III. In the long term, performance-related pay is the most sustainable way for Deb to maintain employee motivation.

IV. In the long term, employees at Bo's Diner may become demotivated if financial rewards do not increase in value over time.

Use the following information to answer Questions 12, 13 and 14.

M&F is a consulting business that provides high-quality financial advice to companies in Melbourne. The human resources manager, Dom, has struggled over the past three months to retain employees and has had to frequently find replacements. Recently, Dom has attempted to motivate his employees through the implementation of wellbeing programs, offering bonuses to high-performing staff, and communicating promotional opportunities to employees within the business. Despite implementing these measures, Dom has recognised no increase in employee motivation.

Question 12

Identify which of the following motivation strategies would be appropriate for Dom to implement at M&F. **(Select all that apply)**

I. Performance-related pay, as employees at M&F are likely to be most motivated by financial incentives in return for high performance.

II. Career advancement, as providing opportunities for promotions has been successful in motivating employees at M&F in the past.

III. Investment in training, as employees may be motivated in the long term by a workplace that promotes a culture of continuous learning and growth.

IV. Support strategies, as employees at M&F have been responsive to wellbeing programs in the past.

V. Sanction strategies, as employees at M&F might be motivated to improve their performance quickly in order to avoid punishment.

Question 13

Identify which of the following statements are **true** or **false** about the effect of investment in training on employee motivation at M&F.

		True	False
I.	Employees at M&F will be motivated by investment in training in the short term as they will improve their performance quickly in order to be rewarded with remuneration.	☐	☐
II.	In the short term, Dom's employees could be quickly motivated by the opportunity to increase their skill set and perform their job to a higher standard.	☐	☐
III.	Investment in training will likely motivate employees in the long term as they feel valued at M&F and that their relationship with management is strong as a result of the wellbeing programs.	☐	☐
IV.	Employees will likely be motivated in the long term by a workplace that promotes a culture of learning and growth.	☐	☐

Question 14

Identify which of the following statements are **true** or **false** about the effects of sanction strategies on employee motivation at M&F.

		True	False
I.	In the short term, if sanctions are implemented, employees at M&F will likely be motivated to improve their performance quickly in order to avoid punishment.	☐	☐
II.	A potential short-term effect of sanction strategies is that employees at M&F would be motivated quickly by the opportunity to learn new skills.	☐	☐
III.	Sanction strategies might be less effective in the long term as employees may begin to resent Dom for the continual threats of punishment.	☐	☐
IV.	Sanction strategies are more effective in the long term as employees will likely learn to respect Dom, and will be motivated to avoid punishment for poor performance.	☐	☐

Exam-style

Question 15 (2 MARKS)

Describe one effect of performance-related pay on short-term employee motivation.

Question 16 (4 MARKS)

Explain two effects of investment in training on long-term employee motivation.

Question 17 (3 MARKS)

The Grand is a luxury hotel located near Sydney Harbour that prides itself on providing the highest quality service of all the hotels in the area. Last month, all employees completed a mandatory training program to sharpen their hospitality skills. However, according to a staff survey, this resulted in decreased levels of employee satisfaction. The general manager, Gustave, is aiming to increase the motivation and satisfaction of employees by implementing a motivation strategy that will allow him to demonstrate his appreciation for his staff at a low cost.

Propose and justify one motivation strategy that Gustave could implement to effectively manage his employees in the long term.

Question 18 (4 MARKS)

Bo's Diner is a retro-style fast food restaurant located in Melbourne. For the summer holidays, Bo's Diner has been running a special price on kids' meals in order to attract more families. However, the business has not been meeting its goal of selling 50 kids' meals per day. Deb, the manager, suspects that employees are not motivated to reach this goal. She is considering implementing a rewards program to increase employee motivation.

Describe how Deb could use performance-related pay to motivate employees and explain its effect on short- and long-term employee motivation at Bo's Diner.

Question 19 (6 MARKS)

M&F is a consulting business that provides high-quality financial advice to companies in Melbourne. The human resources manager, Dom, has struggled over the past three months to retain employees and has had to frequently find replacements. Recently, Dom has attempted to motivate his employees through the implementation of wellbeing programs, offering bonuses to high-performing staff, and communicating promotional opportunities to employees within the business. Despite implementing these measures, Dom has recognised no increase in employee motivation.

Identify two suitable motivation strategies Dom could use to motivate his employees and explain their effects on short-term and long-term employee motivation at M&F.

Adapted from VCAA 2020 exam Section A Q4

Testing previous knowledge

Question 20 (4 MARKS)

Outline two different motivation strategies and justify which strategy would be more effective at motivating employees toward the achievement of business objectives in the long term.

Adapted from VCAA 2020 exam Section A Q4

2A–F Motivation theories and strategies review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

EzCom Ltd is an Australian telecommunications company that provides customers with mobile and internet services. Established in 1981, the business provides telecommunication networks to over 2.5 million customers nationwide. The human resource manager, Peta Baez, has noticed that a large number of employees have resigned from EzCom over the past 12 months. Most of these employees were recently hired, university graduates.



Image: Gorodenkoff/Shutterstock.com

EzCom is known for employing high-performing graduates and providing salaries higher than the industry average. Previously, Peta established company-wide performance targets in an effort to increase employee motivation. Despite these targets, employees have been performing poorly in the last year which has contributed to further decreases in employee productivity. Even after receiving verbal warnings, many employees failed to meet their performance targets.

Poor employee performance has started affecting the performance of the business as a whole. In the last six months, EzCom lost 7% of its market share to Xaunet, a new service provider. Additionally, EzCom has experienced a decrease in net profit due to the loss of revenue and the costs associated with replacing employees that have resigned.

Resigning employees outlined several key reasons for their resignation, including a lack of social activities available at work, few opportunities for promotion, and a lack of clear direction and feedback from managers. In response to this feedback, Peta is considering implementing different strategies to improve employee motivation and increase EzCom's market share.

Exam-style questions

Question 1 (2 MARKS)

Define the term 'motivation'.

Adapted from VCAA 2021 exam Section A Q5b

Question 2 (2 MARKS)

Outline one advantage and one disadvantage of Maslow's Hierarchy of Needs.

Question 3 (4 MARKS)

Compare Maslow's theory of motivation with Locke and Latham's theory of motivation.

Adapted from VCAA 2017 Sample exam Section A Q6

Question 4 (4 MARKS)

Describe how Peta could use performance-related pay and career advancement to improve the performance of employees at EzCom.

Adapted from VCAA 2017 exam Section A Q3a

Question 5 (7 MARKS)

With reference to short- and long-term employee motivation, evaluate the suitability of using sanction strategies to improve the performance of employees at EzCom.

Adapted from VCAA 2020 exam Section A Q4

Question 6 (6 MARKS)

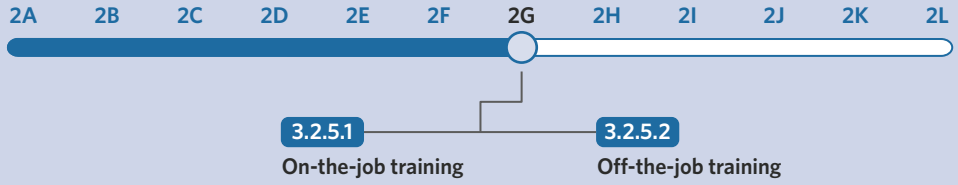
Explain how Peta could apply one theory of motivation and a related motivational strategy to successfully manage employees.

Adapted from VCAA 2019 exam Section A Q6

2G Employee training

STUDY DESIGN DOT POINT

- training options including on-the-job and off-the-job training, and the advantages and disadvantages of each



As employees directly interact with customers and complete business tasks, they are essential for business success. Imagine if employees were not equipped with the correct skills and knowledge required to complete work tasks. How would this impact a business's ability to survive?



Lesson introduction

Employees require the correct knowledge and skills to be able to contribute towards the achievement of business objectives. When employees lack the knowledge or technical ability to fulfil business tasks, they can undergo training. Generally, employees require training when they are either new to a business or are taking on a new level of responsibility. This process can occur either within or outside of the business. This lesson will cover two types of training, on-the-job training and off-the-job training, and the advantages and disadvantages of each strategy.

On-the-job training 3.2.5.1

On-the-job training involves employees improving their knowledge and skills within the workplace. It enables employees to interact and become familiar with the equipment, machinery, or processes in the workplace that are related to their role. This form of training can occur while employees are performing their roles and duties within the workplace. Examples of on-the-job training include:

- being coached by an existing employee on how to perform a specific role.
- having a senior staff member act as a mentor who continually supports employees and provides advice on how to perform tasks.
- **job shadowing** an experienced employee working in the same position.
- hiring an external trainer to give on-site demonstrations of specific tasks. This is considered to be 'on-the-job' as the trainer is giving employees on-site demonstrations.
- having employees rotate between different jobs to gain experience in a variety of roles.

KEY DEFINITIONS

On-the-job training involves employees improving their knowledge and skills within the workplace.

ADDITIONAL TERMS

Job shadowing is following and observing an experienced employee for a period of time to understand how they perform their role.

REAL WORLD EXAMPLE

On-the-job training

Woolworths is one of Australia's leading supermarkets that sell groceries and household products. In 2021, Woolworths announced the introduction of its Store Leadership Pathway Program across all its Australian stores. The program aims to provide its leaders with a 'blended learning approach' and includes on-the-job training programs. Through the Store Leadership Pathway Program, Woolworths' leaders can undertake in-store coaching and workshops in order to provide them with an opportunity to develop their leadership skills and grow in their current roles.

Adapted from Woolworths Group, 'Woolworths Group symbolises its collective impact on a better tomorrow', 2022



Image: TK Kurikawa/Shutterstock.com

Figure 1 Woolworths announces the introduction of its Store Leadership Pathway Program

Table 1 Advantages and disadvantages of on-the-job training

	Advantages	Disadvantages
Business	• Employees can perform their role while training, minimising losses to productivity.	• The business may lack the amount of experienced staff required to train employees. • Employees who are not being trained may be disrupted by training processes, lowering productivity.
Employee	• Individuals who train staff can develop strong interpersonal relationships. • Employees being trained at the workplace can avoid additional training outside of work hours.	• Employees completing the training may become distracted by the workplace. • Employees may learn bad habits from being trained by existing staff. • Senior staff who are responsible for training new employees are taken away from their own work duties, meaning they cannot focus on their other work responsibilities.
Time	• Employees can quickly become familiar with work equipment, reducing the time taken to complete their training. • Employees will be able to perform more efficiently in their role immediately after training has been completed, as they are familiar with the work equipment used.	• Experienced employees are taken away from completing other duties to train employees, which negatively impacts the business, particularly during busy periods.
Money	• Training employees internally is often less expensive than performing training externally, as there are no travel costs.	–

Off-the-job training 3.2.5.2

KEY DEFINITIONS

Off-the-job training involves employees improving their knowledge and skills in a location external to the business.

Off-the-job training involves employees improving their knowledge and skills in a location external to the business. In some situations, it is more beneficial to train staff in an external location, rather than within the workplace. Off-the-job training will often involve sending employees off-site to perform specialised courses where professional instructors teach them how to perform their job to a higher standard. Examples of off-the-job training include:

- attending conferences that provide theoretical knowledge to employees.
- performing simulations or workshops external to the workplace, where employees apply new skills.
- attaining specific qualifications from TAFE, university, or other higher education courses that are funded by the business.
- online training courses that are performed outside of traditional working hours.

REAL WORLD EXAMPLE



Image: 360b/Shutterstock.com

Figure 2 Deloitte provides off-the-job training in its Cyber Academy program

Off-the-job training

Deloitte is one of the world's leading accounting and auditing firms. In order to gain access to the best cybersecurity graduates in Australia, Deloitte is working closely with the University of Wollongong, Swinburne University of Technology, and TAFE NSW to offer off-the-job training. In early 2023, Deloitte launched a Cyber Academy for this training to occur. The three-year degree at the Academy aims to speed up employees' cybersecurity careers and includes an 'earn as you learn' apprenticeship program. At the conclusion of the program, graduates will receive nationally recognised qualifications that ensure they have the correct cyber skills and knowledge for the workplace.

Adapted from Deloitte, 'Cyber Academy', 2022

Table 2 Advantages and disadvantages of off-the-job training

	Advantages	Disadvantages
Business	• Receiving training from professionals can enable employees to gain new perspectives on how to perform their roles to a higher standard.	• The business's workflow may be disrupted if employees are away for training, lowering productivity. • Employees may try to find a job elsewhere with the external qualifications they gain, causing this investment in training to be redundant.
Employee	• Employees are likely to perform training in a distraction-free environment, enhancing the quality of training received. • An employee's employability may improve if they receive qualifications or accreditations.	• Employees may struggle to apply new knowledge in the workplace if it is only information-based. • Employees may be unable to translate learned skills to the business's equipment.
Time	• It does not take more experienced employees away from their jobs to train other employees, enabling them to remain productive in their own tasks.	• Travel times associated with off-site training may be long.
Money	• Errors made by employees during training do not occur on site, decreasing expenses associated with waste.	• Paying external organisations to train employees may be expensive. • Accommodation and travel costs can make training expensive, especially when a group of employees are being trained.

ACTIVITY

On-the-job and off-the-job training

Determine whether each of the following strategies are examples of on-the-job training or off-the-job training:

	On-the-job	Off-the-job
A new employee shadows an experienced employee to better understand how to complete their role.		
An employee completes a different role within the business to gain a greater variety of skills and knowledge.		
A business pays for an employee to attend a TAFE course.		
A business organises for employees to complete an online course outside of their working hours.		
The business hires an external trainer to give on-site demonstrations of specific tasks.		

Theory summary

The process of training is fundamental to developing and enhancing the capabilities of employees within a business. When choosing an appropriate training option for employees, managers must assess both the advantages and disadvantages of each training strategy.

- On-the-job training occurs within the business.
- Off-the-job training occurs externally and is often conducted by an industry professional.

2G Questions

Theory review

Question 1

Training involves employees gaining the correct skills and knowledge to complete their work tasks.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- on-the-job training
- off-the-job training

Employees attaining university qualifications that are funded by the business is an example of _____ .

Question 3

A business can conduct on-the-job training by having employees rotate between different jobs to gain experience in a variety of roles.

A. True

B. False

Question 4

Identify which of the following are advantages of using off-the-job training. **(Select all that apply)**

I. Receiving training from professionals can enable employees to perform their roles to a high quality.

II. Accommodation and travel costs may become expensive, especially when a group of employees are being trained.

III. Training off-site does not take senior employees away from their jobs to train other employees, enabling them to remain productive in their own tasks.

Question 5

Fill in the blanks with the following terms:

- on-the-job
- off-the-job

It's often less expensive to conduct _____ training compared to _____ training, as there are no travel costs.

Preparing for exams

Case study skills

Use the following information to answer Questions 6 and 7.

David is the owner and manager of Smith Construction. David recently acquired a contract for Smith Construction to work on a building with four high-rise apartments in the city of Melbourne. However, some of David's current workers are only comfortable working in residential areas and lack the knowledge and skills to build high-rise apartments. Rather than hiring new staff, he is considering using off-the-job training for inexperienced employees.

Question 6

Identify which of the following statements are examples of how David could implement off-the-job training. **(Select all that apply)**

I. Attending a centre that provides a simulation for building high-rise apartments.

II. Undergoing external mentoring from a construction industry professional.

III. Employees shadowing David's actions when on the building site.

IV. Attending an educational course related to building high-rise apartments.

Question 7

Identify which of the following are advantages of off-the-job training at Smith Construction. **(Select all that apply)**

I. Employees can focus on the skills being taught without being distracted by other staff at Smith Construction, improving the effectiveness of the training.

II. It will be cheap for David to upskill his employees as there will be no transport costs associated with off-the-job training.

III. Since the training is conducted by an external industry expert, employees may be provided with broader knowledge and experiences regarding the construction industry.

Question 8

Sparkling Homes is an affordable home cleaning service offered to people in metropolitan Melbourne. Following a recent customer survey, a rise in the number of complaints has been identified. Many customers have accused the business of providing a slow service, and a number of homes serviced by Sparkling Homes' younger staff were recognised as not being cleaned well. Customers have also noted that some staff are unfriendly and take personal phone calls whilst working. However, some individual staff have also been commended for exceptional service. As a result, the manager, Amy, is considering training staff to resolve these issues.

Identify which of the following are **advantages** or **disadvantages** of on-the-job training at Sparkling Homes.

		Advantage	Disadvantage
I.	Bad habits of senior cleaning staff, such as slow speed or cutting corners, may be passed on to younger staff which may hinder the ability of Sparkling Homes to resolve the problems identified in the survey.	☐	☐
II.	Sparkling Homes' employees can continue to provide cleaning services while performing the training, meaning productivity is unlikely to be compromised.	☐	☐
III.	Amy can pass on her experience and skills to employees, allowing them to learn specific skills related to homes that they clean regularly, helping to improve the quality of their work.	☐	☐
IV.	Sparkling Homes' employees may not learn new cleaning knowledge and skills that could be provided by an external organisation.	☐	☐

Use the following information to answer Questions 9 and 10.

Anthony is the owner of Kew Dolphins, a swim school operating in Kew. Anthony is currently low on staff and has offered two of his experienced swimmers the opportunity to become swimming coaches. While Anthony and the other coaches have the qualifications to train the new employees, there is a local accreditation course that Anthony could also use.

Question 9

Identify which of the following are **advantages** or **disadvantages** of off-the-job training at Kew Dolphins.

		Advantage	Disadvantage
I.	Anthony will have to pay a higher price for the accreditation course in comparison to training staff himself, increasing business expenses.	☐	☐
II.	Kew Dolphins' staff will be removed from the business to attend the course, meaning the issue of being understaffed will not be resolved in the short term.	☐	☐
III.	Sending staff to the course will provide them with new perspectives and qualifications on how to perform their role as swimming coaches to a higher standard, improving their employability.	☐	☐
IV.	There will be no disruptions to the responsibilities of Anthony and other coaches.	☐	☐

Question 10

Identify which of the following are **advantages** or **disadvantages** of on-the-job training at Kew Dolphins.

		Advantage	Disadvantage
I.	Anthony will not incur additional costs to train his new employees, such as having to pay for the local accreditation course.	☐	☐
II.	The bad habits of Kew Dolphins coaches may be passed on to the newer employees.	☐	☐
III.	The coaches at Kew Dolphins' may be too busy to take on new responsibilities, especially as Anthony is low on staff.	☐	☐
IV.	The new employees can quickly become familiar with the pool equipment and swim coaching practices, reducing the time taken during training.	☐	☐

Exam-style

Question 11 (2 MARKS)

Define off-the-job training.

Question 12 (2 MARKS)

Compare on-the-job and off-the-job training.

Question 13 (2 MARKS)

Explain how on-the-job training can be used for a business to multiskill its employees.

Adapted from VCAA 2017 Sample exam Section A Q7a

Question 14 (4 MARKS)

Describe one advantage and one disadvantage of on-the-job training as a strategy for improving the efficiency of employees.

Adapted from VCAA 2021 exam Section B Q3

Question 15 (4 MARKS)

David is the owner and manager of Smith Construction. David recently acquired a contract for Smith Construction to work on a building with four high-rise apartments in the city of Melbourne. However, some of David's current workers are only comfortable working in residential areas and lack the knowledge and skills to build high-rise apartments. Rather than hiring new staff, he is considering using off-the-job training for inexperienced employees.

Describe how David can implement off-the-job training to multiskill employees. Justify the suitability of this training option.

Adapted from VCAA 2002 exam Section A Q4

Question 16 (4 MARKS)

Sparkling Homes is an affordable home cleaning service offered to people in metropolitan Melbourne. Following a recent customer survey, a rise in the number of complaints has been identified. Many customers have accused the business of providing a slow service, and a number of homes serviced by Sparkling Homes' younger staff were recognised as not being cleaned well. Customers have also noted that some staff are unfriendly and take personal phone calls whilst working. However, some individual staff have also been commended for exceptional service. As a result, the manager, Amy, is considering training staff to resolve these issues.

Discuss the use of on-the-job training at Sparkling Homes.

Adapted from VCAA 2017 exam Section A Q3b

Question 17 (5 MARKS)

Anthony is the owner of Kew Dolphins, a swim school operating in Kew. Anthony is currently low on staff and has offered two of his experienced swimmers the opportunity to become swimming coaches. While Anthony and the other coaches have the qualifications to train the new employees, there is a local accreditation course that Anthony could also use.

Evaluate one training option that could be implemented at Kew Dolphins.

Adapted from VCAA 2017 exam Section A Q3b

Testing previous knowledge

Question 18 (3 MARKS)

Sally's Beach Club is a seafood restaurant that is well known for its beachside location. Recently, Sally hired new employees to deal with the large number of customers eating at Sally's Beach Club. However, she has noticed that these new employees are inexperienced and demotivated as they do not get along with existing staff members. In response, she has decided to implement on-the-job training.

Explain how on-the-job training can motivate the new employees at Sally's Beach Club.

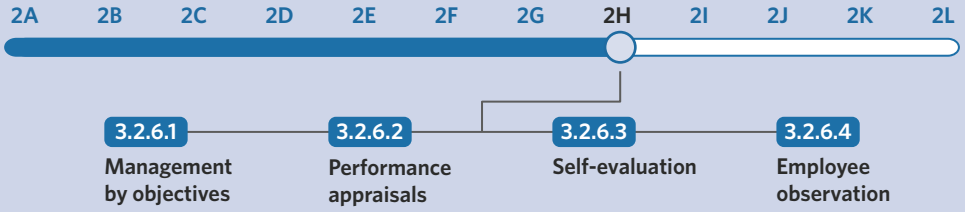
2H Performance management

'You can work long, hard or smart, but at Amazon.com you can't choose two out of three.' – Jeff Bezos, founder of Amazon

Performance management strategies are vital in ensuring employees are able to reach their full potential. They are implemented by some of the most successful companies in the world, including Amazon.

STUDY DESIGN DOT POINT

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





Lesson introduction

Employees are a vital component of a business, therefore it is important to monitor their performance. Performance management allows human resource managers to determine if employees are completing tasks to the business's desired standards and identify areas for improvement. The process of reviewing employee performance is conducted by both managers and employees and is designed to support the achievement of both business and employee objectives. This lesson will cover performance management strategies, such as management by objectives, performance appraisals, self-evaluation, and employee observation.

Management by objectives 3.2.6.1

KEY DEFINITIONS

Management by objectives involves both managers and employees collaboratively setting individual employee goals that contribute to the achievement of broader business objectives.

Management by objectives involves both managers and employees collaboratively setting individual employee goals that contribute to the achievement of broader business objectives. When implementing management by objectives, managers will work with employees to create specific goals. Through aligning employee goals with broader business objectives, employees help the business achieve its overall objectives by achieving their individual goals. Managers should also regularly provide feedback to employees regarding their progress towards achieving their individual objectives. If an employee is struggling to achieve their goals, a manager can adjust the employee's current tasks, implement appropriate training, or extend deadlines to assist them in reaching their individual objectives.

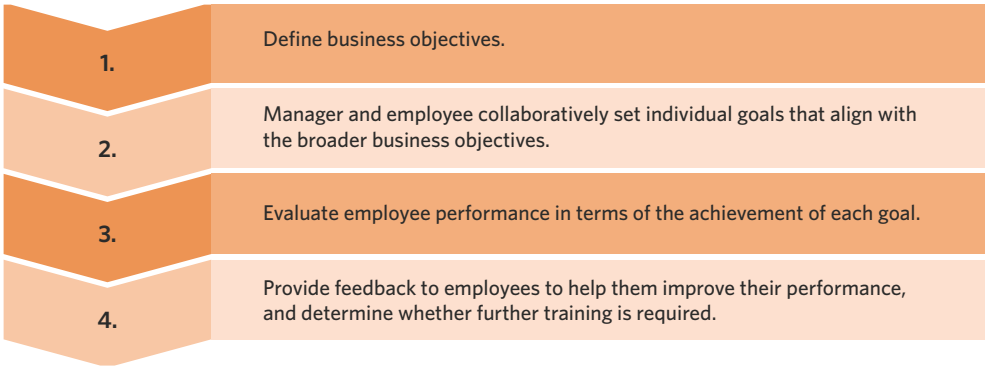


Figure 1 The process of management by objectives

REAL WORLD EXAMPLE

Management by objectives

Intel is a multinational technology company that is known for its development of microprocessors, which are widely used in the production of computers. Intel's managers implement management by objectives to ensure the company's employees understand the broader business objectives and create individual goals that enable their achievement. As of 2022, one of Intel's current objectives is to expand and innovate with silicon, a chemical element used in various technologies to switch and amplify electrical currents. In order to achieve this, managers assist employees in ensuring their individual goals align with Intel's overall objectives and provide feedback to help employees make innovative contributions within the field of silicon technology.

Adapted from PEX, 'How to apply Peter Drucker's most effective management ideas', 2020



Image: canon_photographer/ Shutterstock.com

Figure 2 Intel utilises management by objectives to ensure employees strive to fulfil the company's broader business objectives

Table 1 Advantages and disadvantages of management by objectives

	Advantages	Disadvantages
Business	• Aligning employee objectives with the business's overall objectives means that employees are always working towards business goals, leading to improvements in business performance. • Collaboration between managers and employees when setting objectives can foster positive workplace relationships. • The achievement of employee and business objectives can create a positive working environment and strengthen corporate culture.	• Employees may take harmful shortcuts in their work in order to achieve their objectives, which can negatively impact progress towards overall business objectives.
Employee	• Employees may gain a sense of achievement if they reach their individual goals, improving motivation. • Employees are involved in the process of developing objectives and are more likely to be committed to achieving their goals. • Establishing clear steps towards achieving objectives can allow employees to gain a clearer understanding of their role and contribution to the business's wider operations. • Promotional opportunities may arise for employees who consistently achieve their objectives.	• Failure to achieve personal objectives may be demoralising. • Employees may become demotivated if they do not receive compensation or recognition after achieving objectives. • If too many goals are set, employees may become stressed and overwhelmed, leading to a decrease in motivation and employee productivity.
Time	• Reviewing the performance of employees may be done quickly, as success is determined by the extent to which objectives have been met.	• Developing objectives that benefit both the business and employees can take time.
Money	–	• Employees that achieve objectives may desire monetary rewards or promotions, increasing the business's expenses. • Training courses provided to address employee weaknesses can increase business expenses.

KEY DEFINITIONS

Performance appraisals involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.

Performance appraisals 3.2.6.2

Performance appraisals involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements. Performance appraisals allow a manager to have a consistent approach when evaluating the performance of employees within a business. A manager uses established criteria to determine how well employees have performed over a given period of time. This data can provide a manager with insight into whether an employee's performance is meeting a desired standard or is insufficient. Managers may use performance appraisals to identify any problems with employee performance and make decisions about employee training, promotions, and dismissals.

REAL WORLD EXAMPLE



Image: achinthamb/Shutterstock.com

Figure 3 Google uses performance appraisals to assess the contributions of its employees

Performance appraisals

Google is a technology business that began as a search engine, and has since expanded to other internet-related products. In 2022, Google changed its performance management strategy to use a new five-point grading system to evaluate employee contributions to work at the business. The new performance appraisal process features a range of criteria that evaluate employees as having 'not enough impact' compared to a 'transformative impact'. Google then uses this data to determine whether an employee's performance is reaching the company's desired standards or if further action is required from management to improve their performance.

Adapted from protocol, 'Google simplifies performance reviews. Is your company next?', 2022

LESSON LINK

Dismissals will be covered in further detail in **2I Termination management**.

Table 2 Advantages and disadvantages of performance appraisals

	Advantages	Disadvantages
Business	• Communication between managers and employees during one-on-one reviews can improve workplace relationships. • The results from the performance appraisal process can outline areas where employees are struggling, and training can be implemented to resolve issues. • Information regarding extremely poor performance can be provided to managers to determine if any staff should be dismissed due to sub-standard work ethic.	–
Employee	• Increased communication between employees and managers can provide employees with clear direction on how to improve their performance. • Employees who demonstrate strong performance may be recognised for promotional opportunities.	• Employees may lose motivation if they receive multiple poor performance appraisals.
Time	–	• This process can be time consuming as managers individually review each employee's performance.
Money	–	• Staff who perform well may desire a promotion or financial reward, increasing the business's expenses. • Training courses provided to address employee weaknesses can increase business expenses.

Self-evaluation 3.2.6.3

Self-evaluation involves an employee assessing their individual performance against a set of criteria. As a performance management strategy, self-evaluation enables a manager to gain insight into an employee's perception of their own ability. Self-evaluation can create opportunities for discussion between managers and employees regarding the different perspectives of the employee's performance. The manager can therefore identify what an employee believes their weaknesses are and put in place strategies to strengthen these areas. Managers can also use this strategy alongside other performance evaluation methods to gain insight into an employee's perspective of their own performance.

KEY DEFINITIONS

Self-evaluation involves an employee assessing their individual performance against a set of criteria.

REAL WORLD EXAMPLE

Self-evaluation

Employment Hero is a performance management platform that aims to enhance productivity by automating employee performance evaluation systems. Businesses that subscribe to this software are able to access and manage employee information online, including their payslips, contracts, and performance reviews. In order to ensure each business conducts performance reviews in the most efficient way possible, Employment Hero has a variety of performance review templates, such as a self-evaluation template to share with its clients' employees.

Adapted from Employment Hero, 'Performance management. Easier than ever.', n.d.



Image: Rawpixel.com/Shutterstock.com

Figure 4 Employment Hero allows employees to complete self-evaluations online

Table 3 Advantages and disadvantages of self-evaluation

	Advantages	Disadvantages
Business	• The employer can gain insight into an employee's understanding of their own strengths and weaknesses and assign work accordingly.	• If an employee is biased or dishonest in assessing their performance, a manager will not gain reliable information.
Employee	• Employees can increase their employability, as they highlight their own weaknesses to managers, which can lead to training opportunities and skill development. • Employees may be empowered to improve performance, as they are directly involved in their own performance management.	• Employees may underestimate or exaggerate their own skills, therefore the evaluation may not be reliable and accurate.
Time	• Self-evaluation can save managers time, as employees evaluate their own performance.	• Criteria for the self-evaluation process need to be developed, and this can be time consuming for managers. • If employees are dishonest, the self-evaluation process can be a waste of time.
Money	–	• Training courses provided to address employee weaknesses can increase business expenses.

Employee observation 3.2.6.4

KEY DEFINITIONS

Employee observation involves a range of employees from different levels of authority assessing another employee's performance against a set of criteria.

Employee observation involves a range of employees from different levels of authority assessing another employee's performance against a set of criteria. Managers can conduct employee observation to gain a broad insight into an employee's performance. Employee observation usually occurs across different days and input is gathered from employees at different levels within the business who are in regular contact with the employee being observed. This method can provide a comprehensive picture of an employee's strengths, weaknesses, and manner within the workplace. Often, employees will know when they are being observed, however, this process can occur unknowingly. For example, mystery shopping is an increasingly popular method of employee observation as this allows businesses to analyse the quality of customer service by paying an individual to pretend to be a normal customer when visiting a store. As mystery shoppers enter the store without employees' knowledge, this is effective in assessing how knowledgeable, friendly, and confident they are when interacting with customers.

REAL WORLD EXAMPLE



Image: askarim/Shutterstock.com

Figure 5 Facebook uses employee observation to assess each employee's performance

Employee observation

Facebook is a social media platform that allows users to create a profile and connect with people online. In order to determine if its employees are performing adequately, Facebook uses an employee observation feedback process that is completed through internal software. Through this process, employees can leave performance reviews about other employees within the business after their performance has been assessed. By using this performance management strategy, Facebook is able to gain the perspectives of multiple employees and determine whether an employee is performing adequately.

Adapted from Performyard, 'How does Facebook do Performance Management', 2021

Table 4 Advantages and disadvantages of employee observation

	Advantages	Disadvantages
Business	• The involvement of a group of employees can improve the interconnectedness of the business and its corporate culture. • The manager can gain multiple different perspectives about an employee. • Where an employee is unaware they are being observed, this allows for an accurate analysis of an employee's performance.	• Results may be misleading if employees are aware they are being evaluated, as they may only work harder in the presence of an observer. • Friends of employees may provide inaccurate feedback due to their relationship with the employee and therefore, a manager may receive unreliable information.
Employee	• Employees that are observing others may identify the strengths of other employees and then mimic this behaviour. • Employees may be responsive to feedback provided by peers as they value their opinion. • Staff who receive positive performance reviews may be considered for promotional opportunities.	• Employees may feel stressed if they are made aware that they are being observed, leading to poorer performance. • Making other staff assess an employee's performance can disrupt their normal workflow and business productivity.
Time	–	• The development of criteria for observers to use can be time consuming. • It can be time consuming for employees to observe their peers.
Money	–	• Employees that receive positive observation assessments may desire rewards and promotions, increasing business expenses. • Training courses provided to address employee weaknesses can increase business expenses.

ACTIVITY

Performance management

Identify which performance management strategy is being used in each scenario:

- The manager does not have time to assess each individual employee's performance and instead, asks each employee to assess their own performance against a set of criteria.
- In order to gain a variety of perspectives on each employee's performance, the manager asks a range of employees to assess one another, providing feedback so employees can improve their performance.
- The manager helps each employee set their own goals, which align with the broader business objectives, and provides feedback to each employee, assisting them to improve their performance and continue achieving their goals.
- The manager wishes to determine which employees need further training, promotion, or dismissal, therefore they assess each employee against a set of criteria to evaluate their performance.

Theory summary

Performance management can help a business determine how well employees are completing their work and areas that require improvement. To manage employee performance, a business can implement the following strategies:

- management by objectives, which allows a manager and employee to set individual goals that contribute to wider business objectives and evaluate performance based on the achievement of set objectives.
- performance appraisals, which involve a manager providing individual feedback based on an assessment of staff over a period of time.
- self-evaluation, which requires employees to critically reflect on their own performance.
- employee observation, which involves an evaluation to be conducted by a range of peers.

2H Questions

Theory review

Question 1

Performance management strategies are used to determine if employees are completing their tasks to the business's desired quality.

A. True

B. False

Question 2

Fill in the blank with one of the following terms:

- Performance appraisals
- Employee observation

_____ can improve the interconnectedness of the business and corporate culture, as a variety of employees are involved in the process.

Question 3

A performance appraisal is conducted by an employee, who then receives feedback from the manager about how to improve their performance.

A. True

B. False

Question 4

Fill in the blanks with the following terms:

- self-evaluation
- management by objectives

Both managers and employees collaboratively setting individual employee goals that contribute to the achievement of wider business objectives is an example of _____ . In contrast, an employee assessing their individual performance against a set of criteria is an example of _____ .

Question 5

A disadvantage of self-evaluation is that an employee can be biased or dishonest in assessing their performance, therefore a manager may not gain reliable information.

A. True

B. False

Preparing for exams

Case study skills

Question 6

Charlie is the human resource manager of Phelps, a high-performance swimwear brand. Charlie is considering using a performance management strategy, as he has noticed low levels of employee productivity and has recently investigated some strategies that could be implemented. Employees have also recently expressed that there is a lack of feedback from Charlie on ways they can improve their performance. He is considering implementing the performance appraisal management strategy.

Identify which of the following are **advantages** or **disadvantages** of implementing performance appraisals as a performance management strategy at Phelps.

		Advantage	Disadvantage
I.	As Charlie will have to assess each employee's performance individually, this process can be time consuming.	☐	☐
II.	Performance appraisals will allow Charlie to provide staff with clear feedback on how they can improve their performance.	☐	☐
III.	Performance appraisals can be used as an opportunity for Charlie to reward high-performing employees with promotional opportunities.	☐	☐
IV.	Although employees have greater opportunities for promotion, any instance of a promotion or pay raise will increase the total expenses for Phelps, therefore reducing the business's profits.	☐	☐

Question 7

Apples and Oranges is a suburban supermarket chain in Victoria. Recently, the owner, Shane, has found it difficult to manage a high number of employees, as he is not often present in the different stores. In order to manage the performance of his employees, he believes the business should use employee observation as a form of performance management.

Identify which of the following statements are **true** or **false** about Apples and Oranges.

		True	False
I.	Employee observation will be led by Shane, making him more involved in the business.	☐	☐
II.	Employees at Apples and Oranges may obtain new knowledge and skills from observing the performance of their peers.	☐	☐
III.	Shane will have more time to focus on the business as a whole, rather than continuously being present in different stores to evaluate the performance of staff.	☐	☐
IV.	Employees will be less likely to respond to feedback offered from their peers at Oranges and Apples.	☐	☐

Use the following information to answer questions 8, 9 and 10

Gold Homes is a homewares business owned and managed by Simon. In three weeks, Simon is opening up his second store. To undertake this expansion, one of the current staff members will take over as manager of the original store, while Simon manages the newest location. In preparation, Simon is planning on implementing a performance management strategy to select the highest-performing employee with the appropriate skills to be the next manager.

Question 8

Identify which of the following are advantages of using employee observation at Gold Homes.
(Select all that apply)

I. Simon can gain multiple different perspectives about an employee that he may not have had previously, which may provide him with the information necessary to select the best-performing employee to be the next manager.

II. Making other employees at Gold Homes assess an employee's performance can disrupt their normal workflow, decreasing the productivity of Simon's store.

III. Employees at Gold Homes may be responsive to feedback provided by peers, as they value their opinion.

IV. As a variety of employees are involved, this can improve the interconnectedness of Gold Homes.

Question 9

Identify which of the following are advantages of using performance appraisals at Gold Homes.
(Select all that apply)

I. Performance appraisals can outline areas where employees at Gold Homes are struggling and training can be implemented by Simon to resolve any issues.

II. By assessing the performance of his employees against a range of criteria, Simon may gain the information necessary to select the best-performing employee to be the next manager.

III. Performance appraisals are a time-consuming process that Simon may not be able to complete before the new branch opens and a manager must be appointed at the current store.

IV. Employees at Gold Homes may lose motivation if they receive multiple poor performance appraisals.

Question 10

Identify which of the following are advantages of using self-evaluation at Gold Homes. **(Select all that apply)**

I. If an employee is biased or dishonest in assessing their performance, Simon will not gain reliable information and may not select the most capable employee to manage the store.

II. Self-evaluation can save Simon time and allow him to select a manager quickly, as employees evaluate their own performance.

III. The development of criteria to be used in a self-evaluation can be time consuming for Simon to create.

IV. Simon can gain an insight into an employee's understanding of their own strengths and weaknesses, assisting him in selecting the best-performing employee to be the next manager.

Exam-style

Question 11 (2 MARKS)

Define self-evaluation as a performance management strategy.

Question 12 (2 MARKS)

Define performance appraisals as a performance management strategy.

Question 13 (2 MARKS)

Explain how the performance management strategy of management by objectives can be used to improve employee performance.

Question 14 (4 MARKS)

Describe how the performance management strategies of self-evaluation and employee observation can be used to improve employee performance.

Question 15 (4 MARKS)

Charlie is the human resource manager of Phelps, a high-performance swimwear brand. Charlie is considering using a performance management strategy, as he has noticed low levels of employee productivity, and has recently investigated some strategies that could be implemented. Employees have also recently expressed that there is a lack of feedback from Charlie on ways they can improve their performance. He is considering implementing the performance appraisal management strategy.

Discuss the use of performance appraisals as a performance management strategy at Phelps.

Question 16 (4 MARKS)

Apples and Oranges is a suburban supermarket chain in Victoria. Recently, the owner, Shane, has found it difficult to manage a high number of employees, as he is not often present in the different stores. In order to manage the performance of his employees, he believes the business should use employee observation as a form of performance management.

Outline employee observation as a performance management strategy. Justify how this strategy can improve employee performance at Apples and Oranges.

Question 17 (4 MARKS)

Gold Homes is a homewares business owned and managed by Simon. In three weeks, Simon is opening up his second store. To undertake this expansion, one of the current staff members will take over as manager of the original store, while Simon manages the newest location. In preparation, Simon is planning on implementing a performance management strategy to select the highest-performing employee with the appropriate skills to be the next manager.

Other than management by objectives, propose one performance management strategy to improve employee performance at Gold Homes. Justify your choice.

Adapted from VCAA 2017 Sample exam Section A Q7b

Testing previous knowledge

Question 18 (4 MARKS)

Stephan is the manager of a bookstore with 10 employees and has recently noticed staff are demotivated and slow at completing tasks. Stephan is considering conducting performance appraisals to address staff performance.

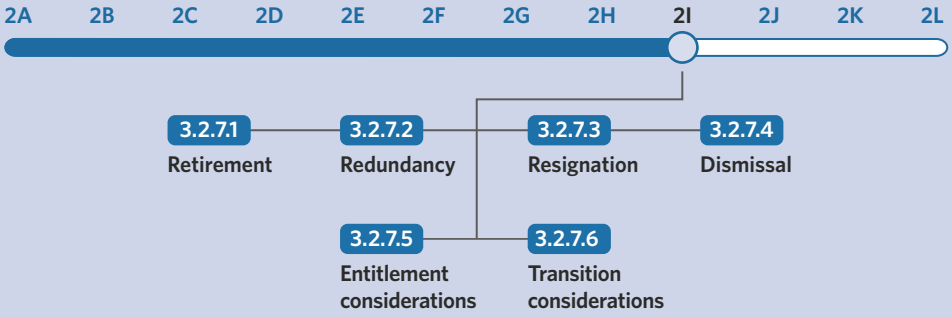
Explain how Stephan may utilise communication and planning skills when conducting performance appraisals.

Adapted from VCAA 2017 Sample exam Section B Q2

2I Termination management

STUDY DESIGN DOT POINT

- termination management including retirement, redundancy, resignation and dismissal, entitlement considerations and transition considerations



Have you ever witnessed an employee being fired from their job for inappropriate behaviour or a breach of contract? Dismissal is just one type of employee termination that can occur in a business. A business is likely to experience a number of employee terminations that must be managed appropriately and respectfully.



Lesson introduction

Termination is the process whereby a business ends its employment contract with an employee. Employees may leave a business for various reasons, some of which are voluntary, whilst others are out of their control. When a business terminates an employee's contract, it must take into account a number of considerations that the employee is legally entitled to. A business can also provide support services for leaving employees to ease their transition away from the business as they seek employment elsewhere or leave the workforce entirely.

Retirement 3.2.7.1

Retirement involves an individual deciding to leave the workforce permanently as they no longer wish to work. As a voluntary form of termination, an employee chooses to retire and may do so for multiple reasons. For example, some individuals may have earned enough money over the course of their life to financially support themselves without work. In other cases, an employee's age and reduced physical ability may restrict them from performing particular work tasks, therefore causing them to retire. In rare cases, individuals may choose to retire as they no longer want to be part of the workforce and will instead move on to enjoy an unemployed life where they follow non-work-related pursuits.

KEY DEFINITIONS

Termination is the process whereby a business ends its employment contract with an employee.

Retirement involves an individual deciding to leave the workforce permanently as they no longer wish to work.

Redundancy involves an employee no longer working for a business because there is insufficient work or their job no longer exists.

Redundancy 3.2.7.2

Redundancy involves an employee no longer working for a business because there is insufficient work or their job no longer exists. This can occur for two reasons:

- There is no longer enough work for an employee or a group of employees which is often due to a business change. For example, when a business introduces new technology, it may replace the roles of current employees meaning they are no longer required in the business.
- The business cannot afford to pay the current number of employees they have. This is often a result of a business needing to lower costs, therefore they will make numerous employees redundant and merge the roles of staff to reduce their wage expenses.

Redundancy can be voluntary or involuntary. Voluntary redundancy occurs when a business allows employees to nominate themselves to become redundant after the business announces that this process will occur. Employees are often enticed by financial incentives to nominate themselves for voluntary redundancy. On the other hand, involuntary redundancy occurs when a manager notifies employees that their position in the business has been made redundant, providing them with no choice in the matter.

REAL WORLD EXAMPLE



Image: Alex Cimbal/Shutterstock.com

Figure 1 The ABC announced that a number of its archival employees would be made redundant due to advances in technology

Redundancy

The Australian Broadcasting Corporation (ABC) is a national radio and television broadcasting network that has been operating since 1932. In 2022, the ABC announced that approximately 58 roles in the archival section of the business would be made redundant. These redundancies were a result of advances in technology which have optimised the efficiency of a number of processes, enabling journalists to complete archival tasks themselves. Employees affected by the ABC's business change were offered the option of applying for voluntary redundancy, providing them with a greater financial incentive to leave the broadcasting network. Ultimately, the ABC's decision to take advantage of technological developments resulted in the redundancy of many of its archival employees.

Adapted from news.com.au, 'ABC to abolish almost 60 jobs and make journalists do the work', 2022

Resignation 3.2.7.3

Resignation involves an employee voluntarily terminating their own employment, usually to take another job position elsewhere. An employee may choose to resign from a business for various reasons, such as opportunities to advance their career elsewhere, increased wages, better working conditions, or the use of a preferred management style at another business. It is important for a business to understand the reasons for an employee's resignation and identify any problems that may exist between employees and management to ensure it avoids an increase in the level of staff turnover. A business may choose to investigate the reasons behind an employee's resignation using an **exit interview**. This process can allow a business to implement strategies and processes to better satisfy employees and improve the business's corporate culture.

KEY DEFINITIONS

Resignation involves an employee voluntarily terminating their own employment, usually to take another job position elsewhere.

Dismissal involves the involuntary termination of an employee who fails to meet required work standards or displays unacceptable or unlawful behaviour.

ADDITIONAL TERMS

Exit interviews are discussions held between an employer and the leaving employee which are used to identify the reasons for an employee deciding to no longer work at the business.

Unfair dismissal is an employee being dismissed for harsh, unreasonable, or unjust reasons.

REAL WORLD EXAMPLE



Image: Stef Oostvogels/Shutterstock.com

Figure 2 The resignation of AACo's CEO, Hugh Killen, came as the company planned for a leadership transition

Resignation

The Australian Agriculture Company (AACo) is a public listed company that owns a number of farming plots throughout Queensland and the Northern Territory. In June 2022, the Chief Executive Officer (CEO), Hugh Killen, announced to shareholders that he would be resigning from the company and that this resignation would be effective immediately. The reasons behind Killen's choice to resign from ACCo have been attributed to the company wanting an 'orderly executive leadership transition' and Killen feeling that he had personally served his time.

Adapted from ABC, 'AACo CEO Hugh Killen resigns from Australia's largest cattle company', 2022

Dismissal 3.2.7.4

Dismissal involves the involuntary termination of an employee who fails to meet required work standards or displays unacceptable or unlawful behaviour. Informally, this is known as 'firing' or 'sacking' of an employee. A manager can choose to terminate an individual's employment if they are continually failing to meet business objectives, have poor performance, or breach the terms of their contract. However, a business must ensure that any employee dismissal occurs in a fair and lawful manner, as failing to do so can result in an employer being liable for **unfair dismissal**. For dismissal to occur in a fair manner, a business must have provided numerous warnings that have been properly documented and offered opportunities for the employee to improve their performance.

LESSON LINK

Corporate culture was introduced in **1H Corporate culture**.

The level of staff turnover will be covered in further detail in **4C KPIs: Part 2**.

In the case of an employee seriously breaching business policies and values, they can be immediately dismissed from their position without warning. Examples of serious breaches include discrimination, theft, fraud, bullying, and negligence. A business must ensure that all overdue entitlements, such as leave pay, are still provided to an employee who receives an immediate dismissal as this is a legal requirement of the business.

WANT TO KNOW MORE?

Unfair dismissal is when an employee is dismissed for harsh, unreasonable, or unjust reasons.

- A harsh dismissal occurs when the termination is considered an extreme response to the situation or results in severe financial or personal implications for the employee.
- An unjust dismissal involves an employee being terminated when they have been falsely accused of behaving inappropriately.
- An unreasonable dismissal occurs when an employee is dismissed without sufficient evidence to support the claims made against them.

If an employee believes they have been unfairly dismissed from a business, they can apply for an unfair dismissal claim through the Fair Work Commission of Australia.

Adapted from Fair Work Commission, 'Unfair dismissal', n.d.

REAL WORLD EXAMPLE

Dismissal

Broken Hill Propriety (BHP) is a public Australian mining company founded in 1885 that is renowned for sourcing minerals and other commodities, including silver, lead, iron, copper, and oil. In 2022, there were major investigations into the fly-in, fly-out mining industry which revealed that a large number of employees had been assaulted during their employment with several mining companies, much of which went unreported. At the time of these investigations, BHP reconfirmed that it had dismissed 48 employees for inappropriate conduct in response to assault allegations they had received from female staff members. In this case, BHP's dismissal of these employees was conducted in an appropriate and lawful manner, as the assault claims were supported by sufficient evidence, were a breach of many company policies, and was criminal behaviour that BHP does not condone.

Adapted from ABC, 'Inquiry into sexual assaults and harassment in WA's FIFO industry urges reporting overhaul, training', 2022



Image: Symbiosis Australia/ Shutterstock.com

Figure 3 Mining company, BHP, dismissed 48 employees after several allegations of assault

Entitlement considerations 3.2.7.5

Entitlement considerations are legal obligations an employer owes to its employees following the termination of their employment contract. When terminating employee contracts, a business must provide a number of entitlements to terminated employees, including **annual** or **long service leave** payments, to ensure that it is adhering to its legal obligations. If a business fails to fulfil these legal obligations, affected employees can take legal action against the business to receive compensation.

Table 1 Entitlement considerations when terminating employees

Entitlement considerations	Description
Annual or long service leave	Any annual leave or accumulated long service leave must be paid out to an employee upon the termination of their contract.
Redundancy pay	When an employee is made redundant, they are often entitled to financial compensation from the business for the termination of their employment. The size of this redundancy pay will be higher for employees who have worked at the business for a longer period of time. Redundancy pay is not usually paid to employees hired for less than 12 months.
Notice of termination	There must be sufficient notice for any redundancies and dismissals to provide the employee with time to prepare for their loss of employment.
Justifiable reasons for employment termination	An employer must provide valid reasons for the redundancy or dismissal of an employee for it to be considered lawful. For redundancies, valid reasons include store closure, relocation overseas, or the introduction of technology. For dismissals, valid reasons include poor employee performance or a serious breach of contract.

KEY DEFINITIONS

Entitlement considerations are legal obligations an employer owes to its employees following the termination of their employment contract.

ADDITIONAL TERMS

Annual leave is paid time off that is provided to an employee when they are not working. Businesses can only provide employees with a limited amount of annual leave each year.

Long service leave is an extended period of paid leave that is granted to an employee after a sustained period of work at a business.

REAL WORLD EXAMPLE

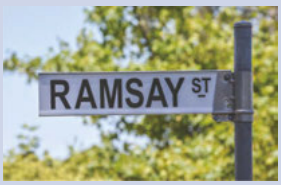


Image: Manon van Os/Shutterstock.com

Figure 4 Fremantle Australia faced backlash from employees after refusing to pay redundancy payments to the cast and crew of Neighbours

Entitlement considerations

Fremantle Australia is a television company founded in 2006 that is known for producing a number of Australian shows including Family Feud, Grand Designs Australia, and Picnic at Hanging Rock. Since Fremantle media cancelled its long-running Australian soap opera, Neighbours, in 2022, there was much controversy between crew members who worked on the show and their employers. The television company refused to provide these staff members with their entitled redundancy packages after claiming they were never employees and were instead considered 'contractors' on the show. Many crew members were negatively impacted by Fremantle Australia's decision to cancel the show and were trying to seek compensation for their service at the company and receive the benefits that they were entitled to.

Adapted from Metro, 'Neighbours 'refusing some redundancy payments to crew'', 2022

Transition considerations 3.2.7.6

KEY DEFINITIONS

Transition considerations are social and ethical practices that a manager can consider implementing when terminating employment.

Transition considerations are social and ethical practices that a manager can consider implementing when terminating employment. The process of leaving a business can be challenging for many employees as they may face financial uncertainty, stress, and difficulty obtaining new employment. Therefore, businesses should consider the impact that leaving a business can have on terminated employees. Although businesses have no legal obligation to provide assistance to staff during the termination process, a business that responds to the needs of terminated employees through transitional considerations can be seen as socially responsible and ethical. By doing so, a business can reassure its remaining employees of its values and maintain a positive corporate culture.

A manager can assist employees during the termination process by:

- offering resume writing or interview training to employees to improve their employability.
- providing networking support for employees in the form of contacts that they can use to gain future employment.
- providing flexible working hours that allow employees to attend interviews at other businesses.
- introducing counselling and financial services to ease the uncertainty of leaving the business.
- holding celebrations and providing recognition of the achievements of employees who are leaving the business.
- slowly reducing the working hours of retiring employees to help them adjust to a change in their lifestyle.

REAL WORLD EXAMPLE



Image: Ryan Fletcher/Shutterstock.com

Figure 5 Qantas addressed transition considerations by assisting redundant employees to find alternative jobs

Transition considerations

Qantas Airways Limited is Australia's largest airline and offers customers a range of travel options to various countries around the globe. The airline experienced a number of financial difficulties during the 2020-21 period due to the COVID-19 pandemic and was forced to make a number of employees redundant as Qantas could no longer afford to pay them. In 2022, Qantas announced that during the redundancy period, it provided staff with opportunities to find jobs in workplaces outside of the airline. Many Qantas employees have now transitioned into roles in handling ground supplies or have taken advantage of opportunities in different industries. Therefore, Qantas ensured it addressed transition considerations by assisting these redundant employees to find alternate employment, ultimately easing the stress of redundancy for some of its former employees.

Adapted from Junkee, 'Nearly Half Of Qantas Staff Still Don't Have Permanent Jobs Amid Continued Airport Delays', 2022

ACTIVITY

Termination management

Match each of the following situations with the type of employee termination that is occurring:

Carol is unsatisfied in her current job as an accountant and has been actively searching for employment at other businesses. She has recently accepted a role as a finance manager at a corporate company.	Retirement
Kieran has shown up late to work on numerous occasions and has been underperforming in his role. Management has provided him with warnings but there has been no change in Kieran's behaviour. Management has now terminated his contract.	Redundancy
Sasha is in her late 60s and has decided that she would like to move to the beach and live a relaxing coastal life away from the workforce.	Resignation
Nathan has been working on a production line for many years. The company he works for has recently invested in a range of new technology that is essentially replacing his role at the factory.	Dismissal

Theory summary

Under various circumstances, a business will undertake the process of termination and employees will either voluntarily or involuntarily leave the business. There are four common types of employee termination:

- Retirement involves an employee leaving the workforce permanently.
- Redundancy involves an employee leaving a business as their job no longer exists or there is insufficient work.
- Resignation involves an employee leaving a business to work elsewhere.
- Dismissal involves an employer terminating an employee against their will.

Retirements and resignations are employee-led processes whilst redundancies and dismissals are employer-led processes. It should be noted that although employees can take part in voluntary redundancy, this is still considered an employer-led process.

When terminating employee contracts, a business must address entitlement considerations as they are legal obligations that an employer must uphold. A business can also address transition considerations in order to be viewed as a socially-responsible business that treats terminated employees in an ethical manner.

2I Questions

Theory review

Question 1

Termination is the process whereby a business ends its employment contract with an employee.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- voluntary
- involuntary

Resignation involves an employee choosing to leave a business to work elsewhere and is _____. In contrast, dismissal is an employer-led process, meaning it is _____.

Question 3

When an employee is dismissed from a business, by law, the business must provide them with the appropriate:

A. transition considerations.

B. entitlement considerations.

Question 4

Redundancy involves an employee leaving the workforce permanently after merging their role with another in the business:

A. True

B. False

Question 5

Fill in the blank with **one** of the following terms:

- transition consideration
- entitlement consideration

When an employee is made redundant, one _____ that a business might address is providing leaving staff with opportunities to network with individuals and businesses in the industry to assist them in finding future employment.

Question 6

The transitional consideration of gradually reducing an employee's working hours and the entitlement consideration of long service leave may be addressed by the business when an employee is:

A. retiring.

B. resigning.

Question 7

A business that has strong termination management processes and ensures employees leaving the business are treated in a socially-responsible manner is more likely to maintain a positive reputation and corporate culture.

A. True

B. False

Preparing for exams

Case study skills

Question 8

Amanda owns Sea & Fries, a beachside fish and chip shop located along the Mornington Peninsula. Sea & Fries has been operating for over twenty years and employs a number of older workers. Some of these employees have informed Amanda that they are seeking to permanently leave the workforce at the end of the year to enjoy other aspects of life. Amanda is now looking to hire new employees to start work at Sea & Fries.

Identify which of the following is a correct statement about the form of employee termination at Sea & Fries.

A. Employees at Sea & Fries are being made redundant as they are involuntarily choosing to leave the beachside business.

B. Retirement of employees is occurring at Sea & Fries as they are permanently choosing to leave the workforce.

Question 9

Freeman's is a home entertainment company that sells televisions, laptops, phones, and other technological equipment. Recently, management at Freeman's has noticed that the company has been operating at a net profit loss and have decided to close a number of stores across Australia. The human resource manager, Cathy, has been informed that a number of employees will be made redundant as a result of these closures and that Freeman's is willing to provide various support services during this time.

Identify which of the following statements are correct about transition considerations that Cathy could acknowledge at Freeman's. **(Select all that apply)**

I. Cathy could provide all redundant employees with assistance in obtaining jobs elsewhere by offering resume writing classes and flexible working hours to attend interviews at other workplaces.

II. Freeman's could ensure that all redundant employees are paid, according to government legislation, their appropriate redundancy pay for their length of service at the entertainment company.

III. Cathy could inform Freeman's employees of their redundancy with an appropriate amount of notice to ensure she is legally compliant with the business's regulations as an employer.

IV. The entertainment business could offer redundant employees support and emotional welfare services, such as financial aid and counselling, to ease their transition away from Freeman's.

Exam-style

Question 10 (2 MARKS)

Define the term retirement as a form of employee termination.

Question 11 (2 MARKS)

Outline redundancy as a form of employee termination and one entitlement consideration relating to this type of termination.

Question 12 (3 MARKS)

Distinguish between resignation and dismissal.

Question 13 (4 MARKS)

Amanda owns Sea & Fries, a beachside fish and chip shop located along the Mornington Peninsula. Sea & Fries has been operating for over twenty years and employs a number of older workers. Some of these employees have informed Amanda that they are seeking to permanently leave the workforce at the end of the year to enjoy other aspects of life. Amanda is now looking to hire new employees to start work at Sea & Fries.

With reference to the situation at Sea & Fries, compare retirement and one other form of employee termination.

Adapted from VCAA 2021 exam Section B Q4

Question 14 (4 MARKS)

Freeman's is a home entertainment company that sells televisions, laptops, phones, and other technological equipment. Recently, management at Freeman's has noticed that the company has been operating at a net profit loss and have decided to close a number of stores across Australia. The human resource manager, Cathy, has been informed that a number of employees will be made redundant as a result of these closures and that Freeman's is willing to provide various support services during this time.

Explain two employee transition considerations that may result from the store closures at Freeman's.

Adapted from VCAA 2019 exam Section B Q6

Testing previous knowledge

Question 15 (4 MARKS)

Red Carpet is an Australian company specialising in the production of red carpets for celebrity awards nights and events worldwide. Over the last year, the human resource manager, Oscar, received a number of complaints from event managers about Red Carpet's service and was informed that employees were seen taking extremely long breaks and ignoring instructions. Management has provided several warnings on numerous occasions to employees working these events but Red Carpet continues to receive complaints. Consequently, Oscar has been asked to evaluate the performance of all employees and dismiss those who are failing to meet objectives.

Explain one performance management strategy that Oscar could use to determine which employees should be dismissed from Red Carpet.

2G–I Human resource functions review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

HomeR is a furniture manufacturing company located in Footscray. Over the past two years, operating costs have increased, placing significant financial pressure on the business. Rosa Aleixo, the human resource manager, has recognised that the business has excess staff. She has identified that some staff roles could be merged to reduce costs. In response, the CEO, Meriam Goldsmith, announced that 100 HomeR staff would be made redundant. The redundancy process is to occur over the next two months and staff have been given the option of voluntary redundancy, whereby they will receive a redundancy payment according to their years of service.



Image: SviatlanaLaza/Shutterstock.com

Rosa has been instructed to organise training for the remaining employees so that they are able to perform their new roles. Existing staff are now required to be skilled to complete various work-related tasks. In particular, members of the business's operations who previously worked within one production line are now required to be able to switch between multiple product lines. Staff are therefore required to be trained in operating equipment along multiple product lines.

Rosa has also identified that merging employees' roles requires previous performance management strategies to be adapted in order to reflect the new roles of staff. To allow the business time to adjust to this new change, Rosa has postponed the next performance review to occur in six months. Rosa has selected this time frame so that she is able to properly measure how staff are performing in their new positions, having had adequate time to adjust to their new roles. Rosa has researched various performance management strategies that she could implement but is yet to decide on which strategy should be used to improve and monitor employee performance.

Exam-style questions

Question 1 (2 MARKS)

Define the term 'retirement' and give one example of a distinguishing feature of this form of termination.

Adapted from VCAA 2017 Sample exam Section A Q1

Question 2 (2 MARKS)

Outline one transition consideration and one entitlement consideration for retiring employees.

Question 3 (2 MARKS)

Describe one advantage and one disadvantage of employee observation as a performance management strategy.

Question 4 (3 MARKS)

Distinguish between self-evaluation and performance appraisals as performance management strategies.

Question 5 (4 MARKS)

Propose one performance management strategy that would be effective in improving employee performance at HomeR. Justify your choice.

Adapted from VCAA 2017 Sample exam Section B Q7c

Question 6 (6 MARKS)

Compare on-the-job training with one other training method. Justify which method would be most effective for HomeR to multiskill its employees.

Question 7 (6 MARKS)

Identify and describe the form of termination affecting HomeR employees. Explain one transition consideration and one entitlement consideration that Rosa should address.

Adapted from VCAA 2019 exam Section B Q6

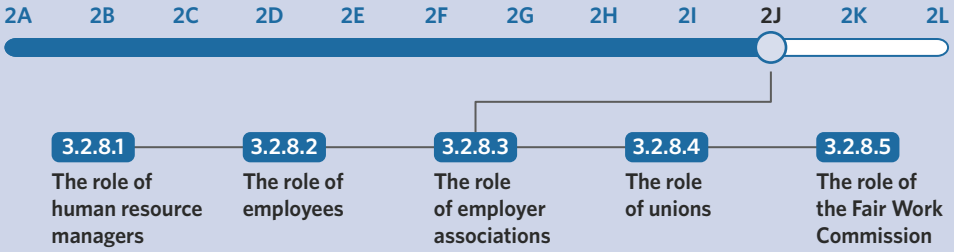
2J Participants in the workplace

A business is like a machine, it can only operate smoothly when all of its different parts, or participants in the workplace, are collaborating effectively. A number of people and groups are required during the process of establishing wages and conditions, resolving disputes, and upholding employee entitlements. So what does each person, or group, contribute to these processes?



STUDY DESIGN DOT POINT

- the roles of participants in the workplace including human resource managers, employees, employer associations, unions and the Fair Work Commission



Lesson introduction

Workplace participants actively influence and provide input into matters related to **workplace relations**. This contribution generally occurs in order to reduce and resolve conflicts, promote communication within the workplace, and assist with determining wages and working conditions that satisfy both the business and its employees. This lesson will cover five participants in the workplace, including human resource managers, employees, employer associations, unions, and the Fair Work Commission.

KEY DEFINITIONS

Human resource managers are individuals who coordinate the relationship between employees and management within a business.

ADDITIONAL TERMS

Workplace relations are the interactions that occur between employers and employees, or their representatives, within a business's internal environment.

LESSON LINK

Awards and agreements will be covered in further detail in **2K Awards and agreements**.

The role of human resource managers 3.2.8.1

Human resource managers are individuals who coordinate the relationship between employees and management within a business. These individuals are involved in several processes within a business, including the employment of staff, dispute resolution, and upholding legal requirements.

Table 1 The role of human resource managers

Aspects of role	Description
Recruit, hire, train, and terminate employees	• Hire candidates with the required qualities and skills to assist the business in achieving its objectives. • Provide employees with appropriate training to maximise their performance.
Negotiate with employees and their representatives	• Represent the business when developing employee wages and working conditions in an agreement.
Act as a mediating party	• Facilitate communication between employees and management. • Promote a positive work environment where the objectives of managers and employees can be met.
Ensure that minimum legal requirements are met	• Make sure that the minimum pay and working conditions, as outlined in the relevant industry award, are met and upheld by a business.

REAL WORLD EXAMPLE

The role of human resource managers

Coles Supermarkets Australia Pty Ltd is an Australian supermarket with over 120,000 team members, according to its 2021 annual report. Human resource managers at Coles aim to create a diverse and inclusive environment as part of their 'Better Together' strategy. To implement this strategy, Coles has started providing LGBTQI+ inclusion training to all team members, has altered hiring practices to increase the representation of Aboriginal and Torres Strait Islanders in its supermarkets, and has focussed on channelling more women into leadership roles at an organisational level. Through these management efforts, Coles is promoting a positive workplace environment and increasing the diversity of its workforce.

Human resource managers at Coles have also played a significant role in facilitating negotiations between senior management and the Shop, Distributive and Allied Employees' Association (SDA) Union, which proposed a new agreement on behalf of Coles employees in 2017. Coles now operates under the Coles Supermarkets Enterprise Agreement 2017 which provides staff with improved penalty rates and an 'above award rate of pay', indicating that the efforts of Coles' human resource managers were successful in negotiating this agreement.

Coles claims to have 'a strong appetite for learning'. A core role of human resource managers at Coles is to create and run learning programs, including Coles Academies that allow staff to gain a Master of Business Administration, accreditation and scholarship programs, and the Operational Leadership talent pathway which incorporates hands-on coaching and leadership workshops.

Adapted from Coles, 'Our People', n.d. and Coles 'Learning and Development', n.d.



Image: Daria Nipot/Shutterstock.com

Figure 1 Human resource managers at Coles are involved in training employees, negotiating agreements, and fostering a positive work environment

The role of employees 3.2.8.2

Employees are individuals who are hired by a business to complete work tasks and support the achievement of its objectives. An employee is responsible for contributing toward a business's objectives by fulfilling their role in an efficient and safe manner. The actions of employees also directly shape a business's corporate culture.

KEY DEFINITIONS

Employees are individuals who are hired by a business to complete work tasks and support the achievement of its objectives.

Table 2 The role of employees

Aspects of role	Description
Follow and understand workplace safety procedures	• Have an awareness of their responsibilities within the workplace. • Have an awareness of Occupational Health and Safety (OH&S) procedures that are communicated to them.
Complete tasks with proper care and diligence	• Complete set tasks with the aim of contributing to business objectives. • Ensure their actions reflect the business's values while working.
Obey terms in their contract	• Follow employee requirements and expectations, such as working the appropriate number of hours each week and abiding by dress code regulations.
Avoid misusing confidential information	• Keep sensitive and confidential information within the business.
Report illegal or unethical behaviour	• Report any individuals who are engaging in workplace bullying or discrimination. • Report businesses that are failing to uphold required safety standards.

EXTENDED REAL WORLD EXAMPLE

The role of employees

Australia Post is a government business enterprise providing postal services across Australia. In 2021, Australia Post employed more than 30,000 people across Australia. All of these employees perform specific functions within the business to maintain its operations. When performing business tasks, Australia Post employees must ensure they are upholding the business's safety, privacy, and bullying policies.

According to an enterprise engagement survey, 'say2action', conducted by Australia Post in May 2021, Australia Post employees perceived safety as a top strength of the business. Delivery employees are required to participate in training programs on driving under the influence and how to manage fatigue when on the roads, while postage employees must be equipped with protective gear and safety equipment in order to conduct their deliveries. All employees at Australia Post must comply with these safety protocols to work at the business.

Employees must also follow Australia Post's 'robust privacy protocols' which prevent customers' personal information, such as their credit card number or address, from being shared outside of the business. Employees must ensure they abide by these protocols to keep sensitive information confidential.

Finally, employees at Australia Post must nurture the diverse environment at the business with 145 nationalities being represented among Australia Post employees. The 'Our ethics' guidebook of Australia Post sets out that employees must 'speak up' if they become aware of unacceptable behaviour within the business, including bullying or harassment. If employees fail to abide by Australia Post's regulations with regard to discrimination, privacy, and safety, the employee may lose their job at the business.

Adapted from Australia Post, 'Safety', n.d. and Australia Post, 'Policies', n.d.



Image: ChamelonsEye/Shutterstock.com

Figure 2 Australia Post employees must uphold all safety, privacy, and discrimination procedures set out by the business

Questions

1. How does Australia Post maintain a work environment for employees that protects them from workplace bullying or discrimination?
2. How might Australia Post's human resource manager respond to employees failing to keep confidential information private?
3. What measures are in place at Australia Post to ensure its employees protect customer privacy?

KEY DEFINITIONS

Employer associations are advisory bodies that assist employers in understanding and upholding their legal business obligations.

The role of employer associations 3.2.8.3

Employer associations are advisory bodies that assist employers in understanding and upholding their legal business obligations. Employers can apply to become part of an association to improve their legal protection and gain assistance when negotiating their employees' wages and conditions. Employers will often need to pay a small membership fee to gain membership to their relevant association, however, it is not compulsory for an employer to be a member of an association.

Table 3 The role of employer associations

Aspects of role	Description
Share information	• Actively make employers aware of any new policies, laws, or regulations which must be taken into account by the business. • Assist employers in approaching other businesses and building relationships.
Provide advice	• Encourage employers to communicate strongly with their employees when making changes at the business. • Assist in creating policies that appropriately align with a business's objectives.
Represent employers during negotiations with employees	• Represent employers when negotiating wages and conditions of employment under new agreements through collective bargaining.
Provide support	• Listen to the concerns of employers and offer management advice.

REAL WORLD EXAMPLE

The role of employer associations

The National Retail Association (NRA) is an employer association that represents the interests of retailers and quick-service restaurants across Australia. Employers can become a member of this association by paying a minimum fee of $550, allowing them to access a wide array of services. These services include workplace relations support, advocacy, training information, and HR advice.

When changes in policies affecting retailers are made, the NRA informs members of these policy alterations to ensure their compliance with the new regulations. On July 1 2022, Western Australia implemented a ban applying to all plastic shopping bags and disposable plastic straws, plates, and cutlery. The Chief Executive Officer of the NRA reported that over 10,000 businesses across the state had been made aware of these changes by the association through online information sessions, emails, phone calls, or in-store visits.

Adapted from NRA, 'What we do', n.d. and NRA, 'Retailers preparing for WA plastics ban with just two weeks to go', 2022



Image: Julie208/Shutterstock.com

Figure 3 Retailers were informed by the National Retail Association about Western Australia's ban on plastic plates and cutlery in July 2022

ACTIVITY

The role of employer associations

The Australian Hotels Association (AHA) is an organisation of employers in the hospitality and liquor industry that was established in 1839. Research the association online and answer the following questions:

1. How many members does the AHA represent?
2. What are the 'key policies' of the AHA?
3. On the AHA website, the organisation states that they have generated how much in economic benefit?
4. According to the Australian Hotels Association's website, during COVID-19, what kind of policy changes did the association keep members informed about?

The role of unions 3.2.8.4

Unions are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions. An employee can voluntarily join a union and gain the benefits of this membership in their relevant industry, however, this is not compulsory. To become, and remain, a member of a union, employees must pay membership fees.

Table 4 The role of unions

Aspects of role	Description
Represent employees and negotiate new wages and conditions on behalf of their members	• Communicate the concerns and desires of employees to employers during collective bargaining, with the aim to protect and improve wages and conditions.
Seek better wages and work conditions on behalf of employees	• Actively provide employees with resources and tools to communicate their needs to employers. • Push for improvements in wages and conditions outlined in a business's enterprise agreement.
Protect job security and integrity of employee contracts	• Respond to any concerns or issues raised by employees related to their wages and work conditions. • Ensure that employers are upholding their legal requirements related to wages, entitlements, safety, and work conditions. • Protect employees from unfair dismissal and redundancy.

KEY DEFINITIONS

Unions are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions.

LESSON LINK

Collective bargaining will be covered in further detail in **2K Awards and agreements**.

Redundancy and unfair dismissal were introduced in **2I Termination management**.

REAL WORLD EXAMPLE



Image: ATIKAN PORNCHAIPRASIT/ Shutterstock.com

Figure 4 The SDA lodged a claim against McDonald's Australia after the fast-food chain violated paid rest break regulations

The role of unions

The Shop, Distributive and Allied Employees Association (SDA) is an Australian union which provides employees in retail, warehousing, and fast food industries with advice and representation. The SDA launches investigations into certain businesses in an effort to prevent employers from violating workplace regulations or underpaying staff. In January 2022, the SDA lodged a 'groundbreaking' claim against McDonald's Australia, alleging the fast-food chain deliberately denied its employees paid rest breaks and misled workers about their rights. The SDA bought this claim to the Federal Court on behalf of 338 current and former McDonald's crew members from across Australia. By making this claim, the union aimed to combat the exploitative behaviours of McDonald's to prevent current and future employees from being mistreated in the same way, whilst also aiming to gain compensation for employees who were mistreated in the past.

Adapted from SDA, 'SDA launches Federal Court action against McDonald's over denial of rest breaks', 2022

The role of the Fair Work Commission 3.2.8.5

KEY DEFINITIONS

The **Fair Work Commission (FWC)** is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act.

ADDITIONAL TERMS

Industrial action is steps taken by employees or employers to settle a workplace dispute about working conditions. Employees can delay, limit, or refuse to work.

LESSON LINK

The National Employment Standards (NES) will be covered in further detail in **2K Awards and agreements**.

The **Fair Work Commission (FWC)** is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act. The FWC was established as a result of the Fair Work Act 2009, an Australian law created to ensure the rights of employees are protected. These rights include the right to engage in **industrial action** and the right to be protected from unlawful discrimination.

Table 5 The role of the Fair Work Commission

Aspects of role	Description
Set national minimum working standards	• Revise and update National Employment Standards (NES) to protect the wages and working conditions of employees. • The FWC sets 11 NES that all employers must comply with or exceed.
Establish awards	• Determine minimum pay and working conditions for particular industries. • Ensure that the wages and conditions of industry awards align with all NES.
Approve and monitor enterprise agreements	• Ensure agreements meet the NES prior to accepting and approving them. • Ensure both employers and employees have genuinely agreed to the terms and conditions of agreements. • Terminate agreements if a business fails to uphold minimum requirements outlined by the NES.
Act as an arbitrator	• Make a legally binding decision during arbitration after hearing arguments from both parties of a dispute.
Act as a mediator	• Facilitate conversations between disputing parties in a workplace to assist them in coming to a resolution, whilst offering no opinions on the dispute.
Respond to serious workplace issues	• Assist employees who have been unfairly dismissed or are dealing with unfair termination claims. • Assist employees who have experienced or are experiencing workplace bullying or discrimination.

REAL WORLD EXAMPLE

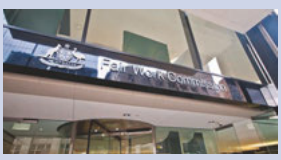


Image: EyeofPaul/Shutterstock.com

Figure 5 The Fair Work Commission announced increases in the minimum wage on 1 July 2022

The role of the Fair Work Commission

The Fair Work Commission (FWC) is Australia's independent workplace relations tribunal which was created by the Fair Work Act 2009. On 1 July 2021, the minimum wage rose by 5.2% across Australia and modern award wages received a 4.6% increase following the FWC's annual wage review. The FWC stated its decision to increase the minimum wage would impact more than 2.7 million workers across Australia. Unions praised this decision of the FWC with Sally McManus, head of the Australian Council of Trade Unions, determining the FWC's decision to be 'reasonable and fair' considering the rising cost of living across Australia.

Adapted from ABC News, 'Australian minimum wage increased by 5.2 per cent in Fair Work Commission decision', 2022

ACTIVITY

Participants in the workplace

Complete this 'Who am I?' by matching the summary of each participant's activities within a construction business to their job title.

I represent the construction workers during collective bargaining with the intention to provide employees with improved wages and conditions. I ensure that employers are upholding their legal requirements related to wages and conditions of work. If one of the construction workers believes they have been unfairly dismissed, I will investigate and fight against the dismissal.	●	● Construction Employers Association (CEA) representative
I help determine the National Employment Standards and the minimum wages and conditions of all industry awards. I monitor both employers and employees to ensure they are upholding the agreed terms and conditions of an agreement. When disputes arise between members of a workplace, I can act as a mediator or an arbitrator.	●	● Construction employee
I provide information to the managers of the construction business about any policy changes in the industry. I assist management in creating policies that align with their business goals. I advise employers and listen to any concerns that they may have about their construction business.	●	● Fair Work Commission
I am responsible for hiring, training, and terminating the construction workers at the business. During the process of determining wages and working conditions, I act to facilitate communication between management and employees. I ensure that management is upholding the NES and maintaining safe conditions of work.	●	● A Construction, Forestry, Mining and Energy Union (CFMEU) representative
I am responsible for completing set tasks in order to contribute to the achievement of business objectives. I must follow all OH&S procedures and keep sensitive business information private to preserve confidentiality.	●	● Human resource manager

Theory summary

Workplace participants play a vital role in ensuring a business is fulfilling relevant legal obligations, maintaining a positive environment, and achieving business objectives. There are a number of participants in a workplace.

- Human resource managers coordinate the relationship employees have with the business.
- Employees actively work towards achieving business objectives and upholding the business's policies.
- Employer associations support and advise employers to ensure that they are keeping up to date with relevant policies and making the best business decisions.
- Unions support and speak on behalf of employees to protect their rights and improve their wages and conditions.
- The Fair Work Commission resolves workplace disputes and determines the National Employment Standards.

2J Questions

Theory review

Question 1

Employers and employees are the only workplace participants who play a role in the process of determining the wages and working conditions of employees at a business.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- union
- employer association

Employees may pay to become a member of a/an _____ in order to gain representation during the collective bargaining process and to ensure that they are protected from unfair dismissal or redundancy.

Question 3

An employer association may: **(Select all that apply)**

I. represent employers when negotiating wages and conditions of employment.

II. listen to the concerns of employees and offer advice.

III. assist in the creation of policies that align with relevant business objectives.

IV. make employers aware of any new policies, laws, or regulations that must be taken into account in their business.

Question 4

Human resource managers may facilitate communication between employees and management during the process of negotiating employee wages and conditions.

A. True

B. False

Question 5

Providing employees with appropriate training and hiring employees with the skills to assist a business in achieving its objectives are examples of the roles fulfilled by a:

A. union.

B. human resource manager.

Question 6

Fill in the blanks with the following terms:

- the Fair Work Commission (FWC)
- unions

Once an agreement on employee wages and conditions has been reached between employers and _____ who are acting on behalf of the business's employees, _____ must review the agreement and approve its use in the business.

Question 7

The process of establishing wages and conditions of employment at a business involves: **(Select all that apply)**

I. human resource managers.

II. employer associations.

III. customers.

IV. employees.

V. unions.

Preparing for exams

Case study skills

Question 8

Eric's Fish and Chips is currently in the process of determining new wages and conditions of work for its employees, due to a recent increase in the number of staff leaving the business. Some of the employees are concerned that their expectations will not be met by a new agreement.

Identify which of the following are roles of the human resource manager at Eric's Fish and Chips.
(Select all that apply)

I. The human resource manager at Eric's Fish and Chips may facilitate communication between employees and employers during negotiations in order for employees' concerns regarding the new agreement to be diffused.

II. The human resource manager will approve the new agreement at Eric's Fish and Chips and ensure it complies with the NES, allowing it to be implemented in the business.

III. The human resource manager must ensure that Eric's Fish and Chips is meeting the minimum legal requirements when establishing new wages and conditions.

Use the following information to answer Questions 9 and 10.

Sharktail Fitness is a gym located in Carlton that employs 20 employees in either administration or fitness teaching roles. Under new Victorian laws, all fitness studios must now keep gym equipment exceeding 5kg on the ground, as opposed to on a rack, in an attempt to reduce the number of injuries from the use of heavy equipment. Currently, Sharktail Fitness has all equipment at eye level for easy access. A new policy mandating longer lunch breaks for all administrative employees has also been introduced. In response, Shenel, the CEO of Sharktail Fitness, is considering hiring more employees to ensure performance is maintained. Sharktail Fitness is a member of an employers association.

Question 9

Identify which of the following statements are **true** or **false** about the role of the employer association for Sharktail Fitness. **(Select all that apply)**

		True	False
I.	The employer association should make management at Sharktail Fitness aware of the new policy changes regarding heavy equipment and lunch breaks that have been introduced.	☐	☐
II.	The employer associations should assist Sharktail Fitness management in creating new policies that reduce the amount of time employees can spend on their lunch break.	☐	☐
III.	The employer association should represent the new employees being hired by Sharktail Fitness as they negotiate their individual employment agreements.	☐	☐
IV.	The employer association should listen to the concerns of Sharktail Fitness and offer it advice during this period of change as it considers hiring more employees.	☐	☐

Question 10

Identify which of the following is a correct statement about employees' role at Sharktail Fitness.

A. Employees at Sharktail Fitness must be aware of and follow the new safety procedures that have been communicated to them by ensuring heavy equipment is always put away correctly on the ground.

B. Employees must assist in the hiring process of new staff by helping recruit individuals whose values align with Sharktail Fitness.

Exam-style

Question 11 (2 MARKS)

Define the term 'Fair Work Commission'.

Question 12 (2 MARKS)

Define the term 'human resource managers'.

Question 13 (3 MARKS)

Explain the role of either unions or employer associations in the workplace.

Adapted from VCAA 2020 exam Section A Q3a

Question 14 (3 MARKS)

Eric's Fish and Chips is currently in the process of determining new wages and conditions of work for its employees, due to a recent increase in the number of staff leaving the business. Some of the employees are concerned that their expectations will not be met by a new agreement.

Describe the role of a human resource manager in a workplace such as Eric's Fish and Chips.

Adapted from VCAA 2017 exam Section A Q5

Question 15 (6 MARKS)

Sharktail Fitness is a gym located in Carlton that employs 20 employees in either administration or fitness teaching roles. Under new Victorian laws, all fitness studios must now keep gym equipment exceeding 5kg on the ground, as opposed to on a rack, in an attempt to reduce the number of injuries from the use of heavy equipment. Currently, Sharktail Fitness has all equipment at eye level for easy access. A new policy mandating longer lunch breaks for all administrative employees has also been introduced. In response, Shenel, the CEO of Sharktail Fitness, is considering hiring more employees to ensure performance is maintained. Sharktail Fitness is a member of an employers association.

Explain the role of employer associations and employees as workplace relations participants at Sharktail Fitness.

Adapted from VCAA 2017 exam Section A Q5

Testing previous knowledge

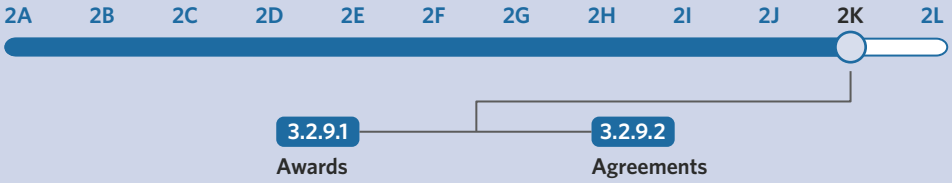
Question 16 (5 MARKS)

Explain the role of the Fair Work Commission and human resource managers during the process of dismissal as a form of termination.

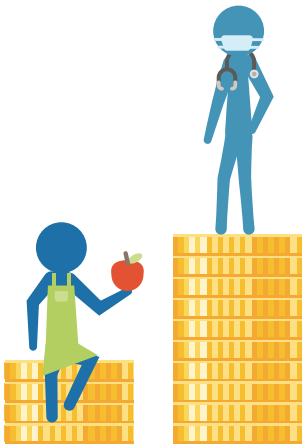
2K Awards and agreements

STUDY DESIGN DOT POINT

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



All employees earn a wage as compensation for their work. However, while a medical practitioner may make $53.57 an hour, a full-time shelf-stocker's pay rate may be less than half of this amount. So how are workers' pay rates determined?



Lesson introduction

Employers must consider the business and its objectives when deciding whether to negotiate an enterprise agreement with employees, or whether to rely on the relevant industry award to determine employment conditions for employees. There are two main methods of determining **wages** and conditions of work for employees, awards and agreements. Employees within a particular industry, such as the construction or retail industry, may receive the standardised wages and working conditions for their relevant industry, as determined by the Fair Work Commission (FWC). Alternatively, employees and employers can negotiate to establish an enterprise agreement that outlines wages and conditions that are above the minimum standard of the industry. Not all industries are covered by awards. If there is no relevant industry award and no enterprise agreement has been established, the terms and conditions of employment are outlined in each employee's **employment contract**, and governed by Australian employment law legislation.

Awards 3.2.9.1

Awards are legal documents that outline the minimum wages and conditions of work for employees across an entire industry. An award may also be referred to as an industry award. Businesses that rely on awards as their method of determining wages and conditions provide their employees with at least the national minimum standard for their relevant industry. The minimum working standards in the award are set by the Fair Work Commission (FWC), a government body that also develops industry awards. Therefore, awards act as a safety net for employees, as employers are legally obligated to provide them with at least the minimum wages and conditions relevant to their industry.

Employers are also expected to provide working conditions that meet the **National Employment Standards (NES)**, as these standards form the minimum working rights. In situations where employers fail to provide the minimum employment standards for their employees, legal action can be taken to ensure that businesses become compliant with FWC regulations.

LESSON LINK

The Fair Work Commission (FWC) was introduced in **2J Participants in the workplace**.

KEY DEFINITIONS

Awards are legal documents that outline the minimum wages and conditions of work for employees across an entire industry.

ADDITIONAL TERMS

Wages are regular payments of money earned by employees in exchange for work or services they complete, typically paid on a weekly, fortnightly, or monthly basis.

Employment contract is a legal document that outlines the wages and working conditions of an employee within a business.

National Employment Standards are the minimum entitlements an employer owes its employees, which are set out by the Fair Work Commission (FWC).

Table 1 Advantages and disadvantages of awards

	Advantages	Disadvantages
Business	–	• Generalised industry awards offer limited flexibility for different business models and therefore, impact a business's ability to meet its objectives. • Businesses lack the opportunity to develop a relationship with their employees, as awards are based upon predetermined standards. • Employees may leave the business to find employment with a higher pay rate than their current award, causing an increase in staff turnover.
Employee	• Transparency and equality between employees is maintained, as they all receive the same wages and conditions as set out by their award. • The FWC ensures that all employees receive appropriate wages and conditions of work.	• Employees may be unsatisfied by only receiving the minimum wages and conditions.
Time	• Employee wages and conditions are determined by the FWC, therefore implementing awards minimises the time taken to create individual employment contracts or negotiate an enterprise agreement.	–
Money	• Awards establish the minimum wages for employees and can be cost-effective, allowing a business to minimise its labour costs whilst remaining compliant with the law.	–

WANT TO KNOW MORE?

The 11 National Employment Standards set out by the Fair Work Commission include provisions for the following:

1. Maximum weekly hours
2. Requests for flexible working arrangements
3. Offers and requests to convert from casual to permanent employment
4. Parental leave and related entitlements
5. Annual leave
6. Personal leave, carer's leave, compassionate leave, and unpaid family and domestic violence leave
7. Community service leave
8. Long service leave
9. Public holidays
10. Notice of termination and redundancy pay
11. Fair Work Information Statement and Casual Employment Information Statement.

Adapted from Fair Work Ombudsman, 'National Employment Standards', n.d.

REAL WORLD EXAMPLE

Awards

The Fair Work Commission is the Australian industrial relations tribunal established after the creation of the Fair Work Act 2009. In June 2022, the Fair Work Commission announced increases in the minimum wages for industry awards across Australia. For workers with wages determined by an industry award, and earning above $869.60 per week, the minimum wage increased by 4.6%. Whilst those earning less than $869.60 per week, as determined by an award, experienced a $40 increase in their weekly wage. All increases were applied from the first full pay period on or after 1 July 2022. This change impacted a large number of employees and employers across Australia, as employers had to alter staff wages and conditions to ensure they were compliant with these new regulations.

Adapted from Fair Work Ombudsman, 'Minimum wage increase for some awards from 1 October 2022', 2022



Image: Shuang Li/Shutterstock.com

Figure 1 The Fair Work Commission increased award minimum wages in July 2022

ACTIVITY

Awards

Search up '*General Retail Industry Award Pay Guide*' (Fair Work Ombudsman, 2022) online. Refer to the relevant sections of the General Retail Industry Award pay guide as well as the information below.

A casual video store worker is given the classification 'Retail employee level 1' according to the General Retail Industry Award.

Under this award, shift work is defined as occurring when a shift starts at or after 6.00 pm on one day and before 5.00 am on the following day.

Answer the following questions in small groups:

1. You are 17 years old and working as a casual video store worker, what is your 'hourly pay rate'?
2. The video store decides to stay open 24 hours a day and you complete a shift starting after school at 7.00 pm and ending at 3.00 am the next day. Would you be paid under the 'Evening – Monday to Friday after 6 pm' rate of pay or the 'Shiftwork – Monday to Friday – non-baking production employees' rate of pay?
3. You have been working as a casual video store worker since you were 15. When you were 15, what would you have earned during a 3-hour shift on a Saturday afternoon?
4. Once you complete VCE and turn 18, you plan on working full time as a video store worker. What would your hourly pay rate be if you're working on weekdays from 9.00 am – 4.00 pm?

Agreements 3.2.9.2

Agreements (also known as enterprise agreements) are legal documents that outline the wages and conditions of employees and are applicable to a particular business or group of businesses. The process of establishing an agreement for a group of employees is known as **collective bargaining**. During this process, employees can be represented by a union official and employers may be represented by members of their employer association. After the business and its employees develop an agreement, the FWC is responsible for reviewing and approving it. For an agreement to be approved, it must satisfy the 'better off overall test' by exceeding the wages and conditions set out in the relevant award. Unlike awards, agreements allow employers and employees to determine wages and conditions that suit both parties, therefore allowing unique and specific workplace conditions to apply.

To be approved by the FWC, enterprise agreements must:

- provide employees with wages and conditions that exceed the relevant industry award overall, as determined by the 'better off overall test'
- be mutually agreed upon by employees and their employer
- be documented in writing
- comply with the FWC's National Employment Standards.

Once an enterprise agreement is accepted, it is viable for the period of time stated in the agreement. The document must be updated regularly to ensure changes in employment standards and worker expectations are upheld by a business and employee rights are protected. Additionally, once an agreement is established, the relevant award no longer applies to employees in that business, as their enterprise agreement will supersede the award.

KEY DEFINITIONS

Agreements are legal documents that outline the wages and conditions of employees and are applicable to a particular business or group of businesses.

ADDITIONAL TERMS

Collective bargaining is the process of negotiation between employers and employees, or their chosen representatives, to reach an agreement regarding employee wages and conditions of employment.

LESSON LINK

Unions and employer associations were introduced in lesson **2J Participants in the workplace**.

WANT TO KNOW MORE?

The 'better off overall test' (BOOT) is a review of an enterprise agreement conducted by the Fair Work Commission to determine whether the terms of the said agreement are more or less beneficial for an employee, compared to the terms in the relevant award. The BOOT is a global test as both the less and more beneficial terms of the agreement are considered, and an overall assessment is made as to whether the employee would be better off under the agreement than under the relevant award.

An agreement may still pass the BOOT even if certain award benefits have been reduced, as long as those reductions are counteracted by improvements to the minimum terms that have been introduced in the agreement. It is important to note that, within an agreement, the base rate of pay for an employee must not be less than the base rate of pay the employee would receive under the relevant award. However, penalty rates, allowances, or entitlements to overtime are all working conditions that can be reduced in an agreement, as long as other conditions are enhanced.

Table 2 Advantages and disadvantages of agreements

	Advantages	Disadvantages
Business	• Positive relationships between employees and employers may develop in the negotiation process. • Businesses have greater flexibility when setting wages and conditions, allowing the business to better meet employee needs and objectives. • A business may attract highly skilled and talented employees if it is paying wages that are above the industry average.	–
Employee	• Unions representing employees during negotiations can ensure they are not taken advantage of by their employer and can improve the wages and conditions they receive. • Can improve employee satisfaction and performance as they receive wages and conditions better than the relevant award.	• Inequality in wages and conditions may increase, as employees of a certain business may be receiving less than employees at a similar business that is operating under a different agreement. • Employees who cannot gain representation from unions may be exploited by employers, as there may be a power imbalance between the employee and the business.
Time	–	• It can be a time-consuming process for employees and employers to negotiate and establish the entitlements contained in an agreement.
Money	–	• Agreements can be more costly than following an award, as the wages and conditions of an agreement must improve upon those of the relevant industry award in order to satisfy the 'better off overall test'.

REAL WORLD EXAMPLE

Agreements

Priceline is an Australian health and beauty retailer that sells cosmetics, pharmaceutical products, and beauty services. In 2021, the Shop, Distributive and Allied Employees Association (SDA) finalised negotiations with Priceline for a new, four-year enterprise agreement that entitled existing staff to a 2% pay increase. The Priceline Retail Employees Enterprise Agreement 2021 incorporated a number of benefits for employees, improving upon the General Retail Industry Award 2020, which sets out the minimum wages and conditions for Priceline's retail employees. The agreement made improvements on minimum break times and employee leave, whilst also introducing yearly wage increases. The SDA negotiated the agreement on behalf of Priceline employees, taking their opinions into account by conducting a vote on the proposed agreement, to which 98% of employees voted 'yes'. On 16 December 2021, the Fair Work Commission approved the proposed agreement, confirming it satisfied all the National Employment Standards and exceeded the wages and conditions set out in the General Retail Award.

Adapted from SDA, 'The Priceline Enterprise Agreement 2021', 2021



Image: Catrin Haze/Shutterstock.com

Figure 2 The Priceline Retail Employees Enterprise Agreement 2021 exceeded the minimum wages and conditions for retail workers

ACTIVITY

Awards and agreements

On an A3 piece of paper or across a double page in your workbook, draw a Venn diagram with one side representing awards and the other representing agreements. Sort the characteristics in the list below as either applying to 'Awards', 'Agreements', or 'Both' by writing them in the correct section of your Venn diagram.

Characteristics:

- Employees have no input in the wages and conditions they receive.
- Must uphold the National Employment Standards (NES).
- Applicable to an entire industry, not just a specific group of employees.
- Allows employees to seek better hourly rates than the minimum wage in their industry.
- Only reviewed and approved by the Fair Work Commission (FWC).
- Can increase the expenses of the business as it must provide wages and conditions that are better than the minimum standards.
- Less time-consuming for a business to establish wages and conditions for its employees.
- Direct negotiations between employees and employers, or their representatives, must occur to establish employee wages and conditions.
- Any disputes about this method of determining wages and conditions are dealt with by the Fair Work Commission (FWC).
- May be used to attract highly skilled employees.
- Developed by the Fair Work Commission.
- Provides a business with greater flexibility to tailor its wages and conditions to the specific needs of its employees.

Theory summary

There are two common methods of determining the wages and conditions of employees; awards and agreements. Regardless of the method chosen, every business must abide by the National Employment Standards (NES) set by the Fair Work Commission to ensure it is fulfilling its legal obligations.

- Awards are legal documents that outline the set wages and conditions that must be provided to employees across an entire industry.
- Agreements are legal documents developed between employees, employers, and their representatives, that set out wages and conditions that exceed those outlined in the relevant industry award.

Awards

- Employees may not always be represented by their union in the process of determining wages and conditions
- Applicable to an entire industry
- Is developed by the Fair Work Commission (FWC)

Similarities:

- Businesses must uphold requirements of employment as stated through NES
- Contractual disputes are dealt with by the FWC

Agreements

- Leaves employees better off than the relevant award
- Is developed through voluntary negotiation between both employers and employees
- Applicable to a particular business or group of businesses
- Is reviewed and approved by the FWC

Figure 3 Similarities and differences of awards and agreements

2K Questions

Theory review

Question 1

Every supermarket cashier of the same age, working the same hours, will be paid the same wage, regardless of the supermarket they work for.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- award
- agreement

An _____ is a legal document that outlines wages and conditions of employment and is negotiated between employees and employers, or their representatives.

Question 3

One advantage of a business using an agreement to determine its employees' wages and conditions is that:

A. agreements can improve transparency and equality between employees within the same industry, as they all receive the same wages.

B. agreements can help develop positive relationships between employees and employers during the negotiation process.

Question 4

Using agreements can provide a business with greater flexibility, as the business can tailor the wages and conditions of its employees to better suit the business's objectives.

A. True

B. False

Question 5

To achieve its objectives, a business can reduce its costs by negotiating an enterprise agreement with its employees that sets a lower base rate of pay than the relevant industry award.

A. True

B. False

Question 6

Employees' wages and conditions must comply with the National Employment Standards (NES) if their pay and working conditions are determined by a/an: **(Select all that apply)**

I. award.

II. agreement.

III. collective bargaining.

Question 7

Fill in the blanks with the following terms:

- awards
- agreements

The Fair Work Commission (FWC) develops _____ , whereas the FWC only reviews and approves _____ and does not create them.

Preparing for exams

Case study skills

Question 8

Rekik is a Sydney-based clothing business that produces sophisticated, high-quality clothes for women. Currently, Rekik is the market leader in the retail industry and has 72 employees that are paid under the relevant industry award. Recently, four employees at Rekik have resigned and accepted job positions at Eve Garments, a local competitor. By conducting multiple exit interviews, the human resource manager, Lisa, understands that employees are leaving the business as they believe Eve Garments provides better pay and working conditions. Eve Garments determines the wages and conditions of its employees from an enterprise agreement.

Identify which of the following are **advantages** or **disadvantages** of Rekik continuing to use an award.

		Advantage	Disadvantage
I.	Employees at Rekik may continue to leave the business in pursuit of the better wages and improved working conditions that are provided by Eve Garments.	☐	☐
II.	By using an award, Rekik can maintain low labour costs at the business, as employees' wages would be less than those described in Eve Garments' agreements.	☐	☐
III.	Employees may experience dissatisfaction at Rekik if the business continues to use an award, as they feel they are not being fairly compensated for their work.	☐	☐

Question 9

Mickey Mousse is an Australian makeup retailer. The business has 50 employees who are provided wages and conditions according to an agreement. Mina Cosmetics is also an Australian makeup retailer, however, it employs individuals under an award. Recently, Mickey Mousse has hired a number of highly skilled employees who have resigned from Mina Cosmetics. Mickey Mousse's human resource manager, Jada, believes employees are leaving Mina Cosmetics to receive the better wages and working conditions that Mickey Mousse provides its employees through its agreements.

Identify which of the following are **advantages** or **disadvantages** of Jada utilising agreements as the method of determining wages and conditions at Mickey Mousse.

		Advantage	Disadvantage
I.	Mickey Mousse will likely need to renegotiate its enterprise agreements every few years, which may be a time-consuming process as it will require the business to engage in negotiations with employees or their representatives and wait for the approval of the Fair Work Commission.	☐	☐
II.	Employee satisfaction at Mickey Mousse is likely to be higher than its competitors, as the business provides better wages and working conditions to employees.	☐	☐
III.	During the collective bargaining process, stronger relationships between employees and their employers at Mickey Mousse might have developed, reducing the likelihood of employees leaving the business.	☐	☐
IV.	Mickey Mousse's expenses are likely to be higher than competitors' expenses, such as Mina Cosmetics, as it provides wages and conditions that exceed the relevant industry award.	☐	☐

Exam-style

Question 10 (2 MARKS)

Define agreements as a method of establishing employee wages and conditions.

Question 11 (3 MARKS)

Distinguish between awards and agreements as methods of determining wages and conditions.

Adapted from VCAA 2020 exam Section A Q3b

Question 12 (4 MARKS)

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

Adapted from VCAA 2020 exam Section A Q3b

Question 13 (4 MARKS)

Rekik is a Sydney-based clothing business that produces sophisticated, high-quality clothes for women. Currently, Rekik is the market leader in the retail industry and has 72 employees that are paid under the relevant industry award. Recently, four employees at Rekik have resigned and accepted job positions at Eve Garments, a local competitor. By conducting multiple exit interviews, the human resource manager, Lisa, understands that employees are leaving the business as they believe Eve Garments provides better pay and working conditions. Eve Garments determines the wages and conditions of its employees from an enterprise agreement.

Describe one advantage and one disadvantage of Rekik continuing to use an award.

Adapted from VCAA 2017 Sample exam Section B Q5

Question 14 (7 MARKS)

Mickey Mousse is an Australian makeup retailer. The business has 50 employees who are provided wages and conditions according to an agreement. Mina Cosmetics is also an Australian makeup retailer, however, it employs individuals under an award. Recently, Mickey Mousse has hired a number of highly skilled employees who have resigned from Mina Cosmetics. Mickey Mousse's human resource manager, Jada, believes employees are leaving Mina Cosmetics to receive the better wages and working conditions that Mickey Mousse provides its employees through its agreements.

Outline awards and agreements as methods of establishing employee wages and conditions. Evaluate the suitability of introducing an agreement to determine employee wages and conditions at Mickey Mousse.

Adapted from VCAA 2018 exam Section B Q4

Testing previous knowledge

Question 15 (3 MARKS)

Mallory is an Australian magazine company that provides both paper and digital copies of its products to subscribers worldwide. There are currently 28 full-time employees who are under an agreement, which was negotiated earlier in the month and is set to expire after 3 years. Prior to this introduction, employees received wages and conditions determined by the relevant industry award.

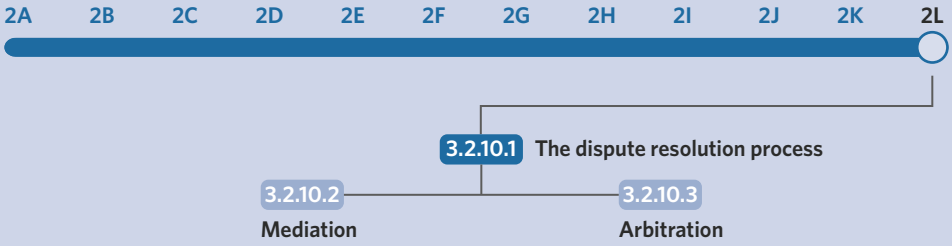
Explain the role of the Fair Work Commission in the introduction of an agreement at Mallory.

Back to contents

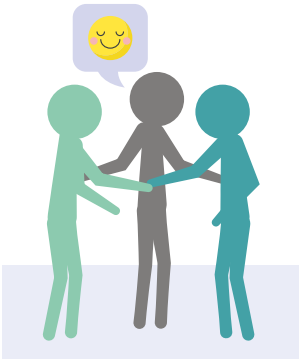
2L Dispute resolution

STUDY DESIGN DOT POINT

- an overview of the dispute resolution process including mediation and arbitration



In the same way that you may have conflicts with your friends or family, workplace disagreements between employees, managers, and other parties can occur. Therefore, a business must understand the process of dispute resolution to ensure any conflicts are handled appropriately. Can you think of any workplace disputes that were publicised in the media?



Lesson introduction

A **dispute** can occur in any business and may be between an employee and a manager, two employees, or an employee and the business in general. Workplace disputes are commonly related to employee wages and working conditions, safety, and business policies. All businesses should have written dispute resolution procedures to ensure conflicts are appropriately dealt with in a professional manner as soon as they arise. When disputes occur, resolving these conflicts immediately within the workplace can maintain positive relationships and a strong corporate culture. However, if a dispute is unable to be resolved in the workplace, a business will need to involve an independent third party, such as the Fair Work Commission, to assist in the resolution process. It should be noted that all businesses should always be aiming to avoid any workplace disputes. This can be achieved by fostering a strong corporate culture and positive interpersonal relationships within the business.

The dispute resolution process 3.2.10.1

A **dispute resolution process** is a series of steps that disputing parties follow in order to resolve a disagreement and reach a resolution. The Fair Work Regulations 2009 outline the steps that a business must take when resolving a dispute relating to workplace agreements or National Employment Standards. This model of dispute resolution provides businesses with the appropriate structure and procedures for resolving workplace disagreements and aims to enable businesses to only resort to more formal methods, such as mediation and arbitration, when absolutely necessary.

The dispute resolution process involves the following steps:

1. The disputing parties must try to resolve the dispute within the business. To do so, a business may facilitate discussions between disputing employees, managers, and their relevant representatives.
2. If the dispute is unable to be resolved, the business can involve an independent third party, such as the Fair Work Commission, to facilitate the resolution process.
3. An independent third party will first attempt to resolve the dispute via mediation whereby they coordinate productive conversations between the disputing parties.
4. If the dispute is unable to be resolved at the mediation level, the case will be escalated to the arbitration process whereby a tribunal member makes a decision that all parties must legally oblige to.

Throughout this dispute resolution process, the Fair Work Regulations outline that an employee must continue to perform their work tasks and follow the directions provided by an employer unless there is reasonable fear for their health and safety. It is important for a business to recognise the seriousness of dispute resolution within the workplace and ensure it is compliant with the regulations outlined by the Fair Work Commission.

KEY DEFINITIONS

A **dispute resolution process** is a series of steps that disputing parties follow in order to resolve a disagreement and reach a resolution.

ADDITIONAL TERMS

A **dispute** is a conflict between workplace participants as a result of a disagreement.

LESSON LINK

The Fair Work Commission (FWC) was introduced in **2J Participants in the workplace**.

When resolving a dispute, employees and employers can undertake **industrial action** as a means of reaching a resolution and settling the dispute. Industrial action can include employees being purposefully absent from work, refusing to complete tasks, or going on strike, whilst employers can lock employees out of the workplace. It is legal to undertake industrial action only when a business and its employees are bargaining for a new employment agreement. Under all other circumstances, industrial action is illegal and punishable by law.

Mediation 3.2.10.2

KEY DEFINITIONS

Mediation involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves.

ADDITIONAL TERMS

Industrial action involves employees or employees taking relevant steps to settle a workplace dispute. During industrial action, employees can delay, limit, or refuse to work, and employers can lock employees out of a workplace.

A **legally binding decision** is a judgement that requires and prohibits certain actions of parties and is enforceable by law. Failure to follow this decision can result in legal consequences.

Mediation involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves. The process of mediation would occur in a business if the disputing parties have been unable to resolve the dispute themselves, or with the help of senior managers. During mediation, an independent third party assists the conversation between disputing parties by ensuring discussions are productive in reaching a resolution. This independent third party may be a representative from a government agency, external business, or the Fair Work Commission (FWC). The mediator does not offer their opinion, advice, or make decisions during this process. Rather, their role is to encourage disputing parties to reach a decision cooperatively. Therefore, a mediator acts to preserve communication flow between the disputing parties in an effort to reach a collective agreement. However, it must be noted that mediation does not result in a **legally binding decision**, meaning an agreement may not always be reached and either of the disputing parties can go back on the resolution.

Table 1 Advantages and disadvantages of mediation

	Advantages	Disadvantages
Business	• When parties reach decisions together, it promotes positive working relationships for the future. • The likelihood of a communication breakdown between disputing parties is reduced with a mediator facilitating negotiations.	• It may not be effective for resolving all business disputes as a final decision may not always be reached. • Mediation does not always result in a legally binding decision meaning parties could go back on their agreement in the future.
Employee	• Both disputing parties have control over the final decision, meaning they are more likely to be satisfied at the end of the resolution process.	• There may be an unbalanced power dynamic between employees and managers, meaning employees could be coerced into accepting a resolution that they do not agree with.
Time	–	• If a final decision is not reached, the process can be a waste of time.
Money	• It is less expensive than more formal dispute resolution processes as it usually occurs in an informal setting.	–

Arbitration 3.2.10.3

KEY DEFINITIONS

Arbitration involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict.

Arbitration involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict. This is considered the last resort of any dispute resolution as it results in a legally binding decision. It is the most formal and official stage of any dispute resolution process as it occurs in a court-like setting. During the arbitration process, a tribunal member, often from the Fair Work Commission (FWC), will listen to the case of both disputing parties before making a legally binding decision as to how the conflict must be resolved. Arbitration is necessary when conflicting parties are unable to reach an agreement themselves through less formal procedures, such as mediation. It should only be used when all other options for dispute resolution have been unsuccessful.

Table 2 Advantages and disadvantages of arbitration

	Advantages	Disadvantages
Business	• It guarantees that a final decision is made by a third party, enabling a business to move forward from a dispute. • The final decision is legally binding, which prevents the occurrence of the same dispute between the two parties.	• This process may harm future workplace relations if one of the disputing parties involved is unhappy with the final decision.
Employee	• Employees are not coerced into agreeing to a resolution as the likelihood of a power imbalance between disputing parties is reduced.	• Employees have reduced control over the final decision and therefore may be unhappy at the end of this process.
Time	–	• The process of hearing both sides of the dispute in an external, court-like setting is time-consuming for both parties.
Money	–	• Arbitration is the most expensive dispute resolution process due to the costs incurred from conducting hearings.

WANT TO KNOW MORE?

Although arbitration is considered a last resort for businesses during the dispute resolution process, it actually occurs more often than you might expect. In Australia, during the 2017–2019 period, there were 223 active arbitration cases in business with approximately $35 billion associated with these disputes. Therefore, arbitration is evidently impacting many businesses and is a crucial part of the dispute resolution process.

Adapted from Herbert Smith Freehills, 'Australian Arbitration – Behind the Current Boom', 2021



ACTIVITY

Dispute resolution

Imagine you work at a local bakery and your manager, Rose, has decided to increase the minimum hours that you are required to work each week. As a student, you are unable to keep on top of your studies and work the increased hours at the bakery. Therefore, you have asked Rose if you would be able to maintain the same number of hours you currently work per week and they agreed to this arrangement. However, despite having this discussion, you have still been rostered on to work the increased hours. You are unsure how to approach Rose and overcome this dispute.

Discuss these questions in small groups and then share your responses with the class.

1. How could mediation assist you and Rose overcome this dispute?
2. What might be an appropriate resolution that is reached in the mediation process?
3. If you and Rose were unable to resolve the issue following mediation, what would you do next?
4. Why is mediation likely to be more beneficial than arbitration for resolving disputes at the local bakery?

Theory summary

In any business, workplace disputes may occur and are often unavoidable. Therefore, it is important that a business has appropriate dispute resolution strategies to ensure that any conflicts are dealt with properly and preserve the working relationships within a business. The dispute resolution process is a series of steps that outline how a business should resolve a disagreement in the workplace. There are two formal dispute resolution processes that can assist a business when handling a conflict:

- Mediation involves an independent third party assisting those involved in a dispute to reach a resolution.
- Arbitration requires an independent body to make a legally binding decision to resolve a conflict.

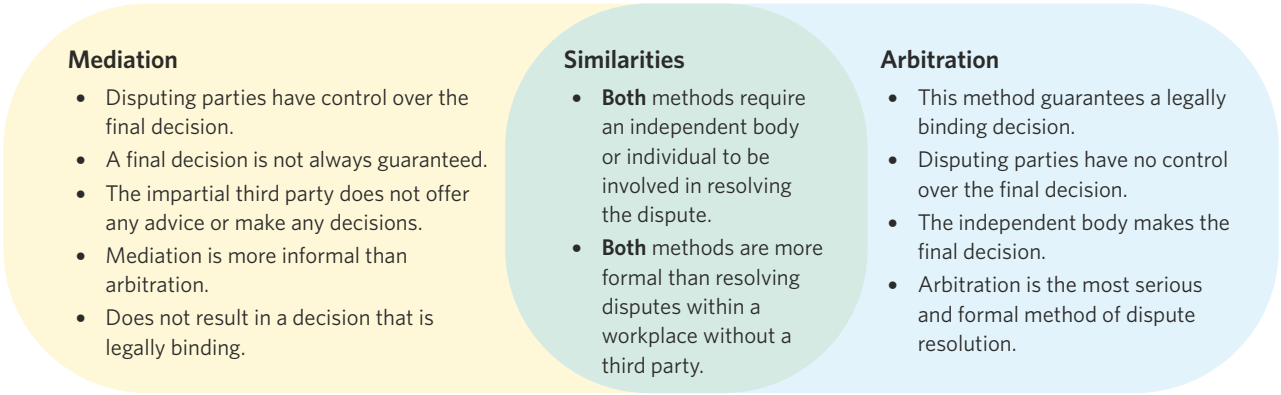


Figure 1 The similarities and differences between mediation and arbitration

2L Questions

Theory review

Question 1

Workplace disputes will never occur in a business that has a strong corporate culture and positive interpersonal relationships.

A. True

B. False

Question 2

The process of arbitration involves:

A. an independent third party making a legally binding decision to resolve a workplace dispute.

B. the disputing parties discussing the conflict with the help of an independent third party who ensures communication is productive.

Question 3

Fill in the blanks with the following terms:

- less
- more

Compared to arbitration, mediation provides disputing parties with _____ control over the final resolution. Mediation is also a _____ formal process than arbitration.

Question 4

During mediation, the mediator will offer their advice and assistance in the decision-making process to resolve a dispute.

A. True

B. False

Question 5

Arbitration can be more advantageous for a business than mediation because:

A. it reduces the likelihood of any power imbalance between disputing parties that may cause one party to feel obliged to agree with a resolution.

B. it ensures workplace relationships are preserved as both parties are likely to be satisfied by the final decision.

Question 6

Both mediation and arbitration are more formal processes than resolving a workplace dispute internally without a third party.

A. True

B. False

Question 7

Following a dispute resolution process can allow a business to methodically resolve workplace disagreements and reach an appropriate agreement.

A. True

B. False

Preparing for exams

Case study skills

Question 8

Barbara owns Strike in Hand, a bowling alley located on the outskirts of the Syndey CBD. Last month, Barbara received several complaints about a manager at Strike in Hand who had been disrespectful and rude towards employees. Barbara attempted to resolve the issue with the help of an independent third party who facilitated conversations between the accused manager and employees. Unfortunately, the dispute was unable to be resolved and Barbara is expected at a hearing next month where a legally binding decision will be made to resolve the issue.

Identify whether the following are **similarities** or **differences** between mediation and arbitration.

		Similarity	Difference
I.	Barbara requires the involvement of an independent third party for the process of mediation and arbitration at Strike in Hand.	☐	☐
II.	Arbitration guarantees that a resolution is reached at Strike in Hand through a legally binding decision, whilst mediation does not.	☐	☐
III.	Mediation will allow the disputing parties at Strike in Hand to collectively reach a resolution without the opinions of the independent third party, differing from arbitration where the arbitrator makes a final, legally binding decision to resolve the dispute.	☐	☐
IV.	Mediation and arbitration are more formal methods of dispute resolution compared to Barbara resolving the dispute internally within Strike in Hand.	☐	☐

Question 9

Tom's Cruises is a boating business that caters for seaside events and parties on a variety of its luxury yachts. Recently, the manager, Tom, has had to roster one of his employees, Kai, on more shifts than usual to meet the increased demand that Tom's Cruises is experiencing. However, Kai is upset about this as he is working well above his usual hours and is unable to spend as much time with his family at home. Kai has spoken directly with Tom but he has been unsuccessful in resolving the issue.

Identify which of the following are **advantages** or **disadvantages** of using mediation at Tom's Cruises.

		Advantage	Disadvantage
I.	Mediation is less costly for Tom's Cruises than other, more formal methods of dispute resolution.	☐	☐
II.	Kai may feel pressured to come to a resolution he does not agree with if there is a power imbalance between himself and Tom.	☐	☐
III.	The process of mediation encourages Tom and Kai to collaboratively reach a resolution, which is likely to better satisfy them both and may foster a more positive relationship in the future.	☐	☐
IV.	There will be no legally binding decision made between Tom and Kai, meaning that either of them can go back on the resolution that was made.	☐	☐

Exam-style

Question 10 (2 MARKS)

Define arbitration as a method of dispute resolution.

Question 11 (2 MARKS)

Define mediation as a method of dispute resolution.

Question 12 (2 MARKS)

Describe one advantage and one disadvantage of arbitration as a method of dispute resolution.

Question 13 (3 MARKS)

Distinguish between mediation and arbitration as methods of dispute resolution.

Adapted from VCAA 2017 exam Section A Q2

Question 14 (4 MARKS)

Explain how a business could use a dispute resolution process to resolve a workplace disagreement.

Adapted from VCAA 2016 exam Q4b

Question 15 (4 MARKS)

Barbara owns Strike in Hand, a bowling alley located on the outskirts of the Syndey CBD. Last month, Barbara received several complaints about a manager at Str ke in Hand who had been disrespectful and rude towards employees. Barbara attempted to resolve the issue with the help of an independent third party who facilitated conversations between the accused manager and employees. Unfortunately, the dispute was unable to be resolved and Barbara is expected at a hearing next month where a legally binding decision will be made to resolve the issue.

With reference to the situation at Strike in Hand, compare mediation and arbitration as methods of dispute resolution.

Adapted from VCAA 2021 exam Section B Q4

Question 16 (5 MARKS)

Tom's Cruises is a boating business that caters for seaside events and parties on a variety of its luxury yachts. Recently, the manager, Tom, has had to roster one of his employees, Kai, on more shifts than usual to meet the increased demand that Tom's Cruises is experiencing. However, Kai is upset about this as he is working well above his usual hours and is unable to spend as much time with his family at home. Kai has spoken directly with Tom but he has been unsuccessful in resolving the issue.

Evaluate the suitability of mediation to resolve the conflict between Tom and Kai.

Testing previous knowledge

Question 17 (3 MARKS)

Explain the role of the Fair Work Commission in establishing awards and resolving disputes.

2J–L Workplace relations and dispute resolutions review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Bricklay is an Australian construction company that has specialised in building houses in suburban locations for the past 5 years. Initially established in Victoria, the business has since expanded to New South Wales and Tasmania over the past 3 years. Following the expansion, Bricklay converted from a partnership to a private limited company. The domestic expansion enabled the business to significantly increase its market share and net profit figures. The business's recent success resulted in the hiring of more than 150 construction workers.



Image: bogdanhoda/Shutterstock.com

Despite being a relatively new business, Bricklay has developed a reputation for the high quality of its projects. However, the business has struggled to be a desirable employer for workers. Recently, a large number of Bricklay's construction workers expressed their dissatisfaction in relation to the wages and conditions outlined in their agreement. Employees highlighted that Bricklay's pay and working conditions are significantly lower than competing construction businesses. With the current enterprise agreement about to expire, employees are demanding an increase in their salaries, periods of leave, and work breaks. However, Wes, the human resource manager, has refused to acknowledge and negotiate this issue with employees. These employee demands are being supported by the Construction, Forestry, Maritime, Mining and Energy Union (CFMEU), which is the union responsible for representing Victorian construction workers. The CFMEU was prepared to negotiate with Wes to protect and improve the rights of Bricklay's construction workers.

After consulting with the CFMEU, Bricklay construction workers plan to engage in a strike in the next two weeks to express their disapproval of their wages and conditions. This is due to Bricklay's unwillingness to negotiate improvements for the agreement covering its employees. With one month until the enterprise agreement must be renewed, tensions between construction workers and upper management remain high. Employees are set to engage in further industrial action unless management agrees to negotiate this issue. This industrial action will halt many of Bricklay's current projects, jeopardising the positive reputation that was built over the past 5 years.

Exam-style questions

Question 1 (2 MARKS)

Define awards as a method of establishing employee wages and conditions.

Question 2 (2 MARKS)

Outline one advantage and one disadvantage of using arbitration as a means of dispute resolution.

Question 3 (4 MARKS)

With reference to the situation at Bricklay, compare awards and agreements as methods of determining wages and conditions of work.

Adapted from VCAA 2020 exam Section A Q3b

Question 4 (5 MARKS)

Evaluate the suitability of using agreements as a method to determine wages and conditions for Bricklay's employees.

Question 5 (6 MARKS)

Explain the role of unions and employees as workplace relations participants at Bricklay.

Adapted from VCAA 2020 exam Section A Q3a

Question 6 (6 MARKS)

Explain mediation and arbitration as means of dispute resolution. Justify which method Bricklay should adopt.

Adapted from VCAA 2018 exam Section B Q4

Unit 3 AOS 2 review

Human resource management

AOS summary

This chapter introduced the second area of study (AOS) in Unit 3 of the VCE Business Management course. In this chapter, you learnt about the relationship between human resource management and business objectives, as well as the different motivation theories and strategies that a manager can implement. You also learnt about solutions for managing employee performance, training and terminating employees, resolving disputes, and determining wages and working conditions, whilst also exploring the different participants within the workplace.

Lesson **2A Human resource management** explored the relationship between managing employees and the achievement of business objectives. You learnt about how effectively managing employee performance can improve a business's ability to achieve objectives.

Lesson **2B Maslow's Hierarchy of Needs** was the first of three motivation theories that a manager can apply to improve employee performance. This theory suggests that employees can be motivated by five fundamental needs that must be met in a hierarchical order. Maslow's five motivational needs are:

- physiological needs
- safety and security needs
- social needs
- esteem needs
- self-actualisation needs.

Lesson **2C Lawrence and Nohria's Four Drive Theory** was the second of three motivation theories that a manager can apply to improve employee performance. This theory suggests that employees are motivated by a balance of the four different drives. The four drives of Lawrence and Nohria's theory are the:

- drive to acquire
- drive to bond
- drive to learn
- drive to defend.

Lesson **2D Locke and Latham's Goal Setting Theory** was the last of three motivation theories that a manager can apply to improve employee performance. This theory suggests that employees are motivated by goals that fulfil five key principles, including clarity, commitment, challenge, task complexity, and feedback. The lesson also covered how the exercise of establishing objectives can motivate employees to improve their performance.

Lesson **2E Motivation strategies: Part 1** covered the five motivation strategies a human resource manager can use to increase employee motivation, and improve employee performance. The five motivation strategies are:

- performance-related pay
- career advancement
- investment in training
- support strategies
- sanction strategies.

Lesson **2F Motivation strategies: Part 2** covered the effect of each motivation strategy on employee motivation over time. You learnt about the positive and negative effects of each strategy on the short-term and long-term motivation of employees.

Lesson **2G Employee training** covered the different methods a manager can use to train their employees and provide them with the relevant knowledge and skills to productively complete work tasks. The two types of employee training are:

- on-the-job training
- off-the-job training.

Lesson **2H Performance management** covered the strategies a human resource manager can use to monitor, manage, and improve employee performance. The four performance management strategies are:

- management by objectives
- performance appraisals
- self-evaluation
- employee observation.

Lesson **2I Termination management** covered the roles of the core participants involved in workplace relations as well as their roles within the workplace. The five workplace participants are:

- retirement
- redundancy
- resignation
- dismissal.

Lesson **2J Participants in the workplace** covered the roles of the core participants involved in workplace relations, as well as their roles within the workplace. The five workplace participants are:

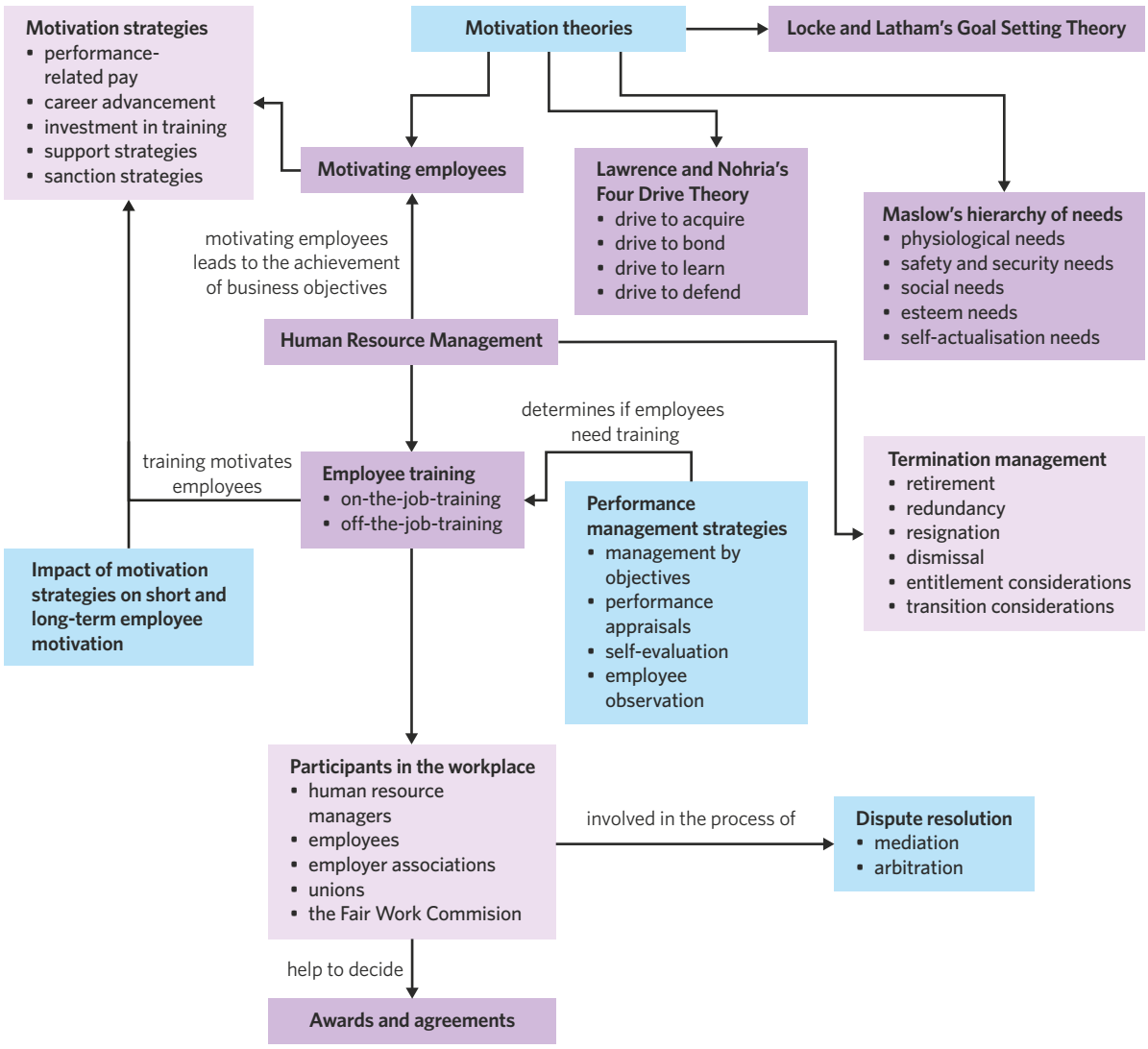
- human resource managers
- employees
- employer associations
- unions
- the Fair Work Commission.

Lesson **2K Awards and agreements** covered the two methods an employer can use to determine the wages and working conditions of their employees. The two methods of determining employee wages and conditions of work are:

- awards
- agreements.

Lesson **2L Dispute resolution** covered the processes that a human resource manager can use to resolve workplace disputes. The two methods of dispute resolution are:

- mediation
- arbitration.



AOS review activities

Review activity 1: Fill in the blanks

Fill in the blanks with the following terms:

- performance-related pay
- Locke and Latham's Goal Setting Theory
- long term
- performance appraisals
- on-the-job training
- clear, time-bound, and challenging
- employee observation

Lillian owns an organic juice business called Squeezy. Squeezy employs 45 people who work across various roles. Lillian has noticed her employees are not performing to a high standard over the past few months, which has prompted her to consider ways to increase her staff's motivation. She has been researching several theories, such as _____. This theory suggests that Lillian should work with employees to establish _____ goals. After researching various strategies, Lillian has chosen to motivate employees through the strategy of _____ by offering pay rises to high-performing employees. However, she fears that this strategy will be less effective in the _____, as she is unable to continually offer employees payments in increasing amounts. Another strategy she is considering is _____, whereby her employees would be trained by a mentor from within the business to improve their knowledge and skills. After a few weeks of implementing various strategies, Lillian is planning to assess the performance of her employees. In order to do so, she is deciding between _____, which would involve assessing the performance of an employee against a range of criteria, and _____, which would involve a range of employees from different levels of authority assessing another employee's performance against set criteria.

Review activity 2: Motivation strategies

In this chapter, you have learnt about five different motivation strategies that managers can use to motivate and improve the performance of their employees. Read through the following descriptions of strategies leading to employee motivation, and decide whether it relates to performance-related pay, career advancement, investment in training, support strategies, or sanction strategies. In some cases, the description may relate to more than one strategy.

Description	Performance-related pay	Career advancement	Investment in training	Support strategies	Sanction strategies
Employees are motivated by the idea of a salary increase.	☐	☐	☐	☐	☐
A training seminar motivates employees as they are improving their skill set.	☐	☐	☐	☐	☐
A manager works with employees to ensure they clearly understand their objectives and have the assistance they require.	☐	☐	☐	☐	☐
A staff member is motivated to work harder as they are reprimanded if their productivity lowers.	☐	☐	☐	☐	☐
A manager offers employees the opportunity to attend a seminar led by an industry expert.	☐	☐	☐	☐	☐
Employees are motivated by a positive atmosphere within the workplace where feedback and praise are given.	☐	☐	☐	☐	☐
Employees are motivated to increase responsibility and status though a promotion.	☐	☐	☐	☐	☐

Review activity 3: Human resource management

In this area of study, you learnt about a range of factors that a human resource manager must consider when managing employees. Read through the following scenarios and circle the option that you think would be most suitable for the manager to implement.

Scenario	Recommendation
A disagreement between managers and employees requires a legally binding decision to be made, therefore the business should utilise:	mediation / arbitration
A manager wants to increase employee motivation in the long term, therefore, they should implement:	support strategies / sanction strategies
A manager wants to attract highly skilled employees to the business, therefore their working conditions should be decided through an:	award / agreement
An employee's role no longer exists within the business therefore, their employment should be terminated through:	dismissal / redundancy
By law, when an employee is dismissed from a business, the human resource manager must address their relevant:	entitlement considerations / transition considerations
A business employs staff with basic skills and little experience, and would like to reduce costs. Therefore, they should use an:	award / agreement
If a manager needs an inexpensive strategy to motivate employees, they can implement:	support / performance-related pay
A manager wants to resolve a dispute with employees in a manner that maintains their relationship and is inexpensive, therefore, they should use:	mediation / arbitration

Unit 3 AOS 2 review questions

Contemporary case study

Useful tip

In the end-of-year VCAA examination, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions for the end-of-year exam. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the questions below, you can refer to Qantas or any other business you feel confident writing about as a contemporary business example.

Qantas

Qantas is Australia's largest airline and is the world's third oldest aviation company having been founded in November 1920. Qantas has the largest airline fleet and the greatest number of domestic and international destinations of any Australian airline. The company has a 31% market share in Australia's aviation industry, the second highest next to Virgin Airlines. Human resource managers at Qantas need to manage the performance of employees in order to achieve the business's objectives of ensuring customer safety, capturing more sales, meeting shareholder expectations, increasing net profit figures, and fulfilling a market need for high-quality flights.



Image: Ryan Fletcher/Shutterstock.com

Figure 1 Qantas' human resource managers monitor the performance and welfare of employees in order to achieve business objectives

Continues ▶

Qantas – Continued

Under the 'Qantas Strategic Plan', the business outlines a set of official characteristics which all Qantas employees are expected to uphold, which involves being responsible, respectful, resilient, and showing excellence. In order to encourage employees to exhibit these traits, human resource managers at Qantas implement a variety of strategies to motivate their staff toward achieving shared objectives. For example, Qantas has a multitude of employee benefits that are awarded to eligible employees, including:

- the Recovery and Retention program, which gives 17,000 non-executive employees the opportunity to be awarded 1,000 share rights.
- a COVID-19 recovery payment of $5,000, given to selected Qantas employees.
- discounted prices for commercial flights.
- the opportunity to take on additional responsibilities and receive promotions in return for high performance and experience.

As a result of the ever-evolving nature of the aviation industry, Qantas has an emphasis on training, in order to remain competitive and compliant with safety protocol. Each year, the company hold programs to train pilots, flight attendants, and other airline staff. Training is conducted in purpose-built facilities in both Sydney and Melbourne, and includes both practical and theoretical exercises. These programs also allow Qantas to evaluate the performance of all employees, in order to ensure that the experience provided to customers is of the highest quality possible.

As a large business with thousands of employees, Qantas' human resource managers also have to ensure that they can resolve disputes with employees and the relevant unions that employees are associated with. In September 2022, Qantas engaged in negotiations with its engineers, who were advocating for changes to their wages and working conditions. The employees from the engineering division at Qantas were asking for an increase higher than the 6% pay increase from the past five years. Prior to these negotiations, Qantas' outsourced baggage handlers had called off industrial action after being offered a pay increase of 17.2% with the support of the Transport Workers Union.

As a major business in one of the most highly scrutinised industries, Qantas has a core focus on monitoring the performance and welfare of its employees in order to ensure the highest quality and safety of the service it provides to customers.

Adapted from Crikey, 'Qantas is paying the price for undervaluing pilots and laying off engineers', 2022 and Qantas, 'About us', 2022

Answer questions 1–4 with reference to the Qantas case study shown, or any other contemporary business case study you have studied.

Question 1 (3 MARKS)

Using a contemporary business case study, explain one motivation strategy that could be effective for the long-term motivation of employees.

Adapted from VCAA 2020 exam Section A Q4

Question 2 (4 MARKS)

Describe one advantage and one disadvantage of on-the-job training as a strategy for improving the efficiency of employees. In your response, refer to a contemporary business case study.

Adapted from VCAA 2021 exam Section B Q3

Question 3 (6 MARKS)

Referring to a contemporary business case study, explain the role of each of the following workplace relations participants during the process of determining new wages and conditions of work for employees.

- Human resource managers
- Unions

Adapted from VCAA 2017 exam Section A Q5

Question 4 (6 MARKS)

Propose and justify two performance management strategies that a business could use to improve employee performance. In your response, refer to a contemporary business case study.

Adapted from VCAA 2017 Sample exam Section A Q7b

Exam-style

These questions are typical of Section A in the VCE Business Management exam.

Question 5 (11 MARKS)

Convector is an Australian business that manufactures and sells ovens, stoves, and microwaves, among other kitchen appliances. In the past month, there has been an increase in the number of employees resigning from the business and employee performance has worsened. After holding three exit interviews, Mateo, the human resource manager at Convector, identified that some employees were leaving due to the 'better benefits' provided by Box It, another home appliance business. Box It operates under an agreement, whereas, Convector operates under the retail industry award. The remaining staff at Convector are considering going on strike to improve their pay. As a result, Mateo is considering implementing an agreement to retain employees.

a. Define self-evaluation as a performance management strategy. (2 MARKS)
Adapted from VCAA 2004 exam Section A Q5b

b. Explain the role of the unions as workplace relations participants at Convector. (3 MARKS)
Adapted from VCAA 2020 exam Section A Q3a

c. Describe the impact of sanction strategies on short-term employee motivation at Convector. (2 MARKS)
Adapted from VCAA 2017 Sample exam Section A Q3a

d. Discuss agreements as a method of determining wages and conditions of work at Convector. (4 MARKS)
Adapted from VCAA 2018 exam Section B Q4

Question 6 (15 MARKS)

Inker is a Melbourne-based art store that provides customers with a variety of supplies including paints, paper, and canvases. Inker has over 20 employees, many of which are university students. Over the last 5 years, productivity at Inker has been at the optimal level and has enabled Inker to achieve a high percentage of market share within the art supplies industry. However, in the past 3 months, Lina, the manager at Inker, has seen a decline in employee productivity. Subsequently, Lina plans to implement strategies to address the causes of this downfall, aiming to achieve a 2% increase in market share by the following year.

a. Distinguish between awards and agreements as methods of determining wages and conditions of work. (3 MARKS)
Adapted from VCAA 2020 exam Section A Q3b

b. Distinguish between mediation and arbitration as methods of dispute resolution. (3 MARKS)
Adapted from VCAA 2017 exam Section A Q2

c. Explain the relationship between human resource management and business objectives at Inker. (3 MARKS)
Adapted from VCAA 2020 exam Section B Q2

d. Justify two performance management strategies that Lina could implement at Inker to manage employee performance. (6 MARKS)
Adapted from VCAA 2017 Sample exam Section A Q7b

Question 7 (14 MARKS)

TechHead is a Sydney-based IT business that repairs computer software issues. TechHead employees are highly qualified IT providers who have several years of industry experience. Steph, the human resource manager, has identified that TechHead employees are not motivated at work. Subsequently, Steph is hoping to implement strategies to improve employee motivation and performance. However, Steph believes this will be difficult as the business has recently decided to shut down one of its main stores in order to reduce costs, making 10 employees redundant.

a. Compare Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory as motivation theories. (4 MARKS)

Adapted from VCAA 2017 Sample exam Section A Q6

b. Define career advancement and outline one advantage of TechHead using this strategy to motivate employees. (2 MARKS)

c. Examine whether Locke and Latham's Goal Setting theory is appropriate for TechHead. (4 MARKS)

Adapted from VCAA 2017 exam Section A Q3c

d. Describe one transition and one entitlement consideration that TechHead should address when terminating staff. (4 MARKS)

Adapted from VCAA 2019 exam Section B Q6

Back to contents

UNIT 3 AOS 3

Operations management

The production of goods and services is a core objective of businesses. Effective management of the process of transforming inputs into outputs is vital to the success of a business, both in terms of maximising the efficiency and effectiveness of the production process and meeting the needs of stakeholders. In this area of study students examine operations management and consider the best and most responsible use of available resources to produce a quality final good or service in a competitive, global environment.

Outcome 3

On completion of this unit, the student should be able to analyse the relationship between business objectives and operations management, and propose and evaluate strategies to improve the efficiency and effectiveness of business operations.

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Back to contents

3

CHAPTER 3

Operations management

LESSONS

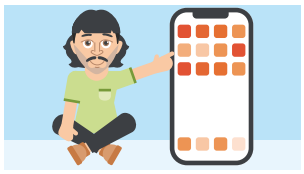
3A	Operations management
3B	Key elements of an operations system
3C	Characteristics of manufacturing and service businesses
3A–C	Operations management fundamentals review
3D	Technological strategies
3E	Materials strategies
3F	Quality strategies
3G	Waste minimisation
3H	Lean management
3D–H	Optimising operations review
3I	CSR in operations
3J	Global considerations
3I–J	Global and CSR considerations review
	Unit 3 AOS 1 review
	Unit 3 review

KEY KNOWLEDGE

- the relationship between operations management and business objectives
- key elements of an operations system: inputs, processes and outputs
- characteristics of operations management within both manufacturing and service businesses
- strategies to improve both the efficiency and effectiveness of operations related to technological developments, including the use of automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence and online services
- strategies to improve both the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just in Time
- strategies to improve both the efficiency and effectiveness of operations related to quality, including quality control, quality assurance and Total Quality Management
- strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including reduce, reuse, recycle
- the pull, one-piece flow, takt, zero defects strategy to improve the efficiency and effectiveness of operations related to lean management
- corporate social responsibility considerations for an operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs
- global considerations for operations management including global sourcing of inputs, overseas manufacture and global outsourcing

3A Operations management

All businesses take resources and transform them into a final product that customers receive. Consider a smartphone company, such as Apple. How does the company organise its resources to produce an iPhone, maintain low production costs, and ensure customers receive high-quality products?



STUDY DESIGN DOT POINT

- the relationship between operations management and business objectives

3A 3B 3C 3D 3E 3F 3G 3H 3I 3J

3.3.1.1 Operations management
- 3.3.1.1.1 Efficiency
- 3.3.1.1.2 Effectiveness

3.3.1.2 The relationship between operations management and business objectives

Lesson introduction

Operations management can be considered the 'engine' of a business since it produces the goods and services that a business sells. Therefore, operations managers must ensure that a business's operations system can function both efficiently and effectively.

KEY DEFINITIONS

Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers.

Efficiency is how productively a business uses its resources when producing a good or service.

ADDITIONAL TERMS

Productivity is the number of goods or services that are produced compared to the number of resources used in the production process.

Operations management 3.3.1.1

Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers. A business with effective operations management uses its resources optimally without negatively impacting the overall quality of the final product. Operations managers have the responsibility of implementing strategies that improve a business's operations system and contribute to the achievement of various business objectives.

Efficiency 3.3.1.1.1

Efficiency is how productively a business uses its resources when producing a good or service. An operations manager will constantly aim to maximise the **productivity** of a business's operations system in order to improve its efficiency. Operations managers can implement various strategies to optimise the use of a business's resources. Some operations management strategies include technological developments, materials strategies, quality strategies, and waste minimisation strategies. By optimising a business's use of resources, production costs can be minimised, levels of waste may decline, and the time taken to produce goods or services can be reduced. Ultimately, improving the level of efficiency in operations can have positive impacts on a business's performance and the achievement of its objectives.

LESSON LINK

Business objectives were introduced in **1B Business objectives**.

Operations strategies will be covered in further detail in **3D Technological strategies**, **3E Materials strategies**, **3F Quality strategies**, **3G Waste minimisation**, and **3H Lean management**.

ACTIVITY

Efficiency

Billings is a manufacturer that specialises in the production of leather wallets. Currently, the business utilises machinery to cut, stitch, and assemble its wallets. The operations manager is investigating options to upgrade the machinery used at Billings' factories to improve efficiency in operations.

	Amount of leather used	Wallets produced
Machine 1	20kg	1800
Machine 2	12kg	1100
Machine 3	10kg	900

Considering the information in the table, discuss the following questions with your classmates:

1. Which machinery option is the most efficient at producing wallets?
2. Which machinery option is the least efficient at producing wallets?
3. Which machinery option would you recommend to the operations manager at Billings?
4. Are there any other factors the operations manager may want to consider in the process of determining which machinery option to upgrade to?

Effectiveness 3.3.1.1.2

Effectiveness is the extent to which a business achieves its stated objectives. Operations managers can optimise a business's operations system by selecting the most suitable strategies to lower production costs, improve quality, and reduce wastage. An operations manager can also ensure that customers are provided with a high-quality product at the best possible price. Customers who are satisfied with the quality of the final good or service are more likely to purchase products in the future, which can increase the business's sales and profitability. Therefore, improving the effectiveness of a business's operations system can positively impact a business's performance and the achievement of business objectives.

KEY DEFINITIONS

Effectiveness is the extent to which a business achieves its stated objectives.

The relationship between operations management and business objectives 3.3.1.2

Operations managers can contribute to the achievement of business objectives by improving levels of efficiency and effectiveness in a business's production process. Additionally, they are in charge of implementing strategies that optimise operations, improve business performance, and achieve business objectives.

Table 1 Examples of how the implementation of operations strategies can assist with the achievement of business objectives

Business objective	Possible operations strategy	How the strategy assists the achievement of business objectives
To make a profit	Implementing technology into the production process.	Reduces the number of employees required in the operations system, which can reduce expenses associated with labour and therefore increase profit.
To increase market share	Checking that products produced are not faulty.	Can improve the quality of a business's product, increasing customer satisfaction and the business's proportion of sales within its industry.
To meet shareholder expectations	Creating a website for customers to purchase goods and services online.	Increases online sales, which can lead to higher levels of profit and increase dividends for shareholders.
To fulfil a market need	Using technology to design new products.	Can design innovative products to fulfil customer needs that are currently unmet or underserved in the market.
To fulfil a social need	Ensuring that any waste is recycled in the production process.	Reduces the amount of waste produced by a business, allowing it to meet the social need of environmental preservation.

Continues ▶

Table 1 Continued

Business objective	Possible operations strategy	How the strategy assists the achievement of business objectives
To improve efficiency	Using technology to automate the production process.	Can increase a business's productivity in terms of production speed, as well as reducing the amount of resources discarded in the production process.
To improve effectiveness	Implement strategies that improve the quality of the business's product.	Can improve levels of customer satisfaction, which may increase the business's sales and revenue. Increased financial performance can assist the business in achieving its objectives.

USEFUL TIP

The terms 'efficiency' and 'effectiveness' are often used interchangeably and treated as having the same meaning. However, they are different concepts. Efficiency is optimising the use of a business's resources, such as time, money, materials, and employees. Effectiveness is the extent to which a business achieves its predetermined targets. Improving efficiency can result in an improvement in effectiveness. For example, using resources efficiently can reduce waste-related expenses, which can allow a business to make a profit, hence improving effectiveness. Although, business tasks that are completed efficiently may actually be ineffective, and vice versa. Consider this example:

- Employees can listen to their training videos at 2x speed and learn a minimal amount. This is efficient as it saves time, but may not be effective in achieving the goal of training employees.
- Employees can listen to their training videos at 0.5x speed and learn every single detail. This is effective as employees are being trained, but not efficient as training is taking double the time.
- Employees can listen to their training videos at 1x speed and learn the required amount. This is both efficient as training is being conducted in the expected amount of time, as well as effective as employees are being adequately trained.

Theory summary

To optimise a business's operations system, an operations manager should aim to maximise the efficiency and effectiveness of its production process. This can be done by implementing strategies that optimise the use of resources during production, allowing for improvements in productivity and thus, assisting with the achievement of business objectives. Consequently, the responsibilities of an operations manager can impact the business's overall performance and its ability to achieve its objectives.

3A Questions

Theory review

Question 1

Fill in the blanks with the following terms:

- efficiency
- effectiveness

To improve _____ , an operations manager should implement strategies to optimise the business's use of resources in production. To improve _____ , an operations manager should select suitable strategies that assist the business in achieving its objectives.

Question 2

Improving efficiency in operations will always directly correspond to an improvement in effectiveness.

A. True

B. False

Question 3

Fill in the blank with **one** of the following terms:

- to fulfil a social need
- to meet shareholder expectations

Implementing strategies that allow a business to optimally use its resources will reduce production costs, increase profit, and increase dividends paid to investors, thus allowing a business _____ .

Question 4

Fill in the blank with **one** of the following terms:

- to fulfil a market need
- to increase market share

An operations manager can implement strategies to reduce the number of faulty products in production, which can improve customer satisfaction and sales, allowing a business _____ .

Question 5

Utilising advanced technology in the production process can enable a business to innovate new product designs, allowing it to fulfil a market need.

A. True

B. False

Question 6

Implementing operations strategies that improve efficiency and minimise waste can improve customer satisfaction and overall business performance.

A. True

B. False

Preparing for exams

Case study skills

Question 7

Elqe is an electronics manufacturing business that specialises in the production of speakers, earbuds, and headphones. Recently, there has been an increase in the number of customers complaining about Elqe's latest speaker model. The operations manager, Carlos, has been instructed to make improvements to the business's operations system. In the next year, Elqe aims to increase its market share by 3%.

Identify which of the following statements are correct about operations management and Elqe's objective to increase its market share. **(Select all that apply)**

I. Carlos could develop a website to improve the quality of the speakers produced, thus enhancing customer satisfaction.

II. Carlos could implement quality strategies in Elqe's operations to reduce errors and the number of faulty speakers that are distributed, improving customer satisfaction, and therefore increasing Elqe's number of sales.

III. Carlos could implement technological developments to reduce the number of errors in the production of speakers, improving customer satisfaction, and therefore increasing Elqe's number of sales.

Exam-style

Question 8 (2 MARKS)

Define the term 'operations management'.

Adapted from VCAA 2002 exam Section B Q8a

Question 9 (3 MARKS)

Distinguish between efficiency and effectiveness.

Question 10 (3 MARKS)

Explain the relationship between operations management and business objectives.

Adapted from VCAA 2020 exam Section B Q2

Question 11 (3 MARKS)

Elqe is an electronics manufacturing business that specialises in the production of speakers, earbuds, and headphones. Recently, there has been an increase in the number of customers complaining about Elqe's latest speaker model. The operations manager, Carlos, has been instructed to make improvements to the business's operations system. In the next year, Elqe aims to increase its market share by 3%.

Explain the relationship between operations management and the business objectives of Elqe.

Adapted from VCAA 2020 exam Section B Q2

Testing previous knowledge

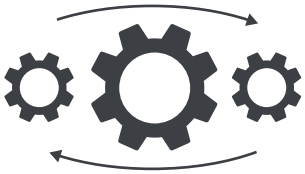
Question 12 (3 MARKS)

Jannik is the operations manager of Opelka, a business that specialises in the production of power tools. Jannik has been asked to investigate strategies to improve the efficiency of the business's operations system.

Explain how Jannik might utilise planning skills to improve the efficiency of Opelka's operations system.

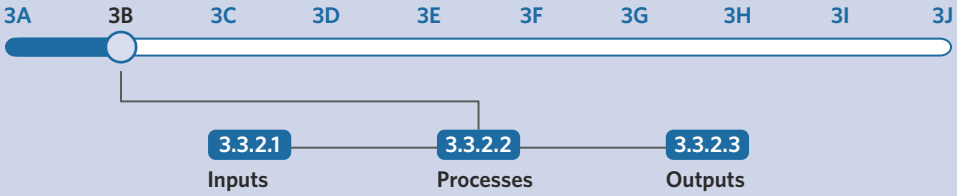
3B Key elements of an operations system

Do you ever find yourself wondering about how certain products are made? Consider a pen, for example, what actions need to be performed by the manufacturer to transform materials, such as ink, plastic, and metal, into a functional pen?



STUDY DESIGN DOT POINT

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



Lesson introduction

Operations management involves managing the production of goods and services by overseeing the actions that transform resources into a finished good or service. The key elements of an operations system are inputs, processes, and outputs.

KEY DEFINITIONS

Inputs are the resources used by a business to produce goods and services.

Processes are the actions performed by a business to transform inputs into outputs.

ADDITIONAL TERMS

Raw materials are unprocessed resources used to produce goods and services.

Capital resources are physical assets that are used to produce goods and services.

Inputs 3.3.2.1

Inputs are the resources used by a business to produce goods and services. All businesses will require a variety of inputs to produce the goods or services that they provide to customers. Operations managers are responsible for sourcing inputs that allow a business to produce the highest quality product at the lowest possible cost.

Inputs include, but are not limited to:

- labour resources (employees)
- **raw materials**, such as flour and iron
- **capital resources**, such as equipment and machinery
- time
- utilities, such as electricity, water, and gas
- information.

Processes 3.3.2.2

Processes are the actions performed by a business to transform inputs into outputs. The type of processes performed will differ for each business depending on what the business is producing.

Processes include, but are not limited to:

- mixing
- designing
- baking
- computing
- cutting
- washing
- assembling
- constructing.

Outputs 3.3.2.3

Outputs are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers. The quality of outputs produced by a business is influenced by the inputs used and the processes performed within its operations system. An operations manager should ensure that a business's outputs meet customer expectations relating to the quality, price, and availability of the product.

KEY DEFINITIONS

Outputs are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.

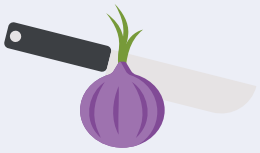
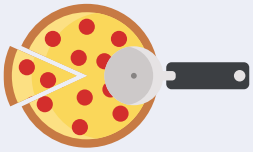
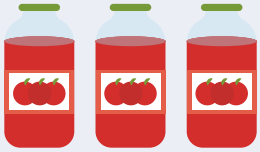
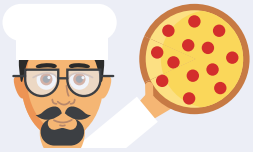
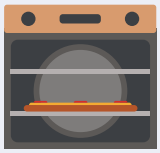
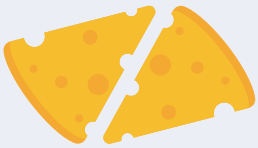
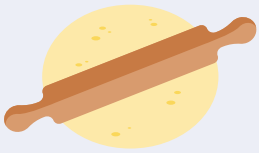
USEFUL TIP

It is common for VCAA to assess students on applying the key elements of an operations system to a case study. This will require you to provide examples of a business's inputs, processes, and outputs. A great trick to remember is that words used to describe processes will often end in the letters 'ing' and are usually verbs describing an action that is being performed.

ACTIVITY

Key elements of an operations system

Consider the operations system at a pizzeria and identify the key element of operations that each of the following relate to:

	Chopping up toppings 	Slicing pizza 	Pizza sauce 	Pizza chef 
Input	☐	☐	☐	☐
Process	☐	☐	☐	☐
Output	☐	☐	☐	☐
	Pizza oven 	Shredding cheese 	Pizza 	Rolling dough 
Input	☐	☐	☐	☐
Process	☐	☐	☐	☐
Output	☐	☐	☐	☐

EXTENDED REAL WORLD EXAMPLE

Key elements of an operations system

Yakult Honsha is a multinational company that is based in Japan and has factories located all over the world. The company is best known for its probiotic milk beverage 'Yakult'. Consider the key elements of operations that Yakult Honsha uses to deliver products to its customers.

Inputs	Numerous inputs are used to produce a 65ml bottle of Yakult, including the following raw ingredients, materials, and capital resources: • 6.5 billion live Lactobacillus casei strain Shirota • skim milk powder • sugars, such as sucrose and dextrose • flavouring • water • plastic • machinery • employees' labour • polystyrene code 6 recyclable pellets.
Processes	Yakult performs various processes to transform its raw materials and resources into 65ml bottles of probiotic milk. Some processes that Yakult performs during its production process include: • fermenting the milk solution • homogenising the milk • blending milk • moulding plastic bottles • filling bottles • sealing bottles • packaging bottles into packs of 5 and 10.
Outputs	The outputs are 65ml bottles of Yakult Original and Yakult Lite packaged in packs of five or ten and wrapped in polyethylene film. These two types of probiotic milk are the final products that retailers purchase and provide to customers.

Adapted from Yakult, 'About Yakult', n.d.



Figure 1 Yakult Honsha is a multinational company best known for its probiotic milk beverage

Search up *'Yakult FAQ'* online to find the business's 'Frequently Asked Questions' page. Navigate through the prompts to learn about the business.

Questions

1. At what temperature should bottles of Yakult Original and Yakult Lite be stored?
2. Why is Yakult not available in bottles larger than 65ml?
3. Are Yakult bottles recyclable?
4. Why is the Yakult bottle shaped the way it is?
5. Which Australian retailers sell Yakult?

Theory summary

A business's operations system is made up of three key elements; inputs, processes, and outputs:

- Inputs are the resources used by a business to produce goods and services.
- Processes are the actions performed by a business to transform inputs into outputs.
- Outputs are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.

3B Questions

Theory review

Question 1

A business's output is the only important key element of an operations system as it is the final product that customers receive.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- inputs
- outputs

A business will perform various processes in its operations system to transform _____ into _____ .

Question 3

Fill in the blanks with the following terms:

- inputs
- processes

The actions performed by a business to transform resources into a finished product are _____ . In contrast, _____ are the resources used in a business's operations system.

Question 4

Fill in the blank with **one** of the following terms:

- inputs
- outputs

Employees who are used to produce a good or service are an example of the _____ in a business's operations system.

Question 5

Machinery used to produce a particular product is an example of an:

A. input.

B. output.

Preparing for exams

Case study skills

Question 6

Bakerfarm is a bakery located in Melbourne's eastern suburbs. The bakery sells various baked goods, including bread rolls, sourdough loaves, and a selection of cakes. All products are baked fresh on a daily basis.

Identify which of the following is a correct statement about the inputs at Bakerfarm.

A. The wide range of baked goods, including bread rolls, sourdough loaves, and cakes, are all inputs of Bakerfarm's operations system.

B. Ingredients, such as flour, water, and milk, are all inputs of Bakerfarm's operations system.

Question 7

Green Drop is an Australian business that produces a range of drink bottles and thermoses. All products have a high-quality design and are made using premium stainless steel. The business currently has over 50 employees working at its Melbourne-based manufacturing plant.

Identify which of the following statements are correct about the key elements of Green Drop's operations system. **(Select all that apply)**

I. Resources used to produce Green Drop's drink bottles and thermoses, such as employees, equipment, and stainless steel, are all inputs.

II. Equipment and machinery used in the production of Green Drop's drink bottles and thermoses are processes.

III. Designing, packaging, and assembling Green Drop's drink bottles and thermoses are all processes.

IV. The packaged drink bottles and thermoses that customers receive are the outputs of Green Drop's operations system.

Question 8

Brenton's BBQs is an Australian manufacturing business that specialises in the production of barbecues. The business supplies outdoor-living retailers across Australia with high-quality barbecues. The barbecues are made from a combination of stainless steel, iron, and porcelain-coated steel. The business's production process utilises a high degree of machinery to design and assemble the barbecues. After the barbecues have been produced, they are packaged in boxes and shipped to various outdoor-living retailers across Australia.

Identify which of the following statements are correct about the key elements of Brenton's BBQs' operations system. **(Select all that apply)**

I. Barbecues are the main inputs of Brenton's BBQs' operations system.

II. Designing and assembling the barbecues are processes in Brenton's BBQs' operations system.

III. Machinery and labour resources are the processes in Brenton's BBQs' operations system.

IV. Stainless steel, iron, porcelain-coated steel, machinery, and labour resources are all inputs of Brenton's BBQs' operations system.

Exam-style

Question 9 (2 MARKS)

Define processes as a key element of operations.

Question 10 (2 MARKS)

Bakerfarm is a bakery located in Melbourne's eastern suburbs. The bakery sells various baked goods, including bread rolls, sourdough loaves, and a selection of cakes. All products are baked fresh on a daily basis.

Describe the inputs of Bakerfarm's operations system.

Adapted from VCAA 2018 exam Section B Q2

Question 11 (4 MARKS)

Green Drop is an Australian business that produces a range of drink bottles and thermoses. All products have a high-quality design and are made using premium stainless steel. The business currently has over 50 employees working at its Melbourne-based manufacturing plant.

Outline the three key elements of the operations system. Apply one of these elements to Green Drop.

Adapted from VCAA 2021 exam Section A Q4a

Question 12 (6 MARKS)

Brenton's BBQs is an Australian manufacturing business that specialises in the production of barbecues. The business supplies outdoor-living retailers across Australia with high-quality barbecues. The barbecues are made from a combination of stainless steel, iron, and porcelain-coated steel. The business's production process utilises a high degree of machinery to design and assemble the barbecues. After the barbecues have been produced, they are packaged in boxes and shipped to various outdoor-living retailers across Australia.

Explain the key elements of the operations system at Brenton's BBQs.

Adapted from VCAA 2017 Sample exam Section B Q1

Testing previous knowledge

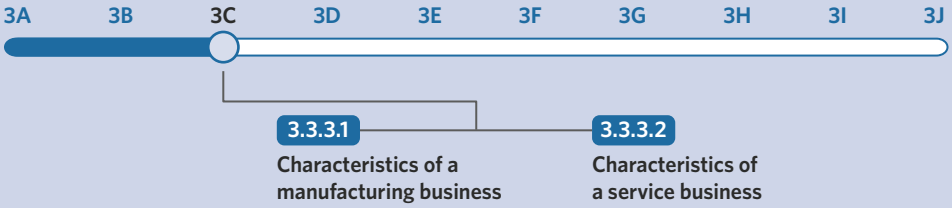
Question 13 (3 MARKS)

With reference to one key element of an operations system, describe how an operations manager can improve efficiency in operations.

3C Characteristics of manufacturing and service businesses

STUDY DESIGN DOT POINT

- characteristics of operations management within both manufacturing and service businesses



Consider going to the hairdressers for a haircut. For a service business, such as a hairdresser, what are some characteristics of its operations? Does the production rely heavily on technology or labour? Is the output able to be touched and stored? Does the business provide an identical output for every customer?



Lesson introduction

Businesses can be broken down into two categories; **manufacturing businesses** and **service businesses**. Both manufacturing and service businesses have operations systems consisting of the same three key elements; inputs, processes, and outputs. However, the characteristics of a manufacturing business's operations system differ from those of a service business.

Characteristics of a manufacturing business 3.3.3.1

Manufacturing businesses utilise their operations system to produce physical goods. Since these businesses produce **tangible** goods, a manufacturing business's operations system has various unique characteristics.

Table 1 Characteristics of operations management at a manufacturing business

Operations characteristic	Description
Production process	Manufacturing businesses tend to have highly automated processes that are **capital intensive**.
Occurrence of production and consumption	At manufacturing businesses, production and consumption of the product occur at separate times.
Customer contact	Manufacturing businesses often have a low degree of customer contact during production, as the production stage is separated from consumption.
Tangibility	The outputs produced by a manufacturing business are tangible.
Storability	The outputs produced by a manufacturing business can be stored as **inventory**.
Consistency	Manufacturing businesses produce **standardised goods** through mass production.

KEY DEFINITIONS

Manufacturing businesses use resources and raw materials to produce a finished physical good.

Service businesses provide intangible products, usually with the use of specialised expertise.

ADDITIONAL TERMS

Tangible is the ability to be touched.

Capital intensive is when a business uses a high degree of machinery and equipment during its production process.

Inventory includes the resources and finished goods held as stock.

Standardised goods are goods that are produced consistently and are virtually identical to one another.

REAL WORLD EXAMPLE



Image: Walter Eric Sy/Shutterstock.com

Figure 1 Manufacturing business, Yakult Honsha, produces 65ml Yakult probiotic drinks

Characteristics of a manufacturing business

Yakult Honsha is a multinational manufacturing business based in Japan that produces a sweetened probiotic milk beverage. Yakult demonstrates a number of characteristics that are specific to the operations of a manufacturing business. These characteristics include:

- Manufacturing processes performed in Yakult's factories are capital intensive, with a high degree of machinery and equipment used in its production process.
- There is a low degree of customer contact during production, as Yakult's production and consumption occur separately.
- Bottles of Yakult Original and Yakult Light are tangible and can be stored as inventory.
- The production of each Yakult product is standardised, meaning every bottle is consistent with the business's standards and identical to one another.

Adapted from Yakult, 'Made fresh for you', n.d.

Characteristics of a service business 3.3.3.2

ADDITIONAL TERMS

Intangible is something that cannot be touched.

Labour intensive is when a business uses a high degree of employee involvement during its production process.

Service businesses utilise their operations systems to produce **intangible** products. Services are intangible products that are provided by individuals with specialised expertise. Since these businesses produce services that are non-physical, there are various unique characteristics of a service business's operations system.

Table 2 Characteristics of operations management at a service business

Operations characteristic	Description
Production process	Service businesses tend to have production processes that are **labour intensive**.
Occurrence of production and consumption	At service businesses, production and consumption of the service occur simultaneously.
Customer contact	Service businesses tend to have a high degree of customer contact during production as it occurs simultaneously with consumption.
Tangibility	The outputs produced by a service business are intangible.
Storability	The outputs produced by a service business cannot be stored as inventory.
Consistency	Services are usually not standardised and instead tailored specifically to fulfil individual customers' needs.

REAL WORLD EXAMPLE



Image: Ryan Fletcher/Shutterstock.com

Figure 2 Australian airline, Qantas, is a service business that provides flights to various domestic and international destinations

Characteristics of a service business

Qantas is an Australian airline that provides flights to domestic and international destinations. As a service business, the output that Qantas provides to customers is the flight to their desired destination. Qantas demonstrates various characteristics of operations that are specific to service businesses. These characteristics include:

- Processes performed to provide flights are labour intensive, with a high degree of labour resources used during the production process. This labour includes pilots and cabin crew who work during the flight.
- There is a high degree of customer contact with passengers during the production process, as production and consumption of flights occur simultaneously.
- The flight service provided is intangible and cannot be stored as inventory.
- The flight service provided is tailored specifically to individual customer needs as they are able to choose their destination, in-flight meals, and seat size.

Adapted from Qantas, 'About us', n.d.

ACTIVITY

Characteristics of manufacturing and service businesses

Identify whether the following characteristics of operations management listed in the table below relate to a manufacturing business, a service business, or both.

Characteristics	Manufacturing business	Service business
Outputs can be stored	☐	☐
A high degree of customer contact during production	☐	☐
Low degree of customer contact during production	☐	☐
Capital-intensive processes	☐	☐
Intangible output	☐	☐
Tangible output	☐	☐
Outputs cannot be stored	☐	☐
Goods are usually standardised	☐	☐
Labour-intensive processes	☐	☐
Production is usually tailored to an individual	☐	☐
Production and consumption occur simultaneously	☐	☐
Utilise forms of technology in operations	☐	☐
Production and consumption occur separately	☐	☐
Aim to optimise efficiency and effectiveness	☐	☐

Theory summary

The characteristics of a manufacturing business's operations system differ from those of a service business. However, some aspects of operations systems are similar for both service and manufacturing businesses.

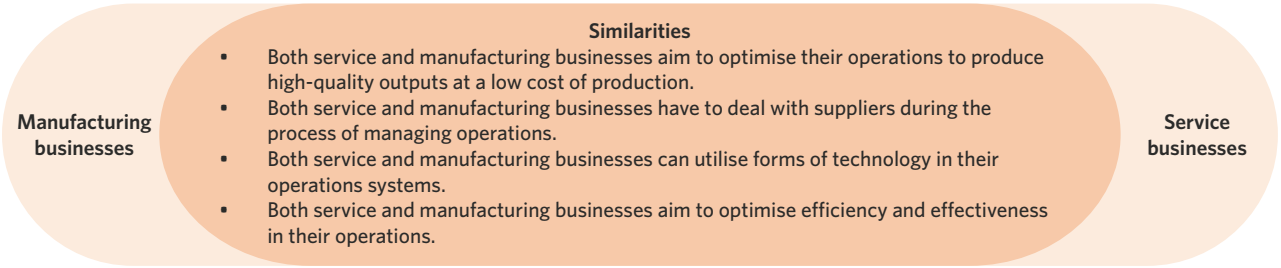


Figure 3 Similarities between the characteristics of operations at manufacturing and service businesses

Table 3 Differences between the characteristics of operations at manufacturing and service businesses

	Manufacturing business	Service business
Labour or capital intensive	Capital intensive	Labour intensive
Occurrence of production and consumption	Occurs separately	Occurs simultaneously
Degree of customer contact during production	Low degree of customer contact during production	High degree of customer contact during production
Tangibility of output	Tangible output	Intangible output
Storability of output	Yes	No
Standardised or tailored production	Standardised production	Tailored production

3C Questions

Theory review

Question 1

Only manufacturing businesses have to deal with suppliers, as service businesses create an output that cannot be touched.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- service
- manufacturing

At a _____ business there is a high degree of customer contact during the production process.

Question 3

The operations system of a service business never uses technology, unlike manufacturing businesses, where technology is always used.

A. True

B. False

Question 4

Production and consumption occur simultaneously within a manufacturing business's operations system.

A. True

B. False

Question 5

Outputs that can be stored as inventory are produced by a:

A. service business.

B. manufacturing business.

Question 6

Manufacturing businesses can mass produce standardised outputs.

A. True

B. False

Question 7

Fill in the blanks with the following terms:

- service
- manufacturing

A _____ business typically produces outputs that are tangible. In contrast, _____ businesses produce outputs that are intangible.

Preparing for exams

Case study skills

Question 8

Fast Cuts is a Melbourne hairdresser that has been operating for the past 15 years. The owner, Darius, believes that the key to providing a good haircut is socialising with the customer during their appointment. Fast Cuts has a very loyal customer base, with some customers having their hair cut by Darius for over 10 years.

Identify which of the following statements are correct about the processes performed within Fast Cut's operations system. **(Select all that apply)**

I. There is a high degree of customer contact for the processes performed within Fast Cut's operations system.

II. There is a low degree of customer contact for the processes performed within Fast Cut's operations system.

III. The processes performed within Fast Cut's operations system are capital intensive.

IV. The processes performed within Fast Cut's operations system are labour intensive.

Question 9

DRYeco is an Australian business that has innovated a zero-waste beach towel. The business offers a wide range of beach towels that are sold in retail stores across the Australian coastline. The towels are manufactured using absorbent, recycled yarn, which is made from plastic bottles and fabric offcuts.

Identify which of the following statements are **true** or **false** about the characteristics of DRYeco's operations.

		True	False
I.	Similar to a service business, DRYeco would aim to maximise levels of efficiency and effectiveness in its operations system.	☐	☐
II.	Similar to a service business, the production and consumption of the outputs produced by DRYeco occur separately.	☐	☐
III.	DRYeco's outputs are tangible, meaning the zero-waste beach towels it produces can be physically touched.	☐	☐
IV.	The towels produced in DRYeco's operations are able to be stored as inventory until they are ready to be sold.	☐	☐

Question 10

Geesy Cereals is a cereal manufacturing business based in Sydney that produces over 12 different whole grain cereal products. The manufacturing process is controlled by technology that sends signals to different machines that perform various processes. Once produced, the cereal is stored as inventory until it is ready to be shipped to retail stores across Australia.

Identify which of the following statements are correct about the characteristics of operations management at Geesy Cereals. **(Select all that apply)**

I. The outputs produced by a service business can be stored as inventory, whereas the outputs produced by Geesy Cereals cannot be stored.

II. The outputs produced by a service business are intangible, whereas the outputs produced by Geesy Cereals' operations are tangible.

III. The production processes at service businesses are likely to be more labour intensive than the production processes performed at Geesy Cereals.

IV. Production and consumption of Geesy Cereals' output occur separately, whereas production and consumption of an output produced by a service business occur simultaneously.

Exam-style

Question 11 (2 MARKS)

Outline two characteristics of operations management within a service business.

Question 12 (2 MARKS)

Outline one difference between the operations management of a manufacturing business and a service business.

Adapted from VCAA 2012 exam Q1e

Question 13 (3 MARKS)

Fast Cuts is a Melbourne hairdresser that has been operating for the past 15 years. The owner, Darius, believes that the key to providing a good haircut is socialising with the customer during their appointment. Fast Cuts has a very loyal customer base, with some customers having their hair cut by Darius for over 10 years.

Distinguish the processes performed at Fast Cuts from those at a manufacturing business.

Adapted from VCAA 2002 exam Section B Q8a

Question 14 (4 MARKS)

DRYeco is an Australian business that has innovated a zero-waste beach towel. The business offers a wide range of beach towels that are sold in retail stores across the Australian coastline. The towels are manufactured using absorbent, recycled yarn, which is made from plastic bottles and fabric offcuts.

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

Adapted from VCAA 2019 exam Section A Q1b

Question 15 (6 MARKS)

Geesy Cereals is a cereal manufacturing business based in Sydney that produces over 12 different whole grain cereal products. The manufacturing process is controlled by technology that sends signals to different machines that perform various processes. Once produced, the cereal is stored as inventory until it is ready to be shipped to retail stores across Australia.

Describe three differences between the characteristics of operations management at Geesy Cereals to those of a service business.

Adapted from VCAA 2002 exam Section B Q8a

Testing previous knowledge

Question 16 (4 MARKS)

Outline two key elements of operations. Explain how these elements may differ in the operations system of a manufacturing business and a service business.

Adapted from VCAA 2016 exam Q1b

3A–C Operations management fundamentals review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Tortadelici is a cake manufacturer that has operated in Tullamarine for the past 10 years. The business produces cakes for various special occasions. The owner, Lorenzo, is responsible for managing the business's operations system. Lorenzo believes that a business's operations system is the source of its success and, as such, is constantly aiming to maximise operational efficiency and effectiveness. Lorenzo believes that by optimising Tortadelici's operations system he can maximise customer satisfaction, sales, and profits.



Image: Artazum/Shutterstock.com

Each week, Tortadelici receives deliveries of fresh ingredients. Once delivered, the ingredients are stored in the coolroom and pantry until they are required for production. The cakes are produced using various types of machinery and are then hand-decorated and packaged by employees. Orders for different types of cakes are submitted each day by customers who are able to select from a range of designs and pick up their order the same afternoon. Currently, Tortadelici's operations system can produce 45 cakes per day. However, Lorenzo has plans to increase this number in the future.

Recently, Tortadelici has faced increased competition from new competitors entering the industry. Lorenzo believes that Tortadelici can gain a competitive advantage by increasing its rate of production and lowering its production costs. With plans to expand to a larger factory in the future, Lorrenzo hopes to increase the daily number of cakes produced. Lorenzo believes lower production costs will assist the business to increase its sales and financial performance.

Exam-style questions

Question 1 (2 MARKS)

Define what is meant by 'efficiency'.

Question 2 (3 MARKS)

Explain the relationship between operations management and the business objectives of Tortadelici.

Adapted from VCAA 2020 exam Section B Q2

Question 3 (4 MARKS)

Describe two characteristics of operations management within a manufacturing business (such as Tortadelici).

Adapted from VCAA 2019 exam Section A Q1b

Question 4 (4 MARKS)

Identify and apply one key element of operations to Tortadelici. Explain how this element may differ within a service business.

Question 5 (6 MARKS)

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

Adapted from VCAA 2019 exam Section A Q1b

Question 6 (6 MARKS)

Describe the key elements of Tortadelici's operations system.

Adapted from VCAA 2018 exam Section B Q2

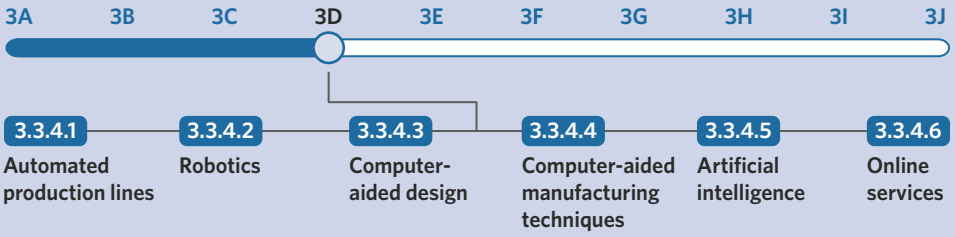
3D Technological strategies

Technology is increasingly used to complete our day-to-day tasks and can make everyday life so much easier. Technological developments are a fundamental part of optimising business operations. Can you think of any ways businesses take advantage of technology to improve their operations?



STUDY DESIGN DOT POINT

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



Lesson introduction

With continuous advancements in technology, many tasks that were traditionally performed by employees are now completed by machinery. Technological developments can perform tasks with levels of precision and speed that are unmatched by human labour. Unlike employees, technology does not become sick, take holidays, require wages or breaks, and can operate constantly at any time. Therefore, technological developments are fundamental for maximising efficiency and effectiveness within a business's operations system.

Automated production lines 3.3.4.1

KEY DEFINITIONS

Automated production lines involve machinery and equipment that are arranged in a sequence, and the product is developed as it proceeds through each step.

Automated production lines involve machinery and equipment that are arranged in a sequence, and the product is developed as it proceeds through each step. An automated production line usually moves product components along a conveyor belt. Each station along the automated production line performs a specific operation in a sequence and is controlled by a computer to perform tasks automatically. Automated production lines can replace tasks that would otherwise be performed by employees, particularly those that are repetitive, mundane, or dangerous. However, an operations system with this technology may still require employees to monitor, maintain, and supply the automated production line with inputs and other component parts.

Table 1 The impact of automated production lines on efficiency and effectiveness

Efficiency	Effectiveness
• Automated production lines can perform at speeds much faster than humans, reducing the amount of time taken to produce outputs, thus improving productivity.	• Automated production lines perform tasks with a high degree of accuracy, which can decrease the number of errors that occur during production. Reducing errors in production can enhance the overall quality of the final product, which can increase customer satisfaction, sales, and market share.

REAL WORLD EXAMPLE

Automated production lines

Toyota Motor Corporation is a Japanese automotive manufacturer that operates globally. When producing motor vehicles, Toyota delivers all the necessary parts to one of its assembly factories. To assemble its vehicles, Toyota uses robotic machinery on an automated production line to complete processes efficiently and with high precision. These processes include welding, assembling, and painting a vehicle. By using automated production lines in its factories, Toyota is able to reduce the amount of time, labour, and resources wasted in production and improve levels of efficiency and effectiveness within its operations system.

Adapted from RobotWorx, 'How Toyota uses automation to improve processes', 2022



Image: Various images/Shutterstock.com

Figure 1 Toyota uses automated production lines to assemble different parts in its production of motor vehicles

Table 2 Advantages and disadvantages of automated production lines

	Advantages	Disadvantages
Business	• Performing tasks precisely and accurately can ensure products are consistently produced at a high standard, which can improve the business's reputation. • Improving accuracy can reduce errors and the number of resources wasted in production. This can enable a business to reduce its environmental impact and improve its reputation.	• A business may develop a poor reputation if it implements technology that makes employees redundant.
Employee	• Removing tasks that may be tedious or dangerous to complete can positively impact employee morale.	• Implementing automated production lines may cause employee redundancies.
Time	• Tasks can be performed much faster than human labour. • Technology can complete tasks for extended periods of time, without the need for breaks, increasing productivity.	• Sudden breakdowns of automated production lines can halt production altogether and compromise productivity.
Money	• The number of employees needed for production can be minimised, which can reduce a business's wage expenses. • Increased accuracy in production can enhance the overall quality of the product and allow a business to generate more sales revenue. • Increased accuracy in production can reduce the number of wasted resources that have to be repurchased by the business.	• There are high initial setup costs associated with purchasing and installing automated production lines. • It can be expensive for a business to repair and update automated production lines. • There may be expenses associated with training employees to use automated production lines.

Robotics 3.3.4.2

Robotics are programmable machines that are capable of performing specified tasks. These specialised machines can be programmed to efficiently complete specialised tasks with high levels of precision and accuracy within a business's operations. Automated production lines often involve the use of robotics, where autonomous robots are programmed to perform various tasks along a production line. Robotics can reduce the need for human labour within a business's operations system, often replacing dangerous, repetitive, or complex tasks.

KEY DEFINITIONS

Robotics are programmable machines that are capable of performing specified tasks.

Table 3 The impact of robotics on efficiency and effectiveness

Efficiency	Effectiveness
• Robotics can perform specific tasks quickly and with high levels of accuracy. This can reduce the amount of time and resources wasted in production, therefore resources are used more optimally, improving productivity.	• Robotics can perform specified tasks quickly with high levels of precision, which can minimise the number of errors that occur during production. This can enhance the overall quality of the final product and increase customer satisfaction, sales, and market share.

REAL WORLD EXAMPLE



Image: Media Whale Stock/ Shutterstock.com

Figure 2 Toyota uses robotics to complete various processes along its automated production lines

Robotics

Robotics are used within Toyota's operations to complete various tasks in the production process of its motor vehicles. Robotic machinery is positioned along automated production lines in Toyota's factories. This machinery is programmed to complete tasks with greater accuracy and speed than human labour, allowing resources to be used optimally. Robotic machinery is used to perform tasks such as assembling components, welding, and painting a vehicle. For the past two decades, an estimated 8% of Toyota's vehicle production process was completed by robots on an automated production line. Incorporating robotics to automate tasks has decreased the amount of waste and number of workplace accidents at Toyota's manufacturing factories.

Adapted from RobotWorx, 'How Toyota uses automation to improve processes', 2022

Table 4 Advantages and disadvantages of robotics

	Advantages	Disadvantages
Business	• Performing tasks precisely and accurately can ensure products are consistently produced at a high standard, which can improve the business's reputation. • Improved accuracy can reduce errors and the number of resources wasted in production. This can assist a business to minimise its impact on the environment and improve its reputation.	• A business may develop a poor reputation if it implements robotic technology that makes employees redundant.
Employee	• Removing the need for employees to complete dangerous tasks can improve workplace safety.	• Implementing robotic technologies within a business's operations may cause employee redundancies.
Time	• Tasks can be performed much faster than human labour. • Robotic technology can complete tasks for extended periods of time, without the need for breaks.	–
Money	• The number of employees needed for production can be minimised, which can reduce a business's wage expenses. • Increased precision when completing tasks can enhance the overall quality of the product and allow a business to generate more sales revenue.	• There are high initial setup costs associated with purchasing, programming, and installing robotics. • It can be expensive for a business to repair and update robotic technologies. • There may be expenses associated with training employees to use robotic technologies.

Computer-aided design 3.3.4.3

Computer-aided design (CAD) is digital design software that aids the creation, modification, and optimisation of a design and the design process. CAD software can help a business to facilitate and streamline its product design process. Designers and engineers use CAD to develop three-dimensional designs that enable the business and clients to view a product plan from multiple angles before the product is produced. CAD can be used for any business that requires a design, ranging from fashion businesses to car manufacturers. Additionally, this technology assists operations managers to determine the costs, materials, and time associated with a particular design. CAD also allows clients to modify a design to satisfy their needs prior to producing the physical product.

KEY DEFINITIONS

Computer-aided design (CAD) is digital design software that aids the creation, modification, and optimisation of a design and the design process.

Table 5 The impact of computer-aided design on efficiency and effectiveness

Efficiency	Effectiveness
• CAD can reduce the time and labour needed to design a product, allowing resources to be used more optimally and productively.	• A business can use CAD to develop various prototypes and choose the best design to produce. Choosing the best option enables the business to manufacture the highest quality design, which can increase customer satisfaction, sales, and market share.

REAL WORLD EXAMPLE

Computer-aided design

Engineers at Toyota use computer-aided design (CAD) to create automotive vehicle designs. CAD is also used to perform complex and extensive simulations on individual components and the entire vehicle. The simulations test for both functionality and safety. The designs of the vehicles can then be viewed and modified by customers prior to production. CAD accelerates the product design and simulation processes at Toyota while enabling customers to visually customise their vehicles.

Adapted from Toyota Newsroom, 'Digital Wizards: Here's How Toyota Motor North America R&D Turns Clay Models into Fully Developed Vehicles', 2022



Image: Solcan Design/Shutterstock.com

Figure 3 Toyota uses computer-aided design to develop and test its vehicles

Table 6 Advantages and disadvantages of computer-aided design

	Advantages	Disadvantages
Business	• Greater accuracy in the product design process can result in consistent levels of quality which can improve the business's reputation. • Customers have the flexibility to modify a design to suit their needs. This customisation can attract more customers to the business.	• A business can develop a poor reputation if the CAD software makes numerous employees redundant.
Employee	• CAD allows employees to generate advanced and sophisticated designs, enabling a more innovative product design process.	• The implementation of CAD may cause fewer employees needed in the design process of a product, which may result in redundancies.
Time	• CAD software can speed up the product design process as designs can be created and modified faster.	–
Money	• Improved accuracy can ensure products are consistently produced at a high quality, which can increase customer satisfaction and a business's number of sales.	• There are high initial setup costs associated with purchasing and installing CAD software. • It may be costly to continuously update or repair CAD software. • There may be expenses associated with training employees to use CAD software.

Computer-aided manufacturing techniques 3.3.4.4

KEY DEFINITIONS

Computer-aided manufacturing (CAM) techniques involve the use of software that controls and directs production processes by coordinating machinery and equipment through a computer.

Computer-aided manufacturing (CAM) techniques involve the use of software that controls and directs production processes by coordinating machinery and equipment through a computer. CAM allows machines, equipment, and tools used in production to be given specified instructions and then automatically complete their function. Businesses often use CAM and CAD together. This relationship begins by formulating a product design using CAD software. Once the design is completed, CAM controls the manufacturing process of this to produce the final product design.

Table 7 The impact of computer-aided manufacturing techniques on efficiency and effectiveness

Efficiency	Effectiveness
• CAM does not require machinery to be manually reset by humans which reduces the amount of time and labour resources used in the production process, thus improving productivity. • CAM can follow specific instructions and complete tasks more accurately than humans which can reduce the amount of waste that is generated during production, and therefore optimise a business's use of resources.	• CAM software is able to coordinate tasks so they are performed with a high degree of accuracy, enabling the business to achieve a consistent level of quality, which can increase customer satisfaction, sales, and market share.

REAL WORLD EXAMPLE

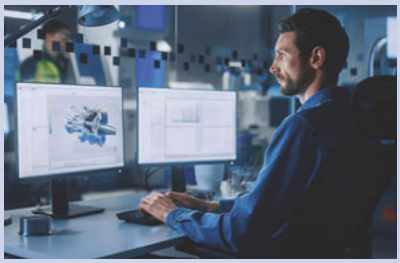


Image: Gorodenkoff/Shutterstock.com

Figure 4 Individual parts of Toyota's vehicles are manufactured using design specifications generated by CAD software

Computer-aided manufacturing techniques

Once the design and simulated testing of an automotive vehicle have been completed, Toyota engineers begin to manufacture the different parts of the vehicle. Each vehicle part is manufactured with the accurate measurements and specifications of the designs. CAM enables the exact replication of the designs so that the vehicle functions and performs as it did in the simulations. Once each part has been manufactured through CAM, it can then be produced in larger quantities to prepare for mass production.

Adapted from an interview with Wai-Keung Chung, August 2019

Table 8 Advantages and disadvantages of computer-aided manufacturing techniques

	Advantages	Disadvantages
Business	• Improved accuracy allows for high-quality products to be consistently produced, which can improve the business's reputation.	• The business may develop a poor reputation if the CAM software makes numerous employees redundant.
Employee	• Removing tasks that may be tedious or dangerous to complete may positively impact employee morale.	• Employees may be made redundant by this technology.
Time	• CAM software can speed up the manufacturing process as machinery does not have to be manually reset by humans.	• Sudden breakdowns can cause production to halt altogether and compromise productivity.
Money	• Improved accuracy can enhance product quality and increase customer satisfaction, which can increase sales revenue. • Many employee roles can be removed, which reduces labour expenses.	• There are high initial setup costs associated with purchasing and installing CAM software. • It may be costly to continuously update or repair CAM software. • There may be expenses associated with training employees to use CAM software.

Artificial intelligence 3.3.4.5

Artificial intelligence (AI) involves using computerised systems to simulate human intelligence and mimic human behaviour. AI is a powerful tool that allows machines to perform functions that would otherwise require human input. These functions can enable computerised machines to learn from past experience, problem solve, process and understand language, and reason with logic. AI is able to perform these functions by analysing different patterns, collecting and interpreting data, and utilising facial and speech recognition systems.

KEY DEFINITIONS

Artificial intelligence (AI) involves using computerised systems to simulate human intelligence and mimic human behaviour.

Table 9 The impact of artificial intelligence on efficiency and effectiveness

Efficiency	Effectiveness
• AI can reduce the time and labour used to complete complex tasks that would usually require human intelligence. This can allow resources to be used more optimally and improve productivity.	• AI can perform complex tasks, such as providing timely and high-quality customer assistance. This can improve customer satisfaction levels, and allow for increases in sales and market share.

REAL WORLD EXAMPLE

Artificial intelligence

Toyota has implemented new software powered by artificial intelligence (AI) that enables robots to be automated for vehicle assembly processes and learn, adapt, and execute tasks on Toyota's production lines. The provider of the software, Symbio Robotics, is dedicated to strengthening and revamping the fundamentals of industrial manufacturing through the creation of AI and robotics technologies. This technology has been implemented to increase efficiency, improve quality, and reduce ergonomic hazards on Toyota's highest volume production lines, including the traditional and hybrid electric Camry, RAV4, Sequoia, and Tundra models.

Adapted from Bloomberg, 'Symbio Helps Automakers Rev Up Hybrid and Electric Vehicle Production With Smarter Assembly Line Robots', 2022



Image: Phonlamai Photo/Shutterstock.com

Figure 5 Toyota has integrated artificial intelligence software into its operations system

Table 10 Advantages and disadvantages of artificial intelligence

	Advantages	Disadvantages
Business	• Artificial intelligence has the ability to provide prompt customer service 24/7, which can improve customer satisfaction and the business's reputation. • Artificial intelligence can perform complex functions, such as analysing data, with greater levels of precision.	• The business may develop a poor reputation if artificial intelligence makes numerous employees redundant.
Employee	• Artificial intelligence may remove tedious tasks for employees, which may improve job satisfaction.	• Employees may be made redundant if artificial intelligence replaces roles previously performed by human labour.
Time	• Artificial intelligence can perform functions much faster than humans.	–
Money	• Tasks that would have previously required human labour can be removed, reducing wage expenses. • Improved accuracy can enhance product quality and increase customer satisfaction, which can increase sales revenue.	• There are high initial setup costs associated with purchasing and installing artificial intelligence. • It may be costly to recalibrate and maintain artificial intelligence.

Online services 3.3.4.6

KEY DEFINITIONS

Online services are services that are provided via the internet.

Online services are services that are provided via the internet. There are a variety of online services that a business can utilise to improve its operations, including booking platforms, online marketplaces, food ordering platforms, price comparison platforms, or cloud-based storage. Businesses can also utilise existing online service platforms provided by other businesses to enhance the efficiency of their operations systems. For example, a restaurant may utilise Uber Eats, an online food ordering and delivery platform, that allows customers to order food via an app. By utilising Uber Eats' online services, the restaurant could remove the need for its employees to take and deliver orders themselves, allowing labour resources to be used more efficiently. In addition, a business may also develop its own online service, such as a hairdresser implementing an online booking platform for customers to schedule appointments.

Table 11 The impact of online services on efficiency and effectiveness

Efficiency	Effectiveness
• Online services can remove the need for employees to perform certain tasks and enable labour resources to be used more efficiently.	• Implementing online services within an operations system can improve convenience for customers, increasing levels of customer satisfaction, sales, and market share.

REAL WORLD EXAMPLE



Figure 6 Toyota allows customers to conveniently book automotive services on its online booking platform

Online services

Toyota allows Australian customers to book a vehicle service on the Toyota website. Customers are prompted to enter their postcode to discover which of Toyota's service centres is most convenient for them, depending on location and appointment times available. Upon choosing a location, customers are required to enter their vehicle's information, contact details, preferred pickup and drop-off times, and details regarding any additional requests. Toyota's online booking platform allows users to identify the most suitable appointment, enhancing customer convenience when purchasing automotive services.

Adapted from Toyota, 'Toyota Genuine Service', n.d.

Table 12 Advantages and disadvantages of online services

	Advantages	Disadvantages
Business	• Online services, such as food ordering platforms, can process orders accurately and provide increased customer convenience, which may improve a business's reputation. • Online services, such as price comparison platforms, may be useful for a business to showcase competitive prices or distinguish its product's features. • Online services, such as online marketplaces, may allow a business to gain exposure to more customers, which can increase the size of its customer base.	• If the platform providing the online service experiences technical difficulties it may disrupt the business's operations. • If the business only allows access to its services online it may deter customers who lack technological skills.
Employee	• Employees may experience increased job satisfaction if the online service removes tedious or boring tasks from their workloads.	–
Time	• Online services, such as booking platforms, can process bookings faster than employees.	• The process of a business developing its own platform that provides online services may be time consuming.

Continues ▶

Table 12 Continued

	Advantages	Disadvantages
Money	• Online services, such as food ordering platforms and online marketplaces, may provide a business with greater exposure to customers, which may increase revenue generated from sales.	• There is typically a cost involved with using an established platform to offer online services. • There may be high initial establishment costs for a business that develops its own platform to provide online services. • There may be expenses associated with training employees to navigate the online platform used to provide services.

ACTIVITY

Online services

Imagine you are a sole trader operating a small hair salon in Melbourne. You are currently looking for strategies to improve the efficiency and effectiveness of your salon's operations system. Type the URL bookwell.com.au into your browser and explore the online booking platform. After searching through Bookwell, consider the following questions:

1. How could Bookwell allow you to improve the efficiency of operations at your hair salon?
2. How could Bookwell allow you to improve the effectiveness of operations at your hair salon?
3. What are some potential disadvantages of using Bookwell at your hair salon?
4. What are some potential advantages of using Bookwell at your hair salon?

Theory summary

Implementing technological developments within a business's operations can improve levels of speed, accuracy, and quality when providing a product to customers. Accordingly, these improvements can increase the efficiency and effectiveness of a business's operations system. Technological developments include:

- Automated production lines which enhance the production process by sequentially developing a product with machinery and equipment.
- Robotics which allow for specified tasks in the production process to be completed by programmable machines.
- Computer-aided design which enables product designs to be digitally generated and modified during the development process.
- Computer-aided manufacturing techniques automate the production process by using computerised software to control machinery and equipment.
- Artificial intelligence which automates tasks that would typically require human intelligence.
- Online services that can improve customer convenience through utilising the internet to provide services.

3D Questions

Theory review

Question 1

Implementing technological developments can allow a business to reduce the number of resources wasted in production.

A. True

B. False

Question 2

Both robotics and automated production lines can improve workplace safety by removing the need for employees to perform dangerous tasks.

A. True

B. False

Question 3

Fill in the blanks with the following terms:

- computer-aided design
- computer-aided manufacturing techniques

Software used to control and direct the production process is known as _____ . However, _____ is software used to generate and modify technical illustrations of a product.

Question 4

Fill in the blank with **one** of the following terms:

- artificial intelligence
- automated production lines

The technological development of _____ has the ability to interpret and understand human language.

Question 5

Implementing an automated production line will immediately improve a business's profit as labour expenses will be reduced.

A. True

B. False

Question 6

Fill in the blank with **one** of the following terms:

- robotics
- online services

The technological development of _____ can make it easier for customers to access information about the business's products and services.

Question 7

Fill in the blank with **one** of the following terms:

- computer-aided design
- automated production lines

One advantage of using _____ in production is that a business can waste fewer resources developing prototypes for its product.

Question 8

Employees will only ever be negatively affected by the implementation of technological developments.

A. True

B. False

Question 9

Implementing technological developments will definitely improve a business's overall reputation.

A. True

B. False

Preparing for exams

Case study skills

Question 10

Deng's Digital Repairs is a business located in Chadstone that specialises in repairing computers, smartphones, and other devices. The owner, Deng, believes customers' repairs will operate more smoothly if customers can pre-book their repairs and be notified when to pick up their device.

Identify which of the following is a correct statement about using online services at Deng's Digital Repairs.

A. Implementing online services, such as an online booking system, can optimise the business's use of time and labour resources by removing the need for Deng to organise customer bookings.

B. Implementing online services, such as an online booking system, may allow customers to receive cheaper repair prices, improving the efficiency of operations at Deng's Digital Repairs.

Question 11

Pearly Porce is an international jewellery manufacturer. The business's jewellery collections are featured in well-renowned jewellery stores across the globe. The operations manager, Giosue, has been tasked with managing the design for the business's seasonal winter collection.

Identify which of the following is a correct statement about using computer-aided design at Pearly Porce.

A. Computer-aided design will make Pearly Porce's operations less efficient as employees will be upset if the technology replaces their roles.

B. Computer-aided design will improve efficiency in Pearly Porce's operations as fewer resources, such as silver, will be wasted when drafting jewellery designs.

Use the following information to answer Questions 12 and 13.

Vyvastim is a recently established business that produces electrolyte sports drinks. Due to increased customer demand, the business is seeking to expand its flavour range and increase its product distribution. The owner, Camila, believes that this can be best achieved by automating the business's operations.

Question 12

Identify which of the following statements are correct about using automated production lines at Vyvastim. **(Select all that apply)**

I. Automated production lines will enable Vyvastim to produce its electrolyte sports drink faster, reducing time wasted in production and thus improving efficiency.

II. Automated production lines will enable Vyvastim to achieve a consistent standard of production quality for its electrolyte sports drink, which can increase sales and improve effectiveness.

III. Automated production lines will allow Vyvastim to create digital designs of its electrolyte sports drinks, leading to increased customer satisfaction and market share.

Question 13

Identify which of the following statements are correct about using computer-aided manufacturing techniques at Vyvastim. **(Select all that apply)**

I. Computer-aided manufacturing can allow Vyvastim to generate digital prototypes for its electrolyte sports drinks, leading to increased sales and profit.

II. Computer-aided manufacturing can enable Vyvastim to produce its electrolyte sports drink faster, reducing time wasted in production and thus improving efficiency.

III. Computer-aided manufacturing can reduce errors in production, enhancing the overall quality of Vyvastim's electrolyte sports drink, thus increasing sales and improving effectiveness.

Question 14

Bankoz Ltd. is an Australian bank and financial services provider with headquarters in Sydney, Australia. The company is aiming to improve its operations system by implementing artificial intelligence to assist its risk management division in determining whether applicants meet the criteria for home loans.

Identify which of the following are **advantages** or **disadvantages** of using artificial intelligence at Bankoz Ltd.

		Advantage	Disadvantage
I.	Artificial intelligence could reduce the time taken to complete tasks, such as analysing financial data, reducing the amount of time wasted in Bankoz's operations.	☐	☐
II.	It is likely to be expensive for Bankoz to initially install artificial intelligence technology into its systems.	☐	☐
III.	Artificial intelligence could reduce the number of errors made when completing tasks, allowing Bankoz to improve the quality of financial services provided.	☐	☐
IV.	There may be training expenses associated with teaching Bankoz's employees how to best utilise artificial intelligence technology.	☐	☐

Exam-style

Question 15 (2 MARKS)

Define the term 'artificial intelligence'.

Question 16 (2 MARKS)

Describe one way robotics could assist a business to improve the effectiveness of its business operations.

Adapted from VCAA 2019 exam Section B Q2

Question 17 (2 MARKS)

Deng's Digital Repairs is a business located in Chadstone that specialises in repairing computers, smartphones, and other devices. The owner, Deng, believes customers' repairs will operate more smoothly if customers can pre-book their repairs and be notified when to pick up their device.

Analyse how online services might be used by Deng's Digital Repairs to improve the efficiency of its operations.

Adapted from VCAA 2020 exam Section A Q5b

Question 18 (3 MARKS)

Pearly Porce is an international jewellery manufacturer. The business's jewellery collections are featured in well-renowned jewellery stores across the globe. The operations manager, Giosue, has been tasked with managing the design for the business's seasonal winter collection.

Describe one way computer-aided design could help Pearly Porce improve the efficiency of its business operations.

Adapted from VCAA 2019 exam Section B Q2

Question 19 (3 MARKS)

Vyvastim is a recently established business that produces electrolyte sports drinks. Due to increased customer demand, the business is seeking to expand its flavour range and increase its product distribution. The owner, Camila, believes that this can be best achieved by automating the business's operations.

Describe how one of the following strategies could be used at Vyvastim to improve the efficiency and effectiveness of its operations:

- automated production lines
- computer-aided manufacturing techniques

Adapted from VCAA 2021 exam Section A Q4c

Question 20 (5 MARKS)

Bankoz Ltd. is an Australian bank and financial services provider with headquarters in Sydney, Australia. The company is aiming to improve its operations system by implementing artificial intelligence to assist its risk management division in determining whether applicants meet the criteria for home loans.

Evaluate the suitability of Bankoz Ltd. using artificial intelligence as a strategy to improve the efficiency and effectiveness of its operations.

Testing previous knowledge

Question 21 (4 MARKS)

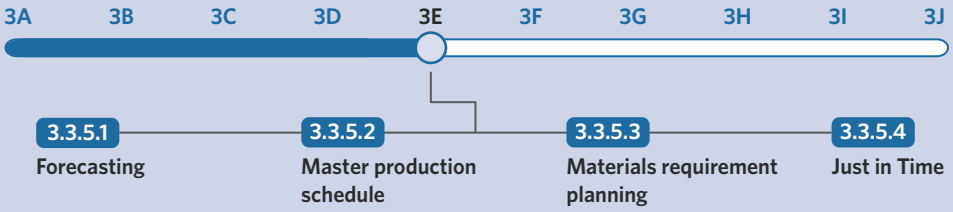
Explain and justify one technological development that a business could implement to improve the efficiency of the processes performed in its operations system.

Adapted from VCAA 2021 exam Section A Q4d

3E Materials strategies

STUDY DESIGN DOT POINT

- strategies to improve both the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just in Time



Businesses are unable to operate without the materials required to produce their goods and services for customers. How can a business improve its management of materials to increase the efficiency and effectiveness of its operations? What benefits would arise from implementing strategies to manage materials?



Lesson introduction

Managing materials involves organising and monitoring the delivery, storage, and use of materials required for production. Improving the management of the materials required for production can enhance the efficiency and effectiveness of an operations system. For production to occur, materials must be delivered to the right place, in the correct quantities, and at the scheduled time. The way in which inputs and outputs are stored should also match the needs of a business. There are various materials management strategies that can be implemented to optimise a business's operations.

Forecasting 3.3.5.1

Forecasting is a materials planning tool that predicts customer demand for an upcoming period using past data and market trends. Forecasting assists managers to make informed decisions relating to the quantities of materials needed to meet predicted customer demand. As a method of materials management, forecasting helps managers to avoid ordering insufficient or excessive amounts of supplies. If a business does not have enough of a certain material, production may stop and it may fail to meet customer demand. In contrast, having an excessive amount of materials can increase a business's costs due to idle **stock** in storage. Materials can also be wasted due to expiry or become damaged when stored for extended periods of time. Therefore, forecasting can be a useful tool to ensure a business has the right materials it needs to produce its goods and services.

Table 1 The impact of forecasting on efficiency and effectiveness

Efficiency	Effectiveness
• Forecasting decreases the likelihood of ordering and storing excessive amounts of materials which optimises the use of resources by reducing wastage. • Having enough materials minimises halts in the production process which improves productivity.	• Forecasting improves a business's ability to meet customer demand which can contribute to increased customer satisfaction, sales, and market share.

KEY DEFINITIONS

Forecasting is a materials planning tool that predicts customer demand for an upcoming period using past data and market trends.

ADDITIONAL TERMS

Stock is the materials stored for production or goods stored for sale.

LESSON LINK

Efficiency and effectiveness were introduced in **3A Operations management**.

Table 2 Advantages and disadvantages of forecasting

	Advantages	Disadvantages
Business	• Informed decisions about the quantity of materials required can improve a business's ability to meet customer demand. • Forecasting prevents the excessive ordering of materials that may go to waste if unneeded. This can help minimise the business's impact on the environment and improve its reputation.	• If a business is too reliant on forecasting, it may be unable to meet unexpected increases in customer demand. • The quantity of materials ordered may be incorrect as historical data and market trends may not reflect future demand.
Employee	–	–
Time	–	• It can be time consuming to analyse historical data and market trends. • Production halts may occur if the business has insufficient materials due to inaccurate predictions.
Money	• Can reduce the cost of storage as it prevents the need for a large space to store materials.	• Businesses may need to hire forecasting specialists, which increases training and wage costs.

Master production schedule 3.3.5.2

KEY DEFINITIONS

A **master production schedule (MPS)** is a plan that outlines what a business intends to produce, in specific quantities, within a set period of time.

A **master production schedule (MPS)** is a plan that outlines what a business intends to produce, in specific quantities, within a set period of time. A master production schedule breaks down the production process and determines output targets that align with predicted customer demand. The master production schedule specifies details such as the location, timing, and quantity of the production of outputs. Managers then use this information to help them determine the materials, machinery, and labour required to meet those production targets.

Table 3 The impact of master production schedules on efficiency and effectiveness

Efficiency	Effectiveness
• Prevents a business from producing an excessive amount of products, which optimises the use of resources by reducing wastage. • Promotes an organised operations system and minimises the number of avoidable errors that occur, which improves productivity by reducing the number of interruptions to production.	• A business is more likely to produce the correct quantity of products to meet customer demand, which can improve customer satisfaction and increase sales and market share.

Table 4 Advantages and disadvantages of master production schedules

	Advantages	Disadvantages
Business	• Improves a business's reputation by having a reduced impact on the environment. A master production schedule prevents the business from producing an excessive amount of products, therefore reducing the amount of wastage.	• Businesses that are constantly changing details of their operations system may find a master production schedule unhelpful as it is not a flexible program.
Employee	• Can provide employees with a clear schedule of operations that includes the timeline and quantity of production targets. • Clear rostering can allow employees to develop a positive work-life balance.	–

Continues ▶

Table 4 Continued

	Advantages	Disadvantages
Time	• By determining specific details about how production will occur, it is less likely production will be brought to a halt and time is wasted due to an organisation error.	• It can be time consuming to map out details of production.
Money	• By determining production targets, businesses are more likely to meet customer demand. Meeting customer demand can increase sales and therefore increase a business's net profit figures.	• Implementing and maintaining this plan can be expensive.

Materials requirement planning 3.3.5.3

Materials requirement planning (MRP) is a process that itemises the types and quantities of materials required to meet production targets set out in the master production schedule. Materials requirement planning creates a detailed plan of the exact materials needed to meet production targets. Operations managers are required to consider the materials a business has on hand. Using this information, managers can determine what materials need to be ordered in the quantities required. Managers should also consider how long it will take for materials to be delivered.

KEY DEFINITIONS

Materials requirement planning (MRP) is a process that itemises the types and quantities of materials required to meet production targets set out in the master production schedule.

Table 5 The impact of materials requirement planning on efficiency and effectiveness

Efficiency	Effectiveness
• Having the exact materials required reduces avoidable halts in production which enhances productivity by allowing operations to flow smoothly. • Having the exact materials needed for production reduces the amount of excess stock that expires or becomes damaged in storage which optimises resources by reducing waste.	• Ensures there are sufficient materials to meet customer demand. Meeting customer demand helps meet the objective of increasing customer satisfaction and sales.

Table 6 Advantages and disadvantages of materials requirement planning

	Advantages	Disadvantages
Business	• Materials requirement planning ensures a business only has the exact materials it needs, decreasing waste generated in production. This can help minimise the business's impact on the environment and improve its reputation.	–
Employee	–	–
Time	• By determining the exact materials required, it is less likely that production will halt due to insufficient materials or organisational errors.	• It can be time consuming to constantly update the materials plan.
Money	• Accurate ordering of the quantities of materials required avoids excess storage and therefore reduces associated expenses.	• Implementing and maintaining the materials plan can incur additional administrative and training costs.

Just in Time 3.3.5.4

KEY DEFINITIONS

Just in Time (JIT) is an inventory control approach that delivers the correct type and quantity of materials as soon as they are needed for production.

Just in Time (JIT) is an inventory control approach that delivers the correct type and quantity of materials as soon as they are needed for production. By delivering materials to be used immediately, Just in Time ensures that a business minimises the stock it has on hand. Reducing the amount of stock held decreases storage costs and prevents stock from becoming damaged or expiring. When JIT is implemented well, it should lead to the elimination of all idle stock and waste. As the business does not have extra stock on hand, the business needs to ensure that its suppliers deliver the right materials, on time, in the correct quantities, and to the correct location, for this strategy to be successful.

Table 7 The impact of Just in Time on efficiency and effectiveness

Efficiency	Effectiveness
• Holding minimal stock can free up areas in the workspace that can be utilised to increase production. • Minimising the amount of stock held can prevent resources from becoming damaged or expiring, allowing resources to be used optimally.	• Costs saved from reducing storage space can be used in other areas of the business, such as sales and marketing, which can meet the objective of increasing sales. • A reduction in idle stock can reduce expenses associated with waste which can meet the objective of increased profits.

Table 8 Advantages and disadvantages of Just in Time

	Advantages	Disadvantages
Business	• JIT eliminates idle stock, therefore limiting the amount of stock wasted from expiry or damage in storage. This can help minimise the business's impact on the environment and improve its reputation. • Allows a business to switch to the production of a different product without wasting resources as there are minimal materials on hand to go through.	• A business may fail to meet customer demand from a lack of reserves stock which may cause damage to a business's reputation. • There may be less time to check the quality of stock as it must be used as soon as it arrives, which could result in errors in products.
Employee	–	–
Time	–	• If suppliers are unreliable and fail to deliver the correct materials at the right time, production may be brought to a halt.
Money	• Reduces storage costs and expenses associated with waste, meaning this money can be used in other areas of the business.	• Discounts from bulk buying supplies may be reduced. • Delivery costs may increase due to more frequent deliveries.

REAL WORLD EXAMPLE



Image: Various images/Shutterstock.com

Figure 1 Toyota uses Just in Time principles to manage its inventory and receives car parts as they are needed in the production line

Just in Time

Toyota Motor Corporation is a Japanese automotive manufacturer that is renowned for creating and implementing the Just in Time strategy. The Just in Time strategy ensures that Toyota produces only 'what is needed, when it is needed, and in the amount needed'. Toyota utilises this strategy by sending instructions to the production line when an order is received from a customer. The company then ensures that the assembly line is stocked with the appropriate amounts of materials needed to produce the car.

Adapted from Toyota, 'Toyota Production System', n.d.

ACTIVITY

Materials strategies

Match the materials management strategy to the scenarios below:

A manager implements a new system into the workplace that outlines which types of products the business hopes to produce, the desired quantity, and the time that they are to be made.	●	● Forecasting
A business owner does not want to pay rental fees for an off-site storage area, however, their store is not big enough to hold large proportions of stock. To overcome this limitation, the owner orders materials as they are needed, which arrive and are immediately used in the business's operations system.	●	● Materials requirement planning
A manager is hoping to predict the amount of customer demand that their business will experience in the next financial quarter. They decide to use sales data from previous years, as well as current and past market trends to determine how much demand the business's customers will have in the next period.	●	● Master production schedule
A manager has decided to implement technology into the workplace that automatically sorts the types of materials that their business needs to produce its goods and services. Employees are able to log the resources that they have used in their roles, and management can use the same technology to order more inputs as they are required.	●	● Just in Time

Theory summary

Materials management strategies can optimise a business's operations system by enhancing the flow of production, reducing waste and idle stock, and meeting customer demand. There are many strategies that can be used to ensure that materials are managed efficiently:

- Forecasting increases the likelihood of businesses meeting customer demand by using past data and market trends to make informed decisions about material needs.
- A master production schedule promotes a more organised operations system by specifying exactly when and what the business needs to produce.
- Materials requirement planning ensures the required materials in their correct quantities are on hand to meet production targets outlined in the master production schedule.
- Just in Time is designed to minimise inventory waste by sourcing inputs only as they are required for production.

3E Questions

Theory review

Question 1

For a business to efficiently produce its goods and services, materials must be in the right place, at the right time, and in the right quantities.

A. True

B. False

Question 2

Forecasting can improve a business's efficiency by:

A. reducing the likelihood of a business ordering excess stock, therefore minimising wastage.

B. increasing its ability to fulfil its objectives of meeting customer demand.

Question 3

Fill in the blanks with the following terms:

- a master production schedule
- materials requirement planning

Businesses should utilise _____ to itemise the types and quantities of inputs needed to meet production targets that are set out in _____ .

Question 4

Fill in the blank with **one** of the following terms:

- master production schedules
- Just in Time

A business can use _____ to ensure that it receives the correct amount of each input as soon as they are needed for production.

Question 5

By implementing materials management strategies, a business may observe reduced levels of waste, less idle stock, increased customer satisfaction, and improved flow of production in its operations system.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 6 and 7.

Aiyla is the operations manager of Finer Fenders, a car wash with multiple locations in the suburbs of Melbourne. Aiyla has noticed that there are large delays in the car washing and detailing services that Finer Fenders provides to its customers. Her current materials strategy is to order new cleaning products after her employees have alerted her that they have run out. Although the business aims to increase its profit, customers have complained about extended waiting times while the car is being serviced, and Aiyla has decided to readjust her approach to materials planning at Finer Fenders.

Question 6

Identify which of the following is a correct statement about using Just in Time at Finer Fenders.

A. Aiyla could use Just in Time to ensure that cleaning products arrive for use at Finer Fenders at the time that they are needed.

B. Just in Time can be used by Aiyla to predict the materials necessary to meet future customer demand, by using past data and market trends.

Question 7

Identify which of the following is a correct statement about using materials requirement planning at Finer Fenders.

A. Aiyla may implement materials requirement planning at Finer Fenders to set targets for the number of customers the business intends to provide its services to in a period of time.

B. Materials requirement planning can be used at Finer Fenders to outline the types and amounts of materials needed for the business to meet its aims for the number of cars it services.

Question 8

Dhruv is the owner of E-Razor, a business manufacturing high-quality shaving products. He knows from past years of operating the business, that the level of customer demand increases significantly around the holiday period, as people tend to buy E-Razor's speciality shaving products as gifts for family and friends. Although Dhruv has identified this information, he is unsure how to use it to obtain the best possible outcome for E-Razor's operations.

Identify which of the following statements are correct about the use of forecasting at E-Razor.
(Select all that apply)

I. Dhruv has used forecasting to analyse past data and market trends to predict the increased demand that E-Razor may experience during the holiday period, and can use this information to meet customer demand, therefore leading to increases in sales.

II. Forecasting can be used to understand the quantity of materials needed in order for E-Razor to meet customer demand, leading to reduced waste from products the business cannot sell to customers.

III. Dhruv can only use forecasting to identify increased demand during holiday periods, and forecasting outside of these times would not be useful for E-Razor.

Exam-style

Question 9 (2 MARKS)

Define the term 'forecasting'.

Question 10 (2 MARKS)

Outline one advantage and one disadvantage of master production schedules.

Question 11 (2 MARKS)

Describe how materials requirement planning could assist a business in improving its operations.

Adapted from VCAA 2018 exam Section A Q5a

Question 12 (4 MARKS)

Discuss the use of the Just in Time strategy to improve the efficiency and effectiveness of a business's operations system.

Question 13 (3 MARKS)

Aiyla is the operations manager of Finer Fenders, a car wash with multiple locations in the suburbs of Melbourne. Aiyla has noticed that there are large delays in the car washing and detailing services that Finer Fenders provides to its customers. Her current materials strategy is to order new cleaning products after her employees have alerted her that they have run out. Although the business aims to increase its profit, customers have complained about extended waiting times while the car is being serviced, and Aiyla has decided to readjust her approach to materials planning at Finer Fenders.

Describe how either Just in Time or materials requirement planning could be used at Finer Fenders to ensure materials are managed effectively.

Adapted from VCAA 2021 exam Section A Q4c

Question 14 (4 MARKS)

Dhruv is the owner of E-Razor, a business manufacturing high-quality shaving products. He knows from past years of operating the business, that the level of customer demand increases significantly around the holiday period, as people tend to buy E-Razor's speciality shaving products as gifts for family and friends. Although Dhruv has identified this information, he is unsure how to use it to obtain the best possible outcome for E-Razor's operations.

Analyse how forecasting can be used at E-Razor to improve the efficiency and effectiveness of its operations.

Adapted from VCAA 2020 exam Section A Q5b

Testing previous knowledge

Question 15 (3 MARKS)

Outline how on-the-job training could be used when implementing a master production schedule.

3F Quality strategies

In 2018, a First Insight study found that 53% of consumers rate quality as the most important factor when making purchases, while 38% believed price was more important. Considering the value consumers place on product quality, businesses must ensure they sell high-quality products in order to operate successfully. What methods might a business utilise to ensure its products maintain a high-quality standard?



KEY DEFINITIONS

Quality is a good or service's ability to satisfy a customer's need.

Quality control involves inspecting a product at various stages of the production process, to ensure it meets designated standards, and discarding those that are unsatisfactory.

ADDITIONAL TERMS

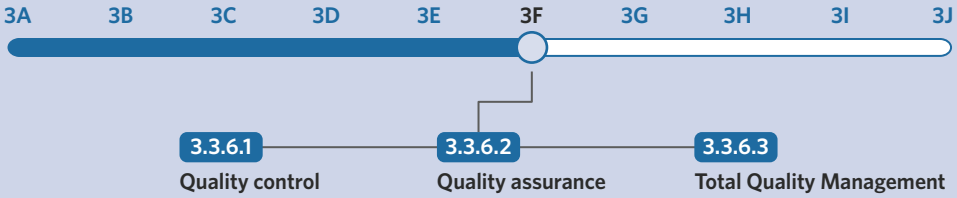
Reactive is responding to a situation after something has occurred.

LESSON LINK

Efficiency and effectiveness were introduced in **3A Operations management**.

STUDY DESIGN DOT POINT

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



Lesson introduction

Quality is a good or service's ability to satisfy a customer's need. It can be measured by numerous factors, including the reliability, durability, delivery time, and consistency of products. A business that provides high-quality goods and services can better meet customer expectations and improve its overall competitiveness. Improving quality can also reduce waste, as fewer products are discarded during the production process due to errors or lack of quality. Decreasing waste can reduce a business's expenses, allowing it to maintain affordable and competitive prices. Ultimately, quality strategies enhance the efficiency and effectiveness of an operations system and enable a business to fulfil the needs of its customers by improving the value of its products and lowering its prices.

Quality control 3.3.6.1

Quality control involves inspecting a product at various stages of the production process, to ensure it meets designated standards, and discarding those that are unsatisfactory. This strategy is **reactive** as it is used to detect and eliminate defects after they occur, rather than preventing them from occurring in the first place. Many businesses randomly select a number of products to inspect, rather than checking every single good or service. For quality control to be implemented properly, it requires the following steps:

1. Standards of quality are established.
2. Inspections are regularly conducted.
3. A good or service is compared against set standards.
4. A good or service is removed if it does not meet the set standards.
5. The cause of the error is fixed to prevent further errors.

Table 1 The effect of quality control on efficiency and effectiveness

Efficiency	Effectiveness
• Identifying and fixing the cause of an error prevents the error from reoccurring, which results in less waste being created during production. Reducing waste allows a business to optimise its use of resources. • Identifying and fixing the cause of an error reduces the number of potential errors that could halt production, enabling the operations system to flow continuously without interference and increasing productivity.	• Removing defective products prevents customers from receiving faulty goods or services. This can allow a business to meet the objectives of increasing sales and market share.

Table 2 Advantages and disadvantages of quality control

	Advantages	Disadvantages
Business	• Providing customers with consistently high-quality products, and minimising the number of faulty goods or services they receive, can improve a business's reputation.	• This strategy does not actively attempt to reduce the level of wastage produced in the operations system, which can negatively impact a business's reputation as it may be associated with harming the environment. • Unless every product is inspected, defective goods may still reach a customer, potentially causing the business to develop a reputation for selling poor-quality products.
Employee	–	• It can be boring and monotonous work for employees to check the production line for defects.
Time	–	• It can be time consuming to identify and address the causes of errors in production.
Money	• Reducing the number of faulty goods or services that are sold to customers can minimise the number of refunds the business is required to complete. • The strategy is relatively inexpensive to implement, as it is controlled internally by the business and no external parties are required to carry out the quality checks.	• Errors are eliminated after they occur, usually when the product has already been created. This may cause a business to incur costs associated with waste.

REAL WORLD EXAMPLE

Quality control

Yakult is an international business, established in Japan, that is renowned for its probiotic milk beverage. Yakult has implemented quality control in its Victorian factory in Australia, that undertakes processes such as sampling, testing, and inspecting the finished product to ensure there are no errors in the final output that it provides to consumers. During these quality control tests, Yakult examines the microbiological quality, composition, and taste of the probiotic milk drink. Individual bottles along the production line are also randomly chosen and inspected for any incorrect printing, undesirable markings, and quality of the seals on the lid. Between 100 and 200 product samples are inspected each day.

Adapted from Yakult, 'Made fresh for you', n.d.



Image: Dhodi Syailendra/Shutterstock.com

Figure 1 Yakult's packaged probiotic drink is checked using quality control procedures to ensure the product is not defective

Quality assurance 3.3.6.2

Quality assurance involves a business achieving a certified standard of quality in its production after an independent body assesses its operations system. This independent body is organised by the business to assess its operations against national or global standards. When approved, the business can advertise the certification it receives on its packaging or website. Quality assurance certification can increase customer's confidence in, and perception of, a good or service as they know the business has received official endorsement from a recognised body regarding its quality. Quality assurance is a **proactive** strategy as it aims to improve the quality of the operations system as a whole to avoid errors entirely.

KEY DEFINITIONS

Quality assurance involves a business achieving a certified standard of quality in its production after an independent body assesses its operations system.

ADDITIONAL TERMS

Proactive is performing actions to prevent problems before they occur.

Table 3 The effect of quality assurance on efficiency and effectiveness

Efficiency	Effectiveness
• Preventing errors before they occur reduces the number of faulty products produced, reducing a business's waste. This can allow a business to optimise its use of resources. • Preventing errors before they occur can reduce the number of production halts related to addressing the causes of errors. This can promote seamless operations and reduce the amount of time wasted in the production process, improving efficiency as less of the 'time' input is required.	• Customers are more inclined to purchase from a business with certified quality standards. This can allow a business to increase its sales and meet the objectives of increasing profit and market share.

Table 4 Advantages and disadvantages of quality assurance

	Advantages	Disadvantages
Business	• Quality assurance can reduce the number of defective products produced, which can reduce the amount of waste generated in production. This can enhance a business's reputation as it is perceived to be environmentally friendly. • Receiving external certification from an independent body can improve a business's competitiveness as customers are likely to have increased confidence in the business and its products.	–
Employee	• Workplace standards implemented in order to achieve external certification are likely to subsequently improve the safety of the workplace for employees.	• Employees may have to be trained to comply with new procedures.
Time	• A reduced number of errors enables production to flow smoothly.	• Completing documentation required for the external body to check the operations system can be time consuming.
Money	• The proactive prevention of errors can minimise the number of resources wasted. This can allow a business to utilise its resources optimally and avoid having to repurchase wasted inputs. • Gaining external certification can be harnessed as a marketing tool by the business, allowing it to increase sales.	• It can be expensive to organise an external body to assess the operations system of a business.

REAL WORLD EXAMPLE

Quality assurance

Yakult has implemented quality assurance and has gained endorsement from 'Hazard Analysis and Critical Control Points' (HACCP), an internationally-recognised certification for food and public health specifications. The HACCP certification is a proactive approach to food safety as it checks Yakult's operations are safe from biological, chemical, and physical hazards. To achieve and maintain HACCP certification, Yakult implemented procedures such as requiring all operations employees to wear hair and beard nets to prevent contamination of its products. By implementing quality assurance measures, Yakult is able to report that it maintains excellence in personnel and factory hygiene standards, equipment cleaning, and food hygiene.

Adapted from Yakult, 'Made fresh for you', n.d.



Image: Wright Studio/Shutterstock.com

Figure 2 Yakult has gained quality assurance certification from HACCP

WANT TO KNOW MORE?

The ISO 9001 is a series of standards many businesses make use of when implementing quality assurance. The ISO 9001 is an internationally-recognised Quality Management System that is designed to help businesses of any size to streamline their operations, reduce costs, and demonstrate continuous improvement with regards to quality. In order to attain the ISO 9001 certification, a business must continually monitor and manage quality across all areas of its operations. Businesses, such as SAI Global, offer other businesses a range of products and services to help them attain ISO 9001 certification. In order to sell a product within certain industries, such as the automotive industry, being ISO 9001 certified is required. Considering this, in 2022, Tesla announced it had achieved ISO 9001:2015 certification for its Quality Management System.

Adapted from BSI group, 'ISO 9001 Quality Management System', n.d.



Image: Iurii Vlasenko/Shutterstock.com

Figure 3 The ISO 9001 is an internationally-recognised Quality Management System

Total Quality Management 3.3.6.3

Total Quality Management (TQM) is a holistic approach whereby all employees are committed to continuously improving the business's operations system to enhance quality for customers. This quality strategy involves maintaining and improving the quality of each element of the operations system; inputs, processes, and outputs. As a quality management strategy, TQM encourages the entire business to strive for improvements in quality. TQM is a proactive strategy for quality and includes three key features:

1. Customer focus involves identifying and fulfilling the customers' exact needs and wants through a business's goods or services.
2. Continuous improvement involves engaging in the process of constantly evaluating business processes and identifying methods to achieve a higher standard.
3. Employee empowerment involves fostering teamwork and employee participation within the business environment to ensure employees are involved in developing solutions to improve quality. This can be achieved using **quality circles** where employees initiate and share ideas to improve quality.

Table 5 The effect of Total Quality Management on efficiency and effectiveness

Efficiency	Effectiveness
• Continuously improving the quality of the production system can prevent errors from occurring and reduce the number of discarded products. This can allow a business to optimise its use of resources.	• By determining the needs and wants of a customer, TQM can improve levels of customer satisfaction and allow a business to meet the objectives of increasing sales and profit.

KEY DEFINITIONS

Total Quality Management (TQM) is a holistic approach whereby all employees are committed to continuously improving the business's operations system to enhance quality for customers.

ADDITIONAL TERMS

Quality circles are small groups of employees who meet to discuss and create solutions to problems related to quality.

LESSON LINK

Inputs, processes, and outputs were introduced in **3B Key elements of an operations system**.

Table 6 Advantages and disadvantages of Total Quality Management

	Advantages	Disadvantages
Business	• A business can adapt TQM to suit its specific business requirements. • A business engaging in TQM can minimise the amount of waste generated, improving its reputation, as customers perceive the business as having a positive environmental impact.	–
Employee	• Employees may feel increasingly valued if they are involved in the process of improving quality.	• Employees may feel confused about their role in improving quality if managers fail to communicate the TQM strategy clearly.
Time	–	• It may take time for a business to enjoy the benefits of TQM as it requires a shift in culture.
Money	• The proactive prevention of errors can minimise the number of resources wasted. This can allow a business to utilise its resources optimally and avoid having to repurchase wasted inputs.	• Introducing TQM can be costly for a business as employees may have to be trained so they can continuously identify methods to improve quality.

REAL WORLD EXAMPLE



Image: josefkubes/Shutterstock.com

Figure 4 Toyota uses Total Quality Management in its operations system to improve and maintain the quality of its vehicles

Total Quality Management

Toyota Motor Corporation is an international automotive manufacturer that was founded in Japan in 1937. Toyota is well known for its establishment and use of Total Quality Management (TQM) and demonstrates three key features of TQM in its operations system; customer focus, continuous improvement, and employee empowerment. Toyota demonstrates customer focus by prioritising a superior quality of service to customers. By continuously improving its processes and ensuring customer satisfaction is its main focus, Toyota has been able to fulfil customers' needs and wants. According to Forbes' 2021 ranking of the most reliable car models, the Toyota Prius Prime ranked third, indicating the brand's high quality and reliability for consumers. In addition, there is a belief in continuous improvement at Toyota. The car manufacturer conducts several training days for employees throughout the year to ensure its workforce is able to 'gain and develop the talents needed to deliver the best quality'. Toyota Motor Corporation also demonstrates continuous improvement by constantly establishing and modifying its production system, having introduced Just in Time and lean manufacturing as upgrades to its operations system. Furthermore, Toyota prioritises employee empowerment by making each person in every process a 'quality inspector' to ensure quality is at the desired standard. Toyota also conducts regular quality circles amongst employees to ensure its processes and final products are constantly improving. The corporation reports that its employees have a 'personal pride in the quality of their work', indicating the effect that Total Quality Management has on the company's culture.

Adapted from Toyota Europe, 'Producing quality', 2022, Golden Gate University, 'Application of TQM and Process Improvement in Toyota and Xerox', 2017, and Forbes, 'Consumer Reports 2021 Reliability Study: Top 10 Has Japanese Brands, Mini, Buick', 2021

ACTIVITY

Quality strategies

Draw a line to match the summary of the quality strategy to the name of the strategy:

This quality strategy involves a business adopting a holistic and proactive approach to quality. This means each element of the operations system is analysed and continuously improved, allowing a business to provide customers with products that satisfy their wants and needs. As a holistic approach, this quality strategy encourages all members of the business to strive for improvements in quality.	Quality control
This quality strategy involves a business paying for an independent body to assess its operations system. Once the business's systems have been checked, this body may provide the business with external certification, verifying the quality of the business's products. The business can then use this certification as a marketing tool to prove to customers that its products are of a high standard. This is a proactive approach to managing quality.	Quality assurance
This quality strategy involves a business conducting inspections throughout the production process. As these checks occur, unsatisfactory products are discarded and the business will attempt to identify the cause of these defects to address the error. This reactive strategy often involves a business selecting a number of its products, at random, for inspection, rather than checking every single good or service.	Total Quality Management

Theory summary

Implementing quality strategies can optimise a business's operations system and promote improvements in efficiency and effectiveness. These quality strategies can either be reactive, whereby a business responds to a situation after it occurs, or proactive, whereby a business initiates plans to prevent a problem before it occurs. Three quality strategies a business can implement are:

- quality control, which involves finding and fixing errors before they reach the customer.
- quality assurance, which involves providing consumers with confidence in a business's goods or services by acquiring external verification of quality.
- Total Quality Management, which involves all members of a business actively improving the quality of processes to prevent errors.

Table 7 Similarities and differences between quality control and quality assurance

	Quality control & Quality assurance
Similarities	• Both strategies reduce the number of faulty products reaching customers. • Both strategies require a good or service to meet set standards.
Differences	• Quality control is reactive as it identifies and eliminates errors after they occur. On the other hand, quality assurance is proactive as it prevents errors from occurring. • Quality control does not involve external certification. In contrast, quality assurance involves a business receiving certification after it meets standards set by an external body.

Table 8 Similarities and differences between quality control and TQM

	Quality control & TQM
Similarities	• Both strategies can be implemented to see notable improvements in the quality of the final output. • Both strategies are internally controlled and involve employees assessing quality.
Differences	• Quality control focuses on setting predetermined standards of quality in the first stage of this strategy. TQM focuses on continuously developing and improving standards. • Quality control is reactive as it identifies and eliminates errors after they occur. TQM is proactive as it aims to prevent errors from occurring.

Continues ▶

Theory summary – Continued

Table 9 Similarities and differences between quality assurance and TQM

	Quality assurance	&	TQM
Similarities	• Both strategies are proactive as they prevent errors from occurring. • Both strategies improve the process of producing a good or service.		
Differences	• Quality assurance focuses on meeting set standards of quality to gain external certification, whereas TQM focuses on internally developing and improving standards within the business. • TQM does not involve external certification. However, quality assurance involves a business receiving certification after it meets standards set by an external body.		

3F Questions

Theory review

Question 1

By improving the quality of its goods and services, a business can enhance the efficiency and effectiveness of its operations system.

A. True

B. False

Question 2

Total Quality Management is a strategy that involves:

A. a business maintaining and improving the quality of its operations system by taking a holistic approach to quality, whereby members of the business make a commitment to continuously improve the business's operations system.

B. a business organising an independent body to assess its operations system against national and global standards.

Question 3

A proactive approach to quality involves a business performing actions to prevent problems before they occur, rather than reacting to issues as they arise. Quality strategies that can be considered proactive include: **(Select all that apply)**

I. quality assurance.

II. quality control.

III. Total Quality Management.

Question 4

Quality control uses inspections at various stages of the production process to find and fix errors before defects can reach the customer.

A. True

B. False

Question 5

An advantage of a business implementing quality control is that: **(Select all that apply)**

I. customers receive fewer defective products, therefore allowing the business to improve its reputation.

II. the strategy is relatively inexpensive as it is internally controlled by the business and does not require an independent, external business or person to check the quality of its operations system.

III. workplace safety can improve when a business receives an external certification, as the business would need to have workplace standards to achieve this certification.

Question 6

Fill in the blank with **one** of the following terms:

- Quality assurance
- Total Quality Management

_____ is a proactive strategy that involves a business achieving a certified standard of quality in its production after an independent body assesses its operations system.

Question 7

By improving the quality of the products it sells, a business can:

A. achieve the objective of increasing its number of sales as customers are more likely to purchase high-quality products from a business that they perceive to be reliable.

B. increase its level of wastage as more products need to be discarded to ensure that defective products are not being sold.

Preparing for exams

Case study skills

Question 8

Aromatic Serenity is a manufacturer of skincare and beauty products in Melbourne's CBD. It is extremely popular due to its use of organic inputs and local suppliers. The owner of the business, Sally, recently read Aromatic Serenity's customer reviews on an online forum for beauty spas. She found that someone gave Aromatic Serenity a one-star rating out of five due to the packaging of the skincare breaking within a week. Another review stated the skincare began to smell off before the stated expiration date. Sally seeks to rectify these issues before her brand's reputation is irreversibly ruined.

Identify which of the following statements are **true** or **false** about the use of quality control at Aromatic Serenity.

		True	False
I.	Sally could introduce quality control to systematically check the skincare products as they move along the production line, removing any defective items that are found.	☐	☐
II.	Sally could introduce quality control by empowering employees of Aromatic Serenity to rate the business five stars on the online forum to improve the reputation of the business.	☐	☐
III.	Sally could introduce quality control by hiring an independent external body to check the quality of Aromatic Serenity's skincare products and provide the business with external certification if the operations system meets set standards.	☐	☐
IV.	By introducing quality control at Aromatic Serenity, Sally may be able to identify the cause of the bad-smelling products, and can therefore introduce plans to fix the issue so that fewer expired goods are produced.	☐	☐

Question 9

Buffalo's Burgers produces meat patties, burger buns, and frozen potato chips. The owners, Bernie and James, have created their brand to give people the essential items to build the perfect homemade burger. They began their business six months ago and they are looking for ways to attract more sales. Buffalo's Burgers is currently struggling to attract customers due to many people buying burgers at restaurants. Bernie and James are assessing various quality strategies as a method to improve their business's performance.

Identify which of the following are **similarities** and **differences** between quality assurance and quality control at Buffalo's Burgers.

		Similarity	Difference
I.	Quality assurance and quality control are strategies that would require Buffalo's Burgers' products to meet set standards.	☐	☐
II.	Quality control is a reactive strategy, therefore poor quality food may still reach customers if not detected, whereas quality assurance is a proactive strategy.	☐	☐
III.	Quality assurance and quality control can prevent defects from reaching customers, improving the level of customer satisfaction at Buffalo's Burgers as they are less likely to receive poor quality food.	☐	☐
IV.	Quality assurance involves a business gaining external certification after it meets set standards, whereas there would be no indicator on Buffalo's Burgers' food that its products are of high quality if it used a quality control strategy.	☐	☐

Use the following information to answer Questions 10 and 11.

Maxi's Taxis is a luxury taxi service operating in Melbourne CBD, with a fleet of 30 expensive vehicles and 50 part-time drivers to chauffeur customers around the city. The chauffeur service offered by the business is double the price of a regular taxi, therefore the owner, Max, wants to ensure the service is of a high quality so that customers are willing to pay the high price. To achieve this high quality, Max wants to introduce a proactive strategy of improving quality. During the COVID-19 pandemic, Maxi's Taxis had limited customers and, as a result, has limited money to spend on improving quality, therefore, Max does not want to pay for external certification.

Question 10

Identify which of the following is the correct statement about Maxi's Taxis.

A. Max should introduce Total Quality Management to improve the quality of his taxi service as this is a proactive approach and can be implemented by his employees, therefore not requiring him to spend additional money on external certification.

B. Max should introduce the proactive strategy of quality control at Maxi Taxi's by providing driving classes to chauffeurs who have been reported as poor drivers.

Question 11

Identify which of the following statements are correct about introducing Total Quality Management (TQM) at Maxi's Taxis. **(Select all that apply)**

I. The customer focus feature of TQM could be addressed by Maxi's Taxis if it provides a smooth service with clean vehicles.

II. TQM places a focus on continuous improvement, encouraging members of the business to contribute to constantly improving Maxi's Taxis by suggesting innovative ideas, such as adding speakers to the cars that customers can connect to and play their own music.

III. Maxi's Taxis would gain external certification by using TQM, allowing the business to market its chauffeur services as being of the highest quality considering the services are externally verified.

IV. Employee empowerment is a key characteristic of TQM as Max would encourage his drivers to also raise ideas as to how quality can be improved, increasing the satisfaction of employees and the value they feel within the business.

Use the following information to answer Questions 12 and 13.

Giant Peaches is a peach farm that sells to many supermarkets and grocers across Victoria. The owner, James, has noticed a decrease in the number of sales at Giant Peaches in the past two years. James has hired experts to help him understand why sales have dropped. These experts have concluded that the decrease in sales is largely due to overseas competitors who offer their fruit and vegetables at a very low price. James has decided that Giant Peaches cannot lower its prices to compete, but can instead attract more sales for its peaches by gaining external certification that validates the peaches' high quality.

Question 12

Identify which of the following is a correct statement about Giant Peaches.

A. James should introduce quality control at Giant Peaches by removing imperfect peaches from being distributed to supermarkets and grocers, as this proactive strategy will allow James to gain external certification for his peaches.

B. James should introduce quality assurance at Giant Peaches, as this will allow him to gain external certification from an independent body, validating the quality of his peaches.

Question 13

Identify which of the following are **advantages** or **disadvantages** of introducing quality assurance at Giant Peaches.

		Advantage	Disadvantage
I.	Giant Peaches can gain external certification, potentially allowing it to increase sales as the business can use this certification as a marketing tool to showcase its high-quality peaches.	☐	☐
II.	It will be expensive for Giant Peaches to introduce quality assurance as the business must pay an external body to assess its operations system.	☐	☐
III.	James can improve the safety of the workplace as quality assurance may require James to amend certain workplace standards, leading to enhanced workplace safety.	☐	☐
IV.	It may be time consuming for James to implement quality assurance as there is significant documentation required to gain external certification.	☐	☐

Exam-style

Question 14 (2 MARKS)

Define the term 'quality assurance'.

Question 15 (2 MARKS)

Define the term 'Total Quality Management'.

Question 16 (3 MARKS)

Aromatic Serenity is a manufacturer of skincare and beauty products in Melbourne's CBD. It is extremely popular due to its use of organic inputs and local suppliers. The owner of the business, Sally, recently read Aromatic Serenity's customer reviews on an online forum for beauty spas. She found that someone gave Aromatic Serenity a one-star rating out of five due to the packaging of the skincare breaking within a week. Another review stated the skincare began to smell off before the stated expiration date. Sally seeks to rectify these issues before her brand's reputation is irreversibly ruined.

Explain how Aromatic Serenity could improve the efficiency of its operations system through the implementation of quality control.

Adapted from VCAA 2021 exam Section A Q4b

Question 17 (4 MARKS)

Buffalo's Burgers produces meat patties, burger buns, and frozen potato chips. The owners, Bernie and James, have created their brand to give people the essential items to build the perfect homemade burger. They began their business six months ago and they are looking for ways to attract more sales. Buffalo's Burgers is currently struggling to attract customers due to many people buying burgers at restaurants. Bernie and James are assessing various quality strategies as a method to improve their business's performance.

Compare quality control with quality assurance as strategies to maintain the overall excellence of Buffalo's Burgers products.

Adapted from VCAA 2017 exam Section B Q3

Question 18 (5 MARKS)

Maxi's Taxis is a luxury taxi service operating in Melbourne CBD, with a fleet of 30 expensive vehicles and 50 part-time drivers to chauffeur customers around the city. The chauffeur service offered by the business is double the price of a regular taxi, therefore the owner, Max, wants to ensure the service is of a high quality so that customers are willing to pay the high price. To achieve this high quality, Max wants to introduce a proactive strategy of improving quality. During the COVID-19 pandemic, Maxi's Taxis had limited customers and, as a result, has limited money to spend on improving quality, therefore, Max does not want to pay for external certification.

Explain and justify one quality strategy that Max could implement at Maxi's Taxis to ensure the quality of the taxi service is of a high standard.

Adapted from VCAA 2021 exam Section A Q4d

Question 19 (5 MARKS)

Giant Peaches is a peach farm that sells to many supermarkets and grocers across Victoria. The owner, James, has noticed a decrease in the number of sales at Giant Peaches in the past two years. James has hired experts to help him understand why sales have dropped. These experts have concluded that the decrease in sales is largely due to overseas competitors who offer their fruit and vegetables at a very low price. James has decided that Giant Peaches cannot lower its prices to compete, but can instead attract more sales for its peaches by gaining external certification that validates the peaches' high quality.

Outline and discuss one quality strategy Giant Peaches could introduce to improve operations.

Adapted from VCAA 2007 exam Q3d

Testing previous knowledge

Question 20 (4 MARKS)

R2D2 is a manufacturer of affordable and convenient frozen meals that are sold in every state of Australia. The owners, Luke and Leia, have identified that the business expenses are increasing as more faulty products are being produced and discarded. R2D2 has also received an increased amount of negative customer feedback regarding faulty packaging and the wrong flavouring sachet being included with the meal. Luke and Leia want to introduce a strategy that will prevent errors from occurring before they happen.

Describe the output element of the operations system at R2D2. Explain one quality strategy Luke and Leia could introduce to improve the quality of its outputs.

3G Waste minimisation

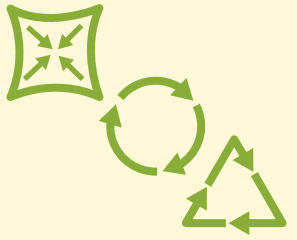
STUDY DESIGN DOT POINT

- strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including reduce, reuse, recycle

3A 3B 3C 3D 3E 3F **3G** 3H 3I 3J

3.3.7.1
Waste minimisation
- 3.3.7.1.1 Reduce
- 3.3.7.1.2 Reuse
- 3.3.7.1.3 Recycle

Optimising operations includes ensuring that production is efficient and effective so that outputs are of the desired quality. To achieve this, a business should focus on reducing waste in all areas of operations. In this lesson, you will learn about optimising operations by identifying different types of waste and implementing strategies to reduce waste.



Lesson introduction

Many businesses optimise their operations system to reduce costs and improve the overall quality of their production process. To achieve this, businesses can implement strategies that aim to reduce the amount of **waste** discarded during the production process, thus increasing the efficiency and effectiveness in operations.

Waste minimisation 3.3.7.1

Waste minimisation is the process of reducing the amount of unused material, time, or labour within a business. This may include reducing the amount of defective, unused, returned or discarded materials. There are several different types of waste that may occur in a business's operations system:

- Time can be wasted when transporting resources or products.
- Inputs can be wasted or easily damaged, especially if they are lower-quality inputs.
- Labour can be wasted when employees have little or no work to complete during production.
- Time can be wasted from delays between production stages.
- Products can be wasted when a business produces too much and is unable to sell them.
- The labour of highly-experienced employees can be wasted when they are assigned tasks that can be completed by less-experienced employees.
- Products are wasted when they are defective and cannot be sold.

Minimising waste can allow a business to minimise its production costs, as less resources are wasted. Reducing production costs within a business's operations system can increase a business's profit margins or enable a business to offer lower prices to customers. Waste minimisation can be implemented by a business through various strategies to lower production costs, and improve efficiency and effectiveness.

KEY DEFINITIONS

Waste minimisation is the process of reducing the amount of unused material, time, or labour within a business.

ADDITIONAL TERMS

Waste is any resource that is discarded because it cannot be further used in the production process.

Table 1 The effect of waste minimisation on efficiency and effectiveness

Efficiency	Effectiveness
• By minimising the amount of time wasted in operations a business produces goods and services at a quicker rate, increasing efficiency. • By reducing the number of materials discarded, a business optimises its use of resources and increases efficiency.	• Reducing waste lowers operational costs which can allow for a business to offer lower prices to customers. This can increase the number of sales and meet the objective of increasing market share. The increase in sales will also increase revenue, which can assist in the achievement of making a profit.

USEFUL TIP

There are numerous types of waste in operations. It is useful to know the different types of waste to strengthen your answers to waste minimisation questions. A helpful way to learn the different types of waste is through the acronym 'TIMWOOD'.

- Transport
- Inventory
- Motion
- Waiting
- Overproduction
- Overprocessing
- Defects.

Table 2 Different types of waste

Type of waste	Description	Example
Transportation 	Unnecessary transportation of products or materials can waste time and money, as well as increase the risk of resources becoming damaged.	Time can be wasted when transporting resources or products.
Inventory 	Having an excess inventory of products and materials can waste storage space and increase the chance of goods becoming damaged.	Inputs can be wasted or easily damaged, especially if they are lower-quality inputs.
Motion 	Unnecessary movement of employees during the production process can waste time.	Labour can be wasted when employees have little or no work to complete during production.
Waiting 	Waiting or delays in the production process for work to be completed can waste time, which decreases productivity.	Time can be wasted from delays between production stages.
Overproduction 	Producing outputs beyond customer demand can lead to excess inventory, which wastes storage space and increases the risk of goods being damaged.	Products can be wasted when a business produces too much and is unable to sell them all.
Overprocessing 	Doing more work than necessary during the production process can decrease productivity and waste time and money.	The labour of highly-experienced employees can be wasted when they are assigned tasks that can be completed by less-experienced employees.
Defects 	Products that have errors or defects are often discarded or corrected, wasting time, money and materials.	Products are wasted when they are defective and cannot be sold.

Reduce 3.3.7.1.1

Reduce is a waste minimisation strategy that aims to decrease the amount of resources, labour, or time discarded during production. Reducing the amount of resources, labour, or time discarded during production can significantly improve a business's operations system. Wasted resources can be detrimental to a business's operations, as it can increase production costs and diminish a business's profit margin. A business can reduce the amount of wasted resources throughout production to optimise the use of its resources and decrease operations costs. The following figure summarises ways that discarded resources can be reduced in an operations system.

KEY DEFINITIONS

Reduce is a waste minimisation strategy that aims to decrease the amount of resources, labour, or time discarded during production.

LESSON LINK

Total Quality Management was introduced in **3F Quality strategies**.

Examples of reduce as a waste minimisation strategy	How this minimises waste
Adjust the amount of goods produced each month based on predicted customer demand.	Ensuring production meets customer demand can prevent wasting inventory space with unsold goods. Producing according to customer demand can also ensure that perishable goods, such as food, do not go to waste.
Organise the number of employees required for each day based on how much work needs to be completed.	Scheduling the appropriate number of employees to work prevents labour resources from being wasted.
Review and select the optimal transport routes for the distribution of products.	Selecting the optimal transport routes reduces the amount of time and fuel wasted.
Implement proactive approaches that assist in reducing the number of defective products.	Implementing proactive quality strategies, such as quality assurance or Total Quality Management can assist to prevent defects before they occur, reducing the amount of discarded products within the production process.

Figure 1 Examples of the reduce waste minimisation strategy

Reuse 3.3.7.1.2

Reuse is waste minimisation strategy that aims to make use of items which would have otherwise been discarded. A business should reuse items where possible. Reusing resources promotes the optimal use of resources as it increases the amount of outputs that can be produced without having to purchase additional inputs. Reusing items can also lower a business's production costs through increased productivity, as the business can produce more outputs without having to increase the amount of resources used. Furthermore, waste minimisation can assist in reducing costs related to waste removal. The following figure demonstrates ways that resources can be reused.

KEY DEFINITIONS

Reuse is a waste minimisation strategy that aims to make use of items which would have otherwise been discarded.

Examples of reuse as a waste minimisation strategy	How this minimises waste
Reusing storage items.	Reusing storage items, such as cardboard boxes or plastic containers can reduce the need for a business to repurchase these items.
Reusing functional parts of defective products.	Reusing parts of defective products which are still in perfect condition, such as electronics, can prevent the business from wasting resources on producing that part again.
Collecting packaging from customers.	Collecting packaging from customers, such as glass bottles, to clean and reuse to package future outputs can reduce waste. This reduces the amount of resources needed to produce packaging for future outputs.
Reusing natural resources.	Reusing natural resources, such as water, in areas of the production process can help to reduce production costs.

Figure 2 Examples of the reuse waste minimisation strategy

KEY DEFINITIONS

Recycle is a waste minimisation strategy that aims to transform items which would have otherwise been discarded.

Recycle 3.3.7.1.3

Recycle is waste minimisation strategy that aims to transform items which would have otherwise been discarded. Recycling involves transforming discarded resources and turning them into new products or materials that can be utilised. Through recycling resources where it is possible, a business can reduce the amount of money that is needed to purchase new resources, subsequently reducing the business's production costs. A business may also reduce expenses related to the disposal of waste through recycling. Businesses can implement technologies into their operations system that allow for specific resources to be recycled, such as:

- glass
- paper-based materials
- metals
- batteries
- plastics
- natural waste.

EXTENDED REAL WORLD EXAMPLE

Waste minimisation

Yakult Honsha is a multinational company based in Japan with factories all over the world. The company is best known for its probiotic milk beverage 'Yakult'. With operations being conducted on a global scale, Yakult has implemented multiple strategies that work to minimise the amount of waste generated from its production processes. Effective waste management strategies contribute to a cleaner and less wasteful facility –99.5% of Yakult's raw ingredients end up in the bottle.

One core focus outlined in Yakult's CSR report (2020) was the efficient use of resources. Through a number of strategies, Yakult promotes the efficient use of resources by applying the '3Rs' (reduce, reuse, and recycle).



Figure 3 Yakult Honsha has implemented waste minimisation strategies in various locations across the globe

Table 3 Examples of how Yakult has implemented various waste minimisation initiatives within its operations system

Strategy	Examples within Yakult's operations
Reduce	• Reduction of water usage through actively upgrading to equipment that recycles coolant water. • An active focus on implementing initiatives that assist to reduce the amount of plastic used in packaging. • Reduction of time spent manually processing data through the use of specialised software.
Reuse	• The introduction of technologies that help to facilitate the reuse of water during the production process.
Recycle	• Recycling any bottles that are discarded during the production process, so that the plastic can be reutilised. • Paper products from inputs, such as skim milk powder bags, are recycled. • Instead of discarding used bottles, they are collected for recycling and then transformed into other plastic products, such as chairs and tables.

By implementing various waste minimisation strategies, Yakult is able to effectively reduce its production costs, which helps to maintain competitive and affordable prices. Furthermore, through an environmentally oriented focus and affordable prices, Yakult is able to maintain high levels of customer satisfaction, which can assist the achievement of various business objectives, such as increasing market share.

Use your notebook to create a mind map summarising the different waste minimisation strategies that have been implemented and how these can lead to improvements in efficiency and effectiveness in Yakult's operations system.

Adapted from Yakult, 'Made fresh for you', n.d. and Yakult, 'Yakult CSR Report', 2020

ACTIVITY

Waste minimisation

Sneaky Wholefoods is a Perth based snack business that specialises in the production of plant-based, gluten free, high protein, and grain free snacks. Sneaky Wholefoods uses the waste minimisation strategy of reuse to make use of outputs that would have otherwise been discarded. The business does this through its sale of 'Better Being Sneaky Seconds' chunk packs that consist of offcuts of its regular snack bar collection. Sneaky Wholefoods offers its customers 'Better Being Sneaky Seconds' at a reduced price, as they consist of small to large size pieces of 'Better Being Bars' that could not be distributed. This initiative has enabled Sneaky Wholefoods to reduce the amount of waste generated from its production process, while also being able to generate revenue from the sale of the 'Better Being Sneaky Seconds' collection.

Discuss the following questions with your classmates.

1. How does the 'Better Being Sneaky Seconds' collection help to improve efficiency and effectiveness within Sneaky Wholefoods' operations?
2. Are there any other waste minimisation strategies that Sneaky Wholefoods could implement to improve its operations system?
3. Can you think of any ways that customers benefit from 'Better Being Sneaky Seconds'?

Adapted from Sneaky Wholefoods, 'Sneaky Wholefoods Collection', n.d.



Figure 4 Sneaky Wholefoods reduces waste by repackaging offcuts of its Better Being Bars

Theory summary

Waste minimisation should be a priority for businesses aiming to maximise the efficiency and effectiveness of their operations system. Through the implementation of waste minimisation strategies, a business can make significant improvements to efficiency and effectiveness within operations, which subsequently contributes to improved business performance.

Table 4 Summary of waste minimisation strategies

Strategy	Definition	Example
	Decreasing the number of resources, labour, or time discarded during production.	A business may choose to adjust the number of goods produced each month, so that production does not exceed levels of customer demand.
	Making use of items that would have otherwise been discarded.	A glass drink bottle business may choose to have customers return used glass bottles so they can clean and re-bottle drinks.
	Transform items that would have otherwise been discarded.	A pizza shop could recycle unused paper pizza boxes and transform them into other paper products.

3G Questions

Theory review

Question 1

Business performance can be significantly improved by having a focus on minimising the amount of waste generated from operations.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- efficiency
- effectiveness

Through reducing waste, a business becomes more productive at transforming inputs into outputs, subsequently improving _____ in operations.

Question 3

Fill in the blank with **one** of the following terms:

- efficiency
- effectiveness

Reducing waste can decrease a business's cost of production, allowing it to pass on lower prices to customers and increase sales, consequently improving _____ in operations.

Question 4

Decreasing the number of discarded resources in a businesses production process is:

A. the waste minimisation strategy of reuse.

B. the waste minimisation strategy of reduce.

Question 5

Putting items to use that would otherwise be discarded is:

A. the waste minimisation strategy of reuse.

B. the waste minimisation strategy of recycle.

Question 6

Businesses could recycle resources, such as glass, paper, and batteries.

A. True

B. False

Question 7

Waste minimisation strategies can help a business reduce production costs and improve effectiveness in operations.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 8 and 9.

Tellithon is an Australian telecommunications business that operates retail stores and call centres across the country. The operations manager, Damien, has recently inspected multiple Tellithons and has noticed that some are overstaffed, with more employees than the number of incoming calls. Additionally, during his inspections Damien also noticed that some of the call centres are understaffed, with long hold times.

Question 8

Identify which of the following resources are currently being wasted at Tellithon.

A. Labour

B. Natural

C. Capital

Question 9

Identify which of the following statements are **true** or **false** about using the waste minimisation strategy of reduce at Tellithon.

		True	False
I.	Tellithon is currently using its labour resources optimally.	☐	☐
II.	To reduce the amount of employee time wasted, Damien should hire new employees.	☐	☐
III.	To reduce the amount of employee time wasted, Damien could move some employees from the overstaffed call centres to those that are understaffed.	☐	☐

Question 10

Porcelain Planners is a small business that operates out of Sydney. The business manufactures a range of paper-based yearly planners. At the end of 2021, the owner, Paul realised that there was an overproduction of 2021 planners that will be going to waste.

Identify which of the following statements are **true** or **false** about using waste minimisation at Porcelain Planners.

		True	False
I.	Porcelain Planners could reduce the amount of discarded planners through implementing measures to prevent overproduction.	☐	☐
II.	Porcelain Planners could reduce the amount of discarded planners through recycling the paper from 2021 planners and using it to make 2022 planners.	☐	☐
III.	Porcelain Planners could reduce the amount of discarded planners through keeping more inventory on hand.	☐	☐

Exam-style

Question 11 (2 MARKS)

Identify and define two waste minimisation strategies.

Question 12 (2 MARKS)

Outline waste minimisation.

Question 13 (3 MARKS)

Outline how waste minimisation conducted through reusing materials can improve efficiency in operations.

Question 14 (3 MARKS)

Explain how reducing waste can improve business operations. In your response, refer to one waste minimisation strategy.

Question 15 (3 MARKS)

Tellithon is an Australian telecommunications business that operates retail stores and call centres across the country. The operations manager, Damien, has recently inspected multiple Tellithons and has noticed that some are overstaffed, with more employees than the number of incoming calls. Additionally, during his inspections Damien also noticed that some of the call centres are understaffed, with long hold times.

Explain how the waste minimisation strategy of reduce could be used to improve Tellithon's operations.

Question 16 (3 MARKS)

Porcelain Planners is a small business that operates out of Sydney. The business manufactures a range of paper-based yearly planners. At the end of 2021, the owner, Paul realised that there was an overproduction of 2021 planners that will be going to waste.

Identify and explain one waste minimisation strategy that could be used to improve operations at Porcelain Planners.

Testing previous knowledge

Question 17 (3 MARKS)

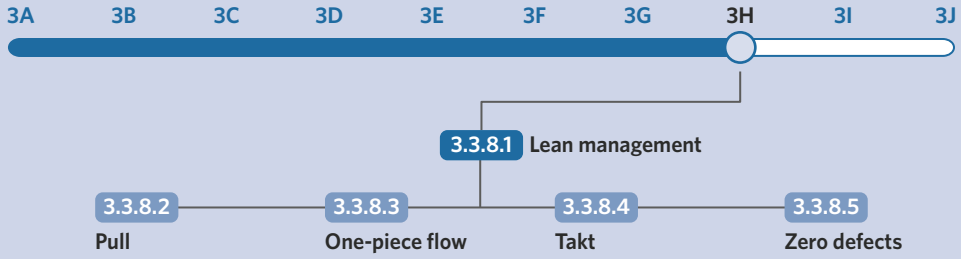
SoundSation is an Australian based headphone manufacturer. The business specialises in the production of headphones and speakers. Lisa, the operations manager at SoundSation has recently decided to implement Total Quality Management into the business's production process.

Analyse how Lisa's decision to introduce Total Quality Management could assist in reducing wastage in SoundSation's operations.

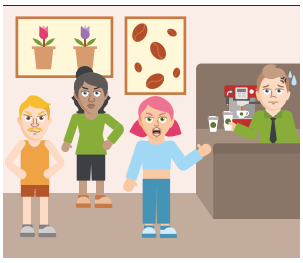
3H Lean management

STUDY DESIGN DOT POINT

- the pull, one-piece flow, takt, zero defects strategy to improve the efficiency and effectiveness of operations related to lean management



Have you ever been to a cafe and had to wait over ten minutes for your order? Have you ever felt frustrated by someone receiving their order at the same time as you even though they ordered after you did? A business can implement lean management to avoid these customer frustrations and ensure its operations system is as efficient and effective as possible.



Lesson introduction

All businesses should aim to optimise their operations system as this can reduce costs and improve the overall quality of their production processes. Optimising operations can involve a business utilising techniques that enable it to improve its efficiency and effectiveness, such as lean management. The lean management strategies of pull, one-piece flow, takt, and zero defects can allow a business to reduce waste across all its processes and simultaneously increase the quality of its goods and services for customers.

Lean management 3.3.8.1

Lean management is the process of systematically reducing waste in all areas of a business's operations system whilst simultaneously improving customer value. A business can apply lean management through the four strategies of pull, one-piece flow, takt, and zero defects. When a business implements lean management, it can reduce the amount of waste generated from discarded materials and unused time within its operations system. This can enable a business to use resources more efficiently, meaning materials are not purchased as frequently and tasks are completed at a faster rate, reducing overall production costs. These savings may then benefit customers as the business is able to charge cheaper prices. By offering a lower-priced product that is delivered more quickly, a business can improve its level of customer satisfaction. Each lean management strategy can also allow a business to ensure that its operations system produces an output that is in line with the value expected by customers.

KEY DEFINITIONS

Lean management is the process of systematically reducing waste in all areas of a business's operations system whilst simultaneously improving customer value.

Pull is a lean management strategy that involves customers determining the number of products a business should produce for sale.

Pull 3.3.8.2

Pull is a lean management strategy that involves customers determining the number of products a business should produce for sale. By applying pull, a business will only produce its goods or services to meet customer demand, to ensure that no resources are wasted on unwanted products that will later be discarded. For example, a bakery may only produce a birthday cake when it receives a customer order prior to its purchase. This ensures the bakery does not waste ingredients on baking unsold cakes that are later discarded due to expiry. When implementing the pull strategy, the bakery may also require all customer orders to be provided at least one day in advance, allowing it to be more prepared and efficient in terms of ingredient orders and staffing. Therefore, whilst the application of pull can reduce a business's materials wastage, it also enables it to optimise its use of labour resources, leading to increased productivity. The opposite of pull would involve a business mass producing its products and then trying to sell them to customers, disregarding the current level of customer demand.



Figure 1 A bakery that implements the pull strategy only bakes birthday cakes when there is a customer order

One-piece flow 3.3.8.3

KEY DEFINITIONS

One-piece flow is a lean management strategy that involves processing a product individually through a stage of production and passing it onto the next stage of production before processing the next product, continuing this process throughout all stages of production.

One-piece flow is a lean management strategy that involves processing a product individually through a stage of production and passing it onto the next stage of production before processing the next product, continuing this process throughout all stages of production. A business that implements one-piece flow can quickly deliver products to customers as one product moves through each stage of the entire production process without delay. For example, a bakery may have three stages in its production process; baking, icing, and decorating the cake. At the bakery, implementing one-piece flow would involve mixing the batter for one cake at a time, and icing and decorating the entirety of that cake before moving on to the next one. When one baker is icing the cake, another baker would be making the batter for the next cake, whilst a third baker would be decorating a previous cake, meaning the entire production process flows. By doing so, each stage of making the cake would take less time, allowing it to be delivered more quickly to customers. Therefore, one-piece flow can reduce a business's production time as a single unit is transferred quickly through each stage of its operations system. The opposite of one-piece flow would involve having a large number of products completed at one stage before moving on to the next stage, such as baking several batches of cakes at the one time before they move onto the icing stage as one large batch.

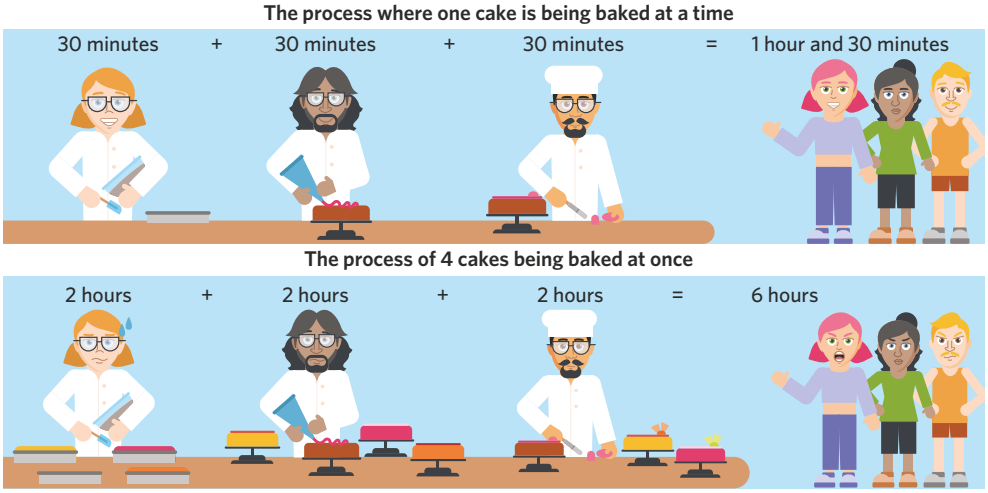


Figure 2 By using the one-piece flow strategy rather than baking in batches, a cake can be delivered more quickly to a customer

Takt 3.3.8.4

KEY DEFINITIONS

Takt is a lean management strategy that involves synchronising the steps of a business's operations system to meet customer demand.

Takt is a lean management strategy that involves synchronising the steps of a business's operations system to meet customer demand. The word takt is German and means pace, rhythm, or pulse. Accordingly, a business that applies takt ensures there is a continuous pace in its operational processes, allowing it to keep up with customer demands. To achieve a continuous pace, the output of one production stage is transferred to the next step in a timely manner. If implemented correctly, the business ensures items complete the production process with no delays between steps. For example, a bakery that implements takt would streamline its production process by ensuring that as soon as a cake has been baked and cooled, it is immediately iced and then decorated. Takt would also allow the bakery to minimise idle time between the cooling and icing of the cake, as employees could be preparing the icing and decorations during this period to ensure production flows as seamlessly as possible. The opposite of takt would involve a business having large gaps of time between production stages, where materials and labour are unused or underutilised, leading to inefficiencies in the operations system.

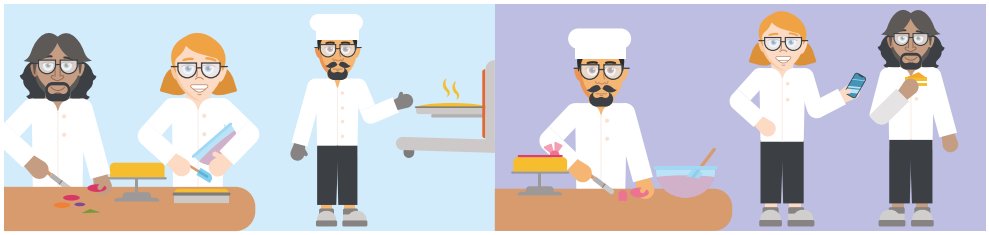


Figure 3 A continuous pace of baking, icing, and decorating cakes through takt, results in a more efficient pace and ensures cakes are delivered on time to customers

Zero defects 3.3.8.5

Zero defects is a lean management strategy that involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output. When a business finds a defect in its operations system, production is halted so that the error is not passed on to the next stage of the production process. The business then identifies and fixes the error to prevent any further defects from occurring in the future. For example, if a baker forgets an ingredient in the cake batter, they may notice that the mixture is too thick and therefore delay the baking of the cake until they identify and fix this error. By implementing the zero defects strategy, a business ensures its production process is constantly improving and producing minimal waste in the form of defective products. An alternative to zero defects is finding and removing defective products only after the production of an output is completed.

KEY DEFINITIONS

Zero defects is a lean management strategy that involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output.

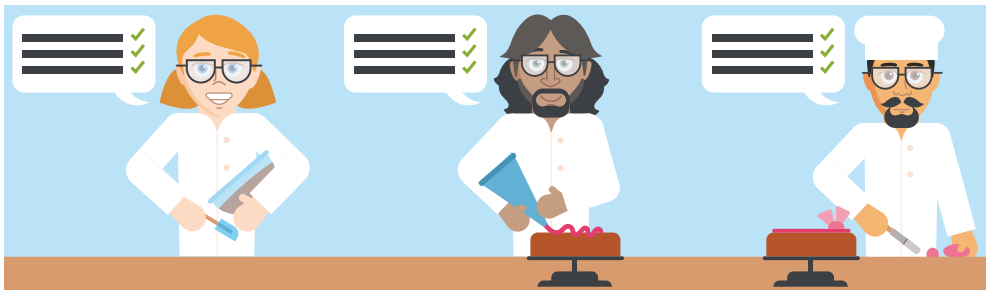


Figure 4 Zero defects involves employees producing cakes with an ongoing attitude to minimise errors and maintain a high standard

REAL WORLD EXAMPLE

Lean management

Embraer S.A. is a Brazilian aerospace company that manufactures aircraft and provides aeronautical services worldwide. In 2022, Embraer announced that it would be partnering with the Japanese car manufacturer, Toyota Motors, and would adopt the main strategies of Toyota's production system. Through this partnership, Embraer wants to increase its production efficiency and achieve sustainable growth. Toyota currently applies each of the strategies of lean management to its production system and Embraer hopes to do the same.

If Embraer were to include each of the strategies of lean management from Toyota, the following descriptions are an example of how this might work:

- **Pull**: Embraer could produce aircraft only in response to customer orders, to prevent overproduction and reduce inventory.
- **One-piece flow**: a single unit of Embraer's aircraft could move through the entire production process, one at a time, to increase the speed and efficiency of its aircraft manufacturing.
- **Takt**: the aircraft production sequence at Embraer could be coordinated so that once parts are prepared, they are efficiently transferred to the next stage (i.e. from body processing to painting) without any waiting time.
- **Zero defects**: Embraer employees could be encouraged to check and test parts of the aircraft at every stage of production. If any defects are found, the problem could be traced to its cause and the error fixed to prevent the issue from occurring again.

Adapted from Aerotime Hub, 'Embraer partners with Toyota to enhance aircraft production efficiency', 2022



Image: testing/Shutterstock.com

Figure 5 Embraer plans to implement lean management strategies in its production of aircrafts

ACTIVITY

Lean management

Match the following business scenarios with the lean management strategy they are associated with:

Pull	Quali-T-shirts is a clothing producer that publicises its commitment to improving customer value. Recently, an employee recognised an error in the colouring of one of the company's t-shirts. As a result, production was halted until the error was fixed to ensure that no further defects like this occurred to other t-shirts.
One-piece flow	Thomas is the owner of a cafe in Melbourne that has recently undergone a transformation to reduce the amount of wasted time in its processes. One change to the cafe's operation has involved ensuring that once a meal has been cooked, it is immediately plated and served to the customer in a streamlined process.
Takt	Get Charged is an industrial battery manufacturer. The production process at Get Charged involves sixteen different stages with each battery individually passing through one stage of production at a time.
Zero defects	Sophia is employed at a patisserie that produces 150 croissants per day, discarding those that are unsold each night. Last week, Sophia's manager announced that the patisserie is going to start to only produce croissants to meet customer orders that have been placed by the end of the previous day.

Theory summary

To become as efficient and effective as possible, a business should consider implementing lean management. When becoming a lean business, an operations manager would aim to eliminate all waste generated in the production process whilst simultaneously adding value to the final product that is provided to customers.

- Lean management is a systematic process of reducing waste in all areas of a business's operations whilst improving customer value. There are four lean management strategies that a business can implement:
  - Pull involves the production process being led by customer demand.
  - One-piece flow involves individually moving one unit through each stage of the production process.
  - Takt involves synchronising production steps.
  - Zero defects involves aiming to continuously improve the quality of a product.

Table 1 The effect of lean management on efficiency and effectiveness

Lean management strategy	Efficiency	Effectiveness
Pull	• The pull strategy can reduce overproduction and minimise the number of wasted materials, time, and labour generated by a business's production process, increasing productivity.	• The pull strategy can enable a business to minimise the amount of discarded materials and resources in its production process, allowing it to reduce its expenses. This allows a business to better achieve its objective of making a profit.
One-piece flow	• The one-piece flow strategy can reduce the number of errors in a business's operations process by only producing one unit at a time, increasing productivity.	• The one-piece flow strategy can allow a business to produce higher quality products at a faster rate, improving customer satisfaction. This can enable a business to achieve the objectives of fulfilling a market need and increasing market share.
Takt	• The takt strategy can allow a business to optimise its flow of materials between the stages of the production process, reducing wasted time and increasing productivity.	• The takt strategy can improve the flow of processes and optimise the speed at which products are delivered to customers, improving their satisfaction. This can enhance a business's ability to increase sales and make a profit.
Zero defects	• The zero defects strategy involves continuously aiming to minimise errors and, therefore, can reduce the number of materials that are discarded during the production process, increasing productivity.	• The zero defects strategy aims for continuous improvement and may lead to customers receiving high-quality products that have no defects, improving their satisfaction and increasing the business's sales. This can consequently allow a business to better fulfil a market need.

Theory summary – Continued

Table 2 Advantages and disadvantages of lean management

	Advantages	Disadvantages
Business	• A business can improve its reputation as it is actively reducing and managing waste, which benefits the environment. • Quality is improved as processes are streamlined to ensure all activities add value to the final product and customer expectations are met.	• If suppliers do not deliver materials on time, the business may be unable to streamline its production process to meet customer demand. • Employees may be reluctant to commit to an attitude of zero defects due to the effort and commitment required.
Employee	• Employees may experience greater job satisfaction as they are actively involved in reducing waste in operations and positively impacting the environment.	• It may be overwhelming for employees to implement lean management as there is a goal for constant improvement.
Time	• Products can be produced at a faster rate when strategies such as takt and one-piece flow are introduced as they focus on continuous production. • A business can reduce the amount of time that is wasted between tasks.	• It may be time-consuming to train inexperienced employees and provide them with the knowledge to commit to lean production methods.
Money	• Reduces the overall use of materials, which leads to fewer production costs. • The quality of a business's products can improve, leading to greater customer satisfaction and sales.	• It can be costly to implement lean management as implementing new policies, procedures, and training employees can come at a high expense.

3H Questions

Theory review

Question 1

Lean management is only concerned with minimising wasted resources and time.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- pull
- zero defects

To implement _____ , a business would aim to prevent errors in production and improve the quality of its final output. A business can also apply the strategy of _____ by only producing its goods or services to meet customer demand.

Question 3

By continuously aiming for the removal of errors in production, through implementing the zero defects strategy, a business can:

A. improve its efficiency as it will minimise the number of materials that are discarded at the end of the production process.

B. ensure that defective products are identified once the final output is complete.

Question 4

Ensuring only one product flows through each stage of the production system at a time is an example of the following lean management strategy:

A. Takt

B. One-piece flow

Question 5

When a business streamlines its production process by ensuring there is no wasted time between each step, this is an example of takt.

A. True

B. False

Question 6

Lean management is advantageous for a business as it can improve its public perception and reputation, whilst minimising waste.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 7 and 8.

Frank owns Furt, a manufacturing business that produces a variety of hot dogs and sausages. Frank is concerned about recent increases in Furt's level of wastage. To respond to this, Frank is aiming to minimise Furt's wastage by 50% over the next year.

Question 7

Identify which of the following statements are correct about implementing the pull strategy at Furt.
(Select all that apply)

I. Frank can implement pull by only producing hot dogs and sausages to meet customer demand.

II. Implementing pull would require Frank to synchronise all the steps of the hot dog and sausage production process at Furt.

III. By implementing pull, Furt can minimise the number of hot dogs and sausages it discards, improving its efficiency.

Question 8

Identify which of the following statements are **true** or **false** about implementing the zero defects strategy at Furt.

		True	False
I.	Implementing zero defects at Furt would require Frank to ensure there is an ongoing attitude of minimising errors and improving the quality of the hot dogs and sausages.	☐	☐
II.	The flow of Furt's operations system would likely improve as there are fewer halts in production, as errors are identified and fixed immediately.	☐	☐
III.	By implementing zero defects, Frank can ensure one unit flows through the production process at a time.	☐	☐

Question 9

Established in New York, Empire is a luxury clothing label that opened its first store in Australia last month. Currently, Empire produces 150 garments for each style and whatever isn't sold by the end of the season is reduced to a sale price that produces minimal profits for the label. Unfortunately, Empire's establishment in Australia came at a high expense and the clothing label is now experiencing a period of financial loss.

Identify which of the following are **advantages** or **disadvantages** of lean management at Empire.

		Advantage	Disadvantage
I.	Employees may feel overwhelmed by lean management as Empire would have a constant focus on improving garment production.	☐	☐
II.	Only producing garments to meet customer demands can decrease Empire's expenses and improve its ability to make a profit.	☐	☐
III.	If suppliers do not deliver materials on time, Empire may be unable to streamline its production process and meet customer demands.	☐	☐
IV.	Empire can reduce the amount of time it takes to produce its garments if there is a continuous flow of production.	☐	☐

Question 10

Located in Victoria, It's Gouda is a manufacturing business that prides itself on producing Australia's finest cheese. Currently, It's Gouda distributes its cheeses to retailers in Australia, Italy, and France.

Identify which of the following statements are correct about lean management at It's Gouda.
(Select all that apply)

I. Implementing pull at It's Gouda would enable it to minimise the amount of cheese that is discarded due to expiry, therefore increasing efficiency.

II. Through one-piece flow, It's Gouda can ensure errors are resolved efficiently and effectively in the operations system.

III. It's Gouda could implement takt, which would allow the business to streamline its cheese production process, enabling it to deliver its products more quickly to consumers, increasing effectiveness.

IV. Zero defects would allow It's Gouda to constantly improve customer value whilst minimising waste, leading to more satisfied customers and improving effectiveness.

Exam-style

Question 11 (2 MARKS)

Outline the lean management strategy of pull.

Question 12 (2 MARKS)

Define the concept of lean management.

Adapted from VCAA 2017 exam Section A Q4a

Question 13 (4 MARKS)

Explain how two lean management strategies could assist a business to improve its effectiveness.

Adapted from VCAA 2017 Sample exam Section A Q5

Question 14 (4 MARKS)

Frank owns Furt, a manufacturing business that produces a variety of hot dogs and sausages. Frank is concerned about recent increases in Furt's level of wastage. To respond to this, Frank is aiming to minimise Furt's wastage by 50% over the next year.

Explain how the lean management strategies of pull and zero defects might assist Furt in improving the efficiency of its operations system.

Adapted from VCAA 2017 exam Section A Q4b

Question 15 (5 MARKS)

Established in New York, Empire is a luxury clothing label that opened its first store in Australia last month. Currently, Empire produces 150 garments for each style and whatever isn't sold by the end of the season is reduced to a sale price that produces minimal profits for the label. Unfortunately, Empire's establishment in Australia came at a high expense and the clothing label is now experiencing a period of financial loss.

Evaluate the implementation of lean management to improve Empire's effectiveness.

Question 16 (6 MARKS)

Located in Victoria, It's Gouda is a manufacturing business that prides itself on producing Australia's finest cheese. Currently, It's Gouda distributes its cheeses to retailers in Australia, Italy, and France.

Explain how It's Gouda could implement two strategies of lean management to improve the efficiency or effectiveness of its operations system.

Adapted from VCAA 2019 exam Section A Q1c

Testing previous knowledge

Question 17 (6 MARKS)

Sasha owns Fierce, a cosmetics brand that operates online and delivers makeup to customers across Australia. Sasha hires 200 employees in her Melbourne factory and currently, they are trained to inspect the quality of cosmetics products at the final stage of production. Fierce also produces all its brush heads at one time and then adds the handle to these brushes in a separate process, which Sascha believes is halting production flow.

Propose and justify one quality strategy and one lean management strategy that Fierce could implement to improve the efficiency and effectiveness of its operations system.

3D–H Optimising operations review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Tempus Ltd is an Australian company that specialises in designing and manufacturing smartwatches. Founded in 2012, the business employs over 150 employees across its factories located in Melbourne and Sydney. The CEO, Kevin Liu, says the company prides itself on its innovative designs and on providing employment opportunities to Australia's tech-manufacturing industry.

Last year, the business released its new smartwatch line, W1. The W1 smartwatches have a sleek design and groundbreaking technological capabilities. The body of the W1 smartwatch is made of a combination of stainless steel and titanium. Tempus' W1 is offered in 41mm and 44mm variants, both coming with a default matte black watch band. Watch bands are offered in over 50 different styles, with customers easily able to swap their bands to suit their desired style.



Image: New Africa/Shutterstock.com

Following the release of the W1, the company became overwhelmed with thousands of customer orders and found it difficult to keep up with customer demand. Many customers who had pre-ordered the watch expressed their dissatisfaction, as some orders remained unfulfilled for weeks. In addition, the business also received complaints regarding the quality of the watch. Tempus' operations manager, Quan, identified that an initial batch of prototype designs were mistakenly delivered to customers and were the cause of these complaints.

Tempus is set to release the predecessor of the W1 smartwatch this year, the W2.0. Quan has been tasked with the responsibility of minimising waste within the business's operations and investigating strategies to improve efficiency and effectiveness.

Exam-style questions

Question 1 (2 MARKS)

Define what is meant by 'waste minimisation'.

Question 2 (2 MARKS)

Describe one advantage and one disadvantage of using forecasting to manage materials effectively.

Question 3 (3 MARKS)

Explain an appropriate waste minimisation strategy that Tempus Ltd could introduce to improve the efficiency of its operations.

Adapted from VCAA 2020 exam Section A Q5a

Question 4 (4 MARKS)

Compare Total Quality Management with one other quality strategy that Tempus Ltd could implement to maintain the overall excellence of its smartwatch range.

Adapted from VCAA 2017 exam Section B Q3

Question 5 (4 MARKS)

Analyse how a master production schedule might be used by Tempus Ltd to improve the efficiency and effectiveness of its operations.

Adapted from VCAA 2020 exam Section A Q5b

Question 6 (4 MARKS)

Discuss one technological development that Tempus Ltd could implement to improve its business operations.

Question 7 (6 MARKS)

Analyse how Tempus Ltd could implement lean management strategies to improve the efficiency or effectiveness of its operations system.

Adapted from VCAA 2019 exam Section A Q1c

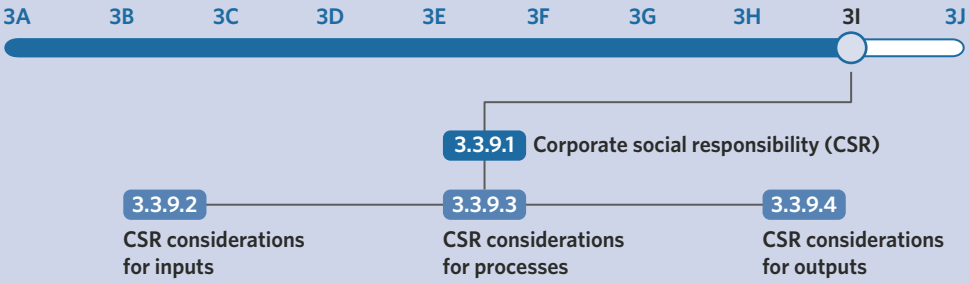
3I CSR in operations

Have you ever bought a product and been unsure about whether it is recyclable or not? Did you then dispose of the product correctly or did you just throw it in the bin that was most convenient? Consider the negative impact that a business has on the environment when it fails to implement corporate social responsibility considerations.



STUDY DESIGN DOT POINT

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



Lesson introduction

Whilst the primary focus of an operations manager is to improve the efficiency and effectiveness of the business's production process, they must also focus on how the business's activities may impact the wellbeing of society and the environment. Businesses that successfully address these concerns while simultaneously aiming to maximise their productivity are more likely to improve their performance and viability. In this lesson, you will learn about the ways a business can improve the environmental impact of its activities through each of the key elements of the operations system: inputs, processes, and outputs.

KEY DEFINITIONS

Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.

ADDITIONAL TERMS

Environmental sustainability involves making an effort to ensure natural resources are not permanently depleted or damaged by business activities.

LESSON LINK

Inputs, processes, and outputs were introduced in **3B Key elements of an operations system**.

Corporate social responsibility (CSR) 3.3.9.1

Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. When managing an operations system, a business can choose the quickest and cheapest methods of producing its products in order to increase its profitability. However, a business that utilises the most cost effective practices may negatively affect the general community and the environment. For example, some methods of operating often produce high levels of pollution or result in the unethical treatment of employees. To ensure it is operating in an ethical manner, it is important for a business to address CSR considerations, such as the **environmental sustainability** of its inputs and the amount of waste generated in its processes and production of its outputs. By doing so, a business can promote itself as socially responsible, which can improve consumer perceptions and the overall reputation of the business.

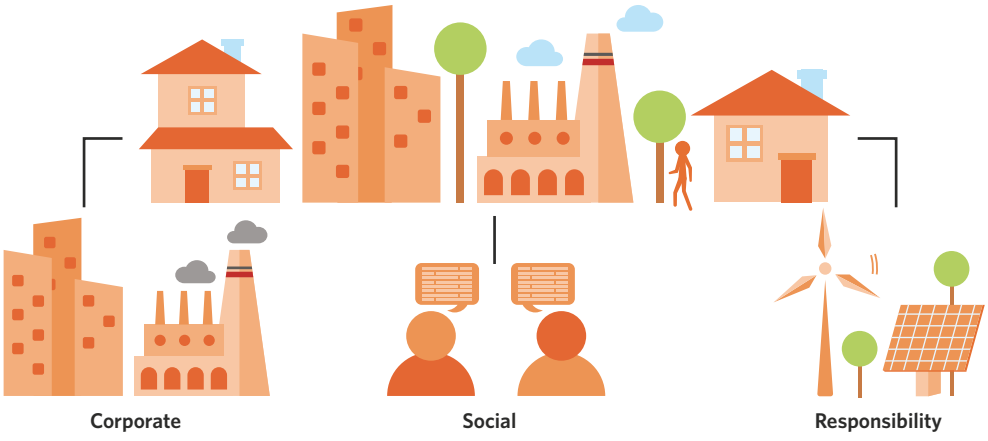


Figure 1 Corporate social responsibility requires a business to address the impact of its business activities

REAL WORLD EXAMPLE

Corporate social responsibility (CSR)

Rio Tinto is a mining company that is owned by the Rio Tinto Group, the second largest mining and metals corporation in the world. As a company that mines for commodities, such as iron ore, aluminium, and copper, Rio Tinto has faced criticism from those concerned about the environmental sustainability of mining practices, due to the degradation that these operations practices can cause. In an effort to appease concerns and reassure consumers of its commitment to corporate social responsibility (CSR), in 2022, Rio Tinto announced that it would invest $2.1 billion in wind and solar energy across its mines in Western Australia. The mining company also expressed that it 'plans to slash its direct carbon footprint in half by 2030' and has been actively seeking opportunities to improve the environmental sustainability of its practices, including through the pursuit of renewable electricity options. Thus, Rio Tinto has demonstrated its commitment to upholding CSR in its operations system by aiming to minimise the environmental impact of its mining practices.

Adapted from The Sydney Morning Herald, 'Labor's climate target will help drive businesses' green power shift: Rio Tinto', 2022



Image: Rob Bayer/Shutterstock.com

Figure 2 Mining company Rio Tinto committed to investing $2.1 billion in renewable energy sources for its Western Australian mines

CSR considerations for inputs 3.3.9.2

When sourcing materials and resources for a business's operations system, a manager should consider how the business can improve the environmental sustainability of its inputs. A manager may sacrifice cheap production costs in order to source inputs from ethical and sustainable suppliers, allowing the business to minimise its environmental impact. Strategies that a manager can implement to demonstrate CSR considerations relating to the environmental sustainability of inputs include:

- sourcing inputs locally, rather than from overseas suppliers, to reduce transport emissions and minimise the business's carbon footprint.
- sourcing inputs from suppliers that use environmentally-sustainable methods when extracting and harvesting natural resources.
- implementing operations strategies, such as forecasting and Just in Time, to reduce the risk of over-ordering inputs that may later be discarded due to expiry or damage.
- purchasing energy-efficient machinery for production.
- installing reusable, renewable, and/or clean energy sources in the business.

LESSON LINK

Forecasting and Just in Time were introduced in **3E Materials strategies**.

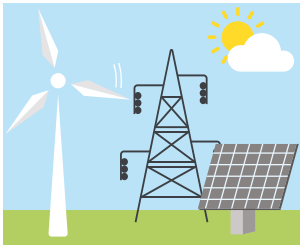


Figure 3 Businesses can utilise clean energy sources to improve their environmental sustainability

REAL WORLD EXAMPLE

CSR considerations for inputs

ASOS plc is an online, UK fashion company that sells its products globally, providing customers with casual, formal, and sporting attire, as well as accessories and cosmetics. As society has become increasingly concerned about the impacts of climate change and global warming, many businesses and industries, particularly the fashion industry, have been exposed for using harmful or unethical practices when sourcing production inputs. Consequently, many businesses, including ASOS, have started to promote their products as environmentally friendly to improve their business reputation amongst consumers and subsequently attract sales. However, in 2022, ASOS was investigated by the UK's competition watchdog for claims of 'greenwashing' consumers, meaning the company was falsely marketing its products as eco-friendly to attract customers. ASOS promoted a number of its fashion products as being produced from recycled materials, yet little or no information was provided about these recycled inputs to support such claims. Furthermore, the competition watchdog also raised concerns about some of ASOS's fashion collections, suggesting that the company promoted the clothing in a 'broad and vague' manner, deceiving consumers to believe they were produced from environmentally-friendly and sustainable inputs. Despite being marketed as containing recycled materials, much of ASOS's clothing was produced from around 20% recycled fabric, potentially misleading customers. Thus, businesses must ensure they promote their products in an honest and transparent manner and do not cause customers to falsely believe their products are produced using environmentally-sustainable inputs.

Adapted from BBC, 'Asos, Boohoo and Asda investigated over green claims', 2022

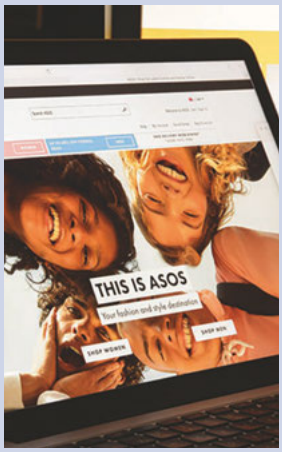


Image: Casimiro PT/Shutterstock.com

Figure 4 ASOS was under investigation for falsely claiming that its clothing was produced from environmentally-sustainable inputs

LESSON LINK

Just in Time was introduced in **3E Materials strategies**.

Lean management was introduced in **3H Lean management**.



Figure 5 A business can utilise highly accurate and efficient machinery and technology in its processes to minimise waste

CSR considerations for processes 3.3.9.3

A business should always aim to be as efficient and effective as possible when performing its operations processes. However, many operations processes freely discard unused or excess inputs that often contain environmentally-harmful chemicals, therefore producing high levels of waste and negatively impacting the environment. By implementing processes that are socially responsible, a business can reduce waste and enhance its overall reputation, therefore improving both efficiency and effectiveness. Strategies that can minimise the amount of waste generated from processes include:

- using technology that performs tasks in a precise and consistent manner to reduce the amount of defective products discarded in production.
- developing methods to capture and recycle unused or excess input materials, allowing them to be reused in the operations system.
- implementing operations strategies, such as Just in Time and lean management, to reduce the number of materials being unnecessarily wasted.
- disposing of any harmful waste that cannot be treated, in a responsible and safe manner.
- developing policies that promote the efficient use of energy in the workplace, such as switching off all machinery and lights after use.
- training employees on how to minimise waste when executing production tasks.

REAL WORLD EXAMPLE



Image: REDPIXEL.PL/Shutterstock.com

Figure 6 The fashion industry is adopting technology to minimise the amount of waste and environmental damage produced during its design process

CSR considerations for processes

The fashion industry has experienced a number of changes in recent years, as more and more businesses shift to practices that increase the environmental sustainability of their activities. This has seen many clothing businesses increase their investment in technological solutions to minimise wasteful and harmful practices, particularly in their operations processes. For example, when a fashion business in Australia wishes to produce a new garment, a designer will develop their idea and send this to a manufacturer. This manufacturer, who is usually overseas, will then create the garment and send it back to the business, which will assess it, make any changes, and then ship it back to the manufacturer. In order to perfect the garment, this process is repeated several times before the business officially approves the garment for production. The garment's transport to and from Australia during this development period produces large amounts of pollution and negatively impacts the environment. Now, consider the impact of this process when conducted by hundreds of thousands of clothing businesses. Therefore, a proposed solution to improving the environmental sustainability of this process is conducting these practices virtually through software. This proposal would involve performing the exact same processes, but online, with the business designing the garment using an avatar and then making future adjustments to the fashion item through a program. As a result, the amount of garment transport required by a business would decrease and the amount of waste and environmental pollution produced by the process would reduce. By making this small change of moving to use digitalised processes, fashion businesses could contribute to improving the overall sustainability of the entire fashion industry.

Adapted from COSMOS, How technology and science are helping transform fashion from unsustainable to on-demand', 2022



Figure 7 Businesses can produce outputs that customers can dispose of in a responsible manner to minimise waste

CSR considerations for outputs 3.3.9.4

All businesses should ensure that the goods and services they produce generate customer value without causing harm to the wider community. Therefore, one of the most important CSR considerations is that any output produced by a business's operations system creates minimal waste and environmental damage. Strategies that a business can implement to minimise the amount of waste generated from its outputs include:

- developing an alternative product that is more environmentally friendly than the business's current good or service.
- creating products that have recyclable or biodegradable elements at the end of their lifecycle.
- eliminating as much plastic as possible in the packaging and creation of the final product.
- delivering products to retailers in bulk to reduce the business's carbon emissions from transportation.
- offering customers incentives for returning the product at the end of its life cycle so that it can be properly recycled or reused.
- providing clear labelling on a product about appropriate methods of disposal.

REAL WORLD EXAMPLE

CSR considerations for outputs

Great Wrap is an Australian materials science company that produces environmentally friendly cling wrap for households and pallet wraps for businesses. In 2022, Great Wrap announced that it had raised $24 million to invest back into its business, in an effort to completely eliminate petroleum plastic from supermarkets. Great Wrap produces its wraps to be as convenient and practical as normal plastic cling wraps, yet they are made from potato waste, meaning they are 100% compostable and take less than 180 days to break down. The company is highly focused on producing outputs that only benefit, or minimise harm to, the environment, whilst also meeting current customer expectations of easy-to-use cling wrap. Therefore, the company aims to deliver high-quality, affordable wraps that are readily available in-store and online to consumers. By producing environmentally-sustainable wraps, Great Wrap is reducing the amount of plastic waste that is entering the environment and minimising the environmental harm of such materials. To further improve the state of the environment, the company also launched its products in the US in 2022, expanding its reach beyond Australia.

Adapted from Great Wrap, Learn', 2022 and SmartCompany, 'Great Wrap raises $24 million as it looks to knock petroleum plastics off the shelves with its biodegradable stretch wrap', 2022



Figure 8 Great Wrap produces an environmentally friendly cling wrap alternative from potato waste

ACTIVITY

CSR in operations

Vera owns an Asian Fusion restaurant in Melbourne's CBD that is open for both lunch and dinner. For many years, Vera has been sourcing her ingredients from cheap overseas suppliers, however, despite providing the restaurant with authentic flavours, she has recently been informed that these inputs have been produced using environmentally-harmful fertilisers and pesticides. Last month, Vera hired a new chef who previously worked in a zero-waste kitchen. This new chef has proposed a number of initiatives to minimise ingredient waste, including composting, whilst also suggesting unique ways of utilising vegetable peels in the restaurant's dishes. As a result, Vera has also been addressing other corporate social responsibility considerations and has decided to invest in biodegradable takeaway containers, as well as providing patrons with reusable serviettes during their meals.

Fill in the following table with strategies that Vera could implement in her restaurant to address each of the CSR considerations:

The environmental sustainability of inputs	Amount of waste generated from processes	Amount of waste generated from the production of outputs

Theory summary

Corporate social responsibility (CSR) involves a business going above and beyond its legal obligations by considering the broader impact of its business activities when making decisions. Although the primary objective for many businesses is to improve the efficiency and effectiveness of their operations system through cost-effective practices, managers must also address CSR. Strategies that promote socially responsible operations may conflict with improving efficiency and effectiveness but are vital to demonstrate a business's social awareness and enhance its reputation amongst consumers. To address CSR considerations in an operations system, managers can:

- improve the environmental sustainability of inputs.
- minimise the amount of waste generated in operations processes.
- minimise the amount of waste generated from the production of outputs.

3I Questions

Theory review

Question 1

Corporate social responsibility is when a business only adheres to and considers its legal obligations when making business decisions.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- the production of outputs
- processes

A business that recycles inputs that would otherwise be discarded during its operations, considers the amount of waste generated from _____ . Furthermore, a business can also produce products that are biodegradable or compostable to address the amount of waste generated from _____ as a CSR consideration.

Question 3

One CSR consideration for outputs that a business can address is:

A. offering customers an incentive for returning a used product, such as an empty plastic bottle, so that it can be properly recycled or reused.

B. sourcing materials locally for production.

Question 4

Only manufacturing businesses can address CSR considerations for inputs.

A. True

B. False

Question 5

A business that has an efficient and effective operations system may still fail to address corporate social responsibility considerations.

A. True

B. False

Question 6

Corporate social responsibility is only important for businesses that have an inefficient operations system.

A. True

B. False

Preparing for exams

Case study skills

Question 7

Captured and Framed is a picture framing company that utilises automated machinery to cut out different lengths of wood and glass to construct its frames. Recently, the operations manager of Captured and Framed discovered a newer model of machinery that is solar-powered and can cut framing materials more precisely. However, this new model is significantly more expensive to install and maintain compared to the company's current machinery.

Identify which of the following statements are correct about corporate social responsibility at Captured and Framed. **(Select all that apply)**

I. Implementing the newer model of machinery would allow Captured and Framed to address its environmental sustainability of inputs and minimise its carbon footprint.

II. To address the amount of wastage generated from the production of outputs, Captured and Framed can manufacture a frame that can be recycled after use, minimising the impact of its outputs on the environment.

III. Captured and Framed can improve its environmental impact by keeping the old machinery in its operations system.

IV. The operations manager may implement a new policy to ensure all machinery and lights are switched off after use, to ensure Captured and Frames processes are as efficient as possible.

Question 8

Buffet by Bing is a manufacturing business that produces buffet equipment for restaurants and hotels. Currently, the business only allows clients to order equipment by post which requires Buffet by Bing to print and deliver order forms to its customers. Additionally, the business utilises machinery that is fuelled by coal and petrol, and the current materials used to produce buffet equipment are unable to be recycled after use. The business owners, Phoebe and Chandler, are aiming to improve Buffet by Bing's corporate social responsibility in response to recent public criticism of the business's practices.

Identify which of the following is a correct statement about corporate social responsibility at Buffet by Bing.

A. Buffet by Bing can minimise the amount of waste generated from the production of its outputs by ensuring that it sources its buffet materials, such as metal, from ethical suppliers.

B. Phoebe and Chandler can invest in new machinery that utilises solar power to improve the environmental sustainability of inputs at Buffet by Bing.

C. Buffet by Bing selling a recyclable buffet system is an example of a corporate social responsibility consideration for processes.

Question 9

Mac & Allan is an Australian budget car manufacturer operating in South Australia. Currently, the business sources the most cost-effective materials to produce petrol engine cars. As such, Mac & Allan's inputs are sourced from overseas and the business currently implements no corporate social responsibility strategies. However, recent reports have shown that customers are willing to pay more for an electric car that comes from a socially responsible brand.

Identify which of the following statements are **true** or **false** about corporate social responsibility at Mac & Allan.

		True	False
I.	By switching to local suppliers, Mac & Allan can address the amount of waste generated by its outputs and boost the local economy.	☐	☐
II.	The processes element of the operations system at Mac & Allan can be improved by recycling and reusing car scraps from the operations system, allowing the business to minimise the amount of waste it generates.	☐	☐
III.	The petrol engines produced at Mac & Allan are already sustainable as the business is sourcing inputs from overseas, which minimises local pollution.	☐	☐
IV.	Producing an electric car is an example of how Mac & Allan can address corporate social responsibility through its outputs.	☐	☐

Exam-style

Question 10 (2 MARKS)

Define the term 'corporate social responsibility'.

Adapted from VCAA 2019 exam Section A Q5a

Question 11 (2 MARKS)

Outline one corporate social responsibility consideration relating to the environmental sustainability of inputs.

Question 12 (3 MARKS)

Analyse one way in which corporate social responsibility considerations influence the decisions made by an operations manager.

Adapted from VCAA 2018 exam Section A Q4

Question 13 (3 MARKS)

Captured and Framed is a picture framing company that utilises automated machinery to cut out different lengths of wood and glass to construct its frames. Recently, the operations manager of Captured and Framed discovered a newer model of machinery that is solar-powered and can cut framing materials more precisely. However, this new model is significantly more expensive to install and maintain compared to the company's current machinery.

Justify one corporate social responsibility consideration that Captured and Framed should address when implementing the new production equipment.

Adapted from VCAA 2017 exam Section A Q4d

Question 14 (4 MARKS)

Buffet by Bing is a manufacturing business that produces buffet equipment for restaurants and hotels. Currently, the business only allows clients to order equipment by post which requires Buffet by Bing to print and deliver order forms to its customers. Additionally, the business utilises machinery that is fuelled by coal and petrol, and the current materials used to produce buffet equipment are unable to be recycled after use. The business owners, Phoebe and Chandler, are aiming to improve Buffet by Bing's corporate social responsibility in response to recent public criticism of the business's practices.

Explain how corporate social responsibility considerations could influence the decisions made towards two key elements of the operations system at Buffet by Bing.

Adapted from VCAA 2017 Sample exam Section A Q8

Question 15 (6 MARKS)

Mac & Allan is an Australian budget car manufacturer operating in South Australia. Currently, the business sources the most cost-effective materials to produce petrol engine cars. As such, Mac & Allan's inputs are sourced from overseas and the business currently implements no corporate social responsibility strategies. However, recent reports have shown that customers are willing to pay more for an electric car that comes from a socially responsible brand.

Explain how corporate social responsibility considerations could be implemented for each of the key elements of the operations system at Mac & Allan.

Adapted from VCAA 2011 exam Q2d

Testing previous knowledge

Question 16 (5 MARKS)

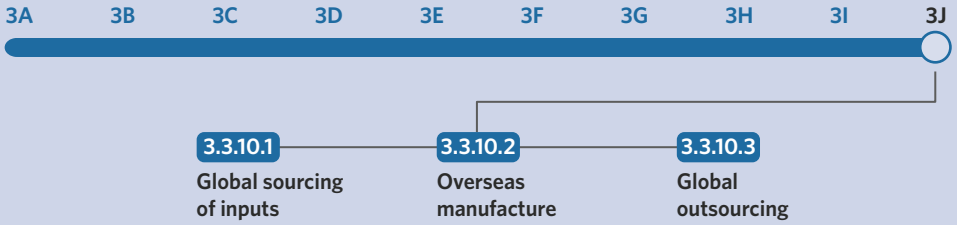
Established in 2017, Bless You is a tissue and toilet paper manufacturer in the eastern suburbs of Melbourne. Currently, the business utilises recycled materials to produce its products but has been discarding many tissue boxes and toilet paper rolls due to errors in production. Furthermore, Bless You experienced an increase in its level of wastage, which management attributed to inefficient technology in the operations system.

Explain one materials strategy and one lean management strategy that Bless You could implement to address corporate social responsibility in its operations system.

3J Global considerations

STUDY DESIGN DOT POINT

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



Many of the products you own contain components that were produced overseas. For example, an iPhone has parts sourced from China, Japan, Europe, Taiwan, and the United States. So why do businesses choose to source inputs from overseas locations?



Lesson introduction

When managing its operations, a business should address various global considerations. By doing so, a business can take advantage of overseas opportunities, such as cheaper resources and expertise, allowing it to improve its operational efficiency, effectiveness, and competitiveness. However, all businesses must aim to minimise the potential, negative consequences of these global considerations that can arise due to the ethical and social issues associated with them.

Global sourcing of inputs 3.3.10.1

Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers. Many businesses will source their inputs from overseas suppliers to obtain resources that are only available in other countries. In addition, a business may use global sourcing of inputs to minimise its expenses by obtaining resources at a reduced cost, as overseas suppliers often offer their materials at a lower price than domestic suppliers. For example, an Australian cafe may purchase ingredients, such as soybeans, from a supplier in Brazil that sells soybeans at a cheaper price than local suppliers. Overseas suppliers are able to offer cheaper prices compared to domestic suppliers as they have lower operating costs, including wages and rent.

When choosing to source its inputs globally, a business should consider several factors that may affect its expenses and reputation, including:

- how the price of materials and resources differs in each country.
- how the delivery costs vary when supplies are travelling different distances between countries.
- how the environment is impacted by different methods used by suppliers to extract inputs.
- how suppliers treat and pay their workers and whether they operate in an ethical and socially-responsible manner.
- how the government regulates the import and export of materials and resources, including the use of **tariffs** and **quotas**.

LESSON LINK

Corporate social responsibility (CSR) considerations were introduced in **3I CSR in operations**.

KEY DEFINITIONS

Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers.

ADDITIONAL TERMS

Tariffs are taxes that must be paid to a government for particular imports and exports.

Quotas are the limitations, in international trade, on the amount of a particular product that can be imported and exported into a country, which are usually set by a government.

Table 1 Advantages and disadvantages of global sourcing of inputs

	Advantages	Disadvantages
Business	• A business is able to source materials that may not be readily available in its country of operation. • Higher quality materials can be sourced by a business, allowing a product to better meet customer expectations.	• Imports may be affected by government-imposed quotas, limiting the number of supplies a business can import. • It may be difficult to communicate with suppliers due to language barriers, potentially leading to miscommunications. • Different time zones and locations may make it difficult to monitor the activities of suppliers. • Materials may be damaged during transport. • If a supplier does not treat its employees in an ethical manner, it may reflect badly on the business's reputation. • Transporting inputs over large distances can increase a business's carbon footprint and may negatively impact its reputation.
Employee	–	–
Time	–	• Delivery may be time-consuming depending on where the supplies are being sent from.
Money	• There is greater access to cheaper raw materials and resources from overseas, allowing a business to reduce its operating costs. • A business may be able to negotiate a lower price for its inputs as there is greater competition between overseas suppliers.	• A business may incur additional expenses through tariffs. • If resources are damaged during the transportation process, they may need to be discarded, increasing a business's expenses.

REAL WORLD EXAMPLE



Image: Somchai_Stock/Shutterstock.com

Figure 1 The electric vehicle industry has experienced the implications of globally sourcing inputs after claims that lithium-ion batteries are produced using forced labour

Global sourcing of inputs

Many businesses and industries rely on overseas suppliers and acquire many components for their final product through global sourcing of inputs. In many industries, China is one of the largest producers of inputs, contributing supplies to apparel, food, solar, and electronics businesses worldwide. However, in recent years, it has emerged that in China's region of Xinjiang, authorities have been imprisoning members of religious and minority groups, including millions of Uyghur Muslims. These people have been captured and subjected to propaganda, brainwashing, and forced labour, producing many inputs that large companies use in their operations system to produce their final product. In 2022, reports revealed that the production of lithium-ion batteries in China may also be making use of slave labour, impacting numerous businesses worldwide as these batteries are particularly important in the electric vehicles and renewable energy industries. At a similar time, the United States enforced a new law that banned imports from the Xinjiang region. This forced a number of businesses to reassess their global sourcing of inputs and ensure their supplies were coming from socially-responsible businesses unassociated with the Xinjiang region of China. Therefore, if lithium-ion batteries are confirmed to be produced in Xinjiang under this forced labour, there may be immense, negative consequences for the electric vehicles and renewable energy industries, especially in the US, as businesses are likely to experience major production halts as they find alternative suppliers. A major problem for these industries is that approximately 80% of the cells for lithium-ion batteries are produced in China, meaning it would be extremely difficult for these businesses to find other sources of such supplies. The impact of the situation in Xinjiang upon businesses highlights the possible implications of global sourcing of inputs and magnifies the importance of obtaining materials from ethical and socially-responsible suppliers when sourcing inputs from overseas.

Adapted from The New York Times, 'Red Flags for Forced Labour Found in China's Car Battery Supply Chain', 2022

ACTIVITY

Global sourcing of inputs

Many countries are known for producing a particular input that is supplied to businesses around the globe. In small groups choose one of the following inputs to research:

- coffee
- tea
- oil
- cocoa
- copper.

Based on your chosen input, research and answer the following questions in your small groups:

1. What country is the major producer of your input?
2. What types of businesses would use this input in their operations systems?
3. What are some positive and negative impacts for a business that is sourcing this input globally?
4. Is this input readily available in Australia? Why might a business choose to source its supplies from overseas rather than domestically?
5. If there was a shortage of this supply globally, how would this impact a business's operations system? How might this negatively impact consumers?

Overseas manufacture 3.3.10.2

Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located. A business may utilise overseas manufacturing to produce goods in greater quantities for a lower price, as the cost of natural, labour, and capital resources are often significantly cheaper. When initiating production overseas, a business will set up its own manufacturing plant in an overseas country, meaning it retains complete control over its operations system and ensures business processes and quality standards are maintained.

However, manufacturing overseas can impose a number of implications on a business, therefore, a business must ensure that it upholds ethical and social practices in its country of production. For example, a business should not engage in slave labour practices, underpay its employees, or employ children in its operations system.

KEY DEFINITIONS

Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located.

Table 2 Advantages and disadvantages of overseas manufacture

	Advantages	Disadvantages
Business	• There is greater access to highly skilled employees who have expertise in production. • Cheaper labour costs can allow a business to lower its product prices, increasing customer satisfaction and sales.	• Manufactured goods may be damaged during the transport process back to the country of distribution. • Poor corporate social responsibility practices in the country may reflect badly on the business. • Members of the local community may resent the business for taking jobs away from the local economy by moving its production overseas.
Employee	• Overseas workers are provided with employment and an income, allowing them to support their families.	• Local employees may lose their jobs if a business moves its manufacturing overseas.
Time	• Production speeds can be improved through the use of highly skilled and experienced overseas employees.	• Delivery is time-consuming compared to manufacturing goods in a domestic location. • Poor communication and language barriers may lead to production and delivery delays.

Table 2 Continued

	Advantages	Disadvantages
Money	• There is greater access to labour resources, which can reduce business costs. • Setting up a manufacturing plant overseas may be less costly than establishing and operating a local factory.	–

Global outsourcing 3.3.10.3

KEY DEFINITIONS

Global outsourcing involves transferring specific business activities to an external business in an overseas country.

ADDITIONAL TERMS

Outsource is the transfer of specific activities to an external business.

Global outsourcing involves transferring specific business activities to an external business in an overseas country. A business may choose to **outsource** its activities to improve the efficiency of its operations system and gain specific expertise. By implementing global outsourcing, a business gains access to a large number of external businesses worldwide that can provide a higher quality of work for a particular task or process. For example, a business may decide to globally outsource its online support services to an information technology business or its finance activities to an accounting business. A business may also choose to globally outsource its production of goods and services to an established manufacturing factory rather than manufacturing overseas itself. In each case, the expertise of the external business allows a business to perform its function at a significantly lower cost whilst often delivering a higher level of quality. However, like with all global considerations, a business that implements global outsourcing must ensure it does so in a socially-responsible manner.

Table 3 Advantages and disadvantages of global outsourcing

	Advantages	Disadvantages
Business	• The quality of business activities can be improved as the external business may be experts in the area. • A business can allocate more resources and focus on its own areas of expertise.	• A business has reduced control over some of its activities as they have been transferred to an external business. • It may be difficult to communicate with external, overseas businesses due to language barriers. • The quality of the business's outsourced activity may decline if the external business is completing the activities of multiple businesses at once. • Poor corporate social responsibility practices performed by the external business may reflect badly on the business's reputation.
Employee	–	• Local employees from the business's main operating country are likely to lose their jobs.
Time	• Productivity may increase as the external business has the expertise to complete specified tasks more efficiently. • The business has more time available to focus on its own areas of expertise, increasing its productivity.	• Poor communication and language barriers with the external business may lead to delays.
Money	• A business is able to decrease labour costs, as global outsourcing reduces the need for local employees.	–

REAL WORLD EXAMPLE

Global outsourcing

Peloton Interactive, Inc. is a fitness and exercise equipment company that's renowned for producing stationary bikes and treadmills that allow users to engage in an interactive fitness class whilst exercising. By providing unique products that allow customers to enhance their exercise experience, Peloton has increased its popularity in recent years, especially since more consumers are creating their own at-home gyms. In 2022, Peloton announced that the company will stop manufacturing its interactive equipment and will instead be outsourcing its production of fitness equipment to a Taiwanese company, Rexon Industrial Corporation. The fitness company decided to implement global outsourcing in an effort to lower production costs and 'revive' its sales after it experienced periods of loss as other businesses started producing cheaper alternatives. Therefore, by outsourcing its production of interactive fitness equipment, Peloton hopes to improve business performance and competitiveness in the market.

Adapted from Arkansas Democrat Gazette, 'Peloton moves production overseas', 2022

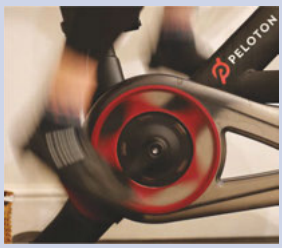


Image: photocritical/Shutterstock.com

Figure 2 Peloton decides to globally outsource the manufacturing of its equipment to the Taiwanese company, Rexon Industrial Corporation

ACTIVITY

Global outsourcing

Nike, Inc. is a footwear and activewear company that produces and sells its apparel internationally to a vast range of customers. Following increased concern about the fair treatment of overseas workers, Nike has attempted to increase its transparency with consumers and now fully discloses information on its website about where its products are produced and who is producing them. As of June 2022, Nike outsources most of its manufacturing of activewear and other goods to 38 countries or regions, with 469 factories worldwide that hire 1,168,461 workers. On its website, Nike also provides consumers with information regarding how each of these countries contributes to the company's products. For example, Nike produces 13 apparel, 6 equipment, and 19 footwear products within its 38 factories in Indonesia. Amongst the 274,240 Indonesian workers, 76.8% are female and the average age of these employees is 29 years old. The information provided by Nike about its global outsourcing indicates how reliant the company is on workers in other countries when producing its products.

Search up *'Nike Manufacturing Map'* online and find a website tool that provides information about the independent factories and material suppliers used to manufacture Nike products.

In pairs, choose one of the countries on the map and note down the information that is listed, including the number of factories, workers, types of products made, the percentage of male, female, and migrant workers, and the average age of employees. After completing your research, share this information with your class and discuss Nike's use of global outsourcing.

Adapted from Nike, 'Nike Manufacturing Map', 2022



Image: TY Lim/Shutterstock.com

Figure 3 Nike relies on global outsourcing to create its products for consumers

Theory summary

A business can improve its operations system by addressing global considerations and taking advantage of available production opportunities outside of Australia. By effectively implementing global considerations, a business can reduce its expenses and better meet customer needs, thus improving its overall performance.

- Global sourcing of inputs involves acquiring resources and raw materials from overseas suppliers.
- Overseas manufacture is when a business establishes its own factory and manages the production of goods and services in a country other than the business's headquarters.
- Global outsourcing involves transferring business activities to an overseas, external business.

Table 4 Similarities and differences between global sourcing of inputs and overseas manufacture

	Global sourcing of inputs	&	Overseas manufacture
Similarities	• Both have the potential to improve quality and reduce production costs. • Products or raw materials and resources travel between countries during delivery.		
Differences	• Global sourcing of inputs involves acquiring resources and raw materials from overseas suppliers for manufacturing in the business's main country of operation. • Overseas manufacture involves a business's manufacturing phase occurring in a country outside of the business's main headquarters.		

Continues ▶

Theory summary – Continued

Table 5 Similarities and differences between global sourcing of inputs and global outsourcing

	Global sourcing of inputs	&	Global outsourcing
Similarities	• Both allocate certain business tasks to external businesses. • Both allow the business to reduce operational expenses.		
Differences	• Global sourcing of inputs involves acquiring resources and raw materials from overseas suppliers for manufacturing in the business's main country of operation. • Global outsourcing involves the completion of specific business activities, such as IT services, in a country outside of the business's main headquarters.		

Table 6 Similarities and differences between overseas manufacture and global outsourcing

	Overseas manufacture	&	Global outsourcing
Similarities	• Both involve the execution of business activities in a location away from the business's main headquarters. • Both allow the business to reduce operational expenses.		
Differences	• A business retains full control of its operations when implementing manufacturing overseas. • A business that implements global outsourcing retains little control over the transferred activities.		

3J Questions

Theory review

Question 1

By addressing global considerations, a business can improve the quality of its operations, minimise its expenses, and improve its overall performance.

A. True

B. False

Question 2

When a business utilises overseas suppliers to acquire resources for production, it is implementing:

A. global outsourcing.

B. global sourcing of inputs.

Question 3

Fill in the blanks with the following terms:

- global outsourcing
- overseas manufacture

A business moving its manufacturing to an overseas location is _____ . On the other hand, a business that contracts a manufacturing company to complete its production process overseas is _____ .

Question 4

One similarity between overseas manufacture and global outsourcing is:

A. they both require employees to move overseas to work in another area of the business.

B. overseas manufacture and global outsourcing both involve an aspect of the business's activities occurring overseas.

Question 5

A disadvantage of all three global considerations is that there can be time delays associated with receiving supplies, products, or the completion of activities.

A. True

B. False

Question 6

When a business addresses global considerations it should ensure it avoids any negative implications and upholds its social-responsibility standards by:

A. ensuring any suppliers, countries, or external businesses appropriately pay workers and treat them with dignity.

B. attempting to minimise its costs so that it can provide customers with the lowest possible prices.

Preparing for exams

Case study skills

Use the following information to answer Questions 7 and 8.

Daphine owns The Whistleblower, a newspaper publishing business that delivers daily news to the city of Melbourne. In order to minimise business costs and improve customer value, Daphine is considering transferring the management of The Whistleblower's online website to an overseas technology company that can improve the platform's quality as they have the appropriate expertise in the area.

Question 7

Identify which of the following is a correct statement about global outsourcing at The Whistleblower.

A. Daphine can implement global outsourcing, which will allow her to transfer the management of The Whistleblower's website to an overseas technology company.

B. Daphine can implement global outsourcing, which can allow the business to produce newspapers in other countries.

Question 8

Identify which of the following are **advantages** and **disadvantages** of implementing global outsourcing at The Whistleblower.

		Advantage	Disadvantage
I.	If the external technology company that Daphine contracts is servicing multiple customers, the quality of the Whistblower's website may decrease.	☐	☐
II.	Daphine can utilise the expertise of the technology company, improving the quality of The Whistleblower's website.	☐	☐
III.	Employees can spend more time on newspaper publishing tasks, increasing productivity at The Whistleblower.	☐	☐
IV.	As the management of the website will be transferred to the external technology company, Daphine will lose some control over this business task.	☐	☐

Question 9

Harry & Bo is a confectionery company specifically renowned for producing gummy bears. The company currently produces all its confectionery in Australia and then distributes its final product to overseas countries, such as the United States and Italy. However, due to a number of unforeseen economic conditions, Harry & Bo has faced some financial hardship and is now considering moving production to Indonesia to help the business remain profitable and competitive.

Identify which of the following are **advantages** and **disadvantages** of Harry & Bo moving its manufacturing to Indonesia.

		Advantage	Disadvantage
I.	Harry & Bo can decrease its business expenses, as setting up an Indonesian manufacturing plant may be less expensive than establishing and operating a factory locally.	☐	☐
II.	Local production employees of Harry & Bo may lose their jobs if manufacturing is moved overseas to Indonesia.	☐	☐
III.	The confectionery business may be able to increase the production speed of its sweets if it utilises the skills of highly skilled Indonesian workers.	☐	☐
IV.	Confectionaries may be damaged during deliveries if they are packaged in glass and other fragile materials, increasing expenses associated with wastage.	☐	☐

Question 10

In 2012, Goodwin's, a cooking school for adults, was established in the inner city suburbs of Sydney. The operations manager, Julie, has previously sourced her ingredients from local Australian suppliers, however, she has realised that she can reduce the business's expenses if she sources some produce from overseas.

Identify which of the following are **advantages** and **disadvantages** of sourcing ingredients from overseas suppliers at Goodwin's.

		Advantage	Disadvantage
I.	Imports of ingredients may be affected by quotas and tariffs imposed by the government, limiting the number of supplies Julie can obtain whilst increasing ingredient costs.	☐	☐
II.	Julie's ingredients for Goodwin's may become damaged or perishable items may expire, increasing the level of wastage and overall expenses for the cooking school.	☐	☐
III.	Julie can source cheaper ingredients for the cooking school, decreasing Goodwin's expenses.	☐	☐
IV.	Overseas suppliers may provide higher quality, authentic ingredients, enabling Julie to increase customer value.	☐	☐
V.	The delivery of ingredients to Australia from overseas suppliers may take a long period of time and, therefore, could limit the number of classes Julie is able to provide at Goodwin's.	☐	☐
VI.	Goodwin's may be able to purchase unique ingredients from overseas suppliers that are not readily available in Australia, enhancing customer experience.	☐	☐

Exam-style

Question 11 (2 MARKS)

Define what is meant by 'overseas manufacture'.

Question 12 (3 MARKS)

Distinguish between global outsourcing and global sourcing of inputs as global considerations for operations management.

Question 13 (4 MARKS)

Compare overseas manufacture and global outsourcing as global considerations for operations management.

Question 14 (4 MARKS)

Daphine owns The Whistleblower, a newspaper publishing business that delivers daily news to the city of Melbourne. In order to minimise business costs and improve customer value, Daphine is considering transferring the management of The Whistleblower's online website to an overseas technology company that can improve the platform's quality as they have the appropriate expertise in the area.

Discuss the implementation of global outsourcing at The Whistleblower.

Question 15 (5 MARKS)

Harry & Bo is a confectionery company specifically renowned for producing gummy bears. The company currently produces all its confectionery in Australia and then distributes its final product to overseas countries, such as the United States and Italy. However, due to a number of unforeseen economic conditions, Harry & Bo has faced some financial hardship and is now considering moving production to Indonesia to help the business remain profitable and competitive.

Evaluate the global considerations associated with Harry & Bo moving its manufacturing to Indonesia.

Adapted from VCAA 2020 exam Section A Q5c

Question 16 (6 MARKS)

In 2012, Goodwin's, a cooking school for adults, was established in the inner city suburbs of Sydney. The operations manager, Julie, has previously sourced her ingredients from local Australian suppliers, however, she has realised that she can reduce the business's expenses if she sources some produce from overseas.

Discuss the considerations Julie should take into account when deciding whether to source some ingredients from overseas suppliers.

Adapted from VCAA 2020 exam Section A Q5c

Testing previous knowledge

Question 17 (3 MARKS)

Explain two corporate social responsibility considerations a business could address when globally sourcing inputs.

3I–J Global & CSR considerations review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Shoreline Surfboards is a business that specialises in the production of surfboards. The business manufactures its surfboards in-house in its workshop based in Noosa Heads. Once produced, the surfboards are distributed to various surfwear retailers located across Australia's east coast. The owner of the business, Fenix, is an ex-professional surfer and has had a strong passion for surfing since he was a child. His love for surfing drove him to establish Shoreline Surfboards in 2012.



Image: Gabriel Aymat/Shutterstock.com

Currently, Shoreline Surfboards sources its inputs from suppliers located in Western Australia. Suppliers deliver inputs, including polystyrene, epoxy, and fibreglass, on a weekly basis. However, due to quality issues regarding the recent deliveries of polystyrene, Fenix is considering switching suppliers. By doing so, Fenix believes that this will also assist his aim to reduce the business's production costs and offer lower prices to customers.

After investigating numerous strategies, Fenix has identified that sourcing inputs globally or manufacturing overseas may allow the business to further reduce its production costs. Although, Fenix is not completely certain of the viability of either strategy and wants to analyse the benefits and limitations of both before he makes a decision.

One concern for Fenix is the environmental sustainability of Shorline Surfboard's operations, as operating in an eco-friendly manner has always been a core value of the business. Subsequently, he is considering a switch to sustainable energy sources to power the workshop and machinery used in production. Fenix plans to install solar panels onto Shoreline Surfboards' factory roof in order to achieve this. However, he is also open to considering alternative strategies that will allow the business to minimise its environmental impact.

Exam-style questions

Question 1 (2 MARKS)

Define the term 'corporate social responsibility'.

Adapted from VCAA 2019 exam Section A Q5a

Question 2 (2 MARKS)

Define the term 'global outsourcing' and give one example of a distinguishing feature of this global consideration.

Adapted from VCAA 2017 Sample exam Section A Q1

Question 3 (3 MARKS)

Distinguish between overseas manufacture and global outsourcing as global considerations for operations management.

Question 4 (3 MARKS)

Analyse one corporate social responsibility consideration relating to the amount of waste generated from Shoreline Surfboards' processes.

Adapted from VCAA 2018 exam Section A Q4

Question 5 (4 MARKS)

Discuss the considerations Fenix should take into account when deciding whether to manufacture overseas.

Adapted from VCAA 2020 exam Section A Q5c

Question 6 (5 MARKS)

Evaluate the global considerations associated with Fenix considering sourcing materials from overseas suppliers.

Adapted from VCAA 2020 exam Section A Q5c

Question 7 (6 MARKS)

With reference to the key elements of operations, analyse how corporate social responsibility considerations may influence the decisions related to Shoreline Surfboards' operations system.

Adapted from VCAA 2017 Sample exam Section A Q8

Unit 3 AOS 3 review

Operations management

AOS summary

This chapter introduced the final area of study (AOS) of Unit 3 of the VCE Business Management course. In this chapter, you learnt about operations management and the key elements of a business's operations system in both manufacturing and service businesses. You also learnt about the strategies to improve the efficiency and effectiveness of an operations system, including, technological, materials and quality strategies, as well as waste minimisation and lean management. Finally, you learnt about how corporate social responsibility (CSR) and global considerations can be addressed to improve business performance.

Lesson **3A Operations management** covered the relationship between operations management and business objectives. This lesson illustrates how effective operations management can enhance the efficiency and effectiveness of a business's operations system.

Lesson **3B Key elements of an operations system** covered the key elements of an operations system. The three key elements of an operations system are:

- inputs
- processes
- outputs.

Lesson **3C Characteristics of manufacturing and service businesses** covered the similarities and differences between the features of operations management within manufacturing and services businesses. These unique attributes included production processes, the occurrence of production and consumption, level of customer contact, product tangibility, storability, and consistency.

Lesson **3D Technological strategies** covered the technological developments that a business can implement to improve the efficiency and effectiveness of its operations system. The six technological developments are:

- automated production lines
- robotics
- computer-aided design
- computer-aided manufacturing techniques
- artificial intelligence
- online services.

Lesson **3E Materials strategies** covered the strategies related to materials that a business can implement to improve the efficiency and effectiveness of its operations system. The four materials strategies are:

- forecasting
- master production schedule
- materials requirement planning
- Just In Time.

Lesson **3F Quality strategies** covered the strategies related to quality that a business can implement to improve the efficiency and effectiveness of its operations system. The three quality strategies are:

- quality control
- quality assurance
- Total Quality Management.

Lesson **3G Waste minimisation** covered the strategies related to waste minimisation that a business can implement to improve the efficiency and effectiveness of its operations system. The three waste minimisation strategies are:

- reduce
- reuse
- recycle.

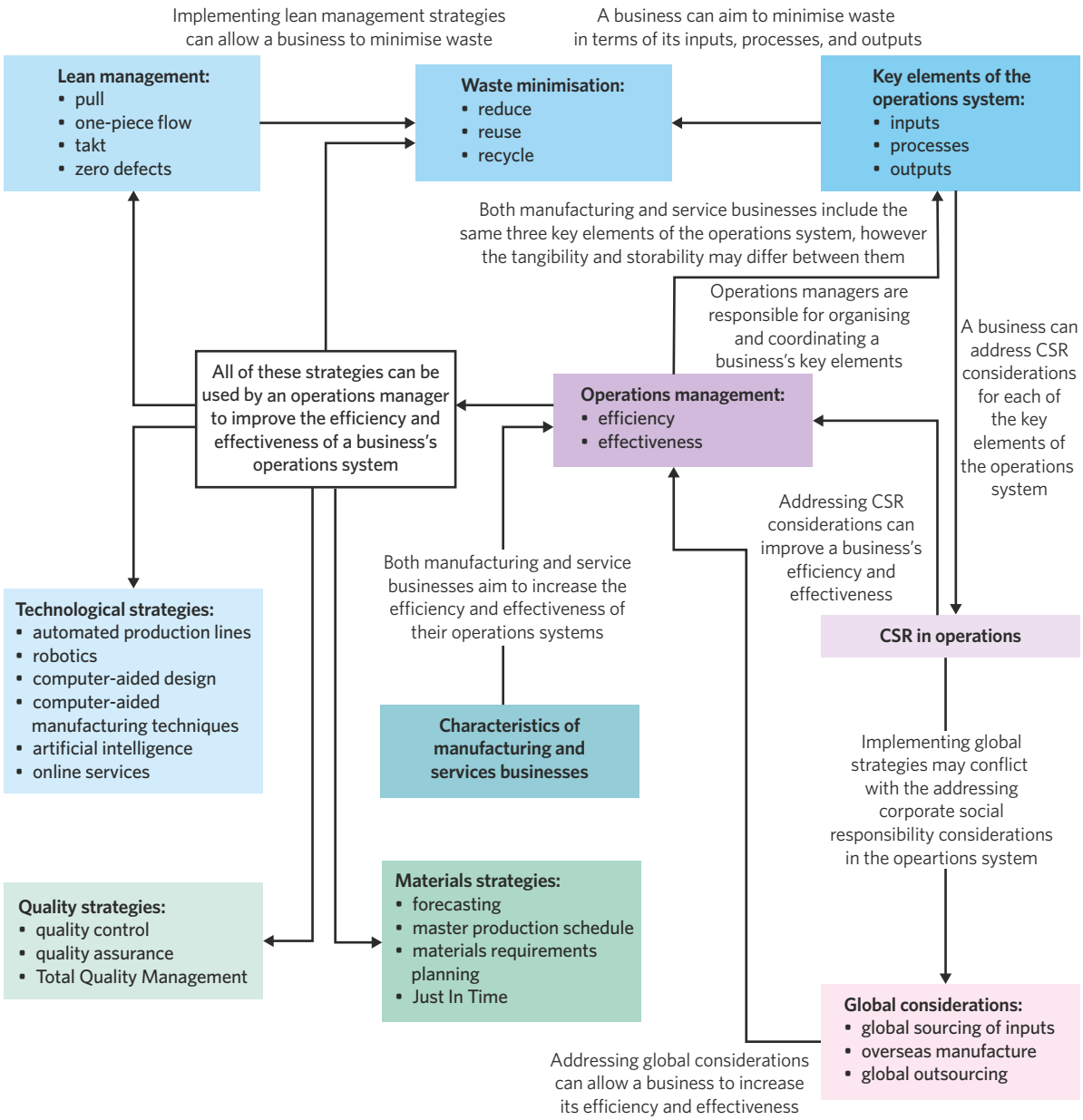
Lesson **3H Lean management** covered the concept of lean management and the lean management strategies that a business can implement to improve the efficiency and effectiveness of its operations system. The four lean management strategies are:

- pull
- one-piece flow
- takt
- zero defects.

Lesson **3I CSR in operations** covered the corporate social responsibility (CSR) considerations that an operations manager can address within a business. You learnt about the CSR considerations concerning the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs.

Lesson **3J Global considerations** covered the global considerations that a business can address to improve business performance. The three global considerations are:

- global sourcing of inputs
- overseas manufacture
- global outsourcing.



AOS review activities

Review activity 1: Operations management strategies summary table

You have learnt about the different strategies that an operations manager can implement to improve the efficiency and effectiveness of a business's operations, including, technological, materials, and quality strategies, as well as those related to waste minimisation and lean management. It is important to remember the different strategies, how a business can implement them, and the advantages and disadvantages of each.

Copy out the table below in your notes. Fill in the table by identifying and describing one strategy that can be implemented for each category and at least one advantage and disadvantage for each.

Strategy	Description	Advantages	Disadvantages
Technological strategy: _____			
Quality strategy: _____			
Materials strategy: _____			
Waste minimisation: _____			
Lean management: _____			

Review activity 2: Applying operations management

In this chapter, you have learnt about how effective operations management can improve a business's overall performance. It is important to understand the concepts of operations management and be able to recognise and apply them to real world business examples.

Search up *'Inside Tesla's $5 billion Gigafactory'* on YouTube and watch the entire video (Tech Vision, 2020).

Tesla, Inc. is an electric vehicle and battery manufacturing company that has redefined sustainability in the car industry, consequently experiencing great success in recent years. After watching the video, answer the following questions in your workbook and then discuss as a class:

1. What key elements of Tesla's operations system did you identify during the video?
2. How has Tesla implemented technological strategies in its operations system?
3. How has Tesla considered corporate social responsibility in its operations system?
4. What controversies and issues has Tesla encountered in its operations system?
5. How does Tesla's operations system provide it with a competitive advantage?

Review activity 3: Key elements of the operations system and CSR considerations

In this chapter, you learnt about the key elements of a business's operations system: inputs, processes, and outputs. It is important to understand the difference between each of these key elements and be able to identify them within a business's operations system.

Imagine you are the operations manager of a renowned bakery and patisserie in Melbourne, called Bread & Batter. Recently, the owners of the business have requested that you develop strategies that will improve the bakery's commitment to corporate social responsibility (CSR) by considering the environmental sustainability of inputs, as well as the amount of waste generated from processes and the production of outputs.

Copy out the table below in your notes. Fill in the table by identifying, describing, and providing examples of each of the key elements of Bread & Batter's operations system. For each key element, also provide one example of a CSR consideration that Bread & Batter could address.

Key element of the operations system	Description	Examples at Bread & Batter	CSR consideration
Inputs			
Processes			
Outputs			

Unit 3 AOS 3 review questions

Contemporary case study

Useful tip

In the end-of-year VCAA examination, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions for the end-of-year exam. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the questions below, you can refer to Dell or any other business you feel confident writing about as a contemporary business example.

Dell

Dell is a multinational technology company that produces and sells a large range of laptops and computers, whilst also providing repair and support services to its customers. With the third largest market share in the personal computer industry, Dell has had to alter and adapt its operations system over time to continue improving its efficiency and effectiveness, and to remain competitive.

In the late 1990s, Dell was one of the first companies to showcase its products to customers online. Since then, Dell has provided customers with the ability to customise their laptop and computer orders, and buy directly from the company through its 'Buy Direct' process. Dell is known to specialise in the 'Buy Direct' practice which benefits both customers and the company when it comes to price and profits. Today, Dell's website allows customers to view and interact with different features of its laptops and computers online, enabling them to personalise the product they wish to purchase, through its online services, which is later custom-built by the company.

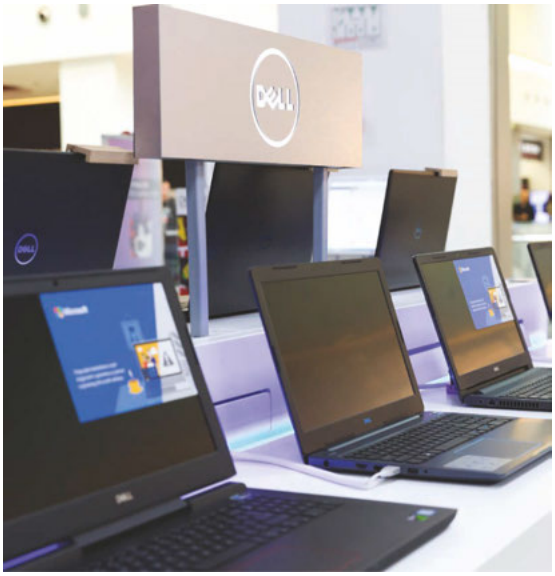


Image: N.Z.Photography/Shutterstock.com

Figure 1 Dell utilises a number of operations strategies which have enabled it to improve the efficiency and effectiveness of its computer and laptop production

In addition to its use of technology strategies, Dell is a lean manufacturer and has paired lean manufacturing strategies with materials strategies to further enhance its operations system. Dell utilises a highly organised supply system where its components are stored at a site near its manufacturing facilities. These stocking sites are monitored and notifications are automatically sent to suppliers when a restock is needed, with Dell making use of the Just In Time (JIT) strategy. However, Dell does not pay for any of the supplies stocked at these sites until they leave to be used in the production process. Therefore, this ensures that Dell has no money tied up in inventory, consequently providing the business with a competitive advantage. Furthermore, Dell ensures that it always has sufficient supplies for production by utilising a 'push-pull' strategy, whereby when a customer visits the company's website, there is a 'push' for particular products. When the customer places their order, there is a 'pull' for a product, and Dell immediately begins producing it. Through its website, Dell is able to accurately predict and forecast the volume of orders that it expects for a product, enabling the company to alert suppliers and prepare employee requirements for production. Consequently, Dell's operations system produces minimal waste, in terms of time and resources, enabling it to deliver customised products to its customers in as little as five business days, increasing its ability to satisfy customers and gain a competitive advantage.'

Thus, Dell's operations system is extremely efficient and effective due to its ability to apply a number of strategies to its production process in a highly organised manner, allowing it to competitively meet customer needs.

Adapted from The Strategy Story, 'How Dell pioneered the Just in Time to gain market share?', 2020 and Lean Manufacturing, 'Dell Computers', n.d.

Answer questions 1–4 with reference to the Dell case study shown, or any other contemporary business case study you have studied.

Question 1 (3 MARKS)

With reference to a contemporary business case study, explain the relationship between operations management and business objectives.

Adapted from VCAA 2020 exam Section B Q2

Question 2 (4 MARKS)

Compare the characteristics of operations management within a manufacturing business with those of a service business. In your response, refer to a contemporary business case study.

Adapted from VCAA 2019 exam Section A Q1b

Question 3 (4 MARKS)

Using a contemporary case study, discuss the use of online services.

Question 4 (4 MARKS)

With reference to a contemporary business case study, explain two lean management strategies that a business could implement to improve the efficiency and effectiveness of its operations.

Adapted from VCAA 2019 exam Section A Q1c

Exam-style

These questions are typical of Section A in the VCE Business Management exam.

Question 5 (13 MARKS)

> Rodger & Rico is an Australian-based events company that provides catering and decorative services for weddings, birthdays, and business celebrations. The operations manager, Olivia, believes that the business's highly skilled employees are the secret to providing the highest quality events in Australia. Customers have a range of menus and decorative options to choose from when planning their event at Rodger & Rico. During their event services, customers are provided with exceptional service from waiters, chefs, and managers.

a. Define what is meant by 'efficiency'. (2 MARKS)
Adapted from VCAA 2021 Exam Section B Q1

b. Outline one difference between the processes of Rodger & Rico's operations system to those of a manufacturing business. (2 MARKS)
Adapted from VCAA 2019 Exam Section A Q1b

c. Explain how Rodger & Rico could improve the efficiency of its operations system through the adoption of a master production schedule. (3 MARKS)
Adapted from VCAA 2021 Exam Section A Q4b

d. Outline the three key elements of the operations system. Apply each of these elements to Rodger & Rico. (6 MARKS)
Adapted from VCAA 2021 exam Section A Q4a

Question 6 (13 MARKS)

> Alba is the owner of It's Easy, a pharmaceutical manufacturer that was established in 1987. Recently, Alba hired a new operations manager to seek out strategies to improve the business's production system. The operations manager has found cheaper, higher quality suppliers located in the U.S. and believes that utilising resources from overseas will improve It's Easy's performance. However, Alba is worried that the switch may negatively affect the business's reputation in Australia.

a. Define the waste minimisation strategy of reduce. (2 MARKS)

b. Describe how It's Easy could utilise the lean management strategy of one-piece flow to improve the efficiency of its operations. (2 MARKS)

Adapted from VCAA 2018 exam Section A Q5a

c. Analyse how quality assurance might be used by It's Easy to improve the efficiency and effectiveness of its operations. (4 MARKS)

Adapted from VCAA 2020 exam Section A Q5b

d. Evaluate the considerations It's Easy should take into account when deciding whether to source resources from overseas suppliers. (5 MARKS)

Adapted from VCAA 2020 exam Section A 5c

Question 7 (14 MARKS)

Brielle owns Two Hands & One Wrist, a fitness watch business that was established in 2007 and has recently experienced a rapid increase in popularity due to the development of a new range of sleek, designer watches. Brielle is now considering implementing watch personalisation, through engravings and custom-made designs, to further meet customer needs and continue improving business performance. As a market leader, Brielle also wants to take the environment into greater consideration and minimise the amount of waste that Two Hands & One Wrist generates from the production of its watches.

a. Explain how corporate social responsibility considerations could influence the decisions made towards one key element of the operations system. (3 MARKS)

Adapted from VCAA 2017 exam Section A Q8

b. Distinguish between Total Quality Management and quality control. (3 MARKS)

c. Explain how one waste minimisation strategy could be used to improve Two Hands & One Wrist's operations. (3 MARKS)

Adapted from VCAA 2020 exam Section A Q5a

d. Explain and justify one technological development that Two Hands & One Wrist could implement to improve the effectiveness of its operations system. (5 MARKS)

Adapted from VCAA 2021 exam Section A Q4d

Unit 3 review

Section A (50 marks)

Question 1 (11 MARKS)

Jaquan is the human resource manager at Taxify, a taxi network with a fleet of over 1,000 vehicles. Due to recent decreases in consumer demand for taxi services, Jaquan has had to terminate the employment of 200 employees. The CEO of Taxify has stated that the business 'simply cannot afford to pay the number of drivers we currently have', to justify the terminations.

a. Describe one characteristic of operations management within a service business, such as Taxify. (2 MARKS)

Adapted from VCAA 2019 exam Section A Q1b

b. Define the form of employee termination that is taking place at Taxify. (2 MARKS)

c. Describe one entitlement consideration and one transition consideration that Jaquan could address when terminating Taxify's employees. (4 MARKS)

Adapted from VCAA 2019 exam Section B Q6

d. Explain the role of the Fair Work Commission as a workplace relations participant at Taxify. (3 MARKS)

Adapted from VCAA 2020 exam Section A Q3a

Question 2 (6 MARKS)

Goodman Sporting is a sportswear manufacturer that produces AFL guernseys for school teams across Victoria. Recently, the business has received complaints from students' parents regarding the quality of the guernseys. Carlos, the operations manager, has been tasked with addressing the issue.

a. Explain one quality strategy that could be used by Goodman Sporting to improve the efficiency and effectiveness of its operations. (3 MARKS)

Adapted from VCAA 2020 exam Section A Q5b

b. Describe one way technological developments could help Goodman Sporting to improve the efficiency of its business operations. (3 MARKS)

Adapted from VCAA 2019 exam Section B Q2

Question 3 (12 MARKS)

Sauni is a marketing startup that specialises in providing social media marketing services. The owner, Benji, has noticed a lack of motivation among the business's junior marketing analysts. In a recent employee satisfaction survey, 80% of the business's graduate employees indicated they were unsatisfied with their salaries and believe their input is ignored when making decisions.

a. Describe an appropriate motivation strategy that Benji could use to improve the performance of Sauni's employees. (2 MARKS)

Adapted from VCAA 2017 exam Section A Q3a

b. Explain one difference between a persuasive management style and a consultative management style. Propose and justify which style Benji should adopt. (5 MARKS)

c. Outline the interests of Benji as the owner of Sauni. Explain how these interests may be in conflict with the interests of one other business stakeholder. (5 MARKS)

Question 4 (10 MARKS)

Analyse two performance management strategies that could be used to effectively achieve both business and employee objectives. In your response, refer to the relationship between human resource management and business objectives.

Question 5 (6 MARKS)

With reference to a contemporary business case study, explain the key elements of the operations system.

Adapted from VCAA 2018 exam Section B Q2

Question 6 (5 MARKS)

Sleeptech is an Australian social enterprise that manufactures camping equipment, including sleeping bags and tents. The business has the mission of helping the homeless, pledging to donate one sleeping bag for every three sleeping bags sold.

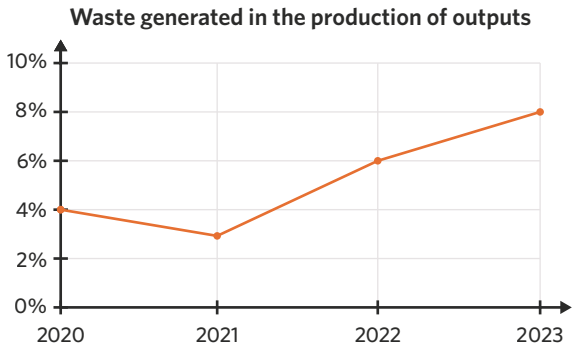
a. Describe a business objective (other than 'to fulfil a social need') that would be relevant to Sleeptech. (2 MARKS)

b. With reference to this business, distinguish between a social enterprise and a public listed company. (3 MARKS)

Section B (25 marks)

Case study

Bagulua Pty Ltd. is an Australian bag manufacturer that specialises in the production of leather luggage and handbags. Established in 2009, the business has developed a loyal customer base and prides itself on delivering functional baggage products that are both stylish and affordable. With factories in both Melbourne and Brisbane, Bagulua produces over 60,000 bags annually. Customers are able to purchase the business's bags from Bagulua's retail partners located across Australia's major cities, including Sydney, Melbourne, Brisbane, Perth, and Adelaide.



Over the past few years, the amount of waste generated from Bagulua's operations has increased. Milan, Bagulua's newly appointed operations manager, has been tasked with implementing strategies to reduce the waste generated in production. Milan has considered introducing robotic technology to minimise the number of errors that occur in production. However, he is aware that introducing robotics will likely require employees to be relocated to other areas of the business, which will require them to complete additional training to perform their new roles.

Question 1 (2 MARKS)

Identify what type of business Bagulua is and give one example of a distinguishing feature of this type of business.

Adapted from VCAA 2017 Sample exam Section A Q1

Question 2 (2 MARKS)

Describe one waste minimisation strategy that could contribute to the achievement of Bagulua's objective of reducing waste generated in operations.

Adapted from VCAA 2017 exam Section B Q1a

Question 3 (3 MARKS)

Justify one corporate social responsibility consideration relating to the environmental sustainability of Bagulua's inputs.

Adapted from VCAA 2018 exam Section A Q4

Question 4 (4 MARKS)

Explain how Milan might utilise planning skills and decision-making skills in order to effectively manage Bagulua's operations.

Adapted from VCAA 2017 Sample exam Section B Q2

Question 5 (4 MARKS)

Discuss the implementation of lean management strategies to improve Bagulua's operations.

Adapted from VCAA 2021 exam Section A Q3

Question 6 (5 MARKS)

Explain and justify one lean management strategy Milan could implement to improve the effectiveness of Bagulaua's operations system.

Adapted from VCAA 2019 exam Section A Q1c

Question 7 (5 MARKS)

Evaluate the suitability of implementing Total Quality Management to improve Bagulua's operations.

4

UNIT 4

Transforming a business

Businesses are under constant pressure to adapt and change to meet their objectives. In this unit, students consider the importance of reviewing key performance indicators to determine current performance and the strategic management necessary to position a business for the future. Students study a theoretical model to undertake change and consider a variety of strategies to manage change in the most efficient and effective way to improve business performance. They investigate the importance of effective management and leadership in change management. Using one or more contemporary business case studies from the past four years, students evaluate business practice against theory.

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Back to contents

UNIT 4 AOS 1

The need for change

In this area of study, students develop their understanding of the need for change. Managers regularly review and evaluate business performance through the use of key performance indicators and use the results to make decisions affecting the future of a business. Managers can take both a proactive and reactive approach to change. Students investigate the ways a business can search for new business opportunities as a source of future business growth, and consider current forces for change on a business. They apply Lewin's Force Field Analysis theory to contemporary case studies from the past four years and consider approaches to strategic management using Porter's Generic Strategies.

Outcome 1

On completion of this unit, the student should be able to explain the way business change may come about, analyse why managers may take a proactive or reactive approach to change, use key performance indicators to analyse the performance of a business, explain the driving and restraining forces for change, and evaluate management strategies to position a business for the future.

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Back to contents

4

CHAPTER 4

The need for change

LESSONS

4A	Business change
4B	KPIs: Part 1
4C	KPIs: Part 2
4A–C	Business change and KPIs review
4D	Force Field Analysis
4E	Driving forces: Part 1
4F	Driving forces: Part 2
4G	Restraining forces
4D–G	Force Field Analysis review
4H	Porter's Generic Strategies
	Unit 4 AOS 1 review

KEY KNOWLEDGE

- the concept of business change
- proactive and reactive approaches to change
- key performance indicators as sources of data to analyse the performance of businesses, percentage of market share, net profit figures, rate of productivity growth, number of sales, rates of staff absenteeism, level of staff turnover, level of wastage, number of customer complaints, number of website hits and number of workplace accidents
- key principles of the Force Field Analysis theory (Lewin) including weighting, ranking, implementing a response and evaluating the response
- driving forces for change in business including owners, managers, employees, competitors, legislation, pursuit of profit, reduction of costs, globalisation, technology, innovation and societal attitudes
- restraining forces in businesses including managers, employees, time, organisational inertia, legislation and financial considerations
- the two key approaches (lower cost and differentiation) to strategic management according to Porter's Generic Strategies

Back to contents

4A Business change

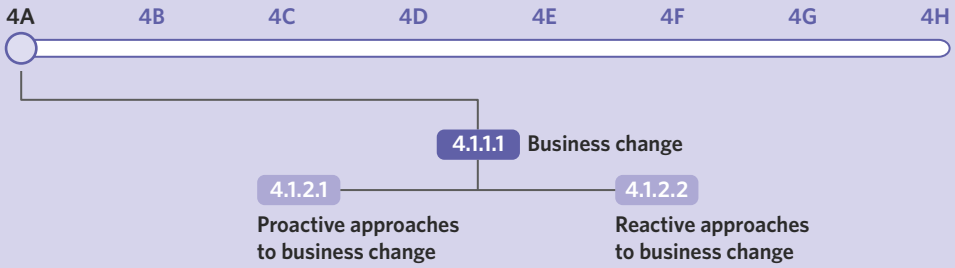
Businesses must regularly review their performance and identify if there is a need for change. This enables them to remain competitive, profitable, and relevant in an interconnected and globalised world.

Business change requires collaborative movement towards a larger business goal. How might each individual within a business contribute to change?



STUDY DESIGN DOT POINTS

- the concept of business change
- proactive and reactive approaches to change



Lesson introduction

Businesses are constantly changing to keep up with market trends and remain competitive. Failure to adapt can be detrimental to a business and its overall performance. There are two approaches a business can take when implementing change; the proactive approach and the reactive approach, both of which will be explored in this lesson.

Business change 4.1.1.1

KEY DEFINITIONS

Business change is the alteration of behaviours, policies, and practices of a business.

Business change is the alteration of behaviours, policies, and practices of a business. Businesses are constantly evolving and adapting to improve their performance in certain areas. Changes within a business can impact every area or just one part of the business. For example, a business change that involves the introduction of computer-aided manufacturing may only affect employees in the area of operations management, whereas a business transitioning its employees from an industry award to an enterprise agreement may affect the entire business.

No matter the situation, strong leadership and management skills are required for the successful execution of business change. It is also crucial for a business to have the support of employees and other internal stakeholders to assist in the implementation of and transition to a new set of business operations. When business change is not managed optimally, this can result in high levels of resistance.

The outcomes of business change can be both positive and negative. For example, a business may introduce an automated production line into its operations system which improves efficiency and effectiveness, however, it also results in several employees being made redundant. Moreover, change that is undertaken to improve performance in one area may adversely affect another area of a business. To review the success of business change and determine its effect on performance, businesses use key performance indicators (KPIs).

LESSON LINK

Management skills were introduced in **1F Management skills**.

Key Performance Indicators (KPIs) will be covered in further detail in **4B KPIs: Part 1** and **4C KPIs: Part 2**.

Change leadership will be covered in further detail in **5A Change leadership**.

EXTENDED REAL WORLD EXAMPLE

Business change

Microsoft Corporation is a multinational technology company that produces computers, laptops, software, and other electronics. Since beginning its operations in 1975, Microsoft has continually had to upgrade and alter its practices to maintain its position as one of the world's largest technology companies and continue to attract new customers.

When economic conditions change, businesses often have to adapt their practices in order to remain viable and competitive. Throughout 2022, the cost of living increased and economic conditions were uncertain. Consequently, many investors were fearful of an economic downturn and international trade became increasingly challenging for businesses worldwide. As a result, there were fewer opportunities for large companies and corporations to grow and expand business practices. Furthermore, many businesses sought to minimise their expenses to secure their future viability and profitability. Microsoft, alongside many other big-name technology companies, was forced to respond to the state of the economy and rising costs of living by undertaking business change during this period.

In 2022, Microsoft announced that it would undergo a structural adjustment where it would realign groups and roles within the business. Like any business undertaking change, Microsoft experienced both positive and negative outcomes from its decision to restructure the company. During the change, Microsoft laid off a number of employees, expressing that such job cuts were necessary in order for the company to adjust and fulfil future priorities. These layoffs affected employees across the technology company in various locations worldwide, however, Microsoft suggested that it would invest in the growth of the company in the coming year, including increases in its number of employees. Although Microsoft laid off a portion of its employees to undertake its change, this was considered a small sacrifice for significant business gain, as the structural alterations to the technology company were thought to enhance its ability to grow, develop, and provide greater services in the coming years. Therefore, in this case, Microsoft believed the negative impact of cutting the jobs of 'a small number' of employees was necessary in order to improve in the future, believing its structural adjustment will help achieve its ongoing goals.

Adapted from Bloomberg, 'Microsoft Cuts Jobs in Structural Adjustment, Plans More Hiring', 2022 and TechCrunch, 'Microsoft lays off a portion of its workforce as part of a 'realignment'', 2022



Image: The Art of Pics/Shutterstock.com

Figure 1 Microsoft underwent a structural adjustment that involved a number of job cuts across the company

Questions

1. Why do you think Microsoft decided to undergo a structural adjustment?
2. What were some of the impacts of business change at Microsoft?
3. Microsoft claimed that its job cuts only affected 1% of its 180,000 employees, meaning only a small number of staff were impacted by the company's restructure. How does business change affect small and large businesses differently?
4. Do you think it would be difficult for Microsoft to implement a large, structural readjustment across its company? Why or why not?

Proactive approach to business change 4.1.2.1

A **proactive approach** to business change involves a business changing to avoid future problems or take advantage of future opportunities. This may involve a business fulfilling a **gap in the market**, recognising a change in market trends which poses a new business opportunity, or investing in new technology to avoid areas of the business becoming outdated. When a business adopts a proactive approach to change, there is likely to be fewer pressures acting on the business. This is because it has chosen to undertake this transformation, allowing the business to implement the change in a calmer and more controlled manner.

KEY DEFINITIONS

A **proactive approach** is when a business changes to avoid future problems or take advantage of an opportunity to gain a competitive advantage.

ADDITIONAL TERMS

A **gap in the market** is when there is a need that is currently unmet in an industry and poses a profitable opportunity for businesses.

REAL WORLD EXAMPLE



Image: Nils Versemann/Shutterstock.com

Figure 2 RM Williams invested in a sustainable materials company with a plant-based footwear future on the cards

Proactive approach to business change

RM Williams is an Australian clothing and footwear company that is world-renowned for the production of its leather boots. Andrew Forrest, the owner of RM Williams, recently invested in a company that produces sustainable leather. Hence, in 2022, the RM Williams leather boots range was projected to include plant-based alternatives. This change was prompted by RM Williams' awareness of changes in societal attitudes, knowing that there is a large proportion of people that are 'seeking high-performance, plastic-free leather alternatives'. Therefore, RM Williams made a proactive business change by implementing sustainable materials and taking an opportunity to lead the way in the leather footwear industry.

Adapted from The Sydney Morning Herald, 'Plant-based RM Williams on the cards as Forrest makes fresh investment', 2022

WANT TO KNOW MORE?

Fulfilling a gap in the market is a strategy utilised by many businesses when establishing an innovative product for customers to purchase. Businesses may conduct market research through random surveys, interviews, observations, and trials in order to gain a greater understanding of the market and identify any gaps. A business may notice a need that is currently unmet by competitors or a product that does not exist in that industry, hence opening up a profitable business opportunity. A gap in the market is characterised by at least one of the following:



1. The product is original and new.
2. The product already exists but an innovative improvement can be made to increase sales.
3. The product already exists but has not been introduced and advertised in a particular market.

Can you think of any businesses that have gained success by fulfilling a gap in the market?

Adapted from Ask Careers, 'Successful Brands who filled the market gap', 2019

Reactive approach to business change 4.1.2.2

KEY DEFINITIONS

A **reactive approach** is when a business undertakes change in response to a situation or crisis.

A **reactive approach** to business change involves a business changing in response to a situation or crisis. Businesses will usually try to avoid reactive change, however, when a competitor introduces a new product that is taking a large portion of market share or a controversial problem is headlined in the media, businesses must respond in this way to remain competitive and viable. Unfortunately, this means several pressures are acting on the business and the change is usually undertaken in a manner that is more urgent and relatively unplanned. For example, a business may incur a data breach that is well-covered in the media, requiring the business to swiftly take appropriate action, with less input of ideas, and respond to the situation to restore its reputation.

LESSON LINK

Low-risk strategies will be covered in further detail in **5G Low-risk strategies**.

High-risk strategies will be covered in further detail in **5H High-risk strategies**.

REAL WORLD EXAMPLE



Image: WIRACHAIPHOTO/Shutterstock.com

Figure 3 Disney was scrutinised for its unprogressive practices and lack of acceptance for all genders.

Reactive approach to business change

The Walt Disney Company is a multinational media and entertainment company that produces movies, has its own streaming platform, as well as numerous theme parks across the globe. However, despite its huge success, in 2022 Disney came under fire and was criticised for its political viewpoints, including a lack of progression and acceptance of all genders. In response to increasing levels of disapproval, Disney was provoked to reactively change in order to maintain its reputation as a family-friendly and inclusive company. This involved the company altering its loudspeaker announcements at all its theme parks from 'ladies and gentlemen, boys and girls' to 'dreamers of all ages' to create a gender-neutral environment and show its support and acceptance of all people.

Adapted from The New York Times, 'Disney, Built on Fairy Tales and Fantasy, Confronts the Real World', 2022

ACTIVITY

Reactive approach to business change

Ed's Shearing is a small business that sells wool to large clothing manufacturers in Australia. The owner, Ed, was concerned about the cost of and pollution generated by his trucks that transport the wool to his customers. So he decided that an investment in electric trucks would save costs in the long term and allow his shearing business to reduce its carbon footprint. As the electricity at the shearing farm is all solar-powered, Ed knew that he already had the facilities to charge these trucks and consequently has decided to implement the change progressively over the next three months.

As a class, discuss the following questions:

1. What is the business change that Ed is implementing at Ed's Shearing?
2. What change approach has Ed taken?
3. What are the characteristics of this change approach and how does this differ from the alternative approach?
4. How might this change alter business practices at Ed's Shearing?
5. What are the overall benefits from this change for the future performance of Ed's Shearing?

Theory summary

Businesses are constantly evolving and adapting to improve their performance in certain areas. However, a business must be aware of how any transformation in one area of business may positively and/or negatively impact another area. Managers have to utilise their leadership and management skills to smoothly and successfully implement the change. There are two approaches to business change; proactive and reactive. The proactive approach is more favourable for a business as it allows the business to implement a well-planned and cohesive change that avoids future problems whilst taking advantage of future opportunities. On the other hand, the reactive approach is undertaken by a business in response to situations and controversies where the business usually has to act quickly to restore its competitiveness or reputation. Thus, anticipating change and preparing for the future is a crucial aspect of successfully managing a business.

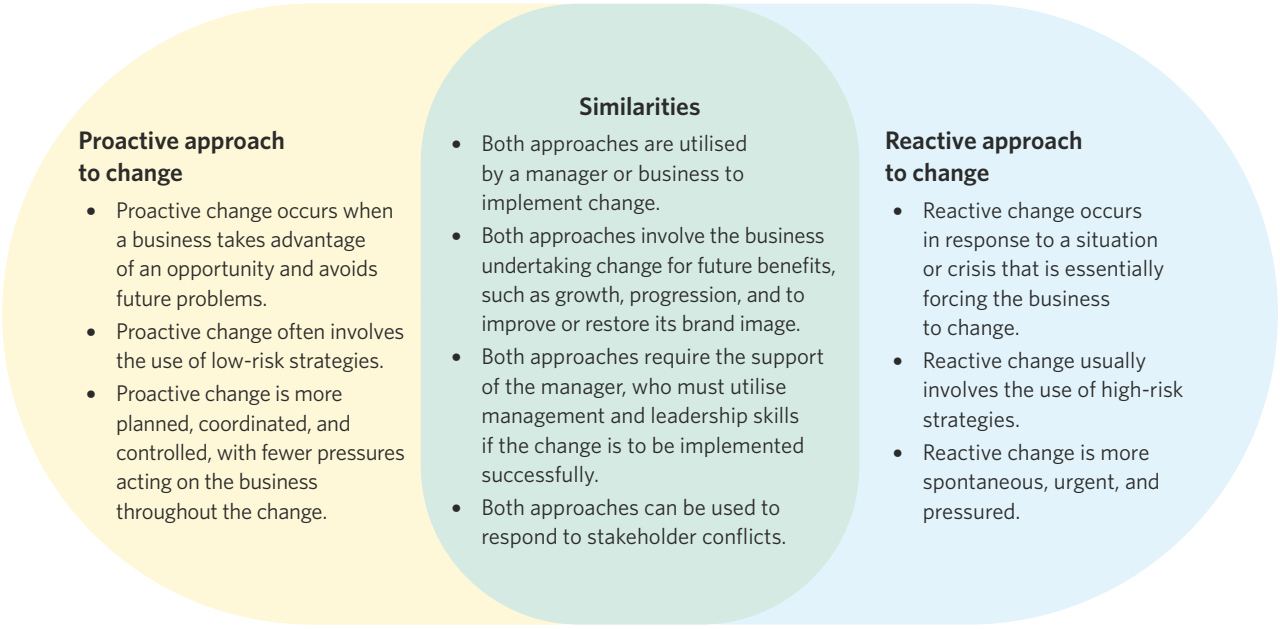


Figure 4 Similarities and differences of proactive and reactive approaches to change

4A Questions

Theory review

Question 1

Business change is the alteration of behaviours, policies, and practices of a business.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- proactive change
- reactive change

When a business changes in response to a competitor or controversial situation this is known as _____, whereas a business changing to avoid future problems and take advantage of its current situation and opportunities is _____ .

Question 3

A cafe developing a new, unique flavour of coffee is an example of a:

A. proactive approach to change.

B. reactive approach to change.

Question 4

Business change requires strong management and leadership skills to be implemented successfully.

A. True

B. False

Question 5

A reactive approach to change is often:

A. planned, controlled, and calm.

B. stressful, urgent, and spontaneous.

Question 6

Fill in the blank with **one** of the following terms:

- Proactive change
- Reactive change
- Both approaches to change

_____ involve/s a manager who supports, leads, and guides the business through the change, regardless of the situation, for future business benefits.

Preparing for exams

Case study skills

Question 7

Bernie owns Daily Coffee, a local coffee shop in the eastern suburbs of Melbourne that is frequented by locals, receiving much foot traffic from the nearby tennis club. Recognising the shift in societal attitudes to a focus on sustainability, Bernie has decided to improve the eco-friendliness of his cafe. He is encouraging customers to bring their own reusable coffee cups, rewarding them with discounted prices, whilst also switching to biodegradable and compostable takeaway materials. By doing so, Bernie has successfully gained a competitive advantage over other local cafés and increased his customer base, attracting environmentally conscious consumers.

Identify which of the following is a correct statement about the approach taken to change by Bernie at Daily Coffee.

A. Bernie has taken a reactive approach to change as he is responding to another local café's transition to sustainable practices.

B. A proactive approach to change has been taken at Daily Coffee as Bernie is taking advantage of an opportunity to improve business practices and lead environmental sustainability initiatives amongst his competitors.

Use the following information to answer Questions 8 and 9.

Crikey is an Australian company that sells fishing equipment across Australia. Recently, Crikey has come under scrutiny after several fishing rods and boats were recalled due to several safety issues, which in one incident caused the hospitalisation of a customer. As a response to this crisis, Crikey's operations manager, Steve, introduced new quality control processes into the business, enrolled all employees in a new safety and manufacturing training program, and negotiated a contract with new suppliers.

Question 8

Identify which of the following is a correct statement about Steve's approach to change at Crikey.

A. Crikey is undertaking reactive change as it has altered its practices in response to a safety crisis with injured customers.

B. Steve has taken a proactive approach to change as he made changes to the business after the safety incident rather than allowing the business to operate as normal.

Question 9

Identify which of the following statements are **true** or **false** about the change process at Crikey.

		True	False
I.	Urgent change was required at Crikey to minimise any further damage to the company's reputation and brand image.	☐	☐
II.	Steve would have planned out the changes at Crikey in advance and he would have felt in control and prepared throughout this transformation process	☐	☐

Use the following information to answer Questions 10 and 11.

Daniel owns Avocado, a new internet search engine designed to not only provide customers with the information they are looking for, but also encourage sustainable purchasing and education. Through the daily environmental facts provided with each search and overall commitment to only advertising sustainable brands, Daniel has been able to successfully execute Avocado's mission. To further expand the search engine, Daniel plans to take advantage of recent gains in net profit to allow him to invest in new technology and hire more IT experts to join the business.

Question 10

Identify which of the following is a correct statement about Avocado's approach to change.

A. Avocado has utilised a reactive approach to change as Daniel is only undertaking change in response to an increase in net profit figures.

B. Daniel is undertaking a proactive change as he taking advantage of an opportunity to that has been posed to the business from the recent net profit earnings.

Question 11

Identify which of the following are **similarities** or **differences** between the proactive and reactive approaches to change.

		Similarity	Difference
I.	The approaches require the support of a manager, such as Daniel, who should utilise management and leadership skills to implement the change.	☐	☐
II.	Reactive change occurs in response to a situation and proactive change occurs when a business takes advantage of an opportunity.	☐	☐
III.	The proactive and reactive approaches are utilised by a manager or business, like Daniel and Avocado, to implement change.	☐	☐
IV.	Proactive change is more planned and coordinated compared to the spontaneous and urgent nature of reactive change.	☐	☐

Exam-style

Question 12 (2 MARKS)

Define the term 'business change'.

Question 13 (3 MARKS)

Distinguish between proactive and reactive approaches to business change.

Adapted from VCAA 2019 exam Section A Q2

Question 14 (2 MARKS)

Bernie owns Daily Coffee, a local coffee shop in the eastern suburbs of Melbourne that is frequented by locals, receiving much foot traffic from the nearby tennis club. Recognising the shift in societal attitudes to a focus on sustainability, Bernie has decided to improve the eco-friendliness of his cafe. He is encouraging customers to bring their own reusable coffee cups, rewarding them with discounted prices, whilst also switching to biodegradable and compostable takeaway materials. By doing so, Bernie has successfully gained a competitive advantage over other local cafés and increased his customer base, attracting environmentally conscious consumers.

Outline the approach to business change taken at Daily Coffee.

Question 15 (3 MARKS)

Crikey is an Australian company that sells fishing equipment across Australia. Recently, Crikey has come under scrutiny after several fishing rods and boats were recalled due to several safety issues, which in one incident caused the hospitalisation of a customer. As a response to this crisis, Crikey's operations manager, Steve, introduced new quality control processes into the business, enrolled all employees in a new safety and manufacturing training program, and negotiated a contract with new suppliers.

With reference to Crikey, identify and describe the approach to business change that Steve has taken.

Question 16 (5 MARKS)

Daniel owns Avocado, a new internet search engine designed to not only provide customers with the information they are looking for, but also encourage sustainable purchasing and education. Through the daily environmental facts provided with each search and overall commitment to only advertising sustainable brands, Daniel has been able to successfully execute Avocado's mission. To further expand the search engine, Daniel plans to take advantage of recent gains in net profit to allow him to invest in new technology and hire more IT experts to join the business.

Compare proactive and reactive approaches to business change and identify which of these has been utilised at Avocado.

Testing previous knowledge

Question 17 (5 MARKS)

Bottletop is a plant-based milk company that sells its products as a wholesaler to cafés and restaurants worldwide. The company currently produces almond, soy, and hazelnut milk but the operations manager, Bill, has noticed that there is increased demand for oat milk in the plant-based milk market. Therefore, Bill has prompted Bottletop to invest in developing a unique range of oat milk with the company currently testing its formula to hopefully enter the market in two months.

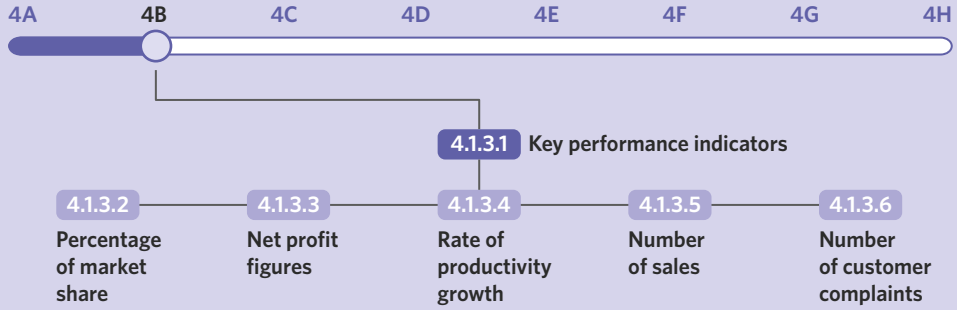
Define business change and describe two management skills that Bill could utilise to successfully implement the change at Bottletop.

Back to contents

4B KPIs: Part 1

STUDY DESIGN DOT POINT

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



'In business, the idea of measuring what you are doing, picking the measurements that count like customer satisfaction and performance... you thrive on that.'
– Bill Gates, co-founder of Microsoft

How can businesses keep track of their progress and monitor the impact of changes that they have implemented? What tools can businesses use to compare their performance to others in the industry?



Lesson introduction

Businesses need a way to track the progress of their operations, recognise potential areas for change, and maximise efficiency and effectiveness to achieve their objectives. Key performance indicators (KPIs) can be used to evaluate business performance across a multitude of areas. Percentage of market share, net profit figures, rate of productivity growth, and number of sales can be used to gauge the financial performance of the business. In addition, number of customer complaints can be used to analyse customer satisfaction. KPIs are important as they can highlight a need for change, provide businesses with a means to measure their performance, and assist in the successful implementation of business change.

Key performance indicators 4.1.3.1

Key performance indicators (KPIs) are criteria that measure a business's **efficiency** and **effectiveness** in achieving its different objectives. Continuous usage of KPIs can allow for the ongoing evaluation of a business's performance across a range of areas, including its financial performance, quality of interactions with customers, its ability to meet expectations of its employees regarding their workplace environment, and environmental impacts. KPIs can be used to identify specific areas within the business where change is necessary and can be used continuously to determine the success of the implemented change. For a business to use KPIs to its advantage, the KPIs must be relevant to the area of the business being analysed, a reliable measure of performance, and be used to compare business performance over time.

Percentage of market share 4.1.3.2

Percentage of market share measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure. Percentage of market share can highlight the proportion of customers that a business and its competitors are able to engage with and therefore shows a business's impact and success in the market. This KPI, therefore, shows how well a business is performing in its industry. A high percentage of market share indicates a large share of total industry sales, whereas a low percentage of market share shows that a business has a small share of total industry sales.

$$\text{Percentage of market share} = \frac{\text{A business's total sales (\$)}}{\text{Total sales in the business's industry (\$)}} \times 100$$

KEY DEFINITIONS

Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.

Percentage of market share measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure.

ADDITIONAL TERMS

Efficiency is how productively a business uses its resources when producing a good or service.

Effectiveness is the extent to which a business achieves its stated objectives.

REAL WORLD EXAMPLE

Percentage of market share

The Australian supermarket industry was valued at $120 billion as of 2021. Woolworths was the leader of the industry, occupying 37% of the market with $44.4 billion in total food sales. Its main competitors, Coles (28.5% market share), ALDI (10.5% of market share), and IGA (7% of market share) made a notable contribution to the industry, and each business contributed billions of dollars worth of sales to the supermarket industry of 2021.

Australian Supermarket Industry 2021

Table 1 The percentage of market share for businesses in the Australian supermarket industry

Supermarket	Sales	Market share
Woolworths	$44.4bn	37%
Coles	$33.9bn	28.5%
ALDI	$12.7bn	10.5%
IGA	$8.5bn	7%
Other	$20.5bn	17%
Industry total	$120bn	100%

Adapted from Metcash, 'Annual Report', 2021, Wesfarmers, '2021 Full-year results', 2021, Woolworths Group, 'Annual Report', 2021, IBISWorld, 'Supermarkets and Grocery Stores in Australia', 2022, and Statista, 'Market share of grocery retailers in Australia in 2021', 2021

Net profit figures 4.1.3.3

KEY DEFINITIONS

Net profit figures are calculated by subtracting total expenses incurred from total business revenue earned, over a specific period of time.

ADDITIONAL TERMS

Expenses are the costs that a business incurs from conducting its operations.

Revenue is the sum of all income that a business has generated from business activities, usually from selling goods and services to its customers.

Net profit figures are calculated by subtracting total **expenses** incurred from total business **revenue** earned, over a specific period of time. A manager could analyse a business's net profit figures to assess whether expenses are too high or revenue is too low. All businesses have the objective to make a profit, therefore net profit figures can be used as a means to evaluate a business's success in achieving its objectives and its financial performance. High net profit figures are beneficial for business operations, as financial resources can be used for investment into development, growth, and meeting shareholder expectations. In contrast, low net profit figures can indicate a business's difficulty to sustain its current level of operations.

Net profit figures = Total revenue − Total expenses

REAL WORLD EXAMPLE



Image: Piotr Swat/Shutterstock.com

Figure 1 Macquarie Group Ltd.'s net profit figures have varied depending on the global environment in which the international company operates

Net profit figures

The Macquarie Group Ltd. is a company that provides its financial services to businesses and individuals worldwide. Macquarie encountered a spike in sales, which led to a reported 56% increase in its net profit figures in the 2021 financial year, therefore amounting to $4.71 billion. However, Macquarie predicted that profits and therefore share prices would decrease in 2022, following global issues, such as the Russia-Ukraine war and international tensions rising. Despite its quick recovery from the impacts of the pandemic, Macquarie's profits are highly dependent on global issues, and its net profit figures are therefore highly dynamic. Projections forecast 2023's net profit for Macquarie to be valued at approximately $4.2 billion, as the market changes yet again.

Adapted from Reuters, 'Australia's Macquarie has record year but profit warning triggers share slide', 2022

Rate of productivity growth 4.1.3.4

A business relies on the level of **productivity** of its operations system in order to provide goods and services to its customers in an efficient manner. A high level of productivity indicates that a business is capable of producing a high amount of outputs from a minimal number of resources used as inputs. **Rate of productivity growth** is the change in the total output produced from a given level of inputs over time, expressed as a percentage figure. High rates of productivity growth indicate that a business has become more efficient over time, as it is able to better utilise its resources in its production process. A positive rate of productivity growth occurs when the business's productivity increases from one period to the next. If productivity increases by a smaller margin from one year to the next, rate of productivity growth is still a positive percentage value. In comparison, a negative rate of productivity occurs when productivity decreases, and more inputs are needed to produce the same number of outputs.

$$\text{Rate of productivity growth} = \frac{\text{New productivity} - \text{Old productivity}}{\text{Old productivity}} \times 100$$

KEY DEFINITIONS

Rate of productivity growth is the change in the total output produced from a given level of inputs over time, expressed as a percentage figure.

ADDITIONAL TERMS

Productivity is the number of goods or services that are produced compared to the number of resources used in the production process.

USEFUL TIP

Increased productivity can stem from a business producing more outputs from the same level of inputs, as well as producing the same level of outputs from a reduced amount of inputs.

Donald owns the small business Lucky Glover, specialising in the manufacturing of fashionable gloves. In the first year of operations, he calculated that he had been using five rolls of fabric to make 30 pairs of gloves. Donald sought to increase productivity at Lucky Glover, and trialled different methods of adjusting the number of inputs he used (see Table 2).

Table 2 Usage of inputs and production of outputs at Lucky Glover from 2021 to 2023

	Year 1 (2021)	Year 2 (2022)	Year 3 (2023)
Inputs used	5 rolls of fabric	5 rolls of fabric	3 rolls of fabric
Outputs made	30 pairs of gloves	35 pairs of gloves	30 pairs of gloves
Productivity	First year of operations	Increase in productivity. Positive growth of 16.67%	Increase in productivity. Positive growth of 42.86%
Rates of productivity	–	$\frac{\left(\frac{35}{5}\right) - \left(\frac{30}{5}\right)}{\left(\frac{30}{5}\right)} \times 100 = 16.67\%$	$\frac{\left(\frac{30}{3}\right) - \left(\frac{35}{5}\right)}{\left(\frac{35}{5}\right)} \times 100 = 42.86\%$

Number of sales 4.1.3.5

Number of sales is the total quantity of goods and services sold by a business over a specific period of time. A business's financial performance can be measured using number of sales as a KPI, as it indicates how well goods and services are received by customers. A high number of sales indicates a high level of customer satisfaction, however, a low number of sales may suggest that customers are dissatisfied business's products. A decrease in the number of sales may imply a decrease in a business's market share, or that customers are not purchasing as many products. A business may analyse its number of sales to determine if it is able to achieve its financial objectives.

KEY DEFINITIONS

Number of sales is the total quantity of goods and services sold by a business over a specific period of time.

REAL WORLD EXAMPLE

Number of sales

Across Australia, over 1 million cars were sold in the 2021 calendar year, an increase of 14.5% from the previous year. Toyota was the highest-selling brand, making over 220,000 sales, and holding 21.3% market share in the Australian car industry. As the COVID-19 pandemic progressed from 2020 to 2021, travel restrictions were gradually eased, and a greater demand for vehicles led to increased sales across the industry, contributing to greater revenue for businesses.

Adapted from FCAI, 'FCAI releases VFACTS 2021 new vehicles sales figures', 2022



Image: lumen-digital/Shutterstock.com

Figure 2 Increased demand for automobiles resulted in a 14.5% increase in the number of sales in 2021

Number of customer complaints 4.1.3.6

KEY DEFINITIONS

Number of customer complaints is the number of customers who notified the business of their dissatisfaction over a specific period of time.

Number of customer complaints is the number of customers who notified the business of their dissatisfaction over a specific period of time. The number of customer complaints indicates the level of customer satisfaction and engagement with the goods and services they purchase. A high level of customer complaints suggests customer dissatisfaction, whereas a low number indicates customer contentment. Businesses should receive and act on feedback provided by customers, as their support or lack thereof can be the difference between a business's success or failure. Customers may choose to provide feedback in a variety of ways. Some may choose to verbalise their complaints in-store, whilst others may use online websites and social media platforms.

USEFUL TIP

Some key performance indicators can be expressed as a percentage figure at a single point in time if they are calculated using a ratio or proportion. The percentage of market share is calculated using proportions of a business's total sales compared to total industry sales, and is expressed as a percentage figure. For example, a business has 37% of market share in one year. However, when comparing KPIs over a specific period of time, a percentage increase or decrease can be calculated. For example, a 12% increase in the number of sales from the previous year.

Data example – Number of customer complaints

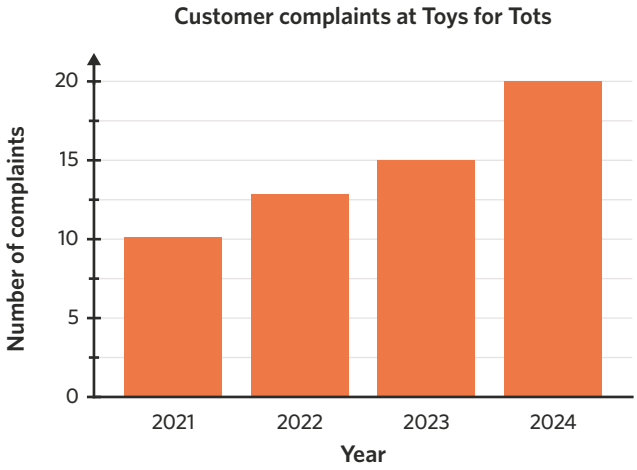


Figure 3 The number of customer complaints at Toys for Tots is increasing from 2021 to 2024

ACTIVITY

KPIs: Part 1

Eggman Movers is a removalist company that operates in metropolitan and regional Victoria.

Following the replacement of old vehicles for newer ones with larger capacity, Buzz, the manager, has kept a record of observed changes in Eggman Movers' performance.

Eggman Movers has recorded 8 customer complaints in 2022, compared to 3 in 2021, as customers complained that some of their possessions were broken when transported. Some customers left online reviews advising potential customers not to use Eggman Movers' services. However, the larger trucks have gained the attention of corporate businesses seeking to move desks and bulkier office furniture. This led to a change in the total number of sales at Eggman Movers from 876 in 2021, to 1042 in 2022. As a result, there was also a change in Eggman Movers' market share from 23% to 29% between 2021 and 2022.

Buzz has noticed that the larger vehicles are more expensive to maintain and repair, and although Eggman Movers' sales have risen, its revenue has remained largely the same from 2021 to 2022 due to offering services at lower prices to draw in customers.

Based on the information presented above, fill in the following table with 'increase', or 'decrease' for each of the following KPIs at Eggman Movers:

KPI	Effect on KPI as a result of changes at Eggman Movers
Percentage of market share	
Net profit figures	
Rate of productivity growth	
Number of sales	
Number of customer complaints	

Theory summary

Key performance indicators (KPIs) can be used to assess a business's performance in terms of its interactions with customers, employees, and financial decisions. The percentage of market share outlines a business's performance in its industry compared to its competitors. Net profit figures and number of sales can indicate financial performance, as they relate to the trading of goods and services to customers. A business's rate of productivity growth can measure its efficiency, as it concerns the proportion of inputs that are used to produce outputs. The number of customer complaints a business receives can be used to determine the level of customer satisfaction. KPIs can be used to monitor business performance during periods of change, or highlight the need for change.

4B Questions

Theory review

Question 1

Key performance indicators are only useful for measuring a business's financial performance.

A. True

B. False

Question 2

A business that has a high percentage of market share has a small share of total industry sales, over a specific period of time.

A. True

B. False

Question 3

Fill in the blanks with the following terms:

- revenue
- expenses

Net profit figures can be calculated by subtracting a business's total _____ from its _____ .

Question 4

The rate of productivity growth can be calculated using new and old productivity rates.

A. True

B. False

Question 5

In order for a business to increase its productivity, it could:
(Select all that apply)

I. increase the number of outputs, using the same number of inputs.

II. increase the number of inputs, producing the same number of outputs.

III. decrease the number of inputs, producing the same number of outputs.

IV. decrease the number of outputs, using the same number of inputs.

Question 6

Fill in the blank with **one** of the following terms:

- high
- low

A _____ number of customer complaints can indicate customer dissatisfaction with a business's goods and services.

Question 7

A business's number of sales can only be an indicator of its financial performance.

A. True

B. False

Question 8

Key performance indicators are important, as they can highlight the need for change, and assist a business in successful change implementation and evaluation.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 9 and 10.

Air Reconditioned is a small air conditioning repairs business, operating in metropolitan areas and specialising in home AC unit repairs. Air Reconditioned's owner, Nigel, observed a lack of customer interest during the autumn and winter months due to cooler weather conditions. Therefore, Nigel decided to invest money in training and equipment for staff to expand the business into heater maintenance. Compared to the previous year, Nigel noticed that sales during July had increased by 59% due to the changes he had implemented. However, he noticed that by offering heating repair services at the same price as air conditioning ones, he was operating at a loss, as the equipment used was more expensive to maintain due to heat damage.

Question 9

Identify which of the following is a correct statement about Air Reconditioned's net profit figures.

A. Air Reconditioned's net profit figures have decreased following the expansion of services due to revenue remaining constant, whilst incurring higher costs of equipment maintenance.

B. Air Reconditioned's net profit figures have increased following the expansion of services due to a 59% increase in the number of sales

Question 10

Identify which of the following is a correct statement about Air Reconditioned's number of sales.

A. Air Reconditioned's number of sales have decreased following the expansion of services, as the heater maintenance services were more expensive, leading to fewer customers purchasing them.

B. Air Reconditioned's number of sales have increased following the expansion of services, as the business is able to offer services that cater to both cooler and warmer weather, that customers may need year-round.

Question 11

Katarina owns League Partners, an accounting firm that provides financial services to corporate businesses. An influx in customers has occurred due to the end of the financial year approaching. Kat has recorded League Partners' performance this current financial year, compared to the previous year. After implementing changes that allowed each accountant to provide a more interactive and individualised customer experience, Kat noticed the following changes:

KPI	2022	2023
Percentage of market share	24%	28%
Number of customer complaints	7	2
Rate of productivity growth	Increased by 12%	Decreased by 9%

Identify which of the following statements are **true** or **false** about League Partners.

		True	False
I.	By offering an interactive and individualised customer experience, League Partners was able to increase its market share from 24% to 28%.	☐	☐
II.	Customers are likely to be more satisfied with a more individualised experience, therefore customer complaints at League Partners decreased from 7 to 2.	☐	☐
III.	The rate of productivity growth at League Partners has increased by 12%, indicating that the business is using its resources more efficiently.	☐	☐

Exam-style

Question 12 (2 MARKS)

Define the term 'key performance indicators'.

Adapted from VCAA 2018 exam Section A Q3a

Question 13 (2 MARKS)

Define the term 'percentage of market share'.

Adapted from VCAA 2014 exam Q3a

Question 14 (2 MARKS)

Define what is meant by the 'rate of productivity growth'.

Adapted from VCAA 2021 exam Section B Q1

Question 15 (3 MARKS)

Distinguish between number of sales and net profit figures as key performance indicators.

Question 16 (4 MARKS)

Air Reconditioned is a small air conditioning repairs business, operating in metropolitan areas and specialising in home AC unit repairs. Air Reconditioned's owner, Nigel, observed a lack of customer interest during the autumn and winter months due to cooler weather conditions. Therefore, Nigel decided to invest money in training and equipment for staff to expand the business into heater maintenance. Compared to the previous year, Nigel noticed that sales during July had increased by 59% due to the changes he had implemented. However, he noticed that by offering heating repair services at the same price as air conditioning ones, he was operating at a loss, as the equipment used was more expensive to maintain due to heat damage.

Analyse the impact that the expansion of services at Air Reconditioned has had on the business's net profit figures and one other key performance indicator.

Adapted from VCAA 2017 exam Section A Q4c

Question 17 (6 MARKS)

Katarina owns League Partners, an accounting firm that provides financial services to corporate businesses. An influx in customers has occurred due to the end of the financial year approaching. Kat has recorded League Partners' performance this current financial year, compared to the previous year. After implementing changes that allowed each accountant to provide a more interactive and individualised customer experience, Kat noticed the following changes:

KPI	2022	2023
Percentage of market share	24%	28%
Number of customer complaints	7	2
Rate of productivity growth	Increased by 12%	Decreased by 9%

With reference to the data above, analyse the extent to which the changes in customer processing has impacted League Partners' business performance.

Adapted from VCAA 2018 exam Section A Q3b

Testing previous knowledge

Question 18 (4 MARKS)

Mater is the manager at Star Cars, a car washing and detailing business. A recent anonymous survey conducted at Star Cars outlined how staff are apprehensive towards Mater's choice to change their car washing service to a more automated process.

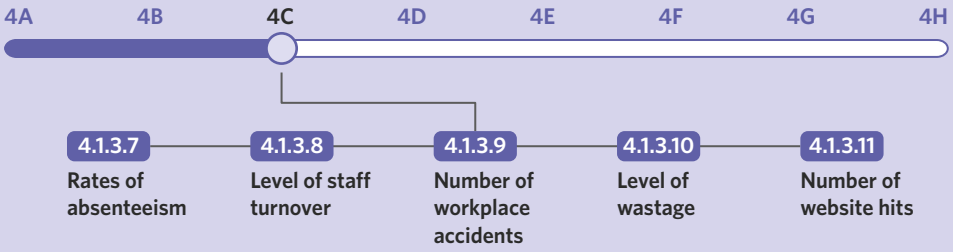
Analyse how two key performance indicators at Star Cars could be impacted by low employee motivation.

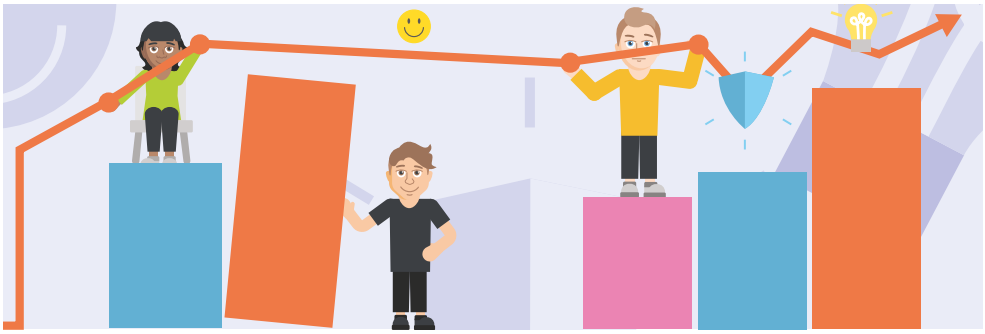
4C KPIs: Part 2

In addition to the KPIs from the last lesson, there are five more KPIs that are extremely valuable to a business when measuring performance. Understanding how KPIs can impact one or many areas of a business is crucial to upwardly progressing in overall performance.

STUDY DESIGN DOT POINT

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





Lesson introduction

The key performance indicators (KPIs) of rates of staff absenteeism, level of staff turnover, number of workplace accidents, level of wastage, and number of website hits can indicate levels of employee satisfaction, customer engagement, workplace safety, and efficiency. These indicators reflect a business's corporate culture, its consideration for its employees and the environment, as well as its online performance compared to competitors in the industry. Therefore, utilising KPIs is vital in enabling a business to remain competitive and profitable.

KEY DEFINITIONS

Rates of staff absenteeism are the average number of days employees are not present when scheduled to be at work, for a specific period of time.

ADDITIONAL TERMS

Staff morale is the collective attitudes, satisfaction, and overall outlook that employees have of the workplace. Staff morale can influence a business's productivity, workplace safety, attendance, and staff turnover.

Rates of staff absenteeism 4.1.3.7

Rates of staff absenteeism are the average number of days employees are not present when scheduled to be at work, for a specific period of time. Staff absenteeism may be due to illness, personal leave, or applying for work elsewhere, which can cost a business in terms of its productivity, time, and finances. A human resource manager would examine the rates of staff absenteeism as an indicator of **staff morale**. A high rate of staff absenteeism may indicate that employees are unmotivated, dissatisfied with their working conditions, and/or have poor relations with management. From the business's perspective, a high rate of staff absenteeism can be disruptive and expensive as absent employees may need to be replaced with hired casuals. Furthermore, the work flow may stop completely, causing delays in production and reducing profits (Table 1). Alternatively, low rates of staff absenteeism indicate that employees are highly motivated and have a high level of morale, which can improve productivity, business reputation, and overall corporate culture.

$$\text{Rates of staff absenteeism} = \frac{\text{Total number of days all staff are absent for a period of time}}{\text{Total number of staff}}$$

REAL WORLD EXAMPLE

Rates of staff absenteeism

Qantas is a major Australian airline that offers domestic and international flights. In 2022, due to the ongoing implications of the COVID-19 pandemic, Qantas and its passengers experienced the effect of staff absenteeism upon business performance, especially over the Easter period. A number of employees were required to isolate, meaning increased travel demands over the holiday break were unable to be met. This caused passengers to be left without luggage for a number of days, as there was insufficient staff to load baggage onto planes, as well as extensive lines and various travel delays at airports. The high rates of staff absenteeism ultimately resulted in customer frustration and online complaints, thus negatively impacting Qantas' reputation.

Adapted from The Guardian, 'Easter bag hunt: Australian travellers left without luggage as airport staff shortages bite', 2022



Image: 1000 Words/Shutterstock.com

Figure 1 The high rate of staff absenteeism at Qantas resulted in major delays and extensive lines at airports across Australia in 2022

USEFUL TIP

A common question on past VCE Business Management examinations involves interpreting data presented in tables and graphs. For these questions, it is important that you refer directly to the data in the question and use it when formulating your answer. For example the following question was asked in the 2018 Business Management exam.

Question 3b (VCAA, 2018)

With reference to the data, analyse the extent to which the purchase of the new machinery has assisted Wilkinson's Window Tinting in improving the performance of the business.

Table 1 Average number of days each staff member was absent from work and the net profit of a business for Year 1 and 2 at Wilkinson's Window Tinting.

	Year 1	Year 2
Rates of absenteeism	Average of 4 days per year per staff member	Average of 12 days per year per staff member
Net profit	$47,000	$23,000

A high-scoring response included the following discussion,

'The rate of staff absenteeism has increased by an average of 8 days per year per staff member meaning that perhaps the introduction of technology has caused the employees to feel no longer valued as they have been previously the ones doing the tinting. Thus, as employees are a valuable asset to a business' performance, then a lack of them throughout the year suggests that they are not performing as well as in Year 1.' (VCAA 2018)

High-scoring responses specifically referred to the data in the table and linked the addition of new machinery to the change in KPIs.

Level of staff turnover 4.1.3.8

Level of staff turnover is the percentage of employees that leave a business over a specific period of time and must be replaced. A human resource manager can analyse the level of staff turnover to examine staff morale, employee satisfaction, and the strength of interpersonal relationships within the business. Whilst some levels of staff turnover are healthy for business innovation and growth, a high level of staff turnover indicates that employees are likely dissatisfied with management styles, pay, or working conditions. From the business's perspective, the loss of experienced and qualified employees can have a direct impact on productivity as time and money must be spent on recruiting and training new employees. Furthermore, high levels of staff turnover reflect poorly on a business's reputation and may limit the pool of candidates that apply for an available position, potentially implicating the business's future opportunities for development and growth. In contrast, a low level of staff turnover is appealing to prospective employees as it indicates current staff are satisfied with their pay and working conditions. This may lead to the business becoming an **employer of choice**; encouraging candidates of the highest quality to apply for available positions.

$$\text{Level of staff turnover} = \frac{\text{Total number of staff leaving over a period of time}}{\text{Total number of staff required}} \times 100$$

KEY DEFINITIONS

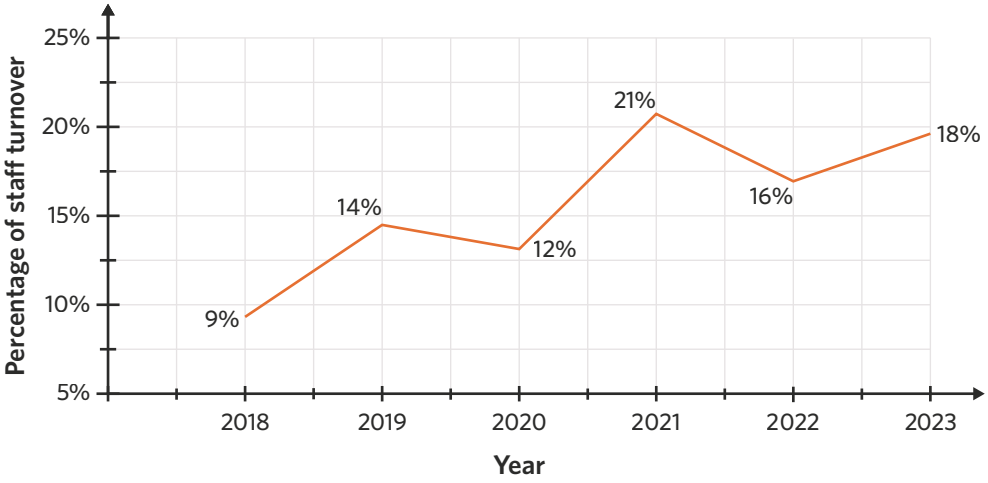
Level of staff turnover is the percentage of employees that leave a business over a specific period of time and must be replaced.

ADDITIONAL TERMS

Employer of choice is a business that attracts and retains highly skilled employees as it has established an inclusive workplace environment and positive corporate culture.

Data example – Level of staff turnover

Gadget Industries level of staff turnover



Adapted from VCAA 2017 exam Section A Q1c

Figure 2 The line graph shows the staff turnover for the years 2018 to 2023

USEFUL TIP

A business that is downsizing will often make a number of employees redundant. Redundant employees do not need to be replaced and are not included in the calculations for staff turnover.

REAL WORLD EXAMPLE

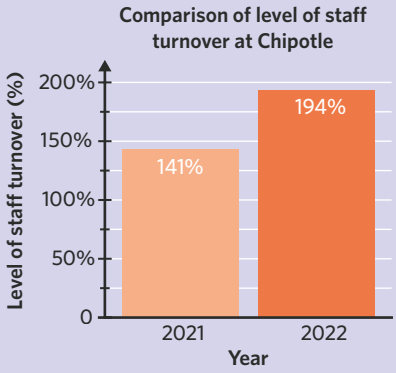


Figure 3 The bar chart compares the level of staff turnover for Chipotle from 2021 to 2022

Level of staff turnover

Chipotle Mexican Grill Inc. is a fast food chain founded in the US in 1993 that specialises in made-to-order burritos and tacos, with stores currently operating in the US, Canada, UK, France, and Germany. In April 2022, Chipotle reported a staff turnover rate of 194% in 2021, a dramatic increase of 53% compared to the previous period, potentially reflecting low levels of staff morale and job satisfaction at the fast food chain. The company is said to be 'working hard to normalise these numbers' in the 2022 period to retain more of its employees.

Adapted from Nation's Restaurant News, 'Turnover skyrocketed at Chipotle in 2021, despite investments in people', 2022

USEFUL TIP

Although the equations for calculating rates of staff absenteeism and the level of staff turnover within a business have been included in this lesson, VCAA will not assess any calculations in the end-of-year exam. Rather, these equations have been included to assist in understanding the theory contained in this lesson.

WANT TO KNOW MORE?

An employer of choice is a business that attracts and retains highly skilled employees as it has established an inclusive workplace environment and positive corporate culture. Becoming an employer of choice is desirable for a business, as it can ensure the retention of its best employees. Moreover, public perception of an inclusive and constructive work environment can lead to highly qualified workers seeking employment in the business. In 2022, the Employer of Choice Awards recognised Telstra, TPG Telecom, Aussie Broadband, and Adobe as Australia's employers of choice. So how does a business become an employer of choice and maintain this standard?

Some key steps to becoming an employer of choice include:

- creating an inspiring, engaging, and inclusive working environment.
- offering employees opportunities to benefit themselves, including a focus on wellbeing and personal development in their work.
- developing efficient business processes.
- facilitating communication and breaking down the typical hierarchical business structure.
- fostering a positive, collaborative, and focused corporate culture.

Becoming an employer of choice can act as a major competitive advantage for a business and provide long-term benefits in overall performance and profit.

Adapted from Hive, 'How to Become an Employer of Choice (In 6 Easy Steps)', 2021

Number of workplace accidents 4.1.3.9

Number of workplace accidents measures the amount of injuries and unsafe incidents that occur at a work location over a specific period of time. A high number of workplace accidents reflects an unsafe working environment and is a particular concern for human resource managers, as it is their responsibility to ensure the safety and wellbeing of employees. High incidents of workplace accidents can negatively affect staff morale, decrease motivation, increase rates of staff absenteeism, and increase the level of staff turnover, as employees feel that their safety is not the business's priority. A high number of workplace accidents can also halt production, decreasing efficiency and effectiveness whilst also damaging the business's public reputation. In contrast, a low number of workplace accidents indicates a comfortable, safe, and efficient working environment where employees are properly trained to maintain overall health and wellbeing.

KEY DEFINITIONS

Number of workplace accidents measures the amount of injuries and unsafe incidents that occur at a work location over a specific period of time.

Workplace accidents can occur due to:

- old or faulty equipment
- poorly trained employees
- dangerous nature of work tasks
- unsafe working practices.

Data example – Number of workplace accidents

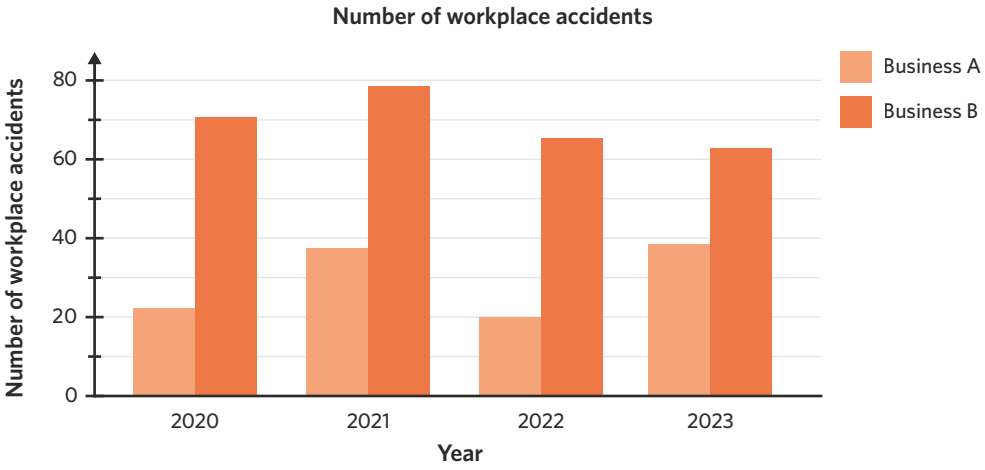


Figure 4 The bar chart compares the number of workplace accidents for two businesses from 2020 to 2023

REAL WORLD EXAMPLE

Number of workplace accidents

On 31 April 2022, Western Australia introduced new legislation stating that employers who are found guilty of a workplace death could be fined up to $10 million and spend up to 20 years in jail. The new regulations arose in an effort to reduce the number of workplace accidents within businesses, and hold employers accountable for employee safety. This exemplifies the detrimental impact that a high level of workplace accidents could have on businesses. Businesses should minimise workplace accidents for the safety and security of everyone in the business

Adapted from WA TOday, 'Employers face hefty fines, jail time under major WA workplace safety law overhaul', 2022

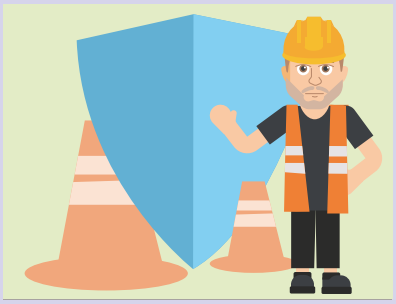


Figure 5 The introduction of new legislation that applies severe penalties upon employers for workplace deaths holds employers accountable for employee safety

Level of wastage 4.1.3.10

KEY DEFINITIONS

Level of wastage is the amount of inputs and outputs that are discarded during the production process.

Level of wastage is the amount of inputs and outputs that are discarded during the production process. High levels of wastage at any stage of the production process is a concern to a business, particularly an operations manager, as it often increases the raw materials, cost, and time required to produce a good or service. This may increase the expenses of the business and consequently reduce profits. Additionally, high levels of wastage can reflect poorly on a business in terms of environmental sustainability and corporate social responsibility (CSR), which may negatively affect its reputation and overall performance. However, a low level of wastage can reflect an extremely efficient and cost-effective production process and a business that values sustainability, therefore enhancing overall performance.

REAL WORLD EXAMPLE

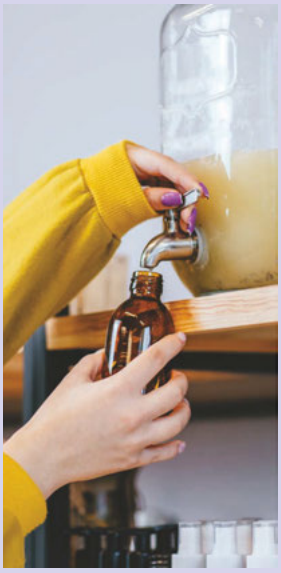


Image: Iryna Inshyna/Shutterstock.com

Figure 6 Coles introduced refill stations in an effort to reduce its level of wastage

Level of wastage

In 2022, major UK supermarkets, including Waitrose, Marks & Spencer, and Morrisons announced they would join a refillable grocery partnership in which customers have the option to purchase unpackaged food items, such as pasta, grains, nuts, and cereals in reusable containers. This change is an effort to reduce the level of wastage produced by supermarkets and the customers who purchase their products. These changes towards a more environmentally sustainable future have also been reflected in Australian supermarkets, with Coles implementing refill stations for products including olive oil, laundry detergents, shampoo, and conditioner in selected stores throughout 2021. The implementation of these refill stations has not only reduced wastage but has also seen decreases in packaging costs for Coles, which has been onset to customers through cheaper prices. Table 2 shows the percentage cost decrease of products at Coles as a result of the refill stations.

Table 2 The effect of refill stations on product prices offered to customers at Coles (9 News, 2021)

Product	Price
Olive oil	17%↓
Laundry detergent	55%↓
Dishwashing detergent	12%↓
Shampoo and conditioner	43%↓

Adapted from The Guardian, 'Refillable groceries to be made available to every UK shopper', 2022 and 9 News, 'Victorian Coles stores trial refill system set to save cash for customers', 2021

Number of website hits 4.1.3.11

KEY DEFINITIONS

Number of website hits is the amount of customer visits that a business's online platform receives for a specific period of time.

ADDITIONAL TERMS

Customer engagement is the interaction between a business and its customers by which it aims to develop brand awareness and loyalty.

Number of website hits is the amount of customer visits that a business's online platform receives for a specific period of time. This can be a useful indicator of a business's **customer engagement** and customers' overall interest in the business and its products. A high number of website hits can indicate that a business has a strong relationship with its customers, has effectively marketed a new product, or has a high level of interest in current or future products. Businesses that have a high number of website hits likely model their online presence so that customers can navigate it comfortably and efficiently, which may provide greater opportunities for sales. In contrast, a low number of website hits may suggest a business has a poorly developed online platform that does not entice customers to engage with the business or in online purchasing. In modern society, the number of website hits can be used as a clear indicator of future business prospects, especially with rapid advances in technology. This KPI also provides analytical data that can allow businesses to determine what specific products and areas of the business are receiving the most consumer interest. An underdeveloped website can be detrimental to a business's overall development and performance in a technology-dominant age.

USEFUL TIP

Data collected for one KPI may be reflective of other KPIs in the business, including those that were introduced in the previous lesson, such as number of sales, net profit figures, and percentage of market share. For example, a business's high number of website hits may indicate increased customer engagement and sales, which may consequently increase net profit figures and potentially indicate an increase in market share in the industry. Therefore, you should always consider how KPIs may be interconnected.

REAL WORLD EXAMPLE

Number of website hits

Apple Inc. is a public listed, multi-national company that produces a range of technological products and accessories including phones, laptops, headphones, and watches, and its own streaming platform called Apple TV. In March 2022, Apple reported 2.5 billion website hits for the month, with each visit lasting an average of 19 minutes. This was a 0.5% increase in hits from the previous month, which indicates a continual rise in customer engagement and overall company growth, which is also reflected in its record profits. Apple can also utilise the information contained in its number of website hits to determine where customer interest stems geographically and what products are most popular across these locations. This can further assist Apple in improving its technology products and remaining competitive in the industry.

Adapted from Semrush, 'March 2022 Traffic Stats', 2022



Image: Shahid Jamil/Shutterstock.com:

Figure 7 Apple experienced 2.5 billion website hits in March 2022, a 0.5% increase from the previous month

ACTIVITY

KPIs: Part 2

Katerina owns Kindness, an organic skincare company that develops personalised products based on individual customer needs, creating unique and tailored care. Last year, Katerina invested in some upgrades to her website as it had become outdated, and she wanted to make it more accessible for her customers whilst attracting new traffic. In addition to this, she implemented lean management principles into the business to increase efficiency and effectiveness, and decrease the environmental impact of Kindness in its production processes.

As a result of these changes, Katerina saw the number of website hits go from 1,264 per day to nearly 4,500 per day, and an increase in efficiency and therefore a reduction of waste from implementing lean management. She also unexpectedly noticed rates of staff absenteeism lower from 14% in 2022 to 6% in 2023 with no staff leaving the business in 2023, an observable decrease from 2022. Furthermore, she maintained a second consecutive year of 0 workplace accidents.

Based on the information presented above, fill in the following table with 'increase', 'decrease', or 'no change' for each KPI at Kindness:

KPI	Effect on KPI as a result of changes at Kindness
Rates of staff absenteeism	
Level of staff turnover	
Number of workplace accidents	
Level of wastage	
Number of website hits	

Theory summary

A business can examine KPIs to evaluate overall business performance. Rates of staff absenteeism and the level of staff turnover are both indicative of staff morale and employee satisfaction within a business which can have a direct impact on productivity. A business's level of wastage is a strong indicator of efficiency and sustainability, whilst the number of workplace accidents can reflect a business's prioritisation of safety. The number of website hits is increasingly relevant in modern society and can allow a business to analyse its level of customer engagement. By evaluating these KPIs, a business can understand whether change has been successful, or is still required to improve profitability and achieve business objectives.

4C Questions

Theory review

Question 1

A business can utilise KPIs to:

A. determine staff morale, productivity, and customer engagement levels.

B. only measure financial performance.

Question 2

The level of staff turnover is the average number of days employees are not present when scheduled to be at work, for a specific period of time.

A. True

B. False

Question 3

An increased level of staff turnover at a business can indicate:

A. staff morale and motivation have improved from the previous period.

B. employees are unsatisfied with their working conditions and have a poor relationship with management.

Question 4

Fill in the blanks with **two** of the following terms:

- Number of workplace accidents
- Level of wastage
- Increases
- Decreases

_____ is a measure of the amount of injuries and incidents that occur in a working environment over a specific time period. _____ in this KPI suggests that management is putting more effort into prioritising employee and workplace safety.

Question 5

High levels of wastage can damage a business's reputation as it reflects poor sustainability and corporate social responsibility practices.

A. True

B. False

Question 6

Fill in the blank with **one** of the following terms:

- efficiency
- customer engagement

The number of website hits can be used as an indicator of a business's level of _____ .

Question 7

KPIs may be interconnected as changes can affect multiple KPIs all at once.

A. True

B. False

Preparing for exams

Case study skills

Question 8

Stitches is a textiles manufacturing company on the outskirts of Adelaide that produces fabrics, thread, needles, and sewing machines for retailers and clothing companies. Recently, Lilo, the human resource manager at Stitches, was reviewing the company's key performance indicators and noticed an increasing level of staff turnover each year. She is now considering management strategies to overcome this issue.
The following table outlines the KPI figures at Stitches for the 2021 and 2022 periods.

Key performance indicator	2021 financial year	2022 financial year
Level of staff turnover	3% of employees permanently left Stitches	10% of employees permanently left stitches
Number of workplace accidents	14	21
Number of website hits	Increased by 6%	Decreased by 13%

Identify which of the following is a correct statement about Stitches.

A. The level of staff turnover has increased at Stitches in 2022 which may have caused the number of website hits to also increase.

B. In 2022, the number of workplace accidents has increased at Stitches, likely resulting in the level of staff turnover also increasing.

Use the following information to answer Questions 9 and 10.

Blue House is a children's gymnastics playhouse with numerous stores around Australia. The business specialises in children's parties and gymnastics lessons. Recently, some of the business's playhouses have been underperforming and the management team has decided to close two Blue House stores. The following table outlines the KPI figures of various Blue House stores across Australia.

Store location	Level of wastage	Rates of staff absenteeism
Sydney	Decreased by 5%	Decreased by 1%
Melbourne	Increased by 1%	Decreased by 2%
Adelaide	Increased by 6%	Increased by 4%
Perth	Increased by 10%	Increased by 7%
Canberra	Decreased by 2%	Decreased by 3%

Question 9

Identify which of the following is a correct statement about Blue House.

A. The level of wastage at Melbourne, Perth, and Adelaide locations all increased, indicating a decrease in the efficient use of resources during operations.

B. Sydney is one of the worst performing Blue House stores as both its level of wastage and rate of staff absenteeism decreased from previous figures.

Question 10

Identify which of the following is a correct statement about the change in KPIs at Blue House stores.

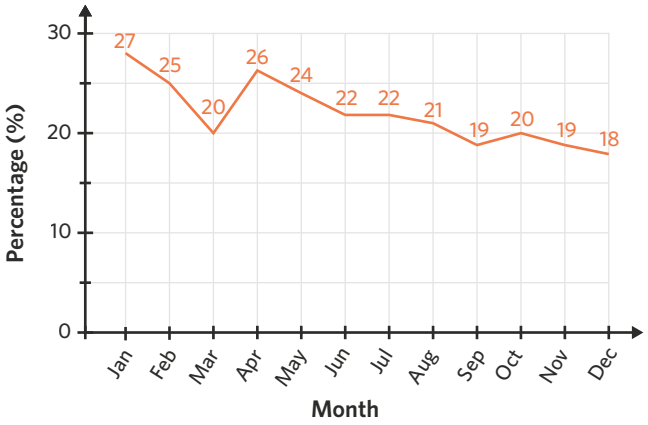
A. An increase in the rates of staff absenteeism at Adelaide and Perth stores suggests to Blue House management that employees are unsatisfied with their working conditions and are lacking morale, which likely caused store performance to decline.

B. A decrease in the level of wastage at Sydney and Canberra Blue House stores indicates a decrease in performance as fewer materials are being used, meaning less party and gymnastics services are being provided in these locations.

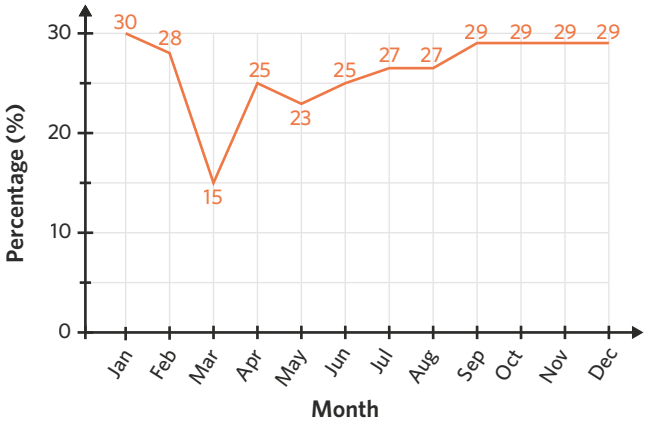
Use the following information to answer Questions 11 and 12.

Felipe is the owner of Serendipity, a renowned jazz restaurant and bar, hidden in the laneways of Melbourne. Last year, Felipe invested in an online website and booking platform, allowing his customers to check table availability and reserve their place before arriving at the restaurant. As a result, he noticed an increase in the number of customers visiting the jazz bar, consequently increasing staff motivation and satisfaction in their work of performing and serving patrons. The following data indicates the impact of this change on Serendipity's KPIs.

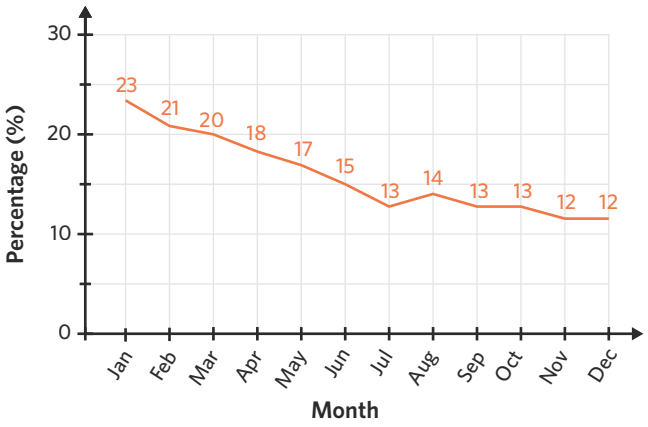
Rates of staff absenteeism at Serendipity in 2022



Level of wastage at Serendipity in 2022



Level of staff turnover at Serendipity in 2022



Question 11

Identify which of the following is a correct statement about Serendipity.

A. Rates of staff absenteeism have decreased by 9% and the level of staff turnover has decreased by 11%, indicating employees are more satisfied with their working conditions at Serendipity.

B. The decrease in staff absenteeism and turnover is because Felipe made employees who were previously responsible for booking tables redundant, as there was no other work for them at Serendipity.

Question 12

Identify which of the following statements are **true** or **false** about Serendipity's KPIs

		True	False
I.	The introduction of the online platform has made staff feel like their jobs are being replaced by technology, resulting in a decrease in the level of staff turnover.	☐	☐
II.	Serendipity's overall performance has improved as a result of the online platform as the jazz bar experienced increases across all three of its KPIs.	☐	☐
III.	The online platform has resulted in a more efficient and effective booking system for Serendipity and reduced the level of wasted time and skills at the jazz bar, thus improving performance.	☐	☐

Exam-style

Question 13 (2 MARKS)

Define the term 'number of website hits'.

Adapted from VCAA 2021 exam Section B Q1

Question 14 (2 MARKS)

Outline how rates of staff absenteeism can be used as a measure of business performance.

Question 15 (3 MARKS)

Stitches is a textiles manufacturing company on the outskirts of Adelaide that produces fabrics, thread, needles, and sewing machines for retailers and clothing companies. Recently, Lilo, the human resource manager at Stitches, was reviewing the company's key performance indicators and noticed an increasing level of staff turnover each year. She is now considering management strategies to overcome this issue. The following table outlines the KPI figures at Stitches for the 2021 and 2022 financial years.

Key performance indicator	2021 financial year	2022 financial year
Level of staff turnover	3% of employees permanently left Stitches	10% of employees permanently left Stitches
Number of workplace accidents	14	21
Number of website hits	Increased by 6%	Decreased by 13%

Explain the relationship between the level of staff turnover at Stitches and one other KPI.

Adapted from VCAA 2021 exam Section B Q2

Question 16 (5 MARKS)

Blue House is a children's gymnastics playhouse with numerous stores around Australia. The business specialises in children's parties and gymnastics lessons. Recently, some of the business's playhouses have been underperforming and the management team has decided to close two Blue House stores. The following table outlines the KPI figures of various Blue House stores across Australia.

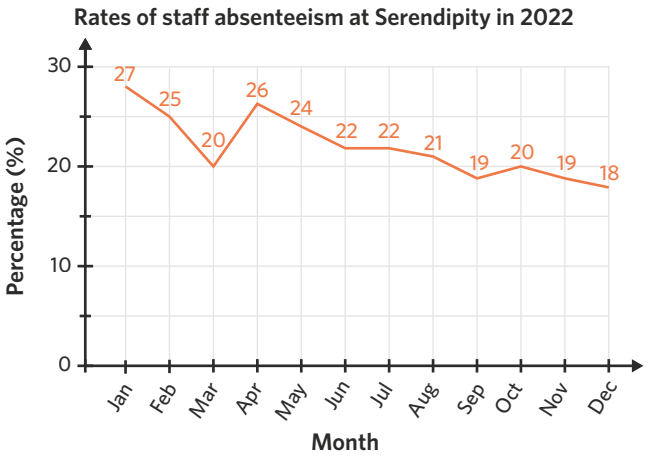
Store location	Level of wastage	Rates of staff absenteeism
Sydney	Decreased by 5%	Decreased by 1%
Melbourne	Increased by 1%	Decreased by 2%
Adelaide	Increased by 6%	Increased by 4%
Perth	Increased by 10%	Increased by 7%
Canberra	Decreased by 2%	Decreased by 3%

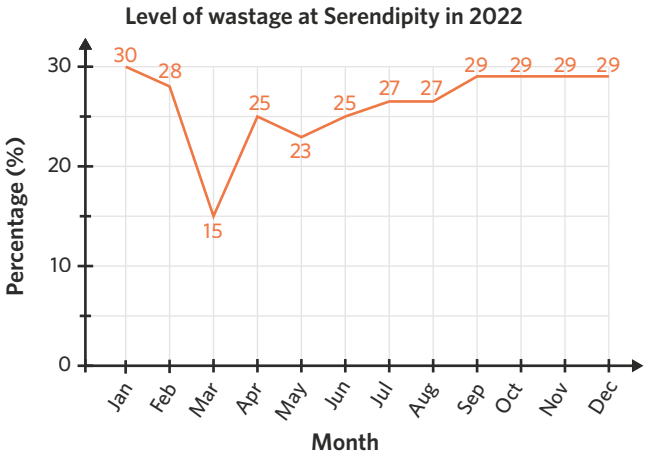
Interpret the KPIs in the data above to propose and justify to the management of Blue House which two stores should be closed.

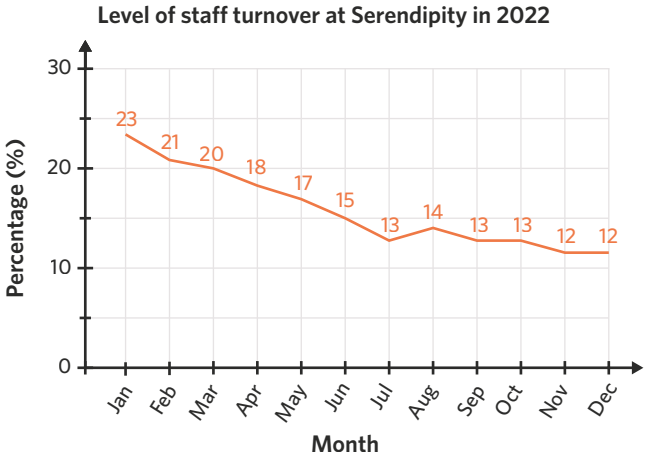
Adapted from VCAA 2019 exam Section B Q3

Question 17 (6 MARKS)

Felipe is the owner of Serendipity, a renowned jazz restaurant and bar, hidden in the laneways of Melbourne. Last year, Felipe invested in an online website and booking platform, allowing his customers to check table availability and reserve their place before arriving at the restaurant. As a result, he noticed an increase in the number of customers visiting the jazz bar, consequently increasing staff motivation and satisfaction in their work of performing and serving patrons. The following data indicates the impact of this change on Serendipity's KPIs.







With reference to the data above, analyse how the introduction of an online booking platform at Serendipity has improved performance.

Adapted from VCAA 2018 exam Section A Q3b

Testing previous knowledge

Question 18 (6 MARKS)

Enola Homes is a renovations company that specialises in building and redesigning luxury houses. Recently, the company has taken on advice to introduce lean management strategies into its operations, including aiming for zero defects across all areas of its builds and renovations. Managers at Enola Homes are hoping the implementation of lean management will allow the business to reduce its supply costs and therefore increase its profits.

Define the term 'level of wastage'. Evaluate the effectiveness of the introduction of lean management strategies in reducing Enola Homes' level of wastage.

4A–C Business change and KPIs review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Established in 2021, Blanichi Chocolates is a Melbourne-based chocolatier that produces a wide variety of chocolates. Blanichi Chocolates operates in the highly competitive chocolate industry and is struggling to match the low prices offered by larger chocolate manufacturers. This has led to poor business performance in 2021.



Image: Anna_Pustynnikova/Shutterstock.com

The CEO of Blanichi Chocolates, Melina Bennet, identified that changes must be made to improve the business's performance. Melina has decided that the business should focus on providing high-quality gourmet chocolates in an effort to compete on quality rather than price. She has proposed that the business should stop the production of its standard chocolate range, and instead exclusively produce quality chocolates for long-term business success.

At the start of 2022, Melina decided to implement the changes needed to produce the new gourmet chocolates. The business increased its investment in technology, purchasing new state-of-the-art equipment from Belgium which is capable of producing high-quality gourmet chocolate with little human interaction required. This equipment will also assist Blanichi Chocolates in minimising its impact on the environment, as it is more energy efficient. As the production of chocolates now requires less labour, 50 of the 400 employees at Blanichi Chocolates are being made redundant.

After the business's second year of operations, Melina decided to review a range of key performance indicators (KPIs) to assess if the performance of Blanichi Chocolates has improved. These KPIs are shown in the table.

KPI	2021	2022
Number of sales	230,000 boxes	920,000 boxes
Number of customer complaints	144	56
Number of websites hits	20,000	44,000
Rate of staff absenteeism	Average of 4 days per year	Average of 8 days per year

Exam-style questions

Question 1 (2 MARKS)

Define the term 'key performance indicator'.

Adapted from VCAA 2018 exam Section A Q3a

Question 2 (2 MARKS)

Define what is meant by a 'proactive approach' to business change.

Question 3 (2 MARKS)

Describe how the reactive approach to change has been used at Blanichi Chocolates.

Question 4 (2 MARKS)

Identify and explain a key performance indicator that Melina could use to measure the business's online engagement.

Adapted from VCAA 2011 exam Section A Q1d

Question 5 (2 MARKS)

Explain how Blanichi Chocolates could use net profit figures to measure its performance following the introduction of the new machinery.

Question 6 (2 MARKS)

Identify and explain one key performance indicator that Melina could use to assess Blanichi Chocolates' current impact on the environment.

Question 7 (3 MARKS)

Explain the relationship between the number of customer complaints at Blanichi Chocolates and one other KPI.

Adapted from VCAA 2021 exam Section B Q2a

Question 8 (4 MARKS)

Apart from those shown in the table, identify and explain two other key performance indicators that could be used to measure Blanichi Chocolates' performance from 2021 to 2022.

Question 9 (6 MARKS)

With reference to the data presented, analyse the extent to which the introduction of the new machinery has assisted Blanichi Chocolates in improving the performance of the business.

Adapted from VCAA 2018 exam Section A Q3b

4D Force Field Analysis

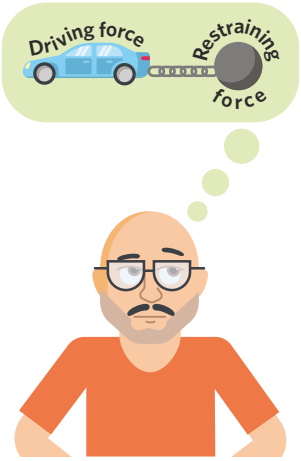
STUDY DESIGN DOT POINT

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

4A 4B 4C 4D 4E 4F 4G 4H

4.1.4.1 Force Field Analysis
- 4.1.4.1.1 Weighting
- 4.1.4.1.2 Ranking
- 4.1.4.1.3 Implementing a response
- 4.1.4.1.4 Evaluating the response

After determining a need for change, businesses should examine if proposed changes can be successfully implemented. Businesses can apply the principles of Lewin's Force Field Analysis theory to ensure successful change.



Lesson introduction

Kurt Lewin was a psychologist who developed the Force Field Analysis theory in the 1940s. The Force Field Analysis theory aims to assist businesses in undergoing business change. There are four key principles to the theory; weighting, ranking, implementing a response, and evaluating the response. These principles form the steps of the Force Field Analysis and highlight the importance of understanding driving forces and restraining forces in the process of implementing successful change.



Figure 1 A diagram of how driving and restraining forces influence business change

Force Field Analysis 4.1.4.1

Force Field Analysis is a theoretical model that determines if businesses should proceed with a proposed change. This model identifies and examines factors that promote or hinder the change from being successful. Factors can be classified as driving forces or restraining forces. **Driving forces** are the factors affecting the business environment that promote and support business change, whereas **restraining forces** are factors that resist a business change or actively try to stop it.

The principles of Lewin's Force Field Analysis theory are conducted in a step-by-step process starting from weighting the forces, then ranking the forces, implementing a response, and finally, evaluating the response. Following these steps helps a business make a clear analysis of the driving and restraining forces of the proposed change, in order to respond to them and ensure the successful implementation of change.

LESSON LINK

Driving forces will be covered in further detail in **4E Driving forces: Part 1** and **4F Driving forces: Part 2**.

Restraining forces will be covered in further detail in **4G Restraining forces**.

KEY DEFINITIONS

Force Field Analysis is a theoretical model that determines if businesses should proceed with a proposed change.

Driving forces are factors affecting the business environment that promote and support business change.

Restraining forces are factors that resist a business change or actively try to stop it.

Weighting 4.1.4.1.1

KEY DEFINITIONS

Weighting is the process of scoring and attributing a value to the driving and restraining forces.

Weighting is the process of scoring and attributing a value to the driving and restraining forces. The business first identifies the driving forces that promote the proposed change. Then, the business identifies the restraining forces that resist the proposed change. The principle of weighting enables the business to assign a 'weight' to determine the level of impact each force can potentially have on the change. Typically, weighting involves assigning a numerical score between 1 (a low score) to 5 (a high score).

The weight attributed to each force can depend on the degree to which the force is connected to, or affected by, the change. For example, if a proposed change relates to a product, customers may be greatly affected by the change so their weight as a restraining force may be stronger. If management has a high level of input into the proposed change, it is expected that management's weight as a driving force will be stronger than if they were less connected to the change. Weighting will also be influenced by any existing issues relating to each force. For example, if it is known that employee morale is low and they have been resistant to change in the past, this may lead to a greater weighting being attributed to employees as a restraining force.

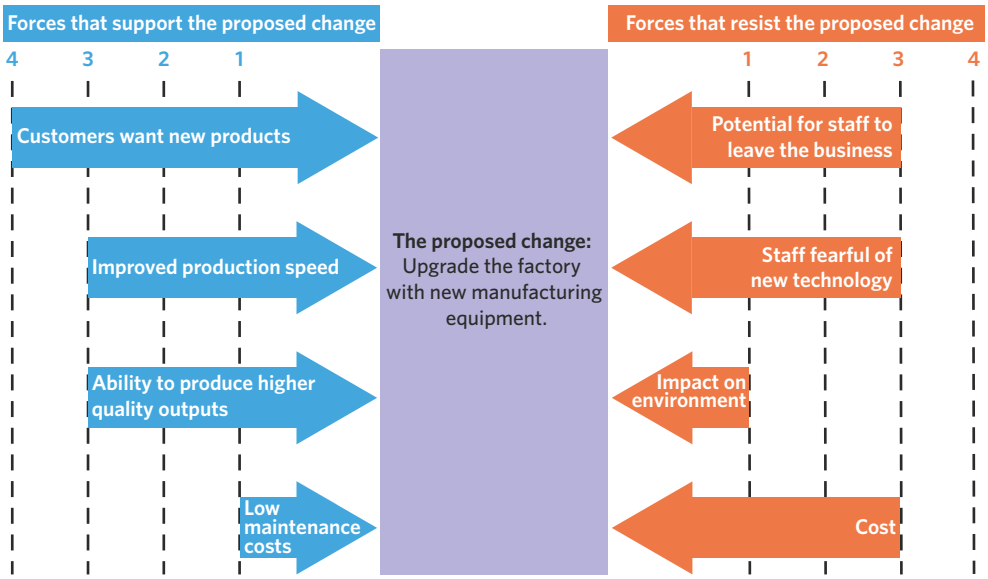


Figure 2 An example of the weighting principle of the Force Field Analysis

Ranking 4.1.4.1.2

KEY DEFINITIONS

Ranking involves arranging the forces in order of value and determining the total score of driving and restraining forces.

After assigning the values in the weighting stage, the scores for the driving forces and the scores for the restraining forces are calculated to determine an overall score for driving forces and restraining forces. They are also arranged in value order. This process is called **ranking**. At this stage, it can be determined whether the overall total score of the driving forces will overpower the total score of the restraining forces. A business change can only be implemented successfully when driving forces are stronger than restraining forces. This means the overall score of driving forces must be higher than the overall score of restraining forces if a business wishes to implement change successfully.

When restraining forces outweigh driving forces, action will need to be taken to ensure the success of the proposed change. Ranking helps determine which driving forces could most easily be strengthened further, and which restraining forces are most important to be removed or minimised.

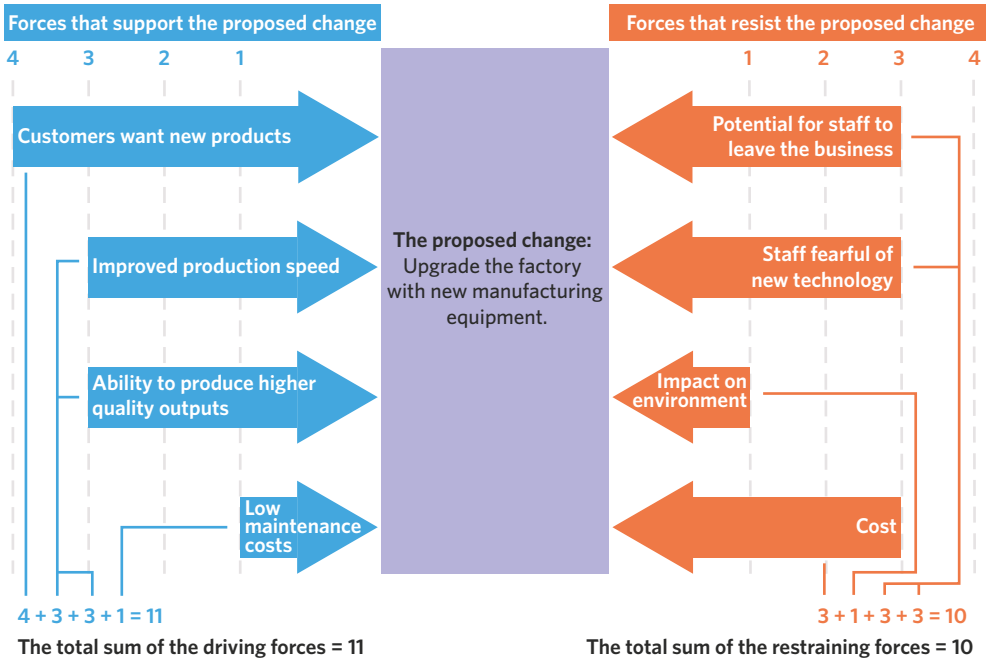


Figure 3 An example of the ranking principle of the Force Field Analysis

USEFUL TIP

Weighting and ranking are different but related concepts. Weighting is synonymous with scoring, involving the attribution of a number, 'weight', or value. Ranking involves arranging the forces in value order and determining the overall total score for the sum of the driving forces against the sum of the restraining forces.

Implementing a response 4.1.4.1.3

After ranking the forces, a business should implement a response dependent on whether driving forces or restraining forces are stronger. Successful change is only likely to occur when driving forces are stronger than restraining forces. In a Force Field Analysis, this principle of implementing a response refers to the action that can be taken to strengthen the driving forces, reduce or eliminate the restraining forces, and/or the actual execution of the change.

During the actual execution of the change, an action plan that details what needs to be done, who is responsible, the resources required, and deadlines for task completion can be created to support the implementation of the change. An action plan can also outline how the business will work to continuously strengthen the driving forces and weaken the restraining forces.

Evaluating the response 4.1.4.1.4

Evaluating the response is the final stage in the Force Field Analysis and it involves determining whether or not the change has been successfully implemented. The principle of evaluating the response refers to comparing the actual change to the anticipated change and determining whether further action needs to be taken. Both positive and negative consequences can arise from business change. Change implemented to improve performance in one area may adversely affect another area of a business, for example, cost cutting to improve profit margins but at the expense of staff satisfaction. A business can use key performance indicators (KPIs) to measure the success of the change in achieving business objectives. If the KPI targets have been met and business objectives have been achieved, then the evaluation of the change is successful and positive. However, if the evaluation of the change is negative, the Force Field Analysis may need to be redone, because restraining and driving forces may have strengthened, weakened, or changed. As the business world is constantly evolving and innovating, it is important to evaluate the impact of change frequently.

LESSON LINK

Key performance indicators were introduced in **4B KPIs: Part 1** and **4C KPIs: Part 2**.

REAL WORLD EXAMPLE



Image: Ceri Breeze/Shutterstock.com

Figure 4 Qantas' 'Project Sunrise'

Force Field Analysis

Qantas is an Australian airline that is the largest by fleet size, number of international flights, and number of international destinations. Qantas has created 'Project Sunrise' with the aim to establish direct flights between Australia, New York, and London. As part of 'Project Sunrise', the airline has recently purchased a dozen Airbus A350-1000s jets to operate the world's longest flights of around 20 hours. By applying Lewin's Force Field Analysis, Qantas could have determined whether the project's changes to airline operations will be successful. Qantas would have had to consider the weighting of the relevant driving forces in support of these changes, such as increasing profits and better meeting customer needs. Qantas would have also considered the weighting of the relevant restraining forces hindering the project, such as the high cost of the new aircraft, any employee resistance, and the time frame of the project. These forces would need to be ranked to ensure that the sum of the driving forces exceeds the sum of the restraining forces, so 'Project Sunrise' can be implemented successfully. Qantas is aiming for the flights to start running by the end of 2025. After this, an evaluation of the success of the changes would need to be completed.

Adapted from The Guardian, 'Qantas announces plans for non-stop flights from Sydney to New York and London', 2022

ACTIVITY

Force Field Analysis

Complete your own Force Field Analysis on yourself and your VCE studies this year. What factors are pushing you towards completing your studies? What factors are hindering your success? In your analysis, be sure to implement the principles of weighting, ranking, implementing a response, and evaluating the response.

Table 1 Advantages and disadvantages of the Force Field Analysis

	Advantages	Disadvantages
Business	• Businesses can examine if a proposed change can be implemented successfully. • The Force Field Analysis takes into account the whole business environment when implementing change, hence a more well-informed change can be made.	–
Employee	• Conducting the analysis can help determine sources of employee resistance to change and thus address them. • The Force Field Analysis may lead to a change being more likely to be successful, positively affecting employee morale.	–
Time	• Businesses can save time by promoting the main driving forces and limiting the main restraining forces.	• Can be time-consuming, especially if a business is already aware of the need for mandatory change. For example, a change is required for legislation.
Money	• Businesses can save money by only implementing change where success is likely.	• Conducting the analysis will require business resources, at a cost to the business.

Theory summary

Lewin's Force Field Analysis theory helps businesses determine if a proposed change will be successful. To conduct a Force Field Analysis, four principles need to be applied.

1. **Weighting** is the process of scoring and attributing a value to the driving and restraining forces.
2. **Ranking** involves arranging the forces in order of value and determining the total score of the driving and restraining forces.
3. **Implementing a response** refers to the action that can be taken to strengthen the driving forces, reduce or eliminate the restraining forces, and/or implement the actual change.
4. **Evaluating the response** is the process of the business determining whether the change has been successfully implemented or not.

Figure 5 The steps of Lewin's Force Field Analysis theory

These principles act as steps in how to undergo a Force Field Analysis. A business change can only be successfully implemented if driving forces exceed restraining forces. If restraining forces match or exceed driving forces, strategies need to be implemented to overcome the restraining forces.

4D Questions

Theory review

Question 1

Driving forces must be equal to or stronger than restraining forces in order for change to be implemented.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- weighting
- ranking

The principle of _____ involves placing scores and assigning values to the driving and restraining forces.
In contrast, the principle of _____ involves arranging the forces in order of value and determining the total score for the driving and restraining forces.

Question 3

Businesses can implement strategies that can strengthen the driving forces or strategies that can reduce and eliminate the restraining forces.

A. True

B. False

Question 4

The principle of implementing a response involves the actual execution of the change into the business' operations.

A. True

B. False

Question 5

Evaluating the response is where a business can assess whether the change has been successful or unsuccessful.

A. True

B. False

Question 6

Completing a Force Field Analysis is only beneficial to a business because it can save time and money.

A. True

B. False

Preparing for exams

Exam-style

Question 7 (2 MARKS)

Distinguish between driving forces and restraining forces.

Adapted from VCAA 2016 exam Q4a

Question 8 (2 MARKS)

Outline two benefits of businesses using Lewin's Force Field Analysis when undergoing change.

Question 9 (4 MARKS)

Explain how a business could implement a change using the principles of Lewin's Force Field Analysis.

Adapted from VCAA 2018 exam Section B Q3

Question 10 (4 MARKS)

Discuss the use of Lewin's Force Field Analysis when undergoing business change.

Testing previous knowledge

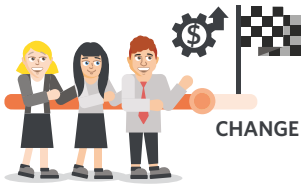
Question 11 (2 MARKS)

When evaluating the response to the business change of implementing a new, faster oven at Jill's Bakery, Jill was proud that the Force Field Analysis was completed successfully.

Explain the impact that this change likely had on the rate of productivity growth for Jill's Bakery.

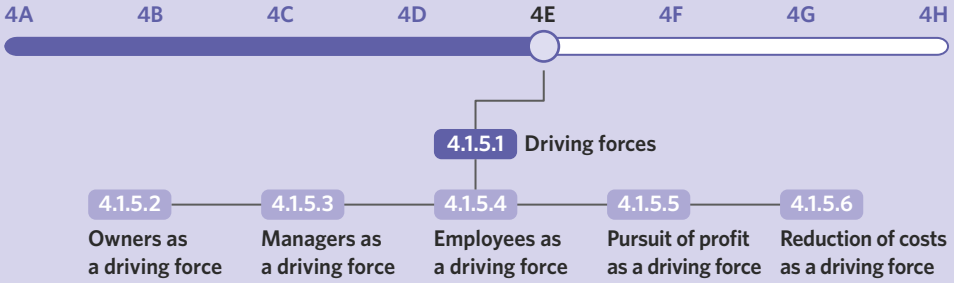
4E Driving forces: Part 1

Every business is influenced by factors that can encourage progress towards the implementation of change. Why is it important to consider the factors that impact business change? What factors can lead a business towards change? How can a business use these factors to its advantage?



STUDY DESIGN DOT POINT

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



Lesson introduction

A range of factors can encourage business change. These factors should be considered when a business aims to implement changes. The driving forces for change covered in this lesson will include owners, managers, employees, pursuit of profit, and reduction of costs. Each of these forces can support a change that a business may enact.

Driving forces 4.1.5.1

KEY DEFINITIONS

Driving forces are factors affecting the business environment that promote and support business change.

ADDITIONAL TERMS

Internal environment relates to the factors affecting a business, which the business has some control over.

External environment relates to the surrounding factors impacting a business that the business has little to no control over.

Driving forces are factors affecting the business environment that promote and support business change. Driving forces work in favour of the change and guide the business towards change implementation. Successful change is more likely to occur when driving forces outweigh the restraining forces of a proposed change. Driving forces may stem from both the **internal environment** and **external environment** of business operations, and arise from different parts of the organisation, such as its business objectives and human resources.

Owners as a driving force 4.1.5.2

Owners are the highest form of management in a business. Owners often make large-scale decisions for the future and possible expansion of the business. They have a vested interest in the ability of their business to meet its objectives and continue to adapt. Most business owners have developed their business over time and have a personal interest in its longevity and success. As a result, owners may actively seek out and support change in order to remain competitive in the business's rapidly and continuously changing environment. Moreover, owners also have an interest in the financial performance of the business, given they receive income from its operations. Due to these interests they hold in their business, owners can act as a driving force for change if they believe change will be beneficial to future business performance.

LESSON LINK

Restraining forces were introduced in **4D Force Field Analysis**.

REAL WORLD EXAMPLE

Owners as a driving force

Located in North Melbourne, Heartland Records is a music record store that was started in 1993 by Paul Cook. As the age of digital technologies rose in the 2000s, Paul recognised that digital music vendors were gaining traction, and his record store may soon become outdated. To combat this, Paul implemented changes to his business. He diversified his stock range and embraced the digital age by incorporating electronic sales mediums, such as eBay. To stand out and keep the business successful, Paul has captured the experience of vinyl records that digital versions have no way of replicating. Paul attributes the continued success of Heartland Records to his perceptiveness for opportunities for change, saying 'new things are always daunting' but business owners should embrace change to maintain relevance in the market.

Adapted from Business Victoria, 'Faces of Small Business', n.d.



Image: Sun_Shine/Shutterstock.com

Figure 1 Paul Cook, the owner of Heartland Records, is perceptive and proactively seeks change

Managers as a driving force 4.1.5.3

Managers play an important role within a business as they ensure business performance is optimised and objectives are being achieved. They are responsible for overseeing the implementation of policies and procedures in daily operations as well as the long-term goals of the business. Managers can act as a driving force for change when the proposed change will enhance the business's ability to meet objectives. When a manager is in support of a change, their management style, attitude, and leadership can encourage successful change implementation. This is because they set an example for other employees to follow. As an employee of the business, managers are concerned with their job security and financial incentives, which leads them to seek opportunities for business change. This means that both their approach to their management role and their personal interest can guide the business to seek opportunities for change.

REAL WORLD EXAMPLE

Managers as a driving force

Toyota, a leading car manufacturer, launched Kinto in 2021 as an initiative to gain access to the rental industry. Kinto is Toyota's car rental service that provides customers with car hire services from dealerships at a considerably lower cost than its competitors. The general manager of Kinto, Mark Ramsay, has aided the expansion of the service following a rental car shortage during the COVID-19 pandemic. Travel restrictions and lockdowns impacted the viability of car hire businesses and reduced the number of car imports into Australia. Mark Ramsay's leadership and advocacy helped support change for further expansion of Kinto as part of Toyota's services. As a result, Toyota can take advantage of the opportunity in the market as travel restrictions ease.

Adapted from News.com.au, 'Toyota expands Kinto car rental business', 2022

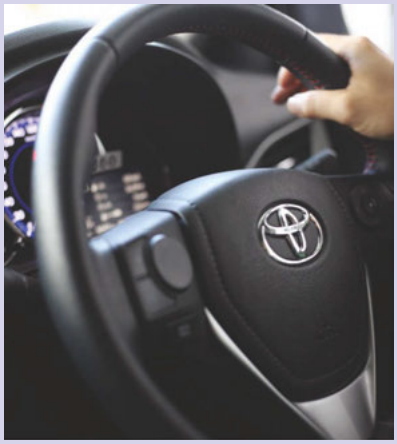


Image: Valentino Snap/Shutterstock.com

Figure 2 Toyota is tapping into the car rental markets with the development and expansion of the smartphone app Kinto

LESSON LINK

Management styles were introduced in **1D Management styles**.

Restraining forces will be covered in further detail in **4G Restraining forces**.

Employees as a driving force 4.1.5.4

Employees are vital to the business as they are responsible for achieving the business's objectives. Similar to business owners and managers, employees also have a personal interest in the performance of the business, given it provides them with work and an income. However, where owners and managers are more concerned with the broad scale of the business, individual employees may focus their attention on their working conditions, training, wage, and benefits that the business can offer them. In such instances, employees may act as a driving force for proposed changes that would improve their work environment. Employees may also strive to improve processes within the business where they discover opportunities for improved productivity.

USEFUL TIP

Some driving forces can also act as restraining forces in different contexts. When referring to driving forces, take care to clearly describe how factors can act as a driving force and how they support business change.

REAL WORLD EXAMPLE



Image: William Barton/Shutterstock.com

Figure 3 Employees act as a driving force for change at Google due to the innovations and new projects that they introduce to the company

Employees as a driving force

Google's goal to create the happiest workplace in the world not only benefits employee wellbeing, but also improves productivity and innovation. Google has a 20 per cent time policy, which allows Google employees to spend at least 20% of their working hours on other projects. During this time, Google employees can choose to act as a driving force for change by seeking areas for change and innovation. Some projects that have resulted from this include Google Maps, Gmail, AdSense, and Google News. These projects were started by employees' ability to develop creative ideas, hence enabling Google to implement these changes for business development and growth.

Adapted from PerkUp, '11 Awesome Google Benefits and Perks for Employees', 2022

Pursuit of profit as a driving force 4.1.5.5

One of the main objectives of all businesses is to make a profit. Businesses are encouraged to implement changes that improve their financial performance. After undertaking change, a business may be better able to fulfil other obligations, such as providing returns to its shareholders. Businesses must be adaptable to the rapidly changing market they operate in. If a business's revenue drops due to a change in the market, the business must be willing to explore new opportunities to change in order to remain profitable. Therefore, the pursuit of profit can act upon a business as a driving force for change.

REAL WORLD EXAMPLE



Image: G Tipene/Shutterstock.com

Figure 4 Pursuit of profit acted as a driving force for Qantas to add more flight routes and explore the limits of long-haul flights

Pursuit of profit as a driving force

Qantas has lost an estimated $16 billion in revenue since the outbreak of COVID-19. However, the opening of borders has allowed the revival of the domestic and international travel markets. In its pursuit of profit, Qantas has unveiled plans to launch new flight routes. One of these many flights is the direct long-haul route between Melbourne, Australia and Dallas, USA; a 17 hour flight in total. In introducing the new route, Qantas seeks to profit from the travel after historic losses in the travel industry. Qantas takes advantage of the market to yield higher profit margins by launching new destinations and seeks to 'push the boundaries of long-haul travel'.

Adapted from CNN, 'Melbourne to Dallas in 17 hours: Qantas announces latest ultra-long-haul flight to US', 2022

Reduction of costs as a driving force 4.1.5.6

All businesses should aim to reduce the costs of their operations. The reduction of costs can act as a driving force as businesses may implement change to improve efficiency and effectiveness, and reduce unnecessary costs that may arise in business processes. Strategies that reduce wastage or improve productivity can reduce a business's costs, and this often leads to an increase in a business's net profit figures. A business may be able to source materials from a cheaper supplier or relocate to benefit from less expensive rent as a means of reducing costs and improving profits.

ACTIVITY

Driving forces: Part 1

Reflect on a time you have experienced a change in your workplace or school. How did it impact you? What were some factors that contributed to the change taking place?

LESSON LINK

Net profit figures was introduced in **4B KPIs: Part 1**.

REAL WORLD EXAMPLE



Image: Abdelrahman Hassanein/Shutterstock.com

Figure 5 Qantas enacted redundancies to reduce costs of business operations

Reduction of costs as a driving force

The COVID-19 pandemic cost Qantas billions in revenue. To minimise its losses, the company needed to reduce costs. In 2021, Qantas cut $600 million from its costs, largely helped by carrying out 8500 redundancies. In performing these redundancies, Qantas saved costs where they would have otherwise needed to pay wages for workers. This reduction in costs was a driving force for changes within the Qantas workforce.

Adapted from Australian Financial Review, 'Qantas cuts jobs, eyes international flights', 2021

Theory summary

Driving forces support a business to implement successful change. Owners and managers have a vested interest in the performance of the business, and employees act as a driving force for proposed changes that directly concern their working environment. The pursuit of profit encourages business change that will improve financial performance. Similarly, the reduction of costs promotes changes that will improve efficiency and effectiveness, so that the business can save on unnecessary costs. The stronger these driving forces are, the more likely change will be implemented in a successful manner.

4E Questions

Theory review

Question 1

Driving forces are factors that favour business change.

A. True

B. False

Question 2

Driving forces can only stem from the internal business environment.

A. True

B. False

Question 3

Owners and managers are concerned with changes that affect the broad business operations and objectives, whereas employees are more interested in improving their working conditions.

A. True

B. False

Question 4

The pursuit of profit as a driving force can lead to changes that improve the business's financial performance.

A. True

B. False

Question 5

The reduction of costs supports changes that reduce unnecessary expenses and improve productivity.

A. True

B. False

Question 6

An example of a change in which reduction of costs is a relevant driving force could be:

A. utilising more socially responsible suppliers.

B. moving to a location where the rent is cheaper.

Question 7

Driving forces need to be equally as strong as restraining forces in order for change to be successfully implemented.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 8 and 9.

Debit Finance Pty Ltd. is a company that provides loans for people buying new and used cars all over Australia. Debit Finance Pty Ltd. charges 18% interest on its loan to customers and a commission of $1000 is given to the salesperson for each loan financed. Recent market data available to the business showed almost no companies were offering affordable loans in the aquatic vehicles market, involving vehicles such as boats or jet skis. At the same time this data was released, Debit Finance Pty Ltd. announced a net loss for the second year in a row. The directors called a meeting and decided that the appropriate course of action would be to reduce the commission offered to salespeople, enter into the aquatic vehicles market, and maintain the high interest rates, as this was a major source of revenue.

Question 8

Identify which of the following is a correct statement about the pursuit of profit as a driving force at Debit Finance Pty Ltd.

A. Pursuit of profit is a driving force for change because there is a new opportunity to increase profits by entering the aquatic vehicles market.

B. Pursuit of profit is a driving force for change because the commission offered to salespeople at Debit Finance Pty Ltd. is going to increase.

Question 9

Identify which of the following is a correct statement about the reduction of costs as a driving force at Debit Finance Pty Ltd.

A. The reduction of costs is a driving force for change because maintaining the high interest rates of its loans will increase Debit Finance Pty Ltd.'s revenue.

B. The reduction of costs is a driving force for change because the commission offered to salespeople at Debit Finance Pty Ltd. is decreasing, therefore reducing operational costs.

Question 10

Fruit Emporium has been selling fresh fruit for many years. The business is considering implementing a new strategic plan in response to experiencing declining profit growth caused by rising produce costs and falling sales. A recent online survey revealed a growing demand for organic foods, a product line that Fruit Emporium does not have. The manager is now considering introducing an organic food product line to recapture the business's decreasing market share. At the same time, the manager wants to change the fruits sold, removing unpopular items to lower the business's expenses.

Identify which of the following statements are correct about driving forces at Fruit Emporium.
(Select all that apply)

I. Reduction of costs acts as a driving force for change, as Fruit Emporium has decided to stop selling unpopular products, minimising expenses associated with these unsold goods.

II. Employees act as a driving force, as they may be indifferent about the availability and corporate social responsibility of sourcing and selling organic products.

III. Managers act as a driving force for change as they support the introduction of the new organic produce line in hopes of recapturing market share.

Question 11

Dillon Electric is considered a leading organisation within the service industry. It has a superb industrial relations record due to a significant change in its corporate culture. However, when it was established 5 years ago by Maxwell, the business had difficulty establishing itself in the market. Employees were dissatisfied with management and the poor working environment, which resulted in low productivity. Maxwell decided to introduce an agreement in an endeavour to become more productive and improve workplace relationships.

Identify which of the following statements are correct about driving forces at Dillon Electric.
(Select all that apply)

I. Managers are a driving force that impact Dillon Electric's business change as they can have a negative attitude and resist the change.

II. Maxwell the owner acts as a driving force as he has a financial stake in the business and wants Dillon Electric to succeed financially.

III. Employees are a driving force since they wanted to pursue improvements in their working conditions at Dillon Electric.

Exam-style

Question 12 (2 MARKS)

Define the term 'driving forces'.

Question 13 (2 MARKS)

Companies that do not accept change are likely to have difficulty satisfying all their stakeholders. A manager is often responsible for initiating and implementing change within the business.

Explain why a manager is considered a driving force for change.

Adapted from VCAA 2002 exam Section B Q8c

Question 14 (4 MARKS)

Debit Finance Pty Ltd. is a company that provides loans for people buying new and used cars all over Australia. Debit Finance Pty Ltd. charges 18% interest on its loan to customers and a commission of $1000 is given to the salesperson for each loan financed. Recent market data available to the business showed almost no companies were offering affordable loans in the aquatic vehicles market, involving vehicles such as boats or jet skis. At the same time this data was released, Debit Finance Pty Ltd. announced a net loss for the second year in a row. The directors called a meeting and decided that the appropriate course of action would be to reduce the commission offered to salespeople, enter into the aquatic vehicles market, and maintain the high interest rates, as this was a major source of revenue.

Explain how the pursuit of profit and reduction of costs act as driving forces for change at Debit Finance Pty Ltd.

Question 15 (4 MARKS)

Fruit Emporium has been selling fresh fruit for many years. The business is considering implementing a new strategic plan in response to experiencing declining profit growth caused by rising produce costs and falling sales. A recent online survey revealed a growing demand for organic foods, a product line that Fruit Emporium does not have. The manager is now considering introducing an organic food product line to recapture the business's decreasing market share. At the same time, the manager wants to change the fruits sold, removing unpopular items to lower the business's expenses.

Excluding the pursuit of profit, identify and outline two driving forces for change that Fruit Emporium's management will have considered when developing their plan for change.

Adapted from VCAA 2003 exam Section A Q4b

Question 16 (4 MARKS)

Dillon Electric is considered a leading organisation within the service industry. It has a superb industrial relations record due to a significant change in its corporate culture. However, when it was established 5 years ago by Maxwell, the business had difficulty establishing itself in the market. Employees were dissatisfied with management and the poor working environment, which resulted in low productivity. Maxwell decided to introduce an agreement in an endeavour to become more productive and improve workplace relationships.

Analyse the driving forces that have had an impact on business change at Dillon Electric.

Testing previous knowledge

Question 17 (4 MARKS)

Explain how two driving forces can contribute to proactive change in a business.

4F Driving forces: Part 2

Imagine you are managing a business and one of the following occurs:

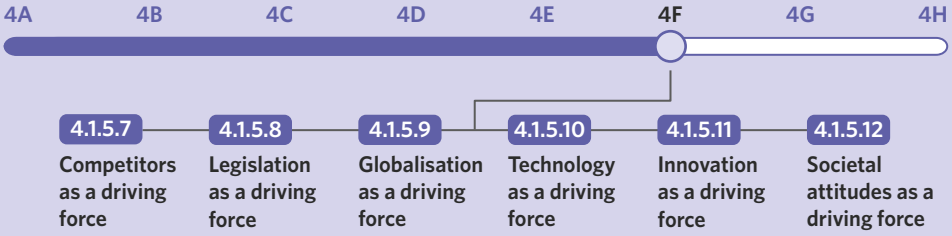
- Your competitor releases a superior product and captures some of your business' market share.
- Societal attitudes change and your product is no longer considered ethical.

Any of the above examples would require your business to make changes, or risk failure.



STUDY DESIGN DOT POINT

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



Lesson introduction

While businesses face internal pressures that may encourage a change to be implemented, there are a range of factors outside a business's control that can drive change. This lesson covers external driving forces including competitors, legislation, globalisation, technology, innovation, and societal attitudes.

Competitors as a driving force 4.1.5.7

ADDITIONAL TERMS

Competitors are other businesses within the same industry that sell similar goods or services to a business.

One of the core aspects of operating a business is competing against rival businesses. If a business fails to compete within its respective market, it will struggle to survive. It is important that all businesses respond appropriately to changes made by rival firms. When **competitors** change prices, use new technology, or run advertising campaigns, this can affect the performance of other businesses in the market. This makes competitors a driving force for change as a business must always adapt to remain competitive.

REAL WORLD EXAMPLE



Image: Tero Vesalainen/Shutterstock.com

Figure 1 Google Pixel announces the release of its first Google Pixel watch, a direct competitor of the Apple watch

Competitors as a driving force

Google is a technology company that sells consumer electronics through its online platform known as the Google Store. While the company is known for its Pixel phones, earphones, and smart home devices, in the middle of 2022, Google announced its release of the Pixel Watch. The new, circular, domed smartwatch is a direct competitor of the successful Apple Watch and will include a range of features, including, but not limited to Google Maps, Google Wallet, and Google Assistant. As the new watch will be compatible with the new experience of Wear OS by Google to provide users with a smooth experience, this will likely force Apple to make changes and improvements to its Apple watch to compete with Google. This makes competitors a driving force for change as Apple must continue to adapt and make improvements to its range of smartwatches to remain competitive.

Adapted from iMore, 'Google announces Pixel Watch, its competitor to the Apple Watch', 2022

Legislation as a driving force 4.1.5.8

All businesses are required to comply with laws and regulations to avoid fines, suspensions, or even closure. A business may be forced to change if new **legislation** is introduced. If current operations breach the new legislation, a business will have no choice but to change the way it operates. As current laws are constantly being amended and new laws are continuously being introduced, legislation is a constant driving force for change.

WANT TO KNOW MORE?

Since the beginning of the COVID-19 pandemic in March 2020, businesses have had to drastically alter the way they operate. On April 24 2020, the Victorian Government passed the *COVID-19 Omnibus (Emergency Measures) Act 2020* which temporarily allowed for regulations to be implemented in response to the COVID-19 pandemic. As this legislation permitted the Victorian Government to pass regulations that could come into effect overnight, businesses were forced to ensure that they were compliant with these laws to avoid facing significant fines or closure. Although society quickly became used to restrictions, such as wearing face masks, density limits, and QR check-ins, businesses were forced to completely change how they operated to comply with these temporary laws.

REAL WORLD EXAMPLE

Legislation as a driving force

On July 1 2021, the *Environment Protection Amendment Act 2018* came into effect which has transformed Victoria's environmental protection laws. This legislation introduces a 'general environmental duty' which requires all businesses to take reasonable and practical steps to proactively prevent and minimise the risk of harm to the environment and human health. The Environmental Protection Authority will enforce this legislation by taking action against businesses, not only when an incident occurs, but also where an uncontrolled risk is displayed. Therefore, businesses have been forced to change the way they operate to minimise risks that could damage the environment or the health of the population.

Adapted from Victoria State Government, 'Environment Protection Act 2017 and subordinate legislation', 2021



Figure 2 Changes to environmental legislation have forced businesses to change to remain legally compliant

ADDITIONAL TERMS

Legislation is the laws and legal regulations that a business has to follow.

Globalisation is the process by which governments, businesses, and people across the globe are becoming more interconnected, allowing for increased international trade and cultural exchange.

Free trade is when goods and services are bought and sold between countries without the existence of tariffs, quotas, or other restrictions.

Economies of scale are the cost savings a business experiences when it produces in large quantities, whereby fixed costs of production are spread across the large volume of items produced and bulk-buying discounts are received from suppliers.

Cultural homogenisation is the decrease in cultural diversity due to the bringing together of people from different countries and regions.

Globalisation as a driving force 4.1.5.9

The trend of increasing **globalisation** means that more businesses are operating on a global scale due to the removal of trade barriers. The existence of **free trade** means that businesses are now operating in a single global market and are constantly facing pressure from international competition. As globalisation allows for goods to be produced in different parts of the world, this allows businesses to take advantage of **economies of scale** by finding more efficient and cheaper ways to produce their products. This often results in prices being driven down in the market as businesses can afford to lower their prices. Furthermore, as globalisation results in the movement of businesses and people across the globe, this has increased the circulation of cultures and resulted in a rise in **cultural homogenisation**. This has resulted in customers accepting and demanding goods and services originating from different cultures. Therefore, cultural globalisation is a driving force for change as it provides opportunities for businesses to expand to new countries. If a business fails to recognise that it's competing in a global market, it will likely not survive as globalisation acts as a constant driving force for businesses.

REAL WORLD EXAMPLE



Image: Roger Utting/Shutterstock.com

Figure 3 American fast-food chain Five Guys opens its first store in Australia

Globalisation as a driving force

Five Guys is an American fast-food chain that focuses on selling burgers, hotdogs, and french fries. The trend of globalisation meant that in the middle of 2021, Five Guys could expand to Australia with its first restaurant opening in New South Wales in the western suburb of Penrith. The instant success of the American burger chain in Australia led to the announcement that a second restaurant would open in Sydney's CBD by mid 2022. Unlike many other fast-food chains, Five Guys is known for its hand-shaped burger patties, hand-cut fries, and most notably, its decision to make patties fresh rather than storing produce in the freezer. This has forced other burger restaurants in Sydney to adapt and recognise that they are competing with one of America's biggest burger chains as failure to do so will threaten their survival. Therefore, the recent announcement of new Five Guys restaurants opening in different parts of Australia demonstrates how globalisation acts as a constant driving force for change.

Adapted from Broadsheet, 'Just In: Five Guys Announces a Second Aussie Location – And It's in Sydney's CBD', 2022

ACTIVITY

Globalisation as a driving force

Search up '*Will Covid kill globalisation? The Economist*' on YouTube and watch the entire video. Then discuss the following questions with your classmates.

1. What kind of businesses have been negatively impacted by de-globalisation caused by the pandemic? Why do you think this is the case?
2. What kind of businesses have been positively impacted by de-globalisation caused by the pandemic? Why do you think this is the case?
3. Which of the three major disruptions to globalisation (the 2008 Global Financial Crisis, the Sino-American Trade War, or the COVID-19 pandemic) do you believe had the largest impact on global economies? Why?

Technology as a driving force 4.1.5.10

ADDITIONAL TERMS

Technology is the application of scientific knowledge to invent new devices, tools, systems, or processes.

As **technology** is constantly progressing, it will always act as a driving force for change. Using technology, businesses can increase the efficiency and effectiveness of their operations, cutting costs and improving overall productivity. For example, some forms of technology that can be implemented to improve a business's operations system include automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence, and online services. Businesses should also ensure they take into consideration relevant technological advancements when producing goods and services. Facial recognition systems used in mobile phones, the release of 5G technology, and the increased use of electric cars are all examples of technological advancements that have driven change. If a business fails to adopt suitable technology, it may impact its ability to compete and survive.

LESSON LINK

Automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence, and online services were introduced in **3D Technological strategies**.

REAL WORLD EXAMPLE

Technology as a driving force

At the beginning of 2021, McDonald's implemented artificial intelligence (AI) technology in some of its drive-thru systems in order to create a more efficient and consistent drive-thru experience. Rather than customers placing its order with a human employee, orders are taken by a computer. This AI technology can perform a range of functions, including greeting customers and taking orders through a list of automated responses. The AI drive-thru system has created a quicker and more accurate experience compared to drive-thrus run by people, as, unlike AI, human employees inevitably make mistakes and forget orders. Over recent years, particularly since the COVID-19 pandemic, the number of customers that order through drive-thrus has drastically increased. Therefore, it is essential that McDonald's and other competitors consider investing in drive-thru technology that minimises long lines, slow service, and incorrect orders to remain competitive. McDonald's is currently trialling other AI technology to improve its drive-thru, such as AI that scans customers' licence plates to predict orders. Ultimately, technology is a driving force for McDonald's and its competitors as there is an increasing demand for drive-thrus to be easy, quick, and accurate for customers.

Adapted from CNN Business, 'McDonald's and other chains are giving their drive-thrus the Jetsons treatment', 2021



Image: P_WON/Shutterstock.com

Figure 4 McDonald's introduces artificial intelligence technology in its drive-thru system

Innovation as a driving force 4.1.5.11

With constant pressure from competitors, businesses should always aim to improve existing products and services or introduce new ones. Many businesses will continuously innovate their products or procedures in order to increase sales and market share. Since businesses are always looking for ways to improve their products to gain a competitive edge, **innovation** will always act as a driving force.

ADDITIONAL TERMS

Innovation is the process of altering and improving or creating new products or procedures.

REAL WORLD EXAMPLE

Innovation as a driving force

Uber Eats is an online food ordering and delivery platform that launched in 2014. In August 2021, Woolworths announced that they will be offering same hour grocery delivery at selected Woolworths stores through a partnership with UberEats. As more people are staying at home and avoiding busy places since the COVID-19 pandemic, the demand for home deliveries has risen. Therefore, Woolworths' decision to partner up with UberEats allowed them to transform from offering 'same-day deliveries', to delivering groceries within the hour. Due to pressure to meet customer preferences for convenient grocery deliveries, innovation was the driving force for Woolworths' partnership with Uber Eats which allowed them to offer a new service distinct from competitors.

Adapted from itnews, 'Woolworths partners with Uber Eats for same hour delivery', 2021



Image: DELBO ANDREA/Shutterstock.com

Figure 5 Woolworths partners with Uber Eats to allow for same hour delivery

USEFUL TIP

Technological advancements can usually be referred to as 'innovation' but not all innovation involves the use of technology. While the process of innovation can involve the implementation of new technologies to improve existing products, innovation is not restricted to technological advancements. For example, innovation as a driving force may involve a business establishing a new idea or method to complete a particular task in a more efficient or effective way. Therefore, as the terms innovation and technology are often used interchangeably, it is important that students do not confuse these two concepts.

Societal attitudes as a driving force 4.1.5.12

ADDITIONAL TERMS

Societal attitudes are the collective values, beliefs, and views of the general public.

As the attitudes and beliefs of society are constantly changing, businesses need to ensure that their operations align with **societal attitudes** and behaviours. The internet has made it easier for society to be more aware of how businesses are operating, meaning that failure to adapt to the changing environment can result in the business losing sales and profits. For example, the COVID-19 pandemic has had a significant impact on society's views on hygiene and cleanliness. As a result, businesses must ensure they implement appropriate cleaning and disinfecting processes in order to ensure customers feel safe and to prevent the spread of the virus. Additionally, the increasing trend of individuals becoming health conscious has driven many businesses to create new healthy product ranges. Increased societal concerns about environmental sustainability have also caused businesses to become more eco-friendly. As societal attitudes are constantly evolving, they will always act as a driving force for business change.

REAL WORLD EXAMPLE



Image: rblfmr/Shutterstock.com

Figure 6 Woolworths stocks faux-meat products from a popular American nutritious company 'Impossible Foods'

Societal attitudes as a driving force

Woolworths is one of Australia's leading supermarkets that sell groceries and household products. In 2022, Woolworths announced its decision to expand its range of plant-based products by selling faux-meat products from a popular American nutrition company, 'Impossible Foods'. As societal attitudes have shifted in becoming more aware of the health considerations and environmental impacts associated with livestock, the demand for faux-meat has increased. Therefore, these societal attitudes have driven Woolworths to change its product offering and provide a faux-meat option to individuals who love the taste of meat but want a plant-based alternative. By responding to these societal attitudes, Woolworths is likely to increase its sales and profitability.

Adapted from 9News, 'Woolworths stocks Impossible Foods as demand for plant-based products soars', 2022

USEFUL TIP

When asked how societal attitudes act as a driving force, you will have to provide a specific societal attitude rather than a vague response. As such, it is important you are familiar with various societal attitudes in the community. For example, the following question was asked in the 2020 Business Management Exam:

Question 6 (6 MARKS)

'Analyse how societal attitudes have been a driving force for change in a contemporary business that you have studied this year.'

Responses that simply stated 'COVID-19' as a reason for change were not accepted as students needed to explain a societal attitude caused by the virus. For example, increased awareness of hygiene or fear of contagion are examples of societal attitudes which drove businesses to change the way they operate.

Theory summary

Businesses are constantly facing pressure to make changes by a range of factors. Decisions or actions made by competitors may encourage a business to react appropriately to remain competitive. Legislation can force a business to change to ensure they are compliant with the relevant laws and regulations. High levels of international competition caused by globalisation have forced businesses to make changes to be able to compete on a global scale. Businesses are encouraged to adopt the latest technology to keep up with competitors. The process of innovation is vital for a business's survival as there is always an opportunity for products to be improved. Societal attitudes are constantly changing and thus cause businesses to change with them to ensure their values align with the community.

4F Questions

Theory review

Question 1

Businesses have full control over the external driving forces in the business environment.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- competitors
- societal attitudes

A business deciding to decrease its selling prices in response to a rival business lowering its prices is an example of _____ as a driving force for change.

Question 3

Which of the following is an example of innovation as a driving force for change?

A. A business expands globally to compete on an international scale.

B. A business has identified a gap in the market and introduces a new product line as a result.

C. A business is forced to change its operations to comply with a new law that has just been passed.

Question 4

Fill in the blank with **one** of the following terms:

- globalisation
- technology

A business deciding to update its slow computer systems to create a more efficient workplace is an example of _____ as a driving force for change.

Question 5

If a business does not recognise that it's competing in a global market, it will likely survive and flourish.

A. True

B. False

Question 6

Globalisation has an impact on competitors as a driving force.

A. True

B. False

Question 7

Which of the following are examples of societal attitudes being a driving force for change. **(Select all that apply)**

I. New environmental laws have forced the business to change the way it operates.

II. The preference for online shopping has prompted the business to establish an online store.

III. The business has completely stopped using plastic in its operations as customers are becoming more eco-friendly.

Question 8

A business should not focus on the decisions and actions of its competitors.

A. True

B. False

Preparing for exams

Case study skills

Question 9

With a consistent rise in the number of wealthy tourists in the area, Ms Peach, the proprietor of the 3-star Waluigi Hotel, has noticed a decline in market share and profits for her hotel. She has also noticed that competitors with more luxurious resorts have experienced an increase in net profit and market share. This has prompted Ms Peach to change the business strategy and upgrade Waluigi Hotel from a 3-star hotel to a 5-star luxury resort.

Identify which of the following is a correct statement about Waluigi Hotel.

A. The higher market share and net profit achieved by competitors through their luxurious resorts demonstrate how competitors are acting as a driving force for the upgrade of Waluigi Hotel.

B. The rise in the number of wealthy tourists in the area demonstrates how legislation is acting as a driving force for the upgrade of Waluigi Hotel.

Question 10

In response to increased customer demand for environmentally sustainable air conditioners, Arrow Air's CEO, Hilary, has announced that 'environmentally friendly and noiseless units' will be produced in the company's manufacturing plant. Hillary hopes this change will allow Arrow Air to gain a substantial competitive advantage and increase its market share.

Identify which of the following is a correct statement about Arrow Air.

A. Legislation forced Arrow Air to produce environmentally friendly air conditioners.

B. Society's view on environmental sustainability prompted Arrow Air to produce its new environmentally friendly air conditioners.

Use the following information to answer Questions 11 and 12

Crystal Cleaners specialises in supplying Australian households with washing machines and dishwashers. The company is planning to reorganise its operations as it prepares for the introduction of new machine models. The operations manager, Connie, is investigating having some product parts manufactured in China and shipped to Crystal Cleaners' Australian factories.

Question 11

Identify the driving force that would best match the evidence of 'investigating having some product parts manufactured in China and shipped to Crystal Cleaners' Australian factories'.

A. Innovation

B. Globalisation

Question 12

Identify which of the following is a correct statement about Crystal Cleaners.

A. Crystal Cleaners is considering outsourcing its manufacturing of parts to China because increased global competition is forcing it to become more competitive.

B. Crystal Cleaners is considering outsourcing its manufacturing of parts to China because of societal attitudes, values, and beliefs constantly changing in China.

Question 13

Frank's Barbeques is a business that manufactures and sells barbeques. Due to the rise in popularity of online shopping, Frank's largest competitor 'BBQ's R Us' has recently launched a new website where customers can purchase barbecues online. In response, Frank has decided to launch his own website with the hope that his sales will increase.

Identify which of the following statements are **true** or **false** about Frank's Barbeques.

		True	False
I.	Societal attitudes have encouraged Frank to launch his website in response to the rise in popularity of online shopping.	☐	☐
II.	Frank's largest competitor, BBQ's R Us' decided to allow customers to purchase barbecues online acted as a driving force for Frank's Barbeques to do the same.	☐	☐
III.	Legislation acted as a driving force for Frank's Barbeques to launch a new website as the customers demanded it.	☐	☐

Exam-style

Question 14 (2 MARKS)

Describe how legislation can act as a driving force.

Question 15 (2 MARKS)

Describe how innovation can act as a driving force.

Question 16 (2 MARKS)

With a consistent rise in the number of wealthy tourists in the area, Ms Peach, the proprietor of the 3-star Waluigi Hotel, has noticed a decline in market share and profits for her hotel. She has also noticed that competitors with more luxurious resorts have experienced an increase in net profit and market share. This has prompted Ms Peach to change the business strategy and upgrade Waluigi Hotel from a 3-star hotel to a 5-star luxury resort.

Explain how competitors of Waluigi Hotel have acted as a driving force for Ms Peach when adopting this decision.

Adapted from VCAA 2009 exam Q3ci

Question 17 (2 MARKS)

In response to increased customer demand for environmentally sustainable air conditioners, Arrow Air's CEO, Hilary, has announced that 'environmentally friendly and noiseless units' will be produced in the company's manufacturing plant. Hillary hopes this change will allow Arrow Air to gain a substantial competitive advantage and increase its market share.

Outline how societal attitudes have acted as a driving force for the change at Arrow Air.

Adapted from VCAA 2014 exam Q2a

Question 18 (2 MARKS)

Crystal Cleaners specialises in supplying Australian households with washing machines and dishwashers. The company is planning to reorganise its operations as it prepares for the introduction of new machine models. The operations manager, Connie, is investigating having some product parts manufactured in China and shipped to Crystal Cleaners' Australian factories.

Explain one driving force that may have led Crystal Cleaners to consider having its parts made in China.

Adapted from VCAA 2008 exam Q3e

Question 19 (4 MARKS)

Frank's Barbeques is a business that manufactures and sells barbeques. Due to the rise in popularity of online shopping, Frank's largest competitor 'BBQ's R Us' has recently launched a new website where customers can purchase barbecues online. In response, Frank has decided to launch his own website with the hope that his sales will increase.

Analyse two driving forces that have had an impact on business change at Barbeque's Galore.

Testing previous knowledge

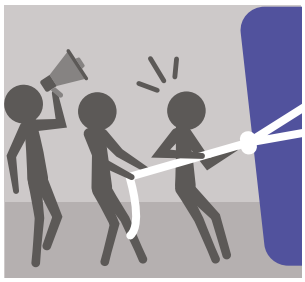
Question 20 (4 MARKS)

Hannah is the owner of a women's sportswear clothing store and has recently noticed a decline in sales of its exercise tops. Customers are complaining that the material does not absorb sweat. In response, Hannah has decided to make an improvement to the type of material used and is now producing her exercise tops with a new sweat-absorbent material with the hope of increasing sales and profits.

Explain how the pursuit of profit and innovation act as driving forces for change at Hannah's sportswear store.

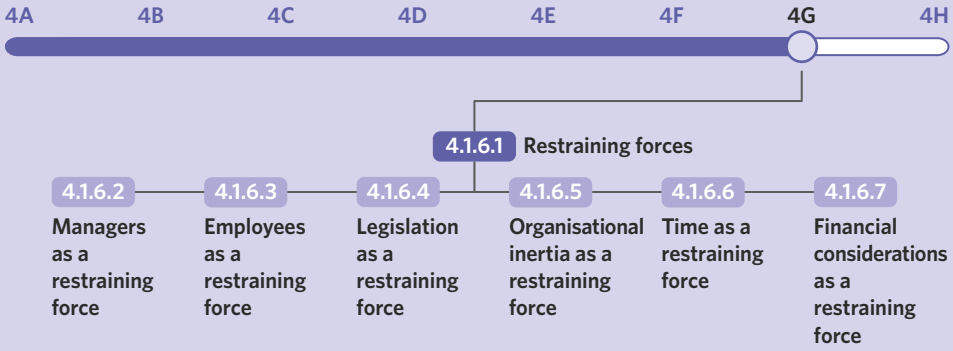
4G Restraining forces

Business change cannot be implemented successfully if the restraining forces exceed the driving forces. Therefore, understanding and overcoming restraining forces is crucial to a business's transformation process. In this lesson, you will be learning the six restraining forces including managers, employees, legislation, organisational inertia, time, and financial considerations.



STUDY DESIGN DOT POINT

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



KEY DEFINITIONS

Restraining forces are factors that resist a business change or actively try to stop it.

Lesson introduction

In any proposed business change, there are always factors that discourage or inhibit a business from implementing the change successfully.

Restraining forces 4.1.6.1

Restraining forces are factors that resist a business change or actively try to stop it. If restraining forces exceed driving forces, a business change is unlikely to be successful. For a business change to be successful, businesses have to implement strategies to overcome the relevant restraining forces.

Managers as a restraining force 4.1.6.2

Managers are the owners, leaders, or upper management within a business that often introduce change. Although managers are often a driving force, they may also act as a restraining force for business change. Managers may be unwilling to introduce a business change if they do not support the change. Managers may not support a change if they do not believe the change will be beneficial for the business's performance, or if the proposed change threatens their position. It is difficult to overcome managers as a restraining force as they are essentially in charge of the business, hence negotiating a compromise or alteration to the initial proposal may be necessary.

REAL WORLD EXAMPLE



Image: Mike Mareen/Shutterstock.com

Figure 1 Amazon managers resist the formation of an employee union

Managers as a restraining force

Amazon is the largest e-commerce marketplace in the world, offering a wide range of products to customers across the globe. However, despite its international success, the company has received backlash from its employees as management have resisted the establishment of a union for its workers. In 2020, Amazon began a multi-million dollar campaign to prevent employees from establishing their own union, and even terminated the contracts of rebellious employees. As of April 2022, Amazon was unsuccessful in its efforts to resist change and now with one employee union established, they prepare to continue their resistance and prevent union formation elsewhere.

Adapted from The Guardian, 'The revolution is here: Chris Smalls' union win sparks a movement at other Amazon warehouses', 2022

Employees as a restraining force 4.1.6.3

Employees are the individuals who perform work tasks for the business and can be both a driving force and restraining force for business change. Employees may resist a business change if the outcome is uncertain, they fear they cannot adapt, it affects their job security or work routine, or they fail to see a reason for the change. Employees may even actively oppose these changes by carrying out **industrial action**. To overcome employees as a restraining force, managers usually have to persuade or create incentives for the proposed changes to be adopted, often needing to demonstrate key leadership and management skills.

ADDITIONAL TERMS

Industrial action involves steps taken by employees or employers to settle a workplace dispute. During industrial action, employees can delay, limit, or refuse to work, and employers can lock employees out of a workplace.

LESSON LINK

Management skills were introduced in **1F Management skills**.

REAL WORLD EXAMPLE

Employees as a restraining force

Google is a technology business that began as an internet search engine provider and has since expanded to other internet-related products. Google Cloud is one of the many technology services offered by Google that allows customers to store their data through an online accessible drive. Despite its plans for future growth, Google Cloud announced on 2 March 2022 that it would lay off at least 100 employees which has been met with a high level of hostility. Many employees, including those unaffected by the change, are planning on retaliating against this change at Google Cloud due to the lack of time and justification for these layoffs, claiming that the company has acted against Google's projected values.

Adapted from The Guardian, 'Google Faces Revolt Over Cloud Layoffs', 2022



Image: Michael Vi/Shutterstock.com

Figure 2 Google Cloud plans to lay-off at least 100 employees in 2022

WANT TO KNOW MORE?

Industrial action is undertaken by employees or employers when they are unable to settle a workplace dispute. This can include:

- Employees being unnecessarily and purposefully absent from work.
- Employees failing, delaying, or refusing to complete work tasks.
- Employees limiting the amount of time they work.
- Employers locking employees out of the workplace.



Figure 3 Employees may protest as a form of industrial action against a disagreement when negotiating working conditions

In some cases, industrial action is legally protected, meaning employees and employers can undertake such measures without breaking the law. However, this is strictly limited to situations where there have been unsuccessful attempts at bargaining for a new employment agreement. In all other cases, industrial action is illegal.

Can you recall any forms of industrial action that may have been highlighted by the media?

For example, public transport and healthcare workers often undertake industrial action in protest of their difficult working conditions such as minimum pay rates, long hours, and night shifts. Such industrial action not only impacts their employers, but also the holistic functioning of society, as public transport and healthcare are necessary services. The importance of these industries operating effectively places pressure on businesses to swiftly resolve the dispute.

Adapted from Fair Work Ombudsman, 'Industrial action', n.d.

Legislation as a restraining force 4.1.6.4

Legislation can be both a driving force and restraining force for business change. Businesses must ensure they comply with laws and regulations to avoid fines, suspensions, or even closure. Legislation can prevent a business from implementing business change and thus act as a restraining force. Therefore, a business must consider the types of legislation that apply to any proposed business change. To overcome a legislative restraining force, a business may have to apply for licences, obtain permits, or even change contracts and agreements so they comply with the law. However, in some cases, legislative barriers cannot be overcome.

WANT TO KNOW MORE?

In response to the perpetration of violence by Russia against Ukraine and the ongoing situation of hostility, in 2022 the Australian government imposed sanctions on the import and export of fuels and certain goods from Russia. Therefore, businesses that utilise such imports in Australia are being restrained by this legislation and may need to find alternatives in order to continue normal business operations.

How might this sanction have ongoing impacts for both Australian and Russian businesses?

Adapted from Australian Government Department of Foreign Affairs and Trade, 'Russia Sanctions', n.d.

Table 1 Legislation affecting different stakeholders

Stakeholder	Laws or legal regulations
Competitors	• Competition and Consumer Act • Intellectual property laws
Customers	• Pricing displays and regulations • Product labelling • Warranties and refunds • Privacy laws
Employees	• Pay and conditions • Worker's Compensation Insurance • Occupational Health and Safety • Anti-bullying and harassment • Unfair dismissal laws
Environment	• Environmental licences and permits
Suppliers	• Contracts • Importing and exporting laws

REAL WORLD EXAMPLE



Image: LamoonfilmPhoto/Shutterstock.com

Figure 4 Employers will be required to pay superannuation to all employees as of 1 July 2022

Legislation as a restraining force

On 1 July 2022, new superannuation legislation was introduced. This legislation removes the $450 monthly minimum wage threshold that previously determined the amount employers contributed to employee superannuation funds. Consequently, the amount an employee earns no longer determines whether they receive superannuation contributions, meaning all employers must contribute to their employees' superannuation funds. This legislation has significantly increased expenses for many businesses, which could potentially act as a hindrance to change.

Adapted from SuperGuide, 'Superannuation rule changes from July 2022 (and previous years)', 2022

USEFUL TIP

It is important to remember that managers, employees, and legislation can be both driving and restraining forces for business change.

For example, the following question could be asked in relation to managers as a driving and restraining force:

Explain how managers can act as both driving and restraining forces for business change. (3 MARKS)

A high-scoring response included the following discussion:

'Managers are the owners, leaders, or upper management within a business and can act as driving forces when they promote and support business change. Managers will support a business change when the change enhances their ability to meet business objectives or provides them with greater financial and job security. However, managers can also act as a restraining force if they hinder and resist the business change from occurring. Managers may not support a business change if they do not believe it will be beneficial for the business's performance, or if the proposed change threatens their position.'

Organisational inertia as a restraining force 4.1.6.5

A business may have been operating in a certain way for such a long time that it can become difficult for change to occur. When a business matures and grows in size, processes and procedures often have to be made consistent to promote efficiency in operations. As staff become familiar and comfortable with these structures, attempts to make changes can be difficult due to resource and routine rigidity within the business. To overcome **organisational inertia**, a business may have to change leadership, restructure the business, or create work environments that promote new directions.

ADDITIONAL TERMS

Organisational inertia is the tendency for a business to maintain established ways of operating.

Chief Executive Officer (CEO) is the highest ranked individual in a private or public company and is in charge of making major business decisions.

REAL WORLD EXAMPLE

Organisational inertia as a restraining force

Facebook, Inc., which is now known as Meta Platforms, Inc., is the company that owns sites, such as Facebook, Instagram, and Whatsapp. Over the past few years, Facebook has caused controversy due to a series of data breaches and its use of unethical data collection methods. In response to this, Mark Zuckerberg, the **Chief Executive Officer (CEO)** of Facebook, Inc., announced that this company would be rebranded to Meta Platforms, Inc. For a company established in 2004, this gradual transition from Facebook to Meta proved difficult for its approximately 68,000 employees. Staff within the company expressed concern over such a change, questioning whether Facebook was really fixing its data breaches and insensitive content, or simply masking these issues. Consequently, the restructuring of Facebook to its new, optimistic, and holistic Metaverse has been met with resistance from within the organisation.

Adapted from The New York Times, 'How Facebook is Morphing into Meta', 2022



Image: Ink Drop/Shutterstock.com

Figure 5 The tech-giant Facebook underwent a rebranding in 2021-22 to transition to Meta

ACTIVITY

Organisational inertia as a restraining force

Search up '*The Rise and Fall of Blockbuster*' on YouTube and watch the entire video (Business Insider, 2020).

Blockbuster was a video and movie rental company that operated from 1985 to 2014. The company ceased its operations after eventually going bankrupt due to its failure to adapt to changes in the world of digital technology, which societal attitudes transition from DVDs to online video streaming platforms.

After watching the video consider the following questions:

1. How did organisational inertia play a role in Blockbuster's downfall and eventual bankruptcy?
2. Can you think of any other restraining forces which played a role in Blockbuster's decline?

Time as a restraining force 4.1.6.6

Business change often has to be completed before, after, or within a certain time period. The time restrictions may be due to other restraining forces, such as legislation deadlines and financial pressures, or other driving forces, such as competitors and societal attitudes. If time has been identified as a restraining force, a business may have to find ways to alter the time restriction. This may mean the change is progressively implemented in stages or another business is engaged to assist with implementing the change.

REAL WORLD EXAMPLE



Figure 6 To successfully rebrand, Facebook had to undergo a timely transition to Meta

Time as a restraining force

Facebook's rebranding to Meta Platforms Inc. came after a series of controversies for the technology company, with many claims that this transition was necessary to establish a new reputation for the business. Therefore, this organisational change had to be implemented swiftly over 2021 and 2022 in order for the tech giant to separate itself from its previous problems and establish a new and successful brand. Promptly implementing this change enabled the tech giant to remain competitive and improve its reputation among society.

Adapted from The New York Times, How Facebook is Morphing into Meta', 2022

Financial considerations as a restraining force 4.1.6.7

Most business changes will incur a cost for it to be introduced or implemented. These costs may be associated with equipment, redundancy packages, training, and/or reorganisation of the business. A business must ensure that it has enough funds to carry out the proposed change. If the business cannot finance the change, it will need to explore different ways of obtaining the required funds. In some cases, it may even have to alter the proposed change to suit its financial position.

REAL WORLD EXAMPLE



Figure 7 Facebook experienced significant and ever-increasing costs when transitioning to Meta

Financial considerations as a restraining force

The costs associated with Facebook's rebranding were significant due to the rights of the name 'Meta' costing an estimated $60 million alone. Financial managers at the technology company had to consider whether the cost of this change was affordable and realistic. Managers would have also considered whether adjustments needed to be made to ensure Facebook remained profitable and viable throughout this transition period.

Adapted from Forbes, 'Facebook Owner Pays $60 million for 'Meta' Name Rights', 2021

Theory summary

Managers, employees, and legislation can be both driving and restraining forces for business change. If managers and employees do not support a proposed business change, they will be unlikely to implement it. When undertaking a transformation, businesses must follow required legislation to avoid the risk of fines, suspensions, and even closure. It may be difficult to introduce changes to a business when organisational inertia is present as the business is used to operating in a certain way. Furthermore, businesses may have a time limit which outlines when they need to implement the change to remain competitive in the market. Finally, it is crucial that a business considers the financial costs of any change to ensure there are enough funds for its proper execution.

4G Questions

Theory review

Question 1

Restraining forces are factors that inhibit or resist business change.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- organisational inertia
- employees

Restructuring the business or altering the current leadership model is an example of a strategy to overcome _____ as a restraining force.

Question 3

If a business does not have enough funds to execute a change:

A. time is acting as a restraining force.

B. financial considerations are acting as a restraining force.

Question 4

Managers, employees, and time can act as both driving and restraining forces.

A. True

B. False

Question 5

Fill in the blank with **one** of the following terms:

- threatens
- improves

Employees may be unwilling to support a change if it _____ their job security.

Question 6

Overcoming restraining forces is often necessary for successful business change to occur.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 7 and 8.

Brad's Fire Pits is a private company that expanded nationally ten years ago, selling its fireplaces and pits across Australia. To improve the efficiency of business operations, management is planning on investing in an online platform to allow for internet purchasing and to expand Brad's Fire Pits' delivery services. However, a number of employees have shown resistance towards transitioning online as they would have to learn new processes, whilst shareholders have voiced their monetary concerns about the high level of investment.

Question 7

Identify which of the following is a correct statement about organisational inertia at Brad's Fire Pits.

A. Organisational inertia is acting as a restraining force at Brad's Fire Pits as employees are unwilling to adjust to the new online platform and want the business to retain its current practices.

B. The ability of Brad's Fire Pits to change is being impacted by the organisational inertia of the managers who are introducing the online platform.

Question 8

Identify which of the following is a correct statement about financial considerations at Brad's Fire Pits.

A. Financial considerations are unlikely to impact the change at Brad's Fire Pits as there are not many costs associated with transitioning to an online platform.

B. Brad's Fire Pits' transition online could threaten the viability of the business as the financial considerations associated with this change may decrease overall net profit.

Use the following information to answer Questions 9 and 10.

Massi is a luxury car company situated in Sydney that has a number of warehouses and manufacturing facilities across Australia. Mike, the owner of Massi, wanted to reward his employees after experiencing high net profit figures in the previous quarter, by establishing new wages and conditions through an agreement to replace the current industry award. He also thought this process would assist him to develop stronger interpersonal relationships with his staff.

Question 9

Identify which of the following is a correct statement about time as a restraining force at Massi.

A. The process of Mike and his employees negotiating employee agreements at Massi will likely take a long time, especially when developing interpersonal relationships with staff.

B. Mike cannot implement any strategies to overcome time as a restraining force in this situation at Massi.

Question 10

Identify which of the following is a correct statement about legislation at Massi.

A. Replacing employee contracts from the current industry award to enterprise agreements can be completed at Massi without the influence or approval of any third parties.

B. Mike will need to ensure that in establishing enterprise agreements for his employees at Massi, he is compliant with the minimum standards and provides conditions better than the current industry award.

Use the following information to answer Questions 11, 12 and 13.

In response to increased demand for home delivery, Fabulous Feasts, a catering company in the inner suburbs of Perth, decided to expand its current operations to provide on-demand cooking services in customers' homes. Fabio, the operations manager, has expressed concerns to the higher management team about the logistics of this change and the legal implications relating to health, safety, and hygiene that cooking in a customer's home could pose. Furthermore, employees at Fabulous Feasts have complained about the spontaneity and inconsistency of the hours that they will be expected to work.

Question 11

Identify which of the following is a correct statement about Fabulous Feasts.

A. Financial considerations act as a restraining force as the cost of establishing on-demand cooking services in customers' homes may incur high expenses, such as licences, equipment, and set-up costs.

B. Employees are not acting as a restraining force on the change at Fabulous Feasts as they are willing to take on the new commitment and working hours of on-demand cooking services.

Question 12

Identify which of the following is a correct statement about managers as a restraining force at Fabulous Feasts.

A. Fabio is acting as a restraining force as he is concerned that this change may impact his job security due to the decrease in management tasks associated with on-demand catering services.

B. The operations manager is concerned that the change may negatively impact Fabulous Feasts' performance due to the difficult logistics and legalities associated with it.

Question 13

Identify which of the following is a correct statement about overcoming legislation as a restraining force.

A. By establishing and implementing its on-demand services, Fabulous Feasts only ensures it is compliant with legal regulations once the change has been executed.

B. Checking the relevant policies and laws that govern the on-demand cooking and obtaining all required licences and permits prior to taking any action to implement this change.

Exam-style

Question 14 (2 MARKS)

Outline managers as a restraining force.

Question 15 (2 MARKS)

Explain how restraining forces affect business change.

Adapted from VCAA 2016 exam Q4a

Question 16 (4 MARKS)

Brad's Fire Pits is a private company that expanded nationally ten years ago, selling its fireplaces and pits across Australia. To improve the efficiency of business operations, management is planning on investing in an online platform to allow for internet purchasing and to expand Brad's Fire Pits' delivery services. However, a number of employees have shown resistance towards transitioning online as they would have to learn new processes, whilst shareholders have voiced their monetary concerns about the high level of investment.

Outline how organisational inertia and financial considerations may influence Brad's Fire Pits' ability to successfully introduce change to its business operations in the future.

Adapted from VCAA 2020 exam Section B Q6

Question 17 (4 MARKS)

Massi is a luxury car company situated in Sydney that has a number of warehouses and manufacturing facilities across Australia. Mike, the owner of Massi, wanted to reward his employees after experiencing high net profit figures in the previous quarter, by establishing new wages and conditions through an agreement to replace the current industry award. He also thought this process would assist him to develop stronger interpersonal relationships with his staff.

Explain the restraining forces of time and legislation at Massi when it introduced the agreements.

Adapted from VCAA 2007 exam Q2aii

Question 18 (6 MARKS)

In response to increased demand for home delivery, Fabulous Feasts, a catering company in the inner suburbs of Perth, decided to expand its current operations to provide on-demand cooking services in customers' homes. Fabio, the operations manager, has expressed concerns to the higher management team about the logistics of this change and the legal implications relating to health, safety, and hygiene that cooking in a customer's home could pose. Furthermore, employees at Fabulous Feasts have complained about the spontaneity and inconsistency of the hours that they will be expected to work.

Analyse the restraining forces that are impacting Fabulous Feasts' ability to change.

Adapted from VCAA 2021 exam Section A Q2b

Testing previous knowledge

Question 19 (8 MARKS)

Ri & Ana is a niche company that sells unique umbrellas to fashion designers across the globe. As consumers become more environmentally conscious, managers at Ri & Ana have decided to transition to sustainable materials for umbrella production in an effort to drive profits and market share in the future. Part of this transition will involve a shift in current production processes, and employees must undertake training to learn how to properly handle the new materials and produce the sustainable umbrellas. Managers at Ri & Ana are hoping to have the new sustainable umbrellas implemented into the business in the next three months to completely phase out their current range.

Define driving and restraining forces. Identify and explain the driving and restraining forces that are impacting Ri & Ana's ability to change.

4D–G Force Field Analysis review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

The following is the first page of the 2022 Business Report of Potato Pals.

Message from the CEO

Commencing as a family-run business 15 years ago, we are now one of the largest frozen chip manufacturers in Australia. We are proud that our raw materials are sourced from local suppliers and that customer satisfaction remains at the centre of our operations. We use a strict quality control strategy to maintain the overall excellence of our frozen goods.



Image: Mironov Vladimir/Shutterstock.com

Business highlights in 2022

- Market share increased from 15% to 21%
- Increase in number of sales to over 10 million kilos of frozen potato chips

The future of Potato Pals

Our main objective for the coming years is to become a truly global brand. To do this we need to diversify our current product range. Our aim is to expand our operations by concentrating on the production and supply of onion rings. We plan to commence the production of onion rings by 2023 and export to over 20 countries. Through this diversification of products, we project profit to reach $20 million by 2024.

Earlier this year, new manufacturing technology, the onion slicing unit 'Onionblade', was released. At a cost of $500,000 per machine, the 'Onionblade' produces 14 tonnes of onion rings per hour, which halves the average time of manufacturing onion rings. All employees in our manufacturing plants will be required to undergo a safety training program to learn how to operate the new machinery.

Nevertheless, the recent legislation for food companies to reduce their carbon emissions may impact the number of 'Onionblade' machines we can purchase. A new manufacturing plant will be built to assist with the commencement of producing onion rings with the new 'Onionblade' technology. Plant construction is estimated to be completed within 24 months.

Comment from an employee regarding the proposed change

'*There's no need for this change. The way we've been operating works well and we are used to working with our current machinery.*'

Comment from the owner – Khan Aamir

'*The introduction of the Onionblade will be the first step for Potato Pals to become a truly global brand.*'

Exam-style questions

Question 1 (2 MARKS)

Define the term 'restraining forces'.

Adapted from VCAA 2004 exam Section A Q1b

Question 2 (2 MARKS)

Outline how managers can act as both a driving and restraining force for change.

Question 3 (2 MARKS)

Describe how Khan, as an owner, acts as a driving force for change at Potato Pals.

Question 4 (3 MARKS)

Distinguish between driving forces and restraining forces.

Question 5 (4 MARKS)

Identify and explain two restraining forces that may influence Potato Pals' ability to successfully introduce change.

Adapted from VCAA 2020 exam Section B Q6

Question 6 (4 MARKS)

Explain how Potato Pals could apply the principles of Lewin's Force Field Analysis.

Adapted from VCAA 2018 exam Section B Q3

Question 7 (4 MARKS)

Explain how the pursuit of profit and technology act as driving forces for change at Potato Pals.

Question 8 (4 MARKS)

Discuss the use of Lewin's Force Field Analysis during the process of implementing change at Potato Pals.

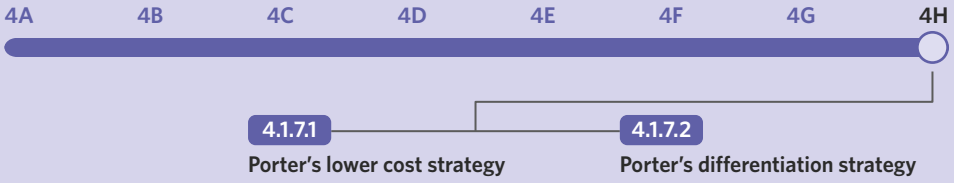
4H Porter's Generic Strategies

'Strategy 101 is about choices: You can't be all things to all people.'
– Michael Porter, Harvard Business School. Porter believed that businesses should choose between having the cheapest products or having unique offerings compared to competitors.



STUDY DESIGN DOT POINT

- the two key approaches (lower cost and differentiation) to strategic management according to Porter's Generic Strategies



Lesson introduction

After reviewing key performance indicators and business objectives, a business may realise it needs to change to improve performance. An understanding of Porter's Generic Strategies can help determine the strategic direction required for business change. In 1985, Michael Porter proposed that businesses can gain a **competitive advantage** by adopting either lower cost or differentiation as generic strategies. However, Porter emphasises that a business should only implement one generic strategy. The appropriateness of which strategy to implement differs depending on the business's situation.

KEY DEFINITIONS

Porter's lower cost strategy involves a business offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors.

ADDITIONAL TERMS

Competitive advantage is the conditions or attributes that place a business in a superior position compared to its immediate competitors.

Cost-conscious customers (also known as price-sensitive customers) purchase goods or services primarily based on price.

Profitability measures the profit of a business relative to the size of its revenue.

Profit margin calculates and expresses the profitability of a business.

$$\text{Profit margin} = \frac{\text{net profit}}{\text{total revenue}}$$

Porter's lower cost strategy 4.1.7.1

Porter's lower cost strategy involves a business offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors. The lower cost strategy is viable in industries where there are a large number of **cost-conscious customers** who have little brand loyalty and will choose to purchase from the cheapest supplier. Porter argues that only one business should be aiming to use the lower cost strategy in any industry. If more than one business is competing to achieve the lowest costs of operations, rivalry can become so intense that it can decrease the entire industry's **profitability**. When a business can achieve the lowest costs of operations, it gains a competitive advantage using one of three pricing approaches.

Table 1 The three pricing approaches of Porter's lower cost strategy

Pricing approach	Competitive advantage
Charge similar prices to competitors	Experiences higher **profit margins** than competitors because the business has the lowest cost of operations.
Charge slightly lower prices than competitors	Maintains a higher profit margin than competitors by having the selling price decrease by a smaller amount than the business's cost-saving per unit.
Charge much lower prices than competitors	Thin profit margins are outweighed by a high volume of customer sales gained from selling products at significantly lower prices.

USEFUL TIP

It can be difficult to understand how the three pricing approaches of Porter's lower cost strategy can look in practice. Here are some examples to show you how each one could work.

Example 1: Charges similar prices to competitors

A clothing manufacturer could implement strategies to reduce the costs of its operations, such as sourcing cheaper supplies from overseas. The clothing manufacturer can sell its clothes at a similar price to competitors, whilst achieving a higher profit margin by being the lowest cost producer.

Revenue from sales – Low operating costs = Higher profit margins as there are less costs deducted from the revenue earned from sales

Revenue from sales – Average operating costs = Lower profit margins as there are higher costs deducted from the revenue earned from sales

Example 2: Charges slightly lower prices than competitors

A clothing manufacturer could reduce its selling prices to slightly lower than the industry average. If a business decreases its selling price per unit by an amount that is less than the cost savings per unit incurred from being the lowest cost producer, it will be able to maintain a profit margin that is higher than its competitors.

Example 3: Charges much lower prices than competitors

A clothing manufacturer could implement strategies to reduce its costs of operations, enabling it to charge significantly lower prices compared to its competitors. This can allow the business to attract cost-conscious consumers, subsequently increasing sales. Whilst the profit margin may be lower on a per unit basis, the manufacturer makes greater profit overall as they are able to achieve a larger volume of sales through offering low prices.

As a result, products are sold for lower prices

Low operating costs → Large number of sales due to products being significantly cheaper than competitiors = Business gains a competitive advantage as it is profitable through having a greater number of sales than its competitors

Average operating costs → Normal amount of sales due to average prices = Business has average net profit figures after its operating costs are deducted from the sales revenue

Products are sold for average price

A business can achieve the lowest cost of operations through methods that aim to reduce its operating costs and the cost of supplies.

Table 2 Methods of reducing operating costs and the cost of supplies

	Methods
Reducing operating costs	• Producing basic, **no-frills products**. • Reducing expenditure on marketing and advertising. • Lowering the costs of labour and operations through overseas manufacturing. • Producing a high volume of output through automated production lines. • Reducing operating costs through **economies of scale**. • Lowering long-term energy costs by using renewable energies such as solar power.
Reducing the cost of supplies	• Obtaining discounts from suppliers by purchasing supplies in bulk. • Securing cheaper supplies from global sourcing of inputs. • Maintaining low inventory supplies by using Just In Time materials management strategies. • Lowering long-term costs by sourcing high-quality supplies.

ADDITIONAL TERMS

No-frills products are basic products without non-essential features.

Economies of scale are the cost savings a business experiences when it produces in large quantities, whereby fixed costs of production are spread across the large volume of items produced and bulk-buying discounts are received from suppliers.

EXTENDED REAL WORLD EXAMPLE

Porter's lower cost strategy

Costco Wholesale Corporation is an American multinational corporation that operates membership-only retail stores around the world. Costco sells a variety of products in its stores, including groceries, fresh produce, electronics, meats, seafood, and dairy. Costco opened its first Australian store in Melbourne's Docklands in 2009 and now operates 13 different stores across the country.

Costco offers Australian customers an annual membership for $60, which allows customers to purchase products from Costco stores at low wholesale prices. Products sold at Costco usually come in bulk or value packs, which assists Costco in maintaining wholesale prices for its customers. Despite charging customers for a membership, Costco generates the majority of its revenue through retail sales. Costco's sales model involves selling products to customers at wholesale prices, with a company policy that no item shall be marked up more than 14% above its cost price. This means that Costco operates with a thin profit margin of around 2%. However, due to its large volume of sales, Costco is still able to generate significant profits. In 2021 Costco's gross profit was approximately USD $25 billion, which was a 16% increase from 2020. Costco is able to offer low prices to its customers through the various methods undertaken to reduce operating costs, including:

- purchasing stock directly from manufacturers
- utilising economies of scale by purchasing large amounts of stock
- utilising an efficient supply chain by delivering stock directly to Costco warehouses from Costco distribution centres
- limiting hours of operations at its stores
- having an advertising budget of $0
- using natural light to light stores on sunny days
- limiting **overhead costs** with simplified and efficient warehouses
- minimising labour expenses when stocking stores as products are unloaded directly onto the warehouse.

By ensuring its operations are efficient, Costco is able to maintain the lowest cost of operations among its competitors. This allows Costco to continue to provide customers with wholesale prices that are significantly lower than the industry average, leading to large volumes of annual sales and improvements in profitability.

Adapted from Investopedia, How Costco Makes Money', 2022



Image: jax10289/Shutterstock.com

Figure 1 Costco offers a wide variety of products at wholesale prices at its membership-only retail stores

Questions

1. Make a list of the benefits of Costco choosing to operate as a lower cost producer. Consider the benefits for various stakeholder groups such as shareholders, employees and customers.
2. Make a list of the limitations or drawbacks of Costco choosing to operate as a lower cost producer. Again, consider the interests of each stakeholder when making your list.
3. Can you think of any corporate social responsibility (CSR) considerations in relation to lower cost producers? Make a list of these considerations and share them with a partner or group.

ADDITIONAL TERMS

Overhead costs are other costs incurred when running a business not related to labour, direct materials, or production.

Barriers to entry are obstacles that prevent new competitors from entering an industry. Typical barriers include high upfront investment costs, government regulations, or competitor patents in place.

Table 3 Advantages and disadvantages of Porter's lower cost strategy

	Advantages	Disadvantages
Business	• Attractive to cost-conscious customers. • Creates **barriers to entry** for new competitors as it is often challenging for them to match lower prices, whilst simultaneously reducing costs of operations and still remaining profitable.	• Standardised or basic products may not meet the needs of customers who have specific needs. • Customers are not loyal to particular brands. If another business were to offer a cheaper alternative, these customers would likely switch to the new business immediately. • Low prices may result in customer perceptions that the good or service is of lower quality.
Employee	–	–
Time	• Business operations are optimised and must remain efficient to maintain low costs of production.	–

Continues ▶

Table 3 Continued

	Advantages	Disadvantages
Money	• Reduces the expense of operations.	• Thin profit margins and reliance on low operating costs can leave a business vulnerable to unexpected increases in expenses, such as suppliers raising their prices.

Porter's differentiation strategy 4.1.7.2

Porter's differentiation strategy involves offering customers unique services or product features that are of **perceived value** to customers, which can then be sold at a higher price than competitors. A differentiation strategy is suitable for markets where customers are not price-sensitive and specific customer needs are currently either unmet or under-served. It is also suitable within markets that are highly competitive as a business needs to stand out. However, the business should also have unique resources or capabilities that are difficult for competitors to copy.

A business can create a **point of differentiation** for its product by:

- introducing new technology, such as electric cars or wireless charging for smartphones.
- innovating its original good or service, such as adding new flavours.
- improving durability, meaning the product lasts longer because of higher quality materials or design.
- advertising a brand image that portrays a status or image aligned with the customers' personal values.
- niche marketing by meeting the customer needs of a specific market segment, such as fashion for plus-size men.

KEY DEFINITIONS

Porter's differentiation strategy involves offering customers unique services or product features that are of perceived value to customers, which can then be sold at a higher price than competitors.

ADDITIONAL TERMS

Perceived value is a customer's opinion on the benefits they receive when they purchase a good or service.

Point of differentiation is the unique selling features or elements that positively distinguish a business's good or service from its competitors.

REAL WORLD EXAMPLE

Porter's differentiation strategy

Sal's Authentic New York Pizza is a Victorian-based chain of pizzerias. Sal's Pizza offers Melburnians the opportunity to experience authentic New York-style pizza without having to make the journey to New York. Sal's Pizza uses 100% authentic imported ingredients, such as New York milled wheat flour, premium Wisconsin mozzarella, vine-ripened California tomatoes, and New York pepperoni. Imported ingredients combined with a secret family recipe allows Sal's Pizza to provide Melburnians with 'Australia's only 100% authentic New York pizza range'. By providing customers with an authentic and unique experience, Sal's Pizza is also able to charge a premium price for its range of pizzas, with full pizzas priced between $35–40.

Adapted from Sal's Pizza, 'Our story', n.d.



Image: Emagnetic/Shutterstock.com

Figure 2 Sal's Pizzeria produces authentic New York pizza from imported ingredients

Table 4 Advantages and disadvantages of Porter's differentiation strategy

	Advantages	Disadvantages
Business	• Customers are often loyal to the business because of unique product features or services not offered by competitors.	• Can be difficult to prevent competitors from replicating points of differentiation.
Employee	–	• New employees may require additional training to adapt their skills to match the business's point of difference.
Time	• Quicker sales from loyal customers when new products or services from the business are introduced.	• Higher investments of time and money may be required, such as on research to develop innovative products or improve service levels of employees.
Money	• Can charge premium prices for products as customers cannot purchase the product elsewhere.	• Higher selling prices can deter cost-conscious consumers.

ACTIVITY

Porter's differentiation strategy

BOSS Fitness Female Studio is a Melbourne based female-only gym that was established in 2016. The business aims to foster a community-based environment to support women of all shapes and fitness levels to achieve their goals. BOSS Fitness provides a comfortable and positive environment for its members to live a healthier lifestyle. With memberships starting at $35 per week, members receive access to:

- unlimited studio sessions
- unlimited online sessions
- Zumba, Yoga, and Pilates classes
- free childminding services
- pre and postnatal classes
- the Boss Fitness app.

Figure 3 BOSS Fitness demonstrates Porter's differentiation strategy through its female-only gyms

Discuss the following questions with your classmates.

1. How does BOSS Fitness differentiate itself from its competitors within the gym industry?
2. What may be some advantages of BOSS Fitness operating as a female-only gym?
3. What may be some disadvantages of BOSS Fitness operating as a female-only gym?

Theory summary



Figure 4 The similarities and differences between the lower cost and differentiation strategies

Both lower cost and differentiation strategies aim to improve the competitive advantage of a business. A lower cost strategy focuses on achieving the lowest cost of operations within an industry. In contrast, differentiation aims to provide added value to a product to then sell at a premium price. However, Michael Porter emphasises that a business should only choose one strategy. This is because pursuing lower costs contradicts the higher costs required to differentiate.

A lower cost approach can successfully target cost-conscious customers if it sells products at a lower price than the industry average. By contrast, a differentiation approach sells to customers who are willing to pay premium prices. While a differentiation approach focuses on meeting customers' needs through added product features or services, a lower cost approach concentrates on the business's internal operating processes to achieve the lowest cost of operations in an industry.

4H Questions

Theory review

Question 1

In order to achieve a competitive advantage, a business can use both Porter's lower cost and differentiation strategies together.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- Porter's lower cost strategy
- Porter's differentiation strategy

A business is likely to have high levels of customer loyalty when using _____ , whereas using _____ can result in low levels of customer loyalty.

Question 3

Fill in the blank with **one** of the following terms:

- Porter's lower cost strategy
- Porter's differentiation strategy

For a business to gain a competitive advantage in an industry with many cost-conscious consumers, it would be most appropriate to use _____ .

Question 4

Offering unique features that are of perceived value to customers is an example of:

A. Porter's lower cost strategy.

B. Porter's differentiation strategy.

Question 5

Using the lower cost strategy allows a business to sell its product at a premium price.

A. True

B. False

Question 6

Using the differentiation strategy can increase customer loyalty, as customers cannot purchase the product elsewhere.

A. True

B. False

Question 7

Both Porter's lower cost and differentiation strategies assist to increase a business's profitability through helping to improve a business's competitive advantage.

A. True

B. False

Preparing for exams

Case study skills

Use the following information to answer Questions 8 and 9.

Plant-Based Pastries is a gourmet vegan patisserie. For the past two years, the owner, Leah, has been operating two successful patisseries in Malvern and Hawthorn. The business produces a wide variety of plant-based pies and pastries, which are priced more expensively than the surrounding cafés.

Question 8

Identify which of the following is a correct statement about Plant-Based Pastries.

A. Plant-Based Pastries is using the lower cost strategy by providing low cost gourmet vegan pastries.

B. Plant-Based Pastries is using the differentiation strategy by providing a unique alternative to meat pies, with its selection of plant-based pies and pastries.

Question 9

Identify which of the following statements are correct about Plant-Based Pastries. **(Select all that apply)**

I. Through providing unique plant-based pies and pastries, Leah is able to charge a premium price.

II. Plant-Based Pastries is likely to have loyal customers as it is unlikely they can purchase the same vegan food from surrounding cafés.

III. Plant-Based Pastries has the lowest production costs of all the eateries in the local area.

Use the following information to answer Questions 10 and 11.

Demazo is an Australian-based footwear manufacturer with retail stores across the country. The operations manager, Julie, has recently been researching ways to improve the business's performance, lower production costs, and gain a competitive advantage within Australia's footwear industry. Julie wants Demazo to be Australia's most affordable and popular footwear brand.

Question 10

Identify which of the following is a correct statement about the generic strategy that Demazo should adopt.

A. Julie should adopt the lower cost strategy as she wants Demazo to gain a competitive edge, whilst remaining an affordable footwear brand.

B. Julie should adopt the differentiation strategy as it will allow Demazo to charge premium prices that are higher than its competitors.

Question 11

Identify which of the following are **advantages** or **disadvantages** of Demazo adopting a lower cost strategy.

		Advantage	Disadvantage
I.	Demazo is less likely to have a loyal customer base, as customers are more likely to be cost-conscious.	☐	☐
II.	Demazo will be able to set its shoes at a low price to appeal to cost-conscious customers.	☐	☐
III.	Business operations at Demazo will be optimised in a way that is efficient, which will lower the cost of production.	☐	☐
IV.	Customers may perceive Demazo's shoes as low quality if they are priced lower than competitors.	☐	☐

Use the following information to answer Questions 12 and 13.

Ready-Made Meals is a manufacturing organisation that produces pre-packaged frozen meals. The business was established in 2017 in response to increased consumer demand for pre-packaged meals. However, sales and profit have both been below expectations. Management is now planning for the future strategic direction of the business.

Question 12

Identify which of the following are **advantages** or **disadvantages** of Ready-Made Meals adopting a differentiation strategy.

		Advantage	Disadvantage
I.	Ready-Made Meals could build a brand loyal customer base by offering unique products, such as vegan-only frozen meals to health-conscious customers.	☐	☐
II.	Ready-Made Meals could charge a premium price for frozen meals if customers are unable to purchase them elsewhere.	☐	☐
III.	Competitors could copy the unique features of the frozen meals Ready-Made Meals offers.	☐	☐
IV.	Ready-Made Meals would find it difficult to target cost-conscious customers.	☐	☐

Question 13

Identify which of the following are **advantages** or **disadvantages** of Ready-Made Meals adopting a lower cost strategy.

		Advantage	Disadvantage
I.	Ready-Made Meals will be able to offer its frozen meals at a low price to appeal to cost-conscious customers.	☐	☐
II.	Customers could perceive the frozen meals offered by Ready-Made Meals as being of lower quality if they are priced lower than competitors.	☐	☐
III.	Business operations at Ready-Made Meals will be optimised in a way that is efficient, which will lower the costs of production.	☐	☐
IV.	Ready-Made Meals is less likely to have a loyal customer base, as customers are more likely to be cost-conscious.	☐	☐

Exam-style

Question 14 (2 MARKS)

Define Porter's Generic Strategy of lower cost.

Question 15 (2 MARKS)

Define Porter's Generic Strategy of differentiation.

Question 16 (4 MARKS)

Compare the two key approaches to strategic management identified by Porter's Generic Strategies.

Adapted from VCAA 2020 exam Section A Q2

Question 17 (4 MARKS)

Discuss the lower cost strategy.

Question 18 (3 MARKS)

Plant-Based Pastries is a gourmet vegan patisserie. For the past two years, the owner, Leah, has been operating two successful patisseries in Malvern and Hawthorn. The business produces a wide variety of plant-based pies and pastries, which are priced more expensively than the surrounding cafés.

Analyse how Leah has used Porter's Generic Strategies to achieve a competitive advantage.

Adapted from VCAA 2019 exam Section A Q5b

Question 19 (5 MARKS)

Demazo is an Australian-based footwear manufacturer with retail stores across the country. The operations manager, Julie, has recently been researching ways to improve the business's performance, lower production costs, and gain a competitive advantage within Australia's footwear industry. Julie wants Demazo to be Australia's most affordable and popular footwear brand.

Propose one of the key approaches to strategic management from Porter's Generic Strategies. Discuss how this approach could be applied in relation to Demazo.

Adapted from VCAA 2017 exam Section B Q5

Question 20 (6 MARKS)

Ready-Made Meals is a manufacturing organisation that produces pre-packaged frozen meals. The business was established in 2017 in response to increased consumer demand for pre-packaged meals. However, sales and profit have both been below expectations. Management is now planning for the future strategic direction of the business.

Discuss two options available to Ready-Made Meals in terms of Porter's Generic Strategies.

Adapted from VCAA 2017 Sample exam Section A Q7d

Testing previous knowledge

Question 21 (4 MARKS)

Referring to the KPI of net profit figures, examine the ways in which the strategy of lower cost is able to provide a business with a competitive advantage.

Unit 4 AOS 1 review

The need for change

AOS summary

This chapter introduced the first area of study (AOS) in Unit 4 of the VCE Business Management course. In this chapter, you learnt about both the proactive and reactive approaches towards business change, as well as how to promote successful change through understanding the factors that actively resist, or are in support of, a proposed business change. You also learnt about a range of different key performance indicators (KPIs) which can be used to measure business performance, as well as Porter's Generic Strategies of lower cost and differentiation.

Lesson **4A Business change** covered the concept of business change. When a business implements change in response to a situation, it is considered to be a reactive approach. Conversely, a business change that takes advantage of opportunities or avoids future problems is considered to be a proactive approach.

Lesson **4B KPIs: Part 1** covered key performance indicators (KPIs) that can be used to evaluate business performance. In this lesson, the five KPIs that were covered included:

- percentage of market share
- net profit figures
- rate of productivity growth
- number of sales
- number of customer complaints.

Lesson **4C KPIs: Part 2** continued to cover key performance indicators (KPIs) that can be used to evaluate business performance. In this lesson, the five KPIs that were covered included:

- rates of staff absenteeism
- level of staff turnover
- number of workplace accidents
- level of wastage
- number of website hits.

Lesson **4D Force Field Analysis** covered Lewin's Force Field Analysis theory which aims to assist businesses in successfully implementing change. The four key principles of Lewin's Force Field Analysis theory are:

- weighting
- ranking
- implementing a response
- evaluating the response.

Lesson **4E Driving forces: Part 1** covered driving forces, which are factors that promote and support business change. In this lesson, the five driving forces that were covered included:

- owners
- managers
- employees
- pursuit of profit
- reduction of costs.

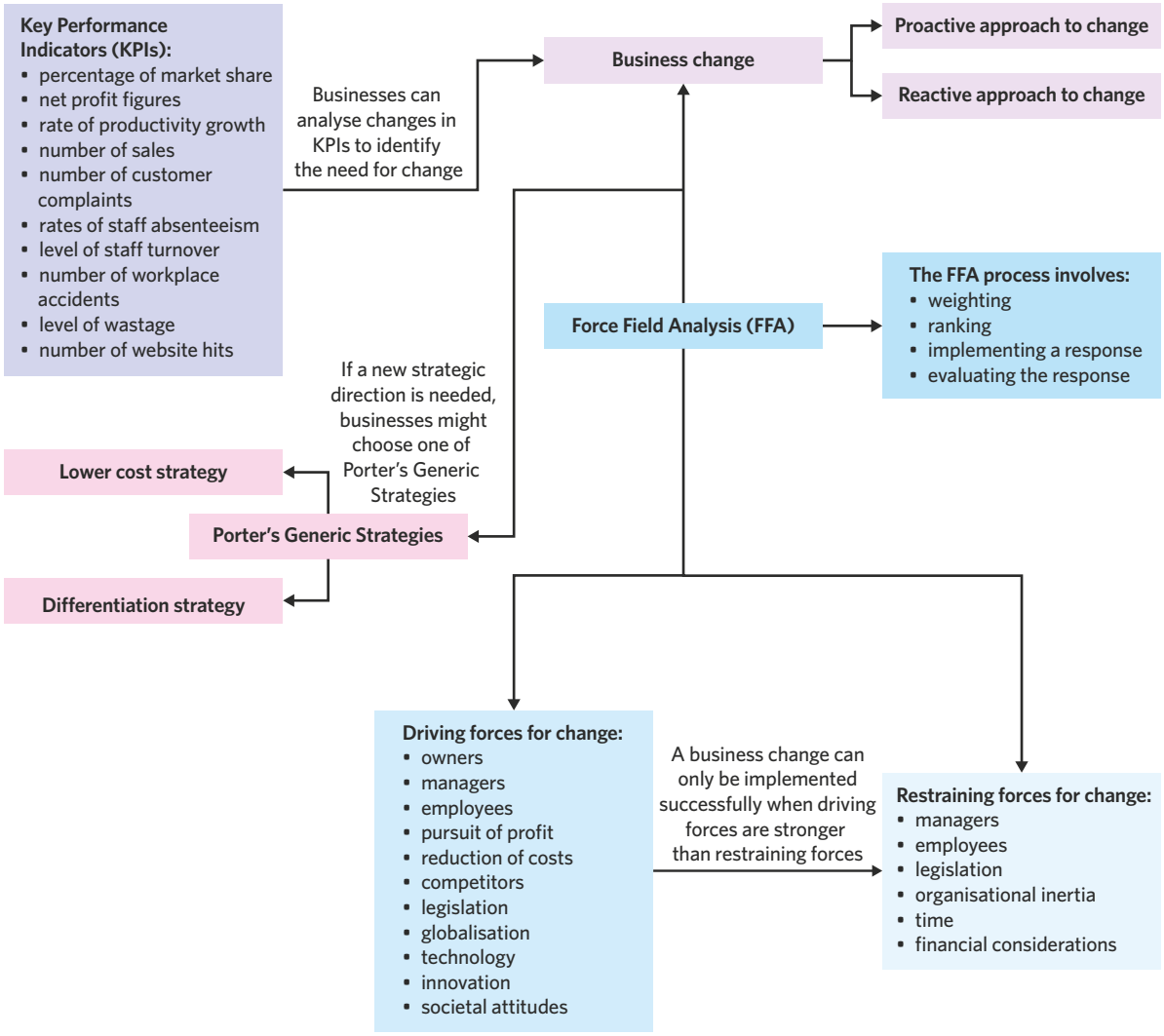
Lesson **4F Driving forces: Part 2** continued to cover driving forces, which are factors that promote and support business change. In this lesson, the six driving forces that were covered included:

- competitors
- legislation
- globalisation
- technology
- innovation
- societal attitudes.

Lesson **4G Restraining forces** covered restraining forces, which are factors that actively resist business change from occurring. The six restraining forces are:

- managers
- employees
- legislation
- organisational inertia
- time
- financial considerations.

Lesson **4H Porter's Generic Strategies** covered strategies businesses can adopt to gain a competitive advantage; Porter's lower cost strategy and Porter's differentiation strategy, as well as the advantages and disadvantages of adopting each approach.



AOS review activities

Review activity 1: KPI summary table

In this chapter, you have learnt how key performance indicators (KPIs) can be used to assess business performance. Changes in KPIs can indicate areas where a business is performing well, whilst also identifying any areas of poor performance. It is important to be able to interpret changes in KPIs and understand the corresponding impact on business performance. Copy out the table below in your notes. Assess the change of each KPI from year 1 to year 2 and with a tick, identify whether it indicates positive or negative business performance.

			Indicates	
Key performance indicator	**Year 1**	**Year 2**	**Positive performance**	**Negative performance**
Percentage of market share	14%	11%	☐	☐
Net profit figures	$59,000	$71,000	☐	☐
Rate of productivity growth	1%	3%	☐	☐
Number of sales	19,000	16,600	☐	☐
Number of customer complaints	30	23	☐	☐
Rates of staff absenteeism	3 days per annum	5 days per annum	☐	☐
Level of staff turnover	4%	7%	☐	☐
Number of workplace accidents	12	15	☐	☐
Level of wastage	3%	2%	☐	☐
Number of website hits	9,000	6,000	☐	☐

Review activity 2: Fill in the blanks

Fill in the blanks with the following terms:

- owners as a driving force
- innovation as a driving force
- financial considerations as a restraining force
- employees as a restraining force
- legislation as a restraining force

GrocerEZ is a medium-sized supermarket located in Melbourne's CBD. George, the owner of GrocerEZ, is investigating sophisticated technology that will allow customers to connect their desired payment method to the supermarket's facial recognition system. George believes the technology will improve the customer experience and strengthen the future position of the business. This illustrates _____ for change. On the other hand, staff are opposed to implementing the new technology as they fear for their job security, which demonstrates _____ . Furthermore, improving the customer shopping experience with this new technology is an example of _____ for change. GrocerEZ must ensure that its storage of customer information, such as facial scans, is compliant with relevant laws and regulations, illustrating _____ . Lastly, GrocerEZ must confirm that it has sufficient funds to successfully install the new technology into the supermarket, which demonstrates _____ for change.

Review activity 3: Advantages and disadvantages of Porter's Generic Strategies

In this chapter, you learnt about two approaches to strategic management identified by Michael Porter: lower cost and differentiation. Both approaches aim to improve profitability and provide the business with a competitive advantage. A lower cost strategy focuses on achieving the lowest cost of operations within an industry. In contrast, differentiation aims to provide unique value to a product or service. It is important to understand the advantages and disadvantages associated with each strategy. Copy out the table below in your notes. Use this table to identify whether the descriptions listed below are advantages or disadvantages and whether they are associated with Porter's lower cost strategy or Porter's differentiation strategy.

Description	Lower cost	Differentiation	Advantage	Disadvantage
The business can effectively target cost-conscious consumers.	☐	☐	☐	☐
The business is unlikely to have a loyal customer base as the majority of its customers are price sensitive.	☐	☐	☐	☐
The business is able to establish a loyal customer base as customers cannot purchase the same product elsewhere.	☐	☐	☐	☐
Higher selling prices reduce the business's ability to effectively target cost-conscious consumers.	☐	☐	☐	☐
The business is able to charge a premium price as customers cannot purchase the same product elsewhere.	☐	☐	☐	☐
It is hard for new competitors to compete with the business as it would be challenging for them to offer similar prices whilst still remaining profitable.	☐	☐	☐	☐
The business is unable to effectively target cost-conscious consumers.	☐	☐	☐	☐
The business's low prices may result in customers perceiving the goods or services to be of lower quality.	☐	☐	☐	☐

Unit 4 AOS 1 review questions

Contemporary case study

Useful tip

In the end-of-year VCAA examination, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions for the end-of-year exam. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the questions below, you can refer to McDonald's or any other business you feel confident writing about as a contemporary business example.

McDonald's

Global fast-food chain, McDonald's has partnered with the technology company, International Business Machines Corporation (IBM), to change and improve customer experience by implementing a robot-driven drive-thru. The robotic drive-thru works with a voice assistant which takes customer orders using computerised software. IBM is also developing this technology to make it responsive to additional languages and dialects. The AI technology collects and records customer data through number plate scanning, enabling McDonald's to better target the wants and needs of customers.

Continues ▶

McDonald's – continued

Therefore, AI aims to entice customers to order more food by scanning their licence plates and predicting orders based on what a customer typically purchases. It can customise the ordering experience on digital menu boards by considering the most popular orders of customers in the same area, as well as considering the weather and time of day. This technology is currently being trialled in the US and is expected to be implemented in Australia in the near future.



Image: Yaoinlove/Shutterstock.com

Figure 1 McDonald's is undertaking technological changes to upgrade customers' drive-thru experience

This change aims to benefit employees and customers by improving serving speed, as well as understanding personal customer data of who they are and what they like to eat and drink. With this, IBM and McDonald's are both committed to adopting responsible and ethical practices of robotics and artificial intelligence.

Before implementing this change, McDonald's could have conducted a Force Field Analysis to determine whether this change can be implemented successfully.

Force Field Analysis principle	How McDonald's could apply each principle when implementing the robotic drive-thrus
Weighting	When conducting a Force Field Analysis, the first step is 'weighting'. McDonald's could apply the 'weighting' principle to determine which driving and restraining forces will have the most impact in relation to implementing robotic drive-thrus. Typically, weighting involves assigning a numerical score between 1 (a low score) to 5 (a high score). As this is a technology-driven change, it is likely to have a considerable impact on employees and managers by altering the way drive-thru orders are received. Additionally, the change may also impact the training processes related to customer service and the operation of the new technology. Employees and managers may be heavily weighted driving forces, as the change has the potential to streamline the process of receiving customer orders. On the other hand, owners may be classified as a moderately weighted driving force, as the introduction of the new technology may not affect its day-to-day activities but has the potential to improve a franchise's future financial performance. Employees are also likely to be a heavily weighted restraining force, as they may resist the change in fear of their job security, especially employees who have roles revolving around taking customers' orders. Additionally, legislation may also be a heavily weighted restraining force if there are any laws concerning the scanning and storage of customers' licence plates.
Ranking	The next stage is ranking. McDonald's could apply the 'ranking' principle to determine whether driving forces are stronger than restraining forces. This would involve taking the scores given to each force to arrange them in value order, and then computing the sum of both driving forces and restraining forces. To promote the successful implementation of the robotic drive-thrus, McDonald's should only proceed with the change if the overall score of driving forces exceeds that of restraining forces. If at this stage restraining forces match or exceed the strength of driving forces, McDonald's must implement strategies to overcome the restraining forces, or to strengthen driving forces further, before change can be implemented.
Implementing a response	Once weighting and ranking are complete, McDonald's would then be ready to 'implement a response'. An action plan would need to be developed, outlining how the technology would be initially trialled at McDonald's stores and the steps that would need to be followed to implement the change in more stores. It is important that McDonald's has a plan on how long the implementation process will take and what needs to be achieved for the change to be fully implemented. Continues ▶

McDonald's – continued

Force Field Analysis principle	How McDonald's could apply each principle when implementing the robotic drive-thrus
Evaluating the response	The final stage in Force Field Analysis is 'evaluating the response'. To evaluate success, McDonald's could utilise a range of key performance indicators (KPIs) to identify if there have been any changes in performance from previous periods. For example, customer satisfaction may be assessed through the number of customer complaints. The company's number of sales, net profit figures, and percentage of market share could all be relevant in evaluating any noticeable impacts on financial performance. Moreover, any potential impacts on employee morale could be evaluated using rates of staff absenteeism and the level of staff turnover. By utilising KPIs that provide valuable insight into different areas of the business, McDonald's can successfully evaluate the success of the robotic drive-thrus, and whether desired objectives have been achieved. If McDonald's appraises the change as unsuccessful, this principle also provides an opportunity for upper management to rethink the analysis and make any required adaptations to promote successful implementation in the future.

Adapted from CNBC, 'McDonald's enters strategic partnership with IBM to automate drive thru lanes', 2021

Answer questions 1–4 with reference to the McDonald's case study shown, or any other contemporary business case study you have studied.

Question 1 (2 MARKS)

With reference to a contemporary business case study, describe what is meant by a 'proactive approach to business change'.

Question 2 (4 MARKS)

Explain how applying the principles of Force Field Analysis theory (Lewin) can assist a business with implementing change successfully. In your response, refer to a contemporary business case study.

Adapted from VCAA 2017 Sample exam Section A Q2

Question 3 (6 MARKS)

Using a contemporary business case study, analyse the driving and restraining forces that have had an impact on business change.

Adapted from VCAA 2021 exam Section A Q2b

Question 4 (4 MARKS)

With reference to a contemporary business case study, analyse the use of one approach to strategic management identified by Porter's Generic Strategies (1985).

Adapted from VCAA 2019 exam Section A Q5b

Exam-style

These questions are typical of Section A in the VCE Business Management exam.

Question 5 (8 MARKS)

Holly and Molly are the owners of Frozone, a frozen yoghurt business with stores all around Melbourne. Frozone's current business model requires staff to create an order for customers, adding different ingredients based on what the customer wants. Recently, Frozone lost market share to a new competitor in the market. To regain a competitive edge, Holly and Molly want to introduce self-serve systems. This will allow customers to create their own frozen yoghurt cup, reducing the number of staff required in each store, however, the initial cost for these self-serve machines would be high.

a. Outline the approach to business change taken at Frozone. (2 MARKS)

b. Outline how one of the restraining forces listed below might influence Frozone's ability to successfully introduce self-serve yoghurt machines: (2 MARKS)

- organisational inertia
- financial considerations
- employees

Adapted from VCAA 2020 exam Section B Q6

c. Explain two driving forces that might have an impact on the introduction of self-serve systems at Frozone. (4 MARKS)
Adapted from VCAA 2017 exam Section B Q6

Question 6 (12 MARKS)

Zesty is a soft drink manufacturer operating out of Altona. Recently, the business shifted from purchasing organically sourced ingredients to purchasing cheaper ingredients from a mass overseas supplier that uses more additives to increase shelf life. As a result, Zesty has established itself as a low-cost producer within the soft drink industry. The data below is a snapshot of the change that has occurred in the past year.

Key performance indicator	**2022–23**
Net profit figures	Increased by $990,000
Percentage of market share	Increased by 3%
Number of customer complaints	Increased by 200 complaints

a. Compare the two key approaches to strategic management identified by Porter's generic strategies. (4 MARKS)
Adapted from VCAA 2020 exam Section A Q2

b. With reference to the data table, analyse the extent to which the change of suppliers has assisted Zesty in improving the performance of the business. (6 MARKS)
Adapted from VCAA 2018 exam Section A Q3b

c. Other than those presented in the table, explain one key performance indicator that could be used to assess Zesty's business performance. (2 MARKS)
Adapted from VCAA 2020 exam Section B Q4

Question 7 (10 MARKS)

CodeWorld is a toy company that creates electrical construction-related toys that can be coded by children. The purpose of the toys is to act as an educational tool that can teach kids about the world of technology and generate interest in STEM (Science, Technology, Engineering, and Mathematics) subjects. Since its creation, CodeWorld has experienced strong sales and positive reviews, leading to its high percentage of market share being 66% within the Australian market. Subsequently, the business is looking to expand into England to see if there is a global market for the product.

a. Define the term 'key performance indicators'. (2 MARKS)
Adapted from VCAA 2018 exam Section A Q3a

b. Explain one driving force and one restraining force that could have an impact on CodeWorld's plan to expand overseas. (4 MARKS)
Adapted from VCAA 2017 exam Section B Q6

c. Explain how CodeWorld could apply the principles of the Force Field Analysis theory (Lewin) to overseas expansion. (4 MARKS)
Adapted from VCAA 2018 exam Section B Q6

Question 8 (10 MARKS)

Lowfli is an airline that offers domestic flights to cities and regional areas across Australia. Lowfli prides itself on being the lowest-cost domestic airline in the industry and aims to offer reliable flights at an affordable price. Over the past 12 months, Lowfli has experienced an increase in sales and currently has a market share of 18%, the highest in the domestic flight industry.

a. With reference to Lowfli, define 'percentage of market share'. (2 MARKS)

Adapted from VCAA 2018 exam Section A Q3a

b. With reference to Lowfli, explain the relationship between the number of customer complaints and the percentage of market share. (3 MARKS)

Adapted from VCAA 2021 exam Section B Q2

c. Evaluate the use of Porter's lower cost strategy at Lowfli. (5 MARKS)

Back to contents

UNIT 4 AOS 2

Implementing change

In this area of study, students explore how businesses respond to evaluation data. It is important for managers to know where they want a business to be positioned for the future before implementing a variety of strategies to bring about the desired change. Students consider the importance of leadership in change management and discuss and evaluate effective strategies for managing change. Students consider how leaders can inspire change and the effect change can have on stakeholders of a business. They consider the principles of Senge's Learning Organisation and apply the Three-step Change Model (Lewin) in implementing change in a business. Using one or more contemporary business case studies from the past four years, students evaluate business practice against theory, considering how corporate social responsibility can be incorporated into the change process.

Outcome 2

On completion of this unit, the student should be able to discuss the importance of effective management strategies and leadership in relation to change, evaluate the effectiveness of a variety of strategies used by managers to implement change, and discuss the effect of change on the stakeholders of a business.

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Back to contents

5

CHAPTER 5

Implementing change

LESSONS

5A	Change leadership
5B	Management strategies to respond to KPIs: Part 1
5C	Management strategies to respond to KPIs: Part 2
5D	Management strategies to respond to KPIs: Part 3
5E	Developing corporate culture
5F	Senge's Learning Organisation
5A–F	Strategies for change review
5G	Low-risk strategies
5H	High-risk strategies
5I	Lewin's Three-step Change Model
5G–I	Applying changes review
5J	Change and stakeholders
5K	CSR considerations and change
5L	Evaluating change
5J–L	Impacts of change review
	Unit 4 AOS 2 review
	Course review

KEY KNOWLEDGE

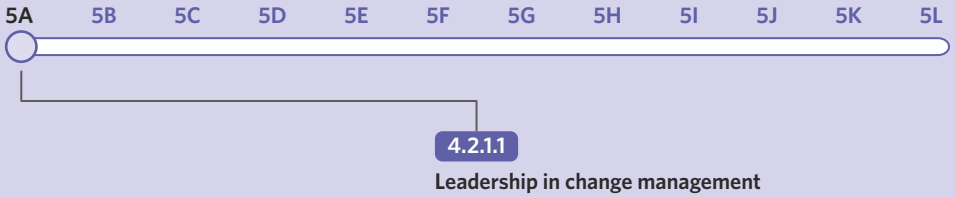
- the importance of leadership in change management
- management strategies to respond to key performance indicators and/or seek new business opportunities, including staff training, staff motivation, change in management styles or management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques, redeployment of resources (natural, labour and capital), innovation, global sourcing of inputs, overseas manufacture and global outsourcing
- corporate culture and strategies for its development
- an overview of the principles of the Learning Organisation (Senge) and the need to create a positive culture for change
- low-risk strategies to overcome employee resistance including communication, empowerment, support and incentives
- high-risk strategies to overcome employee resistance including manipulation and threat
- key principles of the Three-step Change Model (Lewin)
- the effect of change on stakeholder groups including owners, managers, employees, customers, suppliers and the general community
- corporate social responsibility considerations when implementing change
- the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation

5A Change leadership

Think back to your first day of year 7. Were you nervous about transitioning to high school? Was there someone who reassured and comforted you throughout this change? When businesses undergo a transformation, employees can feel unsure and overwhelmed. Therefore, in times of change, managers must step up and demonstrate strong leadership skills to streamline the business change and support employees.

STUDY DESIGN DOT POINT

- the importance of leadership in change management





Lesson introduction

Businesses will continually undergo change in order to improve upon their current practices and implement new ones in an effort to enhance their performance. However, implementing successful change within a business can be challenging. Therefore, strong leadership is a vital element to consider during **change management** to facilitate a successful transformation.

Leadership in change management 4.2.1.1

KEY DEFINITIONS

Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.

ADDITIONAL TERMS

Change management is the process of implementing strategies that prepare an organisation to undergo a transformation.

Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation. During any period of change, it is vital for managers of a business to demonstrate leadership as it instils confidence, clarity, and feelings of value in employees.

Managers can demonstrate strong leadership in change management by:

- **building a shared vision** where they act to inspire employees and inform them of the reasons and benefits of change, as well as the consequences of not changing.
- **providing ongoing communication** with clear instructions to employees and instilling them with trust and confidence as they move from current to new practices.
- **providing ongoing support** through counselling, training, and consultation where they aim to coach and mentor employees through the change process.

When employees understand the reasons for change and feel motivated and guided towards a shared goal, they are more likely to support and implement new practices that allow the business to undergo its transition. Managers that provide employees with clarity, honesty, and empathy through their communications increase the likelihood of successful change. Moreover, involving employees in decision-making and equipping them with the necessary skills to implement change can allow a business to progress seamlessly through the transition process.

USEFUL TIP

In Unit 3 AOS 1, you learnt about the management skills of planning, decision-making, communication, delegation, interpersonal, and leadership. Leadership in change management requires a manager to use leadership skills alongside the other management skills in varying degrees. Therefore, it may be helpful to refresh and recall these management skills to enhance your ability to understand how a manager can lead a business during a period of change.

LESSON LINK

Leadership was introduced in **1F Management skills**.

REAL WORLD EXAMPLE

Leadership in change management

Woolworths is a supermarket company that offers a variety of products, including fresh produce, baked goods, pantry items, and toiletries, in stores across Australia and New Zealand. On 3 June 2022, Woolworths announced that it would remove all plastic shopping bags, including those that are reusable, from its supermarkets across Australia by the end of June 2023. This is a large change for the supermarket company and it has utilised leadership in change management to ensure the removal of plastic bags is implemented smoothly. Management built a shared vision with Woolworths employees by informing them that this change will allow the company to lead the way in sustainability practices and 'grow greener'. The supermarket chain aims to encourage eco-friendly practices in its stores and wants its employees to do the same. Furthermore, Woolworths provided employees with clear communication and support as it ensured staff were informed over a year prior to the full implementation of the change. The supermarket company also decided to gradually remove plastic bags over the course of a year to enable employees to adjust to this change, whilst it also introduced 20 cent paper bags to provide customers with an alternative option. Therefore, by implementing leadership in change management, Woolworths increased the likelihood of successfully phasing out plastic bags across its stores.

Adapted from Woolworths Group, 'Woolworths and BIG W to stop selling reusable plastic shopping bags for a greener future', 2022



Image: anystock/Shutterstock.com

Figure 1 Woolworths implemented leadership in change management when it announced that it would gradually remove plastic bags from its stores

ACTIVITY

Leadership in change management

Search up '*SIMON SINEK: Leader vs manager*' on YouTube and watch the entire video (Generate Insights, 2019).

After watching the video, answer the following questions in small groups and then discuss your responses as a class:

1. How did the video distinguish between a leader and a manager?
2. What skills must a manager adopt in order to also be an effective leader?
3. What does the video suggest about leadership in change management?
4. How can a manager ensure they are effectively leading employees through a business change?

Theory summary

Leadership in change management is vital to ensuring that business change is successful. A manager can demonstrate strong leadership by building a shared vision that inspires staff, providing ongoing communication to employees throughout the transition period, and supporting employees by providing them with the skills to implement change successfully.

5A Questions

Theory review

Question 1

Leadership in change management involves a manager acting to guide, motivate, and encourage employees to contribute to business objectives throughout a transition period.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- provide ongoing support
- build a shared vision

During periods of change a manager can _____ by inspiring employees towards a goal and communicating the benefits of change. Additionally, through honest and transparent discussions that provide employees with clarity and confidence about the change, a manager can _____.

Question 3

When employees have a clear understanding of their role within a change and feel guided towards a shared vision, they are:

A. more likely to support and be willing to implement the change in the business.

B. unlikely to feel motivated to implement the change as it forces them to adopt new practices.

Question 4

Managers can provide ongoing support by assigning new tasks to untrained and inexperienced employees, allowing them to develop their problem-solving skills.

A. True

B. False

Question 5

When a manager builds a shared vision and provides ongoing communication and support, they are: **(Select all that apply)**

I. displaying strong leadership in change management and enhancing the business's ability to transform successfully.

II. aiming to encourage employees to adopt change practices.

III. manipulating employees as they are communicating information without honesty and transparency.

Preparing for exams

Case study skills

Question 6

Ravi & Violi is an Italian fresh pasta producer in Brunswick. The manager, Mac, is planning on expanding Ravi & Violi by opening a store in the Melbourne CBD. This change will require some employees to transfer from the Brunswick store to this location to train newly recruited staff.

Identify which of the following statements are **true** or **false** about utilising leadership in change management at Ravi & Violi.

		True	False
I.	Mac can provide ongoing communication by only discussing the change with some employees to minimise stress to other staff members at Ravi & Violi.	☐	☐
II.	Building a shared vision would allow Mac to inform employees of the benefits of the new store and their role in the business's growth, encouraging successful change.	☐	☐
III.	By providing ongoing support through training employees and upskilling them to ensure they can fulfil responsibilities at the new CBD store, Ravi & Violi employees will feel more comfortable and positive about the change.	☐	☐
IV.	Employees will be unable to adapt to changes at Ravi & Violi if leadership in change management is utilised by Mac.	☐	☐

Exam-style

Question 7 (2 MARKS)

Define the term 'leadership in change management'.

Question 8 (2 MARKS)

Outline one way a manager can demonstrate strong leadership during business change.

Question 9 (4 MARKS)

Explain the importance of leadership in change management.

Adapted from VCAA 2021 exam Section A Q2a

Question 10 (4 MARKS)

Ravi & Violi is an Italian fresh pasta producer in Brunswick. The manager, Mac, is planning on expanding Ravi & Violi by opening a store in the Melbourne CBD. This change will require some employees to transfer from the Brunswick store to this location to train newly recruited staff.

Explain the importance of leadership in successful business change management at Ravi & Violi.

Adapted from VCAA 2021 exam Section A Q2a

Testing previous knowledge

Question 11 (4 MARKS)

Baxter owns On the House!, a real estate agency that has been operating for 20 years. The business is planning on transitioning to more environmentally friendly practices and Baxter plans to invest in technology that allows On the House! to become completely paperless. Currently, the rate of staff absenteeism has increased at On the House! as some employees are fearful of losing their jobs due to these technological advancements.

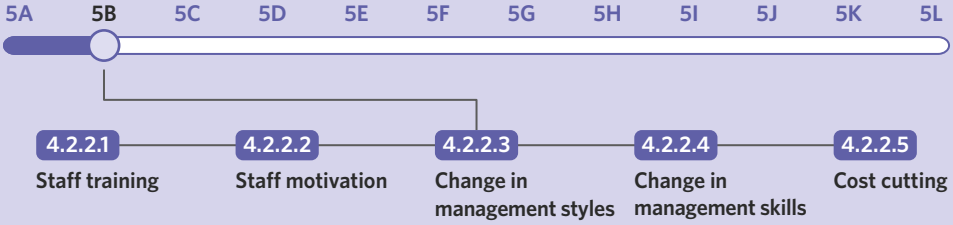
Explain how Baxter could utilise leadership in change management to overcome the increase in the rate of staff absenteeism at On the House!.

5B Management strategies to respond to KPIs: Part 1

Think back to your last business management SAC. What were some of your strengths and weaknesses? Did you implement strategies to improve your future performance? Businesses reflect on their performance by using key performance indicators (KPIs) and managers implement strategies to respond to areas of weakness, aiming to constantly improve the business, and achieve its objectives.

STUDY DESIGN DOT POINT

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





Lesson introduction

After a business analyses its key performance indicators (KPIs), it must devise management strategies to respond to areas of poor performance. A business can also use management strategies to maintain or improve its areas of strong performance. These strategies focus on different areas of the business and can be used to improve employee morale, efficiency, effectiveness, and the overall financial status of the business. Therefore, it is crucial for a business to implement the most appropriate strategies to respond to the relevant KPIs and improve business performance.

LESSON LINK

On-the-job and off-the-job training were introduced in **2G Employee training**.

Staff training 4.2.2.1

Staff training can be on-the-job or off-the-job and involves a business equipping employees with the knowledge and skills required to perform work tasks. Employees who are appropriately trained can contribute to improvements in business productivity, safety, and the quality of goods and services provided. However, if employees are inadequately trained, staff may lack the knowledge and skills required to perform their work tasks to a high standard, consequentially diminishing business performance. A business can utilise staff training to improve the abilities of its employees and motivate them in their work. This can create feelings of value that, in turn, enhance business performance and success.

Table 1 The effect of staff training on KPIs

Unfavourable trend in KPI	Effect of using staff training as a strategy	Favourable impact of strategy on KPI
↑ Number of customer complaints	• Establishes an expected standard of performance and employee conduct, allowing for improvements in the quality of a good or service, leading to more satisfied customers.	Number of customer complaints ↓
↑ Number of workplace accidents	• Ensures employees are equipped with the skills to handle and operate equipment safely, contributing to a safer workplace.	Number of workplace accidents ↓
↓ Number of sales	• Equips employees with the knowledge and skills required to communicate the value of a good or service to customers and promote sales.	Number of sales ↑
↓ Net profit figures	• Provides employees with the knowledge and expertise to deliver high-quality customer service and create positive customer experiences, encouraging repeat purchasing from customers, leading to increases in revenue.	Net profit figures ↑

Continues ▶

Table 1 Continued

Unfavourable trend in KPI	Effect of using staff training as a strategy	Favourable impact of strategy on KPI
↓ Percentage of market share	• Provides employees with the knowledge and skills to deliver a unique customer experience that provides the business with a competitive advantage and allows a greater proportion of sales to be captured within its industry.	Percentage of market share ↑
↓ Rate of productivity growth	• Equips employees with the knowledge and skills to perform tasks faster allowing for improvements in efficiency and, therefore, productivity.	Rate of productivity growth ↑
↑ Level of staff turnover	• Motivates employees and creates feelings of value as the business provides them with opportunities for personal growth.	Level of staff turnover ↓
↑ Rates of staff absenteeism	• Motivates employees in their jobs as they have the knowledge and skills required to complete their work to a high standard.	Rates of staff absenteeism ↓
↓ Number of website hits	• Employees may be provided with greater knowledge and skills, allowing them to deliver a higher quality good or service, which may improve customers' perception of the business. As a result, more customers are interested in and engaging with the business's online site.	Number of website hits ↑

Staff motivation 4.2.2.2

Motivation is the willingness of an individual to expend energy and effort in completing a task. Improving levels of staff motivation can significantly improve business performance and foster a culture that encourages employees to work towards the achievement of business objectives. When responding to KPIs, a manager can improve staff motivation by introducing motivation strategies or theories. Improvements in staff motivation contribute to higher levels of employee morale, enhance corporate culture, and improve the overall work ethic and commitment of employees. A business that motivates employees can increase the quality, productivity, and effectiveness of its activities, whilst also enhancing interpersonal relationships and staff belonging. Staff motivation is often used to respond to increases in the level of staff turnover and rates of staff absenteeism, as these KPIs directly indicate the level of employee morale in the workplace.

LESSON LINK

Motivation strategies were introduced in **2E Motivation strategies**.

Motivation theories were introduced in **2B Maslow's Hierarchy of Needs**, **2C Lawrence and Nohria's Four Drive Theory**, and **2D Locke and Latham's Goal Setting Theory**.

Table 2 The effect of staff motivation on KPIs

Unfavourable trend in KPI	Effect of using staff motivation as a strategy	Favourable impact of strategy on KPI
↑ Level of staff turnover	• Motivating employees can provide them with a greater sense of achievement and increase their commitment to the business as managers recognise their efforts to achieve objectives.	Level of staff turnover ↓
↑ Rates of staff absenteeism	• Motivating employees can increase their willingness to show up to work and complete work tasks as they are provided with greater support and rewards.	Rates of staff absenteeism ↓
↑ Number of customer complaints	• Motivating employees can increase their commitment and willingness to improve the quality of a good or service, enhancing the customer service experience.	Number of customer complaints ↓
↓ Rate of productivity growth	• Motivated employees may be more willing to increase the efficiency and effectiveness of the production process to achieve business objectives, hence improving productivity.	Rate of productivity growth ↑
↓ Percentage of market share	• Motivated employees may deliver higher quality goods and services to customers and provide them with a unique customer experience that enhances the competitiveness of the business and allows a greater proportion of sales to be captured within its industry.	Percentage of market share ↑
↓ Number of sales	• Motivated employees may be more willing to enhance their product knowledge and contribute innovative ideas that increase a business's competitive advantage and attract more customers.	Number of sales ↑
↓ Number of website hits	• Motivated employees may deliver a higher quality customer service, encouraging customers to engage with the business online. • Employees who are motivated may be more willing to effectively promote a business's products, therefore attracting more customers to the business's online site.	Number of website hits ↑

Change in management styles 4.2.2.3

LESSON LINK

Management styles were introduced in **1D Management styles**.

The appropriateness of management styles was introduced in **1E The appropriateness of management styles**.

A change in management style involves a manager altering the way they direct and communicate with employees. When a manager alters their management style to respond to KPIs, they should consider the complexity of the task, the experience of employees, the time available, and their personal management preferences. In doing so, a manager ensures they are choosing the most appropriate style to improve KPIs that indicate poor business performance and maintain areas of already high performance. The management style a manager chooses to adopt in a business directly influences staff engagement and the coordination of business activities. For example, if employee morale at a business has decreased, a manager may adopt a less restrictive management style that involves two-way communication and decentralised decision-making. This can increase employee involvement in the organisational processes of the business which can increase their willingness to complete work tasks. Whereas, if a business is highly inefficient and performing poorly, a manager may adopt a more restrictive, centralised management style with one-way communication that allows them to productively direct employees. In doing so, a manager can ensure work tasks are completed to an appropriate standard that allows the business to achieve its objectives.

Table 3 The effect of changing management styles on KPIs

Unfavourable trend in KPI	Effect of using a change in management styles as a strategy	Favourable impact of strategy on KPI
↑ **Level of staff turnover**	• Adopting a less restrictive management style promotes employee involvement in decision-making. This encourages employees to feel increasingly valued and considered in the workplace, allowing the business to have greater employee retention.	**Level of staff turnover** ↓
↑ **Rates of staff absenteeism**	• Adopting a less restrictive management style can increase employee self-confidence when completing work tasks and create strong interpersonal relationships in the workplace. This allows employees to feel trusted by their manager and more connected to the business, encouraging them to regularly attend work.	**Rates of staff absenteeism** ↓
↓ **Rate of productivity growth**	• Adopting a more restrictive management style encourages employees to perform efficiently and remain on task, improving a business's productivity.	**Rate of productivity growth** ↑
↓ **Net profit figures**	• Adopting a more restrictive management style increases the ability of a manager to utilise the business's resources in an optimal manner. This can reduce the number of resources wasted, leading to a reduction in expenses and improvements in profit.	**Net profit figures** ↑
↑ **Number of workplace accidents**	• Adopting a more restrictive management style increases a manager's ability to provide direct instructions to employees and demonstrate how tasks must be completed. This ensures employees are properly shown how to use equipment, therefore reducing the likelihood of injury or illness from unsafe work practices.	**Number of workplace accidents** ↓

Change in management skills 4.2.2.4

LESSON LINK

Management skills were introduced in **1F Management skills**.

Management skills for management styles were introduced in **1G Management skills for management styles**.

A change in management skills involves a manager altering the way they approach business tasks and collaborate with employees. When responding to KPIs, a manager's use of skills directly relates to the management style that they have adopted. For example, a manager that adopts an autocratic style would prioritise their decision-making and planning skills. This enables them to fulfil their responsibility of making the most appropriate choices that achieve business objectives and improve KPIs. On the other hand, a manager who adopts a participative management style would focus on interpersonal and leadership skills to motivate and connect with employees and improve relevant KPIs. Therefore, to effectively respond to KPIs, a manager must consider the management style they have adopted and alter the skills they prioritise to ensure they are most appropriate to the business situation.

Table 4 The effect of changing management skills on KPIs

Unfavourable trend in KPI	Effect of using a change in management skills as a strategy	Favourable impact of strategy on KPI
↑ Level of staff turnover	• Utilising management skills that incorporate employee input, such as interpersonal, delegation, and communication, can allow employees to feel valued, connected, and trusted in the business as managers take the time to develop relationships with and give responsibility to employees. This can increase a business's ability to retain its employees.	Level of staff turnover ↓
↑ Rates of staff absenteeism	• Utilising management skills that create a positive workplace environment, such as interpersonal and leading, can encourage the development of positive relationships and enable employees to feel connected to the business as they are inspired by a shared vision. Therefore, employees are more likely to attend work as they align with the business's values.	Rates of staff absenteeism ↓
↓ Rate of productivity growth	• Utilising management skills that create structured and efficient processes, such as planning and decision-making, can ensure employees understand their role and remain on-task to complete their work, which can increase their efficiency.	Rate of productivity growth ↑
↓ Net profit figures	• Utilising management skills that provide a manager with a high degree of control, such as planning and decision-making, can allow the business to effectively manage resources and reduce waste-related expenses, contributing to higher profit margins.	Net profit figures ↑
↑ Number of workplace accidents	• Utilising management skills that clearly convey instructions and work tasks, such as communication, can ensure employees are aware of their responsibilities and understand how to complete their roles safely, reducing the likelihood of injury from unsafe work practices.	Number of workplace accidents ↓

Cost cutting 4.2.2.5

Cost cutting is the process of reducing business expenses. Managers will utilise cost cutting to decrease unnecessary expenses within a business's operations, allowing for maximised profits and the achievement of business objectives. A business can implement cost cutting measures to respond to KPIs, such as net profit figures, level of wastage, and the rate of productivity growth. To successfully implement cost cutting, a business must assess all of its expenses and determine strategies to reduce unnecessary costs.

KEY DEFINITIONS

Cost cutting is the process of reducing business expenses.

A business can cut costs by:

- merging staff roles, removing roles entirely, or reducing the number of hours employees work to minimise wage expenses.
- shutting down business locations that are underperforming.
- stopping the production of goods with high amounts of unsold stock.
- sourcing materials from cheaper suppliers.
- recycling or reusing materials used in the production process.

Table 5 The effect of cost cutting on KPIs

Unfavourable trend in KPI	Effect of using cost cutting as a strategy	Favourable impact of strategy on KPI
↓ Net profit figures	• Removing unnecessary expenses can increase a business's net profit.	Net profit figures ↑
↑ Level of wastage	• Eliminating resources that do not add value to the operations system can minimise the number of inputs required in production, therefore reducing the amount of unused resources.	Level of wastage ↓
↓ Rate of productivity growth	• Merging the roles of employees and streamlining operations processes can reduce the number of inputs required in the production process, therefore increasing a business's overall efficiency.	Rate of productivity growth ↑

REAL WORLD EXAMPLE



Image: Roschetzky Photography/ Shutterstock.com

Figure 1 Tesla cut costs by terminating the contracts of 10% of its salaried employees

Cost cutting

Tesla, Inc. is an automotive company that produces electric vehicles, solar panels, and energy storage products. On 3 June 2022, Tesla's CEO, Elon Musk, announced that the company needed to cut its costs as he was concerned about the state of the global economy, including the effect of supply chain issues and reduced consumer spending due to inflation. Following this announcement, Tesla's share price fell by 9%, indicating a decrease in the market value of the automotive company. Moreover, the COVID-19 pandemic took a toll on Tesla's productivity as widespread lockdowns halted much of its manufacturing in Shanghai. To address recent economic and performance concerns, Tesla focused on minimising expenses by terminating the contracts of 10% of its salaried employees. Musk also claimed the automotive company was overstaffed in 2022 which would have increased expenses and impacted Tesla's overall performance, profits, and productivity.

Adapted from Reuters, 'Exclusive: Elon Musk wants to cut 10% of Tesla jobs', 2022

ACTIVITY

Responding to KPIs

Match the following management strategies to the effect on KPIs.

Staff training	Decrease in rates of staff absenteeism as a manager has adopted an approach that involves two-way communication and decentralised decision making, leading to stronger and more positive workplace relations.
Staff motivation	Increase a business's percentage of market share as employees are provided with knowledge and expertise to deliver a unique and competitive customer experience, allowing for a greater proportion of industry sales to be captured.
Change in management styles	Decrease in the number of customer complaints as employees are motivated to deliver a high-quality good or service and provide a positive customer experience.
Change in management skills	Increase in the rate of productivity growth as business processes are streamlined and the number of unnecessary inputs in the production process is minimised.
Cost cutting	Decrease in the number of workplace accidents as a manager ensures they are communicating instructions in a clear and understandable manner that enables employees to complete their work tasks safely.

Theory summary

Assessing KPIs can allow a manager to recognise which areas of the business need to be improved, prompting them to respond accordingly. When responding to areas of poor performance, a manager can implement strategies that increase the likelihood of a business successfully achieving its objectives. In doing so, a manager aims to improve the business's overall performance. The management strategies to respond to KPIs that were explored in this lesson include:

- staff training
- staff motivation
- change in management styles
- change in management skills
- cost cutting.

5B Questions

Theory review

Question 1

A business should analyse its key performance indicators, identify areas of high performance, and only implement management strategies to continue to improve its strengths.

A. True

B. False

Question 2

A change in management skills may involve a manager:

A. adopting an autocratic or persuasive approach to managing employees.

B. prioritising their delegation and communication with employees.

Question 3

Fill in the blanks with the following terms:

- decrease
- increase

A manager that prioritises the use of planning and decision-making skills may _____ the rate of productivity growth. Furthermore, a manager who adopts a persuasive management style may allow a business to _____ its number of workplace accidents.

Question 4

When responding to a decrease in net profit figures, it is most appropriate for a manager to: **(Select all that apply)**

I. encourage employees to contribute to decision-making processes by adopting a persuasive management style.

II. adopt a centralised management style to allow them to retain control.

III. restrict employee input to ensure the business remains on-task and efficient.

Question 5

A business's number of sales can be directly improved through cost cutting strategies, such as sourcing cheaper materials and minimising labour costs.

A. True

B. False

Question 6

It is most appropriate for a business to use staff motivation as a management strategy to respond to:

A. an increase in the level of staff turnover, rates of staff absenteeism, and the number of customer complaints.

B. a decrease in the level of waste, the number of website hits, and the number of workplace accidents.

Question 7

Management strategies to respond to key performance indicators can focus on:

A. only improving the financial status of a business.

B. the financial status of a business, employee morale, and the operations process.

Preparing for exams

Case study skills

Use the following information to answer Questions 8 and 9.

El was hired as a human resource manager at Hawkins after it experienced a severe increase in its level of staff turnover following a major adjustment to its technical processes. As a major clothing retailer, the amount of staff that left Hawkins negatively impacted its number of sales and increased its number of customer complaints.

Question 8

Identify which of the following statements are **true** or **false** about a change in management skills at Hawkins.

		True	False
I.	Utilising strong communication and interpersonal skills at Hawkins may decrease the level of staff turnover as employees feel valued and supported to perform the new technical processes.	☐	☐
II.	El should adopt management skills that provide her with a high level of control and allow her to create structured processes as this will allow Hawkins to improve its employee morale, therefore decreasing customer complaints.	☐	☐
III.	If El alters her management skills to include those that emphasise employee involvement, employees may be more willing to contribute unique ideas that could potentially increase sales.	☐	☐
IV.	Employees will feel more comfortable with the new technical processes and less likely to leave Hawkins if El prioritises her communication skills, as this allows her to clearly discuss and demonstrate the technical adjustments.	☐	☐

Question 9

Identify which of the following is a correct statement about staff training at Hawkins.

A. Staff training will allow employees to develop their skills and knowledge, increasing feelings of value at the business and allowing them to deliver a higher quality of service, hence decreasing the level of staff turnover and improving the number of sales.

B. Hawkins employees who undertake staff training will be involved in more workplace accidents as they are increasingly confident with equipment, leading to an increased incidence of risk-taking behaviour.

Question 10

Following the introduction of new machinery and equipment in the book publication process, Never Ending Story has experienced an increase in its number of workplace accidents over the last 6 months.

Identify which of the following is a correct statement about the use of staff training to decrease the number of workplace accidents at Never Ending Story.

A. Staff training can provide employees with the knowledge and skills to properly handle and operate this machinery safely, reducing the number of workplace accidents.

B. The number of workplace accidents has increased at Never Ending Story as employees do not know how to properly handle the equipment. However, staff training will only act to motivate them and will not teach them how to properly operate machinery.

Question 11

Sweets on Caroline is a confectionery manufacturer that sells a range of packaged products to supermarkets and small retailers in Caroline Street, South Yarra. The owner, Neil, was disappointed with the business's performance after one year of trading and decided to invest in new technology that would automate the confectionary-making process. At the end of the second year of trading, Neil examined a range of key performance indicators to assess the success of the change at Sweets on Caroline.

Key performance indicators	Year 1	Year 2
Net profit figures	$47,000	$23,000
Rates of staff absenteeism	Average of four days per year per staff member	Average of 12 days per year per staff member

Identify which of the following statements are correct about how a change in management style can improve Sweets on Caroline's KPIs. **(Select all that apply)**

I. By adopting a management style that provides employees with full control over decision-making, Neil will be able to spend more time budgeting Sweets on Caroline's expenses to increase net profit figures.

II. Neil can adopt a consultative management style as this allows him to develop an interpersonal relationship with employees, increase morale, and decrease absenteeism. This style also allows him to maintain decision-making control and limit Sweets on Caroline's expenses.

III. The increase in the rates of staff absenteeism indicates that employees are concerned about their job security due to the new automated technology. Therefore, by utilising a management style with two-way communication, Neil can reassure his employees and address any job security concerns to decrease absenteeism.

IV. Sweets on Caroline's expenses have likely increased due to the new technology, therefore, Neil must adopt an autocratic management style as this will allow him to increase profits which is a more important KPI than rates of staff absenteeism.

Use the following information to answer Questions 12 and 13.

Peter owns Straw N' Me, a hay bale company in regional Victoria. Last year, Peter restructured the customer service processes at the company, increasing the number of interactions that employees have with farms and other customers buying bales to improve the overall customer experience. A year later, Peter is now assessing Straw N' Me's key performance indicators to determine the success of the change.

Key performance indicators	Year to date
Number of customer complaints	Increased by 50%
Rates of staff absenteeism	Increased by 5%
Rate of productivity growth	Decreased by 3%

Question 12

Identify which of the following is a correct statement about how a change in management skill can be used to improve KPIs at Straw N' Me.

A. Straw N' Me can improve its rate of productivity growth if Peter minimises his use of decision-making and allows employees to freely conduct their work on their own terms.

B. The number of customer complaints may decrease if Peter emphasises his planning skills and provides no chance for employee input as this would motivate Straw N' Me staff to deliver a higher quality service to customers.

C. Peter should prioritise the management skills of communication and interpersonal, allowing his employees to feel supported and encouraged at Straw N' Me, thus decreasing rates of staff absenteeism.

Question 13

Identify which of the following is a correct statement about how cost cutting can be used to improve KPIs at Straw N' Me.

A. By reusing production materials, Peter can minimise the number of inputs that are used to produce each hay bale, therefore increasing the rate of productivity growth.

B. If Peter terminates employee contracts, he will decrease rates of staff absenteeism at Straw N' Me.

C. Straw N' Me can utilise cheaper materials of poorer quality to decrease its number of customer complaints.

Exam-style

Question 14 (3 MARKS)

Explain how staff motivation can be used to respond to KPIs.

Question 15 (3 MARKS)

El was hired as a human resource manager at Hawkins after it experienced a severe increase in its level of staff turnover following a major adjustment to its technical processes. As a major clothing retailer, the amount of staff that left Hawkins negatively impacted its number of sales and increased its number of customer complaints.

Describe how one of the following management strategies could be used to improve KPIs at Hawkins:

- staff training
- change in management skill

Adapted from VCAA 2021 exam Section A Q4c

Question 16 (3 MARKS)

Following the introduction of new machinery and equipment in the book publication process, Never Ending Story has experienced an increase in its number of workplace accidents over the last 6 months.

Explain how staff training could be used to decrease the number of workplace accidents at Never Ending Story.

Question 17 (3 MARKS)

Sweets on Caroline is a confectionery manufacturer that sells a range of packaged products to supermarkets and small retailers in Caroline Street, South Yarra. The owner, Neil, was disappointed with the business's performance after one year of trading and decided to invest in new technology that would automate the confectionery-making process. At the end of the second year of trading, Neil examined a range of key performance indicators to assess the success of the change at Sweets on Caroline.

Key performance indicators	Year 1	Year 2
Net profit figures	$47,000	$23,000
Rates of staff absenteeism	Average of four days per year per staff member	Average of 12 days per year per staff member

Explain how a change in management style could be applied at Sweets on Caroline to respond to one of the KPIs in the table.

Adapted from VCAA 2018 exam Section A Q3c

Question 18 (6 MARKS)

Peter owns Straw N' Me, a hay bale company in regional Victoria. Last year, Peter restructured the customer service processes at the company, increasing the number of interactions that employees have with farms and other customers buying bales to improve the overall customer experience. A year later, Peter is now assessing Straw N' Me's key performance indicators to determine the success of the change.

Key performance indicators	Year to date
Number of customer complaints	Increased by 50%
Rates of staff absenteeism	Increased by 5%
Rate of productivity growth	Decreased by 3%

Explain how a change in management skills and cost cutting could be used to respond to the data shown in the case study.

Adapted from VCAA 2021 exam Section B Q5

Testing previous knowledge

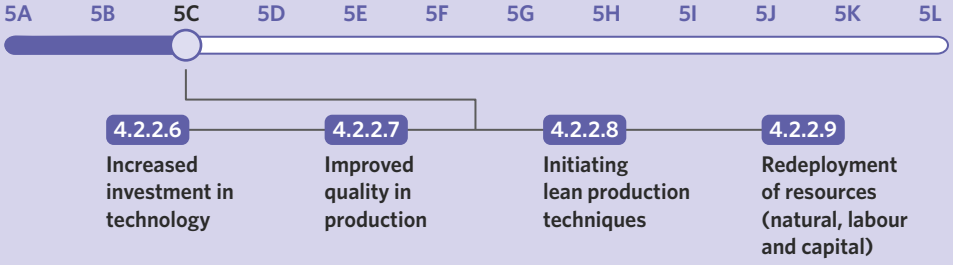
Question 19 (3 MARKS)

Explain how an autocratic manager could utilise a change in management style to improve KPIs.

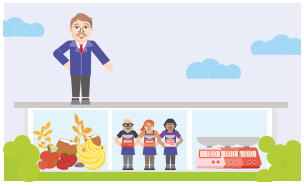
5C Management strategies to respond to KPIs: Part 2

STUDY DESIGN DOT POINT

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



As children, when you outgrow your clothes, it is common to pass them down to younger siblings or neighbours. In the same way that you find another use for your old items, businesses can reallocate employees, equipment, and raw materials to give them another purpose. This is one way a business can respond to key performance indicators.



Lesson introduction

A business can introduce specific management strategies to improve particular areas of the business and address relevant key performance indicators (KPIs). For example, management strategies that focus on utilising resources efficiently, improving quality, and reducing waste are all directly related to a business's operations system. By implementing targeted management strategies, a manager can ensure they are directly improving performance in a specific area, whilst also enhancing other areas of the business at the same time. The management strategies explored in this lesson can directly respond to KPIs related to a business's operations system.

Increased investment in technology 4.2.2.6

Increased investment in technology involves implementing automated and computerised processes into a business's operations system. A business can invest in technological developments such as automated production lines (APL), robotics, computer-aided design (CAD), computer-aided manufacturing (CAM) techniques, artificial intelligence (AI), and online services. When responding to KPIs, a business can utilise technology to improve productivity, market share, and profitability. For example, a business that is experiencing low levels of performance and competitiveness in its industry may invest in an APL or robotics, allowing its production processes to be completed at a faster pace with fewer errors. As a result, the business is likely to experience improvements in efficiency and effectiveness, resulting in decreased costs, increased productivity, and improved KPIs. For some businesses, failure to invest in technology that enhances operations can negatively impact KPIs, decreasing competitiveness and overall performance. In today's increasingly digitised society, businesses that do not constantly update and invest in technology are often at a severe disadvantage compared to competitors.

LESSON LINK
Technological developments were introduced in **3D Technological strategies**.

Table 1 The effect of increased investment in technology on KPIs

Unfavourable trend in KPI	Effect of using increased investment in technology as a strategy	Favourable impact of strategy on KPI
↓ Number of sales	• APL, robotics, CAD, and CAM techniques can reduce the number of defects in production and improve consistency, increasing overall product quality. • CAD and AI allow for greater levels of customer engagement and can improve a business's ability to respond to customer needs. • Online services can provide more efficient and convenient ways of communicating with customers to improve their customer experience. Continues ▶	Number of sales ↑

Table 1 Continued

Unfavourable trend in KPI	Effect of using increased investment in technology as a strategy	Favourable impact of strategy on KPI
↓ Percentage of market share	• CAD can improve a customer's willingness to purchase goods or services as it can allow the customer to be involved in the design process. • AI and online services may allow a business to better understand customers' interests and needs, allowing it to develop a competitive advantage. • APL, robotics, CAD, and CAM techniques can minimise production times and improve the quality of products, improving customer satisfaction.	Percentage of market share ↑
↓ Rate of productivity growth	• APL, robotics, CAD, and CAM techniques can improve the efficiency of a business's operations system as less time and labour resources may be required during the operations process. • AI and online services can allow a business to better anticipate customer demand, allowing for more efficient use of resources.	Rate of productivity growth ↑
↓ Net profit figures	• APL, robotics, CAD, CAM techniques, AI, and online services can all decrease production costs as the number of employees required during the production process is reduced. • CAD can improve sales revenue by designing goods that meet specific customer needs. • Online services can provide additional avenues for customer engagement, encouraging repeat purchasing.	Net profit figures ↑
↓ Number of website hits	• Online services can be used to provide customers with a platform to conveniently purchase products or book services online, increasing the number of customers frequenting a business's website. • AI can provide a business with a better understanding of the demographics and needs of its customers. This can allow a business to ensure its online platforms align with customer needs, increasing the level of engagement with the business's website.	Number of website hits ↑
↑ Level of wastage	• APL, robotics, CAD, and CAM techniques can minimise the number of errors in production. Reducing the number of defective products produced means fewer resources are discarded, reducing levels of wastage.	Level of wastage ↓
↑ Number of workplace accidents	• APL, robotics, and CAM techniques can minimise the number of dangerous tasks that employees are required to perform, increasing their safety at work.	Number of workplace accidents ↓
↑ Number of customer complaints	• APL, robotics, CAD, and CAM techniques can minimise the number of errors and defects in production, whilst improving the overall quality of a business's products, enhancing customer satisfaction.	Number of customer complaints ↓

Improving quality in production 4.2.2.7

LESSON LINK

Quality strategies were introduced in **3F Quality strategies**.

Improving quality in production involves a business implementing processes that increase the perceived value of its good or service. A business can improve its quality in production by implementing quality strategies, such as quality control (QC), quality assurance (QA), and Total Quality Management (TQM). Quality strategies can be used by a business to respond to KPIs that indicate poor financial performance and customer satisfaction. For example, if a business experiences an increase in its number of customer complaints, this may indicate that customers are unsatisfied with the quality of the goods or services produced. Therefore, by implementing quality strategies, a business can ensure it meets customer expectations, remains competitive in the market, and improves the efficiency of its operations system. As production quality is directly linked to customer satisfaction and competitiveness, it is essential that businesses actively investigate methods to enhance and maintain desired quality standards.

Table 2 The effect of improving quality in production on KPIs

Unfavourable trend in KPI	Effect of using improved quality in production as a strategy	Favourable impact of strategy on KPI
↑ Number of customer complains	• Higher quality goods and services can increase customer satisfaction.	Number of customer complains ↓
↓ Number of sales	• Higher quality goods and services can better satisfy customer needs and increase the likelihood of repeat purchasing.	Number of sales ↑

Continues ▶

Table 2 Continued

Unfavourable trend in KPI	Effect of using improved quality in production as a strategy	Favourable impact of strategy on KPI
↓ Net profit figures	• Higher quality goods and services can increase customer satisfaction and improve sales, resulting in greater profits. • Improving production quality can minimise the number of errors in production, leading to less wasted resources, thus reducing expenses.	Net profit figures ↑
↓ Percentage of market share	• Higher quality goods and services can promote repeat purchasing as there are higher levels of customer satisfaction, increasing a business's competitive advantage.	Percentage of market share ↑
↑ Level of wastage	• Producing higher quality products can minimise errors in production and the amount of discarded resources, therefore minimising wastage.	Level of wastage ↓
↓ Number of website hits	• Higher quality products can lead to greater customer satisfaction. In turn, this may increase customers' interest in engaging with the business website.	Number of website hits ↑
↓ Rate of productivity growth	• Improving production quality can minimise the number of errors and defective products that a business produces, therefore decreasing its number of discarded resources and improving productivity.	Rate of productivity growth ↑

Initiating lean production techniques 4.2.2.8

Initiating lean production techniques involves a business adopting lean management strategies to systematically reduce waste in all areas of production while also improving customer value. A business can implement lean production techniques through the lean management strategies of pull, one-piece flow, takt, and zero defects. When a business experiences low levels of productivity, it can utilise lean management to improve KPIs and overall performance. For example, a business can implement the lean management strategy of pull to ensure it is only using resources that are necessary to meet customer demands, resulting in a more efficient use of time and materials. Therefore, through the implementation of lean production techniques, a business can increase its rate of productivity and minimise wastage in its operations system. With a continuous focus on eliminating waste generated in production, lean management strategies can allow a business to demonstrate a genuine commitment to environmental sustainability and corporate social responsibility (CSR), ultimately enhancing its reputation which can further improve KPIs and performance.

LESSON LINK

Waste minimisation was introduced in **3G Waste minimisation**.

Lean management was introduced in **3H Lean management**.

Corporate social responsibility (CSR) was introduced in **3I CSR in operations**.

Table 3 The effect of initiating lean production techniques on KPIs

Unfavourable trend in KPI	Effect of using initiating lean production techniques as a strategy	Favourable impact of strategy on KPI
↑ Level of wastage	• By implementing pull, businesses will only produce goods and services when customer orders are received, minimising idle stock and the number of unused resources that are discarded. • Streamlining processes in the operations system, through one-piece flow and takt, can allow a business to efficiently utilise inputs and minimise wastage.	Level of wastage ↓
↓ Percentage of market share	• A business's operations system can become more adaptable, allowing it to produce high-quality goods and services in a manner that addresses changing customer needs. This can increase a business's overall customer satisfaction and competitiveness. • A business that adopts lean management and demonstrates CSR practices is likely to attract customers from competitors, as consumers are aware of how the business's activities positively impact the environment and community.	Percentage of market share ↑
↓ Rate of productivity growth	• Inputs are used more efficiently to produce outputs as the operations system is streamlined when a business implements takt and one-piece flow.	Rate of productivity growth ↑
↓ Net profit figures	• Implementing pull can reduce the amount of idle stock and excess inventory, reducing business costs. • There is minimal wastage as business processes are coordinated and resources are used efficiently, consequently reducing expenses. • Continually aiming to improve product quality, through zero defects, results in fewer errors in the operations system, consequently minimising costs associated with discarded materials.	Net profit figures ↑
↓ Number of website hits	• Promoting the use of sustainable and environmentally friendly practices can attract more customers to a business's website as they are more likely to engage with socially responsible businesses. Continues ▶	Number of website hits ↑

Table 3 Continued

Unfavourable trend in KPI	Effect of using initiating lean production techniques as a strategy	Favourable impact of strategy on KPI
↑ Number of customer complaints	• A business that strives for zero defects and constantly looks for ways to improve its quality can minimise its number of defects in production and improve overall customer satisfaction.	Number of customer complaints ↓
↓ Number of sales	• By implementing lean management strategies a business can provide a faster, higher quality customer experience and increase its number of repeat purchases. • Through minimising waste in production, a business can improve its reputation by demonstrating a commitment to sustainable operations, thus increasing sales.	Number of sales ↑

KEY DEFINITIONS

Redeployment of resources involves reallocating natural, labour, and capital resources to different areas of the business to improve productivity and effectiveness.

ADDITIONAL TERMS

Natural resources are the raw materials that are used in the production of goods and services, including land, water, and coal.

Labour resources are the mental and physical abilities of workers which are used to produce goods and services, including production line workers, data analysts, and human resource employees.

Capital resources are the man-made items used in the production of final goods and services, including machinery, vehicles, and tools.

USEFUL TIP

The three management strategies already discussed in this lesson relate directly to operations strategies to improve efficiency and effectiveness that were explored in Unit 3 AOS 3, including technological developments, quality strategies, and lean management strategies. Therefore, it may be useful to refer back to these lessons to refresh your knowledge and gain a better understanding of how these management strategies can improve KPIs.

Redeployment of resources (natural, labour and capital) 4.2.2.9

Redeployment of resources involves reallocating natural, labour, and capital resources to different areas of the business to improve productivity and effectiveness.

- The redeployment of **natural resources** involves a business reusing, recycling, or repurposing its raw materials and is often associated with waste minimisation strategies. For example, a farmer may redeploy land if it can be put to better use to produce an alternate product.
- The redeployment of **labour resources** involves transferring employees to other areas of the business. This often occurs when a business invests in technology to replace human labour as employee positions often become redundant. In these circumstances, a business can retain the knowledge and skills of affected employees by redeploying them to another area of business. When an employee is redeployed, their role in the business may change, therefore requiring them to undergo training to learn how to complete their new tasks.
- The redeployment of **capital resources** involves a business using physical assets for a different purpose than what they were initially intended for. When a business introduces new technology it is often left with old machinery. Therefore, instead of selling this equipment, the business can redeploy it to another area of the business to optimise efficiency.

By redeploying resources, a business can retain its materials, employees, and equipment. In doing so, a business can appropriately respond to KPIs, enhancing its efficiency, and improving its overall performance.

Table 4 The effect of redeploying resources on KPIs

Unfavourable trend in KPI	Effect of using redeployment of resources as a strategy	Favourable impact of strategy on KPI
↓ Net profit figures	• Reallocating resources reduces inefficiencies in the operations system, thus allowing for optimal use of the business's resources and increased profit margins.	Net profit figures ↑
↑ Level of wastage	• Reallocating resources increases productivity and reduces the number of resources that are wasted in a business's operations system.	Level of wastage ↓
↓ Rate of productivity growth	• When labour and capital resources are reallocated, it can result in a more productive use of resources by ensuring that employees and machinery are no longer idle.	Rate of productivity growth ↑
↑ Rates of staff absenteeism	• Reallocating labour resources to another area of business where they have different roles and responsibilities can motivate employees to attend work.	Rates of staff absenteeism ↓
↑ Level of staff turnover	• Reallocating labour resources to another area of business where they have different roles and responsibilities can motivate employees and increase job satisfaction, therefore encouraging them to remain at the business.	Level of staff turnover ↓

REAL WORLD EXAMPLE

Redeployment of resources

Westpac Banking Corporation is an Australian financial services company that provides customers with home loans, everyday banking accounts, credit cards, debit cards, and investment opportunities. In 2022, Westpac announced that it would be making 90 job positions redundant in an effort to minimise its business expenses to $8 billion by 2024. However, despite implementing these job cuts, Westpac consulted with these redundant employees and provided ongoing support which included offering redeployment opportunities to staff, allowing them to be employed in another area of the business. In doing so, Westpac secured the opportunity to reallocate its labour resources and retain the knowledge and skills of its employees, allowing for improvements in productivity and increasing the corporation's ability to achieve its 2024 objective.

Adapted from MPA, 'Westpac slashes more jobs as margin squeeze continues', 2022



Image: haireena/Shutterstock.com

Figure 1 After announcing the redundancy of 90 job positions, Westpac offered affected employees the option of redeployment to another area of the business

ACTIVITY

Responding to KPIs

Milky Moo is a dairy company that has been operating from its Geelong factory for 30 years. The operations manager, Milo, has been analysing Milky Moo's key performance indicators and noticed a number of inefficiencies in the factory. The current automated machinery is becoming outdated and employees have noticed more errors during quality checks. As Milo currently utilises reactive quality strategies, these errors are noticed after milk bottles and yoghurt tubs are produced and ready for dispatch. Moreover, the large paddock next to the factory is currently unoccupied by the company's cattle as it has been badly drought-affected. Milo has explained the current KPIs and proposed a number of strategies to address these KPIs to owners and other managers at Milky Moo who have been extremely supportive of these changes.

Key performance indicator (KPIs)	2022–2023
Number of customer complaints	Increased by 5%
Level of wastage	Increased by 10%
Net profit figures	Decreased by 2%
Rate of productivity growth	Decreased by 6%

After reading the case study, complete the following activity in small groups:

1. For each of the KPIs in the table, list the management strategies that Milo could implement to improve business performance.
2. What effect would each of these management strategies have on Milky Moo's KPIs and how would they lead to improved business performance?
3. Milky Moo has decided to implement new technology into its operations system and is considering repairing the old machinery to increase its value. What could Milo do with the older machinery to improve productivity?
4. Milky Moo is planning on expanding and extending the factory. Explain how natural resources could be redeployed for this change.

As a class, discuss your responses and decide on two management strategies that you think are most appropriate to Milky Moo in order to improve its performance.

Theory summary

A manager can analyse KPIs and implement management strategies that respond directly to an area of performance. This lesson particularly focused on management strategies that directly impact a business's operations system and production process. However, all management strategies can impact many areas of business, therefore, the strategies explored in this lesson are not strictly limited to improving the operations systems. When a business implements strategies to improve its quality, efficiency, and effectiveness in response to KPIs, it can increase its performance and competitiveness. The management strategies to respond to KPIs that were explored in this lesson include:

- increased investment in technology
- improved quality in production
- initiating lean production techniques
- redeployment of resources (natural, labour and capital).

USEFUL TIP

When answering questions relating to KPIs, it is important to support your answers with the case study data that is provided in the question, especially in the VCAA end-of-year exam. This may help you to sequentially structure your response and better frame each point you are making, ultimately assisting you to maximise your marks for each question.

5C Questions

Theory review

Question 1

When implementing management strategies in response to key performance indicators, a manager can target specific areas of business.

A. True

B. False

Question 2

Increased investment in technology can involve:

I. a business implementing automated production lines and robotics to increase its rate of productivity growth and its number of sales.

II. a business removing its old, outdated technology and replacing it with labour resources to improve rates of staff absenteeism.

III. a business implementing online services, such as online purchasing platforms, to increase its number of website hits.

Question 3

Fill in the blanks with the following terms:

- quality in production
- investment in technology

A business that increases its _____ can also improve its _____ as there are fewer errors compared to human labour, increasing the perceived value of a good or service and the consistency of products for customers.

Question 4

When a business experiences an increase in the number of customer complaints, this indicates that the quality of its products has improved.

A. True

B. False

Question 5

Fill in the blanks with the following terms:

- Redeployment of resources
- Initiating lean production techniques

_____is when a business adopts management approaches that minimise waste in the operations system whilst increasing customer value. _____involves reallocating employees, capital and raw materials, to increase efficiency and effectiveness.

Question 6

A business that successfully implements a management strategy that directly impacts its operations system may experience:

A. an increase in its number of sales, number of website hits, and number of workplace accidents.

B. a decrease in its level of wastage and an increase in its rate of productivity growth and net profit figures.

C. a decrease in its rates of staff absenteeism and level of staff turnover, but an increase in its number of workplace accidents.

Preparing for exams

Case study skills

Question 7

Victoria owns Sponge, a specialty cake shop that is known for its mass production of sponge cakes. As competition increases in the cake market, Victoria has introduced a range of uniquely flavoured, specialty sponge cakes created by top chefs around the world in an attempt to increase sales. Recently, upon entering its sixth year of operation, Victoria collected data and analysed Sponge's key performance indicators to assess its performance.

Years of operation	Level of wastage	Net profit figures
Year 4	Increased by 1%	$742,000
Year 5	Increased by 3%	$450,000

Identify which of the following statements are correct about initiating lean production techniques to improve business performance at Sponge. **(Select all that apply)**

I. Net profit figures have decreased from year 4 to year 5 indicating that the mass production of cakes is likely resulting in a large amount of discarded materials, subsequently increasing Sponge's expenses.

II. Sponge is currently mass-producing cakes, meaning Victoria and her employees only bake when a customer order is received.

III. Implementing pull at Sponge would ensure that Victoria and her employees are only producing cakes to meet customer demand, reducing the amount of money lost as a result of idle or unused stock.

IV. Victoria could implement one-piece flow to ensure only one cake is being baked at a time, increasing the efficiency and effectiveness of the operations system and minimising the level of wastage.

Question 8

Two years ago, A Cuppa With Chino opened its doors to coffee-goers in Melbourne, offering a variety of beverages, pastries, and lunch items. In the last six months, there has been a sudden increase in customer demand causing the cafe to repeatedly fall behind on orders and deliver a slow service. Currently, baristas grind the coffee beans by hand but the manager of A Cuppa With Chino is now considering investing in technology that automates this process.

Key performance indicator	Year 1	Year 2
Rate of productivity growth	3%	1%
Number of sales	50,000 units	30,000 units

Identify which of the following statements are **true** or **false** about increased investment in technology at A Cuppa With Chino.

		True	False
I.	Manually grinding coffee beans is an inefficient process and has likely resulted in a decrease in the rate of productivity growth, therefore A Cuppa With Chino could implement robotics to mechanise the process and increase efficiency.	☐	☐
II.	A Cuppa With Chino's decrease in its number of sales is likely due to customers becoming dissatisfied with the cafe's slow service, thus faster, high-quality grinding technology could be implemented to improve sales.	☐	☐
III.	Grinding coffee by hand is more beneficial for A Cuppa With Chino as customers prefer its coffee over competitors, as indicated by the number of sales.	☐	☐
IV.	The rate of productivity growth has decreased at A Cuppa With Chino as customer demand has declined, therefore employees are idle and inefficient as there are no jobs to complete.	☐	☐

Use the following information to answer Questions 9 and 10.

Hayden owns Hydro, a water bottle manufacturing business and wholesaler. In its fifth year of operation, Hayden purchased new equipment to replace the roles of employees on the water bottle production line and increase the efficiency and effectiveness of old, existing machinery.

Key performance indicators	Year 5	Year 6
Rate of productivity growth	6%	3%
Level of wastage	7% of resources	10% of resources

Question 9

Identify which of the following is a correct statement about the redeployment of resources at Hydro.

A. Hydro could redeploy capital resources by moving the old, existing machinery to another area of business, increasing the efficiency of bottle manufacturing across the business and improving the rate of productivity growth.

B. Hayden could redeploy natural resources by transitioning employees to other businesses that Hydro has networked and collaborated with in the past.

Question 10

Identify which of the following is a correct statement about how redeploying resources could position Hydro for the future.

A. Redeploying capital resources by selling the old machinery will allow Hayden to increase its profits, better positioning the business for the future.

B. By redeploying employees at Hydro, Hayden can minimise the amount of wasted time and unused, idle resources that are present in the business, positioning Hydro to decrease its level of wastage in the future.

Question 11

In its first year of operation, Silky Smooth, a luxury bedding manufacturer, experienced a number of operations difficulties and, upon assessing key performance indicators at the end of year 1, management decided to implement a number of changes. In year 2, the operations manager at Silky Smooth ensured that faster, error-free equipment was purchased and proactive quality strategies were implemented. At the end of year 2, management reassessed its performance with the hope of seeing improvement.

Key performance indicator	Year 1	Year 2
Rate of productivity growth	3%	7%
Number of customer complaints	72	12
Number of sales	90,000 units	134,000 units

Identify which of the following statements are correct about the use of management strategies to respond to Silky Smooth's KPIs. **(Select all that apply)**

I. Silky Smooth could have increased its investment in technology through computer-aided manufacturing techniques, allowing it to increase the speed and accuracy of its bedding manufacturing, therefore increasing the rate of productivity growth.

II. An increase in the number of sales could indicate that Silky Smooth improved its quality in production, resulting in an increase in customer satisfaction and therefore encouraging repeat purchasing.

III. To decrease its number of customer complaints, Silky Smooth could have implemented reactive quality strategies as this would prevent errors before they occur.

IV. The number of customer complaints significantly decreased at Silky Smooth, indicating greater levels of customer satisfaction which could be a result of improved quality in production.

Exam-style

Question 12 (3 MARKS)

Explain how redeployment of resources can be used to respond to key performance indicators.

Adapted from VCAA 2018 exam Section A Q3c

Question 13 (3 MARKS)

Victoria owns Sponge, a specialty cake shop that is known for its mass production of sponge cakes. As competition increases in the cake market, Victoria has introduced a range of uniquely flavoured, specialty sponge cakes created by top chefs around the world in an attempt to increase sales. Recently, upon entering its sixth year of operation, Victoria collected data and analysed Sponge's key performance indicators to assess its performance.

Years of operation	Level of wastage	Net profit figures
Year 4	Increased by 1%	$742,000
Year 5	Increased by 3%	$450,000

Describe how initiating lean production techniques could improve Sponge's performance.

Adapted from VCAA 2017 Sample exam Section A Q5

Question 14 (3 MARKS)

Two years ago, A Cuppa With Chino opened its doors to coffee-goers in Melbourne, offering a variety of beverages, pastries, and lunch items. In the last six months, there has been a sudden increase in customer demand causing the cafe to repeatedly fall behind on orders and deliver a slow service. Currently, baristas grind the coffee beans by hand but the manager of A Cuppa With Chino is now considering investing in technology that automates this process.

Key performance indicator	Year 1	Year 2
Rate of productivity growth	3%	1%
Number of sales	50,000 units	30,000 units

Explain how increased investment in technology could assist A Cuppa With Chino in improving its future business performance.

Adapted from VCAA 2017 Sample exam Section A Q5

Question 15 (4 MARKS)

Hayden owns Hydro, a water bottle manufacturing business and wholesaler. In its fifth year of operation, Hayden purchased new equipment to replace the roles of employees on the water bottle production line and increase the efficiency and effectiveness of old, existing machinery.

Key performance indicators	Year 5	Year 6
Rate of productivity growth	6%	3%
Level of wastage	7% of resources	10% of resources

Explain how redeployment of resources could be used to respond to Hydro's key performance indicators in the table and position the business for the future.

Adapted from VCAA 2018 exam Section A Q3c

Question 16 (6 MARKS)

In its first year of operation, Silky Smooth, a luxury bedding manufacturer, experienced a number of operations difficulties and, upon assessing key performance indicators at the end of year 1, management decided to implement a number of changes. In year 2, the operations manager at Silky Smooth ensured that faster, error-free equipment was purchased and proactive quality strategies were implemented. At the end of year 2, management reassessed its performance with the hope of seeing improvement.

Key performance indicator	Year 1	Year 2
Rate of productivity growth	3%	7%
Number of customer complaints	72	12
Number of sales	90,000 units	134,000 units

Explain two management strategies Silky Smooth might have used to respond to key performance indicators after its first year of operation.

Adapted from VCAA 2021 exam Section B Q5

Testing previous knowledge

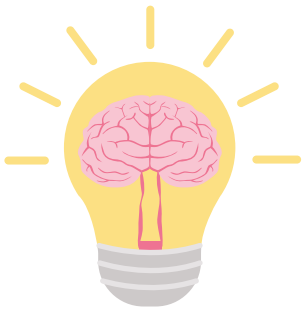
Question 17 (5 MARKS)

Driving in the Outback is an Australian tourist company that offers travellers a unique motor home experience exploring regions across the country. The manager, Ruey, is concerned about Driving in the Outback's level of pollution from its motor home fleets and the level of fuel and food wastage the business produces on its tours. Consequently, Ruey is now considering implementing lean production techniques to reduce the current level of wastage at Driving in the Outback.

Explain the importance of leadership in change management for Driving in the Outback when initiating lean production techniques to reduce its level of wastage.

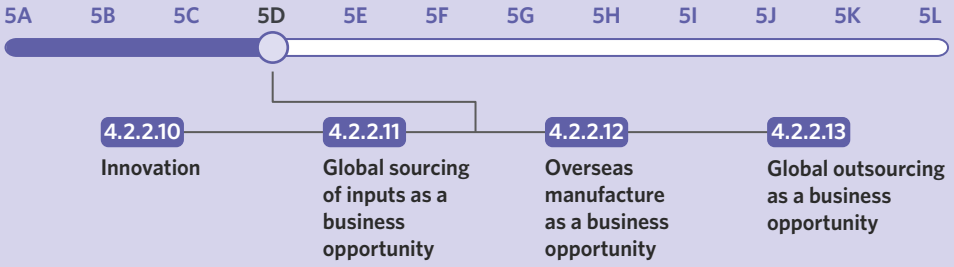
5D Management strategies to respond to KPIs: Part 3

Have you ever had a lightbulb moment, where suddenly a fantastic new idea comes to mind? Businesses often have lightbulb moments, which can be thought of as innovations. When a business develops an innovation, it can be used as an opportunity to strategically improve performance.



STUDY DESIGN DOT POINT

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



Lesson introduction

As you have learnt in the previous two lessons, a business can use management strategies to respond to key performance indicators (KPIs) and improve future performance. KPIs can also allow a business to set goals and targets that it will aim to achieve, allowing it to progress and constantly aim for improvement. A business can utilise new ideas, inventions, and global considerations to respond to KPIs and seek new business opportunities.

Innovation 4.2.2.10

KEY DEFINITIONS

Innovation is the process of altering and improving or creating new products or procedures.

LESSON LINK

Innovation was introduced in **4F Driving forces: Part 2**.

Innovation is the process of altering and improving or creating new products or procedures. Innovation can be utilised as an opportunity to expand to new markets, meet new customer needs, and improve performance. A business can innovate by developing new goods and services that meet existing customer needs, promoting its products with unique marketing techniques, or implementing faster and more productive methods of operating. When responding to KPIs, a business can use innovation to enhance its ability to fulfil a market need and develop a competitive advantage, therefore, allowing it to increase its sales, percentage of market share, and net profit figures. A business that focuses on innovation can increase customer interest in its products, more readily develop a loyal customer base, and improve efficiency and effectiveness in its production process. For example, a technology business that is experiencing low levels of customer engagement and sales may develop a new range of smartphones with the most advanced applications in the market. As a result, this business is likely to improve its sales and overall percentage of market share. An innovative business is able to seek new opportunities by engaging with customers and meeting their needs, growing its brand, developing a competitive advantage, and establishing itself in the market.

Table 1 The effect of innovation on KPIs

Unfavourable trend in KPI	Effect of using innovation as a strategy	Favourable impact of strategy on KPI
↓ Number of sales	• Developing innovative goods and services may allow a business to better meet customer needs and allow the business to establish a competitive advantage through its unique offerings, therefore attracting more customers.	Number of sales ↑
↓ Net profit figures	• A business that promotes and sells innovative products is likely to attract and retain more customers as their needs are readily satisfied by the business, therefore, generating more sales and profits. • Implementing innovative production techniques can allow a business to reduce its production costs, therefore increasing profit margins. Continues ▶	Net profit figures ↑

Table 1 Continued

Unfavourable trend in KPI	Effect of using innovation as a strategy	Favourable impact of strategy on KPI
↓ Percentage of market share	• A business that implements innovative production techniques may be able to reduce its production costs. This can allow the business to gain a competitive advantage by enabling lower prices to be offered to customers. • Creating innovative products can attract more customers to a business and therefore increase its proportion of total sales in the industry compared to its competitors.	Percentage of market share ↑
↑ Rates of staff absenteeism	• Employees may be more motivated and fulfilled if they are involved in the design and development of innovative products, increasing their job satisfaction and commitment to their work.	Rates of staff absenteeism ↓
↑ Level of staff turnover	• The development of innovative products that benefit society and the environment may provide value and fulfilment to employees, therefore decreasing the likelihood of them leaving the business.	Level of staff turnover ↓
↑ Number of customer complaints	• Implementing innovative technology in a business's operations system can improve the quality of its outputs, therefore, improving customer satisfaction levels through minimising the number of faulty products received.	Number of customer complaints ↓
↓ Number of website hits	• A business that promotes its products with unique and engaging marketing techniques may attract more customers to its online platform.	Number of website hits ↑
↓ Rate of productivity growth	• Utilising innovative production techniques can minimise the number of inputs required for production, thus increasing efficiency.	Rate of productivity growth ↑
↑ Level of wastage	• A business that implements innovative technologies and production techniques in its operations system may improve production quality and minimise the number of discarded materials and resources.	Level of wastage ↓
↑ Number of workplace accidents	• Utilising innovative technology that can perform tedious or dangerous tasks may increase employee and customer safety, therefore reducing the number of injuries and incidents that occur in the business.	Number of workplace accidents ↓

Global sourcing of inputs as a business opportunity 4.2.2.11

Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers. A business can utilise global sourcing of inputs as an opportunity to gain higher quality resources for a cheaper price which may allow it to better satisfy customers and minimise its operating costs. When responding to KPIs, global sourcing of inputs can allow a business to gain a competitive advantage and increase its profit margins, sales, and market share. For example, sourcing inputs from overseas suppliers can allow a business to minimise its production costs significantly, as overseas supplies are often much cheaper than those in Australia. Therefore, a business can increase its competitive advantage in the market, as it may be able to offer its products at lower prices than competitors, thus increasing overall sales. Additionally, a business can source higher-quality and authentic resources which may be unique and unable to be sourced locally, hence providing the business with a competitive edge. Ultimately, a business can utilise the management strategy of global sourcing of inputs as an opportunity to obtain unique and authentic overseas supplies that are of a higher quality and/or lower price, thus improving a business's performance.

KEY DEFINITIONS

Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers.

LESSON LINK

Global sourcing of inputs was introduced in **3J Global considerations**.

Table 2 The effect of globally sourcing inputs on KPIs

Unfavourable trend in KPI	Effect of using global sourcing of inputs as a strategy	Favourable impact of strategy on KPI
↓ Net profit figures	• A business can source its inputs at a cheaper price from overseas suppliers. This can reduce production costs and increase profit margins.	Net profit figures ↑
↓ Number of sales	• Sourcing authentic and unique resources that are not available domestically can provide a business with a competitive advantage and entice customers to purchase its products. • Globally sourced inputs may be of a higher quality than domestic resources, therefore increasing the value of the final product and improving customer satisfaction.	Number of sales ↑

Continues ▶

Table 2 Continued

Unfavourable trend in KPI	Effect of using global sourcing of inputs as a strategy	Favourable impact of strategy on KPI
↓ Percentage of market share	• Offering customers products that have been produced using authentic, unique, or higher quality globally sourced inputs can allow a business to develop a competitive advantage and generate a higher proportion of sales in its industry.	Percentage of market share ↑
↑ Number of customer complaints	• Using higher quality resources that have been globally sourced can increase the overall value of the final output and minimise the number of defective products produced, thus increasing customer satisfaction.	Number of customer complaints ↓
↓ Number of website hits	• A business that promotes and highlights its use of authentic, globally sourced resources that cannot be obtained locally may attract more customers to its online platform. • Globally sourced inputs that are of a higher quality and lower price can be promoted online and consequently attract more customers to a business's website.	Number of website hits ↑

Overseas manufacture as a business opportunity 4.2.2.12

KEY DEFINITIONS

Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located.

LESSON LINK

Overseas manufacture was introduced in **3J Global considerations**.

Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located. Businesses that move their manufacturing to an overseas location can take advantage of skilled labour resources and reduced operating costs, whilst potentially improving the quality of their final output. When responding to KPIs, the management strategy of overseas manufacture can allow a business to increase its net profit figures and enhance its overall customer satisfaction. For example, a business with high labour expenses can relocate its manufacturing overseas to minimise its costs, as employee wages are often much cheaper than in Australia. Consequently, a business that decreases its operating expenses can offer customers a lower-priced output whilst retaining its desired profit margin, thus providing it with a competitive advantage. Moreover, if a business utilises highly skilled overseas workers, the quality of the final product may increase, therefore enhancing customer satisfaction. Ultimately, this management strategy can be used by a business to seek new opportunities that allow it to lower the costs of its operations system, gain the expertise and ideas of highly skilled workers, improve the overall quality of its output, and increase customer satisfaction. A business that manufactures overseas may also use this opportunity to swiftly enter new overseas markets with its products, thus, allowing it to become a global brand and competitor.

Table 3 The effect of overseas manufacture on KPIs

Unfavourable trend in KPI	Effect of using overseas manufacture as a strategy	Favourable impact of strategy on KPI
↓ Net profit figures	• A business can minimise its labour expenses and operation costs by manufacturing overseas, therefore increasing its ability to make a profit.	Net profit figures ↑
↓ Number of sales	• Minimising expenses through manufacturing overseas may allow a business to offer lower prices to customers, which can increase customer satisfaction, increase sales, and provide the business with a competitive advantage. • Utilising highly skilled overseas workers in the operations system may increase the quality of a business's final output, thus increasing customer satisfaction and sales. • Implementing overseas manufacturing may allow a business to enter into new global markets, thus increasing its brand recognition, whilst potentially enhancing its sales.	Number of sales ↑
↓ Percentage of market share	• Reducing production costs through manufacturing overseas can allow a business to offer lower prices whilst maintaining its profit margin. Offering lower prices can allow a business to increase its competitiveness and improve its proportion of total sales in its industry.	Percentage of market share ↑
↑ Number of customer complaints	• Relocating its manufacturing overseas may provide a business with access to highly skilled employees who have greater expertise in producing its output, therefore, the quality of a business's final product can increase, improving customer satisfaction.	Number of customer complaints ↓
↑ Number of workplace accidents	• Overseas workers may be more skilled and trained in using equipment, therefore, minimising the number of injuries and incidents that occur in the workplace.	Number of workplace accidents ↓
↓ Rate of productivity growth	• Highly skilled overseas workers may be able to manufacture outputs quicker and more accurately, thus reducing the amount of time and resources wasted in operations.	Rate of productivity growth ↑

Global outsourcing as a business opportunity 4.2.2.13

Global outsourcing involves transferring specific business activities to an external business in an overseas country. This management strategy can provide a business with the opportunity to focus more on its core business objectives, minimise expenses, gain expertise, and increase the quality of its operations system. When responding to KPIs, global outsourcing can allow a business to increase its ability to make a profit, whilst enhancing customer value and satisfaction. For example, a technology business that globally outsources its customer service activities may be able to minimise its operations costs, as employee wages are often cheaper overseas, allowing it to dedicate its focus towards designing innovative, unique, and desirable technological designs. As a result, a business may be able to provide customers with lower-priced goods and services, or better satisfy customer needs as the business is not required to waste time on tasks that do not directly contribute to the achievement of its objectives. Furthermore, a business can also utilise external expertise to develop more appropriate business strategies, as financial or legal advice may enhance a business's planning capabilities for the future. Thus, global outsourcing can be used by a business to seek new opportunities that allow a business to minimise its operations costs, gain knowledgeable advice, improve its quality, and strengthen its commitment to its core business values and purpose.

KEY DEFINITIONS

Global outsourcing involves transferring specific business activities to an external business in an overseas country.

LESSON LINK

Global outsourcing was introduced in **3J Global considerations**.

Table 4 The effect of global outsourcing on KPIs

Unfavourable trend in KPI	Effect of using global outsourcing as a strategy	Favourable impact of strategy on KPI
↓ **Net profit figures**	• A business can minimise its operations expenses through global outsourcing as the cost of wages is often cheaper overseas, therefore increasing the business's ability to make a profit.	**Net profit figures** ↑
↓ **Number of sales**	• When a business globally outsources activities that do not directly contribute to the achievement of its objectives, it can focus more time and effort on developing outputs that meet and satisfy customer needs, allowing for increases in sales.	**Number of sales** ↑
↓ **Percentage of market share**	• Global outsourcing can allow a business to put more focus towards its core business activities and developing products that better satisfy customer needs, thus improving competitiveness and its proportion of sales in the market.	**Percentage of market share** ↑
↑ **Rates of staff absenteeism**	• Outsourcing tedious and unenjoyable tasks overseas may improve levels of employee satisfaction and increase their willingness to attend work.	**Rates of staff absenteeism** ↓
↓ **Rate of productivity growth**	• When a business outsources its tasks overseas, it can utilise the expertise of highly skilled workers who are often capable of performing tasks more efficiently than local workers, allowing the business to use its time more productively.	**Rate of productivity growth** ↑
↑ **Level of wastage**	• Outsourcing tasks overseas can allow a business to complete tasks more productively and minimise the amount of time and resources wasted by a business.	**Level of wastage** ↓
↑ **Number of customer complaints**	• A business can improve the quality of its outputs if it outsources tasks overseas to a business with highly specialised employees, thus improving overall customer satisfaction. • Global outsourcing may allow a business to focus more of its time and effort on satisfying customer needs, therefore, enabling it to produce higher quality outputs that provide greater customer value.	**Number of customer complaints** ↓

USEFUL TIP

In Unit 3 AOS 3, global considerations were introduced as an operations management strategy that businesses can implement to improve their performance. It may be helpful to revisit these considerations of global sourcing of inputs, overseas manufacture, and global outsourcing, to ensure you understand the advantages and disadvantages of each. This may assist you in identifying how these considerations can present new business opportunities to respond and improve a business's KPIs.

ACTIVITY

Responding to KPIs

Flow® is an Australian company founded by father and son duo, Stuart and Cedar, who had a unique idea to make beekeeping easier, safer, and more environmentally friendly. Stuart and Cedar developed a beehive that minimises the stress on the bees and allows honey to effortlessly be obtained by beekeepers through a spout. From its humble beginnings in 2015 when the business started through crowd-funding, Flow is now an extremely successful company with its products in over 130 countries worldwide.

Search up '*Flow Hive*' online to find the Flow business website. Explore the Flow website and answer the following questions in small groups and discuss as a class:

1. How did Flow utilise innovation in its initial start-up? What opportunities did this provide for the business?
2. Where does Flow globally source its inputs from? Why would this be beneficial to the business and its KPIs?
3. Do you think Flow would consider manufacturing its beehives overseas? Why or why not?
4. Do you think Flow faces competition in this industry? Why or why not?

Adapted from Flow, 'About us', n.d.



Image: Copyright Image used with permission of BeeInventive Pty Ltd

Figure 1 Flow® create sustainable and ethical beehives that provide bees and beekeepers with a safer and more efficient way of producing honey.

Theory summary

KPIs can provide a business with valuable information about its performance, therefore it is crucial for a business to respond by implementing appropriate management strategies. Some management strategies can allow a business to take advantage of new opportunities that can further enhance its KPIs and future business performance. The management strategies to respond to KPIs that were explored in this lesson are:

- innovation
- global sourcing of inputs
- overseas manufacture
- global outsourcing.

5D Questions

Theory review

Question 1

A business that implements management strategies to respond to KPIs will always improve its performance.

A. True

B. False

Question 2

Fill in the blanks with **two** of the following terms:

- innovation
- global outsourcing
- increasing
- decreasing

A business that utilises _____ can develop unique goods and services that fulfil an unmet customer need, therefore _____ sales.

Question 3

Global sourcing of inputs can be used by a business to:

A. decrease its level of wastage as supplies will need to be transported a shorter distance than if they were sourced locally.

B. increase its number of website hits as sourcing authentic resources that cannot be obtained locally may attract customers to a business's online platform.

Question 4

Overseas manufacturing can allow a business to seek new opportunities, such as entering new markets and becoming a global brand.

A. True

B. False

Question 5

Fill in the blanks with **two** of the following terms:

- overseas manufacture
- global outsourcing
- increase
- decrease

When a business's rate of productivity growth decreases, implementing _____ can allow a business to transfer tasks, such as customer service, to another business with high-skilled employees. This can allow a business to _____ the amount of time and resources it uses to complete its activities.

Question 6

Only manufacturing businesses can utilise the management strategies explored in this lesson.

A. True

B. False

Preparing for exams

Case study skills

Question 7

Seiko owns She's Loaded, a washing machine manufacturer in Australia. Recently, Seiko has received an increased number of customer complaints about the quality of the business's washing machines, whilst She's Loaded has also been struggling financially in terms of its net profit figures. Seiko is now considering seeking global opportunities to improve She's Loaded's performance.

Identify which of the following statements are **true** or **false** about improving KPIs at She's Loaded.

		True	False
I.	Global sourcing of inputs may allow Seiko to decrease She's Loaded's expenses, therefore improving its net profit figures and financial stability.	☐	☐
II.	She's Loaded can implement overseas manufacturing to reduce its local labour force and therefore decrease its level of staff turnover.	☐	☐
III.	Seiko can implement overseas manufacturing to gain the expertise of highly-skilled employees and improve washing machine quality, therefore decreasing She's Loaded's number of customer complaints.	☐	☐
IV.	To decrease the number of customer complaints, Seiko can purchase cheap, low-quality inputs from global suppliers.	☐	☐

Question 8

Bits and Bytes is a manufacturer of laptops, computers, and specialised technological hardware. Currently, Bits and Bytes is lacking in trained customer service staff which has created inefficiencies and decreased overall customer satisfaction in the past two years. Consequently, Bits and Bytes is considering globally outsourcing its customer enquiries and call centre to a renowned overseas customer service business.

Years of operation	Rate of productivity growth	Level of wastage
Year 1	Decreased by 1%	Increased by 2%
Year 2	Decreased by 3%	Increased by 5%

Identify which of the following is a correct statement about global outsourcing at Bits and Bytes.

A. Global outsourcing would not help Bits and Bytes improve its level of wastage as overseas workers are likely to take more time to complete tasks than local employees.

B. Bits and Bytes could implement global outsourcing to utilise the expertise of highly-trained and efficient staff and improve its rate of productivity growth.

Question 9

After its first year of trading, With Speed was disappointed with its initial establishment in the car mechanic industry and the owner, Thenul, was unsure of how to set the business up for the future. However, at the end of the second year of trading, Thenul sought advice and was told to examine a range of key performance indicators to assess With Speed's performance and set goals for the future.

Key performance indicators	Year 1	Year 2
Net profit figures	$47,000	$23,000
Percentage of market share	12%	9%

Identify which of the following statements are correct about global sourcing of inputs at With Speed.
(Select all that apply)

I. Thenul could utilise authentically sourced car parts to increase the value and quality of the mechanical service that customers receive, therefore improving With Speed's percentage of market share.

II. Inputs sourced globally may be of inferior quality, therefore leading to greater levels of customer satisfaction.

III. Car parts that are sourced overseas may be cheaper than those from local suppliers, therefore allowing With Speed to increase its net profit figures.

Use the following information to answer Questions 10 and 11.

Brian owns SOUP, a suit manufacturing company in the Melbourne CBD. In 2021, Brian invested in hiring a number of new employees to expand SOUP and develop the brand into the future. A year later, Brian is now assessing SOUP's key performance indicators to determine the success of the change.

Key performance indicators	2021–2022
Number of website hits	Decreased by 50%
Rates of staff absenteeism	Increased by 5%
Number of workplace accidents	Increased by 3%

Question 10

Identify which of the following is a correct statement about innovation at SOUP.

A. If employees are involved in developing innovative suit designs, they may feel appreciated and valued for their ideas at SOUP, thus decreasing rates of absenteeism.

B. Brian can design a unique suit design that is stylish and fashionable, to attract customers to SOUP stores and decrease its number of website hits.

C. If innovative and highly sophisticated automatic technology is used in SOUP's suit manufacturing, workplace accidents are likely to increase as more employees are operating this machinery.

Question 11

Identify which of the following is a correct statement about overseas manufacturing at SOUP.

A. SOUP's rate of staff absenteeism is likely to increase as employees are no longer required to perform tedious and dangerous tasks.

B. The quality of suits is likely to decrease if produced overseas, therefore decreasing SOUP's number of website hits.

C. The number of workplace accidents is likely to decrease if manufacturing is relocated overseas, as SOUP will have access to more highly skilled and well-trained employees.

Exam-style

Question 12 (3 MARKS)

Describe how innovation could be used to respond to KPIs and seek new business opportunities.

Question 13 (3 MARKS)

Seiko owns She's Loaded, a washing machine manufacturer in Australia. Recently, Seiko has received an increased number of customer complaints about the quality of the business's washing machines, whilst She's Loaded has also been struggling financially in terms of its net profit figures. Seiko is now considering seeking global opportunities to improve She's Loaded's performance.

Describe how one of the following management strategies could be used to improve KPIs at She's Loaded:

- global sourcing of inputs
- overseas manufacture

Adapted from VCAA 2021 exam Section A Q4c

Question 14 (3 MARKS)

Bits and Bytes is a manufacturer of laptops, computers, and specialised technological hardware. Currently, Bits and Bytes is lacking in trained customer service staff which has created inefficiencies and decreased overall customer satisfaction in the past two years. Consequently, Bits and Bytes is considering globally outsourcing its customer enquiries and call centre to a renowned overseas customer service business.

Years of operation	Rate of productivity growth	Level of wastage
Year 1	Decreased by 1%	Increased by 2%
Year 2	Decreased by 3%	Increased by 5%

Describe how global outsourcing could assist Bits and Bytes with improving its performance.

Adapted from VCAA 2017 Sample exam Section A Q5

Question 15 (4 MARKS)

After its first year of trading, With Speed was disappointed with its initial establishment in the car mechanic industry and the owner, Thenul, was unsure of how to set the business up for the future. However, at the end of the second year of trading, Thenul sought advice and was told to examine a range of key performance indicators to assess With Speed's performance and set goals for the future.

Key performance indicators	Year 1	Year 2
Net profit figures	$47,000	$23,000
Percentage of market share	12%	9%

Explain how global sourcing of inputs could be used to respond to the KPIs in the table and how this opportunity might position With Speed for the future.

Adapted from VCAA 2018 exam Section A Q3c

Question 16 (6 MARKS)

Brian owns SOUP, a suit manufacturing company in the Melbourne CBD. In 2021, Brian invested in hiring a number of new employees to expand SOUP and develop the brand into the future. A year later, Brian is now assessing SOUP's key performance indicators to determine the success of the change.

Key performance indicators	2021–2022
Number of website hits	Decreased by 50%
Rates of staff absenteeism	Increased by 5%
Number of workplace accidents	Increased by 3%

Explain how innovation and overseas manufacture could be used to respond to the data shown in the case study.

Adapted from VCAA 2021 exam Section B Q5

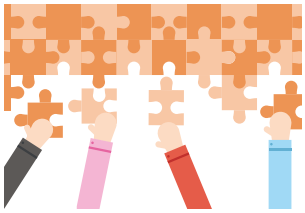
Testing previous knowledge

Question 17 (4 MARKS)

Discuss the effectiveness of implementing one global consideration to improve KPIs.

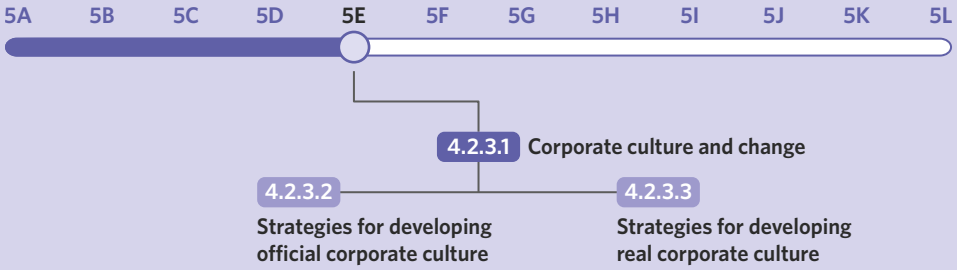
5E Developing corporate culture

Businesses often employ many people who each bring their different approaches to work. The cooperation of many individuals is essential in creating a successful business, as well as developing positive employee perceptions and overall public reputation. Each individual employee brings their own unique piece to the puzzle of a business.



STUDY DESIGN DOT POINT

- corporate culture and strategies for its development



Lesson introduction

Corporate culture is the shared values and beliefs of a business and its employees. Managers should aim to align a business's real corporate culture with its official corporate culture. This can be achieved by implementing strategies that develop corporate culture. Change can have a significant impact on a business's culture, as employees may feel uncertain about the business environment, therefore a manager may feel the need to reinforce shared values to unite the business's workforce.

KEY DEFINITIONS

Corporate culture is the shared values and beliefs of a business and its employees.

Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.

LESSON LINK

Corporate culture was introduced in **1H Corporate culture**.

Corporate culture and change 4.2.3.1

Change in the business environment can be a stressful time for employees and other stakeholders of a business. Employees usually prefer the stability associated with a consistent work environment, and changes that occur can impact their job security. Changes may include implementing new technologies, different work roles, and restructuring of the business that can affect employees' approach to work and the organisation's corporate culture.

It is important for managers to acknowledge the impact that change has on employees, and provide support through periods of uncertainty. This can be done by implementing strategies to develop corporate culture. By developing a positive corporate culture, a business can enhance employee and customer interactions, build a favourable business reputation, and improve its financial performance.

Strategies for developing official corporate culture 4.2.3.2

Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format. Strategies that managers introduce to develop a business's official corporate culture should align with its overall objectives and intentions. Developing official corporate culture often involves more formal approaches to changing a business's shared values. Managers must carefully consider the possible implications of introducing new strategies that impact corporate culture.

Table 1 Examples of strategies to develop official corporate culture

Area	Strategy	Impact
Shared objectives	Publishing or updating a vision statement.	Highlights a business's aspirations and intentions, acting as an example that employees should follow.

Continues ▶

Table 1 Continued

Area	Strategy	Impact
Shared objectives	Publishing or updating a mission statement.	Outlines the business's purpose and the reason for its operations, showing its aspirations to its employees and the public.
Policies	Establishing or amending policies and procedures in documented forms.	Unifying approaches to work and outlining steps for dealing with different circumstances in daily operations.
	Publishing an employee code of conduct.	Outlines the business's expectations of its employees as representatives of itself and what it stands for.
Training	Developing employee training programs.	Ensures that employees are equipped with the appropriate skills they need to complete their work and achieve business goals.
Symbols	Selecting business names, logos, and slogans to represent the business as an entity.	Acts as a means for quick identification from employees and customers, and is often the first impression of a business that leads to it building its reputation.
Uniform	Implementing guidelines and regulations around employee attire.	Provides employees with a means to identify themselves with their work, and upholds the professional image of the business.

Strategies for developing real corporate culture 4.2.3.3

Real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees. Managers should implement strategies to develop a business's corporate culture in such a way that its real corporate culture aligns with its official corporate culture. This ensures that the actual portrayal of a business accurately reflects its intentions and aspirations. Strategies to develop real corporate culture often have a more employee-oriented approach, as employee behaviours and interactions directly impact real corporate culture.

KEY DEFINITIONS

Real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.

Table 2 Examples of strategies to develop real corporate culture

Area	Strategy	Impact
Type of employees	Tailoring employee hiring criteria to the specific needs of the business.	Develops a standard for the type of people that the business seeks to hire to represent itself, such as obtaining employees with appropriate technical skills.
	Hiring a range of staff from a variety of backgrounds.	Creates a diverse business environment with a broad range of perspectives that indicate inclusivity and impartiality.
Workplace environment	Changing office layout to reflect the desired ways of working.	Encourages collaboration between employees and greater interaction in the workplace, allowing for positive professional relationships to be formed.
Business rituals	Organising regular celebrations of employee contributions to the business.	Unifies the business's employees by creating regular opportunities for recognising high standards, and positively reinforcing high work ethics.
	Discussing areas for improvement in employee performance by taking a depersonalised approach to failures.	Creates a culture focused on growth and prevents singling out employees when a business seeks to improve its performance.
Management styles	Selecting a management style that reflects the business's environment and aims.	Affects the relationship between management and employees, and forms the basis of communication and trust expectations in the workplace.

EXTENDED REAL WORLD EXAMPLE

Strategies for developing corporate culture

During the COVID-19 pandemic, many businesses were forced to find different ways of maintaining their operations in order to remain profitable. As lockdowns caused employees to start to work from home, some businesses found it difficult to maintain their shared values and beliefs, and ensure that employees adopted these principles accordingly. However, one business that prospered during this time was Zoom Video Communications, Inc., an American-based technology company. Zoom encourages its employees to value the care of its customers, community, teammates, and themselves, and has a culture that focuses on 'delivering happiness'.

After a period of extremely high demand due to many businesses choosing to hold meetings online, Zoom underwent changes to hire many employees to maintain its operations and improve the features of its products. The business delivers on its intentions to care for stakeholders in its environment by offering substantial perks to employees, such as healthcare, mental health, and fertility healthcare services so they may take care of themselves and perform at their optimal level. Zoom's mission statement underlines the business's aims to improve communications technology to be 'frictionless and secure', and its vision of 'empowering people to accomplish more' further highlights the business's dedication to improving customer experience.

By implementing policies that emphasise employee wellbeing, selecting employees who are 'problems-solvers and self-starters', and creating positive work environments, Zoom has been able to maintain one of the most well-known positive corporate cultures in its industry.

Adapted from Zoom, 'About', n.d. and Work It Daily, 'Zoom continues to add to its workforce after a historic year', 2022



Image: ymphotos/Shutterstock.com

Figure 1 Zoom fosters a positive corporate culture through focusing on employee wellbeing and a positive workplace environment

Questions

1. Which elements of official corporate culture has Zoom used to develop a positive workplace environment?
2. Which elements of real corporate culture has Zoom used to develop a positive workplace environment?
3. What effect has the development of Zoom's corporate culture had on its public reputation?

ACTIVITY

Developing corporate culture

Search up the Business Insider article *'Here are the global corporations with the best company culture, according to employees'*. Read through the article and select one of the organisations listed to conduct some research on and answer the following questions:

1. What elements of your chosen business's official corporate culture can you find? For example, are there policies on uniform? Has the business published mission or vision statements? List any examples you find.
2. How do these elements affect the business's reputation?
3. What kind of evidence can you find of your business's real corporate culture?
4. How do these elements affect the business's reputation?
5. How has the business used elements of corporate culture as a strategy to develop the business's corporate culture?

Theory summary

Change can be a difficult time for a business and its employees, as their roles and positions at work may evolve. However, implementing strategies to promote the development of positive real and official corporate culture can help employees feel more connected and aligned with the values of the business. A positive corporate culture can mean that employees of a business are more accepting of change, as the business develops a culture of continual growth.

5E Questions

Theory review

Question 1

By developing a positive corporate culture, businesses can:
(Select all that apply)

I. create positive employee interactions.

II. develop a favourable business reputation.

III. experience fewer sales.

IV. encourage its employees to embrace change.

Question 2

A business may develop its real corporate culture by:

A. implementing new policies and written documentation for its aspirations and intentions.

B. encouraging employees to communicate regularly to share ideas.

Question 3

A business could implement new employee training programs to develop its official corporate culture.

A. True

B. False

Question 4

A business strategy of striving to hire a range of employees from a variety of backgrounds is an example of:

A. developing official corporate culture.

B. developing real corporate culture.

Question 5

Fill in the blanks with the following terms:

- real corporate culture
- official corporate culture

Strategies to develop a business's _____ may involve developing and publishing aims and objectives that reflect overall business intentions, whereas strategies to develop _____ often focus on employee interactions.

Preparing for exams

Case study skills

Question 6

Rebecca is the owner of Jolene's Jewellery, a small jewellery repairs store operating in a Melbourne shopping centre. Rebecca employs 15 employees, and after a change in the store's operating hours, she has noticed a difference in employee engagement and their approach to work. Rebecca has chosen to write a new employee Code of Conduct to outline expected employee behaviour. Rebecca has also chosen to implement a new uniform, create open bench workspaces to encourage employee collaboration, and will endeavour to celebrate employee successes at work and milestones such as birthdays, to recognise both their professional achievements and personal lives.

Identify which of the following are correct statements about corporate culture at Jolene's Jewellery.
(Select all that apply)

I. Rebecca has implemented a new employee Code of Conduct and celebrations to develop official corporate culture.

II. Rebecca has implemented uniforms and a new employee Code of Conduct to develop official corporate culture.

III. Rebecca has implemented uniforms and open workspace layouts to develop real corporate culture.

IV. Rebecca has implemented celebrations and an open workspace layout to develop real corporate culture.

Exam-style

Question 7 (2 MARKS)

Explain the importance of creating a positive corporate culture during periods of business transformation.

Question 8 (2 MARKS)

Outline one similarity and one difference between strategies to develop official corporate culture and strategies to develop real corporate culture.

Question 9 (4 MARKS)

Explain two strategies that a business can implement to develop a positive corporate culture.

Adapted from VCAA 2017 Sample exam Section A Q4

Question 10 (6 MARKS)

Propose and justify two management strategies for developing a corporate culture that promotes the achievement of business objectives.

Adapted from VCAA 2021 exam Section A Q3

Question 11 (4 MARKS)

Rebecca is the owner of Jolene's Jewellery, a small jewellery repairs store operating in a Melbourne shopping centre. Rebecca employs 15 employees, and after a change in the store's operating hours, she has noticed a difference in employee engagement and their approach to work. Rebecca has chosen to write a new employee Code of Conduct to outline expected employee behaviour. Rebecca has also chosen to implement a new uniform, create open bench workspaces to encourage employee collaboration, and will endeavour to celebrate employee successes at work and milestones such as birthdays, to recognise both their professional achievements and personal lives.

Explain the strategies Rebecca has used to develop Jolene's Jewellery's official and real corporate culture.

Testing previous knowledge

Question 12 (3 MARKS)

Dario is the manager of BubbleBomb, a toy company specialising in manufacturing water pistols and bubble solutions. Dario uses a persuasive management style due to the nature of simpler manufacturing processes of the business, and his preference is to maintain centralised decision-making control. However, he has noticed a decline in employee engagement, an increase in staff absenteeism, and more employees leaving the business. Dario conducted a survey and the results revealed that employees would like a more open communication flow between management and for some inclusion in the decision-making processes at BubbleBomb.

Explain how a change in management style could assist Dario to develop a positive corporate culture at BubbleBomb.

5F Senge's Learning Organisation

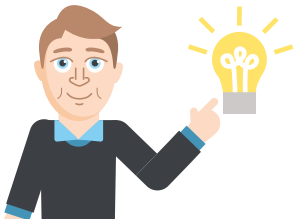
STUDY DESIGN DOT POINT

- an overview of the principles of the Learning Organisation (Senge) and the need to create a positive culture for change

5A 5B 5C 5D 5E **5F** 5G 5H 5I 5J 5K 5L

- 4.2.4.1 Senge's Learning Organistion
  - 4.2.4.1.1 Systems thinking
  - 4.2.4.1.2 Mental models
  - 4.2.4.1.3 Shared vision
  - 4.2.4.1.4 Personal mastery
  - 4.2.4.1.5 Team learning
- 4.2.4.2 Creating a positive culture for change

'In a learning organisation, leaders are designers, stewards, and teachers. They are responsible for building organisations where people continually expand their capabilities to understand complexity, clarify vision, and improve shared mental models – that is, they are responsible for learning.' – Peter Senge



Lesson introduction

Businesses should foster an open and adaptive environment to improve their ability to continuously implement changes effectively. Peter Senge's theory of the Learning Organisation describes how a business can facilitate the growth of its members to be better equipped to deal with change.

Senge's Learning Organisation 4.2.4.1

A **learning organisation** is an organisation that facilitates the growth of its members and continuously transforms itself to adapt to changing environments. Peter Senge developed the theory of the Learning Organisation in 1990. He proposed the idea that becoming a learning organisation helps a business manage change more effectively. A learning organisation promotes the adaptability of all of its members through the principles of systems thinking, mental models, shared vision, team learning, and personal mastery. Senge contended that all five principles must be present for a business to be considered a learning organisation.

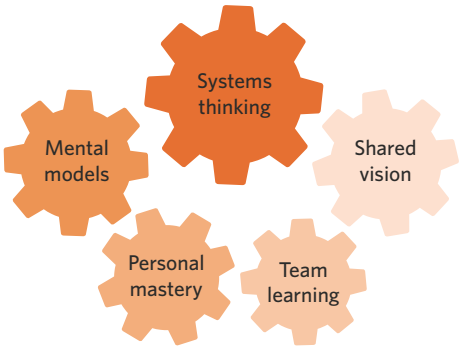


Figure 1 The five principles of a learning organisation are interconnected, with systems thinking being the most central principle

KEY DEFINITIONS

A **learning organisation** is an organisation that facilitates the growth of its members and continuously transforms itself to adapt to changing environments.

Systems thinking is a management approach that considers the inter-relationship between the parts of a whole system.

Systems thinking 4.2.4.1.1

Systems thinking is a management approach that considers the interrelationship between the parts of a whole system. This principle underlines a business's ability to understand the interrelationships between different areas across its operations. Senge explains systems thinking as analysing a business as a whole, rather than as separate parts. Managers in a learning organisation understand how a change in one area may affect other areas of the business. However, systems thinking also considers the fact that a business is connected to external structures, such as the specific industry and wider economy in which it operates. Systems thinking, therefore recognises that changes outside the business can directly affect its internal operations. When utilising systems thinking, managers will consider the flow-on effects that occur to all parts of the business when a change is made to one part.

KEY DEFINITIONS

Mental models are existing assumptions and generalisations that must be challenged so that learning and transformation can occur in an organisation.

A **shared vision** is an aspirational description of what an organisation and its members would like to achieve.

Personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose.

Team learning is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices.

Mental models 4.2.4.1.2

Mental models are existing assumptions and generalisations that must be challenged so that learning and transformation can occur in an organisation. According to Senge, it is important for people to reflect on their own behaviour and beliefs to challenge existing mindsets so that learning and change can occur within an organisation. Businesses that aim to be learning organisations should attempt to continuously challenge their employees' beliefs and break down existing mindsets. This can encourage employees to be more open to change and improve the business's ability to implement change successfully.

Shared vision 4.2.4.1.3

A **shared vision** is an aspirational description of what an organisation and its members would like to achieve. This principle of Senge's Learning Organisation is applied when a manager develops and promotes a goal that all employees can believe in. A strong and clearly-communicated vision can encourage a unified focus for employees and influence their approach to work activities. After adopting beliefs of the shared vision, employees become motivated and subsequently align their individual efforts to achieve the business's vision.

Personal mastery 4.2.4.1.4

Personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose. A business promoting personal mastery can improve its performance as its employees are committed to continuously developing and improving themselves. Senge explains that individuals with high levels of personal mastery are more likely to take initiative and have more responsibility for their work. To facilitate personal mastery, a learning organisation should provide an environment that constantly promotes an employee's learning, ensuring that such development and growth is also aligned with an employee's personal vision or aspirations. Employees may be provided with opportunities for self-assessment to determine their strengths and weaknesses so that they may focus on skills they would like to improve.

Team learning 4.2.4.1.5

Team learning is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices. It encourages individuals to combine their strengths and abilities to continuously grow together. The principle of team learning assumes that people working together develop skills faster than they would individually. In a learning organisation, a manager should provide opportunities for employees to work as a team. Collaboration allows employees to combine their knowledge and skills to make more effective decisions when aiming to achieve business objectives. It builds upon the principles of personal mastery and shared vision by recognising the value of merging individual expertise and continuous learning to achieve business objectives.

ACTIVITY

Senge's Learning Organisation

Match the following examples to the relevant principle from Senge's Learning Organisation:

Middle-level managers of a large publishing company believe they cannot monitor the work of their employees when they work from home and have insisted the staff attend the office each day. The company is soon to adopt a hybrid working model, whereby employees spend 50% of their time working from home.	Systems thinking
A manufacturing business has a weekly program called 'Insights and Ideas' where teams get together to share their recent experiences, in an effort to generate new approaches to work that can improve individual or team effectiveness.	Mental models
A restaurant manager believes her team can benefit from understanding more about the role each person plays in the business. She wants to understand how the chefs and waiting staff interact when communicating orders and delivering meals to customers, so she constructs a system map of the process a meal goes through from customer order to customer delivery.	Shared vision
Employees of a technology start-up business are encouraged to develop their own professional growth plans each year and are able to access funding to engage in their choice of professional learning, so long as it relates to their employment and their own personal vision.	Personal mastery
A large airline pursues the goal of being the safest and most efficient airline in the world, aligning its internal and external communications with this goal. The airline provides employees incentives for behaviour and innovative ideas that assist in the achievement of the goal.	Team learning

Creating a positive culture for change 4.2.4.2

Senge (1990, p.1) described learning organisations as places 'where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.'

The five principles outlined in Senge's theory can all contribute positively to a business's culture of learning and its willingness to pursue transformation. Such a culture is likely to exist when all of the following are met:

- the organisation is viewed as a whole system and each employee understands how their role interacts with, is affected by, and can affect, other parts of the organisation.
- a shared vision exists, and employees are motivated to work towards it.
- employees are encouraged to challenge existing limiting mindsets.
- employees are afforded opportunities to develop themselves personally in a way that is meaningful to them.
- there is an openness to sharing experiences and new ideas, to grow as a team.

Analysing the organisation as an interrelated system can assist in developing policies and processes that deliver more effective outcomes, and help individuals understand their role in the organisation. This can result in employees learning from each other and understanding multiple perspectives in relation to their work. A business that strives to become a learning organisation can experience benefits to the learning culture of the business. If a culture can be created whereby self-reflection and shared ideas are encouraged, learning opportunities are promoted, and employees share a vision, a business can establish a positive platform from which successful change can occur.

LESSON LINK

Developing corporate culture was introduced in **5E Developing corporate culture**.

EXTENDED REAL WORLD EXAMPLE

Senge's Learning Organisation

International Business Machines Corporation (IBM) is an American multinational information technology company with headquarters in New York. IBM is best known for producing and selling computer hardware and software and was responsible for inventions such as the automotive teller machine (ATM), floppy disks, the magnetic stripe card, and SQL programming language.

IBM prides itself on its culture of growth and innovation. It promotes its consulting team as a team of passionate, intelligent, and creative individuals who are committed to achieving excellence and delivering innovative solutions to clients around the world. The IBM leadership team empowers employees to explore and try new things because they understand that employees who are passionate about what they do will be more effective in their work. IBM provides employees access to a variety of educational resources and encourages them to continue learning about the business and invest time into areas they find interesting and exciting.

IBM enables continuous skill and knowledge development through planned and self-directed learning and expects employees of the business to contribute to their own lifelong learning. IBM's learning culture has a focus across all levels to build personal mastery and create an individual commitment to drive IBM's organisational mission and values. According to IBM, curiosity is key to building expertise. Research conducted by IBM in 2020 revealed keeping an open mind in a job role is the most fundamentally-needed attribute of curiosity, with 70% of employees who participated in the research saying that the way they build curiosity is to learn outside their comfort zone.



Image: Adam Calaitzis/Shutterstock.com

Figure 2 IBM demonstrates the principles of Senge's Learning Organisation

Continues ▶

EXTENDED REAL WORLD EXAMPLE

Senge's Learning Organisation – Continued

At IBM, value is placed on multidisciplinary learning, to enable participation and collaboration across boundaries, so that employees are able to understand roles across the business and its broader industry. Learning outside of one's comfort zone may eliminate bias and limitations, and blending skills can offer both breadth and depth in an employee's role. Employees are encouraged to develop an entrepreneurial mindset.

Like many other businesses, IBM experienced transformations as a result of the COVID-19 pandemic. According to IBM Chief Human Resources Officer, Nickle LaMoreaux, it has been a challenge to think about the future of work in a post-pandemic world, and the business has had to find optimal ways to work. Cultural transformation at IBM may be necessary and may mean focusing on the growth of the business and its employees, innovation, inclusivity, and feedback.

Adapted from IBM Careers, '5 Reasons Consultants Choose IBM for their Next Job', 2022, Forbes, 'IBM's Culture of Transformation', 2021, and IBM Corporation, 'The Journey of Learning: Connecting continuous learning to the rapid pace of change as the workplace accelerates', 2020

Questions

1. Do you think IBM is a learning organisation? Justify your answer by identifying any evidence of Senge's five principles that are evident at IBM.
2. What do you think is meant by an 'entrepreneurial mindset'? You can research this further if necessary. Does this type of mindset align with Senge's notion of a learning organisation?

Theory summary

Senge's Learning Organisation theory states that businesses that are flexible and adaptive will excel during periods of change. For a business to be deemed a learning organisation, the principles of systems thinking, mental models, shared vision, personal mastery, and team learning must be present.

- Systems thinking is a management approach that considers the interrelationship between the parts of a whole system.
- Mental models are the existing assumptions and generalisations that influence how we understand the world and our actions. Senge contends that these models need to be challenged so that a learning culture can thrive.
- Shared vision is an aspirational description of what an organisation and its members would like to achieve.
- Personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose.
- Team learning is the collective learning that occurs when teams combine their strengths and abilities to continuously grow together, with people working together developing skills faster than they would individually.

The development of a learning organisation that fulfils the five principles above can contribute to a positive culture where change can successfully occur.

5F Questions

Theory review

Question 1

A learning organisation is one in which; each division or team focuses on its specific goals with little interaction with other teams; and managers plan a comprehensive learning program for each employee, in line with the employee's specific job duties.

A. True

B. False

Question 2

Challenging existing mental models is an important step in achieving continuous learning in an organisation, to implement change successfully.

A. True

B. False

Question 3

Fill in the blank with **one** of the following terms:

- systems thinking
- a shared vision

Analysing the components of the whole organisation to see the interrelationships between those components is an example of _____ .

Question 4

Personal mastery can be facilitated by: **(Select all that apply)**

I. encouraging individual reflection to identify personal strengths and weaknesses when developing learning goals.

II. allowing employees to pursue growth and learning that is aligned with their personal values and purpose.

III. requiring all employees to engage in standardised training courses aligned with their specific role within the organisation.

Question 5

Senge's principle of team learning assumes that collaboration can lead to more efficient learning when compared to individuals working alone to develop their skills.

A. True

B. False

Question 6

Fill in the blanks with the following terms:

- a learning organisation
- a positive culture for change

If a business is able to utilise Senge's five principles of systems thinking, mental models, shared vision, personal mastery, and team learning, that business can become _____ and develop _____ .

Preparing for exams

Case study skills

Question 7

Hamilton XE is a software company based in Melbourne. The owner, Alaya, has set the vision to improve the quality of the business's computer software. This objective has been communicated to all employees across the business and all employees are encouraged to share ideas about how quality improvements can be achieved. Team-based work is promoted at Hamilton XE and employees contribute a range of different strengths to a project. These individual strengths are expected to be enhanced with Alaya allowing employees to complete learning activities of their choice during work hours to focus on self-development.

Identify which of the following statements are correct about the principles of Senge's Learning Organisation at Hamilton XE. **(Select all that apply)**

I. The shared vision principle is demonstrated by allowing employees to share strengths in team-based work.

II. The shared vision is demonstrated by Alaya communicating the business's vision of improving software quality and encouraging employees to share input.

III. The team learning principle is demonstrated through promoting employees to utilise each others' strengths and learn from each other during team-based work.

IV. The personal mastery principle is demonstrated by Alaya allowing employees to complete learning activities of their choice during work hours to focus on self-growth.

Question 8

Snapple is a smartwatch manufacturing company based in Sydney. The CEO of Snapple, Praveen, wishes to make the business more flexible and adaptive to changes within the technology industry. Praveen believes the business could pursue other technological innovations. However, many employees at Snapple believe that the business only has the ability to prosper in the smartwatch market. Praveen is considering implementing the principles of Senge's Learning Organisation to create a more flexible and collaborative workplace.

Identify which of the following statements are **true** or **false** about Snapple.

		True	False
I.	Praveen has clearly communicated a vision to the employees of Snapple.	☐	☐
II.	Allowing employees at Snapple to complete personal development activities during work hours can contribute to Snapple becoming a learning organisation.	☐	☐
III.	Implementing more team-based projects can assist employees at Snapple to share experiences, insights, and ideas, to create a more positive culture for change to occur.	☐	☐

		True	False
IV.	Challenging employee assumptions that Snapple only has the ability to succeed in the smartwatch market is an example of utilising Senge's principle of mental models.	☐	☐
V.	Praveen should use systems thinking at Snapple by requiring each team to work separately from others, in order to promote a competitive environment within the business.	☐	☐

Exam-style

Question 9 (2 MARKS)

Define the term 'learning organisation'.

Question 10 (2 MARKS)

Outline how Senge's principle of team learning can be applied in a business.

Question 11 (5 MARKS)

Identify and describe the principles of Senge's Learning Organisation.

Question 12 (6 MARKS)

With reference to two principles, explain how Senge's theory of the Learning Organisation can be applied during a period of change to positively influence corporate culture and ensure the change is successful.

Adapted from VCAA 2019 exam Section A Q4

Question 13 (6 MARKS)

Hamilton XE is a software company based in Melbourne. The owner, Alaya, has set the vision to improve the quality of the business's computer software. This objective has been communicated to all employees across the business and all employees are encouraged to share ideas about how quality improvements can be achieved. Team-based work is promoted at Hamilton XE and employees contribute a range of different strengths to a project. These individual strengths are expected to be enhanced with Alaya allowing employees to complete learning activities of their choice during work hours to focus on self-development.

Explain how the following principles of Senge's learning organisation are demonstrated at Hamilton XE:

- shared vision
- team learning
- personal mastery

Question 14 (6 MARKS)

Snapple is a smartwatch manufacturing company based in Sydney. The CEO of Snapple, Praveen, wishes to make the business more flexible and adaptive to changes within the technology industry. Praveen believes the business could pursue other technological innovations. However, many employees at Snapple believe that the business only has the ability to prosper in the smartwatch market. Praveen is considering implementing the principles of Senge's learning organisation to create a more flexible and collaborative workplace.

Identify and explain how Snapple could implement three principles of Senge's Learning Organisation.

Testing previous knowledge

Question 15 (6 MARKS)

Identify and explain two strategies for developing corporate culture that could contribute to a business being able to implement principles of Senge's Learning Organisation.

5A–F Strategies for change review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

We'll Cheque It is an accounting firm that was established 20 years ago by its CEO, Dinah Singh. The company provides a range of services, such as bookkeeping, auditing, and budgeting, for large businesses across the globe. It has offices in both New South Wales and Victoria. There are 500 staff members who are currently paid at the relevant award rate. Upon establishment, We'll Cheque It was the leading firm in the accounting industry due to the superior quality of its services, however, Balancing the Sheets has now taken over this position.



Image: Lee Charlie/Shutterstock.com

Balancing the Sheets is a competitor of We'll Cheque It that offers a similar range of accounting services. Over the past two years, 42 employees have left We'll Cheque It to take up positions at Balancing the Sheets. The exit interviews with departing employees identified that leaving staff felt the business environment was restrictive and that they were unable to openly communicate with management about issues. Furthermore, recent media reports have praised Balancing the Sheets as an employer of choice within the industry.

In addition to increasing staff turnover rates, customer complaints have also increased by 34% in the last two years as a number of major errors were identified in the monetary records, bank statements, and budgets that We'll Cheque It produced for its clients. Management attributed human error as the cause of these issues and clarified that its online systems were not to blame. Currently, there is a lack of up-to-date software in We'll Cheque It's operations, compromising the efficiency and effectiveness of its processes. These problems in We'll Cheque It's operations have also caused a 5% increase in its levels of waste as employees are being less efficient with their time and energy. Overall, We'll Cheque It's recent poor performance has decreased its percentage of market share and lowered its profits.

Dinah is considering implementing a range of management strategies to respond to key performance indicators. In particular, Dinah wants to invest in technology for We'll Cheque It's operations system. She is also seeking to develop a stronger and more collaborative corporate culture and is considering adopting the principles of a learning organisation.

Exam-style questions

Question 1 (2 MARKS)

Outline how Senge's principle of mental models can be applied in a business.

Question 2 (3 MARKS)

Describe how staff training could be used to respond to key performance indicators at We'll Cheque It.

Question 3 (3 MARKS)

Explain one management strategy that could be applied at We'll Cheque It to respond to key performance indicators and seek new opportunities.

Adapted from VCAA 2018 exam Section A Q3c

Question 4 (3 MARKS)

Define corporate culture and explain one strategy We'll Cheque It can implement to develop a positive official corporate culture.

Adapted from VCAA 2017 Sample exam Section A Q4

Question 5 (4 MARKS)

With reference to this business, explain the importance of leadership in successful business change management.

Adapted from VCAA 2021 exam Section A Q2a

Question 6 (4 MARKS)

Explain two strategies that We'll Cheque It can implement to develop a positive real corporate culture.

Adapted from VCAA 2017 Sample exam Section A Q4

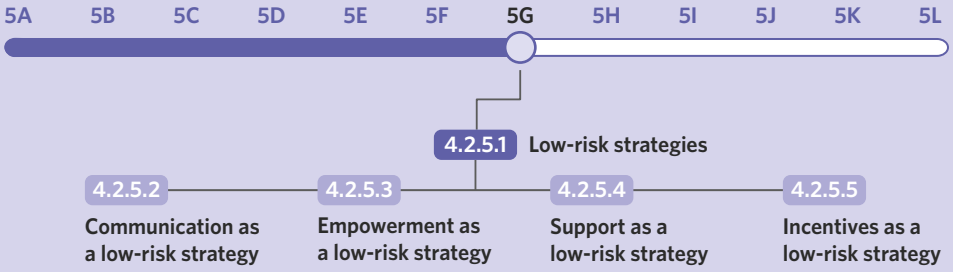
Question 7 (6 MARKS)

Explain how We'll Cheque It could apply three principles of Senge's Learning Organisation.

5G Low-risk strategies

STUDY DESIGN DOT POINT

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



Just as a gardener must tend to their plants for them to flourish, managers must support employees to ensure business success. Particularly when a business is undergoing change, managers should implement programs and policies to help employees through these uncertain times. To use low-risk strategies during change, managers must invest time and resources into nurturing their employees.

Lesson introduction

Employee resistance can make it difficult for a business to successfully implement change, as employees are heavily involved in the business's processes as core stakeholders. Low-risk strategies can be used to reduce levels of employee resistance. A business may choose to implement these strategies when it has adequate time and resources available. These strategies include communication, empowerment, support, and incentives.



Low-risk strategies 4.2.5.1

Low-risk strategies are measured management approaches that gradually encourage employees to accept and participate in a business change. They aim to reduce employee resistance to change by assisting employees to understand and accept the proposed change. The encouraging nature of low-risk strategies means that they have a greater chance of success in overcoming employee resistance. Low-risk strategies have a strong focus on employees and can be used to reduce levels of fear and anxiety about any proposed changes.

Communication as a low-risk strategy 4.2.5.2

Communication as a low-risk strategy involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change. Managers must clearly outline the reasons, benefits, and other important information regarding the change to employees. This strategy includes two-way communication where employees can approach managers with questions or concerns and gain appropriate feedback in return. This increases employees' understanding of the proposed change and builds trust in management, as it enables employees to resolve any misunderstandings or concerns. Employees are less likely to resist change when they are well informed and comprehend why a change is necessary.

KEY DEFINITIONS

Low-risk strategies are measured management approaches that gradually encourage employees to accept and participate in a business change.

Communication as a low-risk strategy involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change.

KEY DEFINITIONS

Empowerment as a low-risk strategy involves managers providing employees with increased responsibility and authority during times of change.

Support as a low-risk strategy involves managers providing employees with assistance as they move from current to new practices.

Incentives as a low-risk strategy involves managers providing financial or non-financial rewards to encourage employees to support change.

Empowerment as a low-risk strategy 4.2.5.3

Empowerment as a low-risk strategy involves managers providing employees with increased responsibility and authority during times of change. When employees are empowered during times of change, they feel directly involved within the process, leading to a greater willingness to contribute to the change process. By allowing employees to contribute to the transformation, they are less likely to resist as they develop a sense of ownership towards the change and are invested in its success. Empowerment can also indicate to employees that managers have confidence and trust in them. This can increase employee morale and motivation to accept and implement the change.

Support as a low-risk strategy 4.2.5.4

Support as a low-risk strategy involves managers providing employees with assistance as they move from current to new practices. Managers can provide assistance to employees using a variety of support strategies, including staff training or counselling. These support strategies can effectively reduce an employee's level of fear and stress related to change and make them feel more prepared to embrace the change.

Incentives as a low-risk strategy 4.2.5.5

Incentives as a low-risk strategy involves managers providing financial or non-financial rewards to encourage employees to support change. Financial rewards can include bonuses, pay rises, and commissions, whereas non-financial rewards can include positions of leadership or new responsibilities. Employees will be less resistant and more motivated to implement change if they are aware that they will personally gain from the change.

ACTIVITY

Low-risk strategies



Figure 1 Tanya is facing high levels of employee resistance at Cool Cakes

Tanya is the owner of Cool Cakes, a custom dessert store that specialises in handmade, extravagant desserts for weddings, birthdays, or other celebrations. Throughout the past year, an influx in orders for Cool Cakes has led to Tanya and her eight employees becoming swamped with their workload. In order to keep up with demand, Tanya has decided to purchase some machinery to mass-produce the desserts. Implementing the new machinery may result in some of Tanya's bakers becoming redundant, as the machinery will complete most of the baking. The employees that she retains will also be required to undergo extensive training to learn how to operate the new equipment safely. After speaking with some of her employees, Tanya is aware of concerns regarding the change of the new equipment. In the month leading up to the installation of the new machinery, Tanya sent out several emails to update employees on the change, although she did not have adequate time to respond to the enquiries that her employees had regarding the change. Additionally, Tanya has given several of the employees increased responsibilities for when the new equipment arrives, such as being in charge of regular quality checks or overseeing the training of other employees.

Continues ▶

ACTIVITY – CONTINUED

She has advertised small bonuses for all employees who actively participate in safety training, although this added expense will be costly for the business in addition to the cost of purchasing the new equipment. Tanya is going to consult an external human resources advisor on how best to encourage her employees to embrace the change.

Imagine you are the external human resources advisor who is assessing Tanya's use of strategies to overcome employee resistance to change. Discuss the following questions with your classmates:

1. What low-risk strategies can you identify that Tanya is already using at Cool Cakes?
2. Are there any low-risk strategies that Tanya has not used? Why not?
3. Can you think of any potential drawbacks of Tanya using empowerment to lower employee resistance?
4. As a human resource advisor, what advice would you give Tanya on how to most effectively reduce employee resistance to change at Cool Cakes?

Theory summary

Low-risk strategies can reduce levels of employee resistance by fostering a supportive and transparent environment during times of change. These strategies focus on employees' understanding of change, the relationship between employees and the business, the level of responsibility employees feel for the change, and the motivation employees have to ensure the success of the change.

- Communication reduces employee resistance by ensuring employees understand why change is necessary.
- Empowerment reduces employee resistance by giving them a sense of ownership over the change.
- Support reduces employee resistance by overcoming levels of fear and stress towards change.
- Incentives encourage employees to support change by providing them with rewards.

Table 1 Advantages and disadvantages of low-risk strategies

	Advantages	Disadvantages
Business	• Communication, empowerment, and support all result in a higher chance of change being successful in the long term due to increased trust and cohesion between managers and employees.	• Empowerment may result in tasks being carried out in a way that management did not intend if employees are inexperienced. • Incentives could be seen as bribes if not executed properly.
Employee	• Support and communication can effectively reduce employees' fear and stress levels related to change. • Incentives and empowerment can provide employees with opportunities to advance their careers. • Low-risk strategies can make employees feel valued by the business.	–
Time	• Low-risk strategies can be useful for businesses where the change will take a long time to introduce (several months or years) as they are more sustainable approaches.	• All low-risk strategies are not useful in crisis situations as they take a longer period of time to be effective.
Money	• If employees feel valued by the business and trust their manager, they are more likely to stay at the business, reducing costs associated with hiring new employees. • If employees embrace the change and want it to be successful, the change may be implemented more efficiently, potentially reducing expenses incurred such as having to retrain employees to learn different skills.	• Incentives lead to financial expenses for the business, which can therefore reduce overall profit.

5G Questions

Theory review

Question 1

Low-risk strategies are effective in situations where the business has the time and resources to create a supportive environment to lower employee resistance to change.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- communication
- support

Managers can use _____ to reduce employee fears and concerns associated with change by assisting employees through counselling or training. Additionally, a manager could use _____ to alleviate employees' fears by informing them clearly about what the change would involve.

Question 3

The use of incentives as a low-risk strategy could involve a manager offering employees: **(Select all that apply)**

I. financial incentives, such as a bonus, commission, or pay rise, in return for embracing the change.

II. non-financial incentives, such as an increase in respons bilities or promotion to a leadership position, to reward employees for embracing change.

III. financial incentives in return for reduced resistance to change, in order to better support employees and alleviate any concerns they may have regarding the change.

Question 4

Fill in the blank with **one** of the following terms:

- support
- responsibility

Empowerment involves managers providing employees with increased _____ during times of change in order to make them feel directly involved with the change, therefore reducing resistance.

Question 5

An advantage of using low-risk strategies to lower employee resistance to change is that: **(Select all that apply)**

I. employees are likely to feel more highly valued by the business, improving the relationship between employees and managers.

II. a higher level of trust between employees and the business can be generated which will make employees less likely to leave the business, reducing costs associated with hiring new employees.

III. strategies, such as incentives, can potentially increase the expenses of a business, reducing overall profit during the introduction of change.

Question 6

A disadvantage of using low-risk strategies to lower employee resistance to change is that: **(Select all that apply)**

I. low-risk strategies are generally only effective over a longer period of time, and will not be effective in crisis situations.

II. most low-risk strategies lead to employees having lower levels of fear, confusion, or stress regarding the business change.

III. empowerment may cause managers to lose control over the execution of certain business tasks, leading to a decrease in quality or efficiency.

Question 7

Low-risk strategies attempt to reduce employee resistance to change through:

A. clearly conveying to employees the consequences of not embracing the change.

B. cultivating a transparent and supportive work environment for employees during times of change.

Preparing for exams

Case study skills

Question 8

Ez Meals is a manufacturing organisation that produces pre-packaged frozen meals. The CEO has decided to implement new technologies in response to high levels of waste. Many employees at Ez Meals have not welcomed the change. The human resource manager, William, has been called in to help employees cope with the transition.

Identify which of the following statements are correct about how William could use incentives to overcome employee resistance. **(Select all that apply)**

I. William could offer financial incentives, such as bonuses, to employees who make efforts to embrace the change.

II. William could use incentives to clearly communicate to employees what the change would involve, reducing their resistance to change.

III. William could use non-financial incentives, such as increasing the responsibilities of certain employees, to encourage them to embrace the change in order to receive this reward.

Question 9

Daily Delights is a deli store chain with several stores throughout Victoria. Taj, the owner of Daily Delights, is considering merging the store with a major Australian supermarket chain, which would involve Daily Delights operating a boutique deli within the larger supermarket. Employees are resistant to this change as they are unsure of the impact these business changes will have on their role.

Identify which of the following statements are correct about how Taj could implement low-risk strategies to overcome employee resistance. **(Select all that apply)**

I. Taj could use the strategy of support in order to reduce the stress and concern employees have regarding the change, through counselling sessions.

II. Taj could use communication to ensure that employees are encouraged to embrace the change in return for either a financial or non-financial incentive.

III. Taj could use incentives to lower employee resistance to change by making employees feel as if they are being bribed by Daily Delights.

IV. Taj could use empowerment by increasing the responsibilities of employees, leading employees to feel like they are actively participating in the change and reducing resistance.

Question 10

Penny is the owner of Plantopia, a Melbourne-based store which sells a range of potted plants. As the business is located on a busy shopping street, Penny is considering adding a cafe component to the store to allow customers to get takeaway coffee and pastries. As she does not have the funds to hire new employees who are trained to work in a cafe, Penny may need to replace some of her current employees with workers who are barista trained. Her employees have expressed to her that they are concerned about what the changes will mean for their role at the business.

Identify which of the following are **advantages** or **disadvantages** of the use of low-risk strategies to reduce employee resistance to change at Plantopia.

		Advantage	Disadvantage
I.	Low-risk strategies, such as incentives, can pose a large expense to the business and reduce profit, meaning that Penny has less money to allocate towards the change.	☐	☐
II.	Low-risk strategies are more likely to be successful in the long term, as employees will feel more supported and invested in the success of the change.	☐	☐
III.	Penny is able to reduce employee fears and concerns related to change by implementing a gradual and participative response.	☐	☐
IV.	Implementing certain low-risk strategies, such as empowerment, can involve time-consuming employee consultation, meaning that Penny has less time to work on establishing the new cafe section.	☐	☐

Exam-style

Question 11 (2 MARKS)

Define the term 'low-risk strategies'.

Question 12 (2 MARKS)

Define communication as a low-risk strategy.

Question 13 (3 MARKS)

Ez Meals is a manufacturing organisation that produces pre-packaged frozen meals. The CEO has decided to implement new technologies in response to high levels of waste. Many employees at Ez Meals have not welcomed the change. The human resource manager, William, has been called in to help employees cope with the transition.

Explain how William could use the low-risk strategy of incentives to overcome possible employee resistance to the changes.

Adapted from VCAA 2019 exam Section A Q5c

Question 14 (4 MARKS)

Daily Delights is a deli store chain with several stores throughout Victoria. Taj, the owner of Daily Delights, is considering merging the store with a major Australian supermarket chain, which would involve Daily Delights operating a boutique deli within the larger supermarket. Employees are resistant to this change as they are unsure of the impact these business changes will have on their role.

Describe two low-risk strategies Taj could use to overcome employee resistance during a period of change.

Adapted from VCAA 2018 exam Section A Q5b

Question 15 (4 MARKS)

Penny is the owner of Plantopia, a Melbourne-based store which sells a range of potted plants. As the business is located on a busy shopping street, Penny is considering adding a cafe component to the store to allow customers to get takeaway coffee and pastries. As she does not have the funds to hire new employees who are trained to work in a cafe, Penny may need to replace some of her current employees with workers who are barista trained. Her employees have expressed to her that they are concerned about what the changes will mean for their role at the business.

Discuss the use of low-risk strategies to overcome employee resistance to change at Plantopia.

Adapted from VCAA 2011 exam Q3d

Testing previous knowledge

Question 16 (4 MARKS)

Tech Guys is an electronics retailer in Australia, which also offers repair services for most devices. The rapid increase in technology sales in 2021 and 2022 has led the CEO and founder of Tech Guys, Andrew, to consider selling the company for a huge profit. If Andrew sells the company, most of the employees and managers will be retained, although some redundancies may occur if the new business owner decides to downsize.

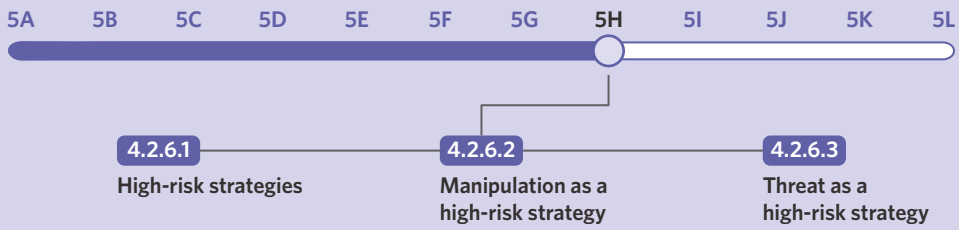
Outline one interest of employees as stakeholders of Tech Guys. Describe one low-risk strategy that could be used to overcome employee resistance to the changes.

Adapted from VCAA 2021 exam Section A Q5a

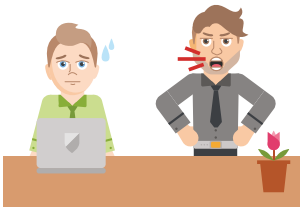
5H High-risk strategies

STUDY DESIGN DOT POINT

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



Whether an employee is aware of it or not, a manager is always carefully influencing their thoughts and actions. In volatile times of change, managers may choose riskier strategies to push employees towards accepting a change, in order for it to be quickly implemented into the business.



Lesson introduction

Employee resistance can prevent the successful implementation of change within a business as they are one of its core stakeholders. When business change is a top priority, high-risk strategies can be used to ensure a change is quickly accepted and followed by employees. These strategies include manipulation and threat.

High-risk strategies 4.2.6.1

High-risk strategies are autocratic management approaches used to influence employees to quickly accept and follow a business change. These strategies are used to rapidly reduce employee resistance to change by influencing them to support a high-priority business transformation. The use of high-risk strategies is appropriate when a business immediately requires employees to follow procedures that are necessary to fulfil set objectives. However, high-risk approaches are unsustainable in the long term due to their forceful and deceptive nature that can damage the relationship between management and employees. There are two high-risk strategies that can be introduced by managers: manipulation and threat.

Manipulation as a high-risk strategy 4.2.6.2

Manipulation as a high-risk strategy involves influencing employees to support a proposed change by providing incomplete and deceptive information about the transformation. The use of this high-risk strategy involves managers persuading employees to follow and implement a change by selectively presenting information and details to distort employees' understanding of an upcoming transformation. This method can influence employees to unknowingly agree with and support a change. Manipulation can involve managers leaving out details, distorting the facts, or making the change seem more beneficial than it actually is.

Threat as a high-risk strategy 4.2.6.3

Threat as a high-risk strategy involves forcing employees to follow a proposed change by stating that they may or will cause harm to them if they fail to do so. This strategy involves managers making statements that aim to intimidate employees. When managers are implementing threat, they are generally exploiting the typical fears held by employees.

Examples of threats include:

- dismissal
- poor employer references
- loss of promotion.

These threats force employees to agree with a proposed business change because failure to do so may threaten their job security, financial stability, and workplace happiness.

KEY DEFINITIONS

High-risk strategies are autocratic management approaches used to influence employees to quickly accept and follow a business change.

Manipulation as a high-risk strategy involves influencing employees to support a proposed change by providing incomplete and deceptive information about the transformation.

Threat as a high-risk strategy involves forcing employees to follow a proposed change by stating that they may or will cause harm to them if they fail to do so.

ACTIVITY

High-risk strategies



Figure 1 The manager of Pet Land is planning to implement high-risk strategies to overcome employee resistance

Jesse, the manager of Pet Land, has decided to start selling a variety of snakes in-store. Several of Jesse's employees have expressed that they are terrified of snakes, and are refusing to come to work. Jesse has tried to gently encourage his employees to overcome their fears. However, the first shipment of snakes is due to come next week, and Jesse's employees are still afraid of having to handle the reptiles. If employees continue to refuse to work, Pet Land will be understaffed. Therefore, Jesse must use high-risk strategies to overcome his employees' resistance to this change.

Discuss the following questions with your classmates:

1. How could Jesse use the high-risk strategy of manipulation to overcome employee resistance to change?
2. How could Jesse use the high-risk strategy of threat to overcome employee resistance to change?
3. How do you think this campaign would help Dove achieve its business objectives?

Theory summary

High-risk strategies can be implemented to respond to high levels of employee resistance when a business needs to rapidly implement change. Although these methods lead to business change being accepted relatively quickly, they can have a negative effect on future performance and the relationship between employees and management.

- Manipulation is convincing employees to accept and follow change through the use of deceptive and incomplete information.
- Threat is forcing employees to accept and follow change by stating that they will face punishment if they fail to comply.

Table 1 Advantages and disadvantages of high-risk strategies

	Advantages	Disadvantages
Business	• Change is implemented in a way that the manager desires as there is no employee input.	• Implementing these strategies may lead to the development of a negative corporate culture in the future, due to long-term distrust. • The relationship between management and employees is compromised.
Employee	–	• Employees may be fearful of losing their job and believe they are easily replaceable • There may be low morale in the workplace, and employees are more likely to leave or be absent from work.
Time	• High-risk strategies are effective in crisis situations where change must occur rapidly.	• These strategies are usually only effective in the short term as employees are unlikely to follow change, under such harsh conditions, over long periods of time.
Money	• The initial implementation of high-risk strategies can be relatively inexpensive for the business.	• The expense of replacing employees may increase as these methods can increase staff turnover due to decreased employee satisfaction and loyalty.

5H Questions

Theory review

Question 1

High-risk strategies are most suitable in situations where:

A. the business change needs to be implemented quickly, such as in a crisis situation.

B. the manager values employees and wants to maintain a positive corporate culture.

Question 2

Fill in the blanks with the following terms:

- threat
- manipulation

The high-risk strategy of _____ involves managers providing employees with incomplete and deceptive information about a change, whereas the high-risk strategy of _____ involves managers making statements that aim to intimidate employees.

Question 3

A manager could use manipulation as a high-risk strategy to overcome employee resistance to change by:

A. informing employees that they will be fired if they do not accept the change.

B. only presenting certain information about the change to misleadingly influence employees' acceptance.

Question 4

A manager could use threat as a high-risk strategy to overcome employee resistance to change by:

A. telling employees that they will reduce their paid working hours if they do not accept the change.

B. distorting the facts to make the change seem more beneficial than it actually is.

Question 5

Using high-risk strategies in order to reduce employee resistance to change may result in: **(Select all that apply)**

I. the change being implemented slowly as high-risk strategies are ineffective in the short term.

II. employees being fearful of losing their jobs and having a lowered level of satisfaction within the business.

III. employees being more likely to leave the business and needing to be replaced.

Question 6

High-risk strategies are autocratic in nature as they involve employees having a low level of involvement with decision-making, and there is often little transparency regarding the business change.

A. True

B. False

Preparing for exams

Case study skills

Question 7

Bora Airways, a relatively new airline introduced in 2020 in Dubai, provides luxury international and domestic flights. Bora Airways recently suffered a decrease in customer satisfaction due to technical failures with the company's online booking system. This has led to a multitude of Bora Airways' employees being harassed by unsatisfied customers who were not properly booked onto their flights. Managers at the company have reviewed current procedures in order to develop a new policy to better deal with customer relations in the future and will require employees to undergo extra training. This proposed policy was presented to employees and led to major backlash as they felt they were not being prioritised by the business.

Identify which of the following statements are correct about using threat as a high-risk strategy at Bora Airways to overcome employee resistance to change. **(Select all that apply)**

I. Threat was implemented at Bora Airways as the airline did not tell employees that they had to undergo extra training, knowing this would only cause further resistance to the change.

II. Bora Airways could tell employees that those who fail to embrace the change and choose to leave the business will be given a poor reference, therefore finding it difficult to obtain future employment.

III. The manager at Bora Airways could communicate to employees that they will lose their jobs, and therefore, their source of income, if they do not embrace the change.

Question 8

Royalty Cruises is an Australian business that offers luxury cruise experiences and has been operating for the past 12 years. The general manager, Harriet, has recently been informed by the CEO that the business has plans to renovate the majority of cruise ships over the coming year and reduce the number of cruises offered in order to update the old interior and structure of the ships to suit customer expectations. This change will result in a reduction in the hours worked by employees, therefore, reducing their income. Employees will also be required to eventually undergo training to operate new facilities, such as the new lift rafts and safety features on the ship.

Identify which of the following statements are **true** or **false** about implementing high-risk strategies at Royalty Cruises to overcome employee resistance to change.

		True	False
I.	Harriet could use manipulation by distorting the facts about the renovation and making it seem more appealing to employees than it actually is	☐	☐
II.	Threat could be implemented to overcome resistance if Harriet promised employees that they would be given a pay rise if they embraced the change.	☐	☐
III.	Harriet could overcome employee resistance through manipulation, by omitting details about the change that are less appealing, such as employees having to take more time away from work.	☐	☐
IV.	Harriet could implement threat by warning employees that if they did not embrace the change, they would potentially lose their jobs.	☐	☐

Use the following information to answer Questions 9 and 10.

Zen Beanies manufactures beanies at its Australian production facility and distributes its products through retail outlets in major shopping centres across the country. After observing significantly higher numbers of sales during winter, the manager, Rani, wants to expand the business overseas to extend the selling season beyond the Australian winter. As this proposed expansion is presented to employees, Rani has been notified that employees are reluctant to follow this expansion as it will increase their workload and may lead to redeployment.

Question 9

Identify which of the following statements are correct about Rani implementing high-risk strategies to overcome employee resistance to change. **(Select all that apply)**

I. Rani could use threat by warning employees at Zen Beanies that if they did not embrace the change, they would be fired.

II. Rani could use manipulation by twisting the facts about the change and convincing the employees that the expansion will be more beneficial than it is in reality.

III. Rani could use manipulation by promising employees they would be given a pay rise or a bonus if they embraced the change.

Question 10

Identify which of the following are **advantages** or **disadvantages** of implementing high-risk strategies at Zen Beanies to overcome employee resistance to change.

		Advantage	Disadvantage
I.	There would be no discussions or compromise with employees at Zen Beanies regarding redeployment, ensuring change is implemented how Rani desires.	☐	☐
II.	Employees at Zen Beanies may be unable to continuously cope with manipulation or threat due to low morale, reducing productivity in the long term as employees may be less likely to come to work.	☐	☐
III.	Zen Beanies would be able to coerce employees to execute the change without having to incur many initial costs.	☐	☐
IV.	Employees at Zen Beanies may feel unhappy at work after being persuaded to accept the redeployment and high workloads, increasing staff turnover.	☐	☐

Exam-style

Question 11 (2 MARKS)

Define the term 'high-risk strategies'.

Question 12 (2 MARKS)

Define manipulation as a high-risk strategy.

Question 13 (3 MARKS)

Bora Airways, a relatively new airline introduced in 2020 in Dubai, provides luxury international and domestic flights. Bora Airways recently suffered a decrease in customer satisfaction due to technical failures with the company's online booking system. This has led to a multitude of Bora Airways' employees being harassed by unsatisfied customers who were not properly booked onto their flights. Managers at the company have reviewed current procedures in order to develop a new policy to better deal with customer relations in the future and will require employees to undergo extra training. This proposed policy was presented to employees and led to major backlash as they felt they were not being prioritised by the business.

Explain how Bora Airways could use the high-risk strategy of threat to overcome possible employee resistance to the changes.

Adapted from VCAA 2019 exam Section A Q5c

Question 14 (3 MARKS)

Royalty Cruises is an Australian business that offers luxury cruise experiences and has been operating for the past 12 years. The general manager, Harriet, has recently been informed by the CEO that the business has plans to renovate the majority of cruise ships over the coming year and reduce the number of cruises offered in order to update the old interior and structure of the ships to suit customer expectations. This change will result in a reduction in the hours worked by employees, therefore, reducing their income. Employees will also be required to eventually undergo training to operate new facilities, such as the new lift rafts and safety features on the ship.

Describe one high-risk strategy that could be used to overcome resistance to the changes from employees at Royal Cruises.

Adapted from VCAA 2021 exam Section A Q5a

Question 15 (6 MARKS)

Zen Beanies manufactures beanies at its Australian production facility and distributes its products through retail outlets in major shopping centres across the country. After observing significantly higher numbers of sales during winter, the manager, Rani, wants to expand the business overseas to extend the selling season beyond the Australian winter. As this proposed expansion is presented to employees, Rani has been notified that employees are reluctant to follow this expansion as it will increase their workload and may lead to redeployment.

Describe one high-risk strategy Rani could implement to overcome employee resistance, and discuss the use of high-risk strategies at Zen Beanies.

Adapted from VCAA 2018 exam Section A Q5b

Testing previous knowledge

Question 16 (4 MARKS)

La La Land is a travel agency with offices located in Melbourne's CBD. The business employs 30 staff members and aims to provide a high-quality service to customers, to help them book their dream vacation at the lowest price. The manager, Tom, has decided to start using an external company based in Singapore to deal with customer complaints, and help with booking flights and hotels for customers. This is a cheaper alternative that will allow him to invest more money into expanding the business, although it would result in the redundancy of several employees.

Define global outsourcing. Identify one high-risk strategy that could be used by La La Land to overcome employee resistance to the change of implementing global outsourcing.

5I Lewin's Three-step Change Model

STUDY DESIGN DOT POINT

- key principles of the Three-step Change Model (Lewin)

5A 5B 5C 5D 5E 5F 5G 5H **5I** 5J 5K 5L

- **4.2.7.1 Lewin's Three-step Change Model**
  - 4.2.7.1.1 Unfreeze step
  - 4.2.7.1.2 Change step
  - 4.2.7.1.3 Refreeze step

'No research without action, no action without research.'
– Kurt Lewin

It is human nature to resist change, especially when stress and uncertainty are associated with the future. Therefore, it is important for a business to carefully plan for change so that it can be implemented as seamlessly as possible.



Lesson introduction

The successful implementation of change involves more than simply overcoming employee resistance. In this lesson, you will be learning about Lewin's Three-step Change Model which breaks down change into three stages: unfreeze, change, and refreeze.

Lewin's Three-step Change Model 4.2.7.1

Lewin's Three-step Change Model is a process that can be used by a business to implement change successfully. Kurt Lewin, a German-American psychologist, created this theory as a guide for businesses to implement change smoothly and successfully. The three stages of this process include unfreezing the business, so the need for change can be identified and communicated to relevant stakeholders, changing the relevant processes or practices, and refreezing the business, so the change is adopted and maintained in all areas of the business.

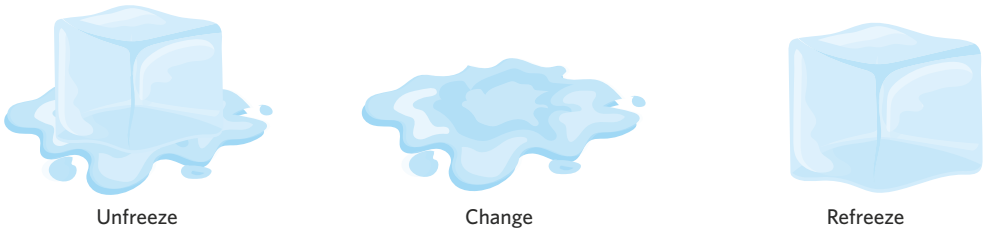


Figure 1 The steps of Lewin's Three-step Change Model

Unfreeze step 4.2.7.1.1

The **unfreeze step** involves moving a business to a state where stakeholders are prepared to undergo change. During the unfreeze step, a business will challenge the beliefs, behaviours, and values that currently exist within the business. This stage also involves a manager identifying what needs to be changed and why this is necessary, before delivering a compelling message to stakeholders highlighting the reasons for, and benefits of the change. Demonstrating the importance of change to stakeholders can increase support and create a sense of urgency towards the change. The unfreeze stage should also provide an opportunity for stakeholders to raise any concerns related to the change so it can be adapted if necessary. If stakeholders accept the change, the business can proceed with the transformation.

KEY DEFINITIONS

Lewin's Three-step Change Model is a process that can be used by a business to implement change successfully.

The **unfreeze step** involves moving a business to a state where stakeholders are prepared to undergo change.

KEY DEFINITIONS

The **change step** involves moving a business towards its desired state.

The **refreeze step** involves ensuring a change is sustained within a business for the long term.

Change step 4.2.7.1.2

The **change step** involves moving a business towards its desired state. This step transforms the business's practices to meet its new objectives. During this stage, employees will usually have high levels of fear and confusion as a result of the change. To counter this, management should provide ongoing support and training to employees, as this can reduce the stress associated with new practices and allow the change to be implemented smoothly. Clear and transparent communication is important at this stage, as well as involving employees in the change.

Refreeze step 4.2.7.1.3

The **refreeze step** involves ensuring a change is sustained within a business for the long term. This step prevents a business from reverting back to previous ways of operating. A business can achieve this by embedding the change into its everyday practices. During this stage, managers could introduce new policies and job descriptions, or implement other strategies to establish a culture that aligns with the change. Support and training for employees are important at this stage. Management should constantly monitor and evaluate the change during this stage to ensure that the changes are consolidated and that the business is performing as desired.

REAL WORLD EXAMPLE

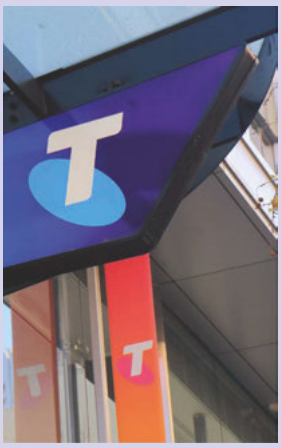


Image: TK Kurikawa/Shutterstock.com

Figure 2 Telstra could encourage employees to return to the office by implementing Lewin's Three-step Change Model

Lewin's Three-step Change Model

Telstra is a telecommunications company which operates Australia's largest mobile network. While the COVID-19 pandemic forced Telstra employees to work from home throughout 2020 and 2021, Telstra attempted to encourage employees to return to the office in 2022. To ensure this change occurred successfully, Telstra may have used Lewin's Three-step Change Model.

At the unfreeze step, Telstra would prepare its employees to return to the office. During this step, Telstra would communicate to its employees that coming to work will ensure they are 'engaged, safe, and productive', allowing them to socialise in person with other co-workers. By highlighting the reasons for and benefits of the change, Telstra can encourage its employees to accept the transformation, bringing the business to a state where there is enough momentum to change.

At the change step, Telstra could initiate the change by implementing a hybrid working model, whereby employees are able to work from home and come into the office. To minimise stress and anxiety for employees returning to work, Telstra could provide office tours, particularly to employees who have never been into the building.

Finally, at the refreeze step, Telstra would aim to solidify working-in-the-office arrangements. Telstra could do this by introducing new policies which indicate how long employees are required to work in the office. This will ensure that employees continue returning to work, allowing Telstra to sustain the change in the long term.

Adapted from HRD, 'Telstra to host 'O-week' to entice employees back to office', 2022

ACTIVITY

Lewin's Three-step Change Model

Match the steps of Lewin's Three-step Change Model to each of the following scenarios:

A manager implements change within the business, transforming its practices to meet its new objectives. The manager implements training programs for employees to accustom them to their new roles within the business.	Unfreeze step
A manager writes new job descriptions for each employee within the business to ensure they are aware of, and understand, their new roles and responsibilities following the change.	Change step
A manager determines the need for change within the business. At the next employee meeting, the manager announces the change and provides the reasoning behind it, whilst also outlining its benefits. Employees are permitted to ask questions and raise concerns about the change.	Refreeze step

Theory summary

Lewin's Three-step Change Model can allow a business to successfully implement and sustain change.

- The unfreeze step involves bringing the business to a state where it is ready to transform.
- The change step involves introducing the business to the change.
- The refreeze step involves establishing and sustaining the change within the business.

5I Questions

Theory review

Question 1

Lewin's Three-step Change Model can be used by a business to implement change smoothly.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- unfreeze
- refreeze

During the _____ stage of Lewin's Three-step Change Model, a manager must communicate the importance of the change to relevant stakeholders.

Question 3

At the refreeze step, a manager can: **(Select all that apply)**

I. allow employees to ask questions about the change before it is implemented.

II. introduce new policies and procedures within the business that align with the change.

III. write new job descriptions so employees understand their roles following the change.

Question 4

The change step may involve a business:

A. providing employees with initial information related to the change.

B. transforming its practices to meet new objectives.

Question 5

Implementing Lewin's Three-step Change Model will not help a business overcome employee resistance to change.

A. True

B. False

Preparing for exams

Case study skills

Question 6

Sally is the manager of a highly-successful pizzeria. In response to a decline in sales and a change in customer tastes, Sally has decided to implement a policy of using only ethically sourced, high-quality local ingredients. Sally is aware that the executive chef will require support to implement the changes as various pizza recipes will need to be altered as a result.

Identify which of the following statements are correct about using Lewin's Three-step Change Model at Sally's pizzeria. **(Select all that apply)**

I. During the change step, Sally would tell the executive chef that the pizzeria is switching to ethically sourced, high-quality local ingredients and, if he is dissatisfied, he should leave the business.

II. During the unfreeze step, Sally would communicate the reasons for and benefits of using ethically sourced, high-quality local ingredients to employees, encouraging them to support the change.

III. During the refreeze step, Sally would introduce a new policy that prevents ingredients that are not ethically and locally sourced from being used at the pizzeria.

Question 7

Max, the manager of Sotak's Salads, was disappointed with the performance of the business after one year of trading. As a result, he decided Sotak's Salads should diversify its food range to offer sandwiches and juices in addition to salads. Max is concerned about the process of introducing the new food range to his employees.

Identify which of the following statements are **true** or **false** about the use of Lewin's Three-step Change Model at Sotak's Salads.

		True	False
I.	The change step is the most appropriate step for Max to communicate the need and benefits of diversifying the business's food range to stakeholders, such as employees, to encourage them to support the change.	☐	☐
II.	At the refreeze step, Max should integrate new job descriptions, such as 'making sandwiches', to reinforce the expansion of the food items at Sotak's Salads.	☐	☐
III.	Max does not need to provide his employees with support and training on how to make the new foods, as he can assume that they already know how to make sandwiches and juices.	☐	☐
IV.	At the unfreeze step, Max should provide an opportunity for employees to ask questions about why diversifying Sotak's Salad's food range is necessary.	☐	☐

Exam-style

Question 8 (3 MARKS)

Describe the steps of Lewin's Three-step Change Model.

Question 9 (4 MARKS)

Sally is the manager of a highly-successful pizzeria. In response to a decline in sales and a change in customer tastes, Sally has decided to implement a policy of using only ethically sourced, high-quality local ingredients. Sally is aware that the executive chef will require support to implement the changes as various pizza recipes will need to be altered as a result.

Apply the principles of two steps from the Three-step Change Model (Lewin) to Sally's decision to implement a policy of using only ethically-sourced ingredients.

Adapted from VCAA 2019 exam Section A Q5d

Question 10 (6 MARKS)

Max, the manager of Sotak's Salads, was disappointed with the performance of the business after one year of trading. As a result, he decided Sotak's Salads should diversify its food range to offer sandwiches and juices in addition to salads. Max is concerned about the process of introducing the new food range to his employees.

Explain how Max could use Lewin's Three-step Change Model to implement a diverse food range at Sotak's Salads.

Adapted from VCAA 2017 exam Section B Q4

Testing previous knowledge

Question 11 (6 MARKS)

Sara is the owner of Eye See You which has been selling sunglasses since the store opened in 2010. Recently, Sara announced that the store will begin selling prescription sunglasses, due to increased customer demand, and employees will need to be able to effectively answer customer queries about how prescription sunglasses work. As a result, Sara has noticed that the level of staff turnover has increased.

Explain how Sara could apply each of the steps of the Three-Step Change Model (Lewin) to reduce the level of staff turnover.

Adapted from VCAA 2020 exam Section B Q3

5G–I Applying changes review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

OccasionsPlus is an events management business operating throughout the eastern coast of Australia. As a private limited company, OccasionsPlus' shareholders have made significant investments to ensure the success of the business, and influence its business decisions. The business offers the expertise of its events managers and customisable services for a variety of customer needs, such as weddings, birthday parties, and engagement parties. After reports of low customer satisfaction, OccasionsPlus' shareholders asked the business's manager, Neah, to implement a restructure to clearly divide employees into three branches. OccasionsPlus' shareholders and Neah agreed that dividing employees to specialise in each different event management service offered could lead to higher quality services, and therefore improve customer satisfaction.



Image: Sergii Sobolevskyi/Shutterstock.com

In order to implement this change, Neah had to analyse different components of the business, highlight why the business change was necessary, and encourage employees to question the change, as well as the nature of their previous roles. After these preparations, Neah put the changes in place by reallocating resources and altering employee responsibilities. This meant that OccasionsPlus could be divided according to its shareholders' expectations, therefore achieving one of its objectives. To reinforce the change in the events business, Neah introduced new job descriptions to employees that laid out their roles and responsibilities, drafted new policies, updated old procedures to better suit the new business structure, and sourced external training programs for employees who found themselves lacking skills for their work. After the success of the restructure at OccasionsPlus, the business saw an increase in sales and market share due to the specialised events management services that it was able to offer its customers.

A very busy and highly successful financial year has meant that OccasionsPlus' shareholders are setting their sights on expanding into the corporate events market. Neah has decided that retraining and redeploying employees from the existing three branches of OccasionsPlus is the most cost-effective method of expanding the business. However, Neah has noticed that some employees are hesitant to follow the change, and she wishes to implement strategies to overcome their doubts. She has decided that she wants to maintain an open, honest relationship with employees, to facilitate a positive workplace environment. The shareholders of the business have allocated significant funds for Neah to use if she believes it is necessary to implement the change.

After conducting some research into potential strategies she could use to overcome employee resistance, Neah has identified the use of support and the imposition of threats as two different ways she could encourage employees to support the change.

Exam-style questions

Question 1 (3 MARKS)

Distinguish between high-risk and low-risk strategies as methods of overcoming employee resistance to change.

Question 2 (3 MARKS)

Explain how Neah could use the low-risk strategy of support to overcome possible employee resistance to change at OccasionsPlus.

Adapted from VCAA 2019 exam Section A Q5c

Question 3 (4 MARKS)

Other than support strategies, describe two low-risk strategies that Neah could use to overcome employee resistance to change at OccasionsPlus.

Adapted from VCAA 2021 exam Section A Q5a

Question 4 (4 MARKS)

Define Lewin's Three-step Change Model. Describe how Neah has applied each of the steps during the restructuring process at OccasionsPlus.

Question 5 (4 MARKS)

Discuss the use of high-risk strategies and low-risk strategies to overcome employee resistance to change.

Question 6 (7 MARKS)

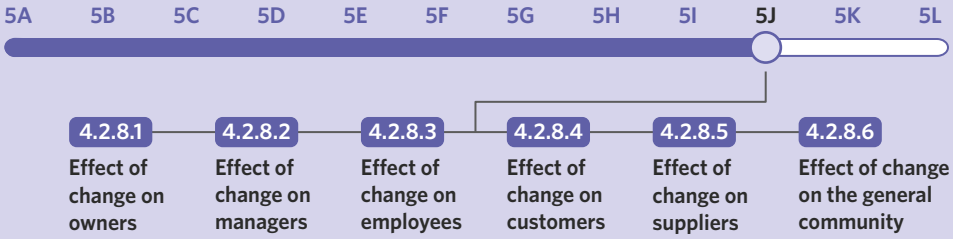
Define Lewin's Three-step Change Model and explain how Neah could apply it to assist with OccasionsPlus' future goal of managing corporate events.

Adapted from VCAA 2017 exam Section B Q4

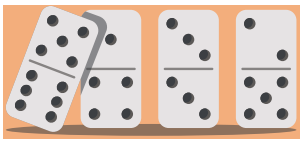
5J Change and stakeholders

STUDY DESIGN DOT POINT

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



Have you ever heard of the domino effect? It occurs when a change seamlessly, and often inadvertently, creates more and more changes. When a business undergoes change, it will usually have unintended impacts on individuals or groups it associates with. In this way, a business change has its own domino effect as one small alteration can have a flow-on effect that impacts a number of stakeholders.



Lesson introduction

When a business implements change, it should consider the impact this transformation may have on its stakeholders. A business change may positively affect one group of stakeholders, whilst negatively affecting another. Therefore, it is important for a business to consider the overall impact of its change in order to achieve the best possible outcomes for both the business and its stakeholders.

Effect of change on owners 4.2.8.1

Business owners are often responsible for making major decisions associated with business change and therefore play a crucial role in ensuring its success. Owners may initially suggest the change in the business and will usually have the final say on how the transformation will occur. Thus, owners can be majorly affected by the outcomes of business change.

LESSON LINK

Stakeholders were introduced in **1C Stakeholders**.

Table 1 Positive and negative effects of change on owners

Positive effects	Negative effects
• A successful business change can provide a business owner with an increased return on their investment and greater financial security. • Business change can provide opportunities for business owners to use their leadership skills to connect with employees and develop stronger interpersonal relationships. • A business owner may be perceived more positively by employees if they implement change successfully.	• If change is unsuccessful, a business owner may experience personal and financial implications. • A business owner may become overwhelmed and stressed by the increased workload and responsibilities that may be associated with business change. • A business owner may be resented if employee roles are made redundant or significantly changed, negatively impacting the business's corporate culture.

Effect of change on managers 4.2.8.2

A manager within a business may be responsible for monitoring a specific area of business or the business as a whole. Therefore, a manager's daily tasks often involve coordinating employees and business activities that enable the achievement of objectives. When undertaking transformation, managers are usually required to lead, support, and implement the change within the business and consequently, can be affected in many ways.

Table 2 Positive and negative effects of change on managers

Positive effects	Negative effects
• Business change can provide opportunities for a manager to develop new skills or advance their career. • A business may provide a manager with financial and non-financial rewards if the change is successfully implemented. • A manager may be provided with increased authority and responsibility, leading to further increases in their skills and employability.	• Increased workloads associated with change can lead to stress which may negatively impact a manager's wellbeing. • If a business change is unsuccessful, a manager may lose their job and financial security.

Effect of change on employees 4.2.8.3

A business's employees are often integral to the implementation of successful change as they are responsible for performing work tasks that assist in the achievement of objectives. When a business undergoes change, employees are typically the most affected stakeholder, as their roles and responsibilities within the workplace can be completely transformed.

Table 3 Positive and negative effects of change on employees

Positive effects	Negative effects
• Employees may be provided with new responsibilities and opportunities for career advancement that improve their motivation and overall job satisfaction. • If a business change is successful, employees may experience improved job and financial security. • Employees that have contributed to the implementation of successful change may be provided with financial and non-financial rewards. • A business change may require employees to undertake training to provide them with a different set of skills, helping improve their future employability.	• A business change may require employees to develop complex skills and learn difficult processes, which may increase stress levels and negatively impact their wellbeing. • If a business change is expected to result in redundancies employees may fear for their job or financial security. • A business change may require some employees to take on increased responsibility within the workplace which may negatively impact their performance if they are not prepared for this role.

Effect of change on customers 4.2.8.4

A business's customers are the people who purchase its goods or services. When businesses undergo change, they often adapt their products to meet changing customer preferences or improve their overall performance. Therefore, any business change that alters the goods and services produced by a business affects customers, whether that be in terms of quality, price, or overall experience.

Table 4 Positive and negative effects of change on customers

Positive effects	Negative effects
• If change improves the quality of a business's goods and services, customers may experience increased satisfaction. • Customer satisfaction may increase if the change allows the business to offer lower prices for its goods and services. • Customers may experience greater satisfaction from a business that implements new strategies to demonstrate corporate social responsibility.	• A business that sources cheaper inputs to reduce business costs may compromise the quality of its product, leading to customer frustration and reduced satisfaction. • Customers may be dissatisfied if a business change increases the price of its products. • If a business discontinues or changes a good or service, customer satisfaction may decrease if the new product fails to meet their needs.

ACTIVITY

Effect of change on customers

Search up *'Woolworths ditches plastic bags – 7NEWS'* on YouTube and watch the entire video (7NEWS Australia, 2022).

In 2022, the Woolworths Group announced that it would remove its reusable plastic bags from all its Woolworths and Big W stores. After watching the video, answer the following questions in small groups and then discuss as a class:

1. How might customers have been positively affected by this change?
2. How might customers have been negatively affected by this change?
3. Do you think this change has an overall positive or negative effect on customers? Why or why not?
4. What other stakeholders may have been affected by this change? Would they have been affected in a positive or negative manner?

Effect of change on suppliers 4.2.8.5

A business relies on its suppliers to provide the raw materials and resources it requires in its operations system to produce a final good or service. Business change often involves an alteration in the production process and therefore, can have major effects on the suppliers of the business.

Table 5 Positive and negative effects of change on suppliers

Positive effects	Negative effects
• Supplier demand may increase if a business requires a greater amount of resources to meet its production needs.	• If a business decides to switch to a different supplier or discontinue a product, a supplier's sales may decrease due to a lower volume of orders from the business. • A business change may require its suppliers to involuntarily adjust their processes to meet the new demands of the business.

Effect of change on the general community 4.2.8.6

When a business conducts any of its activities, it can inadvertently affect the general community. Therefore, although the general community do not directly interact with the business, they are still indirectly impacted by the decisions and changes that it chooses to undertake.

Table 6 Positive and negative effects of change on the general community

Positive effects	Negative effects
• If a business change creates job opportunities, local employment rates may increase which can improve the overall wellbeing of society. • Business change that involves opening or expanding into a new area can increase customer traffic and sales for surrounding businesses. • When a business change is successful, a business has a greater ability to contribute to local social causes. • Business change that involves reducing waste can reduce the business's environmental impact and improve overall living standards for the general community.	• A business change that results in redundancies may increase local unemployment rates and poverty levels, thus negatively impacting societal wellbeing. • If a business change involves store closure or relocation, customer traffic and sales for surrounding businesses may decrease. • If a business change involves switching to an overseas supplier, transporting inputs from another country can have a negative impact on the environment.

ACTIVITY

Change and stakeholders

For each of the following effects of business change, identify the relevant business stakeholder/s and whether the change is likely to impact them in a positive or negative manner.

Effect of business change	Stakeholder	Positive	Negative
Frustration and dissatisfaction may be experienced by this stakeholder if a business sources cheaper, lower-quality inputs.		☐	☐
Stronger interpersonal relationships and connections between employees and this stakeholder may develop.		☐	☐
This stakeholder may be provided with greater authority and opportunities for skill development, increasing their employability.		☐	☐
Greater satisfaction may be experienced by this stakeholder if corporate social responsibility is implemented.		☐	☐
Employees may feel resentment towards this stakeholder if their roles are made redundant or altered by the business change.		☐	☐
A business may have increased demand for resources and raw materials, increasing this stakeholder's sales.		☐	☐
Better wages and working conditions may be provided to this stakeholder if business change is successful.		☐	☐
Successful change may allow a business to contribute more generously to social causes which can benefit this stakeholder.		☐	☐
If a business change is expected to result in redundancies, this stakeholder may fear for their job or financial security.		☐	☐

Theory summary

Business change can affect a business's stakeholders in both a positive and negative manner. when a business undergoes change, a variety of stakeholders must be considered, including owners, managers, employees, customers, suppliers, and the general community. This can ensure the business maximises the positive outcomes and minimises the negative consequences of its transformation.

5J Questions

Theory review

Question 1

When a business undertakes change, it is unlikely to have an effect on any stakeholders external to the business.

A. True

B. False

Question 2

Fill in the blanks with the following terms:

- positively
- negatively

Owners of a business may be _____ impacted by business change if it allows them to develop stronger connections with their employees. However, if a business change is unsuccessful, an owner's financial security may be _____ affected.

Question 3

A negative impact of business change on both owners and managers is that:

A. they may experience high levels of stress from increased workloads, decreasing their overall wellbeing.

B. they may be given more roles and responsibilities, allowing them to increase their skills, knowledge, and overall employability.

Question 4

When employees are provided with long-term job and financial security, this is a:

A. positive effect of business change.

B. negative effect of business change.

Question 5

Fill in the blank with **one** of the following terms:

- positively
- negatively

If a business chooses to source cheaper resources from an alternative business overseas, this may _____ affect customers and suppliers.

Question 6

Successful business change can positively affect the general community, as a business may become more equipped to support social causes.

A. True

B. False

Question 7

By considering the positive and negative effects of change on its stakeholders, a business can minimise the negative outcomes of its transformation.

A. True

B. False

Preparing for exams

Case study skills

Question 8

Nico owns Hulk & Berg, a gym equipment manufacturer operating in Melbourne. Recently, the business's poor performance prompted a review of its processes and activities. The review established that it would be more cost-effective to manufacture gym equipment overseas in Malaysia. In response, Nico has decided to close down the Melbourne-based manufacturing plant over the next year. This change will cause 200 production employees to lose their jobs. However, all other positions within the business will not be affected by these job losses.

Identify which of the following statements are correct about the effects of business change on Hulk & Berg employees. **(Select all that apply)**

I. Employees may be positively affected if they are provided with opportunities to advance into higher job positions and learn new skills at Hulk & Berg.

II. Nico's employees may feel overwhelmed by new roles and responsibilities that they have to fulfil.

III. Production employees may be positively affected by the new opportunities that are provided to them when they lose their job and financial security.

IV. Hulk & Berg employees who do not work in production will lose their jobs and negatively be affected by the business change.

Use the following information to answer Questions 9 and 10.

Ravens is a regional accounting firm with offices in Gippsland, Ballarat, and Warrnambool. The owner, Cho, recently made the business decision to close the Ballarat offices as there was minimal demand for their accounting services in the local area.

Question 9

Identify which of the following statements are correct about the effect of business change on Cho, as a business owner. **(Select all that apply)**

I. Cho may be positively impacted by the office closures as it may increase the future profitability of the accounting firm, providing her with personal wealth.

II. The increased pressure and stress that the office closure may put on Cho, can improve her overall wellbeing.

III. If the office closure is successful, remaining employees at the other accounting offices may view Cho more positively and hold her in higher regard, as Ravens' future, and therefore their job security, was enhanced by the change.

Question 10

Identify which of the following statements are correct about the effect of Ravens' change on the general community. **(Select all that apply)**

I. Ravens' is likely to contribute more to the general community in Ballarat as a result of the closure of its accounting offices.

II. The general community of Ravens' Ballarat office are likely to experience increases in unemployment and decreases in societal wellbeing.

III. The local economy may decrease as employees from the accounting firm will no longer frequent nearby cafes and retail stores during their breaks or after work.

Question 11

Galilee's is a large-scale, Australian organisation providing telescopes to national space agencies around the globe. The business purchases resources from suppliers through a manual ordering system. After completing a review of this system, the operations manager, Galileo, discovered that there is a large number of errors in production relating to incorrect ordering of telescope materials and eyepieces. This resulted in Galilee's being unable to fully supply its customers with telescopes. In response, Galileo has decided to adopt a fully automated system with the aim of providing correct orders to all Australian space agencies.

Identify which of the following statements are **true** or **false** about the effect of business change on Galilee's stakeholders.

		True	False
I.	Employment rates in the general community may increase from the new ordering system as it will require employees to manually enter supply information.	☐	☐
II.	Managers, such as Galileo, may receive financial rewards if the fully automated systems can provide customers with their telescopes in a more timely manner.	☐	☐
III.	Customers at Galilee's may perceive the business more favourable if telescopes are delivered on time, therefore improving their satisfaction.	☐	☐
IV.	As resources were previously under-ordered using the manual system, suppliers are likely to experience a decrease in materials sales to Galilee's.	☐	☐

Question 12

Isn't It Fascinating is an Australian brand, specialising in the production of headwear. Recently, Isn't It Fascinating was bought out by a well-renowned American clothing company. This resulted in the business moving its production line overseas, meaning Isn't It Fascinating is no longer producing 100% Australian-made hats. The American company claimed this would result in cheaper supplies and lower selling prices that would benefit customers.

Identify which of the following statements are correct about the effects of business change on Isn't It Fascinating's stakeholders. **(Select all that apply)**

I. Customers may be positively affected if they are provided with hats of poor quality as the American company's operations system is of a superior standard.

II. Isn't It Fascinating's Australian employees may be negatively affected by redundancies, leaving them with no job or financial security.

III. Managers may receive financial and non-financial rewards if Isn't It Fascinating's change is successful, positively affecting their personal income.

IV. The general community may experience the negative effects of Isn't It Fascinating's business change if it results in low employment rates and a decrease in overall living standards.

Exam-style

Question 13 (2 MARKS)

Outline two possible effects that business change could have on customers.

Adapted from VCAA 2014 exam Q5

Question 14 (2 MARKS)

Nico owns Hulk & Berg, a gym equipment manufacturer operating in Melbourne. Recently, the business's poor performance prompted a review of its processes and activities. The review established that it would be more cost-effective to manufacture gym equipment overseas in Malaysia. In response, Nico has decided to close down the Melbourne-based manufacturing plant over the next year. This change will cause 200 production employees to lose their jobs. However, all other positions within the business will not be affected by these job losses.

Outline one positive and one negative effect of manufacturing overseas on the employees at Hulk & Berg.

Question 15 (4 MARKS)

Ravens is a regional accounting firm with offices in Gippsland, Ballarat, and Warrnambool. The owner, Cho, recently made the business decision to close the Ballarat offices as there was minimal demand for their accounting services in the local area.

Explain how owners and the general community may have been affected by the change at Ravens.

Question 16 (4 MARKS)

Galilee's is a large-scale, Australian organisation providing telescopes to national space agencies around the globe. The business purchases resources from suppliers through a manual ordering system. After completing a review of this system, the operations manager, Galileo, discovered that there is a large number of errors in production relating to incorrect ordering of telescope materials and eyepieces. This resulted in Galilee's being unable to fully supply its customers with telescopes. In response, Galileo has decided to adopt a fully automated system with the aim of providing correct orders to all Australian space agencies.

Explain the impact that the adoption of a fully automated system may have on Galilee's manager and one other stakeholder.

Adapted from VCAA 2017 exam Section A Q4c

Question 17 (5 MARKS)

Isn't It Fascinating is an Australian brand, specialising in the production of headwear. Recently, Isn't It Fascinating was bought out by a well-renowned American clothing company. This resulted in the business moving its production line overseas, meaning Isn't It Fascinating is no longer producing 100% Australian-made hats. The American company claimed this would result in cheaper supplies and lower selling prices that would benefit customers.

Evaluate the effects of the business change on one of Isn't It Fascinating's stakeholders.

Adapted from VCAA 2017 Sample exam Section A Q8

Testing previous knowledge

Question 18 (3 MARKS)

Explain how a decrease in a business's number of sales can affect suppliers.

5K CSR considerations and change

Have you ever had to make a really difficult decision and had to weigh up many options to determine which will be most beneficial in the long term? When a business undergoes change, it must consider whether it should improve its own profitability or benefit others in society. However, it may be possible for a business to do both.



STUDY DESIGN DOT POINT

- corporate social responsibility considerations when implementing change

5A 5B 5C 5D 5E 5F 5G 5H 5I 5J **5K** 5L

4.2.9.1 CSR considerations when implementing change
- 4.2.9.1.1 Considering employees
- 4.2.9.1.2 Considering the general community
- 4.2.9.1.3 Considering the environment

Lesson introduction

When a business undergoes change, it can impact a wide variety of stakeholders in both a positive and negative manner. Therefore, it is important for a business to implement change in an ethical and socially-responsible manner that minimises the negative outcomes of the business transformation on employees, the general community, and the environment.

KEY DEFINITIONS

Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.

ADDITIONAL TERMS

Outplacement services involve providing support to employees when their contract is terminated by a business in order to assist them with the transition to new employment or retirement.

LESSON LINK

Corporate social responsibility (CSR) considerations were introduced in **3I CSR in operations**.

Employees were introduced in **1C Stakeholders**.

CSR considerations when implementing change 4.2.9.1

Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. As society becomes increasingly environmentally aware and critical of business activities, it is important for businesses to behave in a socially-responsible manner when implementing change. Throughout the change process, a manager should consider and attempt to minimise the negative consequences of the business transformation on employees, the general community, and the environment. By doing so, a business can maintain or develop a positive reputation amongst its stakeholders and potentially improve its overall performance.

Considering employees 4.2.9.1.1

Considering employees involves a manager addressing factors that promote staff wellbeing during periods of business change. Business change can often result in employees losing their jobs or having their roles changed abruptly. This can have negative implications on an employee's financial and job security, which can have a devastating impact on their family and cause high levels of stress and fear in the workplace. Therefore, managers should take into account how a business change may impact the social, financial, and mental wellbeing of employees and implement strategies to reduce the negative consequences of change.

Table 1 CSR considerations for employees during change

The change	CSR consideration
Downsizing, store closures, or the introduction of new technology, which leads to employee redundancies.	• Offering **outplacement services** to help employees find alternative employment. • Offering counselling to help reduce anxiety and fear of employees in the workplace.
Introducing new equipment and machinery that employees must adapt to.	• Providing extra training and support to employees so they understand their new roles and responsibilities when adapting to new business practices.

Continues ▶

Table 1 Continued

The change	CSR consideration
Reallocating labour resources, leading to the redeployment of employees to new roles within the business.	• Engaging in two-way communication to help reduce any misunderstandings or anxiety related to the redeployment, and address any questions that employees may have. • Provide training to employees so they understand how to complete their new roles within the business.
Changing business operations which affects the job security of employees.	• Reallocating employees to different roles within the business to maintain their job and financial security. • Speaking openly and honestly with employees who may feel anxious about the change.

REAL WORLD EXAMPLE

Considering employees

Metricon is an Australian construction company that builds homes and commercial buildings across the country. In order to remain competitive in the Australian market, Metricon announced in 2022 that 9 per cent (approximately 250 employees) of its workforce would be made redundant as the company undertook a restructure. The company cut approximately 42 jobs from its sales team, whilst it offered redeployment to some of its employees whose roles no longer existed. Therefore, Metricon provided some of these staff members with job security into the future through redeployment, ultimately considering employees and their personal wellbeing during this change. However, other staff members, including 15 trainee sales consultants, were not provided with redeployment opportunities at Metricon and instead had their contracts terminated. This is likely to have caused a high level of stress and uncertainty amongst these employees whose personal interests were considered to a much lesser degree by Metricon during its structural change.

Adapted from news.com.au, 'Metricon sacks sales staff via Microsoft Teams, 225 employees to go in national restructure', 2022

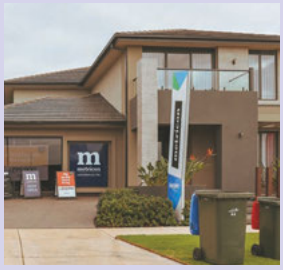


Image: Rusty Todaro/Shutterstock.com

Figure 1 Metricon considered the wellbeing of some of its employees during its business change

Considering the general community 4.2.9.1.2

Considering the general community involves a business reducing or eliminating practices that are detrimental to the wellbeing of society. A business change can result in the general community facing low employment rates and loss of economic activity. For example, if a business chooses to close one of its local stores, this would result in a loss of local employment and a decrease in the community's contribution to the overall economy. When the employment rate is low in a population, more people are unemployed which often leads to increases in the levels of crime and poverty in society as people resort to illegal methods to survive. Therefore, it is vital for a business to conduct its practices in a socially-responsible and ethical manner as this allows the general community to continue developing.

LESSON LINK

The general community was introduced in **1C Stakeholders**.

Table 2 CSR considerations for the general community during change

The change	CSR consideration
Changing suppliers.	• Choosing local suppliers to create employment opportunities and improve the local economy.
Introducing new technology that replaces human labour.	• Redeploying employees to other roles in the business to minimise unemployment rates. • Providing terminated or redundant employees with job interview training to assist them when finding employment elsewhere, minimising the extent of unemployment in the community.
Globally sourcing inputs for the operations system.	• Sourcing materials from businesses that provide employees with fair pay and working conditions.

REAL WORLD EXAMPLE



Image: Nils Versemann/Shutterstock.com

Figure 2 Liquorland opened its first store in Tasmania, providing local employment and stocking Tasmanian brands

Considering the general community

Liquorland is a liquor store chain that is owned by the Coles Group and operates Australia-wide. In 2022, Liquorland opened its first Tasmanian store, providing employment to a number of local community members whilst also working with 60 local partners to showcase over 320 Tasmanian-made beverages. The store, located in Glebe Hill Village, offers customers a variety of drinks whilst exclusively featuring the Tasmanian brands, Beyond the Wildnerness Wines and Pure Origin Vodka and Gin. The Coles Group released a statement informing local communities in Tasmania that it wanted to make Tasmanian brands more accessible and provide the community with 'locally relevant drinks', enabling customers to support their community. Furthermore, the opening of the Liquorland store involves authentic collaborations between Tasmanian suppliers and the liquor store, whilst also positively contributing to the food and drink industry in the entire state. The Tasmanian Liquorland employees are willing to educate customers on where their beverages have been sourced, providing them with knowledge of the Tasmanian community and the businesses within it. Therefore, the Coles Group has successfully addressed CSR considerations when opening its Liquorland store in Tasmania.

Adapted from Mirage, 'Tasmania's first ever Liquorland celebrates local drinks', 2022

Considering the environment 4.2.9.1.3

Considering the environment involves a business reducing the negative impacts of its activities on the planet. A business that undertakes unethical practices can cause significant and irreversible harm to the environment. Therefore, it is vital for businesses to conduct their practices in an environmentally-responsible manner that aims to preserve the environment. As a result, customers and employees are more likely to purchase from and work for businesses that demonstrate CSR for the environment.

Table 3 CSR considerations for the environment during change

The change	CSR consideration
Introducing new technology.	• Purchasing technology that reduces the number of errors in production can minimise the amount of waste a business generates.
Changing suppliers.	• Choosing a local supplier to minimise carbon emissions produced during transportation and support the local economy.
Building a new facility.	• Building a facility that creates minimal waste and pollution during construction, utilises sustainable and energy-efficient practices, and has positive impacts on local wildlife and the overall environment.

REAL WORLD EXAMPLE



Image: MarlonTrottmann/Shutterstock.com

Figure 3 ANZ extends its investment in a funding program that aims to assist Australia to achieve net zero carbon emissions by 2050

Considering the environment

The Australian and New Zealand Banking Group Ltd (ANZ) is Australia's second-largest bank and financial services company. ANZ provides customers with bank accounts, home, business, and personal loans, as well as investment opportunities. The company has recognised the need in Australia for increased investment in sustainable and environmentally-friendly business practices. Consequently, in 2022, ANZ announced that it would extend its $200 million funding program with the Clean Energy Finance Corporation, in an attempt to support the transition of businesses and Australia as a society to net zero carbon emissions by 2050. Through this investment, ANZ will provide finances, services, and advice that supports businesses to invest and shift to a low-carbon model of operations, to ultimately improve business practices in Australia and preserve the environment.

Adapted from Bluenotes, 'New ways to help business in the transition to net zero', 2022

ACTIVITY

CSR considerations and change

Search up *'Growing greener with The Odd Bunch'* on YouTube and watch the entire video (Woolworths, 2021).

The Australian supermarket chain, Woolworths, introduced a range of produce called 'The Odd Bunch' in 2014 to minimise the amount of fruit and vegetables that are thrown away due to imperfections and cosmetic damage. After watching the video on 'The Odd Bunch', answer the following questions in small groups and then discuss as a class:

1. What CSR consideration is Woolworths addressing through the implementation of 'The Odd Bunch'?
2. What benefits does 'The Odd Bunch' provide for farmers and the local communities who supply their produce to Woolworths? Consider the statistics that were mentioned in the video.
3. What benefits does 'The Odd Bunch' provide to Woolworths as a supermarket?
4. Would you purchase your produce from 'The Odd Bunch'? Why or why not?
5. Do you think other supermarkets should incorporate an initiative similar to 'The Odd Bunch'? Why or why not?

Theory summary

When implementing change, it is important for a business to act in an ethical and socially-responsible manner. To do so, a business implementing change can address corporate social responsibility considerations:

- Considering employees involves a business improving the wellbeing of its staff.
- Considering the general community involves a business reducing the social harm caused by a change whilst having a positive impact on society.
- Considering the environment involves a business contributing to the preservation of the planet by conducting change in an environmentally-friendly manner.

Table 4 Advantages and disadvantages of CSR considerations

	Advantages	Disadvantages
Business	• A business can develop a positive reputation, leading to more customers purchasing its goods or services. • Highly-skilled employees who value ethical conduct and are committed to meeting objectives may be attracted to work for the business.	• A constant focus on CSR may decrease a business's productivity levels.
Employee	• Employees may prefer to work for a business that has ethical practices. • Employees may be more motivated to achieve objectives that positively contribute to the environment and society.	–
Time	–	• It can be time-consuming to address various CSR considerations. • A business change may be delayed if a business considers implementing CSR.
Money	• Customers may be willing to pay higher prices for goods or services that are produced in an ethical manner. • Customers may be more inclined to purchase from socially-responsible businesses, increasing sales and profits.	• CSR practices can be expensive for a business to initially implement.

5K Questions

Theory review

Question 1

A business that considers CSR throughout the change process is more likely to develop a positive reputation and improve its overall performance.

A. True

B. False

Question 2

Fill in the blank with **one** of the following terms:

- employees
- the general community

When a business decides to change its suppliers, it may choose to source materials and resources from local businesses to ensure it is considering _____.

Question 3

An example of a CSR consideration that addresses the wellbeing of employees is:

A. providing extra training and support to employees when new equipment or machinery is introduced into the business.

B. purchasing more accurate technology to replace human labour and increase efficiency.

Question 4

Fill in the blanks with the following terms:

- the environment
- employees

A business can consider _____ by building a new facility that utilises renewable energy and positively impacts the environment. Furthermore, if a business decides to reallocate resources to this new facility, it can consider _____ by engaging in two-way communication to reduce anxiety about fulfilling a new role or responsibility.

Question 5

A business that only uses human labour should purchase technology that utilises renewable energy but produces more waste to minimise its environmental impact.

A. True

B. False

Question 6

Addressing CSR considerations when implementing change is beneficial for a business because it can attract highly-skilled employees that are committed to achieving objectives.

A. True

B. False

Preparing for exams

Case study skills

Question 7

In the swimwear industry, two brands dominate the market, collectively accounting for 75% of swimsuit sales. The smaller business, Toggies, has set the objective to increase its market share and overtake its main competitor, These Trunks. To achieve this objective, Toggies is focusing on improving the quality of its swimwear. The operations manager, Thanos, has identified that Toggies must change its suppliers so it can source higher-quality materials, and it must purchase and import state-of-the-art tailoring equipment from France.

Identify which of the following is a correct statement about corporate social responsibility considerations that Thanos could address when changing suppliers.

A. Toggies could consider its employees by manufacturing its products overseas in a location closer to its suppliers.

B. Thanos could consider the environment by sourcing swimwear materials from local suppliers, to reduce the amount of pollution generated from transportation.

C. By introducing new technology, Toggies can minimise the number of employees it requires, therefore benefitting unemployment rates in the general community.

Question 8

Bloom is a manufacturer of pottery and ceramics. After reviewing Bloom's performance, the operations manager, Orlando, is worried about the significant increase in its level of wastage. Consequently, he has set an objective to reduce Bloom's level of waste from operations by 75% over the next five years. To reach this goal, Orlando has decided to introduce technology into Bloom's operations and replace human labour.

Identify which of the following statements are **true** or **false** about corporate social responsibility at Bloom when implementing change.

		True	False
I.	Orlando can consider the wellbeing of employees by redeploying those whose roles have been replaced, to provide them with job and financial security.	☐	☐
II.	If the new technology were to make current employees redundant, Orlando could consider corporate social responsibility by providing those affected with redundancy packages.	☐	☐
III.	Considering the general community could involve providing replaced employees with job interview training to increase their future employment prospects.	☐	☐
IV.	Bloom can consider the environment by only introducing new technology that is more accurate and produces fewer errors than its current processes to minimise environmental wastage and pollution.	☐	☐

Question 9

Ben owns Give it a Flick, a home lighting business that employs 500 people across Victoria. Recently, Ben decided to close 5 stores that were furthest from the city in order for Give it a Flick to make a profit. In addition to these closures, Ben plans to change suppliers to maximise the range and quality of the lighting provided by Give it a Flick.

Identify which of the following statements are correct about corporate social responsibility considerations at Give it a Flick. **(Select all that apply)**

I. During the store closures, Ben could offer counselling and support to remaining employees to ensure they continue to be satisfied and confident within the workplace.

II. Ben could only utilise overseas suppliers to minimise transport pollution and support the local economy.

III. Terminated employees could be provided with job interview training by Give it a Flick to minimise the effects of unemployment on the general community.

IV. Give it a Flick could get its lighting produced using the cheapest, most inefficient machinery to minimise its production costs.

Exam-style

Question 10 (2 MARKS)

Outline one corporate social responsibility consideration for a business when implementing change.

Question 11 (2 MARKS)

Outline how a business could consider the general community in a socially responsible manner when introducing new technology.

Question 12 (2 MARKS)

In the swimwear industry, two brands dominate the market, collectively accounting for 75% of swimsuit sales. The smaller business, Toggies, has set the objective to increase its market share and overtake its main competitor, These Trunks. To achieve this objective, Toggies is focusing on improving the quality of its swimwear. The operations manager, Thanos, has identified that Toggies must change its suppliers so it can source higher-quality materials, and it must purchase and import state-of-the-art tailoring equipment from France.

Explain one corporate social responsibility consideration that Thanos could address when changing suppliers.

Question 13 (3 MARKS)

Bloom is a manufacturer of pottery and ceramics. After reviewing Bloom's performance, the operations manager, Orlando, is worried about the significant increase in its level of wastage. Consequently, he has set an objective to reduce Bloom's level of waste from operations by 75% over the next five years. To reach this goal, Orlando has decided to introduce technology into Bloom's operations and replace human labour.

Justify one corporate social responsibility consideration that a business, such as Bloom, needs to address when implementing change.

Adapted from VCAA 2017 exam Section A Q4d

Question 14 (4 MARKS)

Ben owns Give it a Flick, a home lighting business that employs 500 people across Victoria. Recently, Ben decided to close 5 stores that were furthest from the city in order for Give it a Flick to make a profit. In addition to these closures, Ben plans to change suppliers to maximise the range and quality of the lighting provided by Give it a Flick.

Explain two corporate social responsibility considerations that Give it a Flick could address when implementing these changes.

Testing previous knowledge

Question 15 (6 MARKS)

Established in 2018, Picco is a glassware company that currently produces all its glassware by hand, utilising human labour. Last month, Picco announced that it would be introducing new technology into the glassware operations system to increase efficiency. Unfortunately, this technology would be replacing the work of some of Picco's employees.

Explain how Picco could use Lewin's Three-step Change Model to introduce new technology in a socially responsible manner.

5L Evaluating change

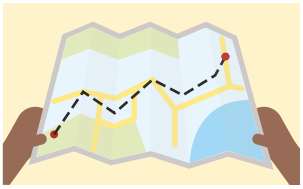
STUDY DESIGN DOT POINT

- the importance of reviewing key performance indicators to evaluate the effectiveness of business transformation

5A 5B 5C 5D 5E 5F 5G 5H 5I 5J 5K **5L**

4.2.10.1
Reviewing key performance indicators to evaluate the effectiveness of business transformation

Have you ever completed a task and been unsure what to do next or how you should use your time and energy? When businesses complete their transformation process, a business can avoid such periods of uncertainty by reviewing key performance indicators to evaluate the effectiveness of the change and determine its course of action for the future.



Lesson introduction

Following the implementation of any change, it is important for a business to review its key performance indicators (KPIs) to assess the success of its transformation. KPIs provide valuable insight in the form of data, which allows a business to quantify the effects of the change. Through this analysis, a business can evaluate the overall effectiveness of a business transformation, and thus determine its next course of action.

Reviewing key performance indicators to evaluate the effectiveness of business transformation 4.2.10.1

LESSON LINK

Key performance indicators (KPIs) were introduced in **4B KPIs: Part 1** and **4C KPIs: Part 2**.

It is important for all businesses to review their performance following a change in order to identify areas for improvement and decide on new goals for the future. Key performance indicators (KPIs) allow a business to collect data that it can use to objectively quantify the relative success of its business transformation. A business typically undertakes change to achieve an objective and improve its performance. Therefore, KPIs can be used to identify whether a business change has achieved the desired objectives or if further changes are required to improve that area of performance. From a review of KPIs, a business may discover that the change achieved its objectives but had an unintentional, negative impact on other areas of the business. For example, implementing technology to automate production can increase a businesses rate of productivity growth, but may have unintended negative consequences on a business's level of staff turnover and rates of staff absenteeism.

By reviewing KPIs, a business can evaluate the effectiveness of its transformation by:

- analysing the size and extent of its change.
- identifying whether the change has successfully achieved its objectives.
- identifying whether the change has negatively impacted another area of performance.
- determining whether more effort and time are required for the change to achieve desired objectives.
- considering alternative management strategies to achieve the desired result or improve areas that were negatively impacted by the change.

Depending on the change a business undertakes, it will review particular KPIs more closely than others. For example, a business that has implemented strategies to improve employee morale, such as celebrating employee birthdays and fostering collaboration through teamwork, should emphasise its analysis of the rates of staff absenteeism and level of staff turnover following the change to determine the overall success of these strategies. Furthermore, in the case of a business that opens a new store location, it may be most relevant to assess its percentage of market share and number of sales when evaluating the effectiveness of its transformation. Therefore, when a business reviews its KPIs, it is important for it to refer to those that are most applicable to the change that has occurred.

EXTENDED REAL WORLD EXAMPLE

Reviewing key performance indicators to evaluate the effectiveness of business transformation

Woolworths is an Australian chain of supermarkets owned by the Woolworths Group. It provides customers across Australia with everyday grocery items in-store, through click-and-collect, or via online delivery. In 2022, Woolworths was the leading supermarket in Australia with 37.4% of the industry's market share. However, as a market leader, Woolworths must actively seek ways to improve its performance and maintain its top position against competitors.

In 2021, Woolworths implemented various strategies that enabled it to sustain its success in the supermarket industry. In particular, Woolworths focused on offering 'hundreds of healthier products at low prices', aiming to attract customers looking for more affordable healthy food options. This change of focus across Woolworths stores likely contributed to the supermarket's financial successes at the end of 2021, including a 5.4% increase in sales from 2020. It also allowed Woolworths to further contribute to its sustainability goal of increasing healthier choices available to customers. Furthermore, in September 2021, Woolworths launched a new range of meat trays for its beef products, which are made from recyclable paper. This change was part of a larger Woolworths sustainability goal to make 100% of its brand packaging sustainable, as the company aims to continue minimising its environmental impact in the future. From this change alone, Woolworths was able to decrease its use of plastic by 75%, and is now able to eliminate '114 tonnes of plastic' from its supply chain each year as a result.

At the end of 2021, Woolworths also contributed to its sustainability goal of having a positive social impact on its customers and the general community as it launched three new mini supermarket stores. These mini supermarkets provide students attending special education schools with an opportunity to gain work experience in a safe and comfortable environment that promotes learning. Through these stores, Woolworths is enabling students to develop knowledge and skills that are applicable in the workforce, allowing them to gain retail experience whilst assisting their prospects of future employment.

Therefore, when assessing its key performance indicators (KPIs), Woolworths can mainly focus on its percentage of market share, net profit figures, level of wastage, alongside other relevant KPIs, to evaluate the effectiveness of its business transformation. Woolworths can use this KPI data to assess the impact of its change on the entire business, including areas of performance that it may not have been targeting for improvement.

Adapted from Woolworths Group, 'Annual Report', 2021 and Finder, 'Supermarket statistics 2022', 2022



Image: Kym McLeod/Shutterstock.com

Figure 1 Woolworths achieved a number of its business objectives during 2021 as indicated by its KPI data

Questions

1. What objectives did Woolworths aim to achieve through its business change in 2021?
2. Did Woolworths successfully achieve these objectives? Why or why not?
3. Using the KPI data presented in the case study, determine the effectiveness of Woolworths' business changes.
4. What objectives might Woolworths have set for 2022? Conduct your own research to identify some of Woolworths' 2022 objectives and determine whether they were successfully achieved.

USEFUL TIP

The success of a business transformation should not entirely be determined by a single key performance indicator (KPI), as this can provide a business with a false understanding of its performance. Instead, a business should assess multiple KPIs to gain a holistic evaluation of the effectiveness of its change. For example, if a business only assessed its net profit figures following a change, it may see an increase in profit and deem the transformation a success. However, in reality, despite experiencing increases in profit, the business's percentage of market share may have fallen and its level of staff turnover could have increased. Therefore, despite achieving what seemed to be a success in one area, other areas of performance were negatively impacted by the business change and therefore require further attention. In the end-of-year exam, you may be asked to evaluate the success of business change based on KPI data. A business change would be considered unsuccessful if most of the business's KPIs reflected an unfavourable outcome following the transformation.

ACTIVITY

Reviewing key performance indicators to evaluate the effectiveness of business transformation

Business 1 implemented the quality management strategy of Total Quality Management (TQM) to improve customer satisfaction.

Key performance indicator	Initial data	Comparison data from a year after the change
Number of customer complaints	60 customer complaints	22 customer complaints

Business 2 implemented cost-cutting measures to improve its level of profit.

Key performance indicator	Initial data	Comparison data from a year after the change
Net profit figures	$100,000	$200,000

Business 3 implemented staff training to improve its percentage of market share.

Key performance indicator	Initial data	Comparison data from a year after the change
Percentage of market share	29%	19%

After analysing each of the tables of KPI data, answer the following questions for each of the business scenarios:

1. Was the business transformation effective?
2. What factors would have contributed to the success of the business change?
3. How could an unsuccessful change be altered to effectively transform a business in the future?

Theory summary

It is vital for all businesses to assess their performance following a change. A business can evaluate its performance using key performance indicators (KPIs) which allow it to identify whether the change was successful, or if further action is required in the future to achieve its objectives. When reviewing KPIs, it is important for a business to have a holistic view of its performance, as the change may achieve its desired objectives but result in an unintended negative impact on another area of business performance.

5L Questions

Theory review

Question 1

Only businesses that have undergone an unsuccessful change should evaluate their performance using key performance indicators.

A. True

B. False

Question 2

If a business identifies that its business change has not achieved its objectives, it can:

A. invest more effort into management strategies that may enable it to reach its desired level of performance.

B. disregard its failures and focus on another area of performance that was unrelated to its initial goals to prevent wasting more resources on an unsuccessful change.

Question 3

It is beneficial for a business to assess KPIs when evaluating its performance as they can objectively quantify the relative success of a business's transformation.

A. True

B. False

Question 4

Fill in the blanks with **one** of the following terms:

- number of customer complaints
- level of staff turnover

For a business that implements strategies to improve the quality of its products, it would be most relevant to review its _____ to evaluate the overall effectiveness of its business transformation.

Question 5

For a business aiming to improve its employee morale, the most relevant KPIs to review when evaluating the effectiveness of change are:

A. the number of sales and number of customer complaints.

B. the level of staff turnover and rates of staff absenteeism.

Question 6

Reviewing performance and assessing KPIs can allow a business to determine the next steps following a change, and whether the change was effective or not.

A. True

B. False

Preparing for exams

Case study skills

Question 7

Wendy owns Bob's Builders, a construction business that builds and renovates houses. Last year, Bob's Builders wanted to decrease its number of workplace accidents by 25% and continue improving employee morale. To do so, Wendy implemented annual safety training workshops, whilst also holding monthly celebrations to recognise employee achievements.

Identify which of the following statements are correct about the importance of reviewing KPIs at Bob's Builders. **(Select all that apply)**

I. Wendy can review KPIs to determine the size and extent of the business change, allowing her to identify whether Bob's Builders has decreased its workplace accidents by 25%.

II. KPIs provide Wendy with subjective data that tells her about the personal experiences of employees throughout the changes at Bob's Builders.

III. Whether Bob's Builders achieves its objectives or not, Wendy can utilise the KPI data to determine her next course of action at the business or set new objectives.

IV. The effectiveness of the annual safety training and monthly celebrations at improving employee morale can be determined by Wendy using KPIs.

Use the following information to answer Questions 8 and 9.

Established in 2005, Lace 'Em Up is a footwear store that sells a variety of casual shoes for men and women. The owner, Trent, decided to rebrand the business last year to refresh Lace 'Em Up's style and better meet customer needs, aiming to increase its market share and improve profits by 10%. Trent recently announced to employees that Lace 'Em Up is now the market leader in the footwear industry and experienced a profit increase of 16% from the previous year.

Question 8

Identify which of the following is a correct statement about reviewing KPIs at Lace 'Em Up.

A. The quantifiable data provided by KPIs can allow Trent to determine whether Lace 'Em Up achieved its objectives of increasing market share and improving profits by 10%.

B. Trent can only use KPI data to improve the future performance of Lace 'Em Up if the rebrand is successful.

Question 9

Identify which of the following statements are **true** or **false** about the effectiveness of change at Lace 'Em Up.

	True	False
I. The shoe store became a market leader, indicating that customers are opting for Lace 'Em Up's footwear over competitors in the industry.	☐	☐
II. The rebrand likely increased the public perception and reputation of the business, allowing Lace 'Em Up to attract and retain more customers.	☐	☐
III. Lace 'Em Up experienced a 16% increase in its profits, indicating that the rebrand was ineffective as it did not achieve the business's objectives.	☐	☐
IV. The increase in profits suggests that customers were more willing to frequently purchase from Lace 'Em Up as its shoes met their needs and expectations.	☐	☐

Exam-style

Question 10 (4 MARKS)

Explain the importance of reviewing KPIs to evaluate the effectiveness of business transformation.

Adapted from VCAA 2020 exam Section B Q5

Question 11 (4 MARKS)

Wendy owns Bob's Builders, a construction business that builds and renovates houses. Last year, Bob's Builders wanted to decrease its number of workplace accidents by 25% and continue improving employee morale. To do so, Wendy implemented annual safety training workshops, whilst also holding monthly celebrations to recognise employee achievements.

Explain the importance for Bob's Builders of reviewing KPIs when evaluating the effectiveness of business transformation.

Adapted from VCAA 2020 exam Section B Q5

Testing previous knowledge

Question 12 (7 MARKS)

Established in 2005, Lace 'Em Up is a footwear store that sells a variety of casual shoes for men and women. The owner, Trent, decided to rebrand the business last year to refresh Lace 'Em Up's style and better meet customer needs, aiming to increase its market share and improve profits by 10%. Trent recently announced to employees that Lace 'Em Up is now the market leader in the footwear industry and experienced a profit increase of 16% from the previous year.

Outline the importance of reviewing KPIs and analyse whether the change was effective at Lace 'Em Up.

Question 13 (7 MARKS)

Boi & Mied is a Melbourne-based ice cream truck that sells a selected range of uniquely-flavoured gelato. In 2021, the business experienced multiple customer complaints regarding its gelato flavours. At the beginning of 2022, the owner, Lauren, decided to set a new objective to improve customer satisfaction. Lauren changed to a new Italian supplier of gelato ingredients to achieve this objective. At the end of 2022, Lauren reviewed various key performance indicators to evaluate whether the change was successful.

Key performance indicator	2021	2022
Number of customer complaints	89	27
Number of sales	10,000	50,000

Describe the importance of Boi & Mied reviewing its KPIs and analyse whether the change in suppliers improved its business performance.

5J–L Impacts of change review

This case study and these questions are typical of Section B in the VCE Business Management exam.

Case study

Established in 1997, Sun & Oda is an Australian-owned furniture chain that has 55 furniture stores operating across metropolitan Victoria and New South Wales. The business has experienced improved performance over the past three years, capturing 45% of the market share in the furniture industry. The founder of Sun & Oda, Yuki, believes that it is the perfect time for the business to expand its operations.

Yuki has noticed an increasing trend of interior design renovations in Queensland and South Australia. He believes that expanding Sun & Oda to Queensland and South Australia will provide the business with an opportunity to increase its market share even further. Yuki plans to open ten new stores across Queensland and South Australia over the next six months. Sun & Oda will hire 300 new employees to run these new stores. Yuki is also offering senior management positions for the new stores to current managers who wish to be redeployed. He hopes the promotion will encourage experienced managers to take on more responsibility and help with the expansion.

Over the past decade, Sun & Oda has focused on corporate social responsibility by sourcing exclusively from local suppliers. Yuki analysed Sun & Oda's sales and noticed that its sofas and bedding were the most popular products in the past two years. Despite this, Yuki calculated that the profit margins for the business's sofas and bedding were very low and he believes this is due to the high cost of local suppliers, so has decided to switch to significantly cheaper suppliers in Vietnam. Yuki believes the change in suppliers will help Sun & Oda price its sofas and bedding more competitively. Yuki is unaware of the quality of the Vietnamese sofa and bedding materials but believes sourcing from Vietnam will reduce the business's expenses.

Exam-style questions

Question 1 (2 MARKS)

Define the term 'corporate social responsibility'.

Adapted from VCAA 2019 exam Section A Q5a

Question 2 (2 MARKS)

Outline two possible effects of Sun & Oda's change on the general community.

Question 3 (2 MARKS)

Describe one corporate social responsibility consideration that a business, such as Sun & Oda, should address when implementing change.

Question 4 (4 MARKS)

Explain the importance for Sun & Oda of reviewing KPIs when evaluating the effectiveness of business transformation.

Adapted from VCAA 2020 exam Section B Q5

Question 5 (4 MARKS)

Explain two corporate social responsibility considerations that Sun & Oda could address when implementing change.

Question 6 (5 MARKS)

Evaluate the effects of the business change on one of Sun & Oda's stakeholders.

Adapted from VCAA 2017 Sample exam Section A Q8

Question 7 (6 MARKS)

Justify three corporate social responsibility considerations that a business, such as Sun & Oda, should address when implementing change.

Adapted from VCAA 2017 exam Section A Q4d

Unit 4 AOS 2 review

Implementing change

AOS summary

This chapter introduced the final area of study (AOS) of Unit 4 of the VCE Business Management course. In this chapter, you learnt about the importance of leadership throughout the change process and how managers can use different strategies to respond to key performance indicators (KPIs) and seek new business opportunities. You also learnt about the ways a business can develop its corporate culture and become a learning organisation. Finally, you learnt about how a business can minimise employee resistance, implement successful change, and consider stakeholders during the transformation process, as well as the importance of using KPIs to evaluate the effectiveness of change.

Lesson **5A Leadership in change management** covered the importance of leadership skills during the process of business transformation. You also learnt that managers can demonstrate strong leadership by building a shared vision, providing ongoing communication, and supporting employees during the implementation of change.

Lesson **5B Management strategies to respond to KPIs: Part 1** was the first of three lessons that covered management strategies that a business can use to respond to its key performance indicators (KPIs) and seek new business opportunities. In this lesson, the management strategies that were covered included:

- staff training
- staff motivation
- change in management styles
- change in management skills
- cost cutting.

Lesson **5C Management strategies to respond to KPIs: Part 2** was the second of three lessons that covered management strategies that a business can use to respond to its key performance indicators (KPIs) and seek new business opportunities. In this lesson, the management strategies that were covered included:

- increased investment in technology
- improving quality in production
- initiating lean production techniques
- redeployment of resources.

Lesson **5D Management strategies to respond to KPIs: Part 3** was the last of three lessons that covered management strategies that a business can use to respond to its key performance indicators and seek new business opportunities. In this lesson, the management strategies that were covered included:

- innovation
- global sourcing of inputs
- overseas manufacture
- global outsourcing.

Lesson **5E Developing corporate culture** covered the strategies a business can use to develop a positive official and real corporate culture. You also learnt about how each strategy can positively impact the business and improve its overall performance.

Lesson **5F Senge's Learning Organisation** covered how a business can become a learning organisation and facilitate the growth of its employees. You also learnt about how becoming a learning organisation can allow a business to foster a positive culture for change. The five principles that a business can implement to become a learning organisation are:

- systems thinking
- mental models
- shared vision
- personal mastery
- team learning.

Lesson **5G Low-risk strategies** covered the low-risk strategies that a manager can implement to help employees understand, accept, and support business change. The four low-risk strategies that can allow a business to overcome employee resistance to change are:

- communication
- empowerment
- support
- incentives.

Lesson **5H High-risk strategies** covered the high-risk strategies that a manager can implement to quickly persuade employees to follow and support business change. The two high-risk strategies that can allow a business to overcome employee resistance to change are:

- manipulation
- threat.

Lesson **5I Lewin's Three-step Change Model** covered the principles that a business can follow to implement successful change and ensure the business can institutionalise its transformation into the future. The three principles of Lewin's Three-step Change Model are:

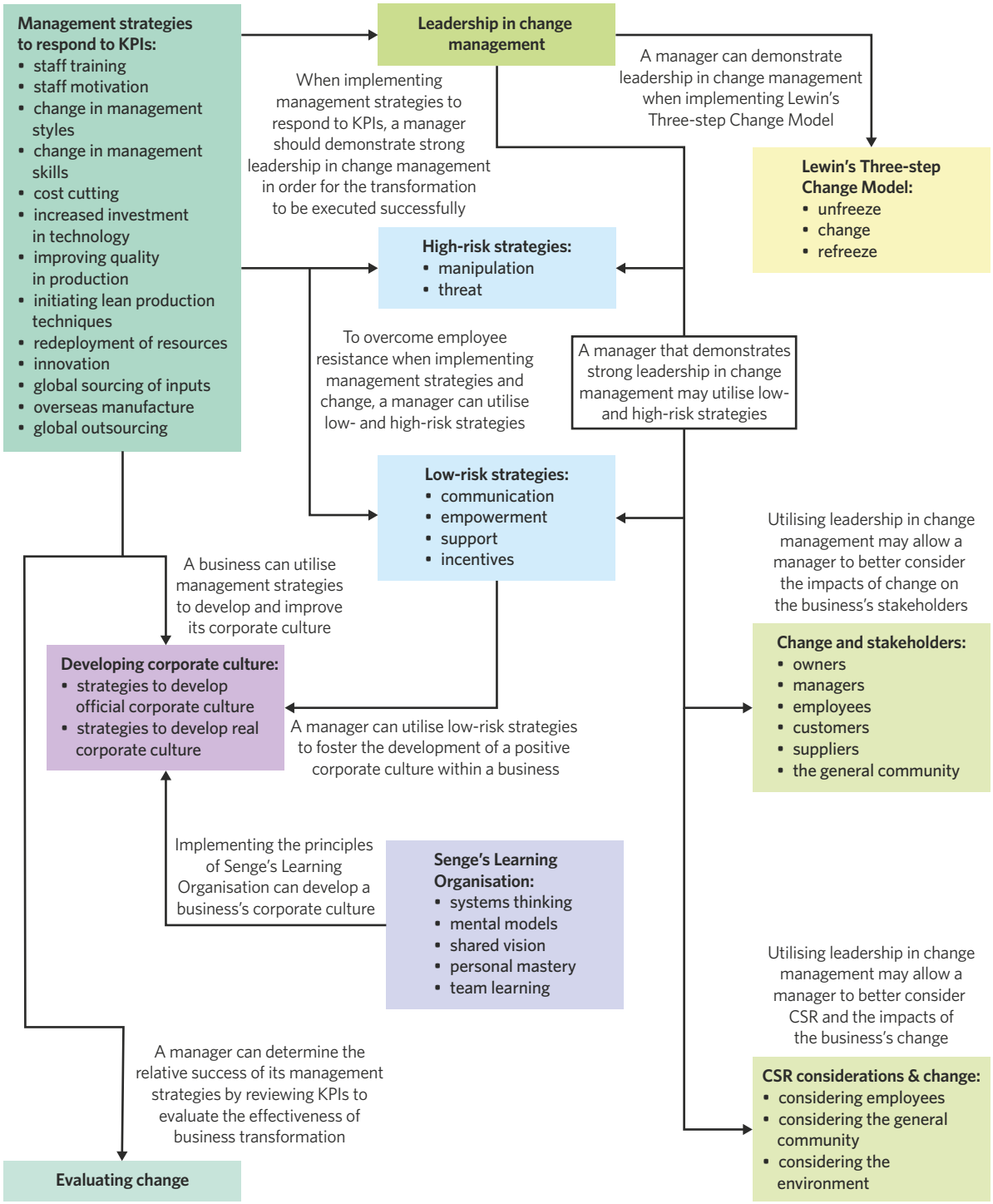
- the unfreeze step
- the change step
- the refreeze step.

Lesson **5J Change and stakeholders** covered how implementing change can have both positive and negative effects on a business's stakeholders. You learnt about the effects of business change on the following stakeholders:

- owners
- managers
- employees
- customers
- suppliers
- the general community.

Lesson **5K CSR considerations and change** covered how a business can address corporate social responsibility (CSR) when implementing change by considering how a business transformation may impact the economy, community, and environment.

Lesson **5L Evaluating change** covered the importance of a business reviewing its key performance indicators (KPIs) to evaluate the effectiveness of business transformation. You also learnt about how KPI data can be used effectively to progress in the future and achieve further improvements in performance.



AOS review activities

Review activity 1: Responding to KPIs summary table

You have learnt about the different strategies a business can use to respond to key performance indicators (KPIs) and improve business performance. It is important to remember the different strategies, their effect on the business, and their overall impact on the business's KPIs.

Copy out the table into your notes. Fill in the table by describing an effect of the strategy on business performance and listing the relevant KPI that the strategy can improve.

The first row has been completed for you as an example.

Management strategy	Effect of management strategy	Effect of management strategy on KPIs
Staff training	Motivates employees and creates feelings of value as the business provides them with opportunities for personal growth.	↓ Level of staff turnover
Staff motivation		
Change in management styles		
Change in management skills		
Cost cutting		
Increased investment in technology		
Improving quality in production		
Initiating lean production techniques		
Redeployment of resources (natural, labour, and capital)		
Innovation		
Global sourcing of inputs		
Overseas manufacture		
Global outsourcing		

Review activity 2: Developing corporate culture

In this chapter, you were introduced to the ways a business can develop a positive corporate culture. It is important to understand the difference between official and real corporate culture and the strategies that target the development of each within the workplace.

Imagine you are the human resource manager of a large corporate company and you have been asked by the Chief Executive Officer (CEO) to implement strategies to develop both official and real corporate culture within the business. They have instructed you to present a number of possible strategies to the board of directors next week that you believe are viable and will help improve employee morale. Your task is to create a presentation of the possible strategies that this company could implement to develop corporate culture. You may also like to consider how principles of Senge's Learning Organisation could also be implemented through your chosen strategies. Present at least two strategies for each of the two types of corporate culture. Consider developing an online presentation or poster that is engaging and creative.

You may like to complete this activity in small groups and then share your strategies with the class.

Review activity 3: Effect of change on stakeholders

In this chapter, you have learnt about the ways in which a business change can impact the stakeholders of a business. It is useful for a business to be able to recognise that change can have both positive and negative impacts on its stakeholders. A business should aim to minimise the negative effects of its change on stakeholders, whilst maximising the potential positive effects of the transformation.

Copy out the table into your notes. Fill in the table by describing one positive and one negative effect of change on each of the listed business stakeholders.

Stakeholder	Positive effect of business change	Negative effect of business change
Owners		
Managers		
Employees		
Customers		
Suppliers		
The general community		

Unit 4 AOS 2 review questions

Contemporary case study

Useful tip

In the end-of-year VCAA examination, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions for the end-of-year exam. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the questions below, you can refer to Snap Inc. or any other business you feel confident writing about as a contemporary business example.

Snap Inc.

Snap Inc. is a social media and camera company founded in the United States that is primarily known for its app, Snapchat. In 2022, Snap announced numerous business changes after a number of unfavourable economic conditions negatively affected its financial performance. The Chief Executive Officer (CEO), Evan Spiegel, announced to employees via email that 20% of Snap's staff would be made redundant, the business would be appointing a new Chief Operating Officer (COO), and it would be discontinuing a number of its products, including music and hardware apps.



Image: Ascannio/Shutterstock.com

Figure 1 Snap Inc. underwent a company restructure in 2022 to respond to its financial struggles

In his communications with employees, Spiegel reported that for Snap to increase its revenue growth, these changes were necessary to achieve long-term business success. Spiegel also apologised to those affected by the change and he aimed to remain honest and provide employees with the information they needed to understand the reasons behind these changes. These announcements came after Snap reported that it experienced its 'slowest-ever rate of quarterly growth since 2017' in July 2022 of 8%, whilst its stock price decreased by more than 76% from January to August 2022. Therefore, it is evident that Snap has implemented management strategies to respond to its severe decline in performance. Many social media companies, like Snapchat, have experienced similar struggles and have attributed these difficulties to an increase in privacy protection policies and media scrutiny. These companies claim that these changes have decreased their advertising capacities and therefore, the revenue generated from these ads.

Through these changes, Snap is essentially restructuring its business and has predicted to save $500 million as a result, with the hope of improving its profit-related key performance indicators. The company has already hired experienced individuals to fill presidential and leadership roles within the business as part of the restructure. Spiegel emphasised that the restructure would focus on community and revenue growth, as well as investments in virtual reality products.

Following these announcements, Snap's share price increased by 15%. The company hopes that these positive stakeholder responses will continue into the future as it looks to improve both its sales and the number of users.

Adapted from The New York Times, 'Snap Cuts 20% of Employees and Restructures', 2022, CNBC, 'Snap shares pop on plans to cut 20% of staff as part of major restructuring', 2022, and Reuters, 'Snap to cut 20% of staff, cancel projects in cost-cutting effort', 2022

Answer questions 1–4 with reference to the Snap Inc. case study shown, or any other contemporary business case study you have studied.

Question 1 (3 MARKS)

Using a contemporary business case study, define corporate culture and explain one strategy a business can implement to develop a positive corporate culture.

Adapted from VCAA 2017 Sample exam Section A Q4

Question 2 (3 MARKS)

With reference to a contemporary business case study, explain one management strategy that could be used to respond to key performance indicators.

Adapted from VCAA 2018 exam Section A Q3c

Question 3 (6 MARKS)

Explain the importance of leadership in change management. In your response, refer to a contemporary business case study.

Adapted from VCAA 2018 exam Section A Q2

Question 4 (6 MARKS)

With reference to a contemporary business case study, explain how a business could apply each of the steps of the Three-step Change Model (Lewin).

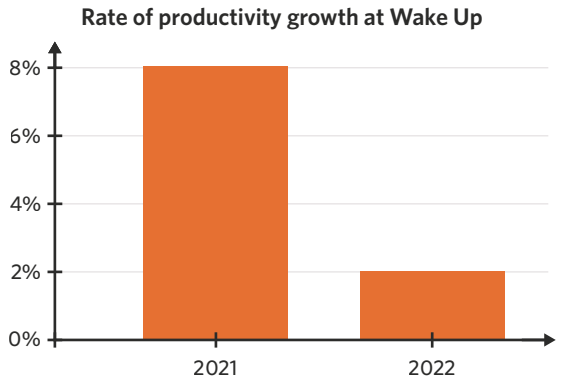
Adapted from VCAA 2020 exam Section B Q3

Exam-style

These questions are typical of Section A in the VCE Business Management exam.

Question 5 (17 MARKS)

Wake Up is a Victorian-based clock business that produces alarm clocks, watches, and refurbished antique cuckoo clocks. The owners, Chrissy and Eddie, wish to improve productivity within the business's operations. Both Chrissy and Eddie agree that introducing new clock-building machines and computer-aided manufacturing would improve levels of productivity growth in the business's operations system, after experiencing a significant decrease in 2022. However, Chrissy and Eddie are concerned that there will be strong levels of employee resistance towards the implementation of new technology.



a. Define incentives as a low-risk strategy. (2 MARKS)

b. Other than incentives, describe one low-risk strategy that Chrissy and Eddie could use to overcome possible employee resistance to the changes. (2 MARKS)

Adapted from VCAA 2018 exam Section A Q5b

c. Explain how two stakeholders may be affected by the proposed change at Wake Up. (4 MARKS)

Adapted from VCAA 2015 exam Q1b

d. Explain how increased investment in technology could improve Wake Up's rate of productivity growth. In your response, refer to the data provided. (3 MARKS)

Adapted from VCAA 2017 Sample exam Section A Q5

e. With reference to two principles, explain how Wake Up could apply the principles of Senge's Learning Organisation during a period of change to positively influence corporate culture and ensure the change is successful. (6 MARKS)

Adapted from VCAA 2019 exam Section A Q4

Question 6 (9 MARKS)

Checo's is a business that produces headphones and speakers. The business's factory is located in Adelaide, with over 40 employees working along the production line. The owner of the business, Sergio, has been concerned about the business's performance for the past year as the business's sales have significantly declined from 250,000 in 2021 to 170,000 in 2022. Consequently, Sergio is considering implementing an automated production line at Checo's and redeploying production line employees to new roles in the business, including customer service.

a. Define high-risk strategies. (2 MARKS)

b. Explain how innovation can be used to improve KPIs at Checo's. (3 MARKS)

c. Discuss the use of high-risk strategies to overcome employee resistance to change at Checo's. (4 MARKS)

Adapted from VCAA 2011 exam Q3d

Question 7 (14 MARKS)

Cognition is an Australian-based mental health and wellbeing business. The business provides 1:1 consultations and wellbeing classes in two Melbourne locations. Camile, the owner, has recently been considering strategies that she could implement to increase sales. She has decided she wants to close down one of her business locations and establish online wellbeing services. Camile believes that the online services will allow Cognition to expand the business's audience globally. Currently, employees are unsupportive of Camile's proposal.

a. Describe how Camile could use the high-risk strategy of threat to overcome employee resistance to the proposed changes. (2 MARKS)

Adapted from VCAA 2018 exam Section A Q5b

b. Outline one corporate social responsibility consideration that Cognition could address when implementing online wellbeing services. (2 MARKS)

Adapted from VCAA 2017 exam Section A Q4d

c. Explain the importance of Cognition reviewing its KPIs when evaluating the effectiveness of business transformation. (4 MARKS)

Adapted from VCAA 2020 exam Section B Q5

d. Describe and discuss the use of low-risk strategies to overcome employee resistance towards the online business model at Cognition. (6 MARKS)

Adapted from VCAA 2018 exam Section A Q5b

Course review

Section A (50 marks)

Question 1 (16 MARKS)

Pharmax is a chain of discount chemists with retail stores located across Melbourne. Pharmax is currently the leading chemist in its industry with 31% of the market share within Australia's retail pharmaceutical industry. The owner of Pharmax, Malik, attributes the business's ability to offer customers the lowest prices to its capacity to process large volumes of trade, whilst minimising unnecessary operating expenses.

a. Define the term 'government business enterprise' as a type of business. In your response, refer to a contemporary business that you have studied this year. (2 MARKS)

Adapted from VCAA 2018 exam Section A Q1a

b. Compare the two key approaches to strategic management identified by Porter's Generic Strategies (1985). (4 MARKS)

Adapted from VCAA 2020 exam Section A Q2

c. Analyse how Pharmax has used Porter's Generic Strategies to establish a competitive advantage within the pharmaceutical industry. (4 MARKS)

Adapted from VCAA 2019 exam Section A Q5b

d. Propose and justify two management strategies that Malik could implement to develop a positive corporate culture at Pharmax. (6 MARKS)

Adapted from VCAA 2021 exam Section A Q3

Question 2 (6 MARKS)

With reference to a contemporary business case study, explain how managers could apply two principles of Senge's Learning Organisation to positively influence corporate culture and promote the successful implementation of change.

Adapted from VCAA 2019 exam Section A Q4

Question 3 (9 MARKS)

Goodall's Stories is a bookstore that has been operating in Melbourne's CBD for the past 45 years. The owner of Goodall's Stories, Scott, identified that there has been a recent decline in paper book sales and noticed that customers are moving to competitors that sell e-books. Scott is considering future plans to shift business operations to an online platform where customers can purchase e-books. However, employees are reluctant towards the idea of shifting the business's focus online.

a. Describe the approach that is being used by Scott to manage change. (2 MARKS)

Adapted from VCAA 2019 exam Section A Q2

b. Outline how two of the restraining forces listed below might influence Goodall's Stories' ability to successfully implement its future plans of shifting operations online: (4 MARKS)

- organisational inertia
- employees
- financial considerations
- time

Adapted from VCAA 2020 exam Section B Q6

c. Explain how online services might be used by Goodall's Stories to improve the efficiency and effectiveness of its operations. (3 MARKS)

Adapted from VCAA 2020 exam Section A Q5b

Question 4 (10 MARKS)

'A business demonstrating a commitment to corporate social responsibility will always positively affect stakeholders.'

Evaluate this statement.

Adapted from VCAA 2017 exam Section A Q6

Question 5 (9 MARKS)

Arnie is the owner of Herrman's Gym, a fitness centre located in St Kilda. Recent online reviews have revealed that past members of Herrman's Gym have found the personal trainers to have inferior knowledge and engagement compared to other gyms. Arnie is concerned with the level of service provided by his personal trainers and has identified a lack of motivation among these employees.

a. Propose and justify one performance management strategy that you believe would be effective in improving the performance of personal trainers at Herrman's Gym. (4 MARKS)

Adapted from VCAA 2017 Sample exam Section A Q7b

b. Evaluate a suitable training option that Arnie could implement to ensure his personal trainers are equipped with the appropriate skills and knowledge. (5 MARKS)

Adapted from VCAA 2017 exam Section A Q3b

Section B (25 marks)

Case Study

Deemart Pty Ltd is a chain of family-owned discount supermarkets. Established as a private limited company in 2012, the business is now operating 15 supermarkets located across Sydney, Brisbane, Melbourne, and Canberra.

Deemart's market share has steadily risen over the past decade, peaking in 2020, with the business capturing 11% of total sales within Australia's supermarket industry. Although, the company's market share has slightly decreased over the past few years. The company has generated a profit consecutively for the past 11 years. However, in recent years, Deemart's net profit figures have also declined.

Lillia, Deemart's operations manager, has stated that whilst it has been challenging to operate over the past couple of years, the business's primary focus is still to provide customers with exceptional products at affordable prices. Deemart is considering the introduction of self-service checkout technology, as Lillia believes that it will allow the business to improve the customer purchasing experience, further optimise its operations, and reduce labour costs. However, employees are unsupportive of the change as they fear the self-service checkouts will replace their roles.

	2020	2021	2022
Percentage of market share	11%	10%	9%
Number of customer complaints	346	443	505
Rate of productivity growth	Increased by 12%	Decreased by 2%	Decreased by 5%

Question 1 (2 MARKS)

Define what is meant by the 'number of website hits'.

Adapted from VCAA 2021 exam Section B Q1

Question 2 (6 MARKS)

Explain how two of the following management strategies might be used to respond to the data that is shown in the case study:

- increased investment in technology
- cost cutting
- initiating lean production techniques
- innovation

Adapted from VCAA 2021 exam Section B Q5

Question 3 (4 MARKS)

Explain how Deemart could apply the principles of the Force Field Analysis theory (Lewin) when implementing the self-service checkouts.

Adapted from VCAA 2018 exam Section B Q3

Question 4 (3 MARKS)

Explain the relationship between operations management and the business objectives of Deemart.

Adapted from VCAA 2020 exam Section B Q2

Question 5 (4 MARKS)

Outline the steps from Lewin's Three-step Change Model (Lewin). Explain how Lillia could apply one of these steps when managing change.

Adapted from VCAA 2019 exam Section A Q5d

Question 6 (2 MARKS)

Describe one high-risk strategy that Lillia could use to overcome resistance from Deemart's employees.

Adapted from VCAA 2018 exam Section A Q5b

Question 7 (4 MARKS)

Explain the importance for Deemart of reviewing its KPIs when evaluating the effectiveness of business transformation.

Adapted from VCAA 2020 exam Section B Q5

Back to contents

ANSWERS

CONTENTS

Chapter 1 440

Chapter 2 462

Chapter 3 495

Chapter 4 529

Chapter 5 551

1A Types of businesses

Theory review

1. B. False. *Not all businesses have the same structure. Business structures can include sole traders, partnerships, private limited companies, public listed companies, and GBEs.*

2. sole trader; company. *A sole trader is inexpensive to set up, whereas a company is expensive to set up due to additional fees, such as the incorporation fee.*

3. partnership; sole trader. *The business profits are shared in a partnership as there are multiple owners, however, a sole trader is entitled to all the profits of a business.*

4. A. True. *A partnership is an unincorporated business structure as the business owners and the business are viewed as the same legal entity.*

5. limited liability; unlimited liability. *Shareholders of a private limited company have limited liability, whereas the owners of a partnership have unlimited liability.*

6. B. *False. Only the business owners of sole traders and partnerships are held personally responsible for paying business debts, as the owners have unlimited liability.*

7. A. True. *As the main objective of a social enterprise is to support social and environmental causes, the primary aim of a social enterprise is to invest the majority of its profits back into the business to tackle its social objective.*

8. A. True. *Government business enterprises are beneficial as they deliver goods and services that are essential to the community. For example, Australia Post delivers mail and packages to the community.*

9. B. False. *Similar to private and public companies, government business enterprises do have a board of directors. However, partnerships do not as the decision-making is made by multiple partners.*

10. A. True. *When choosing an appropriate type of business, it is essential that the advantages and disadvantages of each are assessed to suit the situation of a business.*

Preparing for exams

Case study skills

11. B

12. I; II

13. I and II are advantages. III and IV are disadvantages.

14. A

15. III and IV are advantages. I and II are disadvantages.

Exam-style

16. [A partnership is an unincorporated business structure that is owned by between two and 20 people who share profits and the responsibilities of operations.[1]][The owners of a partnership have unlimited liability, which means they are personally responsible for the debts of the business.[2]]

- ✓ ✗ I have defined the term partnership.[1]
- ✓ ✗ I have provided one characteristic of a partnership.[2]

17. [A sole trader is a business structure that is owned and operated by one individual.[1]][A distinguishing feature of a sole trader is that it has unlimited liability as it is an unincorporated type of business where the owner and business are considered the same legal entity.[2]]

- ✓ ✗ I have defined the term sole trader.[1]
- ✓ ✗ I have provided one distinguishing feature of a sole trader.[2]
- ✓ ✗ I have signposted my response by using 'A distinguishing feature'.

18. [A private limited company is an incorporated business structure that has at least one director and a maximum of 50 shareholders.[1]] [A distinguishing feature of a private limited company is that shareholders are specifically selected and approved by the board of directors.[2]]

- ✓ ✗ I have defined the term private limited company.[1]
- ✓ ✗ I have provided one distinguishing feature of a private limited company.[2]
- ✓ ✗ I have signposted my response by using 'A distinguishing feature'.

19. [One feature of a social enterprise is that the business has the main objective to support social and environmental causes, such as providing employment and reducing environmental damage.[1]] [Another feature of a social enterprise business structure is that the business must contribute at least 50% of its profits towards fulfilling its main objective of helping the business's chosen social or environmental cause.[2]]

- ✓ ✗ I have outlined one feature of a social enterprise.[1]
- ✓ ✗ I have outlined another feature of a social enterprise.[2]
- ✓ ✗ I have signposted my response by using 'One feature' and 'Another feature'.

20. [A government business enterprise (GBE) is a business that is owned and operated by the government. Postal NZ is a GBE.[1]] [Postal NZ is in the public sector and its business purpose is determined by the government, which is a feature of a GBE. Postal NZ's purpose is to connect the community through a postal service.[2]][Additionally, GBEs need to uphold all reporting requirements as it is accountable to the government and the public, since Postal NZ is providing the postal services to the public.[3]]

- ✓ ✗ I have identified and defined the business as a government business enterprise.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one characteristic of a government business enterprise.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another characteristic of a government business enterprise.[3]
- ✓ ✗ I have referred to the business directly by using 'Postal NZ'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

Note: Government business enterprise is the only acceptable answer.

21. [One feature for AltTech Productions Ltd. being a public company is that the business name has the suffix 'Ltd.', which represents the limited liability feature of a public company.[1]][Another feature is that AltTech Productions Ltd. would be listed on the Australian Securities Exchange, which allows the general public to become shareholders of the business.[2]][One advantage of a public listed company is that the life of the company can live longer than the directors, hence AltTech Productions Ltd. can continue providing technology parts to customers into the indefinite future.[3]][However, one disadvantage is that producing annual financial reports can be a time consuming and complex process for AltTech Productions Ltd.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to a characteristic of a public listed company.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another characteristic of a public listed company.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one advantage of a public listed company.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one disadvantage of a public listed company.[4]
- ✓ ✗ I have signposted my response by using 'One feature' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'AltTech Productions Ltd.'.
- ✓ ✗ I have used connecting words, such as 'However'.

22. [Ping and An should use a partnership which is an unincorporated business structure that can have between two and 20 owners.[1]][A partnership structure would be appropriate for both Ping and An as they want to share business profits and responsibilities.[2]][Another benefit of a partnership is that the partnership structure is inexpensive and easy to set up, which is particularly important for Ping and An as they have limited funds.[3]][However, a disadvantage of a partnership structure is that Ping and An would have to share the profits so they would receive a lower portion of profit than if they were sole owners.[4]][Another disadvantage is that there is potential for conflict between the sisters as they will be making decisions regarding the babysitting business together.[5]]

- ✓ ✗ I have identified and defined partnerships.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of partnerships.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of partnerships.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of partnerships.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of partnerships.[5]
- ✓ ✗ I have signposted my response by using 'Another benefit' and 'a disadvantage'.
- ✓ ✗ I have referred to the business directly by using 'Ping and An'.
- ✓ ✗ I have used connecting words, such as 'However'.

Note: Partnership is the only acceptable response.

1B Business objectives

Theory review

1. A. True. *Every business has various objectives it wants to achieve, however, these objectives will look different for every business.*

2. B. False. *While many businesses seek to make a profit, it may not be possible to do this every year, and therefore making a profit does not entirely determine a business's success. For example, a business starting out may seek to increase its market share, and in its efforts to do this, it may not make a profit for many years.*

3. B. False. *Although shareholders expect a financial return on their investment, many shareholders have other expectations of a business. For example, shareholders may expect a company to be environmentally ethical.*

4. B. False. *A social enterprise's primary objective is to fulfil a certain social need. However, other types of businesses are likely to fulfil social needs alongside their other objectives.*

5. A. True. *If a business fulfils a market need it is likely to increase its number of sales and therefore increase its market share.*

6. I; II. *A business's effectiveness is how well it achieves its predetermined objectives. These stated goals will differ for every business.*

7. B. False. *Efficiency and effectiveness are often used interchangeably, however, they are two different concepts. Efficiency is how well a business utilises its resources, whereas effectiveness is the extent to which a business achieves its stated objectives.*

8. II; III. *Both reducing a business's amount of waste and time taken when producing a good or service better utilises a business's resources. Increasing market share does not directly relate to a business's efficiency, as it is a financial objective relating to a business's competitiveness.*

9. B. False. *Although we have learnt numerous key business objectives in this lesson, there is a range of objectives businesses could have. For example, a business may have an objective to reduce waste, increase employee satisfaction, and improve customer service.*

Preparing for exams

Case study skills

10. A **11.** B **12.** B **13.** I; II; IV; V

Exam-style

14. [The business objective of meeting shareholder expectations is achieved through providing a financial return on their investment in the company, which is in the form of dividends or capital gains.[1]]

- ✓ ✗ I have outlined the objective of meeting shareholder expectations.[1]

15. [Business objectives are the goals a business intends to achieve.[1]][Businesses seek to achieve their objectives in a specified period of time.[2]]

- ✓ ✗ I have defined the term business objective.[1]
- ✓ ✗ I have provided one characteristic of business objectives.[2]

16. [The objective of improving effectiveness is the extent to which a business achieves its stated objectives.[1]][A business's effectiveness can relate to small-scale targets all the way to large-scale objectives.[2]][For example, if a business reaches its predetermined target to increase market share by 3% by June 2022, it has improved its effectiveness as it achieved its stated goal.[3]]

- I have described the business objective of improving effectiveness.[1]
- I have provided one characteristic of improving effectiveness.[2]
- I have provided one example relevant to improving effectiveness.[3]

17. [A business makes a profit by generating more revenue than expenses.[1]][Hi Hanna Ltd. opening new locations in NSW, QLD and WA will likely increase its number of sales.[2]][As a result, an increase in sales will increase the amount of revenue Hi Hanna Ltd. generates, which could result in increasing profit and therefore achieve the objective 'to make a profit'.[3]]

- I have identified and described the business objective of making a profit.[1]
- I have provided an example relevant to the case study.[2]
- I have linked the example to the business objective of making a profit.[3]
- I have referred to the business directly by using 'Hi Hanna Ltd.'

18. [Fulfilling a social need aims to improve society or the environment through business activities.[1]][Alpel's commitment to source 80% of its plastic and metal materials from recyclable materials decreases the amount of landfill waste that pollutes the environment, fulfilling a social need of protecting the planet.[2]][Additionally, improving efficiency involves increasing the productivity when producing a good or service.[3]][Alpel's repurposing of wasted metal and plastic into producing USBs minimises the amount of waste produced, optimising its use of resources and therefore improving efficiency.[4]]

- I have identified and described the business objective of fulfilling a social need.[1]
- I have provided an example relevant to the case study and linked it to fulfilling a social need.[2]
- I have identified and described the business objective of improving efficiency.[3]
- I have provided an example relevant to the case study and linked it to improving efficiency.[4]
- I have signposted my response by using 'Fulfilling a social need' and 'improving efficiency'.
- I have referred to the business directly by using 'Alpel'.
- I have used a connecting word, such as 'Additionally'.

19. [A business objective that would be relevant to Eating Well is to fulfil a market need, which is meeting customer needs for goods or services not met by other businesses.[1]][By providing cooking courses on unique ethnic cuisines, Eating Well is fulfilling an unmet market need that other businesses have not provided.[2]][Moreover, another business objective is to fulfil a social need that addresses an environmental or community issue through business activities.[3]][The cooking courses allow more Australians to engage with refugees, and learn about their culture and stories, which reduces cultural barriers and creates more unity in the community.[4]]

- I have identified and described one business objective.[1]
- I have provided an example relevant to the case study and linked it to my chosen business objective.[2]
- I have identified and described another business objective.[3]
- I have provided an example relevant to the case study and linked it to my chosen business objective.[4]
- I have signposted my response by using 'A business objective' and 'another business objective'.
- I have referred to the business directly by using 'Eating Well'
- I have used a connecting word, such as 'Moreover'.

Other acceptable answers include:

- To increase market share
- To improve efficiency
- To improve effectiveness

Testing previous knowledge

20. [A social enterprise is a type of business that aims to fulfil a community or environmental need by selling goods or services.[1]][One business objective a social enterprise could have is to make a profit, which occurs by generating more revenue than expenses.[2]][If a social enterprise makes a profit, they are able to contribute the majority of this money to solving its primary social issue.[3]]

- I have defined a social enterprise.[1]
- I have identified and described one business objective of a social enterprise.[2]
- I have further described my chosen business objective of a social enterprise.[3]
- I have signposted my response by using 'One business objective'.

Other acceptable answers include:

- To increase market share
- To fulfil a social need
- To fulfil a market need
- To improve efficiency
- To improve effectiveness

1C Stakeholders

Theory review

1. B. False. *Stakeholders are individuals, groups, or organisations who have a vested interest in the performance and activities of a business. Not all stakeholders receive a share of the business's profits but are affected by its activities.*

2. owners. *Owners are individuals who establish, invest in, and have a share in a business, often with the goal of earning a profit from its operations. Public listed and private limited companies sell portions of business ownership to shareholders through shares, therefore shareholders can be considered owners of a company.*

3. A. *Customers want a business to provide them with reliable, efficient, and high-quality goods and services at affordable prices. They often want businesses to do so in an ethical and sustainable manner.*

4. A. True. *Owners have an interest in increasing profit margins, potentially through increased prices, so they can have a greater return on their investment or receive larger dividends. This may come into conflict with the interests of customers as they want to purchase goods and services from a business at an affordable price.*

5. external; increasing; decreasing. *The general community is considered an external stakeholder of a business as they are not directly employed by or have a financial share in the business. As a stakeholder, the general community wants business activities to benefit the environment and community.*

6. A. True. *Meeting the interests of stakeholders can lead to more satisfied individuals and groups in the business environment. This means that the business is likely to have a more positive reputation and public perception as it aims to cater for the needs of all of the groups it interacts with, rather than just its customers.*

Preparing for exams

Case study skills

7. II; III; IV

8. I; III

9. I and IV are true. II and III are false.

Exam-style

10. [Stakeholders are individuals, groups, or organisations who have a vested interest in the performance and activities of a business.[1]] [In any business environment, there are both internal and external stakeholders who each have different interests that they wish to be fulfilled by the business.[2]]

- ✓ ✗ I have defined the term stakeholder.[1]
- ✓ ✗ I have provided one characteristic of business stakeholders.[2]

11. [Employees are individuals who are hired by a business to complete work tasks and support the achievement of its objectives. They have an interest in receiving fair pay and working conditions, long-term job security, and opportunities to advance their careers.[1]]

[Another stakeholder is owners, who are individuals that establish, invest in, and have a share in a business, often with the goal of earning a profit from its operations. Owners have a vested interest in establishing and fostering positive relationships with other stakeholders of a business, as well as receiving a return on their investment.[2]]

- ✓ ✗ I have outlined an example of the interests of employees as a stakeholder in a business.[1]
- ✓ ✗ I have outlined an example of the interests of another stakeholder in a business.[2]
- ✓ ✗ I have signposted my response by using 'Another stakeholder'.

12. [Stakeholders are individuals, groups, or organisations who have a vested interest in a business's performance and are affected directly or indirectly by its activities.[1]] [On the other hand, shareholders are individuals who have purchased shares in a company and are therefore part-owners of that company.[2]] [A key difference between shareholders and stakeholders is that all shareholders have ownership in the company, whereas stakeholders do not necessarily have ownership in the business and are often only affected by its activities.[3]]

- ✓ ✗ I have defined the term stakeholders.[1]
- ✓ ✗ I have described the term shareholders.[2]
- ✓ ✗ I have provided one key difference between stakeholders and shareholders.[3]
- ✓ ✗ I have signposted my response by using 'A key difference'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when comparing.

13. [One stakeholder of the poetry slam restaurant is suppliers, who are individuals or groups that source and sell items, such as ingredients and table settings, that the restaurant utilises in providing its services. Cynthia's suppliers would have an interest in making a profit from sourcing the restaurant's materials.[1]] [Another stakeholder at the poetry slam restaurant is managers, who are individuals that oversee and coordinate a business's employees and lead its operations to ultimately achieve the business's objectives. Managers at the restaurant, including Cynthia, would have an interest in receiving recognition for their involvement in achieving business objectives, increasing their wages and working conditions, and having the opportunity to advance their careers.[2]] [One conflict that may exist between suppliers and managers at the poetry slam restaurant is that suppliers want to increase the revenue they generate from providing Cynthia with the ingredients and materials she requires to deliver the restaurant service to customers. This conflicts with the desire of managers, like Cynthia, to lower business expenses and source cheaper supplies to increase the restaurant's profit margins.[3]] [Furthermore, Cynthia's interest to suddenly increase in demand for ingredients may conflict with her supplier's current business schedule and they may not be able to deliver ingredients to the restaurant at this desired frequency.[4]]

- I have provided an example relevant to the case study and linked it to the interests of suppliers.[1]
- I have provided an example relevant to the case study and linked it to the interests of managers.[2]
- I have provided an example relevant to the case study and linked it to a potential conflict between suppliers and managers.[3]
- I have provided an example relevant to the case study and linked it to another potential conflict between suppliers and managers.[4]
- I have signposted my response by using 'One stakeholder' and 'Another stakeholder'.
- I have referred to the business directly by using 'Cynthia'.
- I have used connecting words, such as 'Furthermore'.

14. [One stakeholder at Wallaby Way is customers, who are the individuals or groups that interact with a business by purchasing and utilising its goods and services.[1]][Sherman's decision to ensure all ingredients are ethically and sustainably sourced may encourage more customers to visit Wallaby Way and purchase from the cafe as they know they are supporting a business that benefits the environment.[2]][Another stakeholder at Wallaby Way is the general community which refers to individuals and groups who are impacted by a business's operations and decisions, often because they are located in close proximity to the business.[3]][By only using organic, ethical and sustainably sourced ingredients, Wallaby Way is positively impacting the general community by ensuring that farmers and other workers are treated fairly and environmental damage is minimised when producing and sourcing ingredients.[4]]

- I have identified and defined customers as a stakeholder.[1]
- I have provided an example relevant to the case study and linked it to customers as a stakeholder.[2]
- I have identified and defined the general community as a stakeholder.[3]
- I have provided an example relevant to the case study and linked it to the general community as a stakeholder.[4]
- I have signposted my response by using 'One stakeholder' and 'A second stakeholder'.
- I have referred to the business directly by using 'Wallaby Way' and 'Sherman'.

Testing previous knowledge

15. [Newt solely owns Gravity, meaning, as a type of business, Gravity is a sole trader.[1]][A sole trader is an unincorporated business structure that is owned and operated by one individual, in the case of Gravity, this is Newt.[2]][One stakeholder at Gravity is the general community, which refers to individuals and groups who are impacted by a business's operations and decisions, often because they are located in close proximity to the business. At Gravity, the general community would have an interest in the athletic shoes being produced in a sustainable and ethical manner that does not harm the environment.[3]][Additionally, another interest of the general community would be to boost the local economy, meaning they would expect Newt to hire employees from the local area to work in his stores.[4]][A second stakeholder at Gravity is its customers, who are individuals or groups that interact with a business by purchasing and utilising its goods and services. Customers have an interest in receiving high-quality, Olympic-grade running shoes from Gravity at an affordable price, and Newt seems to have fulfilled this expectation as he has been operating for over 20 years.[5]][Furthermore, customers want to engage with a business that positively impacts the environment, which Newt aims to ensure through exclusively selling shoes produced in an environmentally friendly manner.[6]]

- I have identified the type of business mentioned in the case study.[1]
- I have defined sole trader as a type of business.[2]
- I have provided an example relevant to the case study and linked it to the interests of the general community.[3]
- I have provided an example relevant to the case study and linked it to another interest of the general community.[4]
- I have provided an example relevant to the case study and linked it to the interests of my chosen stakeholder.[5]
- I have provided an example relevant to the case study and linked it to another interest of my chosen stakeholder.[6]
- I have signposted my response by using 'One stakeholder' and 'A second stakeholder'.
- I have referred to the business directly by using 'Gravity' and 'Newt'.
- I have used connecting words, such as 'Additionally' and 'Furthermore'.

Other acceptable answers include:

- Owners
- Managers
- Employees
- Suppliers

1A–C review

Exam-style

1. [Business objectives are the goals a business intends to achieve.[1]][Businesses aim to achieve their objectives in a specified period of time.[2]]

- I have defined the term business objective.[1]
- I have provided one characteristic of business objectives.[2]

2. [A public listed company is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the Australian Stock Exchange (ASX).[1]][One characteristic of a public listed company is that all public listed companies have the suffix 'Ltd.' after the business name, which represents the limited liability of the shareholders of the company.[2]]

- I have defined the term public listed company.[1]
- I have provided one characteristic of a public listed company.[2]

3. [One benefit of being a public listed company is that the business will have greater access to capital as it can secure loans easier and raise capital through the sale of shares to the general public.[1]] [Additionally, another benefit is that public listed companies have limited liability meaning that the shareholders are only liable to the extent of their original investment and are not personally responsible for the business debts.[2]]

- I have outlined one benefit of being a public listed company.[1]
- I have outlined another benefit of being a public listed company.[2]
- I have signposted my response by using 'One benefit' and 'another benefit'.
- I have used connecting words, such as 'Additionally'.

4. [Stakeholders are individuals, groups, or organisations who have a vested interest in the performance and activities of a business.[1]] [One stakeholder at Fran's Fireplaces is the suppliers who have a vested interest in earning a profit from the fireplaces they supply.[2]]

- I have identified and defined the term stakeholder.[1]
- I have provided a relevant example of a stakeholder and linked it to the case study.[2]
- I have signposted my response by using 'One stakeholder'.
- I have referred to the business directly by using 'Fran's Fireplaces'.

5. [A public listed company is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the Australian Stock Exchange (ASX).[1]] [On the other hand, a private limited company is an incorporated business structure that has at least one director and a maximum of 50 shareholders.[2]] [One key difference is that public listed companies are able to sell shares to the general public on the ASX, whereas a private limited company has shareholders that must be specifically selected and approved by the board of directors.[3]]

- I have defined public listed company.[1]
- I have defined private limited company.[2]
- I have provided a key difference between a public listed company and a private limited company.[3]
- I have signposted my response by using 'One key difference'.
- I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

6. [One business objective that would be relevant to Fran's Fireplaces is to meet shareholder expectations, which is achieved by providing a financial return on their investment in the company, which is in the form of dividends or capital gains.[1]] [As Fran's Fireplaces is a company, a key business objective would be to provide shareholders with a return on their investment so they can be satisfied with the performance of Fran's Fireplaces.[2]] [Furthermore, another business objective at Fran's Fireplaces could be to fulfil a market need, which is meeting customer needs for goods or services that are unmet by other businesses in the same industry.[3]] [Through the retail sale of European-imported gas, wood, and electric fireplaces Fran's Fireplaces is able to successfully satisfy the rising demand among Australian consumers for European fireplaces.[4]]

- I have identified and described a business objective.[1]
- I have provided an example relevant to the case study and linked it to my chosen business objective.[2]
- I have identified and described another business objective.[3]
- I have provided an example relevant to the case study and linked it to my chosen business objective.[4]
- I have signposted my response by using 'One business objective' and 'another business objective'.
- I have referred to the business directly by using 'Fran's Fireplaces'.
- I have used a connecting word, such as 'Furthermore'.

Other acceptable answers include:

- To increase market share
- To improve efficiency
- To improve effectiveness

7. [Indicated by the 'Pty Ltd.' in the business name, Fran's Fireplaces is a private limited company which is an incorporated business structure that has at least one director and a maximum of 50 shareholders.[1]] [One advantage of being a private limited company is the limited liability of owners, meaning that Francesco or any other shareholders are not personally responsible for the business's debts.[2]] [Moreover, another advantage is that Fran's Fireplaces will have easier and greater access to capital as banks are more likely to lend money to a business that operates as a company.[3]] [However, one disadvantage of being a private limited company is Francesco would have had to spend relatively more time and money during the process of initially establishing the business, than if he chose to operate as a sole trader.[4]] [Furthermore, another disadvantage is that as a private limited company, Fran's Fireplaces will face more complex reporting requirements and government regulations.[5]]

- I have identified and defined a private limited company.[1]
- I have provided an example relevant to the case study and linked it to an advantage of a private limited company.[2]
- I have provided an example relevant to the case study and linked it to another advantage of a private limited company.[3]
- I have provided an example relevant to the case study and linked it to a disadvantage of a private limited company.[4]

- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of a private limited company.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Fran's Fireplaces'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

8. [One stakeholder at Fran's Fireplaces are owners, which are the individuals who establish, invest, and have a share in a business, often with the goal of earning a profit from its operations.[1]][The owners of Fran's Fireplaces, such as Francesco and other shareholders, have an interest in receiving a return on their investment through successful business performance.[2]][Moreover, another stakeholder is employees, who are individuals hired by a business to complete work tasks and support the achievement of its objectives.[3]][The employees at Fran's Fireplaces would have an interest in receiving fair pay and working conditions, long-term job security, and opportunities to advance their careers.[4]][One potential conflict that could arise between these two stakeholders is that employees' desire for increased wages for having to work longer hours at Fran's Fireplaces retail locations may come into conflict with the interests of owners, such as Francesco and other shareholders, who want to increase profits and minimise unnecessary labour expenses.[5]]

- ✓ ✗ I have identified and defined a relevant stakeholder.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the interests of my chosen stakeholder.[2]
- ✓ ✗ I have identified and defined another relevant stakeholder.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the interests of my chosen stakeholder.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one potential conflict between my two chosen stakeholders.[5]
- ✓ ✗ I have signposted my response by using 'One stakeholder' and 'another stakeholder'.
- ✓ ✗ I have referred to the business directly by using 'Fran's Fireplaces' and 'Francesco'.
- ✓ ✗ I have used a connecting word, such as 'Moreover'.

Other acceptable answers include:

- Suppliers
- General community
- Customers
- Managers

1D Management styles

Theory review

1. B. False. *There is no one right way to manage employees. The five management styles; autocratic, persuasive, consultative, participative, and laissez-faire mainly differ in terms of communication flow, decision-making, and control.*

2. A. True. *Autocratic managers utilise one-way, top-down communication as they make all the decisions and direct employees without any input from them.*

3. I; II. *Employees working under autocratic or persuasive management styles have no involvement in decision-making and their role is to follow instructions from the manager.*

4. B. False. *Persuasive managers do not ask employees for input when making decisions, rather they make the decisions on their own and then communicate to employees the reasons for the decisions.*

5. A. True. *As consultative managers ask employees for input and suggestions when making decisions, this may lead to slower decision-making than if the manager did not ask for input and made the decision alone.*

6. B. False. *Consultative managers obtain employee input and make the final decision alone, therefore retaining centralised control. However, participative managers allow for business decisions to be agreed upon collectively between managers and employees, hence control is decentralised.*

7. laissez-faire manager; participative manager. *Employees are empowered and trusted to make decisions independently under a laissez-faire manager, whereas managers and employees collectively make decisions under a participative manager.*

8. A. True. *The laissez-faire management style utilises two-way communication, and this empowers employees since they feel valued in the workplace.*

9. A. True. *Managing employees involves directing and motivating them to achieve business objectives.*

Preparing for exams

Case study skills

10. II; III

11. I and III are advantages. II and IV are disadvantages.

12. B

13. I; III

Exam-style

14. [A participative management style involves a manager sharing information with employees so that employees can participate in decision-making.[1]][One characteristic of the participative management style is that it has a two-way communication flow between managers and employees so ideas are shared and discussed openly.[2]]

- ✓ ✗ I have defined the participative management style.[1]
- ✓ ✗ I have provided a characteristic of the participative management style.[2]

15. [A characteristic of the laissez-faire management style is decentralised decision-making where the employees are given the responsibility to make decisions that contribute to business objectives.[1]][Another characteristic of the laissez-faire management style is a two-way communication flow between employees and managers.[2]]

- I have explained a characteristic of the laissez-faire management style.[1]
- I have explained another characteristic of the laissez-faire management style.[2]
- I have signposted my response by using 'A characteristic' and 'Another characteristic'.

16. [A similarity between the consultative and participative management styles is that both utilise two-way communication between the managers and employees, so employees can provide input into the decision-making.[1]][However, one difference is that decision-making is centralised in a consultative management style, whereas decision-making is decentralised in a participative style.[2]]

- I have provided a similarity between the consultative and participative management styles.[1]
- I have provided a difference between the consultative and participative management styles.[2]
- I have signposted my response by using 'A similarity' and 'one difference'.
- I have used connecting words, such as 'However'.
- I have used comparison words, such as 'whereas', when comparing.

17. [An autocratic management style is a manager making decisions and directing employees without any input from them.[1]][On the other hand, a persuasive management style is a manager making decisions and communicating the reasons for those decisions to employees without their input.[2]][A key difference between the two is that an autocratic manager will make decisions without any explanation or justification, whereas a persuasive manager will explain and justify the reasons behind the decision to employees.[3]]

- I have defined the autocratic management style.[1]
- I have defined the persuasive management style.[2]
- I have provided a key difference between the autocratic and persuasive management styles.[3]
- I have signposted my response by using 'An autocratic management style' and 'A key difference'
- I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

18. [A characteristic of the consultative management style that Sachi utilises is that she seeks input from employees to gain their ideas on creative innovative product specials.[1]][Another characteristic is that after obtaining employee input, Sachi will maintain centralised control and still make the overall final decision on which specials will be baked during the week.[2]]

[One advantage of Sachi using a consultative management style is that she can gain a variety of ideas from the suggestions of employees, therefore leading to better and more innovative weekly specials being created at Sweet Bliss.[3]][However, one disadvantage of using this style at Sweet Bliss is that there is potential for employee conflict or feelings of being undervalued if their ideas about what to create for the weekly creative baked good are ignored or overlooked by Sachi.[4]]

- I have provided an example relevant to the case study and linked it to one characteristic of the consultative management style.[1]
- I have provided an example relevant to the case study and linked it to another characteristic of the consultative management style.[2]
- I have provided an example relevant to the case study and linked it to an advantage of the consultative management style.[3]
- I have provided an example relevant to the case study and linked it to a disadvantage of the consultative management style.[4]
- I have signposted my response by using 'A characteristic' and 'Another characteristic'
- I have referred to the business directly by using 'Sachi' and 'Sweet Bliss'.
- I have used connecting words, such as 'However'.

19. [From the evidence in the case study, Cassie is using a laissez-faire management style, which involves a manager communicating business objectives to employees and giving them the freedom to make decisions independently.[1]][Cassie has shared her vision of becoming 'Australia's leader in creative and fun phone accessories' with her qualified team and she trusts them to make decisions to achieve this vision.[2]][One advantage of the laissez-faire management style is that it creates an environment that encourages creativity and innovation, which is particularly important for achieving the vision Cassie has set out for CreativCase.[3]][Furthermore, another advantage is that employee morale and motivation will be high due to increased levels of trust and empowerment as Cassie encourages her team to take ownership of business tasks and decisions.[4]]

- I have identified and defined the laissez-faire management style.[1]
- I have provided an example relevant to the case study and linked it to the laissez-faire management style.[2]
- I have provided an example relevant to the case study and linked it to an advantage of the laissez-faire management style.[3]
- I have provided an example relevant to the case study and linked it to another advantage of the laissez-faire management style.[4]
- I have signposted my response by using 'One advantage' and 'another advantage'.

✓ ✗ I have referred to the business directly by using 'Cassie' and 'CreativCase'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

Note: Laissez-faire management style is the only acceptable answer.

Testing previous knowledge

20. [One advantage of the laissez-faire management style in relation to achieving business objectives is that more creative and innovative decisions can be reached due to employee collaboration, therefore these decisions can lead to increased sales and profits.[1]] [However, a disadvantage is that business objectives may not be met by employees if there is a lack of direction and instructions from managers.[2]]

✓ ✗ I have explained an advantage of the laissez-faire management style with reference to achieving business objectives.[1]

✓ ✗ I have explained a disadvantage of the laissez-faire management style with reference to achieving business objectives.[2]

✓ ✗ I have signposted my response by using 'One advantage' and 'a disadvantage'.

✓ ✗ I have used connecting words, such as 'However'.

1E The appropriateness of management styles

Theory review

1. B. False. *A manager can change management styles to suit different business situations, such as the amount of time available to make a decision, the experience of employees, the difficulty of the work tasks, or even the manager's personal desire for control.*

2. B. False. *When there is limited time available to make decisions, a manager should employ the autocratic or persuasive management style, as decisions can be made and implemented quickly and straightforward instructions can be passed on to employees through one-way communication.*

3. autocratic. *When managing inexperienced employees, the autocratic management style is most appropriate because inexperienced employees may find it difficult to provide meaningful input in the decision-making process, therefore centralised decision-making is more efficient in such cases.*

4. II; III. *Participative and laissez-faire management styles are appropriate for complex business tasks and involve open two-way communication allowing well-informed and insightful decisions to be made.*

5. A. True. *The autocratic management style would be appropriate for a manager that prefers a high level of control because decision-making is centralised and communication is one-way so tasks can be completed efficiently without employee input.*

6. A. True. *Choosing appropriate management styles for different business situations enables managers to be more effective in the way they approach and achieve objectives.*

Preparing for exams

Case study skills

7. A

8. II and V are advantages. I, III, and IV are disadvantages.

9. I and III are advantages. II and IV are disadvantages.

Exam-style

10. [An autocratic management style is suitable in crisis situations because decision-making is quick, as the manager holds all control.[1]] [Another reason why autocratic management is suitable, is that business decisions exclude the input of employees who may be unqualified and not understand the broader scope and complexity of business decision-making.[2]]

✓ ✗ I have outlined one reason why the autocratic management style is suitable in a crisis situation.[1]

✓ ✗ I have outlined another reason why the autocratic management style is suitable in a crisis situation.[2]

11. [The participative management style involves a manager communicating and discussing information with employees in order to make decisions together.[1]] [This management style can help resolve workplace conflicts, as it allows employees to provide input and be heard by the managers, creating a greater understanding of both sides of the conflict.[2]] [Additionally, the participative management style allows for both the manager and employees to take ownership over how the conflict can be resolved, therefore both parties can collectively come to a fair and mutually agreed-upon decision.[3]]

✓ ✗ I have defined the participative management style.[1]

✓ ✗ I have provided one reason for how the participative management style helps to resolve workplace conflicts.[2]

✓ ✗ I have provided another reason for how the participative management style helps to resolve workplace conflicts.[3]

✓ ✗ I have used connecting words, such as 'Additionally'.

12. [The persuasive management style involves a manager making decisions and communicating the reasons for those decisions to employees without their input.[1]] [The persuasive management style is suitable because the manager is able to provide clear instructions for inexperienced employees who may not be able to contribute to the business decisions and understand the complexity of the business.[2]] [Additionally, the persuasive management style is suitable because the manager communicates the reasons and benefits behind the decision, which will improve employees understanding of the business, whilst also building trust in manager and employee relationships.[3]]

✓ ✗ I have defined the persuasive management style.[1]

✓ ✗ I have provided one characteristic of delegation.[2]

✓ ✗ I have provided another reason why the persuasive management style is suitable for managing inexperienced employees.[3]

✓ ✗ I have used connecting words, such as 'Additionally'.

13. [The laissez-faire management style would be most suitable for Edward, as it involves the manager communicating business objectives to employees, and allows them to make decisions independently.[1]][Since Edward prefers to focus on broader business strategies, he can give his qualified employees more control over the daily business decisions.[2]][The laissez-faire management style will enable Edward to communicate the broader business strategies to his qualified engineers and consultants, allowing them to work towards these goals each day.[3]]

- ✓ ✗ I have identified and defined a suitable management style.[1]
- ✓ ✗ I have provided an example relevant to the case study.[2]
- ✓ ✗ I have linked my example to my chosen management style.[3]
- ✓ ✗ I have referred to the business directly by using 'Edward'.

Other acceptable answers include:

- Participative management style

14. [One advantage of Tom's consultative management style is that employees may feel more motivated and involved with the manufacturing business when they are asked to contribute their ideas, therefore boosting staff morale and productivity.[1]][However, one disadvantage of Tom's consultative management style is that decision-making may be much slower due to Tom needing to collect and consult different employee perspectives, therefore this could lower productivity levels.[2]][Moreover, another disadvantage is that employees currently do not understand the complexity of business decisions, meaning Tom wastes a lot of time in explaining business scenarios to employees, therefore impacting the productivity of TraderTools.[3]][A final disadvantage is that employee conflict and resentment could arise if their ideas are ignored or overlooked when the final decision is enacted by Tom. These conflicts can impact the productivity of TraderTools, as well as increase the number of complaints if employees continue to have this resentment whilst working with customers.[4]][Overall, despite a consultative management style being beneficial in improving employee morale, with the current low productivity issues that TraderTools is facing, the consultative management style is not suitable as decision-making will take a lot longer and it is difficult to explain the complexity to employees.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of the consultative management style in overcoming the decrease in productivity.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of the consultative management style in overcoming the decrease in productivity.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a second disadvantage of the consultative management style in overcoming the decrease in productivity.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a third disadvantage of the consultative management style in overcoming the decrease in productivity.[4]
- ✓ ✗ I have provided an opinion on adopting a consultative management style by summarising the advantages and disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have referred to the business directly by using 'Tom' and 'TraderTools'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Moreover'.

Note: This could have been answered with two advantages and two disadvantages.

15. [One advantage of an autocratic management style is that Aayush has full control over all the decisions that need to be made for the café, such as how its business objectives will be achieved.[1]][Another advantage is that decision-making may be quicker as there is no discussion conducted with the employees, therefore improving the efficiency of the café's operations.[2]][However, one disadvantage of Aayush's autocratic management style is that employees may take more sick leave and become more likely to leave their job due to feeling undervalued by the business, as they are unable to contribute to decision-making processes. Hence, this does not help the café's goal of reducing the number of days staff are absent from work by 15%.[3]][Another disadvantage is that there is no contribution from employees on business ideas, therefore the cafe cannot benefit from the ideas of employees.[4]][Overall, Aayush's autocratic management style is not suitable for achieving the café's business objectives because employees will experience low morale, as they do not have any input in the decision-making, and therefore may feel underappreciated. This does not help to meet the objective of reducing staff absenteeism by 15%, and does not encourage an overall inclusive café environment.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of the autocratic management style.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of the autocratic management style.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of the autocratic management style.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of the autocratic management style.[4]
- ✓ ✗ I have provided an opinion on adopting the autocratic management style by summarising the advantages and the disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Aayush'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Overall'.

Testing previous knowledge

16. [Employees have an interest in receiving fair pay and working conditions, long-term job security, and opportunities to advance their careers.[1]][The use of two-way communication with the participative management style encourages honest and transparent conversations to be had around pay, job security, and working conditions.[2]][The shared decision-making aspect also enables employees to gain more exposure and understanding of business decision-making, giving them opportunities to advance their careers.[3]]

- I have outlined one example of the interests of employees as a stakeholder in a business.[1]
- I have explained one characteristic of the participative management style and linked it to how it can meet employee interests.[2]
- I have explained another characteristic of the participative management style and linked it to how it can meet employee interests.[3]

1F Management skills

Theory review

1. B. False. *Managers must use a variety of skills to ensure they are completing tasks necessary for the business to meet its objectives. They are constantly adapting which skills they use in their approaches to different work tasks.*

2. B. False. *Planning is essential for a business to organise its resources to ensure it is able to enact plans and fulfil business decisions for both short-term and long-term actions.*

3. subordinate; authority. *Managers should seek to delegate certain appropriate tasks to subordinate employees, and transfer over authority for the work to be done. A manager transfers their authority to the subordinate employee to make decisions on their behalf, but remains responsible for the timely completion of high-quality work.*

4. A. *Interpersonal refers to the skill of creating positive interactions with other employees, to foster beneficial professional relationships. Communication refers to the skill of effectively transferring information between parties, whereas interpersonal relates to the development of relationships between people.*

5. B. False. *Managers use communication skills when giving clear instructions and feedback on employees' work performance. They also use communication skills when they receive feedback and constructive criticism from employees, as a manager should aim to interpret feedback accurately when they receive the information.*

6. A. True. *Decision-making is the skill of selecting a suitable course of action from a range of plausible options. Managers must use their decision-making skills in order to make the most effective business decisions.*

7. I; II; IV. *A manager's leadership can be observed through their efforts to share the business's vision, create a positive corporate culture, and lead by example. Although assigning other tasks is an important management skill, it does not relate to leadership, but instead delegation.*

8. B. False. *Managers need to use a combination of different skills in each task that they approach, to ensure that each part of the business is functioning to its full potential so that business objectives can be achieved.*

Preparing for exams

Case study skills

9. A **10.** B **11.** II; IV

Exam-style

12. [Delegation is the skill of assigning work tasks and authority to other employees who are further down in a business's hierarchical structure.[1]][A manager maintains responsibility for the completion of the task, however, they give subordinate employees the authority to take action on their behalf, allowing for managers to direct their attention to different tasks.[2]]

- I have defined the management skill of delegation.[1]
- I have provided one characteristic of delegation.[2]

13. [Communication is the skill of effectively transferring information from one party to another.[1]][In contrast, interpersonal is the skill of creating positive interactions with other employees, to foster beneficial professional relationships.[2]][A manager can demonstrate strong interpersonal skills by understanding their employees' perspectives and different cultural backgrounds, whereas a manager's strong communication skills can be demonstrated by clearly providing employees with information relating to their work, and seeking to accurately interpret the constructive feedback provided to them by employees.[3]]

- I have defined the management skill of communication.[1]
- I have defined the management skill of interpersonal.[2]
- I have provided a key difference between communication and interpersonal skills.[3]
- I have used comparison words, such as 'In contrast' and 'whereas', when distinguishing.

14. [Delegation is the skill of assigning work tasks and authority to other employees who are further down in a business's hierarchical structure.[1]][Jack uses delegation when he gives authority to subordinate employees who have a higher level of experience in electrical components of products manufactured at Jack O's Lanterns. Jack maintains responsibility for the tasks to be done, meaning he ensures that the work is completed to the appropriate standard.[2]][Interpersonal is the skill of creating positive interactions with other employees, to foster beneficial professional relationships.[3]][Jack uses interpersonal skills when he aims to create positive professional relationships with his employees and schedules regular meetings to discuss work and personal matters in a professional manner. Therefore, by doing so, Jack is able to create a welcoming workplace environment, build trust, and achieve greater cooperation from his employees.[4]]

- I have identified and defined the management skill of delegation.[1]
- I have provided an example relevant to the case study and linked it to delegation.[2]
- I have identified and defined the management skill of interpersonal.[3]

- I have provided an example relevant to the case study and linked it to interpersonal.[4]
- I have referred to the business directly by using 'Jack' and 'Jack O's Lanterns'.
- I have used connecting words, such as 'Therefore'.

15. [Planning is a skill that Simon would need to use during the introduction of new products, and is the process of determining a business's objectives and establishing strategies to achieve these aims.[1]][Simon should utilise planning during the introduction and manufacturing of new products, as he needs to ensure that resources are appropriately allocated to different areas of SweetSide following potential changes to the manufacturing process. This ensures that SweetSide is able to implement effective methods and strategies in its approach to developing new products.[2]][Simon would need to use decision-making skills during the introduction of new products at SweetSide. Decision-making is the skill of selecting a suitable course of action from a range of plausible options.[3]] [As the operations manager of SweetSide, Simon would need to use decision-making when new products are being manufactured to select appropriate inputs, the location of manufacturing, and equipment to be used when making the mints and chewing gum. Decision-making concerning these factors of SweetSide's operations means that informed choices are made, and therefore the business is unlikely to lose its direction and focus on business objectives.[4]]

- I have identified and defined the management skill of planning.[1]
- I have provided an example relevant to the case study and linked it to planning.[2]
- I have identified and defined the management skill of decision-making.[3]
- I have provided an example relevant to the case study and linked it to decision-making.[4]
- I have referred to the business directly by using 'Simon' and 'SweetSide'.
- I have used connecting words, such as 'therefore'.

Testing previous knowledge

16. [One skill a manager would use when interacting with shareholders is communication, which is the skill of effectively transferring information from one party to another.[1]][Effective communication is vital to ensuring that shareholders are informed of how their money is being spent at the business, and the manager is responsible for clearly explaining how their financial investment is being used at the business.[2]][Furthermore, another skill a manager would use when interacting with shareholders is leadership, which is the skill of motivating others in order to achieve a business's objectives.[3]] [Managers would need to exhibit leadership when the business is undergoing change, which can create shareholder uncertainty, as they may fear for their financial investment. Therefore, a manager's use of leadership can help to encourage shareholders to be accepting of change, and leading by example can help guide shareholders through periods of uncertainty and change.[4]]

- I have identified and defined one management skill.[1]
- I have provided an example relevant to the case study and linked it to how my chosen management skill is used when interacting with shareholders.[2]
- I have identified and defined another management skill.[3]
- I have provided an example relevant to the case study and linked it to how my chosen management skill is used when interacting with shareholders.[4]
- I have signposted my response by using 'One skill' and 'another skill'.
- I have used connecting words, such as 'Furthermore' and 'Therefore'.

Other acceptable answers include:

- Planning
- Decision-making
- Interpersonal
- Delegation

1G Management skills for management styles

Theory review

1. B. False. *As the use of management styles shifts to accommodate different factors in the business environment, a manager will use a different balance of management skills.*

2. increases; decreases. *When a manager uses the autocratic management style that has centralised control, their use of decision-making skills increases as they have sole decision-making responsibility. Additionally, their use of communication skills decreases as they are not interacting with employees when making business decisions.*

3. A. *Management styles that feature two-way communication require a manager to use their communication skills to give clear instructions to employees and understand the feedback that they are receiving from their employees.*

4. infrequent; frequent. *As the laissez-faire management style involves a manager communicating business objectives to employees and allowing them to make decisions independently, the manager does not frequently use decision-making skills. However, a manager must aim to motivate employees and share the business's vision using their leadership skills.*

5. A. True. *Highly-experienced employees have the knowledge necessary to determine the strategies to be implemented to achieve business objectives and they are able to make decisions as a group, rather than needing extensive manager input.*

Preparing for exams

Case study skills

6. A

7. A

8. I, III, and IV are true. II, V, and VI are false.

Exam-style

9. [The consultative management style involves a manager seeking input from employees on business decisions but making the final decision themselves.[1]][One skill a manager should use when adopting this style is communication, as a consultative manager will need to use two-way communication when giving clear instructions and interpreting the feedback provided by employees.[2]]

- I have defined the consultative management style.[1]
- I have outlined one management skill a consultative manager could use.[2]
- I have signposted my response by using 'One skill'.

Other acceptable answers include:

- Planning
- Decision-making
- Delegation
- Interpersonal
- Leadership

10. [One similarity between the management skills used by the participative and laissez-faire management styles is that both feature high levels of communication so that a manager can coordinate employees and ensure they are appropriately engaged when completing work tasks.[1]][Furthermore, another similarity of the management skills used by these two styles is that managers use planning skills to a lesser extent, as employees become highly involved in the process of determining strategies used to achieve business objectives.[2]][However, one difference between the management skills used by the participative and laissez-faire management styles is that participative managers do not use delegation skills to the same extent, as employees also take responsibility for delegating work to their peers when the laissez-faire style is used. However, laissez-faire managers use delegation extensively, as they may give employees authority over large sections of the business's operations, and must therefore assess an employee's abilities to hand down complex work to them.[3]][Another difference between the two management styles is that participative managers use interpersonal skills more frequently than laissez-faire managers, as they need to develop positive professional relationships within the work environment. In contrast, laissez-faire managers may not be in contact with some employees on a regular basis and therefore use interpersonal skills less frequently than a participative manager.[4]]

- I have provided a similarity between the management skills used in the participative and laissez-faire management styles.[1]
- I have provided another similarity between the management skills used in the participative and laissez-faire management styles.[2]
- I have provided a difference between the management skills used in the participative and laissez-faire management styles.[3]
- I have provided another difference between the management skills used in the participative and laissez-faire management styles.[4]
- I have signposted my response by using 'One similarity' and 'another similarity'.
- I have used connecting words, such as 'Furthermore' and 'However'.
- I have used comparison words, such as 'In contrast', when comparing.

11. [One skill that a participative manager could use when conflict occurs is interpersonal skills, which involves creating positive interactions with other employees, to foster beneficial professional relationships.[1]][When a manager uses interpersonal skills, they are attempting to understand their employees and the perspectives they have in different situations, such as their opinions when a conflict arises between themselves and another employee.[2]][Moreover, another skill that a participative manager could use is communication, which is the skill of effectively transferring information from one party to another.[3]][Communication is required when giving and receiving information in a clear, concise manner, and can be used when a manager facilitates discussion when attempting to resolve employee conflicts. When a participative manager uses their communication skills, they are attempting to clearly convey information and adequately interpret employee feedback. Therefore, communication can be used to appropriately understand the perspective of each employee involved in the conflict and to clearly hand down a decision that the employees are able to follow.[4]]

- I have identified and defined one management skill.[1]
- I have provided an example of how my chosen management skill can be used by a participative manager to resolve employee conflict.[2]
- I have identified and defined another management skill.[3]
- I have provided another example of how my chosen management skill can be used by a participative manager to resolve employee conflict.[4]
- I have signposted my response by using 'One skill' and 'another skill'.
- I have used connecting words, such as 'Moreover' and 'Therefore'.

Other acceptable answers include:

- Decision-making
- Planning

Note: The question specifically excludes leadership skills, and it should not be used in an answer.

12. [Planning is the process of determining a business's objectives and establishing strategies to achieve these aims.[1]][As Robert has adopted an autocratic management style, he uses planning skills to a large extent. He is responsible for developing strategies to help Porcelain Thrones meet its business objectives and determining which resources are needed to ensure Porcelain Thrones operates effectively.[2]][Furthermore, Robert uses decision-making skills that involve selecting a suitable course of action from a range of plausible options.[3]][As an autocratic manager, Robert maintains sole responsibility for business decisions made at Porcelain Thrones, as the management style features centralised control. Robert would use decision-making skills in his management of Porcelain Thrones when determining work tasks that need to be completed by employees and which resources are needed for the manufacturing process to effectively manage the business.[4]]

- ✓ ✗ I have identified and defined the management skill of planning.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the autocratic management style.[2]
- ✓ ✗ I have identified and defined the management skill of decision-making.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the autocratic management style.[4]
- ✓ ✗ I have referred to the business directly by using 'Robert' and 'Porcelain Thrones'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

13. [Vicky has adopted a consultative management style as she uses two-way communication and maintains authority through centralised decision-making.[1]][One skill that Vicky will use in periods of high demand at Click is delegation, which is the skill of assigning work tasks and authority to other employees who are further down in a business's hierarchical structure.[2]][Vicky should ensure that skilled employees are assigned authority over tasks of appropriate complexity during the high-demand period in spring to maximise Click's level of productivity.[3]][By delegating tasks to subordinate employees with higher levels of training in film handling, Vicky can ensure that Click is able to meet its increased demands, as trained employees are likely to make fewer errors and work more productively.[4]][Furthermore, another skill that Vicky should use is communication, which is the skill of effectively transferring information from one party to another.[5]]
[Vicky's use of the consultative management style means that she must give clear instructions and directions to her employees, whilst also interpreting the feedback she receives from staff due to the two-way communication flow at Click.[6]][During periods of increased demand, Vicky must ensure that all instructions are able to be followed by employees and any feedback she receives is acknowledged and acted upon accordingly. Therefore, this can ensure that Click's operations are running as efficiently as possible during high-demand periods during spring.[7]]

- ✓ ✗ I have identified the consultative management style.[1]
- ✓ ✗ I have identified and defined one management skill.[2]
- ✓ ✗ I have provided an example relevant to the case study.[3]
- ✓ ✗ I have linked my example to the business's operations during high-demand periods.[4]
- ✓ ✗ I have identified and defined another management skill.[5]
- ✓ ✗ I have provided an example relevant to the case study.[6]
- ✓ ✗ I have linked my example to the business's operations during high-demand periods.[7]
- ✓ ✗ I have signposted my response by using 'One skill' and 'another skill'.
- ✓ ✗ I have referred to the business directly by using 'Vicky' and 'Click'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Therefore'.

Other acceptable answers include:

- Planning
- Decision-making
- Interpersonal
- Leadership

Testing previous knowledge

14. [One management skill that a consultative manager could use is communication, which is the skill of effectively transferring information from one party to another.[1]][Consultative managers use two-way communication to interact with shareholders of a private listed company as the manager will need to clearly convey information regarding the business's performance to these shareholders. Moreover, the manager will need to use communication skills to receive and correctly interpret the feedback and opinions shareholders provide regarding their expectations of the company.[2]]

- ✓ ✗ I have identified and defined a management skill relevant to the consultative management style.[1]
- ✓ ✗ I have outlined how this management skill can be used to interact with shareholders.[2]
- ✓ ✗ I have signposted my response by using 'One management skill'.

1H Corporate culture

Theory review

1. A. *Corporate culture is the shared values and beliefs of a business and its employees.*

2. B. False. *Vision statements are part of a business's official corporate culture as a written document that outlines the business's future aspirations.*

3. written; unwritten. *Official corporate culture tends to be found in written form, whereas real corporate culture can be observed as unwritten mannerisms and behaviours of employees. Official corporate culture is formally institutionalised within the business, whereas real corporate culture arises from informal, organic interactions between employees.*

4. I; IV. *A business's official corporate culture can be recognised in written documents, such as mission statements and business logos, which reflect the business's ideals and aspirations.*

5. B. False. *Corporate culture can be improved by aligning official and real components as much as possible. This ensures that a business's ideals and aspirations are consistent with the organic interactions between employees and the business.*

Preparing for exams

Case study skills

6. I; II **7.** B **8.** B

Exam-style

9. [Corporate culture is the shared values and beliefs of a business and its employees.[1]][Corporate culture is made up of real and official components that each reflect different aspects of the business, its operations, and the actions of its employees.[2]]

- I have defined corporate culture.[1]
- I have provided one characteristic of corporate culture.[2]

10. [Real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.[1]][Real corporate culture tends to arise from a business's office layout, staff diversity, management styles, hiring criteria, rituals, and celebrations.[2]][These elements reflect the real corporate culture that has developed in an organic, informal manner to create shared beliefs and values between employees.[3]]

- I have defined real corporate culture.[1]
- I have outlined one characteristic of real corporate culture.[2]
- I have outlined another characteristic of real corporate culture.[3]

11. [Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.[1]][In contrast, real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.[2]][A key difference is that official corporate culture usually contains the formal, written aspirations of the business, whereas real corporate culture involves the informal, unwritten interactions that actually occur between employees of the business.[3]]

- I have defined official corporate culture.[1]
- I have defined real corporate culture.[2]
- I have provided a key difference between official corporate culture and real corporate culture.[3]
- I have signposted my response by using 'A key difference'.
- I have used comparison words, such as 'In contrast' and 'whereas', when distinguishing.

12. [One way Julia has created a positive official corporate culture is by outlining professional standards expected of employees in Sparkling Snow Designs' code of conduct.[1]][The expectation to reach a desirable design 'Snow matter what' creates an environment in which employees strive for excellence and the highest quality of work. The code of conduct Julia has implemented also outlines the expected behaviours of employees in written form, and therefore improving official corporate culture.[2]][Another way Julia has tried to create a positive corporate culture is by selecting a sleek and upmarket business logo that reflects the skills of her employees and attracts potential customers seeking similar design services.[3]][Julia's use of a logo acts as a formal example of the high work ethic and standard expected at Sparkling Snow Designs, and sets the convention for future work at the business.[4]]

- I have identified and described one way in which positive official corporate culture has been created.[1]
- I have provided an example relevant to the case study and linked it to positive official corporate culture.[2]
- I have identified and described another way in which positive official corporate culture has been created.[3]
- I have provided an example relevant to the case study and linked it to positive official corporate culture.[4]
- I have signposted my response by using 'One way' and 'Another way'.
- I have referred to the business directly by using 'Julia' and 'Sparkling Snow Designs'.

13. [Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.[1]][In contrast, real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.[2]][One way in which Susie has created a positive official corporate culture is by publishing a vision statement, which aims to 'make all pets feel fetch'.[3]][Hats for Cats' vision statement sets an example for the expected standards of employee behaviour, and outlines the future aspirations of the business, therefore uniting employees' shared values and beliefs and positively influencing official corporate culture.[4]][Additionally, Susie has established measures to improve the real corporate culture at Hats for Cats, such as developing an open workspace layout, which is intended to increase collaboration between employees.[5]][Open workspaces can encourage open communication between employees and strengthen professional workplace relationships, therefore uniting employee beliefs and approaches to work, and creating a positive impact on real corporate culture.[6]]

- I have defined official corporate culture.[1]
- I have defined real corporate culture.[2]
- I have identified and described one way in which positive official corporate culture has been created.[3]
- I have provided an example relevant to the case study and linked it to positive official corporate culture.[4]
- I have identified and described one way in which positive real corporate culture has been created.[5]
- I have provided an example relevant to the case study and linked it to positive real corporate culture.[6]
- I have signposted my response by using 'One way'.
- I have referred to the business directly by using 'Susie' and 'Hats for Cats'.
- I have used connecting words, such as 'In contrast'.
- I have used comparison words, such as 'In contrast', when distinguishing.

Other acceptable answers include:

- Hiring criteria
- Business slogans

Testing previous knowledge

14. [Corporate culture is the shared values and beliefs of a business and its employees.[1]][The consultative management style involves a manager seeking input from employees on business decisions but making the final decision themselves.[2]][Conversely, the autocratic management style involves a manager making decisions and directing employees without any input from them.[3]][One positive impact the consultative management style has on real corporate culture is that employees are able to contribute their ideas to the decision-making process, and therefore are able to build greater connections to the business to align employee shared beliefs and values with those of the business.[4]][However, a negative impact of the consultative management style on real corporate culture is that conflict could arise with differing employee opinions, and in some cases, compromises may not be possible. This has a negative impact on a business's real corporate culture, as shared values are not reached, and conflict could occur between employees.[5]][A positive impact the autocratic management style has on real corporate culture is that employees are given direct instructions concerning the expectations and the nature of their work. Direct instructions can clearly outline the expectation of high-quality work from employees within the business, improving overall business performance.[6]][However, a negative impact of the autocratic management style on real corporate culture is the potential for employees to develop feelings of resentment towards management, creating conflict within the workplace. This can therefore have a negative impact on real corporate culture as shared values and beliefs are not organically fostered in the workplace through interpersonal relationships.[7]][Overall, a consultative management style is more beneficial to use when seeking a positive impact on real corporate culture, as greater employee involvement in decision-making processes can foster deeper connections to the business, compared to the autocratic style, which does not include employee input in business decisions.[8]]

- I have defined corporate culture.[1]
- I have defined the consultative management style.[2]
- I have defined the autocratic management style.[3]
- I have provided an example of the consultative style and its impact on real corporate culture and linked it to an advantage.[4]
- I have provided an example of the consultative style and its impact on real corporate culture and linked it to a disadvantage.[5]
- I have provided an example of the autocratic style and its impact on real corporate culture and linked it to an advantage.[6]
- I have provided an example of the autocratic style and its impact on real corporate culture and linked it to a disadvantage.[7]
- I have provided an opinion on which management style should be used based on the possible impacts on corporate culture.[8]
- I have signposted my response by using 'One positive impact' and 'a negative impact'.
- I have used connecting words, such as 'However' and 'Overall'.
- I have used comparison words, such as 'Conversely', when distinguishing.

Note: Official corporate culture cannot be used as a relevant example, as management styles are an example of real corporate culture.

1D-H review

Exam-style

1. [Corporate culture is the shared values and beliefs of a business and its employees.[1]][Corporate culture is made up of real and official components that each reflect different aspects of the business, its operations, and the actions of its employees.[2]]

- I have defined corporate culture.[1]
- I have provided one characteristic of corporate culture.[2]

2. [Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.[1]][Official corporate culture is usually contained in a business's mission statements, vision statements, policies, training practices, uniforms, and business names and logos.[2]][These elements reflect the official corporate culture that has been developed in a more formal manner, that reflects the business's aspirations and intentions.[3]]

- I have defined official corporate culture.[1]
- I have outlined one characteristic of official corporate culture.[2]
- I have outlined another characteristic of official corporate culture.[3]

3. [Lorenzo is initially using a participative management style at Landscaping Legends, which involves a manager sharing information with employees so that employees can participate in decision-making.[1]][One benefit of this style is that employees may feel empowered by developing a sense of ownership over business decisions that they are actively involved in to help Landscaping Legends meet its objectives.[2]][Moreover, another benefit of this style is that employees' different perspectives and expertise in landscaping can be used to gain insight into the effects of business decisions, and can be beneficial to improve the quality of decisions made at Landscaping Legends.[3]]

- I have identified and defined the participative management style.[1]
- I have provided an example relevant to the case study and linked it to an advantage of the participative management style.[2]
- I have provided an example relevant to the case study and linked it to another advantage of the participative management style.[3]
- I have signposted my response by using 'One benefit' and 'another benefit'.
- I have referred to the business directly by using 'Lorenzo' and 'Landscaping Legends'.
- I have used connecting words, such as 'Moreover'.

4. [The persuasive management style involves a manager making decisions and communicating the reasons for those decisions to employees without their input.[1]][In contrast, the participative management style involves a manager sharing information with employees so that employees can participate in decision-making.[2]] [A key difference between the persuasive and the participative management styles is that persuasive managers maintain centralised control over all business decisions and use one-way communication to justify decisions made, whereas a participative manager has decentralised control over business decisions, and uses two-way communication to involve employees in the decision-making process.[3]]

- ✓ ✗ I have defined the persuasive management style.[1]
- ✓ ✗ I have defined the participative management style.[2]
- ✓ ✗ I have provided a key difference between the persuasive and participative management styles.[3]
- ✓ ✗ I have signposted my response by using 'A key difference'.
- ✓ ✗ I have used comparison words, such as 'In contrast' and 'whereas', when distinguishing.

5. [Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.[1]] [In contrast, real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.[2]][A key difference is that official corporate culture usually contains the formal, written aspirations of the business, whereas real corporate culture involves the informal, unwritten interactions that actually occur between employees of the business.[3]][One element of official corporate culture that Lorenzo implements at Greenskeepers is introducing a new uniform. The new uniform can improve employee morale and sense of belonging in the business after the merger, and therefore, can lead to improved quality of work. Customers would be satisfied receiving high-quality services, and may return to Greenskeepers for gardening services, therefore enabling the business to meet its goal of increased market share.[4]]

- ✓ ✗ I have identified and defined official corporate culture.[1]
- ✓ ✗ I have identified and defined real corporate culture.[2]
- ✓ ✗ I have provided a key difference between official corporate culture and real corporate culture.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how official corporate culture can be used to meet business objectives.[4]
- ✓ ✗ I have signposted my response by using 'A key difference' and 'One element'.
- ✓ ✗ I have referred to the business directly by using 'Lorenzo' and 'Greenskeepers'.
- ✓ ✗ I have used connecting words, such as 'therefore'.

Other acceptable answers include:

- Training programs
- Code of Conduct
- Business name

Note: The question specifically asks for an example of an element of official corporate culture used by Lorenzo, and therefore an example relating to real corporate culture cannot be used, nor can examples of official corporate culture not referred to in the case study.

6. [Planning is the process of determining a business's objectives and establishing strategies to achieve these aims.[1]][Lorenzo has adopted a persuasive management style after the businesses merged, and needs to use planning skills to a large extent. He is responsible for allocating the appropriate resources for tasks that employees are assigned to, and must use planning skills to set short and long-term objectives for the business.[2]][Furthermore, communication is the skill of effectively transferring information from one party to another.[3]][As a persuasive manager, Lorenzo would use one-way communication to give clear instructions for employees to follow, and ensure that feedback provided to employees regarding expectations of their performance is easy for them to understand. Lorenzo would also give employees of Greenskeepers justification for the business decisions that are made following the merger, but will not ask for their input in decisions.[4]]

- ✓ ✗ I have identified and defined the management skill of planning.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the persuasive management style.[2]
- ✓ ✗ I have identified and defined the management skill of communication.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the persuasive management style.[4]
- ✓ ✗ I have referred to the business directly by using 'Lorenzo' and 'Greenskeepers'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

7. [The persuasive management style involves a manager making decisions and communicating the reasons for those decisions to employees without their input.[1]][One advantage of Lorenzo using the persuasive management style at Greenskeepers is that he is able to maintain full decision-making control, and may be able to gain employees' trust after the merger by explaining the reasons for the decisions he makes for the business, allowing for greater employee engagement leading to productivity and higher profit margins.[2]] [Moreover, another advantage of using the persuasive management style is that Lorenzo is able to make decisions for Greenskeepers in a short period of time due to one-way communication flow. This can lead to an improvement in employee productivity, as they are able to focus on their assigned work, leading to increased sales and market share, thus meeting the business's objectives.[3]][However, one disadvantage of using the persuasive management style is that employee expertise and insight into gardening and landscaping are not utilised to make business decisions, meaning that Lorenzo is restricted to his own perspective. This may result in resources being improperly allocated to work tasks, increasing Greenskeepers' expenses, reducing the business's ability to meet its objective of making a profit.[4]][Furthermore, another disadvantage of using the persuasive management style is that employees may lack motivation and engagement at work due to feeling undervalued, resulting in increased absenteeism, poor work quality, and declining productivity. When used in the long term, this can impact the number of returning customers, and therefore the ability of Greenskeepers to meet its objective of increasing market share.[5]][Overall, the persuasive management style may be useful for Lorenzo to use at Greenskeepers in the short term, as reduced employee responsibilities and centralised decision-making can mean business decisions are made quickly to establish Greenskeepers after the merger, and employees are able to settle into their roles. However, Lorenzo should consider adopting a different management style in the long term, as employees may become unmotivated and feel undervalued, negatively impacting the business's ability to meet its objectives.[6]]

- I have identified and defined the persuasive management style.[1]
- I have provided an example relevant to the case study and linked it to an advantage of the persuasive management style.[2]
- I have provided an example relevant to the case study and linked it to another advantage of the persuasive management style.[3]
- I have provided an example relevant to the case study and linked it to a disadvantage of the persuasive management style.[4]
- I have provided an example relevant to the case study and linked it to another disadvantage of the persuasive management style.[5]
- I have provided an opinion on the suitability of the persuasive management style by summarising the advantages and the disadvantages.[6]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Lorenzo' and 'Greenskeepers'.
- I have used connecting words, such as 'Moreover' and 'However'.
- I have provided a concluding statement on the suitability of the persuasive management style to meet the business's objectives.

Unit 3 AOS 1 review

Contemporary case study

1. [Serotonin Eatery, Exercise + Education Pty Ltd. ('Serotonin') is a health food cafe and happiness centre that is a private limited company, which is an incorporated business structure that has at least one director and a maximum of 50 shareholders.[1]][One benefit of a private limited company is the shareholders of Serotonin have limited liability, meaning they are only liable to the extent of their original investment and not personally responsible if Serotonin fails.[2]]

- I have identified and defined the type of business from the contemporary case study.[1]
- I have provided an example relevant to the contemporary case study and linked it to a benefit of the business type.[2]
- I have signposted my response by using 'One benefit'.
- I have referred to the business directly by using 'Serotonin Eatery, Exercise + Education Pty Ltd' and 'Serotonin'.
- I have included a brief description of the contemporary case study.

2. [Real corporate culture is the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.[1]][Serotonin Eatery, Exercise + Education Pty Ltd. ('Serotonin') is a health food cafe and happiness centre. An example of real corporate culture at Serotonin is its cafe which is specifically designed to be a sanctuary that induces an instant calming sensation, indicating Serotonin is a place that values wellbeing and serenity.[2]][Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.[3]][An example of the official corporate culture at Serotonin is its missions, as stated on its website, such as to 'reduce preventable deaths and diseases by changing minds and lives', creating the image that Serotonin's culture highly values encouraging the community to lead a healthy lifestyle.[4]][A key difference between official and real corporate culture is that official corporate culture is usually written, such as the missions on Serotonin's website, whereas real corporate culture is usually unwritten, such as Serotonin's internal calming design of the cafe.[5]]

- I have identified and defined real corporate culture.[1]
- I have provided an example relevant to the contemporary case study and linked it to real corporate culture.[2]
- I have identified and defined official corporate culture.[3]
- I have provided an example relevant to the contemporary case study and linked it to official corporate culture.[4]
- I have provided an example relevant to the contemporary case study and linked it to a key difference between real corporate culture and official corporate culture.[5]
- I have signposted my response by using 'A key difference between'.
- I have referred to the business directly by using 'Serotonin Eatery, Exercise + Education Pty Ltd' and 'Serotonin'.
- I have used comparison words, such as 'whereas', when distinguishing.
- I have included a brief description of the contemporary case study.

3. [Serotonin Eatery, Exercise + Education Pty Ltd. ('Serotonin') is a health food cafe and happiness centre. One management skill used by its owner, Emily Hazell, is decision-making, which is the skill of selecting a suitable course of action from a range of plausible options.[1]][Emily has demonstrated this skill by choosing the design of the eatery with a colour psychologist in order to achieve the objective of making Serotonin a calming sanctuary for its customers.[2]][Another skill Emily has employed is leadership, which is the skill of motivating others in order to achieve a business's objectives.[3]][Emily has demonstrated this skill by empowering her team members to recognise the importance of their role beyond positive customer service interaction, specifically to change the world for the better by helping people establish healthy lifestyles.[4]]

- I have identified and defined one management skill.[1]
- I have provided an example relevant to the contemporary case study and linked it to my chosen management skill.[2]
- I have identified and defined another management skill.[3]

- I have provided an example relevant to the contemporary case study and linked it to my chosen management skill.[4]
- I have signposted my response by using 'One management skill' and 'Another skill'.
- I have referred to the business directly by using 'Serotonin Eatery, Exercise + Education Pty Ltd' and 'Emily'.
- I have included a brief description of the contemporary case study.

4. [Serotonin Eatery, Exercise + Education Pty Ltd. ('Serotonin') is a health food cafe and happiness centre. One of its stakeholders is its customers, who are individuals or groups who interact with a business by purchasing and utilising its goods and services.[1]] [The interests of customers at Serotonin include receiving high-quality, healthy meals at an affordable price, Serotonin's operations are performed in a sustainable and ethical manner, and receiving positive customer service experience from its employees.[2]] [Another stakeholder of Serotonin is its employees, who are individuals who are hired by a business to complete work tasks and support the achievement of its objectives.[3]] [The interests of employees at Serotonin include receiving a good wage and fair working conditions, long-term job security, and opportunities to advance and develop their careers.[4]] [One potential conflict of interest between customers and employees at Serotonin is that while customers want to purchase healthy meals from the cafe at an affordable price, charging higher prices for meals could enable Serotonin's employees to receive higher wages.[5]]

- I have identified and defined one stakeholder.[1]
- I have provided an example relevant to the contemporary case study and linked it to the interests of my chosen stakeholder.[2]
- I have identified and defined another stakeholder.[3]
- I have provided an example relevant to the contemporary case study and linked it to the interests of my chosen stakeholder.[4]
- I have provided an example relevant to the contemporary case study and linked it to a potential conflict between these two stakeholders.[5]
- I have signposted my response by using 'One of its stakeholders' and 'Another stakeholder'.
- I have referred to the business directly by using 'Serotonin Eatery, Exercise + Education Pty Ltd' and 'Serotonin'.
- I have included a brief description of the contemporary case study.

Exam-style

5. a. [Stakeholders are individuals, groups, or organisations who have a vested interest in the performance and activities of a business.[1]] [A stakeholder from the deli is the manager, Adelina, as she has a vested interest in the operations and management of the deli, and the achievement of the business's objectives.[2]]

- I have identified and defined the term stakeholder.[1]
- I have provided an example relevant to the case study and linked it to a business stakeholder.[2]
- I have referred to the business directly by using 'the deli' and 'Adelina'.

b. [One advantage of Adelina adopting a persuasive management style is that by explaining the reasons behind her decisions, she can gain the trust and support of her employees. This means that if Adelina emphasises reducing food waste as an important business objective, employees may put in more effort, as their manager has clearly outlined why food waste needs to be reduced. This can therefore achieve Adelina's set business objectives and increase the deli's efficiency.[1]] [Another advantage of the persuasive management style is that it allows for quick decision-making as Adelina does not consult employees when making business decisions. This can improve productivity, as employees are able to focus solely on their work tasks, and therefore the deli's revenue can increase. Increasing the deli's revenue through faster work processes could work towards the businesses objective of increasing profits by 7%.[2]] [However, one disadvantage of the persuasive management style is that employees may be unmotivated to complete work due to their inability to contribute to the decision-making processes of the business, which could result in them leaving the business. Costs could rise if employees leave, as productivity flow is reduced, and new employees must be hired and trained, using a significant amount of resources. This could inhibit the achievement of the objective to increase profits by 7%.[3]] [Furthermore, another disadvantage of this style is the solutions and ideas for the deli's development are restricted to Adelina, meaning employee insights are not gathered in decision-making processes, limiting the possibilities for business changes that could improve efficiency and increase profits. Thus, the business may not achieve its objectives to the level it could have if it consulted its employees.[4]] [Overall, although the persuasive management style poses disadvantages relating to expenses from employees leaving and restricting ideas in the decision-making process to Adelina alone, it is a suitable style for the deli to achieve its objectives due to its ability for quick decision-making and increasing motivation among employees.[5]]

- I have provided an example relevant to the case study and linked it to an advantage of the persuasive management style.[1]
- I have provided an example relevant to the case study and linked it to another advantage of the persuasive management style.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of the persuasive management style.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of the persuasive management style.[4]
- I have provided an opinion on the suitability of a persuasive management style by summarising the advantages and the disadvantages.[5]
- I have signposted my response by using 'One advantage' and 'Another advantage'.

- I have referred to the business directly by using 'Adelina' and 'the deli'.
- I have used connecting words, such as 'However' and 'Furthermore'.

c. [One stakeholder of the deli is its manager, Adelina. Adelina's interests include achieving the deli's business objectives so she can be recognised for her effort.[1]][Another stakeholder is customers, whose interests include receiving high-quality deli products at affordable prices.[2]][These interests could conflict as Adelina may want to increase the deli's prices in order to achieve the business objective of increasing profits by 7%, whereas customers want to obtain these products for the lowest price possible.[3]]

- I have identified and described the interests of one stakeholder from the case study.[1]
- I have identified and described the interests of another stakeholder from the case study.[2]
- I have provided an example relevant to the case study and linked it to a potential conflict between these two stakeholders.[3]
- I have signposted my response by using 'One stakeholder' and 'Another stakeholder'.
- I have referred to the business directly by using 'the deli'. and 'Adelina'.

Other acceptable answers include:

- Owners
- Employees
- Suppliers
- The general community

6. a. [Innova Tech is a public listed company, which is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX.[1]][It is evident that Innova Tech is a public listed company as its share price has decreased by 10% on the Australian Securities Exchange (ASX), as selling shares on the ASX is a key characteristic of public listed companies.[2]]

- I have identified and defined the type of company that Innova Tech is.[1]
- I have provided an example relevant to the case study and linked it to one characteristic of a public listed company.[2]
- I have referred to the business directly by using 'Innova Tech'.

b. [One advantage of using an autocratic management style at Innova Tech is it enables quick decision-making as only managers make decisions with no discussion or consultation from employees, decreasing the amount of time decisions take to enact, and increasing the productivity of Innova Tech.[1]][Furthermore, another advantage is employees have clearly-defined roles with reduced responsibility and risk, as they only have to follow the instructions from managers at Innova Tech.[2]][However, one disadvantage of this style is that it can reduce employee motivation due to a lack of involvement and reasoning provided in decision-making, which likely contributed to the significant increase in employees leaving Innova Tech.[3]][Another disadvantage of this style is it limits the solutions and ideas to managers at Innova Tech, meaning Innova Tech could be overlooking valuable ideas from its employees on how to improve its products, which could have contributed to its decrease in sales and share price.[4]]

- I have provided an example relevant to the case study and linked it to an advantage of the autocratic management style.[1]
- I have provided an example relevant to the case study and linked it to another advantage of the autocratic management style.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of the autocratic management style.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of the autocratic management style.[4]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Innova Tech'.
- I have used connecting words, such as 'Furthermore' and 'However'.

c. [One management skill Innova Tech could use to implement a persuasive management style is decision-making, which is the skill of selecting a suitable course of action from a range of plausible options.[1]][Managers, such as the new software developer, will need to make decisions that work towards improving the performance of Innova Tech, specifically its sales and share price. As the managers at Innova Tech will be making all decisions using the persuasive management style, this skill is particularly important.[2]][Moreover, another skill Innova Tech could use is communication, which is a manager's ability to effectively transfer information from one party to another.[3]][In a persuasive management style, managers at Innova Tech would use communication skills to inform employees of the reasons behind a decision, such as the need to change and improve software products. Effective communication could work toward reducing the number of employees who leave the company.[4]]

- I have identified and defined one management skill that Innova Tech could use to implement a persuasive management style.[1]
- I have provided an example relevant to the case study and linked it to my chosen management skill.[2]
- I have identified and defined another management skill that Innova Tech could use to implement a persuasive management style.[3]
- I have provided an example relevant to the case study and linked it to my chosen management skill.[4]

- ✓ ✗ I have signposted my response by using 'One management skill' and 'another skill'.
- ✓ ✗ I have referred to the business directly by using 'Innova Tech'.
- ✓ ✗ I have used connecting words, such as 'Moreover'

Other acceptable answers include:

- Planning
- Delegating
- Interpersonal
- Leadership

7. a. [One management style Travel Time could implement is a consultative management style, which involves a manager seeking input from employees on business decisions but making the final decision themselves.[1]][One advantage of this style is employees, including the five additions to the team, are able to contribute their ideas to Timothee, such as how to elevate customer service at Travel Time. This could increase the employee's involvement and sense of contribution to the business, and therefore improve their motivation when approaching work tasks.[2]][The business objective of improving efficiency relates to how productively a business uses its resources when producing a good or service.[3]][By using a consultative management style, Timothee could consult employees and gain ideas about how to speed up Travel Time's services to meet customer demand, for example, by taking advantage of more phone appointments. These ideas could lead to Travel Time's employees delivering faster services to customers, which is an optimal use of its labour resources, contributing to the achievement of the business objective 'to improve efficiency'.[4]]

- ✓ ✗ I have identified and defined one management style for Travel Time.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen management style.[2]
- ✓ ✗ I have identified and defined the business objective 'to improve efficiency'.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen management style could achieve the objective of 'to improve efficiency'.[4]
- ✓ ✗ I have signposted my response by using 'One management skill' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'Travel Time' and 'Timothee'.

Other acceptable answers include:

- Participative management style

b. [One business objective relevant to Travel Time is to fulfil a market need, which is when a business fills a gap in the market, and involves addressing customer needs that are currently unmet or underrepresented by other businesses in the same industry.[1]][As there has been an increase in demand for travel since 2022, Travel Time has hired five more employees to work in its office.[2]][By employing more people to provide advice to the increase in prospective travellers, Travel Time is working towards meeting the currently undersupplied demand for travel advice, which works towards achieving the business objective of fulfilling a market need.[3]]

- ✓ ✗ I have identified and defined one business objective.[1]
- ✓ ✗ I have provided an example relevant to the case study.[2]
- ✓ ✗ I have linked the example to my chosen business objective.[3]
- ✓ ✗ I have signposted my response by using 'One business objective'.
- ✓ ✗ I have referred to the business directly by using 'Travel Time'.

Other acceptable answers include:

- To make a profit
- To increase market share
- To improve effectiveness

c. [Customers are individuals or groups who interact with a business by purchasing and utilising its goods and services.[1]][At Travel Time, customers are interested in receiving friendly and helpful travel advice from the business's travel agents. By trying to improve the quality of customer service through consulting employees for ideas, Timothee is working towards meeting the interests of customers at Travel Time.[2]][The general community is the individuals and groups who are impacted by a business's operations and decisions, often because they are located in close proximity to the business.[3]][The general community is interested in Travel Time continuing to employ travel agents to increase local employment and boost the economy. Timothee has met this interest by employing five new employees.[4]]

- ✓ ✗ I have identified and defined customers as a stakeholder.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the interests of customers.[2]
- ✓ ✗ I have identified and defined the general community as a stakeholder.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the interests of the general community.[4]
- ✓ ✗ I have referred to the business directly by using 'Travel Time' and 'Timothee'.

8. a. [One advantage of a sole trader is the owner can make all the decisions and retain all of the business profits.[1]][However, one disadvantage is that it is not an incorporated business type, meaning Joe has unlimited liability. Therefore, the owner's personal assets could be seized to pay off debts if the business fails.[2]]

- ✓ ✗ I have outlined one advantage of a sole trader.[1]
- ✓ ✗ I have outlined one disadvantage of a sole trader.[2]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have referred to the business directly by using 'Joe'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Therefore'.

b. [Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format.[1]][On the other hand, real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees.[2]] [Official corporate culture is institutionalised by formal documents and rules, whereas real corporate culture develops organically in unwritten interactions between employees.[3]][The slogan 'a book is a gift...' on the packaging at Bookworm could create an image to customers that it values the importance of books and reading, which is an example of official corporate culture.[4]][Joe's choice to employ people who are passionate about reading and can recommend books to customers, indicates that Bookworm seeks to deliver authentic customer experiences from people who enjoy reading, which is an example of real corporate culture.[5]]

- ✓ ✗ I have identified and defined official corporate culture.[1]
- ✓ ✗ I have identified and defined real corporate culture.[2]
- ✓ ✗ I have provided a key difference between official corporate culture and real corporate culture.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to official corporate culture.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to real corporate culture.[5]
- ✓ ✗ I have referred to the business directly by using 'Bookworm' and 'Joe's'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

c. [One stakeholder at Bookworm is its suppliers, who are individuals or groups that source raw materials and sell them to a business for use in the production of its goods and services.[1]][Suppliers' interests include having reliable and honest relationships with Bookworm, wherein Bookworm is specific on the number of books it wants to order to meet customer demands.[2]]

- ✓ ✗ I have identified and described one stakeholder of Bookworm.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the interests of my chosen stakeholder.[2]
- ✓ ✗ I have signposted my response by using 'One stakeholder'.
- ✓ ✗ I have referred to the business directly by using 'Bookworm'.

2A Human resource management

Theory review

1. B. False. *Human resource management is the organisation of employees' roles, pay, and working conditions. This is important in creating and preserving a positive relationship between a business and its employees, allowing for the achievement of business objectives.*

2. increase; decrease. *A business with effective human resource management is likely to better organise employee wages, roles, and working conditions, leading to greater levels of satisfaction. Consequently, more satisfied employees are less likely to leave a business, therefore reducing the number of employees leaving the business.*

3. A. *When employees are managed effectively, they are less likely to leave a business and therefore fewer employees need to be hired and trained as replacements. This decreases a business's expenses associated with recruitment, therefore increasing its ability to make a profit.*

4. fulfil a social need. *Initiatives that minimise waste and aid the community relate to fulfilling a social need. Effective human resource management can increase the satisfaction of employees which can consequently make them more motivated by and willing to implement business initiatives.*

5. A. True. *When employees are more satisfied with their work, they are likely to be more motivated to complete work tasks and achieve objectives. This can improve the quality of their work, allowing them to better satisfy customers and increase sales. Increased sales often correlate to increased market share and enhance the business's ability to provide shareholders with dividends and meet their expectations.*

6. B. False. *All businesses should consider human resource management to ensure that employees are organised and satisfied with their work. A business that is already achieving its objective should still consider human resource management to sustain employee satisfaction and allow performance to continually increase.*

Preparing for exams

Case study skills

7. A

8. I, III and IV are true. II is false.

Exam-style

9. [Human resource management is the organisation of employees' roles, pay, and working conditions.[1]][Effective human resource management can increase employee satisfaction within a business, as they feel valued for completing their work, and are therefore more likely to positively contribute to the achievement of business objectives.[2]]

- ✓ ✗ I have defined the term human resource management.[1]
- ✓ ✗ I have provided one characteristic of human resource management.[2]

10. [Effective human resource management can ensure that employees have high levels of job satisfaction, increasing the business's ability to meet the objective of making a profit.[1]][When employees have high levels of job satisfaction, they are less likely to leave the business which can reduce the costs of recruitment and training. A reduction in business expenses can increase profits, therefore increasing the business's ability to meet the objective of making a profit.[2]]

- ✓ ✗ I have outlined the relationship between human resource management and meeting the business objective of making a profit.[1]
- ✓ ✗ I have provided one example of how effective human resource management can lead to the achievement of the business objective of making a profit.[2]

11. [Effective human resource management can ensure employees are satisfied by their roles and tasks, which can positively influence the business's ability to achieve the objective of increasing market share.[1]][When a business has strong human resource management, it can increase job satisfaction amongst employees. Employees who are satisfied are more likely to perform to a higher standard allowing for improvements in product quality and customer service, subsequently increasing customer satisfaction, sales, and thus a business's market share.[2]]

- ✓ ✗ I have outlined the relationship between human resource management and meeting the business objective of increasing market share.[1]
- ✓ ✗ I have provided one example of how effective human resource management can lead to the achievement of the business objective of increasing market share.[2]

12. [Effective human resource management can ensure employees are satisfied and motivated by their roles, pay, and working conditions, therefore encouraging them to contribute to the achievement of business objectives.[1]][A business that manages employees effectively may have an increased number of innovative and unique ideas that are contributed during product development. This can allow a business to create goods and services that successfully fulfil a market need.[2]][Furthermore, when employees are managed effectively, they can be more receptive and supportive of business initiatives. Consequently, initiatives that aid the community and minimise waste are more likely to be successful, assisting the achievement of fulfilling a social need.[3]]

- ✓ ✗ I have identified and described the relationship between human resource management and business objectives.[1]
- ✓ ✗ I have provided an example of the relationship between human resource management and one business objective.[2]
- ✓ ✗ I have provided an example of the relationship between human resource management and another business objective.[3]
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

13. [Human resource management is the organisation of employees' roles, pay, and working conditions.[1]][At Brad's Berries, Steven's implementation of bonding sessions, staff dinners, and monthly celebrations, has likely increased the job satisfaction of employees, resulting in increased motivation and determination to complete work tasks in a focused, error-free, and productive manner. This can enable employees at Brad's Berries to package and deliver berries at a faster pace and with fewer errors as employees are more diligent and articulate in their work, hence improving efficiency.[2]][Additionally, an increase in employee satisfaction at Brad's Berries, through Steven's effective human resource management, may have encouraged employees to strive to achieve business objectives and work resiliently through any challenges. Consequently, this would have increased Brad's Berries' ability to improve effectiveness.[3]]

- I have identified and defined human resource management.[1]
- I have provided an example relevant to the case study and linked it to the relationship between human resource management and business objectives.[2]
- I have provided another example relevant to the case study and linked it to the relationship between human resource management and business objectives.[3]
- I have referred to the business directly by using 'Brad's Berries' and 'Steven's'.
- I have used connecting words, such as 'Additionally' and 'Consequently'.

Testing previous knowledge

14. [Human resource management is the organisation of employees' roles, pay, and working conditions.[1]][Corporate culture is the shared values and beliefs of a business and its employees.[2]][At Preserve, Penny can demonstrate effective human resource management by introducing team bonding and social events to increase the connectedness, interpersonal relationships, and satisfaction of employees at the jam producer. Therefore, through effective human resource management, Penny can encourage her employees to feel more positive, valued, and comfortable at Preserve, promoting a positive corporate culture.[3]]

- I have identified and defined human resource management.[1]
- I have identified and defined corporate culture.[2]
- I have provided an example relevant to the case study and linked it to how effective human resource management can improve corporate culture.[3]
- I have referred to the business directly by using 'Preserve' and 'Penny'.
- I have used connecting words, such as 'Therefore'.

2B Maslow's Hierarchy of Needs

Theory review

1. A. True. *Maslow's theory suggests that the sequential satisfaction of fulfilling each human need can increase motivation. Hence, once a need is fulfilled, it no longer acts as a source of motivation for an employee.*

2. physiological; esteem. *Physiological needs are the lowest-order needs and can be fulfilled by a business providing employees with a living wage so that they can afford basic necessities. In contrast, esteem needs can be fulfilled by a business providing employees with bonuses or promotions as this need is employees' desire for recognition and status.*

3. A. True. *Physiological needs are the lowest need on the hierarchy. If this need remains unfulfilled, employees will experience low motivation as they will only be motivated to ensure their basic necessities are satisfied.*

4. A. *Esteem needs are the desire for recognition and status. They can be achieved by receiving bonuses or a promotion.*

5. A. *By ensuring employees are working in a safe work environment and are provided with adequate training and safety measures, their safety and security needs will likely be fulfilled.*

6. B. False. *The correct order of human needs, from lowest to highest, according to Maslow's Hierarchy of Needs theory is; physiological, safety and security, social, esteem, and self-actualisation.*

Preparing for exams

Case study skills

7. I, III and IV are true. II is false.

8. I and IV are advantages. II and III are disadvantages.

9. I, III and IV are true. II is false.

Exam-style

10. [Maslow's Hierarchy of Needs is a motivational theory that suggests people have five fundamental needs, and their sequential attainment of each need acts as a source of motivation. The five needs in the hierarchy, from lowest to highest, are physiological, safety and security, social, esteem, and self-actualisation.[1]][Maslow's theory suggests that, once one need is completely satisfied, the next need on the hierarchy acts as a motivator for employees.[2]]

- I have defined Maslow's Hierarchy of Needs.[1]
- I have provided one characteristic of Maslow's Hierarchy of Needs.[2]

11. [Physiological needs are the lowest-order needs in the hierarchy. These needs are the basic requirements for human survival, such as food, water, and shelter.[1]][On the other hand, self-actualisation needs are the desires of an individual to reach their full potential through creativity and personal growth.[2]][One key difference between physiological and self-actualisation needs is that an employee's physiological needs can be fulfilled by an employer paying them a living wage to ensure they can afford essentials for survival, whereas, satisfying self-actualisation needs focuses on intrinsic motivators, such as the opportunity to complete challenging or mentally-stimulating work.[3]]

- I have defined physiological needs.[1]
- I have defined self-actualisation needs.[2]
- I have provided a key difference between physiological and self-actualisation needs.[3]
- I have signposted my response by using 'One key difference'.
- I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

12. [Maslow's Hierarchy of Needs suggests employees have five fundamental needs which they strive to fulfil in a sequential manner. Once one need is met, it is no longer a motivator for an employee and the employee will strive to achieve the next need in the hierarchy.[1]] [Employees of Watson's Designs receive a high salary, which satisfies their lower-order physiological and security needs as they are able to buy essential items, such as food and water, and have financial security.[2]] [Therefore, as the lower-order needs are already satisfied, employees will not be motivated by their salary, but will be motivated to achieve higher-order needs, such as social needs, esteem needs, and self-actualisation.[3]]

- ✓ ✗ I have identified and defined Maslow's Hierarchy of Needs.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to Maslow's Hierarchy of Needs being satisfied.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to Maslow's Hierarchy of Needs being unsatisfied.[3]
- ✓ ✗ I have referred to the business directly by using 'Watson's Designs'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

13. [One advantage of Maslow's Hierarchy of Needs theory is that it will help Sally to understand that her employees are at different levels in the hierarchy as not all of them will have had the same needs satisfied yet. Therefore, the theory allows her to determine a motivator for each employee based on which of their needs remain unfulfilled.[1]] [Another advantage of using Maslow's Hierarchy of Needs is that it can help Sally to improve business performance at Lo-Fi Cinemas if she is able to introduce strategies that contribute to fulfilling her employees' higher-order needs, such as self-actualisation needs. Employees who have these needs at the top of the hierarchy satisfied will likely have higher job satisfaction and subsequently demonstrate high levels of performance, improving the business's performance overall.[2]] [However, a disadvantage of using the theory is that some Lo-Fi employees may be motivated by social needs before other needs in the hierarchy. Therefore, not every employee will follow the hierarchy of needs in the conventional order.[3]] [Another disadvantage of the theory is that it may be time consuming for Sally to determine the level of the hierarchy that each employee is at. This can reduce the productivity of the business if Sally is having to allocate sufficient time to consider which needs each of her employees still need to fulfil.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of Maslow's Hierarchy of Needs.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of Maslow's Hierarchy of Needs.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of Maslow's Hierarchy of Needs.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of Maslow's Hierarchy of Needs.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Sally' and 'Lo-Fi Cinemas'.
- ✓ ✗ I have used connecting words, such as 'Therefore' and 'However'.

14. [Maslow's Hierarchy of Needs is a motivational theory that suggests people have five fundamental needs, and their sequential attainment of each need acts as a source of motivation. This theory suggests that, once one need is completely satisfied, the next need on the hierarchy acts as a motivator for the employees.[1]] [The first need on the hierarchy is physiological which relates to an individual's desire for basic necessities such as food, water and shelter. It is likely Janice is already paying her employees above minimum wage in accordance with the law therefore she should continue to pay these wages to fulfil this lowest-order need.[2]] [The second need is safety and security which relates to Janice ensuring the protection of her employees from all forms of harm when in the workplace. One way Janice could satisfy her employees' safety and security needs is by providing them with face masks to wear around children as they can often easily transmit germs.[3]] [The third need on the hierarchy is social needs which relates to an individual's desire for belonging and friendship in the workplace. To satisfy this need for her employees, Janice could introduce programs, such as monthly work outings, which create a sense of community among parents and staff at XYZ Kids.[4]] [The next need on the hierarchy is esteem needs. By providing staff with financial bonuses or promotions, Janice can demonstrate to employees that she values them and recognises their hard work, fulfilling their esteem needs.[5]] [The final need Janice should satisfy for her employees to ensure optimal levels of motivation is self-actualisation. Janice should provide her employees with more challenging work in the child care centre, such as an opportunity to organise excursions for the children.[6]]

- ✓ ✗ I have identified and defined Maslow's Hierarchy of Needs.[1]
- ✓ ✗ I have provided an example of a strategy relevant to the case study and linked it to fulfilling employees' physiological needs.[2]
- ✓ ✗ I have provided an example of a strategy relevant to the case study and linked it to fulfilling employees' safety and security needs.[3]
- ✓ ✗ I have provided an example of a strategy relevant to the case study and linked it to fulfilling employees' social needs.[4]
- ✓ ✗ I have provided an example of a strategy relevant to the case study and linked it to fulfilling employees' esteem needs.[5]
- ✓ ✗ I have provided an example of a strategy relevant to the case study and linked it to fulfilling employees' self-actualisation needs.[6]
- ✓ ✗ I have signposted my response by using 'The first need' and 'The second need'.
- ✓ ✗ I have referred to the business directly by using 'Janice' and 'XYZ Kids'.

Note: The original question was marked globally on the VCAA 2018 Business Management exam. The above is a suggested marking scheme.

Testing previous knowledge

15. [A characteristic of the laissez-faire management style is decentralised decision-making, where the employees are given the responsibility to make decisions that contribute to business objectives.[1]][This allows employees to engage in more challenging work as they must take the initiative to control business decisions, thus allowing employees' self-actualisation needs to be fulfilled as they are mentally-stimulated by their work.[2]][Another characteristic of the laissez-faire management style is that it allows two-way communication flow between employees and managers, which encourages collaboration between members of the workplace.[3]][This can contribute to fulfilling employees' social needs as they are able to easily communicate with all members of the workplace, facilitating the formation of positive, workplace relationships.[4]]

- I have identified and described one characteristic of the laissez-faire style of management.[1]
- I have explained how this characteristic could fulfil one need of Maslow's Hierarchy.[2]
- I have explained identified and described another characteristic of the laissez-faire style of management.[3]
- I have explained how this characteristic could fulfil another need of Maslow's Hierarchy.[4]
- I have signposted my response by using 'A characteristic' and 'Another characteristic'.

2C Lawrence and Nohria's Four Drive Theory

Theory review

1. A. True. *Lawrence and Nohria's Four Drive Theory recognises four universal human desires that a manager can apply to a business setting to increase employee motivation and business productivity.*

2. drive to acquire; drive to learn. *The drive to acquire involves an individual's need to attain financial and non-financial rewards for their performance. In contrast, the drive to learn involves fulfilling employee aspirations to develop their skills and understand their environment.*

3. B. *An employee's drive to bond is their desire to participate in social interactions, form relationships, and feel a sense of belonging in their workplace and personal lives.*

4. I; II. *A manager can meet an employee's drive to learn by rotating responsibilities to promote new learning experiences and increase their understanding of work tasks. Additionally, mentor systems can be used to pass on the knowledge of experienced employees to new staff.*

5. B. False. *An employee's drive to defend involves their desire to protect their own position within the business, as well as the overall reputation and values of the business. Therefore, the drive to defend is not based solely on their personal interests.*

6. B. False. *Although the Four Drive Theory can be useful in increasing productivity, and can therefore lead to an increase in profits, benefitting the business financially, it is not always used without costs. Fulfilling employee drives can be expensive for the business. For example, providing higher salaries, bonuses, training programs, sponsoring education, or organising social events can incur significant costs to a business.*

Preparing for exams

Case study skills

7. B **8.** III; IV **9.** I; II

10. I and IV are advantages. II and III are disadvantages.

Exam-style

11. [Lawrence and Nohria's Four Drive Theory is a motivational theory that suggests that people strive to balance four fundamental desires. It can be applied to business settings by a manager to improve employee motivation.[1]][The four drives are the drives to acquire, bond, learn, and defend, which can be balanced simultaneously to lead to employee motivation.[2]]

- I have defined Lawrence and Nohria's Four Drive Theory.[1]
- I have provided one characteristic of the Four Drive Theory.[2]

12. [Lawrence and Nohria's drive to acquire is the desire to achieve rewards and high status.[1]][On the other hand, the drive to learn is the desire to gain knowledge, skills, and experience.[2]][One key difference between these two drives is that the drive to acquire acts to motivate employees to seek financial and non-financial rewards. In contrast, employees are motivated by the drive to learn when they are provided with opportunities to broaden their range of skills and understanding of their work environment.[3]]

- I have defined the drive to acquire.[1]
- I have defined the drive to learn.[2]
- I have provided a key difference between the drive to acquire and the drive to learn.[3]
- I have signposted my response by using 'One key difference'.
- I have used comparison words, such as 'On the other hand' and 'In contrast', when distinguishing.

13. [Lawrence and Nohria's Four Drive Theory is a motivational theory that suggests that people strive to balance four fundamental desires. These four drives include the drive to acquire, bond, learn, and defend.[1]][At Camper's Lodge, Alessio may implement the Four Drive Theory by aiming to fulfil the drive to learn which is an employee's desire to gain knowledge, skills, and experience.[2]][For example, by sponsoring higher education endeavours of young employees or organising hospitality training programs to increase employee skills, Alessio can fulfil his employees' drive to learn, leading to increased employee motivation and performance at Camper's Lodge.[3]]

- I have defined Lawrence and Nohria's Four Drive Theory.[1]
- I have provided an example relevant to the case study.[2]
- I have linked my example to the Four Drive Theory.[3]
- I have referred to the business directly by using 'Camper's Lodge' and 'Alessio'.

14. [One principle of Lawrence and Nohria's Four Drive Theory is the drive to acquire, which is the desire to achieve rewards and high status.[1]][As Hyrule employees are considering leaving the business for more prestigious positions at a competitor, it indicates their drive to acquire is unfulfilled. Lincoln could respond to this by providing opportunities for career advancement at Hyrule, and therefore increase employee motivation by allowing for increased status and/or pay to be attained, thus fulfilling their drive to acquire.[2]][Another principle of Lawrence and Nohria's Four Drive Theory is the drive to bond, which is the desire to participate in social interactions and feel a sense of belonging.[3]][Hyrule's previous human resource manager did not give employees opportunities to work together, thus, Lincoln could foster greater employee engagement by encouraging group tasks rather than individual ones. This could lead to employees feeling a greater sense of belonging at Hyrule, and therefore increasing their motivation at the business.[4]]

- ✓ ✗ I have identified and defined one key principle of the Four Drive Theory.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[2]
- ✓ ✗ I have identified and defined another key principle of the Four Drive Theory.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[4]
- ✓ ✗ I have signposted my response by using 'One principle' and 'Another principle'.
- ✓ ✗ I have referred to the business directly by using 'Hyrule' and 'Lincoln'.

15. [Lawrence and Nohria's Four Drive Theory is a motivational theory that suggests that people strive to balance four fundamental desires. It can be applied to business settings by a manager to improve employee motivation.[1]][The four drives are the drives to acquire, bond, learn, and defend, which can be balanced simultaneously to lead to employee motivation.[2]][One advantage of using the Four Drive Theory at Ham's Sandwiches is that balancing all four drives can lead to increased employee motivation and therefore greater job satisfaction and engagement at work, contributing to improved customer service, and hence, greater customer satisfaction.[3]][Moreover, another advantage of using Lawrence and Nohria's motivational theory is that employee productivity may increase as they are appropriately motivated by each of the four drives. Increased productivity can lead to greater customer satisfaction as they receive the highest quality customer service and products from employees at Ham's Sandwiches.[4]][However, one disadvantage of the Four Drive Theory is that rewarding individual employees for high performance can lead to competition in the workplace as employees at Ham's Sandwiches may not receive the same benefits. This can cause conflict between employees and a lack of employee motivation, leading to poor quality customer service and reduced customer satisfaction.[5]][Another disadvantage of using the Four Drive Theory at Ham's Sandwiches is that Alexander may need to spend a considerable amount of time to accurately identify the drives of individual employees, drawing his focus away from other responsibilities as the business owner that could have a negative impact on other factors, such as store maintenance that also affect customer satisfaction.[6]]

- ✓ ✗ I have identified and defined Lawrence and Nohria's Four Drive Theory.[1]
- ✓ ✗ I have provided one characteristic of the Four Drive Theory.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of the Four Drive Theory.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of the Four Drive Theory.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of the Four Drive Theory.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of the Four Drive Theory.[6]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Ham's Sandwiches' and 'Alexander'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'However'.

Testing previous knowledge

16. [Lawrence and Nohria's Four Drive Theory is a motivational theory that suggests that people strive to balance four fundamental desires. It can be applied to business settings by a manager to improve employee motivation.[1]][The four drives are the drives to acquire, bond, learn, and defend, which can be balanced simultaneously to lead to employee motivation.[2]][One business objective that Lawrence and Nohria's theory could be used to achieve is to make a profit, which occurs when a business's revenue is greater than its expenses.[3]][Lawrence and Nohria's Four Drive Theory can be used to increase employee motivation by fulfilling each of the four drives, resulting in greater employee engagement and productivity at work. Increased productivity can lead to an increase in sales and a decrease in costs due to wasted materials, allowing a business to meet its objective of making a profit.[4]][Another business objective is to meet shareholder expectations, which involves delivering a return on shareholders' investments into the business. This can be achieved through providing dividends and capital gains.[5]][The Four Drive Theory can help to meet shareholder expectations, as greater employee motivation and engagement can lead to increased sales, boosting business profitability and thus contributing to an increase in share value. Therefore, Lawrence and Nohria's theory can be used to achieve the business objective of meeting shareholder expectations.[6]]

- ✓ ✗ I have defined Lawrence and Nohria's Four Drive Theory.[1]
- ✓ ✗ I have provided one characteristic of the Four Drive Theory.[2]
- ✓ ✗ I have identified and described one business objective.[3]
- ✓ ✗ I have provided one example of how Lawrence and Nohria's Four Drive Theory can be used to achieve my chosen business objective.[4]
- ✓ ✗ I have identified and described another business objective.[5]

✓ ✗ I have provided another example of how Lawrence and Nohria's Four Drive Theory can be used to achieve my chosen business objective.[6]

✓ ✗ I have signposted my response by using 'One business objective' and 'Another business objective'.

✓ ✗ I have used connecting words, such as 'Therefore'.

Other acceptable answers include:

- To fulfil a social need
- To fulfil a market need
- To increase market share
- To improve efficiency
- To improve effectiveness

2D Locke and Latham's Goal Setting Theory

Theory review

1. A. True. *The Goal Setting Theory is a motivation theory that states that employees are motivated by clearly defined goals that fulfil five key principles.*

2. I; III. *The Goal Setting Theory states that to motivate employees effectively, goals should fulfil the principles of clarity, commitment, challenge, task complexity, and feedback.*

3. challenge; task complexity. *Goals should be challenging in order to ensure that employees are appropriately engaged in their work. However, there must be a moderate degree of task complexity as a goal that is too difficult will lead to employees becoming demotivated.*

4. B. *Goal setting involves a collaborative process, including setting joint goals and providing feedback, which can strengthen the relationship between employees and managers.*

5. A. *One principle of goal setting is commitment, whereby goals should incorporate the personal interests of employees. However, it can be challenging to link business objectives to the personal goals of every employee.*

6. Lawrence and Nohria's Four Drive Theory. *Both theories of motivation recognise that employees should be motivated by multiple principles at once, such as the five principles of goal setting and the four drives for employee motivation.*

7. B. *The Goal Setting Theory proposes that goals should fulfil five principles simultaneously to motivate employees. In contrast, employees can only be motivated by one level of the Hierarchy of Needs at any one time.*

8. A. *The Goal Setting Theory involves managers meeting with employees regularly to establish new goals which fulfil the five principles.*

Preparing for exams

Case study skills

9. I; III; IV

10. I, II and IV are true. III and V are false.

11. I and IV are similarities. II and III are differences.

12. II and III are true. I and IV are false.

Exam-style

13. [Locke and Latham's Goal Setting Theory is a motivation theory that states that employees are motivated by clearly defined goals that fulfil five key principles.[1]][The Goal Setting Theory proposes that employees should be motivated by goals that are clear, challenging, complex, and that they have a commitment to achieving. A manager should also provide regular feedback to employees regarding their achievements.[2]]

✓ ✗ I have defined the Goal Setting Theory.[1]

✓ ✗ I have provided one characteristic of the Goal Setting Theory.[2]

14. [Locke and Latham's Goal Setting Theory is a motivation theory that states that employees are motivated by clearly defined goals that fulfil five key principles.[1]][On the other hand, Maslow's Hierarchy of Needs is a motivational theory that suggests people have five fundamental needs and their sequential attainment of each need acts as a source of motivation.[2]][One key difference between the two motivation theories is that Maslow's Hierarchy of Needs focuses on fulfilling one need at a time, whereas, the Goal Setting Theory requires all five principles to be incorporated for a goal to be motivating.[3]]

✓ ✗ I have defined Locke and Latham's Goal Setting Theory.[1]

✓ ✗ I have defined Maslow's Hierarchy of Needs.[2]

✓ ✗ I have provided a key difference between Locke and Latham's Goal Setting Theory and Maslow's Hierarchy of Needs.[3]

✓ ✗ I have signposted my response by using 'One key difference'.

✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

15. [Locke and Latham's Goal Setting Theory is a motivation theory that states employees are motivated by clearly defined goals that fulfil five key principles.[1]][The Goal Setting Theory is suitable for Croft's Collection as employees can be involved in setting goals with Lara, enabling the development of tailored goals that meet their personal interests and skills, increasing their motivation at work.[2]][Moreover, another advantage of the Goal Setting Theory is that Lara can clearly establish the management expectation of restoring artefacts to a mint condition with each employee, ensuring that performance requirements are understood and achieved. This collaborative process of goal setting allows for transparency between Lara and her employees, increasing trust and strengthening their relationship.[3]][Furthermore, a third advantage of the Goal Setting Theory is that Lara can use it to align employee goals with the goals of the Croft's Collection to sell rare and mint condition artefacts to customers. This will ensure that employee efforts contribute directly to achieving key business objectives, such as reaching a sales target on a particular kind of artefact.[4]]

✓ ✗ I have identified and defined the Goal Setting Theory.[1]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of the Goal Setting Theory.[2]

✓ ✗ I have provided an example relevant to the case study and linked it to a second advantage of the Goal Setting Theory.[3]

- I have provided an example relevant to the case study and linked it to a third advantage of the Goal Setting Theory.[4]
- I have signposted my response by using 'another advantage' and 'a third advantage'.
- I have referred to the business directly by using 'Croft's Collection' and 'Lara'.
- I have used connecting words, such as 'Moreover' and 'Furthermore'.

Note: This could have been answered with three disadvantages or any combination of advantages and disadvantages.

16. [One principle that Danny should consider when implementing the Goal Setting Theory to improve employee performance is clarity, which involves establishing goals which are easily understood by employees. For example, employees could have the clear and measurable goal of producing 200 bottles of pharmaceutical supplies each day.[1]][A second principle that Danny should uphold when implementing the Goal Setting Theory is commitment, as Danny should ensure that employees are involved in setting goals which align with their personal interests, such as ensuring that as many customers as possible receive high-quality pharmaceutical supplies.[2]] [Furthermore, a third principle that Danny should uphold to improve employee performance is challenge. Danny should set goals for employees at Hyper Health which are challenging enough to engage them, such as consistently decreasing the time it takes them to produce supplies.[3]][The fourth principle that Danny should consider is task complexity, as he must ensure that the goals set for employees are achievable enough so that they do not become demotivated. He should establish adequate time deadlines for employees to achieve production goals for pharmaceutical supplies.[4]][Finally, the fifth principle of the Goal Setting Theory that Danny should implement to motivate employees is feedback. Danny can improve employee performance by providing regular encouragement and constructive criticism regarding their progress in achieving their goals at Hyper Health.[5]]

- I have provided an example relevant to the case study and linked it to a principle of the goal setting theory.[1]
- I have provided an example relevant to the case study and linked it to another principle of the goal setting theory.[2]
- I have provided an example relevant to the case study and linked it to a third principle of the goal setting theory.[3]
- I have provided an example relevant to the case study and linked it to a fourth principle of the goal setting theory.[4]
- I have provided an example relevant to the case study and linked it to a fifth principle of the goal setting theory.[5]
- I have signposted my response by using 'One principle' and 'A second principle'.
- I have referred to the business directly by using 'Danny' and 'Hyper Health'.
- I have used connecting words, such as 'Furthermore' and 'Finally'.

17. [One similarity between the Four Drive Theory and Locke and Latham's Theory is that both suggest Oak's Lab's employees will be motivated to achieve personal success in the workplace through the drive to acquire or achieving an individual goal.[1]][Another similarity between these two theories is that they both suggest that Oak's Lab's employees are motivated by multiple factors at once, such as the four different drives or the five principles of goals.[2]][However, one difference between these theories is that the Goal Setting Theory requires input from Oak's Lab's employees to develop their individual goals, whereas the Four Drive Theory can be applied without any input from employees.[3]][Furthermore, another difference is that the Goal Setting Theory requires Ash to set goals with each individual employee, whereas the Four Drive Theory can be applied to employees at Oak's Lab in a collective manner.[4]][The Goal Setting Theory would be most suitable for Ash to use to motivate employees at Oak's Lab. As opposed to the Four Drive Theory, the Goal Setting Theory can minimise the number of employees who leave the business to work at Rocket Supplies as it improves the relationship between management and employees through the collaborative process of setting goals.[5]][Another advantage of the Goal Setting Theory is that Ash can use it to provide employees with a clear understanding of customer service expectations at Oak's Lab. Unlike the Four Drive Theory, the goals used can inform employees on how they should undertake their work to most effectively reach business objectives.[6]]

- I have provided an example relevant to the case study and linked it to one similarity between the Goal Setting Theory and the Four Drive Theory.[1]
- I have provided an example relevant to the case study and linked it to another similarity between the Goal Setting Theory and the Four Drive Theory.[2]
- I have provided an example relevant to the case study and linked it to one difference between the Goal Setting Theory and the Four Drive Theory.[3]
- I have provided an example relevant to the case study and linked it to another difference between the Goal Setting Theory and the Four Drive Theory.[4]
- I have provided an example relevant to the case study and linked it to an advantage of my chosen motivation theory.[5]
- I have provided an example relevant to the case study and linked it to another advantage of my chosen motivation theory.[6]
- I have signposted my response by using 'One similarity' and 'Another similarity'.
- I have referred to the business directly by using 'Oak's Lab' and 'Ash'.
- I have used connecting words, such as 'However' and 'Furthermore'.

Other acceptable answers include:

- The Four Drive Theory

Testing previous knowledge

18. [One management skill that a manager would use when implementing the Goal Setting Theory is communication, which involves effectively transferring information from one party to another.[1]][When implementing the Goal Setting Theory, a manager would need to use two-way communication to clearly convey to employees what is expected of them, whilst they would also need to listen to employees to collaboratively set goals that are achievable and challenging for the employee.[2]][Furthermore, another management skill that a manager could use in goal setting is leadership, which involves motivating others in order to achieve a business's objectives.[3]][Managers would need to share their vision for the business with employees in order to inspire them to work towards achieving their personal goals as they understand how they can contribute to the achievement of the business's success.[4]]

- ✓ ✗ I have identified and defined one management skill that could be used by a manager when implementing Locke and Latham's theory of motivation.[1]
- ✓ ✗ I have provided an example of how my chosen management skill could be used when implementing Locke and Latham's theory of motivation.[2]
- ✓ ✗ I have identified and defined a second management skill that could be used by a manager when implementing Locke and Latham's theory of motivation.[3]
- ✓ ✗ I have provided an example of how my chosen management skill could be used when implementing Locke and Latham's theory of motivation.[4]
- ✓ ✗ I have signposted my response by using 'One management skill' and 'another management skill'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

2E Motivation strategies: Part 1

Theory review

1. A. True. *The effectiveness of a motivation strategy may depend on how much time and money the manager of a business has, as well as manager preferences.*

2. career advancement; investment in training. *Career advancement is the upwards progression of an employee's job position, whereas investment in training is allocating resources to improve employee skills and knowledge.*

3. II; III. *Investment in training can effectively motivate employees as they can gain skills and knowledge to perform their roles more productively, improving job satisfaction and motivation.*

4. A. True. *Career advancement develops loyalty and an interpersonal relationship between managers and employees, promoting a positive corporate culture. In contrast, sanctions may weaken the relationship between managers and employees due to fear of punishment.*

5. B. *Performance-related pay can be beneficial as employees can be motivated simultaneously, which can improve employee and business performance.*

6. support strategies; sanction strategies. *Support strategies can allow a manager to resolve conflicts efficiently by building a trusting relationship with employees. In contrast, sanction strategies pressure employees to fulfil management expectations through fear of punishment.*

7. A. True. *Motivated employees can improve the performance of the business and contribute to the achievement of business objectives.*

Preparing for exams

Case study skills

8. I and III are true. II and IV are false.

9. II; III **10.** I; II **11.** C **12.** B

Exam-style

13. [Career advancement is the upwards progression of an employee's job position.[1]][It can motivate employees by providing them with the opportunity to increase their responsibility and authority within the business.[2]]

- ✓ ✗ I have defined career advancement as a motivation strategy.[1]
- ✓ ✗ I have provided one characteristic of career advancement as a motivation strategy.[2]

14. [Investment in training is allocating resources to improve employee skills and knowledge.[1]][Managers could use investment in training to increase employee motivation by offering mentoring programs which would give employees the opportunity to increase their skill set during on-the-job training sessions.[2]]

- ✓ ✗ I have defined career advancement as a motivation strategy.[1]
- ✓ ✗ I have provided one characteristic of investment in training as a motivation strategy.[2]

15. [One advantage of performance-related pay is that managers can link employee goals to business objectives, motivating employees to reach these established goals in order to receive remuneration.[1]][One disadvantage of performance-related pay is that over time, employees may require higher financial rewards to be motivated, which may become costly for the business and demotivate employees if remuneration does not increase.[2]]

- ✓ ✗ I have outlined one advantage of performance-related pay as a motivation strategy.[1]
- ✓ ✗ I have outlined one disadvantage of performance-related pay as a motivation strategy.[2]

16. [One advantage of sanction strategies is that managers can effectively pressure employees to comply with instructions through the use of a threat or a warning.[1]][Moreover, another advantage of sanction strategies is that managers will be able to motivate employees immediately, as employees will likely fear being punished.[2]][However, a disadvantage of sanction strategies is that they may generate a negative corporate culture, as employees only complete tasks out of fear and can lose trust in their managers.[3]][Furthermore, another disadvantage of sanction strategies is that their prolonged use can lead to employees leaving the business, and it can be time-consuming to hire and train new employees.[4]]

- ✓ ✗ I have provided an advantage of sanction strategies as a motivation strategy.[1]
- ✓ ✗ I have provided another advantage of sanction strategies as a motivation strategy.[2]
- ✓ ✗ I have provided a disadvantage of sanction strategies as a motivation strategy.[3]
- ✓ ✗ I have provided another disadvantage of sanction strategies as a motivation strategy.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'However'.

17. [One strategy that Theo could use to motivate his employees is support strategies, which involves providing employees with any assistance that improves their satisfaction at work.[1]][One advantage of support strategies is that employees feel valued by Theo and the business as their wellbeing is considered and thus, will be less likely to leave Goldfinch Insurance.[2]][Moreover, another advantage of support strategies is that it is an inexpensive motivation strategy, allowing Goldfinch Insurance to continue to provide a low-cost service as less money is invested in employee motivation.[3]]

- ✓ ✗ I have identified and defined a suitable motivation strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen motivation strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen motivation strategy.[3]
- ✓ ✗ I have signposted my response by using 'One strategy' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'Theo' and 'Goldfinch Insurance'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

Other acceptable answers include:

- Sanction strategies

18. [One motivation strategy that Ellen could use to motivate her employees is performance-related pay, which is a financial reward that employees receive for reaching or exceeding a set business goal.[1]][Ellen could offer remuneration in the form of a pay rise for employees who have achieved set objectives, such as selling a certain amount of pesticides within a month. Employees will be motivated by being tangibly rewarded for their work and increasing their personal wealth.[2]][Furthermore, another motivation strategy that could be used at Ripley's is investment in training, which involves allocating resources to improve employee skills and knowledge.[3]][Ellen could invest in a sales and customer service training program for her employees in order to increase their skill set. This would allow Ripley's employees to perform their roles to a higher standard, increasing job satisfaction and thus increasing employee motivation.[4]]

- ✓ ✗ I have identified and defined performance-related pay as a motivation strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to performance-related pay.[2]
- ✓ ✗ I have identified and defined investment in training as a motivation strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to investment in training.[4]
- ✓ ✗ I have signposted my response by using 'One motivation strategy' and 'another motivation strategy'.
- ✓ ✗ I have referred to the business directly by using 'Ellen' and 'Ripley's'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Testing previous knowledge

19. [One theory Roy could apply to motivate his employees is the Four Drive Theory, which suggests that employees strive to fulfil four fundamental drives; the drive to acquire, the drive to learn, the drive to bond, and the drive to defend.[1]][A related motivation strategy that Roy could apply is career advancement, which is the upwards progression of an employee's job position.[2]][Career advancement could motivate employees through the drive to acquire, as employees would be encouraged to increase the number of sales at the business in order to receive a promotion.[3]][Another way career advancement could motivate employees is through the drive to learn, as employees who are given an expanded role would have a larger degree of responsibility, resulting in the need for them to expand their knowledge and skills through learning.[4]][In addition, employees could be motivated through the drive to bond, as a promotion may help them grow closer to their manager, Roy, and develop stronger relationships with other employees in their new, higher-authority role.[5]][Finally, career advancement may help to motivate employees through the drive to defend, as employees in a more authoritative position at Level-Up-Shoes may feel less threatened at the possibility of losing their job.[6]]

- ✓ ✗ I have identified and defined a theory of motivation.[1]
- ✓ ✗ I have identified and defined a motivation strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[3]
- ✓ ✗ I have provided a second example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[4]
- ✓ ✗ I have provided a third example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[5]
- ✓ ✗ I have provided a final example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[6]
- ✓ ✗ I have signposted my response by using 'One theory' and 'A related motivation strategy'.

✓ ✗ I have referred to the business directly by using 'Roy' and 'Level-Up Shoes'.

✓ ✗ I have used connecting words, such as 'In addition' and 'Finally'.

Note: The original question was marked globally on the 2019 VCE Business Management exam. The above is a suggested marking scheme.

2F Motivation strategies: Part 2

Theory review

1. long term; short term. *Some motivation strategies are more effective in the long term as they focus on sustainable practices which continually motivate employees. In contrast, some strategies are only effective in the short term as they are expensive to sustain or negatively impact a business's corporate culture.*

2. I; IV. *Sanction strategies act to quickly motivate employees in the short term as they seek to avoid punishment. Performance-related pay also motivates employees in the short term as they aim to complete tasks in order to receive immediate remuneration.*

3. A. True. *Support strategies focus on assisting employees to increase their satisfaction at work, which is generally more effective when assistance is provided for a long period of time as it can build a positive corporate culture. However, support strategies can still be effective in the short term as employees feel that their wellbeing is valued by the business.*

4. B. *Motivation strategies that are effective in the long term have a focus on building a workplace that continually motivates employees. This is achieved when managers provide employees with opportunities for growth and aim to ensure they feel valued in the business.*

5. II; III. *Investment in training provides ongoing opportunities for employees to increase their personal and professional skills, therefore sustaining motivation over time. Support strategies aim to increase employee morale, providing consistent motivation to employees who feel valued and understood.*

6. career advancement. *Career advancement allows employees to be continually motivated by the opportunity to be promoted, and given more responsibilities within the business.*

7. A. True. *Managers should consider if they want to motivate employees over a shorter time period or more sustainably, over a longer period of time before choosing which strategy to implement, as motivation strategies are effective over varying periods of time.*

Preparing for exams

Case study skills

8. II; V **9.** B **10.** A **11.** I; IV

12. III; V

13. II and IV are true. I and III are false.

14. I and III are true. II and IV are false.

Exam-style

15. [Performance-related pay is a financial reward that employees receive for reaching or exceeding a set business goal.[1]][One effect of performance-related pay in the short term is that employees can be motivated to improve their performance in return for a financial reward, such as a pay rise or a bonus. This is likely to immediately motivate employees to reach set objectives as they want to receive the remuneration that is offered by their manager.[2]]

✓ ✗ I have defined performance-related pay as a motivation strategy.[1]

✓ ✗ I have provided an example of how performance-related pay can affect employee motivation in the short term.[2]

✓ ✗ I have signposted my response by using 'One effect'.

16. [One effect of investment in training in the long term is that employees may feel continually motivated by working in an environment that promotes learning and development.[1]][A manager could implement regular training programs that provide employees with the opportunity to frequently improve their skills in order to sustain motivation.[2]][However, another effect of investment in training on long-term motivation is that employees may be demotivated by the constant disruptions to their workflow if they are continually required to stop work in order to participate in a training program.[3]][In the long term, employees may be demotivated by training programs, especially if they are not valuable to their personal learning and development.[4]]

✓ ✗ I have identified and described one effect of investment in training on long-term employee motivation.[1]

✓ ✗ I have provided an example of how investment in training could impact long-term employee motivation.[2]

✓ ✗ I have identified and described a second effect of investment in training on long-term employee motivation.[3]

✓ ✗ I have provided another example of how investment in training could impact long-term employee motivation.[4]

✓ ✗ I have signposted my response by using 'One effect' and 'another effect'.

✓ ✗ I have used connecting words, such as 'However'.

17. [Performance-related pay is a financial reward provided to employees to motivate them to reach or exceed a set goal.[1]][Deb could use performance-related pay to motivate her employees to reach their sales target of selling 50 kids' meals per day by offering bonuses to high-performing employees.[2]][One short-term effect of implementing performance-related pay is that employees would be quickly motivated to sell meals in order to receive the financial reward of a bonus and increase their personal wealth.[3]][However, one long-term effect of providing financial rewards is that employees at Bo's Diner may be demotivated if the bonuses do not continually increase over time.[4]]

✓ ✗ I have identified and defined performance-related pay as a motivation strategy.[1]

✓ ✗ I have provided an example relevant to the case study and linked it to how performance-related pay can be used to motivate employees.[2]

- I have provided an example relevant to the case study and linked it to one effect of performance-related pay on short-term employee motivation.[3]
- I have provided another example relevant to the case study and linked it to one effect of performance-related pay on long-term employee motivation.[4]
- I have signposted my response by using 'One short-term effect' and 'one long-term effect'.
- I have referred to the business directly by using 'Deb' and 'Bo's Diner'.
- I have used connecting words, such as 'However'.

18. [One motivation strategy that Gustave could use is support strategies. Support strategies involve providing employees with any assistance that improves their satisfaction at work.[1]][One advantage of support strategies on long-term motivation is that employees may feel increasingly valued by The Grand, increasing their ability to provide high-quality customer service as they are motivated on an ongoing basis.[2]][Furthermore, another advantage of support strategies on long-term employee motivation is that it will allow Gustave to develop a positive relationship with his staff, enabling conflicts to be resolved quickly and reducing the likelihood of them leaving the business in the future.[3]]

- I have identified and defined a suitable motivation strategy.[1]
- I have provided an example relevant to the case study and linked it to an advantage of my chosen motivation strategy on long-term employee motivation.[2]
- I have provided an example relevant to the case study and linked it to another advantage of my chosen motivation strategy on long-term employee motivation.[3]
- I have signposted my response by using 'One motivation strategy' and 'One advantage'.
- I have referred to the business directly by using 'Gustave' and 'The Grand'.
- I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Career advancement

19. [One motivation strategy that Dom could use is investment in training, which is allocating resources to improve employee skills and knowledge.[1]][One effect of investment in training in the short term is that employees at M&F may be quickly motivated by the opportunity to develop their consulting skills through a training program and, consequently, perform their job to a higher standard.[2]][Moreover, an effect of investment in training in the long term is that employees at M&F may be continually motivated by a workplace that values their learning and promotes ongoing development.[3]][Another motivation strategy that Dom could use to motivate his employees are sanction strategies, which involve penalising employees for poor performance or breaching business policies.[4]][One effect of sanction strategies in the short term is that it can quickly improve the performance of employees when providing financial advice to customers out of fear of punishment.[5]][Furthermore, an effect of sanction strategies in the long term is that employees are more likely to be demotivated as they are in constant fear of receiving punishment and are therefore more likely to leave M&F.[6]]

- I have identified and defined one motivation strategy.[1]
- I have provided an example relevant to the case study and linked it to an effect of my chosen motivation strategy on short-term employee motivation.[2]
- I have provided an example relevant to the case study and linked it to an effect of my chosen motivation strategy on long-term employee motivation.[3]
- I have identified and defined another motivation strategy.[4]
- I have provided an example relevant to the case study and linked it to an effect of my chosen motivation strategy on short-term employee motivation.[5]
- I have provided an example relevant to the case study and linked it to an effect of my chosen motivation strategy on long-term employee motivation.[6]
- I have signposted my response by using 'One motivation strategy' and 'One effect'.
- I have referred to the business directly by using 'Dom' and 'M&F'.
- I have used connecting words, such as 'Moreover' and 'Furthermore'.

Testing previous knowledge

20. [One motivation strategy that could motivate employees in the long term is investment in training, which is allocating resources to improve employee skills and knowledge.[1]][Another motivation strategy that could be used to motivate employees in the long term is support strategies, which involve providing employees with any assistance that improves their satisfaction at work.[2]][Investment in training would be most effective at motivating employees on an ongoing basis. One advantage of investment in training is that employees can feel increasingly valued as they are provided with opportunities to develop their skills. As a result, employees may be motivated to work towards achieving business objectives with their continually improving skill set.[3]][Moreover, another advantage of investment in training is that employees are more likely to be consistently motivated by a positive corporate culture that promotes learning and values personal growth, further encouraging them to work towards business objectives.[4]]

- I have identified and defined one motivation strategy.[1]
- I have identified and defined another motivation strategy.[2]
- I have provided an advantage of my chosen motivation strategy and linked it to the achievement of business objectives in the long term.[3]
- I have provided another advantage of my chosen motivation strategy and linked it to the achievement of business objectives in the long term.[4]
- I have signposted my response by using 'One motivation strategy' and 'One advantage'.
- I have used connecting words, such as 'As a result' and 'Moreover'.

Other acceptable answers include:

- Career advancement
- Performance-related pay
- Sanctions

2A–F review

Exam-style

1. [Motivation is the willingness of an individual to expend energy and effort in completing a task.[1]][An employee's motivation relates to their ability to be influenced and inspired to take on business activities and strive towards achieving their best performance.[2]]

- ✓ ✗ I have defined motivation.[1]
- ✓ ✗ I have provided one characteristic of motivation.[2]

2. [One advantage of Maslow's Hierarchy of Needs is that it can be used to motivate employees without increasing expenses. For instance, a business could satisfy security needs by hosting internal diversity training and introducing policies that prevent discrimination in the workplace.[1]][On the other hand, one disadvantage is that Maslow's theory provides a generalised assumption that every individual is motivated by the same five needs, in the same order, without the presence of other fundamental needs that may act as motivators.[2]]

- ✓ ✗ I have outlined one advantage of Maslow's Hierarchy of Needs.[1]
- ✓ ✗ I have outlined one disadvantage of Maslow's Hierarchy of Needs.[2]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have used connecting words, such as 'On the other hand'.

3. [One similarity between Maslow's Hierarchy of Needs and Locke and Latham's Goal Setting Theory is that personal gain is recognised as a motivator. In Maslow's theory, esteem needs may be satisfied by providing opportunities for high-performing employees to gain promotions with higher status or pay. Similarly, the opportunity to personally gain is emphasised within the commitment principle of the Goal Setting Theory, as employees' personal objectives are considered.[1]][Another similarity is that both motivation theories emphasise the importance of providing feedback to employees. Esteem needs in Maslow's theory can be satisfied by recognising employees' efforts and providing constructive feedback. This is similar to the Goal Setting Theory's feedback principle, which highlights the importance of regular feedback.[2]][On the other hand, Maslow's theory and the Goal Setting Theory differ in the fact that Maslow suggests that employees must fulfil one need at a time in a sequential order. Conversely, Locke and Latham's theory requires all principles to be incorporated simultaneously to motivate employees.[3]][Furthermore, another difference between these theories is that Locke and Latham believe employees can be motivated purely by intrinsic factors. In contrast, Maslow's theory considers intrinsic factors within higher-order needs, but suggests extrinsic factors, such as physiological needs, act as a foundation for motivation.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one similarity between Maslow's Hierarchy of Needs and the Goal Setting Theory.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another similarity between Maslow's Hierarchy of Needs and the Goal Setting Theory.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one difference between Maslow's Hierarchy of Needs and the Goal Setting Theory.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another difference between Maslow's Hierarchy of Needs and the Goal Setting Theory.[4]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'Another similarity'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'Conversely', when comparing.

4. [Performance-related pay is a financial reward that employees receive for reaching or exceeding a set business goal.[1]][Peta could offer financial rewards, such as bonuses, to high-performing employees at EzCom. By doing so, employees may be motivated by the tangible rewards and personal wealth they can receive in return for completing work tasks.[2]][Additionally, career advancement is the upwards progression of an employee's job position.[3]][Peta could motivate EzCom employees by implementing opportunities for high-performing staff to receive promotions to roles with increased responsibility and remuneration. By providing this opportunity, Peta can motivate employees to improve their work ethic, whilst also addressing the recent concerns regarding a lack of promotional opportunities.[4]]

- ✓ ✗ I have identified and defined performance-related pay as a motivation strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to performance-related pay as a motivation strategy.[2]
- ✓ ✗ I have identified and defined career advancement as a motivation strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to career advancement as a motivation strategy.[4]
- ✓ ✗ I have referred to the business directly by using 'Peta' and 'EzCom'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

5. [One advantage of Peta using sanction strategies is that they can act as an immediate motivator by pressuring employees at EzCom to ensure their performance is of an adequate standard, as they may fear losing their job.[1]][Another advantage is that EzCom can implement sanction strategies without incurring expenses, meaning it's a relatively cheap method of motivating staff.[2]][On the other hand, one disadvantage of using sanction strategies at Ezcom is that it may negatively impact employees' level of trust towards managers, such as Peta.[3]][Moreover, another disadvantage is that if Peta were to use sanction strategies for an extended period of time it could result in more staff leaving the business. This would further exacerbate EzCom's current issues regarding staff resignations.[4]] [The use of sanction strategies may have a positive effect on the short-term motivation levels of EzCom employees, as employees may respond quickly to improve performance in fear of losing their job.[5]][However, in the long term, sanction strategies may not be sustainable to motivate EzCom employees. The use of sanction strategies for prolonged periods of time may cause employees to become desensitised to the threat of punishment and no longer be motivated by sanctions.[6]][In conclusion, despite being a quick and cheap method to motivate employees, the use of sanction strategies is not appropriate given the current concerns surrounding employee retention and poor performance at EzCom and has the potential to worsen such issues if implemented for an extended period of time.[7]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of sanction strategies as a motivation strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of sanction strategies as a motivation strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of sanction strategies as a motivation strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of sanction strategies as a motivation strategy.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an impact of sanction strategies on short-term employee motivation.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an impact of sanction strategies on long-term employee motivation.[6]
- ✓ ✗ I have provided an opinion on the appropriateness of sanction strategies by summarising the advantages and disadvantages.[7]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Peta' and 'EzCom'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'However'.

6. [One motivation theory Peta could apply to motivate EzCom's employees is the Four Drive Theory, which suggests that employees strive to fulfil four fundamental drives; the drive to acquire, the drive to learn, the drive to bond, and the drive to defend.[1]][In addition, Peta could also implement the motivation strategy of career advancement, which is the upwards progression of an employee's job position.[2]] [Peta could satisfy the drive to acquire with the implementation of career advancement, as employees will be provided with the opportunity to earn promotions for outstanding performance.[3]] [Career advancement can improve motivation through satisfying the drive to learn by providing employees at EzCom with the opportunity to take on roles involving new challenges and greater responsibility.[4]] [Furthermore, career advancement could satisfy the drive to bond as employees who receive promotions at EzCom are likely to move to different areas or teams within the business, strengthening workplace relationships.[5]][Lastly, career advancement may help to motivate employees by fulfilling the drive to defend as offering employees higher status and responsibilities may provide them with greater job and financial security.[6]]

- ✓ ✗ I have identified and defined a theory of motivation.[1]
- ✓ ✗ I have identified and defined a motivation strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[3]
- ✓ ✗ I have provided a second example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[4]
- ✓ ✗ I have provided a third example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[5]
- ✓ ✗ I have provided a final example relevant to the case study and linked it to my chosen theory of motivation and my chosen motivation strategy.[6]
- ✓ ✗ I have signposted my response by using 'One motivation theory'.
- ✓ ✗ I have referred to the business directly by using 'Peta' and 'EzCom'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Lastly'.

Other acceptable answers include:

- Maslow's Hierarchy of Needs
- Locke and Latham's Goal Setting Theory
- Performance-related pay
- Investment in training
- Support strategies
- Sanction strategies

Note: The original question was marked globally on the 2019 VCE Business Management exam. The above is a suggested marking scheme.

2G Employee training

Theory review

1. A. True. *A business should train its employees to ensure they have the correct skills and knowledge to contribute toward the achievement of business objectives.*

2. off-the-job training. *A business funding the cost for employees to receive university qualifications is considered to be off-the-job training.*

3. A. True. *Businesses can use job rotation to allow their employees to develop skills and knowledge by completing different roles within the business.*

4. I; III. *Off-the-job training means employees can develop their skills and knowledge in a professional setting and learn from highly qualified individuals outside of their immediate workplace.*

5. on-the-job; off-the-job. *As on-the-job training is conducted within the business, it is relatively cheaper as, unlike off-the-job training, it doesn't involve costs associated with transporting employees.*

Preparing for exams

Case study skills

6. I; II; IV

7. I; III

8. II and III are advantages. I and IV are disadvantages.

9. III and IV are advantages. I and II are disadvantages.

10. I and IV are advantages. II and III are disadvantages.

Exam-style

11. [Off-the-job training involves employees improving their knowledge and skills in a location external to the business.[1]][One example of off-the-job training is employees performing online training courses outside of their traditional working hours.[2]]

- ✓ ✗ I have defined off-the-job training.[1]
- ✓ ✗ I have provided one example of off-the-job training.[2]

12. [One similarity between off-the-job training and on-the-job training is that they both aim to increase the performance of employees by improving their knowledge and skills.[1]][However, one difference between these training methods is that on-the-job training allows employees to continue working within the workplace while undergoing training, whereas off-the-job training removes employees from the work environment, creating potential disruptions to the workflow.[2]]

- ✓ ✗ I have provided one similarity between on-the-job training and off-the-job training.[1]
- ✓ ✗ I have provided one difference between on-the-job training and off-the-job training.[2]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'one difference'.
- ✓ ✗ I have used connecting words, such as 'However'.
- ✓ ✗ I have used comparison words, such as 'whereas', when comparing.

13. [On-the-job training involves employees improving their knowledge and skills within the workplace.[1]][This can teach staff how to perform new roles in the workplace, such as how to use advanced technology. By teaching employees new skills, they can improve their ability to perform multiple roles in the workplace.[2]]

- ✓ ✗ I have defined on-the-job training.[1]
- ✓ ✗ I have provided one example of how on-the-job training can multiskill employees.[2]

14. [One advantage of on-the-job training is that employees can quickly become familiar with work equipment as they are enhancing their skills and knowledge within the business.[1]][This improves the efficiency of employees as they are able to complete their roles faster after training as they are more familiar with the work equipment, having used it in training.[2]][However, one disadvantage of on-the-job training is that employees may learn bad habits from being trained by senior staff.[3]][This has a negative impact on the efficiency of employees as their tasks may need to be re-completed if they are of poor quality, which can decrease productivity levels within the business.[4]]

- ✓ ✗ I have provided an advantage of on-the-job training.[1]
- ✓ ✗ I have provided an example of how my chosen advantage will effect the efficiency of employees.[2]
- ✓ ✗ I have provided a disadvantage of on-the-job training.[3]
- ✓ ✗ I have provided an example of how my chosen disadvantage will effect the efficiency of employees.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have used connecting words, such as 'However'.

15. [Off-the-job training involves employees improving their knowledge and skills in a location external to the business.[1]][David could implement off-the-job training by sending staff off-site to take part in a workshop led by an industry professional that provides guidance and teaches staff the correct way to perform their roles. This can allow employees at Smith Construction to improve their technical skills and knowledge.[2]][One advantage of implementing off-the-job training is that employees can focus on the skills being taught without being distracted by other staff at Smith Construction. Therefore, this may improve the effectiveness of the training, as employees may retain more.[3]][Furthermore, another advantage of off-the-job training is that, since the training is conducted by an external industry expert, employees may be provided with broader knowledge and experiences regarding the construction industry. This may exceed the knowledge and skills that could be provided internally, further improving the effectiveness of the training.[4]]

- ✓ ✗ I have identified and defined off-the-job training.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to off-the-job training.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of off-the-job training.[3]
- ✓ ✗ I have provided another example relevant to the case study and linked it to another advantage of off-the-job training.[4]

- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'David' and 'Smith Construction'.
- I have used connecting words, such as 'Therefore' and 'Furthermore'.

16. [One advantage of on-the-job training at Sparkling Homes is that employees can continue to provide cleaning services while performing the training, as it occurs within the workplace. Consequently, the productivity of Sparkling Homes is unlikely to be compromised during the training process.[1]][Another advantage of on-the-job training is that Amy can pass on her own experience and skills to employees. Therefore, employees can be taught specific skills related to homes that they clean regularly, potentially improving the quality of their cleaning and customer satisfaction.[2]] [However, one disadvantage of on-the-job training is that Sparkling Homes' employees will be taught by staff within the business and will be unable to learn a broader set of cleaning knowledge and skills that could be provided by external organisations.[3]] [Another disadvantage is that bad habits of senior cleaning staff, such as slow speed or cutting corners, may be passed on to newer employees, rather than resolving the problems identified in the survey. Consequently, this may limit the ability of Sparkling Homes to resolve its issues of low quality and speed.[4]]

- I have provided an example relevant to the case study and linked it to an advantage of on-the-job training.[1]
- I have provided another example relevant to the case study and linked it to another advantage of on-the-job training.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of on-the-job training.[3]
- I have provided another example relevant to the case study and linked it to another disadvantage of on-the-job training.[4]
- I have signposted my response by using 'One advantage' and 'Another advantage'.
- I have referred to the business directly by using 'Sparkling Homes' and 'Amy'.
- I have used connecting words, such as 'Therefore' and 'However'.

17. [Anthony could implement off-the-job training, which involves employees improving their knowledge and skills in a location external to the business. One advantage of off-the-job training is that sending staff to the course will provide them with new perspectives on how to perform their role as swimming coaches to a higher standard, improving their employability.[1]][Additionally, another advantage of on-the-job training is that Anthony can ensure the safety of his students and coaches during swimming lessons as there are no disruptions to his responsibilities.[2]][However, one disadvantage of using off-the-job training is that it will have a higher cost associated with paying for the accreditation course in comparison to Anthony training the staff himself.[3]][Another disadvantage is that, although staff will improve their skills and knowledge, this training method removes Kew Dolphins' staff from the business. Therefore, the issue of being understaffed will not be resolved in the short term.[4]] [Overall, off-the-job training is a suitable training method to be implemented. Although it's expensive and removes staff from the business in the short term, employees will be able to achieve formal qualifications as swimming coaches without distracting other coaches from their responsibilities during the training process.[5]]

- I have provided an example relevant to the case study and linked it to an advantage of my chosen training option.[1]
- I have provided another example relevant to the case study and linked it to another advantage of my chosen training option.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of my chosen training option.[3]
- I have provided another example relevant to the case study and linked it to another disadvantage of my chosen training option.[4]
- I have provided an opinion on the training option by summarising the advantages and disadvantages.[5]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Anthony' and 'Kew Dolphins'.
- I have used connecting words, such as 'Additionally' and 'However'.

Other acceptable answers include:

- On-the-job training

Testing previous knowledge

18. [On-the-job training involves employees improving their knowledge and skills within the workplace.[1]][At Sally's Beach Club, on-the-job training may involve the new employees being coached by the experienced staff members on how to effectively serve customers at the seafood restaurant, better enabling them to complete their role within the Beach Club.[2]][Additionally, as new employees are currently demotivated because they do not get along with the existing employees, on-the-job training provides the opportunity for current and new employees to develop interpersonal relationships. Consequently, this may increase the motivation of new employees at Sally's Beach Club.[3]]

- I have identified and defined on-the-job training.[1]
- I have provided an example relevant to the case study and linked it to on-the-job training.[2]
- I have linked my example to how on-the-job training can motivate employees.[3]
- I have referred to the business directly by using 'Sally's Beach Club'.
- I have used connecting words, such as 'Additionally'.

2H Performance management

Theory review

1. A. True. *A business can use performance management strategies to review the performance of each employee to ensure desired standards are being met and identify areas for improvement.*

2. Employee observation. *Employee observation involves a range of employees from different levels of authority assessing another employee's performance. This can encourage employees to interact with one another, improving the relationship between employees.*

3. B. False. *A performance appraisal involves a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.*

4. management by objectives; self-evaluation. *Management by objectives is a performance management strategy that focuses on goal setting, whereas self-evaluation is a performance management strategy that focuses on each employee critiquing their own work.*

5. A. True. *As self-evaluation involves an employee assessing their own performance, they may decide to omit some of their weaknesses to make it seem like they are performing better than they actually are, therefore giving a manager an inaccurate evaluation of their performance.*

Preparing for exams

Case study skills

6. II and III are advantages. I and IV are disadvantages.

7. II and III are true. I and IV are false.

8. I; III; IV **9.** I; II **10.** II; IV

Exam-style

11. [Self-evaluation involves an employee assessing their individual performance against a set of criteria.[1]][Self-evaluation enables a manager to gain insight into an employee's perception of their own ability and can be used to address strengths and weaknesses in their performance.[2]]

- ✓ ✗ I have defined self-evaluation as a performance management strategy.[1]
- ✓ ✗ I have provided one characteristic of self-evaluation.[2]

12. [Performance appraisals involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.[1]] [Managers can use performance appraisals to identify any problems in employee performance and make decisions about which members of staff require further training, opportunities for promotion, or dismissal based on their work ethic.[2]]

- ✓ ✗ I have defined performance appraisals as a performance management strategy.[1]
- ✓ ✗ I have provided one characteristic of performance appraisals.[2]

13. [Management by objectives involves both managers and employees collaboratively setting individual employee goals that contribute to the achievement of broader business objectives.[1]][By using this strategy, employees are involved in their own goal-setting process, they are therefore more likely to develop a stronger commitment and ownership over their individualised objectives that lead to the achievement of business objectives. Therefore, management by objectives can lead to improvements in employee performance.[2]]

- ✓ ✗ I have defined management by objectives as a performance management strategy.[1]
- ✓ ✗ I have provided an example of how management by objectives can improve employee performance.[2]

14. [Self-evaluation involves an employee assessing their individual performance against a set of criteria.[1]][This strategy relies on employees identifying their own strengths and weaknesses, enabling a manager to respond accordingly by implementing relevant training programs, therefore encouraging an improvement in employee performance.[2]][Additionally, employee observation involves a range of employees from different levels of authority assessing another employee's performance against a set of criteria.[3]][This performance management strategy can improve employee performance as staff are likely to be responsive to suggestions from their peers and should work harder to resolve any issues in their performance that are identified by their coworkers.[4]]

- ✓ ✗ I have defined self-evaluation as a performance management strategy.[1]
- ✓ ✗ I have provided an example and linked it to one way that self-evaluation can improve employee performance.[2]
- ✓ ✗ I have defined employee observation as a performance management strategy.[3]
- ✓ ✗ I have provided an example and linked it to one way that employee observation can improve employee performance.[4]
- ✓ ✗ I have signposted my response by using 'Self-evaluation involves' and 'employee observation involves'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

15. [One advantage of implementing performance appraisals at Phelps is they will allow Charlie to provide staff with greater communication on how they can improve their performance.[1]][Another advantage of using performance appraisals is that they can be used as an opportunity to consider high-performing employees for promotions, therefore recognising strong work ethics and setting standards for other employees at Phelps to follow.[2]][However, one disadvantage of performance appraisals is while employees have greater promotional opportunities, any instance of a promotion or pay raise will increase the total expenses for Phelps, hence having a negative effect on the business's profits.[3]][Another disadvantage of using performance appraisals to evaluate employee performance is that Charlie will have to assess each employee's performance individually, and this process can be time consuming therefore reducing the time Charlie has to complete his other tasks.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of performance appraisals.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of performance appraisals.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of performance appraisals.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of performance appraisals.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Phelps' and 'Charlie'.
- ✓ ✗ I have used connecting words, such as 'However'.

16. [Employee observation involves a range of employees from different levels of authority assessing another employee's performance against a set of criteria. Employee observation helps managers determine an employee's strengths, weaknesses, and their coworkers' impression of their performance.[1]][One advantage of implementing employee observation as a performance management strategy is that Apples and Oranges can gain multiple insights into an employee's performance. A range of perspectives is achieved by having multiple staff from different levels assess an employee's performance across different days, allowing an employer to accurately identify an employee's strengths and weaknesses.[2]] [Additionally, another advantage is that less experienced employees may get to observe their peers as part of the observation process. Therefore, employees may adopt any strengths that they identify in their coworkers, consequently improving their own performance.[3]] [Finally, another advantage of employee observation as a performance management strategy is that employee performance can be continuously monitored by coworkers that come in contact with them. Therefore, Shane is not required to be present at all stores to evaluate employees' performance, and thus, employee observation can be a useful performance management strategy for businesses with multiple branches, such as Apples and Oranges.[4]]

- ✓ ✗ I have identified and defined employee observation as a performance management strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of employee observation.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a second advantage of employee observation.[3]
- ✓ ✗ I have provided another example relevant to the case study and linked it to a third advantage of employee observation.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Apples and Oranges' and 'Shane'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'Finally'.

17. [One performance management strategy that Simon could implement at Gold Homes is employee observation, which involves a range of employees from different levels of authority assessing another employee's performance against a set of criteria.[1]][One advantage of Simon implementing employee observation is Simon can gain multiple different perspectives about an employee that they may not have had previously. This may provide him with the information necessary to select the best performing employee to be the next manager.[2]][Additionally, another advantage is employees may be responsive to feedback provided by peers as they value their opinion, enhancing the performance of each employee at Gold Homes.[3]][Another advantage is, as a variety of employees are involved, this can improve the interconnectedness of Gold Homes. This will ensure that when Simon leaves to open the second store, his business will continue to have a good corporate culture.[4]]

- ✓ ✗ I have identified and defined one performance management strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen performance management strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a second advantage of my chosen performance management strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a third advantage of my chosen performance management strategy.[4]
- ✓ ✗ I have signposted my response by using 'One performance management strategy' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'Simon' and 'Gold Homes'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

Other acceptable answers include:

- Performance appraisals
- Self-evaluation

Note: Management by objectives is not an acceptable answer because the question specifically excludes it.

Testing previous knowledge

18. [Communication is the skill of effectively transferring information from one party to another.[1]][Stephan would need to utilise communication skills when he provides employees with feedback in relation to their performance. By effectively communicating areas of sufficient performance and potential areas for improvement, Stephan can ensure employees are aware of their current performance and if any measures are needed to improve performance.[2]][Furthermore, planning is the process of determining a business's objectives and establishing strategies to achieve these aims.[3]][Stephan will need to utilise planning skills when developing strategies to address the current issues relating to improving staff performance.[4]]

- ✓ ✗ I have identified and defined the management skill of communication.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to communication skills.[2]

- ✓ ✗ I have identified and defined the management skill of planning.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to planning.[4]
- ✓ ✗ I have signposted my response by using 'Communication is' and 'planning is'.
- ✓ ✗ I have referred to the business directly by using 'Stephan'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

2I Termination management

Theory review

1. A. True. *The process of termination involves an employee leaving the business as they no longer have an employment contract. There are four types of employee termination which are retirement, redundancy, resignation, and dismissal.*

2. voluntary; involuntary. *Resignation involves an employee voluntarily terminating their own employment, usually to take another job position elsewhere. In contrast, dismissal involves the involuntary termination of an employee who fails to meet required work standards or displays unacceptable or unlawful behaviour.*

3. B. *When any employee is terminated from a business, it is a legal requirement that the business provides the employee with the appropriate entitlement considerations that they are owed, including those for dismissed employees. Although businesses should address transition considerations, this is not a legal requirement.*

4. B. False. *Redundancy involves an employee no longer working for a business because there is insufficient work or their job no longer exists. A redundant employee will not necessarily leave the workforce permanently and this form of termination may be a result of the business merging an employee's role, not the employee doing so themselves.*

5. transition consideration. *Transition considerations are social and ethical practices that a manager can consider implementing when terminating an employment contract. Providing employees with networking support that allows them to form contacts they can use to gain future employment is an example of a business addressing a transition consideration.*

6. A. *To help ease a retiring employee into the transition of a non-working life, a business will often slowly reduce a retiring staff member's working hours. Furthermore, retiring employees have often worked at a business for a significant period of time and therefore may be entitled to long service leave payouts.*

7. A. True. *A business that respectfully acknowledges and assists leaving employees through the use of strong termination management processes is more likely to maintain a positive corporate culture and reputation, as remaining employees are reassured of the business's values.*

Preparing for exams

Case study skills

8. B **9.** I; IV

Exam-style

10. [Retirement involves an individual deciding to leave the workforce permanently as they no longer wish to work.[1]][An employee may choose to retire because they have earned enough money over the course of their life to support themselves or they are too old to continue working.[2]]

- ✓ ✗ I have defined retirement as a form of employee termination.[1]
- ✓ ✗ I have provided one characteristic of retirement as a form of employee termination.[2]

11. [Redundancy involves an employee no longer working for a business because there is insufficient work or their job no longer exists. This can be either voluntary or involuntary.[1]][One entitlement consideration relevant to redundancy is that employees being made redundant are entitled to redundancy pay, which is financial compensation that correlates to the length of their service at the business.[2]]

- ✓ ✗ I have outlined redundancy as a form of employee termination.[1]
- ✓ ✗ I have provided an example of one entitlement consideration relating to redundancy as a form of employee termination.[2]
- ✓ ✗ I have signposted my response by using 'One entitlement consideration'.

12. [Resignation involves an employee voluntarily terminating their own employment, usually to take another job position elsewhere.[1]][On the other hand, dismissal involves the involuntary termination of an employee who fails to meet required work standards or displays unacceptable or unlawful behaviour.[2]][One key difference between resignation and dismissal is that resignation is an employee-led process, as the individual is choosing to leave the business to work somewhere else. In contrast, dismissal is an employer-led process whereby the employee is forced to leave the business.[3]]

- ✓ ✗ I have defined resignation as a form of employee termination.[1]
- ✓ ✗ I have defined dismissal as a form of employee termination.[2]
- ✓ ✗ I have provided a key difference between resignation and dismissal as forms of employee termination.[3]
- ✓ ✗ I have signposted my response by using 'One key difference'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'In contrast', when distinguishing.

13. [Retirement can be compared to resignation, which is another form of termination that involves an employee voluntarily terminating their own employment, usually to take another job position elsewhere. Similarly, both retirement and resignation are voluntary forms of termination, which is illustrated by the employees retiring at Sea & Fries as they are choosing to permanently leave the workforce.[1]][Furthermore, another similarity between retirement and resignation is that both resignation and retirement would require Amanda to address entitlement considerations of employees who are being terminated.[2]][On the other hand, resignation differs from retirement in the fact that the employees retiring at Sea & Fries are choosing to permanently leave the workforce, whereas resigning employees may resign to enter a new career.[3]][Moreover, these forms of termination also differ in the transition considerations Amanda may implement. For instance, the transition into a non-working life would be relevant for Sea & Fries' retiring employees, but not relevant for resigning employees.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one similarity between retirement and another form of termination.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another similarity between retirement and another form of termination.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one difference between retirement and another form of termination.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another difference between retirement and another form of termination.[4]
- ✓ ✗ I have signposted my response by using 'another similarity'.
- ✓ ✗ I have referred to the business directly by using 'Sea & Fries' and 'Amanda'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when comparing.

Other acceptable answers include:

- Redundancy
- Dismissal

14. [One transition consideration that Cathy could address when terminating staff at Freeman's is providing services to help employees obtain employment elsewhere.[1]][Freeman's could provide assistance to outgoing employees by offering classes that build resume writing skills, providing staff with flexible working hours to attend job interviews, and helping employees network with other entertainment businesses to improve their job prospects.[2]][Moreover, another transition consideration that Cathy could acknowledge is supporting the emotional welfare of terminated employees.[3]][The transition period can be a time of uncertainty and high stress for redundant employees. Therefore, Freeman's could provide counselling services and financial advice to help create a smooth transition for employees who are leaving.[4]]

- ✓ ✗ I have identified and described one transition consideration.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen transition consideration.[2]
- ✓ ✗ I have identified and described another transition consideration.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my second chosen transition consideration.[4]
- ✓ ✗ I have signposted my response by using 'One transition consideration' and 'another transition consideration'.
- ✓ ✗ I have referred to the business directly by using 'Cathy' and 'Freeman's'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Therefore'.

Testing previous knowledge

15. [Dismissal involves the involuntary termination of an employee who fails to meet required work standards or displays unacceptable or unlawful behaviour.[1]][One performance management strategy that Oscar could use to determine which employees should be dismissed from Red Carpet is employee observation. This involves a range of employees from different levels of authority assessing another employee's performance against a set criteria.[2]][By conducting employee observation at Red Carpet, Oscar can gain multiple perspectives on each employee's performance and comprehensively identify how each employee behaves at an event job.[3]][Therefore, Oscar can utilise these different evaluations to analyse which staff members are consistently underperforming at Red Carpet, enabling him to determine which employees should be dismissed.[4]]

- ✓ ✗ I have identified and defined the term dismissal.[1]
- ✓ ✗ I have identified and defined one performance management strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen performance management strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen performance management strategy can be used to determine which employees should be dismissed.[4]
- ✓ ✗ I have signposted my response by using 'One performance management strategy'.
- ✓ ✗ I have referred to the business directly by using 'Oscar' and 'Red Carpet'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

Other acceptable answers include:

- Management by objectives
- Performance appraisals
- Self-evaluation

2G–I review

Exam-style

1. [Retirement involves an individual deciding to leave the workforce permanently as they no longer wish to work.[1]][One distinguishing characteristic of this form of termination is that the individual is leaving the workforce permanently, meaning that they are not seeking employment for the remainder of their life.[2]]

- I have defined the term retirement as a form of termination.[1]
- I have provided one distinguishing characteristic of retirement as a form of termination.[2]
- I have signposted my response by using 'One distinguishing feature'.

2. [Transition considerations are social and ethical practices that a manager can consider implementing when terminating employment. A relevant transition consideration for a retiring employee may be gradually reducing their work hours to help them adjust to a change in their lifestyle.[1]][Entitlement considerations are legal obligations an employer owes to its employees following the termination of their employment contract. A relevant entitlement consideration for an employee who is retiring may be to ensure that any accumulated annual or long service leave is paid out to the employee upon the termination of their contract.[2]]

- I have outlined one transition consideration for retiring employees.[1]
- I have outlined one entitlement consideration for retiring employees.[2]
- I have signposted my response by using 'A relevant transition consideration' and 'A relevant entitlement consideration'.

3. [One advantage of employee observation is that a manager can gain multiple perspectives of an employee's performance, as the performance management strategy utilises a range of employees from different levels of authority to assess the employee's performance.[1]][On the other hand, one disadvantage of employee observation is that a manager may receive misleading information which may not reflect true performance levels, particularly if the individual evaluating the employee gives biased, favourable feedback due to friendships with their colleagues.[2]]

- I have provided an advantage of employee observation as a performance management strategy.[1]
- I have provided a disadvantage of employee observation as a performance management strategy.[2]
- I have signposted my response by using 'One advantage' and 'one disadvantage'.
- I have used connecting words, such as 'On the other hand'.

4. [Self-evaluation involves an employee assessing their individual performance against a set of criteria.[1]][In contrast, performance appraisals involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.[2]][One key difference between these two performance management strategies is that during an appraisal, the employee's performance is evaluated by a manager, whereas self-evaluation involves the employee conducting their own evaluation.[3]]

- I have defined self-evaluation as a performance management strategy.[1]
- I have defined appraisals as a performance management strategy.[2]
- I have provided a key difference between self-evaluation and appraisals as performance management strategies.[3]
- I have signposted my response by using 'One key difference'.
- I have used comparison words, such as 'In contrast' and 'whereas', when distinguishing.

5. [One performance management strategy Rosa could use is performance appraisals, which involves a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.[1]][Rosa could conduct appraisals with the staff who have had their roles merged to monitor performance and suggest improvements. During the appraisals, Rosa could address how well an employee is adjusting to having to operate multiple production lines, and implement any required training for areas where improvement may be required.[2]][One advantage of using performance appraisals to monitor the performance of HomeR's employees is that the increased two-way communication between employees and managers can provide employees with clear direction on how to improve their performance, and give them the opportunity to ask questions.[3]][Moreover, another advantage is that by using performance appraisals, Rosa can effectively identify relevant areas where employees may be struggling and implement strategies, such as training, to resolve any issues.[4]]

- I have identified and defined one performance management strategy.[1]
- I have provided an example relevant to the case study and linked it to my chosen performance management strategy.[2]
- I have provided an example relevant to the case study and linked it to an advantage of my chosen performance management strategy.[3]
- I have provided an example relevant to the case study and linked it to another advantage of my chosen performance management strategy.[4]
- I have signposted my response by using 'One performance management strategy' and 'One advantage'.
- I have referred to the business directly by using 'Rosa' and 'HomeR'.
- I have used connecting words, such as 'Moreover'.

6. [One similarity between on-the-job training and off-the-job training is that both methods of training will help Rosa to multiskill HomeR's employees by providing them with the skills and knowledge that are required to work multiple production lines.[1]][Another similarity between these two training methods is that both methods will require HomeR to pay its employees for the time spent completing the training.[2]][On the other hand, one difference between on-the-job training and off-the-job training is that on-the-job training would need to be conducted within the workplace, with HomeR's employees being trained using the equipment on numerous production lines. However, off-the-job training would take place externally to the business.[3]][Furthermore, another difference between these two methods is that off-the-job training may be a more expensive method for multiskilling HomeR's employees, as it will likely require the business to pay transport expenses for employees attending the training, whereas on-the-job training would not incur this cost.[4]]
[Rosa should implement on-the-job training to multiskill HomeR's employees as it would be advantageous for the employees to be trained on the multiple production lines they will be working in their day-to-day operations.[5]][Moreover, another advantage of utilising on-the-job training is that it will be a relatively cheap method to multiskill HomeR's employees as there will be no expenses incurred transporting employees to external locations or hiring an external professional to train employees.[6]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one similarity between on-the-job and off-the-job training.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another similarity between on-the-job and off-the-job training.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one difference between on-the-job and off-the-job training.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another difference between on-the-job and off-the-job training.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen training method.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen training method.[6]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'Another similarity'.
- ✓ ✗ I have referred to the business directly by using 'Rosa' and 'HomeR'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Moreover'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when comparing.

7. [Redundancy involves an employee no longer working for a business because there is insufficient work or their job no longer exists.[1]]
[The recent financial pressure faced from the increase in operating costs has caused 100 of HomeR's employees to be made redundant, following the decision to merge staff roles on the business's production lines.[2]]
[One transition consideration relating to the employees who have been made redundant could be to offer resume writing or interview training to improve their employability.[3]][Rosa could organise training sessions for those who have been made redundant in order to help them transition to new employment.[4]][Furthermore, an entitlement issue that Rosa will need to address for redundant employees would be ensuring that all employees are paid out their relevant annual and long service leave.[5]][It is a legal requirement for HomeR to ensure that the staff being made redundant are being paid their accumulated annual and long service leave upon termination of their contracts.[6]]

- ✓ ✗ I have identified and defined redundancy as a form of termination.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to redundancy as a form of termination.[2]
- ✓ ✗ I have identified and described one transition consideration for redundant employees.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen transition consideration.[4]
- ✓ ✗ I have identified and described one entitlement consideration for redundant employees.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen entitlement consideration.[6]
- ✓ ✗ I have signposted my response by using 'One transition consideration' and 'an entitlement issue'.
- ✓ ✗ I have referred to the business directly by using 'HomeR' and 'Rosa'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

2J Participants in the workplace

Theory review

1. B. False. *During the process of establishing new wages and conditions for employees, employees may be represented by unions and employers may be advised by employer associations. Human resource managers also are involved in facilitating negotiations between parties while the FWC also contributes to this process by reviewing and approving agreements.*

2. union. *An employee may pay to become a member of a union in order to have their concerns and desires communicated to employers during the process of establishing new wages and conditions of employment. Unions can also investigate and prevent employers from breaching their legal obligations, preventing unfair dismissals or redundancies.*

3. I; III; IV. *Employer associations are advisory bodies that assist employees in understanding and upholding their legal business obligations. They may do this by representing employers during employment contract negotiations, advising employers of policy changes, and helping shape effective policies and practices for a business.*

4. A. True. *A key role of human resource managers is to act as a bridge between employees and employers, aiming to maintain a positive relationship between both parties.*

5. B. *The human resource manager is responsible for recruiting, hiring, and training employees of the business to ensure they can efficiently contribute to the achievement of objectives.*

6. unions; the Fair Work Commission (FWC). *Employees can become members of a union in order to gain representation during the negotiation process for new wages and conditions. After an agreement on wages and conditions is reached by employees and employers, or their representatives, the FWC must then approve the agreement in order for it to be implemented into the business.*

7. I; II; IV; V. *There are a number of workplace participants that contribute to the establishment of new wages and conditions at a business, including human resource managers, employees, employer associations, unions, and the FWC.*

Preparing for exams

Case study skills

8. I; III

9. I and IV are true. II and III are false.

10. A

Exam-style

11. [The Fair Work Commission (FWC) is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act.[1]] [The FWC creates and updates the National Employment Standards to protect employees' wages and working conditions.[2]]

- ✓ ✗ I have defined the Fair Work Commission as a workplace relations participant.[1]
- ✓ ✗ I have provided one characteristic of the Fair Work Commission.[2]

12. [Human resource managers are individuals who coordinate the relationship between employees and management within a business.[1]] [They are involved in recruiting, hiring, training, and terminating employees in order to ensure the business has the appropriate employees to meet its business objectives.[2]]

- ✓ ✗ I have defined human resource managers as a workplace relations participant.[1]
- ✓ ✗ I have provided one characteristic of human resource managers.[2]

13. [Unions are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions.[1]] [One role of a union is to ensure that employers are upholding their legal requirements related to wages, work, and safety conditions by investigating businesses and holding them accountable when required.[2]] [Furthermore, another role of unions is to push for improvements in wages and conditions of employment outlined in a business's enterprise agreement by representing employees during collective bargaining.[3]]

- ✓ ✗ I have defined unions as a workplace relations participant.[1]
- ✓ ✗ I have provided an example of the role of unions as a workplace relations participant.[2]
- ✓ ✗ I have provided another example of the role of unions as a workplace relations participant.[3]
- ✓ ✗ I have signposted my response by using 'One role' and 'another role'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Employer associations

14. [Human resource managers are individuals who coordinate the relationship between employees and management within a business.[1]] [One role of the human resource manager during the process of determining new wages and conditions for employees at Eric's Fish and Chips is to facilitate communication between employees and management. The human resource manager can try to create trust between the two parties in order to diffuse the employee concern that they will not have their expectations met by the new agreement.[2]] [Another role of Eric's Fish and Chips' human resource manager is to ensure that the business is meeting the minimum legal requirements when establishing new wages and conditions, including those outlined in the National Employment Standards.[3]]

- ✓ ✗ I have identified and defined a human resource manager as a workplace relations participant.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the role of a human resource manager as a workplace relations participant.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to the role of a human resource manager as a workplace relations participant.[3]
- ✓ ✗ I have signposted my response by using 'One role' and 'Another role'.
- ✓ ✗ I have referred to the business directly by using 'Eric's Fish and Chips'.

15. [Employer associations are advisory bodies that assist employers in understanding and upholding their legal business obligations.[1]] [One role of employer associations is to ensure its members are aware of any new policies or laws that an employer must take into account in its business activities. The employer association that Sharktail Fitness is a member of should inform the gym of the policy change requiring gym equipment exceeding 5kg to no longer be stored on a rack to ensure Sharktail Fitness upholds its legal obligations.[2]] [Moreover, another role of Sharktail Fitness's employer association is to listen to the gym's concerns and offer advice during this period of change, especially as Shenel looks to hire more employees.[3]] [Another workplace relations participant is employees who are the individuals who work for the business and receive compensation in exchange for their physical or mental labour.[4]] [One role of employees at Sharktail Fitness is to be aware of and follow safety procedures that have been communicated to them in the workplace. Considering the changes that have been introduced regarding the storage of heavy equipment, employees should now ensure they keep this equipment on the ground after using it during teaching.[5]] [Furthermore, another role of employees at Sharktail Fitness is to report any individuals who are engaging in workplace bullying. As new employees are hired, bullying or harassment may occur, therefore employees must ensure they report any inappropriate behaviour.[6]]

- I have identified and defined employer associations as workplace relations participants.[1]
- I have provided an example relevant to the case study and linked it to the role of employer associations as workplace relations participants.[2]
- I have provided another example relevant to the case study and linked it to the role of employer associations as workplace relations participants.[3]
- I have identified and defined employees as workplace relations participants.[4]
- I have provided an example relevant to the case study and linked it to a role of employees as workplace relations participants.[5]
- I have provided an example relevant to the case study and linked it to another role of employees as workplace relations participants.[6]
- I have signposted my response by using 'One role' and 'another role'.
- I have referred to the business directly by using 'Sharktail Fitness'.
- I have used connecting words, such as 'Moreover' and 'Furthermore'.

Testing previous knowledge

16. [Dismissal involves the involuntary termination of an employee who fails to meet required work standards or displays unacceptable or unlawful behaviour. Both the human resource manager of a business, and the Fair Work Commission (FWC), may play a role in the process of dismissing an employee.[1]][The FWC is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act.[2]][If an employee is involuntarily terminated from the business, and believes this dismissal occurred due to unjust or discriminatory reasons, the FWC will investigate the dismissal and assist employees as they deal with unfair termination.[3]][Human resource managers are individuals who coordinate the relationship between employees and management within a business.[4]][One responsibility of the human resource manager in a business is managing the process of terminating employees. Therefore, they will likely play a role in informing the employee of their dismissal, outlining the terms of the dismissal for said employee, such as when the employee's last day at the business will be.[5]]

- I have defined dismissal as a form of employee termination.[1]
- I have defined the Fair Work Commission.[2]
- I have provided an example of how the Fair Work Commission plays a role in the process of dismissal.[3]
- I have defined human resource managers.[4]
- I have provided an example of how human resource managers play a role in the process of dismissal.[5]
- I have signposted my response by using 'One responsibility'.
- I have used connecting words, such as 'Therefore'.

2K Awards and agreements

Theory review

1. B. False. *Some supermarkets may determine the wages and conditions of their employees through the relevant industry award, while other supermarkets may have established their own enterprise agreements for employees. Therefore, cashiers working in different supermarkets may earn completely different hourly rates.*

2. agreement. *An enterprise agreement is negotiated and mutually agreed upon by employees and employers, or their respective representatives. Agreements can allow employees to gain wages and conditions that exceed the minimum standards.*

3. B. *During the negotiation process, employees and employers express their expectations and engage in meetings to establish the conditions and wages for the agreement. This negotiation process can allow positive relationships between these parties to form.*

4. A. True. *By using agreements, a business can introduce specific wages and conditions for its employees that allow the business to better achieve its objectives. These wages and conditions must meet or exceed the relevant industry award and comply with the NES.*

5. B. False. *The base rate of pay outlined in an agreement must remain the same or improve upon the rate of pay of the relevant industry award. Therefore, a business will not be able to reduce its expenses by paying employees lower wages than the relevant industry award. However, a business may be able to cut costs by reducing certain award benefits, as long as the 'better off overall test' is satisfied and all NES are still met.*

6. I; II. *Both awards and agreements must comply with the 11 NES set out by the FWC, which include paying employees redundancy payments, providing employees with annual leave, and paying long-service leave when applicable. Collective bargaining is not a workplace instrument; it is a process that employees and management engage in to negotiate the enterprise agreement.*

7. awards; agreements. *The Fair Work Commission is responsible for creating the awards for over 100 industries across Australia, whereas they have no role in creating enterprise agreements and are only involved in reviewing and approving them.*

Preparing for exams

Case study skills

8. II is an advantage. I and III are disadvantages.

9. II and III are advantages. I and IV are disadvantages.

Exam-style

10. [Agreements are legal documents that outline the wages and conditions of employees and are applicable to a particular business or group of businesses.[1]][The wages and conditions in the agreement must exceed the wages and conditions set out in the relevant industry award for workers of the business.[2]]

- I have defined agreements as a method of establishing employee wages and conditions.[1]
- I have provided one characteristic of agreements as a method of establishing employee wages and conditions.[2]

11. [Awards are legal documents that outline the minimum wages and conditions for employees across an entire industry.[1]][On the other hand, agreements are legal documents that outline the wages and conditions of employees and are applicable to a particular business or group of businesses.[2]][One key difference between awards and agreements is that employees and their employers are involved in the creation of an agreement, whereas awards are created solely by the Fair Work Commission.[3]]

- I have defined awards as a method of establishing employee wages and conditions.[1]
- I have defined agreements as a method of establishing employee wages and conditions.[2]
- I have provided a key difference between awards and agreements as methods of establishing employee wages and conditions.[3]
- I have signposted my response by using 'One key difference'.
- I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

12. [One similarity between awards and agreements is that the Fair Work Commission (FWC) plays a role in establishing the appropriate wages and conditions for both methods of determining these as the FWC creates awards as well as reviewing and approving agreements.[1]][Another similarity between awards and agreements is that both employment contracts must comply with, or exceed, the National Employment Standards set by the FWC.[2]][However, one difference between awards and agreements is that awards are applicable to an entire industry, whereas agreements are only applicable to a particular business or group of businesses.[3]][Another difference between awards and agreements is that awards provide employees with the minimum wages and conditions of employment. In contrast, the wages and conditions of the relevant industry award must be improved upon in order for an agreement to pass the 'better off overall test' and gain approval. Therefore, agreements leave employees better off than the relevant award.[4]]

- I have provided one similarity between awards and agreements as methods of establishing wages and conditions of work.[1]
- I have provided another similarity between awards and agreements as methods of establishing wages and conditions of work.[2]
- I have provided one difference between awards and agreements as methods of establishing wages and conditions of work.[3]
- I have provided another difference between awards and agreements as methods of establishing wages and conditions of work.[4]
- I have signposted my response by using 'One similarity' and 'Another similarity'.
- I have used connecting words, such as 'However'.
- I have used comparison words, such as 'whereas' and 'In contrast', when comparing.

13. [One advantage of Rekik continuing to use an award is that the business can avoid providing employees with wages and conditions that exceed the minimum standards.[1]][This can allow Rekik to maintain low labour expenses as it will not incur the cost of providing better wages and working conditions than the relevant industry award.[2]][However, one disadvantage of continuing to use the award is that the employees at Rekik may become dissatisfied with receiving the minimum wages and conditions.[3]][This dissatisfaction is likely to encourage employees to continue to leave Rekik and join competitors, such as Eve Garments, that provide better wages and working conditions through an agreement.[4]]

- I have identified and described one advantage of using awards as a method of establishing employee wages and conditions.[1]
- I have provided an example relevant to the case study and linked it to an advantage of awards as a method of establishing employee wages and conditions.[2]
- I have identified and described one disadvantage of using awards as a method of establishing employee wages and conditions.[3]
- I have provided an example relevant to the case study and linked it to a disadvantage of awards as a method of establishing employee wages and conditions.[4]
- I have signposted my response by using 'One advantage' and 'one disadvantage'.
- I have referred to the business directly by using 'Rekik'.
- I have used connecting words, such as 'However'.

14. [Awards are legal documents that outline the minimum wages and conditions of work across an entire industry.[1]][On the other hand, an agreement is a legal document that outlines the wages and conditions of employees and is applicable to a particular business or group of businesses.[2]][One advantage of utilising agreements at Mickey Mousse is that employees can negotiate with their employer to receive desired wages and conditions which must be better than those determined by the industry award. This can increase employee satisfaction at Mickey Mousse and potentially attract highly skilled workers from its competitors.[3]][Moreover, another advantage of is that the negotiation process of an agreement requires employers and employees to engage in meetings and conversations. Therefore, positive relationships could have been developed between employees and employers during this process, positively impacting corporate culture.[4]][However, one disadvantage of Mickey Mousse utilising agreements is that it results in increased expenses compared to competitors, including Mina Cosmetics. Mickey Mousse employees must be provided with employment conditions above the industry award, therefore contributing to higher labour costs.[5]][Furthermore, another disadvantage of using agreements is that Mickey Mousse will likely need to renegotiate their employee's agreements every few years. This may be very time consuming as Mickey Mousse will have to engage in negotiations with employees, or their representatives, and then wait for approval from the Fair Work Commission. Consequently, Mickey Mousse's business productivity may decrease during this process.[6]][Overall, although utilising agreements may be time consuming and involve higher labour costs, utilising agreements is a highly suitable method of determining employee wages at Micky Mousse, as it is likely to improve employee satisfaction, attract highly skilled employees, and thus contribute to improved business performance.[7]]

- ✓ ✗ I have identified and defined awards as a method of establishing employee wages and conditions.[1]
- ✓ ✗ I have identified and defined agreements as a method of establishing employee wages and conditions.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of agreements as a method of establishing employee wages and conditions.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of agreements as a method of establishing employee wages and conditions.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of agreements as a method of establishing employee wages and conditions.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of agreements as a method of establishing employee wages and conditions.[6]
- ✓ ✗ I have provided an opinion on agreements by summarising the advantages and the disadvantages.[7]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Jada' and 'Mickey Mousse'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

Testing previous knowledge

15. [The Fair Work Commission (FWC) is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act.[1]][When Mallory implemented the agreement, employee representatives would have entered the collective bargaining process to determine the wages and conditions of employment.[2]][After an agreement was reached, the FWC would have reviewed it and ensured that the National Employment Standards were upheld. It also would have checked that employees were receiving wages and conditions higher than the relevant industry award. As the agreement at Mallory satisfied these conditions, the FWC would have approved and ratified it, allowing this agreement to be used in the business until its expiry.[3]]

- ✓ ✗ I have identified and defined the Fair Work Commission.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to agreements as a method of establishing employee wages and conditions.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the role of the Fair Work Commission in the introduction process of an agreement.[3]
- ✓ ✗ I have referred to the business directly by using 'Mallory'.

2L Dispute resolution

Theory review

1. B. False. *Workplace disputes are often unavoidable and can occur in any business as it is always possible for individuals to have a disagreement. Although businesses that foster a positive culture and workplace relationships may be less likely to encounter a dispute, it is still possible.*

2. A. *Arbitration involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict. This process occurs in a court-like setting and the arbitrator acts as the main decision-maker.*

3. more; less. *Mediation involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves. This provides disputing parties with more control over the final decision compared to arbitration where the legally binding decision is made solely by the independent third party. Mediation does not occur in a court-like setting and is, therefore, less formal than arbitration.*

4. B. False. *Although mediation involves an impartial third party facilitating discussions between disputing parties, they do not offer their opinion or advice, instead, they assist the conflicting parties to make a collaborative decision to resolve the issue.*

5. A. *As arbitration involves an independent third party making the final, legally binding decision, it ensures that one party in the dispute cannot coerce the other into agreeing to a resolution because they feel pressured and overpowered.*

6. A. True. *Mediation and arbitration are considered formal dispute resolution methods that enable a business to overcome any workplace conflicts with the assistance of an independent third party. A business will utilise these methods when it is unable to resolve a dispute internally itself.*

7. A. True. *A business that follows a dispute resolution process is more likely to have an institutionalised method of resolving disputes in the workplace, allowing it to reach an agreement in a professional and appropriate manner.*

Preparing for exams

Case study skills

8. I and IV are similarities. II and III are differences.

9. I and III are advantages. II and IV are disadvantages.

Exam-style

10. [Arbitration involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict.[1]][This process occurs in a court-like setting and is considered the most formal step in the dispute resolution process.[2]]

- ✓ ✗ I have defined arbitration as a method of dispute resolution.[1]
- ✓ ✗ I have provided one characteristic of arbitration as a method of dispute resolution.[2]

11. [Mediation involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves.[1]][During mediation, a mediator acts to facilitate the communication flow between disputing parties but does not offer their own opinions or make any decisions.[2]]

- ✓ ✗ I have defined arbitration as a method of dispute resolution.[1]
- ✓ ✗ I have provided one characteristic of arbitration as a method of dispute resolution.[2]

12. [One advantage of arbitration as a method of dispute resolution is that it guarantees a legally binding decision will be made to resolve the dispute. This is particularly beneficial if both parties cannot reach a resolution themselves.[1]][However, one disadvantage of arbitration is that it reduces the amount of control disputing parties have in the resolution process as an independent body makes the final decision about how the conflict will be resolved.[2]]

- ✓ ✗ I have provided an advantage of arbitration as a method of dispute resolution.[1]
- ✓ ✗ I have provided a disadvantage of arbitration as a method of dispute resolution.[2]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have used connecting words, such as 'However'.

13. [Mediation involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves.[1]][On the other hand, arbitration involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict.[2]][One key difference between these methods of dispute resolution is that mediation does not always result in a final decision being achieved, whereas, a legally binding decision is guaranteed to be made at the end of the arbitration process.[3]]

- ✓ ✗ I have defined mediation as a method of dispute resolution.[1]
- ✓ ✗ I have defined arbitration as a method of dispute resolution.[2]
- ✓ ✗ I have provided a key difference between mediation and arbitration as methods of dispute resolution.[3]
- ✓ ✗ I have signposted my response by using 'One key difference'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

14. [A dispute resolution process is a series of steps that disputing parties follow in order to resolve a disagreement and reach a resolution.[1]][The first step in this process involves a business trying to resolve the dispute internally by facilitating discussions between the disputing parties and their relevant representatives. If the business is unable to resolve the dispute at the workplace level, it will move to the next step in this process.[2]][The second step in the dispute resolution process involves mediation whereby an independent third party, such as the Fair Work Commission, coordinates conversations between the disputing parties in an effort to resolve the conflict. If a resolution is unable to be reached through mediation, the dispute is escalated to the final stage of this process.[3]][The third and final step in the dispute resolution process is arbitration which involves a tribunal member making a decision that resolves the dispute, as all parties must legally oblige to it. When a dispute reaches this stage in the resolution process, it is guaranteed to be resolved.[4]]

- ✓ ✗ I have defined the dispute resolution process.[1]
- ✓ ✗ I have explained how a business could apply the first step in the dispute resolution process.[2]
- ✓ ✗ I have explained how a business could apply the second step in the dispute resolution process.[3]
- ✓ ✗ I have explained how a business could apply the third step in the dispute resolution process.[4]
- ✓ ✗ I have signposted my response by using 'The first step' and 'The second step'.

15. [One similarity between mediation and arbitration is, that for these processes to occur at Strike in Hand, Barbara will require the involvement of an independent third party, such as the Fair Work Commission, an external business, or a government agency.[1]][Another similarity between these methods of dispute resolution is that they are both more formal methods of resolving disputes compared to Barbara facilitating the process internally within Strike in Hand.[2]][However, mediation and arbitration differ in that arbitration at Strike in Hand will result in the independent third party making the final, legally-binding decision that Barbara and the disputing parties will have no control over. On the other hand, mediation involves an independent third party providing no opinion during the process and instead facilitates the conversation between the disputing parties at Strike in Hand for them to come to an agreement themselves.[3]][Furthermore, another difference between these methods of dispute resolution is that conducting mediation at Strike in Hand will not guarantee a resolution is reached and does not result in a legally binding decision. In contrast, Strike in Hand is guaranteed a legally binding decision following the arbitration process that enforces a resolution to occur.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one similarity between mediation and arbitration as methods of dispute resolution.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another similarity between mediation and arbitration as methods of dispute resolution.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one difference between mediation and arbitration as methods of dispute resolution.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another difference between mediation and arbitration as methods of dispute resolution.[4]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'Another similarity'.
- ✓ ✗ I have referred to the business directly by using 'Strike in Hand' and 'Barbara'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Furthermore'.
- ✓ ✗ I have used comparison words, such as 'whereas' and 'On the other hand', when comparing.

16. [One advantage of using mediation at Tom's Cruises is that it encourages Tom and Kai to reach a resolution together, increasing the chance that both Tom and Kai will be satisfied by the end result and have a positive relationship in the future.[1]][Another advantage of mediation is that it is less costly for Tom's Cruises compared to more formal dispute resolution methods, such as arbitration, as the business will not incur costs from proceeding in a court-like setting.[2]] [However, one disadvantage of mediation is that the decision is not always legally binding, meaning either Tom or Kai could go back on any agreement about a new working hour policy in the future.[3]] [Moreover, another disadvantage of mediation is that Kai may feel coerced by Tom into a certain decision due to an imbalance in power dynamics, meaning Kai may still have to work more hours than he would like.[4]][Despite the potential for Tom to take advantage of the power imbalance between himself and Kai, mediation is the preferred method of dispute resolution as it is likely to salvage Tom and Kai's relationship at Tom's Cruises which is pivotal for a positive corporate culture to remain at the business.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of mediation.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of mediation.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of mediation.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of mediation.[4]
- ✓ ✗ I have provided an opinion on mediation by summarising the advantages and the disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Tom's Cruises', 'Tom', and 'Kai'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Moreover'.

Testing previous knowledge

17. [The Fair Work Commission (FWC) is Australia's independent workplace relations tribunal and has a range of responsibilities outlined by the Fair Work Act.[1]][During the process of establishing awards, the FWC determines the minimum pay and working conditions for a particular industry and ensures that they align with all National Employment Standards.[2]][Furthermore, during the dispute resolution process, the FWC can act as an arbitrator, meaning they make a legally binding decision to resolve a conflict after hearing arguments from both disputing parties.[3]]

- ✓ ✗ I have defined the Fair Work Commission as a participant in the workplace.[1]
- ✓ ✗ I have provided an example of the role of the Fair Work Commission when establishing awards.[2]
- ✓ ✗ I have provided an example of the role of the Fair Work Commission when resolving disputes.[3]
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

2J–L review

Exam-style

1. [Awards are legal documents that outline the minimum wages and conditions of work for employees across an entire industry.[1]][The Fair Work Commission is responsible for establishing awards that act as a minimum standard for employees' wages and conditions within a specific industry.[2]]

- ✓ ✗ I have defined awards as a method of establishing employee wages and conditions.[1]
- ✓ ✗ I have provided one characteristic of awards as a method of establishing employee wages and conditions.[2]

2. [One advantage of using arbitration is that there is a guarantee that a decision will result from the dispute resolution process, as a final decision resolving the dispute will be made by the independent third party.[1]][On the other hand, one disadvantage of this process is that it is considered a relatively expensive method of dispute resolution due to the costs incurred from hearings taking place in a formalised, court-like setting.[2]]

- ✓ ✗ I have outlined one advantage of arbitration as a method of dispute resolution.[1]
- ✓ ✗ I have outlined one disadvantage of arbitration as a method of dispute resolution.[2]
- ✓ ✗ I have used signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have used connecting words, such as 'On the other hand'.

3. [One similarity between awards and agreements is that both will require Bricklay to abide by the National Employment Standards set by the Fair Work Commission (FWC).[1]][On the other hand, one difference between these two methods is that under agreements, Bricklay's employees would be better off as wages and conditions outlined in an agreement must exceed the minimum wages and conditions outlined by the relevant award.[2]][Moreover, using agreements would require a negotiation to occur between the employees' union (CFMEU) and management at Bricklay, whereas an award would not require negotiation as they are developed by the FWC.[3]][Furthermore, awards cover a whole industry, whereas the wages and conditions outlined in an agreement would just cover Bricklay's employees.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one similarity between awards and agreements as methods of establishing wages and conditions of work.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one difference between awards and agreements as methods of establishing wages and conditions of work.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a second difference between awards and agreements as methods of establishing wages and conditions of work.[3]

- ✓ ✗ I have provided an example relevant to the case study and linked it to a third difference between awards and agreements as methods of establishing wages and conditions of work.[4]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'one difference'.
- ✓ ✗ I have referred to the business directly by using 'Bricklay'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when comparing.

Note: This question could have been answered with two similarities and two differences.

4. [One advantage of Bricklay using agreements to determine employees' wages and conditions is that employees will be better off than they would be under an award, as the wages and conditions outlined in the agreement must exceed the minimum industry standard outlined in the applicable construction award.[1]][Moreover, another advantage of using agreements is that it could allow Bricklay to attract highly skilled and talented construction employees if it is paying wages that are above the construction industry average.[2]] [On the other hand, one disadvantage of Bricklay using agreements is that this method may be time consuming for the employees' union (CFMEU) and employers to negotiate and establish the entitlements contained in an agreement, potentially leading to halts on current projects.[3]][Furthermore, another disadvantage is that it would be more costly for Bricklay to use agreements as it must have wages that exceed the applicable construction award.[4]][Overall, agreements are the most appropriate method despite being time consuming and expensive, as employees are more likely to be satisfied and the business can attract highly skilled employees, allowing Bricklay to reposition itself as an admirable employer.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of agreements as a method of establishing employee wages and conditions.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of agreements as a method of establishing employee wages and conditions.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of agreements as a method of establishing employee wages and conditions.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of agreements as a method of establishing employee wages and conditions.[4]
- ✓ ✗ I have provided an opinion on agreements by summarising the advantages and the disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Bricklay'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'. and 'Moreover'

5. [Unions are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions.[1]][One role of unions, such as the Construction, Forestry, Maritime, Mining and Energy Union (CFMEU), is to ensure that Bricklay, as an employer, is upholding its legal requirements related to wages, work, and safety conditions.[2]][Furthermore, another role of unions is to push for improvements in wages and conditions of employment outlined in a business's enterprise agreement. The CFMEU would focus on improving the wages and working conditions of Bricklay's employees during collective bargaining.[3]][Moreover, another workplace participant is employees, who are the individuals who are hired by a business to complete work tasks and support the achievement of its objectives [4]][One role of employees at Bricklay is to be aware of, and follow safety procedures that have been communicated to them on construction sites.[5]][Furthermore, another role of employees at Bricklay is to complete tasks set by their managers with the aim of contributing to the business's objectives.[6]]

- ✓ ✗ I have identified and defined unions as a workplace relations participant.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the role of unions as a workplace relations participant.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to the role of unions as a workplace relations participant.[3]
- ✓ ✗ I have identified and defined employees as a workplace relations participant.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the role of employees as a workplace relations participant.[5]
- ✓ ✗ I have provided another example relevant to the case study and linked it to the role of employees as a workplace relations participant.[6]
- ✓ ✗ I have signposted my response by using 'One role' and 'another role'.
- ✓ ✗ I have referred to the business directly by using 'Bricklay'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

6. [Mediation is a method of dispute resolution that involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves.[1]][Bricklay could use mediation to resolve the current conflict regarding its construction employees' wages and conditions. Mediation could allow Bricklay to resolve the tension between its employees and upper management by having an impartial third party facilitate discussion and come to a resolution.[2]][Another method of dispute resolution is arbitration, which involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict.[3]][Bricklay could use arbitration to guarantee an outcome regarding the current conflict between upper management and Bricklay's employees. Using arbitration would guarantee that the dispute would be resolved, as the impartial third party is required to make a final decision that is legally binding, after hearing both sides of the disputing parties.[4]]

[Given the potential for Bricklay's reputation to be negatively impacted if employees go on strike, arbitration would be the most appropriate method to use. It would be advantageous to use arbitration as it can guarantee the dispute is resolved quickly as both parties must uphold the decision made by the impartial third party.[5]][Moreover, another advantage of using arbitration is that employees won't risk being coerced into agreeing to a resolution as the likelihood of a power imbalance between upper management and employees is reduced by having the impartial third party involved in determining the resolution.[6]]

- ✓ ✗ I have identified and defined mediation as a method of dispute resolution.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to mediation as a method of dispute resolution.[2]
- ✓ ✗ I have identified and defined arbitration as a method of dispute resolution.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to arbitration as a method of dispute resolution.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen method of dispute resolution.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen method of dispute resolution.[6]
- ✓ ✗ I have signposted my response by using 'Another method' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Bricklay'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

Unit 3 AOS 2 review

Contemporary case study

1. [Qantas is a major Australian airline company that offers customers flights to both domestic and international locations. One motivation strategy that could be used to motivate Qantas employees in the long term is career advancement, which is the upwards progression of an employee's job position.[1]][Managers at Qantas could motivate employees to work productively by offering high-performing staff the opportunity to take on roles with more responsibility. This may encourage feelings of value amongst employees, consequently increasing business loyalty and employee motivation at Qantas.[2]][In the long term, Qantas' employees may be motivated by career advancement as they are continually provided with opportunities to increase their job status and progress their employability, therefore increasing their investment in the success of the business and increasing satisfaction. Thus, employees are likely to be more motivated to achieve business goals, such as improving customer satisfaction on flights.[3]]

- ✓ ✗ I have identified and defined one motivation strategy.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to my chosen motivation strategy.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to one effect of my chosen motivation strategy on long-term employee motivation.[3]
- ✓ ✗ I have signposted my response by using 'One motivation strategy'.
- ✓ ✗ I have referred to the business directly by using 'Qantas'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Other acceptable answers include:

- Performance-related pay
- Investment in training
- Support strategies
- Sanction strategies

2. [Qantas is a major Australian airline company that offers customers high-quality flights to both domestic and international locations. One advantage of on-the-job training at Qantas is that employees can quickly become familiar with relevant equipment used on flights as they are enhancing their knowledge and skills within the workplace.[1]][This can improve the efficiency of Qantas employees as they are able to complete their roles faster and with fewer errors after familiarising themselves with plane equipment during training.[2]][However, one disadvantage of on-the-job training at Qantas is that employees may learn bad habits from senior staff, as on-the-job training involves a mentor or senior employee teaching new staff members how to complete their role.[3]][This can negatively impact the efficiency of employees as their tasks may need to be re-completed if they are of poor quality, which can decrease Qantas' productivity.[4]]

- ✓ ✗ I have identified and described an advantage of on-the-job training.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to an advantage of on-the-job training.[2]
- ✓ ✗ I have identified and described a disadvantage of on-the-job training.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to a disadvantage of on-the-job training.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have referred to the business directly by using 'Qantas'.
- ✓ ✗ I have used connecting words, such as 'However'.
- ✓ ✗ I have included a brief description of the contemporary case study.

3. [Qantas is a major Australian airline company that offers customers flights to both domestic and international locations. Human resource managers are individuals who coordinate the relationship between employees and management within a business.[1]][One role of the human resource manager during the process of determining new wages and conditions for Qantas' employees is to facilitate professional pathways of communication between employees and management at the business. The human resource manager is responsible for diffusing any disagreements and alleviating employee concerns about the new agreement or the relevant award.[2]] [Additionally, another role of the human resource manager at Qantas would be to ensure the airline is meeting all its legal requirements regarding wages and working conditions for its employees.[3]][Another workplace participant is unions which are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions.[4]][One role of unions during the process of establishing wages and conditions is to inform Qantas employees of the minimum wages and conditions that they are entitled to, as established by the Fair Work Commission, and provide them with advice on any industrial action.[5]][Furthermore, unions have a role in the collective bargaining process, where they represent Qantas employees and communicate their concerns and desires. The relevant union for employees at Qantas is responsible for protecting and improving their wages and conditions through this bargaining process.[6]]

- ✓ ✗ I have identified and defined human resource managers as workplace relations participants.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the role of human resource managers as workplace relations participants.[2]
- ✓ ✗ I have provided another example relevant to the contemporary case study and linked it to the role of human resource managers as workplace relations participants.[3]
- ✓ ✗ I have identified and defined unions as workplace relations participants.[4]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the role of unions as workplace relations participants.[5]
- ✓ ✗ I have provided another example relevant to the contemporary case study and linked it to the role of unions as workplace relations participants.[6]
- ✓ ✗ I have signposted my response by using 'One role' and 'another role'.
- ✓ ✗ I have referred to the business directly by using 'Qantas'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'Furthermore'.
- ✓ ✗ I have included a brief description of the contemporary case study.

4. [Qantas is a major Australian airline company that offers customers high-quality flights to both domestic and international locations. One performance management strategy that Qantas could implement is employee observation, which involves a range of employees from different levels of authority assessing another employee's performance against a set of criteria.[1]][One advantage of employee observation is that Qantas employees with less experience may observe their peers as part of the observation process and consequently adopt positive qualities from their coworkers, thus improving their performance.[2]][Moreover, another advantage of employee observation is that managers at Qantas can gain multiple different perspectives of an employee, and therefore evaluate their overall performance more accurately.[3]] [Another performance management strategy that Qantas can use is performance appraisals, which involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.[4]][One advantage of performance appraisals is that the increased levels of two-way communication between managers and employees can provide employees with a clear idea of how to improve their performance and fulfil management expectations at the airline.[5]] [Additionally, another advantage is that the results from the performance appraisal process can highlight areas where Qantas employees are struggling, allowing appropriate further training to be implemented, such as at the annual training days, to resolve issues and improve their overall performance.[6]]

- ✓ ✗ I have identified and defined one performance management strategy.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to an advantage of my chosen performance management strategy.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another advantage of my chosen performance management strategy.[3]
- ✓ ✗ I have identified and defined another performance management strategy.[4]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to an advantage of my chosen performance management strategy.[5]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another advantage of my chosen performance management strategy.[6]
- ✓ ✗ I have signposted my response by using 'One performance management strategy' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'Qantas'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Additionally'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Exam-style

5. a. [Self-evaluation involves an employee assessing their individual performance against a set of criteria.[1]][A manager can use self-evaluation to gain insight into an employee's perception of their own ability, allowing them to address strengths and weaknesses in employee performance.[2]]

- ✓ ✗ I have defined self-evaluation as a performance management strategy.[1]
- ✓ ✗ I have provided one characteristic of self-evaluation as a performance management strategy.[2]

b. [Unions are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions.[1]][As Mateo is considering implementing an agreement at Convector, one role of the relevant union such as a retail union would be responsible for representing employees and negotiating alongside them to improve their wages and working conditions, so that it is above the relevant award.[2]][Another role of unions as a workplace participant is to ensure that Convector is upholding their legal requirements related to the wages and conditions of work for employees, by investigating business practices and holding Convector accountable if required.[3]]

- ✓ ✗ I have identified and defined unions as a workplace relations participant.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the role of unions as a workplace relations participant.[2]
- ✓ ✗ I have provided an another example relevant to the case study and linked it to the role of unions as a workplace relations participant.[3]
- ✓ ✗ I have signposted my response by using 'one role' and 'Another role'.
- ✓ ✗ I have referred to the business directly by using 'Mateo' and 'Convector'.

c. [Sanction strategies are a motivation strategy that involves penalising employees for poor performance or breaching business policies.[1]][As employee performance at Convector has decreased overall, introducing sanctions may lead to Mateo's employees becoming quickly motivated to complete work tasks in the short term in order to avoid punishments. Therefore, they are likely to be effective in the short term.[2]]

- ✓ ✗ I have identified and defined sanction strategies as a motivation strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the impact of sanction strategies on short-term employee motivation.[2]
- ✓ ✗ I have referred to the business directly by using 'Convector' and 'Mateo'.

d. [One advantage of agreements is the Convector employees will be provided with wages and conditions higher than the current award, thus, increasing their job satisfaction and reducing the likelihood of staff leaving the business.[1]][Another advantage is that Convector employees are able to negotiate their terms and conditions of employment in the presence of their relevant union, who can speak on their behalf. This can increase their satisfaction with the outcome of the agreement.[2]][However, a disadvantage of agreements is that Convector may have to provide increases in the wages as conditions for employees must be above the relevant award, therefore making it more expensive for Convector to provide than the current remuneration.[3]][Furthermore, another disadvantage is that it can be time-consuming for employers and employees to engage in the collective bargaining process to negotiate new wages and conditions. Therefore, this may decrease productivity and reduce the time available to Convector employees to complete business tasks.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of agreements as a method of determining wages and conditions.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of agreements as a method of determining wages and conditions.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of agreements as a method of determining wages and conditions.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of agreements as a method of determining wages and conditions.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Convector'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Furthermore'.

6. a. [Awards are legal documents that outline the minimum wages and conditions of work for employees across an entire industry.[1]][On the other hand, agreements are legal documents that outline the wages and conditions of employees and are applicable to a particular business or group of businesses.[2]][One key difference between awards and agreements is that employees and their employers are involved in the creation of an agreement through a collective bargaining process, whereas the responsibility for creating awards rests solely on the Fair Work Commission.[3]]

- ✓ ✗ I have defined awards as a method of establishing employee wages and conditions of work.[1]
- ✓ ✗ I have defined agreements as a method of establishing employee wages and conditions of work.[2]
- ✓ ✗ I have provided a key difference between awards and agreements as methods of establishing employee wages and conditions of work.[3]
- ✓ ✗ I have signposted my response by using 'One key difference'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

b. [Mediation is a dispute resolution process that involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves.[1]][On the other hand, arbitration involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict.[2]][The key difference between mediation and arbitration is that a legally binding decision is not reached through meditation, whereas a legally binding decision is always achieved through arbitration, therefore guaranteeing that a resolution will be reached between disputing parties.[3]]

- ✓ ✗ I have identified and defined mediation as a method of dispute resolution.[1]
- ✓ ✗ I have identified and defined arbitration as a method of dispute resolution.[2]
- ✓ ✗ I have provided a key difference between mediation and arbitration as methods of dispute resolution.[3]
- ✓ ✗ I have signposted my response by using 'The key difference'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

c. [Human resource management involves the organisation of employees' roles, pay, and working conditions.[1]][Lina, the human resource manager at Inker, has the role of ensuring that employees are motivated and working productively in order for the business to achieve their business objectives, such as increasing the business's market share. Recently, she has identified a decrease in the business's overall performance due to a reduction in employee performance.[2]][To improve Inker's performance and achieve the objective of increasing market share by 2%, Lina is planning to implement performance management strategies to improve employee productivity and performance, leading to a better customer experience for those who shop at the store. Therefore, this allows Inker to capture a greater proportion of sales within the art supplies retail industry, fulfilling the goal of an increase in market share.[3]]

- ✓ ✗ I have identified and defined human resource management.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the relationship between human resource management and business objectives.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to the relationship between human resource management and business objectives.[3]
- ✓ ✗ I have referred to the business directly by using 'Lina' and 'Inker'.

d. [One performance management strategy Lina could implement to manage employee performance at Inker is self-evaluation, which involves an employee assessing their individual performance against a set of criteria.[1]][One advantage of implementing this strategy is that Inker employees are able to identify the cause of the decline in their productivity themselves, as they have more insight into the factors influencing their performance than an external observer.[2]][Moreover, another advantage of self-evaluation is that Lina would be able to identify areas of weakness highlighted by employees quickly. As employees conduct their own evaluation, Lina can spend less time observing and critiquing employees and devote more time to other areas of human resource management.[3]][Another performance management strategy that Lina could implement to manage staff performance is management by objectives, which involves both managers and employees collaboratively setting individual employee goals that contribute to the achievement of broader business objectives.[4]][One advantage of management by objectives is that Lina can ensure employees understand their required level of performance to positively contribute to and achieve the business's objective of a 2% increase in market share as they establish a clear step-by-step process to achieve goals with managers.[5]][Additionally, another advantage of management by objectives is that Inker's employees may experience an increase in motivation once these objectives are met. Management by objectives enables employees to achieve goals set collaboratively with management that align business goals with their personal motivations, thus increasing work satisfaction and motivation.[6]]

- ✓ ✗ I have identified and defined a performance management strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen performance management strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen performance management strategy.[3]
- ✓ ✗ I have identified and defined another performance management strategy.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen performance management strategy.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen performance management strategy.[6]
- ✓ ✗ I have signposted my response by using 'One performance management strategy' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'Lina' and 'Inker'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'Moreover'.

Other acceptable answers include:

- Performance appraisals
- Employee observation

7. a. [One similarity between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory is that both focus on the social desires of employees, through Maslow's social needs and Lawrence and Nohria's drive to bond.[1]][Another similarity is that both theories suggest that individuals have multiple different motivators. This is demonstrated by both Maslow's and Lawrence and Nohria's theories having multiple principles that can motivate employees.[2]][However, one difference between these theories is that Maslow's Hierarchy of Needs suggests that employees' needs must be fulfilled in sequential order. On the other hand, Lawrence and Nohria's Four Drive Theory suggests that employee drives can be used as a motivator in any order.[3]][Furthermore, another difference is that Maslow's motivation theory suggests that employees are motivated to fulfil their needs one at a time, and once a need has been fulfilled it cannot act as a motivator. In contrast, Lawrence and Nohria's Four Drive Theory suggests that employees can be motivated by multiple drives at the same time, and the same drive can act as a motivator again once it has already been activated.[4]]

- I have provided a similarity between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory.[1]
- I have provided another similarity between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory.[2]
- I have provided a difference between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory.[3]
- I have provided another difference between Maslow's Hierarchy of Needs and Lawrence and Nohria's Four Drive Theory.[4]
- I have signposted my response by using 'One similarity' and 'Another similarity'.
- I have used connecting words, such as 'Furthermore'.
- I have used comparison words, such as 'On the other hand' and 'In contrast', when comparing.

b. [Career advancement is the upwards progression of an employee's job position.[1]][One advantage of introducing career advancement at TechHead is that employees who currently lack motivation at the business may be motivated by promotions and the sense of value they are provided with from having a higher job status. As many employees are highly qualified IT providers, this increased feeling of value may allow TechHead to retain its high-performing employees through the provision of promotions.[2]]

- I have identified and defined career advancement as a motivation strategy.[1]
- I have provided an example relevant to the case study and linked it to an advantage of career advancement as a motivation strategy.[2]
- I have signposted my response by using 'One advantage'.
- I have referred to the business directly by using 'TechHead'.

c. [Locke and Latham's Goal Setting Theory is a motivation theory that states employees are motivated by clearly defined goals that fulfil five key principles.[1]][One advantage of the Goal Setting Theory at TechHead is that employees can be involved in setting goals with Steph, enabling the development of tailored objectives that meet their personal interests and skills, increasing their motivation at work.[2]][Moreover, another advantage of the Goal Setting Theory is that Steph can clearly establish the management expectations of providing high quality IT repairs with each employee, ensuring that performance requirements are understood and achieved. This collaborative process of goal setting allows Steph to be transparent with her employees, increasing trust and strengthening their relationship.[3]][Finally, a third advantage of the Goal Setting Theory is that as the goals collaboratively set between Steph and employees are specific and measurable, it will not be time consuming for Steph to evaluate employee performance. Instead, she can devote more time towards management activities such as further increasing the motivation of employees through setting goals and providing feedback. Therefore, Locke and Latham's Goal Setting theory is appropriate for TechHead to increase employee motivation.[4]]

- I have identified and defined Locke and Latham's Goal Setting Theory.[1]
- I have provided an example relevant to the case study and linked it to an advantage of Locke and Latham's Goal Setting Theory.[2]
- I have provided an example relevant to the case study and linked it to a second advantage of Locke and Latham's Goal Setting Theory.[3]
- I have provided an example relevant to the case study and linked it to a third advantage of Locke and Latham's Goal Setting Theory.[4]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'TechHead' and 'Steph'.
- I have used connecting words, such as 'Moreover' and 'Finally'.

Note: This could have been answered with three disadvantages or any combination of advantages and disadvantages.

d. [One transition consideration that TechHead should address when terminating staff is the difficulty and stress employees may encounter when obtaining new employment after redundancy, which can affect their social and mental wellbeing.[1]][With the main store location shutting down, 10 TechHead employees have been made redundant. TechHead can address transition considerations by providing resume writing services to redundant employees to maximise their chance of employability in the future.[2]][Moreover, one entitlement consideration that TechHead can address is redundancy pay, which is a payment that a business must provide to employees who have been made redundant.[3]][With employees in the main store location being made redundant, TechHead can address this issue by providing employees with a redundancy payment that corresponds to their length of employment at the business.[4]]

- I have identified and described one transition consideration.[1]
- I have provided an example relevant to the case study and linked it to my chosen transition consideration.[2]
- I have identified and described one entitlement consideration.[3]
- I have provided an example relevant to the case study and linked it to my chosen entitlement consideration.[4]
- I have signposted my response by using 'One transition consideration' and 'one entitlement consideration'.
- I have referred to the business directly by using 'TechHead'.
- I have used connecting words, such as 'Moreover'.

3A Operations management

Theory review

1. efficiency; effectiveness. *Implementing operations strategies to optimise the use of resources improves the efficiency of operations by maximising output, increasing productivity, and reducing waste. In contrast, operations strategies that support the achievement of business objectives improve effectiveness.*

2. B. False. *Improvements in efficiency do not always correlate to improvements in effectiveness. For example, producing products at a faster pace may improve efficiency, but if production is rushed and customers receive defective products, a business may be unable to increase its market share.*

3. to meet shareholder expectations. *By optimising its use of resources, a business can reduce its cost of production, as fewer resources are wasted in the production process. As a result, the business can achieve higher profit margins and thus increase the dividends it distributes to its shareholders.*

4. to increase market share. *Implementing operations strategies to improve the quality of production can improve customer satisfaction, as the number of defective products sold to customers may decrease. With higher levels of customer satisfaction, a business is able to increase its sales within its respective industry, thus allowing for increases in market share.*

5. A. True. *By taking advantage of technological advancements, such as computer-aided design software, a business is better equipped to develop innovative products that can fulfil unmet customer needs.*

6. A. True. *By implementing operations strategies that minimise waste and improve efficiency, a business can reduce its production costs. This can improve customer satisfaction, as the business can offer more affordable prices whilst maintaining the same profit margin.*

Preparing for exams

Case study skills

7. II; III

Exam-style

8. [Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers.[1]][Operations managers are responsible for implementing operations strategies, such as quality control, that improve the efficiency and effectiveness of a business's operations system.[2]]

- ✓ ✗ I have defined the term operations management.[1]
- ✓ ✗ I have provided one characteristic of operations management.[2]

9. [Efficiency is how productively a business uses its resources when producing a good or service.[1]][In contrast, effectiveness is the extent to which a business achieves its stated objectives.[2]][One key difference between efficiency and effectiveness is that efficiency solely focuses on how productive a business's operations system is, whereas effectiveness analyses how well a business's operations system achieves set objectives.[3]]

- ✓ ✗ I have defined efficiency.[1]
- ✓ ✗ I have defined effectiveness.[2]
- ✓ ✗ I have provided a key difference between efficiency and effectiveness.[3]
- ✓ ✗ I have signposted my response by using 'One key difference'.
- ✓ ✗ I have used comparison words, such as 'In contrast' and 'whereas', when distinguishing.

10. [Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers.[1]][Operations management involves implementing various operations strategies to maximise efficiency and effectiveness in a business's production process. For example, if a business has the objective to increase its percentage of market share, an operations manager could implement strategies to improve the quality of the business's products.[2]][Consequently, improvements in production quality should increase levels of customer satisfaction, allowing for more sales to be made within a given industry, thus assisting the business to increase its market share.[3]]

- ✓ ✗ I have identified and defined operations management.[1]
- ✓ ✗ I have provided an example of how operations management can assist a business to achieve its objectives.[2]
- ✓ ✗ I have stated the relationship between operations management and business objectives.[3]
- ✓ ✗ I have used connecting words, such as 'Consequently'.

11. [Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers.[1]][The operations manager, Carlos, would have the responsibility of implementing operations strategies to maximise efficiency and effectiveness in Elqe's production process. In this case, to address the recent complaints regarding faulty speakers, Carlos could implement a quality strategy, such as checking the quality of speakers at regular intervals in production, to reduce the number of defective products sold to customers.[2]][Consequently, by reducing the number of faulty speakers distributed to customers, Carlos can assist Elqe to improve its level of customer satisfaction. This would allow Elqe to capture more sales within the speaker industry and therefore assist the business to increase its market share.[3]]

- ✓ ✗ I have identified and defined operations management.[1]
- ✓ ✗ I have provided an example relevant to the case study.[2]
- ✓ ✗ I have linked my example to the relationship between operations management and business objectives.[3]
- ✓ ✗ I have referred to the business directly by using 'Carlos' and 'Elqe'.
- ✓ ✗ I have used connecting words, such as 'Consequently'.

Testing previous knowledge

12. [Planning is the process of determining a business's objectives and establishing strategies to achieve these aims.[1]][Jannik would use planning skills when determining which strategies are appropriate to implement to improve the efficiency of Opelka's operations. For example, Jannik may choose to implement quality strategies to reduce errors in the production process and reduce the amount of discarded power tools.[2]][With fewer resources wasted in production, Jannik can enable Opelka to improve the efficiency of its operations system.[3]]

- ✓ ✗ I have identified and defined the management skill of planning.[1]
- ✓ ✗ I have provided an example relevant to the case study.[2]
- ✓ ✗ I have linked my example to the relationship between operations management and improving efficiency.[3]
- ✓ ✗ I have referred to the business directly by using 'Jannik' and 'Opelka's'.

3B Key elements of an operations system

Theory review

1. B. False. *Inputs, processes, and outputs are all of equal importance within a business's operations system because the quality of the outputs is influenced by the inputs used and the processes performed. An operations manager should consider all key elements within an operations system.*

2. inputs; outputs. *When producing a good or service, a business will perform various actions in the production process to transform its inputs into outputs.*

3. processes; inputs. *Processes are the actions performed to transform a business's inputs into the final product received by customers. Inputs are the various resources used in a business's production process to produce a good or service.*

4. inputs. *Employees are considered to be an essential input of an operations system as labour resources are typically needed to produce goods and services.*

5. input. *The machinery in a business's operations system is a capital resource used to produce a good or service.*

Preparing for exams

Case study skills

6. B **7.** I; III; IV **8.** II; IV

Exam-style

9. [Processes are the actions performed by a business to transform inputs into outputs.[1]][These actions could include designing a product, assembling different components, or packaging a product.[2]]

- ✓ ✗ I have defined processes as a key element of operations.[1]
- ✓ ✗ I have provided one characteristic of processes as a key element of operations.[2]

10. [Inputs are the resources used by a business to produce goods and services.[1]][The inputs in Bakerfarm's operations system would include the ingredients used to make bread and other baked goods, such as flour, milk, and water. Additionally, other inputs could include cooking utensils or ovens used when baking.[2]]

- ✓ ✗ I have identified and defined inputs as a key element of operations.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to inputs.[2]
- ✓ ✗ I have referred to the business directly by using 'Bakerfarm's'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

11. [The first key element of an operations system is inputs, which are the resources used by a business to produce goods and services.[1]][The next key element is processes, which are the actions performed by a business to transform inputs into outputs.[2]][The last key element is outputs, which are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[3]][The processes within Green Drop's operations system would include activities such as creating various bottle designs, the moulding of stainless steel bottles, and packaging the drink bottles or thermoses to be ready for sale.[4]]

- ✓ ✗ I have identified and defined inputs as a key element of operations.[1]
- ✓ ✗ I have identified and defined processes as a key element of operations.[2]
- ✓ ✗ I have identified and defined outputs as a key element of operations.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one key element of an operations system.[4]
- ✓ ✗ I have signposted my response by using 'The first key element' and 'The next key element'.
- ✓ ✗ I have referred to the business directly by using 'Green Drop'.

12. [One key element of the operations system is inputs, which are the resources used by a business to produce goods and services.[1]][Inputs at Brenton's BBQs would include stainless steel, iron, and porcelain-coated steel, as well as the machinery and labour resources used in the production process.[2]][Another key element of the operations system is processes, which are the actions performed by a business to transform inputs into outputs.[3]][At Brenton's BBQs, processes would include designing various models of the barbecues, as well as assembling the barbecues.[4]][Moreover, the final key element of the operations system is outputs, which are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[5]][Outputs at Brenton's BBQs would be the packaged barbecues that are purchased by outdoor-living retailers across Australia.[6]]

- I have identified and defined inputs as a key element of operations.[1]
- I have provided an example relevant to the case study and linked it to inputs.[2]
- I have identified and defined processes as a key element of operations.[3]
- I have provided an example relevant to the case study and linked it to processes.[4]
- I have identified and defined outputs as a key element of operations.[5]
- I have provided an example relevant to the case study and linked it to outputs.[6]
- I have signposted my response by using 'One key element' and 'Another next key element'.
- I have referred to the business directly by using 'Brenton's BBQs'.
- I have used connecting words, such as 'Moreover'.

Testing previous knowledge

13. [One key element of an operations system that an operations manager could address to improve efficiency in operations is processes, which are the actions performed by a business to transform inputs into outputs.[1]][An operations manager could implement technology strategies into a business's operations system in order to reduce the amount of time taken to perform certain processes.[2]][By reducing the amount of time required to complete production processes, the operations manager can ensure the business is optimising its use of resources and therefore improving the efficiency of its operations.[3]]

- I have identified and defined a key element of operations.[1]
- I have provided an example of my chosen key element of operations.[2]
- I have linked my example to how an operations manager can improve efficiency in operations.[3]

Other acceptable answers include:

- Inputs
- Outputs

3C Characteristics of manufacturing and service businesses

Theory review

1. B. False. *Whilst service businesses produce intangible outputs, they still deal with suppliers when sourcing inputs to produce their services. For example, a hairdresser would source scissors from a supplier to perform their services.*

2. service. *Since production and consumption of services typically occur simultaneously, service businesses tend to have a high degree of customer contact. Typically, for a customer to consume the service being provided, such as dental services, they must be present at some point during production.*

3. B. False. *Whilst the production process of a service business tends to be labour intensive, it's not uncommon for these businesses to still utilise technology when providing services. For example, a car wash may use a pressured hose when delivering its car washing service.*

4. B. False. *Since manufacturing businesses produce physical products that can be stored, production and consumption of the output typically occur separately. This differs from businesses that provide services, such as a haircut, where production and consumption typically occur simultaneously.*

5. B. *The outputs produced by manufacturing businesses are physical goods and thus are able to be stored by a business as inventory until they are sold.*

6. A. True. *Manufacturing businesses typically utilise equipment and machinery that can mass produce products that are indistinguishable from each other. In contrast, service businesses, such as hairdressers, often tailor the service provided to the individual needs of customers.*

7. manufacturing; service. *Manufacturing businesses produce physical products that have a tangible nature, meaning they can be touched. Conversely, the services provided by service businesses are typically intangible, such as a massage.*

Preparing for exams

Case study skills

8. I; IV

9. I, III, and IV are true. II is false.

10. II; III; IV

Exam-style

11. [One characteristic of operations management at a service business is that outputs provided to customers are intangible, meaning they cannot be touched.[1]][Moreover, another characteristic is that outputs produced by a service business cannot be stored as inventory.[2]]

- I have outlined a characteristic of operations management within a service business.[1]
- I have outlined another characteristic of operations management within a service business.[2]
- I have signposted my response by using 'One characteristic' and 'another characteristic'.
- I have used connecting words, such as 'Moreover'.

12. [One characteristic of a manufacturing business's operations is that the outputs produced are tangible goods, meaning that they can be touched.[1]][In contrast, a service business produces outputs of an intangible nature, as the service provided cannot be touched.[2]]

- I have outlined a unique characteristic of operations management within a manufacturing business.[1]
- I have outlined a contrasting characteristic of operations management within a service business.[2]

- I have signposted my response by using 'One characteristic'.
- I have used comparison words, such as 'In contrast'.

13. [A manufacturing business that produces goods will have processes that involve a low degree of customer contact, as production typically takes place in an environment separate from where customer consumption occurs.[1]][In contrast, the processes performed at Fast Cuts would include cutting and styling hair. When Darius is performing these processes there is a high degree of customer contact, as Darius must perform the processes of cutting and styling on customers.[2]] [A key difference between the processes performed at a manufacturing business to those at Fast Cuts is that processes performed by a service business, such as haircuts performed at Fast Cuts, have a high degree of customer contact, whereas processes performed by a manufacturing business tend to have a low degree of customer contact.[3]]

- I have identified a unique characteristic of the processes of a manufacturing business.[1]
- I have provided an example relevant to the case study and linked it to a unique characteristic of processes.[2]
- I have provided an example relevant to the case study and linked it to a key difference between the processes performed at a manufacturing business and the processes performed at Fast Cuts.[3]
- I have signposted my response by using 'A key difference'.
- I have referred to the business directly by using 'Fast Cuts' and 'Darius'.
- I have used comparison words, such as 'In contrast' and 'whereas', when distinguishing.

14. [One similarity between the operations of a manufacturing business, such as DRYeco, and the operations of a service business is that operations managers at both businesses would aim to improve the efficiency and effectiveness of the operations system.[1]][Furthermore, another similarity is that operations managers at DRYeco and at a service business both will deal with suppliers in the process of sourcing inputs for production.[2]][However, since DRYeco is a manufacturing business, it produces an output that is tangible, meaning the zero-waste beach towels produced can be physically touched. This differs from a service business's operations system, which produces outputs of an intangible nature, such as a massage, which cannot be physically touched.[3]][Moreover, another difference is that the zero-waste beach towels produced by DRYeco are able to be stored as inventory, whereas a service business produces outputs that are unable to be stored as inventory, such as a haircut.[4]]

- I have provided an example relevant to the case study and linked it to one similarity between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[1]
- I have provided an example relevant to the case study and linked it to another similarity between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[2]
- I have provided an example relevant to the case study and linked it to one difference between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[3]
- I have provided an example relevant to the case study and linked it to another difference between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[4]
- I have signposted my response by using 'One similarity' and 'another similarity'.
- I have referred to the business directly by using 'DRYeco'.
- I have used connecting words, such as 'Furthermore' and 'Moreover'.

15. [One characteristic of operations management at Geesy Cereals is that outputs produced are tangible, meaning the wholegrain cereal products manufactured by the business are able to be physically touched.[1]][This differs from a service business's operations system which produces a service that is of an intangible nature, such as a flight provided by an airline, which cannot be physically touched.[2]] [Furthermore another characteristic of Geesy Cereals' operations is that the business's production process would be capital intensive, meaning there is a high degree of machinery used to produce and package the wholegrain cereal products.[3]][This differs from a service business's production process which tends to be labour intensive, meaning that there is a high degree of labour used to produce the service, such as a hairdresser providing a customer with a haircut.[4]] [Moreover, outputs produced at Geesy Cereals would be able to be stored, meaning the wholegrain cereal products could be kept in the business as inventory until they are ready for sale.[5]][This differs from the outputs provided by service businesses, such as car cleaning, which cannot be stored.[6]]

- I have provided an example relevant to the case study and linked it to a characteristic of operations management within a manufacturing business.[1]
- I have provided a contrasting characteristic of operations within a service business.[2]
- I have provided an example relevant to the case study and linked it to a second characteristic of operations management within a manufacturing business.[3]
- I have provided a contrasting characteristic of operations within a service business.[4]
- I have provided an example relevant to the case study and linked it to a third characteristic of operations management within a manufacturing business.[5]
- I have provided a contrasting characteristic of operations within a service business.[6]
- I have signposted my response by using 'One characteristic' and 'another characteristic'.
- I have referred to the business directly by using 'Geesy Cereals'.
- I have used connecting words, such as 'Furthermore' and 'Moreover'.

Testing previous knowledge

16. [One key element of operations is processes, which are the actions performed by a business to transform inputs into outputs.[1]][The processes performed within a manufacturing business tend to be capital intensive, meaning there is a high degree of machinery used in the production process. In contrast, a business that provides customers with services tends to have processes that are more labour intensive, meaning the processes performed to produce the services utilise a high degree of labour resources.[2]][Another key element of operations is outputs, which are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[3]][Outputs produced by a manufacturing business can be stored as inventory until they are required to be sold. Conversely, services produced by a service business cannot be stored as inventory.[4]]

- I have identified and defined a key element of operations.[1]
- I have provided one difference between my chosen key element within the operations of a service business and the operations within a manufacturing business.[2]
- I have identified and defined another key element of operations.[3]
- I have provided one difference between my chosen key element within the operations of a service business and the operations of a manufacturing business.[4]
- I have signposted my response by using 'One key element' and 'another key element'.
- I have used comparison words, such as 'In contrast' and 'Conversely', when comparing.

Other acceptable answers include:

- Inputs

3A–C review

Exam-style

1. [Efficiency is how productively a business uses its resources when producing a good or service.[1]][Improvements in the efficiency of a business's operations system can result from implementing strategies that optimise the use of a business's resources, including time, money, materials, and employees.[2]]

- I have defined efficiency.[1]
- I have provided one characteristic of efficiency.[2]

2. [Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers.[1]][As Lorenzo is in charge of Tortadelici's operations system, he is responsible for implementing operations strategies that maximise efficiency and effectiveness. As Tortadelici is planning to expand its operations, Lorenzo could investigate various technologies to implement at the new factories that could increase production capacity and reduce costs.[2]][Through implementing technologies to reduce Tortadelici's production costs, Lorenzo may be able to lower the price of his cakes whilst retaining a healthy profit margin. This could establish a competitive advantage for Tortadelici and allow the business to capture more sales within the cake industry, consequentially assisting the business to increase its market share.[3]]

- I have identified and defined operations management.[1]
- I have provided an example relevant to the case study.[2]
- I have linked my example to the relationship between operations management and business objectives.[3]
- I have referred to the business directly by using 'Lorenzo' and 'Tortadelici's'.

3. [One characteristic of operations management within a manufacturing business is that the outputs produced are tangible, meaning they are able to be touched.[1]][The tangible outputs produced at Tortadelici are the packaged cakes received by customers who have ordered them.[2]][Moreover, another characteristic of operations within a manufacturing business is that the operations system will typically be capital intensive, meaning there is a high degree of machinery and equipment used in the production process.[3]][The production process at Tortadelici is considered to be capital intensive as the production process relies significantly on equipment, such as ovens, to produce the cakes.[4]]

- I have identified and described a characteristic of operations management within a manufacturing business.[1]
- I have provided an example relevant to the case study and linked it to my chosen characteristic of operations management within a manufacturing business.[2]
- I have identified and described another characteristic of operations management within a manufacturing business.[3]
- I have provided an example relevant to the case study and linked it to my chosen characteristic of operations management within a manufacturing business.[4]
- I have signposted my response by using 'One characteristic' and 'another characteristic'.
- I have referred to the business directly by using 'Tortadelici's'.
- I have used connecting words, such as 'Moreover'.

4. [One key element of operations is outputs, which are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[1]][The outputs at Tortadelici are the packaged cakes received by customers who have ordered them.[2]][One characteristic of the outputs produced by a manufacturing business, such as Tortadelici, is that they are able to be stored as inventory. Cakes ordered by customers may be stored in the coolroom before they are picked up.[3]][In contrast, the outputs produced by a service business, such as a haircut, cannot be stored as inventory.[4]]

- I have identified and defined a key element of operations.[1]
- I have provided an example relevant to the case study and linked it to my chosen key element of operations.[2]

- I have provided an example relevant to the case study and linked it to a characteristic of my chosen key element of operations.[3]
- I have provided a contrasting characteristic of operations within a service business.[4]
- I have signposted my response by using 'One characteristic'.
- I have referred to the business directly by using 'Tortadelici'.
- I have used comparison words, such as 'In contrast'.

5. [One characteristic of operations management at Tortadelici is that the manufactured outputs are tangible, meaning the cakes produced by the business are able to be physically touched.[1]][This differs from a service business's operations system that produces a service that is of an intangible nature, such as a massage, which cannot be physically touched.[2]][Furthermore, another characteristic of Tortadelici operations system is that production and consumption of outputs occur separately, meaning customers consume the cakes they have purchased at a different time and location from when and where the cakes are made.[3]][In contrast, a service business's operations system involves simultaneous production and consumption of the provided service, such as a taxi ride.[4]][Moreover, another characteristic of Tortadelici's operations system is that the production process is capital intensive, meaning there is a high reliance on machinery, such as ovens, to produce the cakes.[5]][This differs from a service business's production process which tends to be labour intensive, meaning there is a high degree of labour used to produce the service, such as a hairdresser providing a customer with a haircut.[6]]

- I have provided an example relevant to the case study and linked it to a characteristic of operations management within a manufacturing business.[1]
- I have provided a contrasting characteristic of operations within a service business.[2]
- I have provided an example relevant to the case study and linked it to a second characteristic of operations management within a manufacturing business.[3]
- I have provided a contrasting characteristic of operations within a service business.[4]
- I have provided an example relevant to the case study and linked it to a third characteristic of operations management within a manufacturing business.[5]
- I have provided a contrasting characteristic of operations within a service business.[6]
- I have signposted my response by using 'One characteristic' and 'another characteristic'.
- I have referred to the business directly by using 'Tortadelici'.
- I have used connecting words, such as 'Furthermore' and 'Moreover'.
- I have used comparison words, such as 'In contrast', when comparing.

6. [The first key element of operations is inputs, which are the resources used by a business to produce goods and services.[1]][The inputs at Tortadelici would include the raw ingredients required to produce cakes, such as milk, eggs, and flour. Additionally, the inputs within Tortadelici's operations would also include the machinery used to produce the cakes, as well as the employees operating the machinery and hand decorating the cakes.[2]][Furthermore, another key element is processes, which are the actions performed by a business to transform inputs into outputs.[3]][The processes performed within Tortadelici's operations would include mixing the various ingredients required to make the cakes, baking, decorating, and packaging the cakes.[4]][Lastly, the final key element is outputs, which are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[5]][The outputs at Tortadelici are the packaged and stored cakes which meet the design description of customers who placed an order.[6]]

- I have identified and defined inputs as a key element of operations.[1]
- I have provided an example relevant to the case study and linked it to inputs.[2]
- I have identified and defined processes as a key element of operations.[3]
- I have provided an example relevant to the case study and linked it to processes.[4]
- I have identified and defined outputs as a key element of operations.[5]
- I have provided an example relevant to the case study and linked it to outputs.[6]
- I have signposted my response by using 'The first key element' and 'another key element'.
- I have referred to the business directly by using 'Tortadelici'.
- I have used connecting words, such as 'Furthermore' and 'Lastly'.

3D Technological strategies

Theory review

1. A. True. *Implementing technological developments can enable a business to optimise its operations system by minimising the amount of time and resources wasted in its production process.*

2. A. True. *Both automated production lines and robotics can help to improve workplace safety by removing the need to perform dangerous tasks, such as moving heavy objects.*

3. computer-aided manufacturing techniques; computer-aided design. *Computer-aided manufacturing software is able to control and direct the production process by coordinating machinery within a business's operations system. Conversely, computer-aided design is a digital design tool that can generate and modify technical illustrations of a product.*

4. artificial intelligence. *Computer systems with artificial intelligence have the ability to perform complex tasks that would otherwise require human intelligence, such as interpreting and responding to language.*

5. B. False. *Whilst implementing an automated production line is expected to reduce production costs, there is typically a large cost associated with initially purchasing and installing the machinery. This significant expense can mean that a business may initially experience a decrease in profit in the year the machinery is purchased.*

6. online services. *Implementing online services, such as a website, can allow a business to easily communicate information to customers relating to the products or services it offers.*

7. computer-aided design. *Computer-aided design can allow a business to generate digital design illustrations for its product, reducing the number of materials wasted in the product design process.*

8. B. False. *In some cases, technological developments may render employees' roles redundant and thus negatively affect employee wellbeing. However, in many cases implementing technological developments can remove the need for employees to complete dangerous tasks, therefore improving workplace safety and positively affecting employees.*

9. B. False. *Technological developments may improve a business's reputation through improvements in quality or minimising the business's environmental impacts. However, a business's reputation can also be negatively affected if the implementation of technology causes a significant number of employees to be made redundant.*

Preparing for exams

Case study skills

10. A **11.** B **12.** I; II **13.** II; III

14. I and III are advantages. II and IV are disadvantages.

Exam-style

15. [Artificial intelligence involves using computerised systems to simulate human intelligence and mimic human behaviour.[1]] [Artificial intelligence can be utilised within a business's operations systems to conduct tasks that would typically require human intelligence, such as data analysis or speech interpretation.[2]]

- ✓ ✗ I have defined the technological development of artificial intelligence.[1]
- ✓ ✗ I have provided one characteristic of artificial intelligence.[2]

16. [Robotics are programmable machines that are capable of performing specified tasks.[1]] [Robotics can be used within a business's operations system to perform tasks faster and more accurately than human labour. Increased precision can reduce production errors and enhance overall product quality, allowing the business to increase its sales and market share, thus improving effectiveness.[2]]

- ✓ ✗ I have defined the technological development of robotics.[1]
- ✓ ✗ I have described one way robotics could assist a business to improve the effectiveness of its operations.[2]

17. [Online services are services that are provided via the internet. By developing an online booking system, Deng's customers can book their device repairs themselves.[1]] [At Deng's Digital Repairs, an online booking system could allow customers to easily book repair appointments and receive information, such as when they should drop off and pick up their devices. Accordingly, this can improve the efficiency of operations at Deng's Digital Repairs, as Deng will not be required to manually organise customer bookings, allowing for more optimal use of Deng's time as he can focus more on repairing customers' devices.[2]]

- ✓ ✗ I have provided an online services example relevant to the case study.[1]
- ✓ ✗ I have linked my online services example to improving efficiency of operations.[2]
- ✓ ✗ I have referred to the business directly by using 'Deng' and 'Deng's Digital Repairs'.

18. [Computer-aided design is digital design software that aids the creation, modification, and optimisation of a design and the design process.[1]] [At Pearly Porce, computer-aided design can allow Giosue to generate various jewellery designs for the winter collection without having to waste precious materials, such as silver, in the design process.[2]] [This can reduce the number of resources wasted and thus improve the efficiency of Pearly Porce's operations.[3]]

- ✓ ✗ I have identified and defined the technological development of computer-aided design.[1]
- ✓ ✗ I have provided a computer-aided design example relevant to the case study.[2]
- ✓ ✗ I have linked my computer-aided design example to improving efficiency of operations.[3]
- ✓ ✗ I have referred to the business directly by using 'Pearly Porce' and 'Giosue'.

19. [One technological development that Vyvastim could implement is computer-aided manufacturing (CAM) techniques, which is the use of software that controls and directs production processes by coordinating machinery and equipment through a computer.[1]] [This could allow the production process of Vyvastim's electrolyte sports drinks to be controlled by software which can efficiently direct machinery to conduct production processes, such as moulding bottles. Consequently, Vyvastim can reduce the amount of time and labour resources wasted in production, thus improving efficiency.[2]] [Moreover, CAM can also direct the production process with greater accuracy than human labour, allowing Vyvastim to achieve a consistent quality standard for its sports drinks. This can improve customer satisfaction and allow the business to increase its sales within the sports beverage industry, therefore increasing market share and enhancing effectiveness.[3]]

- ✓ ✗ I have identified and defined one technological development.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen technological development improving efficiency of operations.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen technological development improving effectiveness of operations.[3]

- ✓ ✗ I have signposted my response by using 'One technological development'.
- ✓ ✗ I have referred to the business directly by using 'Vyvastim'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

Other acceptable answers include:

- Automated production lines

20. [One advantage of Bankoz Ltd. utilising artificial intelligence in its provision of financial services is that it can perform complex tasks faster than human labour. Artificial intelligence could be used to analyse financial data faster than analysts on Bankoz's management team, reducing the amount of time wasted and improving efficiency.[1]] [Furthermore, another advantage is that Bankoz can reduce the number of errors made in its operations system, as artificial intelligence is likely to perform tasks with greater accuracy than human labour, thus improving effectiveness.[2]] [On the other hand, one disadvantage of Bankoz using artificial intelligence is that the business may incur a high initial purchase cost when initially implementing the software.[3]] [Moreover, another disadvantage is that there may be expenses associated with providing training for analysts on the Bankoz's management team relating to how to operate the technology.[4]] [Overall, despite the expenses associated with implementation and training, it is suitable for Bankoz to implement artificial intelligence as it will result in more efficient operations and a higher quality of financial services being provided to customers.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of artificial intelligence.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of artificial intelligence.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of artificial intelligence.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of artificial intelligence.[4]
- ✓ ✗ I have provided an opinion on the appropriateness of artificial intelligence by summarising the advantages and disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Bankoz Ltd.'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Moreover'.

Testing previous knowledge

21. [One technological development is robotics, which are programmable machines that are capable of performing specified tasks.[1]] [Processes are the actions performed by a business to transform inputs into outputs.[2]] [Robotics can be used within a business's operations system to perform various processes with more precision and speed than human labour.[3]] [Performing tasks with greater precision and speed can reduce the amount of time and labour wasted in a business's production process, thus improving efficiency in operations.[4]]

- ✓ ✗ I have identified and defined one technological development.[1]
- ✓ ✗ I have defined processes as a key element of operations.[2]
- ✓ ✗ I have provided an example of how my chosen technological development improves processes.[3]
- ✓ ✗ I have linked my example to improving efficiency in operations.[4]
- ✓ ✗ I have signposted my response by using 'One technological development'.

3E Materials strategies

Theory review

1. A. True. *A business needs the correct amount of materials to be in the right place, at the right time in order to produce its goods and services to the highest possible level of efficiency.*

2. A. *Forecasting involves predicting the level of consumer demand using past data and market trends. Accurately forecasting the demand can help a business order the necessary amount of materials to produce its goods and services, and therefore minimise the waste of unused materials or unsold, damaged stock.*

3. materials requirement planning; a master production schedule. *Materials requirement planning outlines the necessary materials that a business needs in order to meet its expectations set in its master production schedule about the quantity of the products it will make to sell to customers and meet demand.*

4. Just in Time. *A business that orders inputs as they are needed uses the Just in Time approach to materials management, and this can reduce the amount of idle stock or unused materials.*

5. A. True. *A business that implements materials management strategies can observe improvements in its efficiency and effectiveness during operations, as it reduces the amount of idle stock taking up space, increases levels of customer satisfaction, and takes steps towards an optimised production process.*

Preparing for exams

Case study skills

6. A **7.** B **8.** I; II

Exam-style

9. [Forecasting is a materials planning tool that predicts customer demand for an upcoming period using past data and market trends.[1]] [Forecasting can be used by an operations manager to make informed decisions about the amount of inputs the business needs in order to meet customer demand.[2]]

- ✓ ✗ I have defined the materials strategy of forecasting.[1]
- ✓ ✗ I have provided one characteristic of forecasting.[2]

10. [An advantage of using master production schedules is that as a business is able to set its targets for production, it will then be more likely to accurately meet customer demand, and therefore cause an increase in the business's profits.[1]][However, a disadvantage of master production schedules is that they can be time consuming to organise, and a manager may have to spend large amounts of time in order to create an achievable schedule.[2]]

- I have provided one advantage of master production schedules as a materials management strategy.[1]
- I have provided one disadvantage of master production schedules as a materials management strategy.[2]
- I have signposted my response by using 'An advantage' and 'a disadvantage'.
- I have used connecting words, such as 'However'.

11. [Materials requirement planning (MRP) is a process that itemises the types and quantities of materials required to meet production targets set out in the master production schedule.[1]][MRP can help a business improve the efficiency of its operations, as it ensures that the appropriate amounts of materials are always available at the correct time, allowing a business to produce its goods and services with little time wasted.[2]]

- I have defined the materials strategy of materials requirement planning.[1]
- I have described one way materials requirement planning could assist a business to improve its operations.[2]

12. [One advantage of using Just in Time (JIT) is that a business does not need to use as much space storing materials used for production, and therefore they have more space and greater capacity to optimise its processes. This can improve the efficiency of a business's operations.[1]][Moreover, another advantage of Just in Time is that a business is able to reduce the number of products it needs to store as it orders materials at the time that they are required. This can reduce expenses, as a business does not need to pay for extra storage services or maintain a large inventory space to hold its stock, therefore improving its ability to achieve the business objective to make a profit.[2]][However, one disadvantage of JIT is that a lack of flexibility in the business's schedule can mean that time is wasted if materials do not arrive on time, therefore the Just in Time strategy must be implemented well to avoid losses in efficiency.[3]][Furthermore, another disadvantage of JIT is that a business may not be able to buy its materials in bulk, and may therefore spend more money on the production of its goods and services. This can therefore reduce the business's ability to meet the objectives to make a profit.[4]]

- I have provided one advantage of Just in Time as a materials management strategy.[1]
- I have provided another advantage of Just in Time as a materials management strategy.[2]
- I have provided one disadvantage of Just in Time as a materials management strategy.[3]
- I have provided another disadvantage of Just in Time as a materials management strategy.[4]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have used connecting words, such as 'Moreover' and 'However'.

13. [Materials requirement planning is a process that itemises the types and quantities of materials required to meet production targets set out in the master production schedule.[1]][Aiyla could implement materials requirement planning to determine the inputs needed to provide Finer Fenders' car cleaning and detailing services, as she can identify the cleaning products the business has already bought, and order materials according to the quantities in which they are required.[2]][Having the appropriate materials available can mean that Finer Fenders' customers do not experience extended waiting times, and this can create a favourable reputation, leading to increased sales and therefore leading to greater profits. Thus, this can improve Finer Fenders' effectiveness as the business is able to meet its objectives.[3]]

- I have identified and defined the materials strategy of materials requirement planning.[1]
- I have provided a materials requirement planning example relevant to the case study.[2]
- I have linked my materials requirement planning example to improving the effectiveness of operations.[3]
- I have referred to the business directly by using 'Aiyla' and 'Finer Fenders''.
- I have used connecting words, such as 'Furthermore' and 'Thus'.

Other acceptable answers include:

- Just in Time

14. [Dhruv has used forecasting to identify when the business may experience periods of increased demand, and he can use this information to determine the number of inputs that E-Razor needs to sell its products to customers during this time.[1]][By having sufficient amounts of inputs to create E-Razors' products, Dhruv can ensure that the production process does not involve any unnecessary halts that may waste time, thus improving the efficiency of the business's operations.[2]][Furthermore, by using forecasting, Dhruv can make informed decisions on the quantities of inputs to order to meet the increase in consumer demand during the holiday period.[3]][This can help E-Razor meet the level of customer demand, leading to greater customer satisfaction and building a positive reputation. In turn, the business may experience increased sales and therefore improve its effectiveness in meeting its objective to make a profit.[4]]

- I have provided a forecasting example relevant to the case study.[1]
- I have linked my forecasting example to improving the efficiency of operations.[2]
- I have provided another forecasting example relevant to the case study.[3]
- I have linked my forecasting example to improving the effectiveness of operations.[4]
- I have referred to the business directly by using 'Dhruv' and 'E-Razor'.
- I have used connecting words, such as 'Furthermore'.

Testing previous knowledge

15. [A master production schedule (MPS) is a plan that outlines what a business intends to produce, in specific quantities, within a set period of time.[1]][On-the-job training involves employees improving their knowledge and skills within the workplace.[2]][During the introduction of a master production schedule, a manager may implement on-the-job training to increase employee skills in the workplace to ensure they are able to adequately complete work tasks that may involve the use of the MPS. This can ensure a smooth workflow in the operations system of the business.[3]]

- ✓ ✗ I have defined master production schedules.[1]
- ✓ ✗ I have defined on-the-job training.[2]
- ✓ ✗ I have explained how on-the-job training can be used when implementing a master production schedule.[3]

3F Quality strategies

Theory review

1. A. True. *When a business increases its quality of production, efficiency can be improved as fewer defective products need to be discarded, reducing the number of inputs required to produce the same amount of outputs. Improved quality is also likely to increase sales as customers will be more satisfied with the products, increasing business effectiveness.*

2. A. *Total Quality Management is a holistic approach whereby all employees are committed to continuously improving the business's operations system to enhance quality for customers.*

3. I; III. *Quality assurance and Total Quality Management both focus on improving the business's operations system to reduce the number of defective products. These strategies are examples of a proactive approach, whereas quality control relies on removing errors after they have occurred, and is therefore reactive.*

4. A. True. *Quality control is a strategy that requires a business to establish standards of quality and then regularly conduct inspections to ensure the products of the business meet these set standards. If the standards are not achieved, the cause of the error is fixed to prevent future errors.*

5. I; II. *By implementing quality control, a business can reduce the number of defective products being sold to customers, improving customer satisfaction and the business's reputation. Quality control is also advantageous as this strategy does not require a business to hire an independent body to assist with the quality checks, making this process relatively inexpensive.*

6. Quality assurance. *Quality assurance is a strategy by which a business pays for an independent body to conduct quality checks of its products. From these checks, the body may provide a business with an external certification, validating the quality of its products.*

7. A. *Successfully implementing any of the three quality strategies can enable a business to improve the quality of its products, likely leading to an increase in sales as the business's reputation can improve if it is consistently selling high-quality products.*

Preparing for exams

Case study skills

8. I and IV are true. II and III are false.

9. I and III are similarities. II and IV are differences.

10. A

11. I; II; IV

12. B

13. I and III are advantages. II and IV are disadvantages.

Exam-style

14. [Quality assurance involves a business achieving a certified standard of quality in its production after an independent body assesses its operations system.[1]][This is a proactive quality strategy as it aims to improve the quality of the entire operations system and avoid errors entirely.[2]]

- ✓ ✗ I have defined quality assurance as a quality strategy.[1]
- ✓ ✗ I have provided one characteristic of quality assurance as a quality strategy.[2]

15. [Total Quality Management (TQM) is a holistic approach whereby all employees are committed to continuously improving the business's operations system to enhance quality for customers.[1]][This quality strategy includes three features; customer focus, continuous improvement, and employee empowerment.[2]]

- ✓ ✗ I have defined Total Quality Management as a quality strategy.[1]
- ✓ ✗ I have provided one characteristic of Total Quality Management as a quality strategy.[2]

16. [Quality control involves inspecting a product at various stages of the production process, to ensure it meets designated standards, and discarding those that are unsatisfactory.[1]][One quality issue Aromatic Serenity is currently experiencing is that the skincare being sold smells off before its stated expiration date. In order to rectify this issue, Sally could select bottles of the skincare from the production line as they are being packaged and check the quality of these products.[2]][By doing so, Sally may be able to identify the cause of the bad-smelling products, fixing this issue so that fewer expired goods are produced, improving the efficiency of Aromatic Serenity's operations system.[3]]

- ✓ ✗ I have identified and defined quality control as a quality strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to quality control.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how quality control can improve the efficiency of a business's operations system.[3]
- ✓ ✗ I have signposted my response by using 'One quality issue'.
- ✓ ✗ I have referred to the business directly by using 'Aromatic Serenity' and 'Sally'.

17. [One similarity between quality control and quality assurance is that both strategies require a business to meet set standards. At Buffalo's Burgers, these standards may concern the quality of the meat in the patties that the business is selling.[1]][Another similarity between quality control and quality assurance is that both strategies can prevent defects from reaching customers, improving the level of customer satisfaction at Buffalo's Burgers as customers are less likely to receive faulty products when either strategy is introduced.[2]][In contrast, one difference between quality control and quality assurance is that quality control is a reactive strategy, that involves responding to issues once they have occurred in production, whereas quality assurance is a proactive strategy. Therefore, it is likely that some defects may still reach customers if James and Bernie make use of quality control as all errors may not be removed during randomly conducted checks of the production line.[3]][Furthermore, another key difference between quality control and quality assurance is that quality assurance involves a business gaining external certification after it meets set standards whereas there would be no indicator on Buffalo's Burgers' food that its products are of high quality if it uses quality control.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one similarity between quality control and quality assurance.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another similarity between quality control and quality assurance.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one difference between quality control and quality assurance.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another difference between quality control and quality assurance.[4]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'one difference'.
- ✓ ✗ I have referred to the business directly by using 'Buffalo's Burgers' and 'James and Bernie'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.
- ✓ ✗ I have used comparison words, such as 'In contrast' and 'whereas', when comparing.

18. [Total Quality Management (TQM) is a holistic approach whereby all employees are committed to continuously improving the business's operations system to enhance quality for customers.[1]][This strategy relies on three key features; customer focus, continuous improvement, and employee empowerment. Maxi's Taxis provides a more expensive chauffeur service to customers compared to the offerings of regular taxi services. Therefore, customers of the business likely expect smooth driving and clean vehicles. Max should identify the needs and wants of his customers to fulfil the customer focus feature of TQM.[2]][Another feature of TQM is continuous improvement which suggests employees must constantly evaluate processes to achieve a higher quality output. At Maxi's Taxis, employees should continuously be thinking of ways to improve the experience for customers, such as installing speakers in the cars and allowing customers to choose their own music.[3]][One advantage of using TQM at Maxi Taxis is that it empowers employees to be involved in the process of improving quality, increasing their satisfaction and leading to feelings of value. This can lead to improvements in quality as drivers may be more devoted to their work and willing to improve the customer experience.[4]]

[Another advantage of TQM is that it is a proactive quality strategy that aims to prevent errors from occurring, for example, Maxi's Taxis may have GPS systems in place to ensure drivers do not take busy roads in the city. As a result, customers can arrive at their destination quicker, allowing Maxi's Taxis to maintain a high standard of quality for its taxi service.[5]]

- ✓ ✗ I have identified and defined Total Quality Management.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to Total Quality Management.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to Total Quality Management.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of Total Quality Management.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of Total Quality Management.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Maxi's Taxis' and 'Max'.
- ✓ ✗ I have used connecting words, such as 'As a result'

Note: Total Quality Management is the only acceptable quality strategy.

19. [One quality strategy that Giant Peaches could introduce is quality assurance, which involves a business achieving a certified standard of quality in its production after an independent body assesses its operations system.[1]][One advantage of quality assurance is that it can increase sales at Giant Peaches. When a business gains external certification, it can use it as a marketing tool to showcase its high-quality products to customers. Therefore, quality assurance may allow Giant Peaches to increase its sales as customers may perceive the peaches to be of a high quality as the business achieved external certification.[2]][Another advantage of quality assurance is that it can improve the safety of the workplace. For example, in order for Giant Peaches to achieve external certification, it may need to amend some of its workplace standards, leading to enhanced workplace safety for Giant Peaches' employees.[3]][However, a disadvantage of quality assurance is that it may be costly for James to introduce at Giant Peaches as it requires him to pay an external body to assess the operations system of the business.[4]][Furthermore, another disadvantage of quality assurance is that the process of filling out the documentation that is required to gain external certification can be time consuming and may increase expenses. Considering Giant Peaches is already struggling to keep up with the low prices of its competitors, it may not be appropriate for the business to introduce practices that will add to its expenses.[5]]

- ✓ ✗ I have identified and defined quality assurance.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of quality assurance.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of quality assurance.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of quality assurance.[4]

- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of quality assurance.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Giant Peaches' and 'James'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Note: Quality assurance is the only acceptable quality strategy.

Testing previous knowledge

20. [Outputs are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[1]][In a manufacturing business, such as R2D2, the outputs are a tangible final product provided to customers, such as frozen meals as these can be physically touched and stored.[2]][One quality strategy that R2D2 could introduce is quality control, which involves inspecting a product at various stages of the production process, to ensure it meets designated standards, and discarding those that are unsatisfactory.[3]][By introducing quality checks during the production process of frozen meals, Luke and Leia can ensure errors, such as the wrong flavouring sachet being included with a meal, do not occur and these mistakes are removed. This will allow R2D2's outputs of frozen meals to be more consistent with each other, improving quality.[4]]

- ✓ ✗ I have identified and defined outputs.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to outputs.[2]
- ✓ ✗ I have identified and defined one quality strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen quality strategy could improve the quality of outputs.[4]
- ✓ ✗ I have signposted my response by using 'One quality strategy'.
- ✓ ✗ I have referred to the business directly by using 'R2D2' and 'Luke and Leia'.

Other acceptable answers include:

- Total Quality Management
- Quality assurance

3G Waste minimisation

Theory review

1. A. True. *Reducing waste in operations can significantly reduce production costs and allow for the productive use of resources, which helps to improve efficiency and effectiveness within operations.*

2. efficiency. *A reduction in waste can improve efficiency within operations. If less resources are discarded, a business is able to generate more output from its inputs.*

3. effectiveness. *A reduction in waste can improve effectiveness through a reduction of production costs, which can allow a business to offer lower prices to customers, hence increasing sales and its percentage of market share.*

4. the waste minimisation strategy of reduce. *The waste minimisation strategy of reduce aims to decrease the amount of resources, such as time, inputs, or defective outputs that are discarded during the production process.*

5. the waste minimisation strategy of reuse. *The waste minimisation strategy of reuse aims to utilise items that otherwise would have been discarded during the production process.*

6. A. True. *A business can recycle resources that were going to be discarded, such as glass, paper, or batteries, transforming them into something that the business can utilise.*

7. A. True. *Through minimising waste, a business can reduce its production costs as they are able to maximise the amount of outputs obtained from inputs. Subsequently, a business can offer lower prices to customers, which may assist the achievement of business objectives, such as increasing market share.*

Preparing for exams

Case study skills

8. A

9. III is true. I and II are false.

10. I and II are true. III is false.

Exam-style

11. [Reduce is a waste minimisation strategy that aims to decrease the amount of products, labour, or time discarded during production.[1]][Furthermore, another waste minimisation strategy is recycle which aims to transform items which would have otherwise been discarded.[2]]

- ✓ ✗ I have identified and defined one waste minimisation strategy.[1]
- ✓ ✗ I have identified and defined another waste minimisation strategy.[2]

12. [Waste minimisation is the process of reducing the amount of unused material, time, or labour within a business.[1]][An example of waste minimisation is a business recycling materials which would otherwise be discarded by transforming and using them for a different purpose.[2]]

- ✓ ✗ I have outlined waste minimisation.[1]
- ✓ ✗ I have provided an example of waste minimisation.[2]

13. [Waste minimisation, which is the process of reducing the amount of unused material, time, or labour within a business, aims to ensure that customers obtain final products which are of the desired quality and lower cost.[1]][One example of minimising waste is a business having customers return empty packaging, cleaning the packaging and reusing it when creating another product.[2]][By reusing materials a business is able to increase its efficiency as old materials can be reused during production. In turn, a business is able to be more efficient as costs associated with sourcing new materials are lowered and passed down to customers in the form of lower prices.[3]]

- I have outlined the purpose of waste minimisation.[1]
- I have provided one example of reuse as a waste minimisation.[2]
- I have stated how this example minimises waste and improves efficiency in operations.[3]

14. [Waste minimisation is the process of reducing the amount of unused material, time, or labour within a business.[1]][Reduce is a waste minimisation strategy that aims to decrease the amount of resources, labour, or time discarded during production. For example, a business could forecast their supply of inputs to meet customer demand, so that outputs are not overproduced.[2]][Through reducing the number of resources that are discarded during the production process, a business can lower its production costs by only purchasing resources that will be used to their full potential.[3]]

- I have defined waste minimisation.[1]
- I have provided an example of a waste minimisation strategy.[2]
- I have linked my chosen waste minimisation strategy to improving operations.[3]

Other acceptable answers include:

- Reuse
- Recycle

15. [Reduce is a waste minimisation strategy that aims to decrease the amount of resources, labour, or time discarded during production.[1]] [Damien could use the reduce strategy to minimise the amount of employee time that is wasted at Tellithon's call centres. For example, Damien could relocate employees from the overstaffed call centres to the call centres which are understaffed.[2]][This can improve efficiency in Tellithon's operations, as it will allow them to serve more calls at their understaffed service centre, consequently leading to lower telephone hold times for customers.[3]]

- I have identified and defined reduce as a waste minimisation strategy.[1]
- I have provided an example of reduce relevant to the case study.[2]
- I have linked my example to improving operations.[3]
- I have signposted my response by using 'Reduce is'.
- I have referred to the business directly by using 'Tellithon'.

16. [One waste minimisation strategy that Porcelain Planners could use is recycle, which involves transforming items which would have otherwise been discarded.[1]][For example, Paul could recycle the paper from all of the excess 2021 planners and then utilise the recycled paper in the production of 2022 planners.[2]][Consequently, Porcelain Planners will reduce their expenses on paper, thus reducing production costs for the 2022 planners and improving efficiency.[3]]

- I have identified and defined a waste minimisation strategy.[1]
- I have provided an example of my chosen waste minimisation strategy relevant to the case study.[2]
- I have linked my example to improving operations.[3]
- I have signposted my response by using 'One waste minimisation strategy'.
- I have referred to the business directly by using 'Porcelain Planners'.

Other acceptable answers include:

- Reduce
- Reuse

Testing previous knowledge

17. [Total quality management (TQM) is a holistic approach where all employees are committed to continuously improving a business's operations system to enhance the quality for customers.[1]][For example, SoundSation could have employee involvement throughout the production process, meaning that employees are constantly providing input and suggestions on how to ensure the quality of the headphones and speakers produced is maintained.[2]][Through a consistent focus on quality, SoundSation will produce less defective headphones and speakers, subsequently lowering the amount of products that are discarded during the production process, thus improving efficiency and reducing waste.[3]]

- I have identified and defined total quality management.[1]
- I have provided an example of total quality management relevant to the case study.[2]
- I have linked my example to reducing waste in Soundsation's operations.[3]
- I have signposted my response by using 'Total quality management (TQM) is'.
- I have referred to the business directly by using 'SoundSation'.

3H Lean management

Theory review

1. B. False. *Lean management is the process of systematically reducing waste in all areas of a business's operations system whilst simultaneously improving customer value.*

2. zero defects; pull. *Zero defects involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output. Pull involves customers determining the number of products a business should produce for sale.*

3. A. *Through the implementation of zero defects, a business can improve its efficiency as employees are constantly aiming to prevent errors in production and enhance product quality. This reduces the number of faulty products that must be discarded during the production process, increasing productivity.*

4. B. *One-piece flow is a lean management strategy that involves processing a product individually through a stage of production and passing it onto the next stage of production before processing the next product, continuing this process throughout all stages of production. By implementing one-piece flow, a business can deliver products to customers more quickly, potentially leading to higher levels of satisfaction.*

5. A. True. *Takt is a lean management strategy that involves synchronising the steps of a business's operations system to meet customer demand. When a business implements takt, it develops a rhythmic pace in its operations system that streamlines each stage of the production process.*

6. A. True. *Lean management can allow a business to minimise the amount of waste that is generated from its production process, whilst also improving the value of its products for customers. By minimising waste, a business can minimise its environmental impact and consequently improve its reputation.*

Preparing for exams

Case study skills

7. I; III

8. I and II are true. III is false.

9. II and IV are advantages. I and III are disadvantages.

10. I; III; IV

Exam-style

11. [Pull is a lean management strategy that involves customers determining the number of products a business should produce for sale.[1]][This means a business only produces its goods or services to meet customer demand, therefore allowing it to minimise the number of unsold products that are discarded.[2]]

- ✓ ✗ I have defined the lean management strategy of pull.[1]
- ✓ ✗ I have outlined one characteristic of the lean management strategy of pull.[2]

12. [Lean management is the process of systematically reducing waste in all areas of a business's operations system whilst simultaneously improving customer value.[1]][It involves implementing strategies to improve the efficiency and effectiveness of a business's operation systems, such as pull, one-piece flow, takt, and zero defects.[2]]

- ✓ ✗ I have defined lean management.[1]
- ✓ ✗ I have provided one characteristic of lean management.[2]

13. [One lean management strategy is one-piece flow, which involves processing a product individually through a stage of production and passing it onto the next stage of production before processing the next product, continuing this process throughout all stages of production.[1]][By implementing one-piece flow, a business can quickly deliver products to customers, potentially improving customer satisfaction and encouraging repeat purchasing. This can increase a business's sales and profits, thus demonstrating the effectiveness of its operations system.[2]][Furthermore, another lean management strategy a business can implement is takt, which involves synchronising the steps of a business's operations system to meet customer demand.[3]][A business that achieves a continuous pace in its operations system can streamline tasks to minimise any wastage of time or resources. Reducing waste through the takt strategy can decrease a business's expenses and therefore improve its ability to make a profit, consequently improving effectiveness.[4]]

- ✓ ✗ I have identified and defined a lean management strategy.[1]
- ✓ ✗ I have provided an example of how my chosen lean management strategy can improve the effectiveness of a business's operations system.[2]
- ✓ ✗ I have identified and defined another lean management strategy.[3]
- ✓ ✗ I have provided an example of how my chosen lean management strategy can improve the effectiveness of a business's operations system.[4]
- ✓ ✗ I have signposted my response by using 'One lean management strategy' and 'another lean management strategy'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Pull
- Zero defects

14. [One lean management strategy is pull, which involves customers determining the number of products a business should produce for sale.[1]][At Furt, Frank can implement the pull strategy by only producing hot dogs and sausages when a customer order is received. This can reduce the amount of meat that is discarded due to expiry, therefore reducing wastage and improving the efficiency of Furt's operations system.[2]][Moreover, another lean management strategy is zero defects, which involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output.[3]][By implementing the strategy of zero defects, Frank can ensure employees at Furt identify and fix errors in hot dog and sausage production, to prevent future halts in the operations and product faults. This can improve the flow of Furt's operations system and minimise the amount of defective hot dog and sausage products that are produced, thus improving efficiency.[4]]

- ✓ ✗ I have identified and defined the lean management strategy of pull.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how pull can improve the efficiency of a business's operations system.[2]
- ✓ ✗ I have identified and defined the lean management strategy of zero defects.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how zero defects can improve the efficiency of a business's operations system.[4]
- ✓ ✗ I have signposted my response by using 'One lean management strategy' and 'another lean management strategy'.
- ✓ ✗ I have referred to the business directly by using 'Furt' and 'Frank'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

15. [One advantage of implementing lean management at Empire is that it can utilise the pull strategy to allow customer demand to determine the production of its garments, therefore reducing the number of clothing items that are sold at a reduced price during the end of season sale. This can allow Empire to reduce expenses associated with overproducing, therefore increasing its ability to make a profit and improve its effectiveness.[1]][Furthermore, another advantage of applying lean management at Empire is that it can use the takt strategy to reduce the amount of time taken to produce garments, as they are produced at a faster rate through a continuous flow of production. This can enable Empire to deliver clothing items to customers at a faster pace, therefore leading to higher levels of satisfaction which can improve sales and the overall effectiveness of the business's operations system.[2]][However, a disadvantage of introducing lean management at Empire is that if suppliers do not deliver materials on time, it may be unable to streamline its production process to meet customer demand. This may lead to dissatisfied customers and negatively affect Empire's reputation, decreasing effectiveness.[3]][Additionally, another disadvantage of adopting lean management at Empire is that it may be overwhelming for employees to implement these new strategies as there is a goal for constantly improving garment production. As a result, employee productivity may decrease and garments may be produced at a slower pace and lower quality, leading to dissatisfied customers and negatively impacting Empire's effectiveness.[4]][Overall, despite the potential for employees to become overwhelmed and for supplies to be late, lean management can allow Empire to decrease its expenses and better meet customer needs, thus making it a suitable strategy to improve the effectiveness of its operations system.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of implementing lean management to improve effectiveness.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of implementing lean management to improve effectiveness.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of implementing lean management to improve effectiveness.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of implementing lean management to improve effectiveness.[4]
- ✓ ✗ I have provided an opinion on implementing lean management by summarising the advantages and the disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Empire'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.

16. [Lean management is the process of systematically reducing waste in all areas of a business's operations system whilst simultaneously improving customer value.[1]][The four key strategies of lean management are pull, one-piece flow, takt, and zero defects. Each of these lean management strategies can assist It's Gouda to improve the efficiency of its operations system.[2]][One lean management strategy that It's Gouda could implement is pull, which involves customers determining the number of products a business should produce for sale.[3]][By applying the pull strategy, It's Gouda would only produce its cheese to fulfil customer orders, meaning it would reduce the amount of cheese that is wasted due to expiry. As a result, It's Gouda can more productively use its resources and therefore improve the efficiency of its operations system.[4]][Furthermore, another lean management strategy It's Gouda can adopt is takt, which involves synchronising the steps of a business's operations system to meet customer demand.[5]][At It's Gouda, managers can ensure that the cheese production process flows efficiently and that minimal time is wasted between each stage, reducing the amount of idle or unused resources. By doing so, It's Gouda can decrease cheese production times and deliver its products to retailers at a faster pace, thus improving the efficiency of its operations system.[6]]

- ✓ ✗ I have identified and defined lean management.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the four lean management strategies.[2]
- ✓ ✗ I have identified and defined one lean management strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen lean management strategy can improve efficiency or effectiveness.[4]
- ✓ ✗ I have identified and defined another lean management strategy.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen lean management strategy can improve efficiency or effectiveness.[6]
- ✓ ✗ I have signposted my response by using 'One lean management strategy' and 'another lean management strategy'.
- ✓ ✗ I have referred to the business directly by using 'It's Gouda'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- One-piece flow
- Zero defects

Note: To achieve full marks, this question required students to explain how lean management could improve either efficiency or effectiveness, but not both.

Testing previous knowledge

17. [One quality strategy that Fierce could implement is Total Quality Management (TQM) which is a holistic approach where all employees are committed to continuously improving a business's operations system to enhance the quality for customers.[1]][An advantage of implementing TQM at Fierce is that it aims to ensure errors are identified and solved in production before they occur, meaning fewer defective products are produced. This would allow Sasha to minimise the number of discarded cosmetics produced from Fierce's operations system, utilising resources productively and, therefore, improving efficiency.[2]][Additionally, another advantage of TQM is that it can improve the motivation of Fierce employees as they feel valued and satisfied through their involvement in improving quality. When employees are motivated they are usually more productive and willing to complete tasks to a high quality and achieve objectives, thus improving effectiveness at Fierce.[3]]

[A lean management strategy that Fierce could implement is one-piece flow, which involves processing a product individually through a stage of production and passing it onto the next stage of production before processing the next product, continuing this process throughout all stages of production.[4]] [One advantage of implementing one-piece flow at Fierce is that it can allow processes, such as brush production, to be transferred through each stage of the production process at a faster pace as they move through one at a time. This can allow Sacha to produce Fierce's products more quickly and productively as resources are used optimally in the production process, thus improving overall efficiency.[5]] [Moreover, another advantage of one-piece flow at Fierce is that it ensures employees are only focusing on one product at a time, leading to fewer errors and a higher quality product. Consequently, higher quality products may better satisfy customers and meet their needs, potentially increasing sales and improving the effectiveness of Fierce's operations system.[6]]

- ✓ ✗ I have identified and defined one quality strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of implementing my chosen quality strategy to improve efficiency and effectiveness.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of implementing my chosen quality strategy to improve efficiency and effectiveness.[3]
- ✓ ✗ I have identified and defined one lean management strategy.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of implementing my chosen lean management strategy to improve efficiency and effectiveness.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of implementing my chosen lean management strategy to improve efficiency and effectiveness.[6]
- ✓ ✗ I have signposted my response by using 'One quality strategy' and 'An advantage'.
- ✓ ✗ I have referred to the business directly by using 'Sascha' and 'Fierce'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'Moreover'.

Other acceptable answers include:

- Quality control
- Quality assurance
- Pull
- Takt
- Zero defects

3D–H review

Exam-style

1. [Waste minimisation is the process of reducing the amount of unused material, time, or labour within a business and aims to ensure that customers obtain final products that are of the desired quality and low cost.[1]] [One example of minimising waste involves a business having customers return empty packaging, cleaning the packaging, and then reusing it when creating another product.[2]]

- ✓ ✗ I have defined waste minimisation.[1]
- ✓ ✗ I have provided one characteristic of waste minimisation.[2]

2. [One advantage of using forecasting is that it can ensure that the business sources a sufficient amount of materials to satisfy production requirements and meet levels of customer demand.[1]] [On the other hand, one disadvantage of forecasting is that it may be time-consuming for the business to analyse historical data and market trends when predicting materials requirements.[2]]

- ✓ ✗ I have provided one advantage of forecasting as a materials management strategy.[1]
- ✓ ✗ I have provided one disadvantage of forecasting as a materials management strategy.[2]

3. [One waste minimisation strategy Tempus could implement is reduce, which aims to decrease the amount of resources, labour, or time discarded during production.[1]] [Tempus could apply the reduce strategy by forecasting levels of customer demand to ensure that the business orders the correct amount of inputs, such as titanium, from suppliers.[2]] [By not over-ordering resources, Tempus can ensure that resources are not contributing to waste. Accordingly, this can improve efficiency as it ensures Tempus is utilising its resources optimally, by only purchasing materials that are going to be used to their full potential.[3]]

- ✓ ✗ I have identified and defined a waste minimisation strategy.[1]
- ✓ ✗ I have provided an example of my chosen waste minimisation strategy relevant to the case study.[2]
- ✓ ✗ I have linked my example to improving efficiency of operations.[3]
- ✓ ✗ I have signposted my response by using 'One waste minimisation strategy'.
- ✓ ✗ I have referred to the business directly by using 'Tempus'.
- ✓ ✗ I have used connecting words, such as 'Accordingly'.

Other acceptable answers include:

- Recycle
- Reuse

4. [One quality strategy Tempus could implement in addition to Total Quality Management is quality control. One similarity between these two strategies is that they both aim to improve levels of customer satisfaction by reducing the number of defective smartwatches received by customers.[1]][Moreover, another similarity between Total Quality Management and quality control is that both strategies would be internally controlled by Tempus and involve employees assessing the quality of smartwatches on the production line.[2]][On the other hand, one difference is that quality control is a reactive strategy, meaning that it would minimise defective smartwatches by detecting errors that have already occurred. Conversely, Total Quality Management is a proactive strategy, meaning that it would involve Tempus' employees focusing on preventing defects before they occur.[3]][Furthermore, another difference is that Total Quality Management would involve Tempus having a continuous commitment towards developing and improving the standard of its smartwatches, whereas, quality control would just focus on achieving a predetermined standard in smartwatch quality.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one similarity between Total Quality Management and another quality strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another similarity between Total Quality Management and another quality strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one difference between Total Quality Management and another quality strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another difference between Total Quality Management and another quality strategy.[4]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'another similarity'.
- ✓ ✗ I have referred to the business directly by using 'Tempus'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

Other acceptable answers include:

- Quality assurance

5. [Tempus could utilise a master production schedule (MPS) to outline the specific quantities of the W2.0 smartwatch it intends to produce within a given period of time. By developing a plan that specifies production quantities, Tempus can ensure that it has the correct materials required to produce the target quantities of its new W2.0 smartwatch.[1]][By using a MPS in its production, Tempus can improve its efficiency of operations by ensuring that it doesn't over order materials, such as stainless steel, that may be discarded.[2]][Moreover, Tempus could implement a MPS to ensure production quantities align with predictions in customer demand. This can ensure that Tempus has the required amount of resources to produce the specified target quantity of smartwatches, allowing customers to receive their orders on time.[3]][As a result, customer satisfaction is likely to increase, which may allow Tempus to capture a greater proportion of sales and increase its market share within the smartwatch industry, thus improving effectiveness.[4]]

- ✓ ✗ I have provided a master production schedule example relevant to the case study.[1]
- ✓ ✗ I have linked my example to improving efficiency of operations.[2]
- ✓ ✗ I have provided another master production schedule example relevant to the case study.[3]
- ✓ ✗ I have linked my example to improving effectiveness of operations.[4]
- ✓ ✗ I have referred to the business directly by using 'Tempus'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'As a result'.

6. [One technological development Tempus could implement is computer-aided design. One advantage of using computer-aided design is that digital illustrations of smartwatch designs could be generated and modified without wasting materials on building physical prototypes.[1]][Moreover, another advantage is that Tempus could generate a greater number of smartwatch designs at a faster speed than if it was developing prototypes by hand.[2]][On the other hand, one disadvantage of using computer-aided design is that the software may be expensive for Tempus to initially install.[3]][Additionally, another disadvantage is that there may be training expenses associated with teaching Tempus' employees the skills required to use the design software.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen technological development.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen technological development.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of my chosen technological development.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of my chosen technological development.[4]
- ✓ ✗ I have signposted my response by using 'One technological development'.
- ✓ ✗ I have referred to the business directly by using 'Tempus'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Moreover'.

Other acceptable answers include:

- Automated production lines
- Robotics
- Computer-aided manufacturing techniques
- Artificial intelligence
- Online services

7. [One lean management strategy is pull, which involves customers determining the number of products a business should produce for sale.[1]][Tempus could implement pull by only producing smartwatches that customers have preorderded in advance. This could improve the efficiency of operations as Tempus is only producing the amount of smartwatches that is demanded, reducing the risk of stock being wasted.[2]][Furthermore, another lean management strategy is zero defects, which involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output.[3]]

[By implementing zero defects Tempus can minimise the amount of errors in production, therefore reducing the number of defective smartwatches that are discarded. This can allow Tempus' to utilise its resources optimally and improve the efficiency of its operations.[4]][Moreover, another lean management strategy is takt, which involves synchronising the steps of a business's operations system to meet customer demand.[5]][By implementing takt Tempus can ensure there is a continuous pace in its operational processes, allowing resources to be used optimally, as idle time in the production of its smartwatches is minimised. Accordingly, this can reduce the amount of time and labour resources that are wasted in production and improve the efficiency of Tempus' operations.[6]]

- I have identified and defined a lean management strategy.[1]
- I have provided an example relevant to the case study and linked it to how my chosen lean management strategy can improve efficiency or effectivness.[2]
- I have identified and defined a second lean management strategy.[3]
- I have provided an example relevant to the case study and linked it to how my chosen lean management strategy can improve efficiency or effectiveness.[4]
- I have identified and defined a third lean management strategy.[5]
- I have provided an example relevant to the case study and linked it to how my chosen lean management strategy can improve efficiency or effectiveness.[6]
- I have signposted my response by using 'One lean management strategy' and 'another lean management strategy'.
- I have referred to the business directly by using 'Tempus'.
- I have used connecting words, such as 'Furthermore' and 'Moreover'.

Other acceptable answers include:

- One-piece flow

Note: To achieve full marks, this question required students to explain how lean management could improve either efficiency or effectiveness, but not both.

3I CSR in operations

Theory review

1. B. False. *Corporate social responsibility is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.*

2. processes; the production of outputs. *When a business develops methods to capture and recycle unused or excess input materials, it allows these materials to be reused in the operations system. It, therefore, minimises the amount of waste generated from production processes. When products are biodegradable or compostable, this minimises wastage and reduces the environmental damage generated from the production of outputs.*

3. A. *For a business to address CSR considerations for outputs, it must implement strategies that reduce the amount of waste generated by the production of outputs. Therefore, providing customers with a reason to return their used products can minimise waste as the outputs can be reused in production or properly recycled.*

4. B. False. *Although it is often easier to apply CSR considerations for inputs to manufacturing businesses, a service business can apply strategies to address the environmental sustainability of inputs. For example, an accounting company may use solar-powered energy for its electricity.*

5. A. True. *Businesses that have efficient and effective operations systems may have achieved this by implementing cost-effective practices. These cheaper production processes often do not address environmental concerns and therefore negatively impact the environment. Thus, a business should aim to have an efficient and effective operations system that also considers corporate social responsibility.*

6. B. False. *Corporate social responsibility is important for all businesses, whether they are performing optimally or not, as it can allow a business to enhance its performance and reputation amongst consumers. This can result in increased sales and profits for a business.*

Preparing for exams

Case study skills

7. I; II; IV

8. B

9. II and IV are true. I and III are false.

Exam-style

10. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][A business that addresses CSR considerations can improve its environmental sustainability, minimise waste, and enhance its overall reputation as customers usually perceive socially responsible businesses more favourably.[2]]

- I have defined the term corporate social responsibility.[1]
- I have provided one characteristic of corporate social responsibility.[2]

11. [One corporate social responsibility consideration relating to the environmental sustainability of inputs is to source resources from ethical suppliers.[1]][By ensuring suppliers operate in an environmentally-friendly manner, a business can reliably know that it does not use materials that have a negative environmental impact and that it is positively contributing to a sustainable future.[2]]

- I have outlined one corporate social responsibility consideration relating to the environmental sustainability of inputs.[1]
- I have provided an example of how my chosen corporate social responsibility consideration relates to the environmental sustainability of inputs.[2]

12. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One way CSR considerations influence the decisions made by an operations manager is in regards to the amount of waste generated in the business's processes. When implementing CSR considerations, a manager may seek to use processes that are energy efficient.[2]][For example, CSR may encourage a manager to introduce policies into the business that require all lights and machinery to be switched off when they are not in use. This would lower a business's electricity consumption, helping to improve the environmental footprint of its processes and minimise the amount of wasted resources.[3]]

- ✓ ✗ I have defined corporate social responsibility.[1]
- ✓ ✗ I have provided an example of one corporate social responsibility consideration that may influence the decisions made by an operations manager.[2]
- ✓ ✗ I have provided an example of how a manager's decisions may be influenced by my chosen corporate social responsibility consideration.[3]
- ✓ ✗ I have signposted my response by using 'One way'.

13. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One CSR consideration that Captured and Framed should address when implementing new equipment is the environmental sustainability of its inputs, in terms of its machinery and energy sources.[2]][The new machinery is solar-powered and more efficient than the current technology at Captured and Framed. By addressing the environmental sustainability of inputs Captured and Framed is going beyond legal requirements to minimise its carbon footprint and improve its environmental sustainability. Therefore, implementing the new machinery can enhance the business's reputation amongst customers and increase Captured and Framed's sales.[3]]

- ✓ ✗ I have defined corporate social responsibility.[1]
- ✓ ✗ I have identified and described one corporate social responsibility consideration that could be addressed when implementing new production equipment.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration when implementing new production equipment.[3]
- ✓ ✗ I have signposted my response by using 'One CSR consideration'.
- ✓ ✗ I have referred to the business directly by using 'Captured and Framed'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

14. [One corporate social responsibility (CSR) consideration that could influence the decisions made by Phoebe and Chandler is the amount of waste generated from the production of Buffet by Bing's outputs. This can involve making outputs more environmentally friendly in terms of their disposal.[1]][One way that Buffet by Bing could achieve this is by switching buffet equipment materials to ones that can be recycled, such as aluminium. This will improve the business's environmental footprint as Buffet by Bing's equipment would be able to be recycled by the hotels and restaurants it supplies, therefore preventing it from ending up in landfill.[2]][Furthermore, another CSR consideration that could influence the decisions made by Phoebe and Chandler is the environmental sustainability of Buffet by Bing's inputs. This relates to only using inputs that are sourced in an ethical and environmentally friendly manner.[3]][In order to implement CSR into Buffet by Bing's inputs, Phoebe and Chandler may choose to switch the business's current machinery, which utilises coal and petrol, to technology that utilises more sustainable energy sources, such as solar power. This would help ensure that any buffet equipment that is produced by Buffet by Bing has a smaller environmental footprint.[4]]

- ✓ ✗ I have identified and described a corporate social responsibility consideration for one key element of the operations system.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.[2]
- ✓ ✗ I have identified and described a corporate social responsibility consideration for a second key element of the operations system.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.[4]
- ✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'One way'.
- ✓ ✗ I have referred to the business directly by using 'Phoebe and Chandler' and 'Buffet by Bing'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- The amount of waste generated from processes

15. [One corporate social responsibility (CSR) consideration relating to the operations of Mac & Allan is the environmental sustainability of its inputs, which involves sourcing inputs from suppliers in a manner that reduces the business's environmental footprint.[1]][Mac & Allan could switch to local suppliers instead of sourcing its car materials from overseas as this would allow the car manufacturer to minimise environmental pollution associated with transport. Consequently, Mac & Allan could lower its carbon footprint whilst also supporting the local economy.[2]][A CSR consideration for Mac & Allan's processes element of the operations system could be to introduce strategies that reduce harmful waste generated from car production, including pollution.[3]][This could involve Mac & Allan recapturing excess energy used in its car manufacturing, or recycling and reusing car scraps during production. Therefore, the amount of waste generated by Mac & Allan can be reduced, minimising the impact of its production system on the environment.[4]][Finally, to implement CSR in the output element of the operations system, Mac & Allan could reduce waste associated with the cars it produces, which involves ensuring that its cars cause minimal harm to the environment.[5]][One of the ways Mac & Allan could achieve this is by creating an electrically powered vehicle. This will help lower the emissions of Mac & Allan's cars, ultimately lowering its carbon footprint.[6]]

- I have identified and described a corporate social responsibility consideration for the environmental sustainability of inputs.[1]
- I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the environmental sustainability of inputs.[2]
- I have identified and described a corporate social responsibility consideration for the amount of waste generated in production.[3]
- I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the amount of waste generated in production.[4]
- I have identified and described a corporate social responsibility consideration for the production of outputs.[5]
- I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the production of outputs.[6]
- I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'A CSR consideration'.
- I have referred to the business directly by using 'Mac & Allan'.
- I have used connecting words, such as 'Consequently' and 'Finally'.

Testing previous knowledge

16. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One materials strategy that Bless You could implement is Just in Time (JIT) which is an inventory control approach that delivers the correct type and quantity of materials as soon as they are needed for production.[2]][By implementing JIT, Bless You can minimise the amount of tissues and toilet paper that are wasted due to damage in storage, therefore minimising the amount of materials that are discarded into the environment, subsequently improving the sustainability of its operations system.[3]][Furthermore, one lean management strategy that Bless You can implement is zero defects, which is a lean management strategy that involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output.[4]][Through the implementation of zero defects, Bless You can focus on minimising the number of errors in its production of toilet paper and tissues, therefore reducing the amount of materials that are discarded. This further contributes to Bless You's ability to improve its level of wastage, whilst also allowing the business to act in a more socially responsible manner.[5]]

- I have identified and defined corporate social responsibility.[1]
- I have identified and defined one materials strategy that a business can implement to address corporate social responsibility in its operations system.[2]
- I have provided an example relevant to the case study and linked it to how the implementation of my chosen materials strategy can allow a business to improve corporate social responsibility in its operations system.[3]
- I have identified and defined one lean management strategy that a business can implement to address corporate social responsibility in its operations system.[4]
- I have provided an example relevant to the case study and linked it to how the implementation of my chosen lean management strategy can allow a business to improve corporate social responsibility in its operations system.[5]
- I have signposted my response by using 'One materials strategy' and 'one lean management strategy'.
- I have referred to the business directly by using 'Bless You'.
- I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Forecasting
- Master production schedule
- Materials requirement planning
- Pull
- One-piece flow
- Takt

3J Global considerations

Theory review

1. A. True. *A business that addresses global considerations can take advantage of overseas opportunities, such as cheaper resources and expertise, allowing it to improve its operational efficiency, effectiveness, and competitiveness.*

2. B. *Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers. These raw materials and resources are then used by the business itself to produce a good or service in the country where its headquarters or main office is located.*

3. overseas manufacture; global outsourcing. *Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located, allowing it to maintain control over its operations system. Conversely, global outsourcing involves transferring specific activities to an external business in an overseas country with the business retaining minimal control over its outsourced activities.*

4. B. *Global outsourcing and overseas manufacture both involve a business activity occurring in a separate country to the business's headquarters. When a business globally outsources a business activity, an external, overseas company takes control of that aspect of the business. Furthermore, businesses that implement overseas manufacturing establish a manufacturing plant in a different country from where the business's main headquarters are located.*

5. A. True. *Each global strategy can be time-consuming. Global sourcing of inputs may cause a business to incur delivery delays with its raw materials, slowing its ability to produce its good or service, whilst if the delivery of a finished product from overseas manufacture is late, a business would be unable to sell them to its customers. Globally outsourcing can also produce delays in the completion of certain outsourced activities, such as the development of financial reports.*

6. A. *When implementing global considerations, a business must ensure it only engages with businesses that display corporate social responsibility, impacting the environment and its employees in a positive manner. Failing to do so can negatively impact a business's reputation and overall performance in the future.*

Preparing for exams

Case study skills

7. A

8. II and III are advantages. I and IV are disadvantages.

9. I and III are advantages. II and IV are disadvantages.

10. III, IV and VI are advantages. I, II and V are disadvantages.

Exam-style

11. [Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located.[1]] [A business that implements overseas manufacture will set up its own manufacturing plant in an overseas country, allowing it to retain complete control over its operations system and ensure that the quality of its products is maintained.[2]]

- ✓ ✗ I have defined overseas manufacture as a global consideration.[1]
- ✓ ✗ I have provided one characteristic of overseas manufacture as a global consideration.[2]

12. [Global outsourcing involves transferring specific business activities to an external business in an overseas country.[1]] [On the other hand, global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers.[2]] [A key difference between these two global strategies is that global outsourcing involves the completion of specific business activities, such financial services, in an overseas location. Conversely, global sourcing of inputs involves acquiring resources from overseas suppliers, however, the manufacturing process of the business's product still remains in the business's main country of operation.[3]]

- ✓ ✗ I have defined global outsourcing as a global consideration.[1]
- ✓ ✗ I have defined global sourcing of inputs as a global consideration.[2]
- ✓ ✗ I have provided a key difference between global outsourcing and global sourcing of inputs as global considerations.[3]
- ✓ ✗ I have signposted my response by using 'A key difference'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'Conversely', when distinguishing.

13. [A similarity between overseas manufacture and global outsourcing is that they both involve the execution of a business activity in a location away from the business's main headquarters.[1]] [Additionally, another similarity between these two global strategies is that they can both be used by a business to increase the quality of its goods and services whilst minimising its expenses.[2]]

[However, a difference between overseas manufacture and global outsourcing is that overseas manufacture allows a business to retain full control over its operations, whereas global outsourcing results in most of the control being transferred to the external business for the outsourced activity.[3]] [Moreover, another difference between these two strategies is that overseas manufacture requires a business to set up its operations in an overseas location, and thus hire its own employees to complete the operations in this overseas location. On the other hand, global outsourcing only requires a business to transfer its activities to an external, overseas business. Therefore, a business using global outsourcing does not need to set up its own headquarters or hire employees in that location as the external business will already have its own employees.[4]]

- ✓ ✗ I have provided one similarity between overseas manufacture and global outsourcing as global considerations.[1]
- ✓ ✗ I have provided another similarity between overseas manufacture and global outsourcing as global considerations.[2]
- ✓ ✗ I have provided one difference between overseas manufacture and global outsourcing as global considerations.[3]
- ✓ ✗ I have provided another difference between overseas manufacture and global outsourcing as global considerations.[4]
- ✓ ✗ I have signposted my response by using 'A similarity' and 'another similarity'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'However'.
- ✓ ✗ I have used comparison words, such as 'On the other hand', when comparing.

14. [An advantage of global outsourcing at The Whistleblow is that Daphine can utilise the expertise of the technology company to develop a higher quality website than what the publishing business is capable of achieving on its own. This can improve the customer experience at The Whistleblower and enhance the effectiveness of its operations system.[1]] [Furthermore, another advantage of global outsourcing is that it can increase The Whistleblower's productivity as employees have more time to focus on their own areas of expertise, rather than constructing a website, therefore resulting in more efficient and effective use of resources.[2]] [However, a disadvantage of global outsourcing at the Whistleblower is that Daphine will lose some control over the creation and maintenance of the newspaper business's website, limiting her ability to manage this part of her business's operation effectively.[3]] [Additionally, another disadvantage of global outsourcing is that if the external technology company that Daphine outsources to is servicing multiple other customers, the quality of The Whistleblower's website may decrease, negatively impacting customer engagement and the business's performance.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of global outsourcing as a global consideration.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of global outsourcing as a global consideration.[2]

- I have provided an example relevant to the case study and linked it to a disadvantage of global outsourcing as a global consideration.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of global outsourcing as a global consideration.[4]
- I have signposted my response by using 'An advantage' and 'another advantage'.
- I have referred to the business directly by using 'Daphine' and 'The Whistleblower'.
- I have used connecting words, such as 'Furthermore' and 'However'.

15. [One advantage of overseas manufacture at Harry & Bo is that it can allow the confectionery company to decrease its expenses as setting up a manufacturing plant in Indonesia may be less costly compared to establishing and operating a factory locally. This may enable Harry & Bo to increase its profits and remain competitive after its financial hardship.[1]][Another advantage of overseas manufacture is that it can increase Harry & Bo's confectionery production speed if the Indonesian employees are highly skilled and experienced, allowing sweets to be stocked and sold at a faster rate to customers.[2]][However, a disadvantage of overseas manufacture is that local production employees may lose their jobs if confectionery manufacturing moves to Indonesia, potentially impacting Harry & Bo's reputation.[3]][Furthermore, another disadvantage of overseas manufacture is that sweets packaged in glass jars or other fragile coverings may be damaged during delivery, resulting in unsellable, wasted confectionery that increases Harry & Bo's costs.[4]][Overall, despite the potential for employees to lose their jobs and for delivery damage, overseas manufacture is a suitable global consideration to implement as it can allow Harry & Bo to increase its productivity and decrease its expenses to achieve its objectives of remaining profitable and competitive.[5]]

- I have provided an example relevant to the case study and linked it to an advantage of overseas manufacture as a global consideration.[1]
- I have provided an example relevant to the case study and linked it to another advantage of overseas manufacture as a global consideration.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of overseas manufacture as a global consideration.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of overseas manufacture as a global consideration.[4]
- I have provided an opinion on overseas manufacture as a global consideration by summarising the advantages and the disadvantages.[5]
- I have signposted my response by using 'One advantage' and 'Another advantage'.
- I have referred to the business directly by using 'Harry & Bo'.
- I have used connecting words, such as 'However' and 'Furthermore'.

Note: Overseas manufacture is the only acceptable answer.

16. [One advantage of global sourcing of inputs is that Julie can source ingredients for the cooking school that are not readily available in Australia. This may increase the uniqueness of Goodwin's recipes and enhance the cooking school's customer experience, improving its overall sales and performance.[1]][Another advantage of global sourcing of inputs at Goodwin's is that Julie can access more ingredients at a cheaper price, allowing her to reduce the cooking school's expenses.[2]][Moreover, a third advantage of this global strategy is that it may allow Julie to purchase higher quality, authentic ingredients for the cooking school, enabling Goodwin's to better meet customer expectations, hence enhancing its sales and profitability.[3]][However, a disadvantage of global sourcing of inputs is that ingredient imports may be affected by quotas that are imposed by the Australian government, meaning Julie may be only able to obtain a limited supply of ingredients at a time. This may negatively impact her ability to provide her classes to large numbers of people.[4]][Furthermore, another disadvantage of this global strategy is that ingredients can be damaged during delivery or perishable items may expire, increasing Goodwin's level of wastage and overall expenses.[5]][Additionally, a third disadvantage of global sourcing of inputs is that overseas deliveries may be time-consuming depending on where Julie purchases the ingredient supplies from. Without ingredients, Julie will be unable to conduct cooking classes at Goodwin's, therefore negatively impacting the business's ability to teach its students.[6]]

- I have provided an example relevant to the case study and linked it to one advantage of global sourcing of inputs as a global consideration.[1]
- I have provided an example relevant to the case study and linked it to a second advantage of global sourcing of inputs as a global consideration.[2]
- I have provided an example relevant to the case study and linked it to a third advantage of global sourcing of inputs as a global consideration.[3]
- I have provided an example relevant to the case study and linked it to one disadvantage of global sourcing of inputs as a global consideration.[4]
- I have provided an example relevant to the case study and linked it to a second disadvantage of global sourcing of inputs as a global consideration.[5]
- I have provided an example relevant to the case study and linked it to a third disadvantage of global sourcing of inputs as a global consideration.[6]
- I have signposted my response by using 'One advantage' and 'Another advantage'.
- I have referred to the business directly by using 'Goodwin's' and 'Julie'.
- I have used connecting words, such as 'Moreover' and 'Furthermore'.

Note: Global sourcing of inputs is the only acceptable answer.

Testing previous knowledge

17. [Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers.[1]][One corporate social responsibility (CSR) consideration a business could address when implementing global sourcing of inputs is sourcing from suppliers that use environmentally sustainable methods with regard to natural resources. For example, purchasing from an overseas supplier that only uses eco-friendly, organic fertilisers.[2]][Another CSR consideration a business could address when implementing global sourcing of inputs is establishing forecasting and just in time to reduce the risk of over ordering and minimising the business's carbon emissions generated from international deliveries.[3]]

- I have defined global sourcing of inputs as a global consideration.[1]
- I have provided an example of one corporate social responsibility consideration a business could address when implementing global sourcing of inputs.[2]
- I have provided an example of another corporate social responsibility consideration a business could address when implementing global sourcing of inputs.[3]
- I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'Another CSR consideration'.

3I–J review

Exam-style

1. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][A business that addresses CSR considerations can improve its environmental sustainability, minimise waste, and enhance its overall reputation as customers usually perceive socially responsible businesses more favourably.[2]]

- I have defined the term corporate social responsibility.[1]
- I have provided one characteristic of corporate social responsibility.[2]

2. [Global outsourcing involves transferring specific business activities to an external business in an overseas country.[1]][Businesses may choose to outsource specific activities, such as accounting, to external overseas companies that have specific expertise and can complete these tasks at a lower cost.[2]]

- I have defined global outsourcing as a global consideration.[1]
- I have provided one distinguishing feature of global outsourcing as a global consideration.[2]

3. [Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located.[1]][On the other hand, global outsourcing involves transferring specific business activities to an external business in an overseas country.[2]][One key difference between these global considerations is that manufacturing overseas allows a business to retain control over and manage production activities overseas, whereas, global outsourcing involves specific activities being contracted and responsibility being transferred to an external business located overseas.[3]]

- I have defined overseas manufacture as a global consideration.[1]
- I have defined global outsourcing as a global consideration.[2]
- I have provided a key difference between overseas manufacture and global outsourcing as global considerations.[3]
- I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

4. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One CSR consideration concerning Shoreline Surfboards' processes could be the implementation of strategies that reduce the waste generated from the processes performed in its production of surfboards.[2]][For example, Fenix could recycle materials that are able to be salvaged from defective surfboards and reuse these resources in production. Accordingly, this could allow Shoreline Surfboards to reduce the amount of waste it generates, therefore minimising its environmental impact.[3]]

- I have defined corporate social responsibility.[1]
- I have identified and described one corporate social responsibility consideration relating to the amount of waste generated from processes.[2]
- I have provided an example relevant to the case study and linked it to considering the amount of waste generated from a business's processes.[3]
- I have signposted my response by using 'One CSR consideration'.
- I have referred to the business directly by using 'Shoreline Surfboards' and 'Fenix'.
- I have used connecting words, such as 'Accordingly'.

5. [One advantage of overseas manufacturing is that the cost of labour can be significantly lower in countries located overseas. If Shoreline Surfboards moved its production of surfboards overseas, it could allow the business to significantly reduce its production costs.[1]][Furthermore, another advantage is that manufacturing overseas could allow Shoreline Surfboards to potentially have greater access to employees that are highly skilled in surfboard manufacturing. This could improve the overall quality of the business's surfboards.[2]][On the other hand, one disadvantage of Shoreline Surfboards moving its manufacturing overseas is that Fenix could encounter language barriers which may make it challenging when communicating with employees who are involved in the manufacturing process overseas. Therefore, Fenix may find it difficult to provide instructions to employees working at the overseas manufacturing plant.[3]][Additionally, another disadvantage of manufacturing overseas is that Shoreline Surfboards could risk its surfboards becoming damaged during the shipping process back to Australia, as there is a large amount of handling in this process.[4]]

- I have provided an example relevant to the case study and linked it to an advantage of overseas manufacture as a global consideration.[1]
- I have provided an example relevant to the case study and linked it to another advantage of overseas manufacture as a global consideration.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of overseas manufacture as a global consideration.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of overseas manufacture as a global consideration.[4]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Shoreline Surfboards' and 'Fenix'.
- I have used connecting words, such as 'Furthermore' and 'Additionally'.

6. [One advantage of Shoreline Surfboards sourcing its inputs from overseas is that suppliers located abroad are likely to provide the business with materials, such as polystyrene and fibreglass, at a lower price than its current suppliers in Western Australia, therefore allowing the business to reduce its production costs.[1]][Moreover, another advantage of Shoreline Surfboards sourcing inputs from overseas is that suppliers may be able to offer polystyrene at a consistently high level of quality, which can resolve the current quality issues relating to the business's supplier in Western Australia.[2]] [On the other hand, one disadvantage of global sourcing of inputs is that Shoreline Surfboards may risk its supplies becoming damaged during the transportation process back to Australia.[3]][Furthermore, another disadvantage is that transporting inputs over large distances may increase Shoreline Surfboards' carbon footprint and conflict with its aim to minimise its environmental impact.[4]][Overall, despite the potential for inputs to become damaged during transportation and an increased carbon footprint, global sourcing of inputs is an appropriate strategy for Shoreline Surfboards to implement in order to address its current quality concerns related to polystyrene and achieve lower production costs for its surfboards.[5]]

- I have provided an example relevant to the case study and linked it to an advantage of global sourcing of inputs as a global consideration.[1]
- I have provided an example relevant to the case study and linked it to another advantage of global sourcing of inputs as a global consideration.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of global sourcing of inputs as a global consideration.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of global sourcing of inputs as a global consideration.[4]
- I have provided an opinion on global sourcing of inputs as a global consideration by summarising the advantages and the disadvantages.[5]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Shoreline Surfboards'.
- I have used connecting words, such as 'Moreover' and 'Furthermore'.

Note: Global sourcing of inputs is the only acceptable answer.

7. [One corporate social responsibility (CSR) consideration for inputs is purchasing materials and resources from local suppliers to improve the environmental sustainability of inputs.[1]][Shoreline Surfboards could source its inputs, such as polystyrene and fibreglass, from suppliers located near Noosa Heads. This means inputs would travel a shorter distance to the business's workshop, reducing the carbon emissions released during transportation and minimising Shoreline Surfboards' environmental impact.[2]][Furthermore, a CSR consideration relating to Shoreline Surfboards' processes could be to recycle resources that have been made defective during the production process.[3]][Shoreline Surfboards could recycle any materials that are able to be salvaged from defective surfboards and reuse these resources in production. Recycling resources would reduce the amount of waste that is generated from Shoreline Surfboards' production process.[4]][Moreover, one CSR consideration for outputs is using biodegradable packaging to reduce the negative impacts of pollution on the environment.[5]] [Shoreline Surfboards could use biodegradable packaging to package the surfboards that are delivered to retail stores along the east coast. This would allow Shoreline Surfboards' to improve the environmental sustainability of its outputs.[6]]

- I have identified and described a corporate social responsibility consideration for the environmental sustainability of inputs.[1]
- I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the environmental sustainability of inputs.[2]
- I have identified and described a corporate social responsibility consideration for the amount of waste generated from processes.[3]
- I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the amount of waste generated from processes.[4]
- I have identified and described a corporate social responsibility consideration for the amount of waste generated from the production of outputs.[5]
- I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the amount of waste generated from the production of outputs.[6]
- I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.
- I have referred to the business directly by using 'Shoreline Surfboards'.
- I have used connecting words, such as 'Furthermore' and 'Moreover'.

Unit 3 AOS 3 review

Contemporary case study

1. [Dell is a multinational technology company that produces and sells a large range of laptops and computers, whilst also providing repair and support services to its customers. Operations management involves coordinating and organising the production of goods or services that a business sells to customers.[1]][The operations managers at Dell would have the responsibility of implementing operations strategies to maximise efficiency and effectiveness in the computer and laptop production process. For example, to improve its current operations system, Dell could implement a quality strategy, such as checking the quality of its computers at regular intervals in production to improve the overall standard of technology products provided to customers and removing faulty products.[2]][Consequently, by improving the quality of its laptops and computers, Dell could increase levels of customer satisfaction. This would allow Dell to capture more sales within the technology industry and therefore assist the business to increase its market share.[3]]

- ✓ ✗ I have identified and defined operations management.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study.[2]
- ✓ ✗ I have linked my example to the relationship between operations management and business objectives.[3]
- ✓ ✗ I have referred to the business directly by using 'Dell'.
- ✓ ✗ I have used connecting words, such as 'Consequently'.
- ✓ ✗ I have included a brief description of the contemporary case study.

2. [Dell is a multinational technology company that produces and sells a large range of laptops and computers, whilst also providing repair and support services to its customers. One similarity between the operations of a manufacturing business, such as Dell, and the operations of a service business is that operations managers at both businesses would aim to improve the efficiency and effectiveness of the operations system.[1]][Furthermore, another similarity is that operations managers at Dell and at a service business would both interact with suppliers in the process of sourcing inputs to produce goods and services.[2]][However, one difference is that since Dell is a manufacturing business, it produces an output that is tangible, meaning the laptops and computers it produces can be physically touched. This differs from a service business's operations system, which produces outputs of an intangible nature, such as a massage, which cannot be physically touched.[3]][Moreover, another difference is that the production and consumption of Dell's laptops and computers occur separately, whereas, at a service business, production and consumption occur simultaneously as the customer consumes the service experience at the point of sale.[4]]

- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to one similarity between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another similarity between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to one difference between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another difference between the characteristics of operations management within a service business and the characteristics of operations management within a manufacturing business.[4]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'another similarity'.
- ✓ ✗ I have referred to the business directly by using 'Dell'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Moreover'.
- ✓ ✗ I have included a brief description of the contemporary case study.

3. [Dell is a multinational technology company that produces and sells a large range of laptops and computers, whilst also providing repair and support services to its customers. One advantage of utilising online services at Dell is that it can allow the company to gain more exposure to customers from remote locations, allowing it to increase the size of its customer base.[1]][Furthermore, another advantage of online services is that the increased exposure that the online website provides may allow Dell to generate more laptop and computer sales as customers have the opportunity to purchase a product at any time of the day, from their own home, consequently increasing Dell's profit margin.[2]][However, a disadvantage of online services is that if Dell experiences technical difficulties, this may disrupt the business's operations system as customers may be unable to place orders or suppliers may not be accurately notified to restock resources, potentially causing delays and decreasing customer satisfaction.[3]][Additionally, another disadvantage of online services at Dell is that the process of developing a platform and constantly updating it can be extremely time-consuming, detracting time away from other core business functions.[4]]

- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to an advantage of online services.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another advantage of online services.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to a disadvantage of online services.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another disadvantage of online services.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Dell'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.
- ✓ ✗ I have included a brief description of the contemporary case study.

4. [Dell is a multinational technology company that produces and sells a large range of laptops and computers, whilst also providing repair and support services to its customers. One lean management strategy that Dell could implement is takt, which involves synchronising the steps of a business's operations system to meet customer demand.[1]][By implementing takt, Dell can ensure that each of its production processes has a constant pace and rhythm, allowing the company to minimise the amount of time that is wasted in its operations system and optimise its use of resources, hence improving efficiency.[2]][Moreover, another lean management strategy that could be implemented at Dell is zero defects, which involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output.[3]][Implementing zero defects at Dell can allow the company to produce laptops and computers at a consistently high standard that better satisfies customer needs. As a result, customer satisfaction is likely to increase, potentially improving Dell's sales, profits, and overall effectiveness.[4]]

- ✓ ✗ I have identified and described the relationship between human resource management and business objectives.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to how my chosen lean management strategy can improve the efficiency of a business's operations system.[2]
- ✓ ✗ I have identified and defined another lean management strategy.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to how my chosen lean management strategy can improve the effectiveness of a business's operations system.[4]
- ✓ ✗ I have signposted my response by using 'One lean management strategy' and 'another lean management strategy'.
- ✓ ✗ I have referred to the business directly by using 'Dell'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Other acceptable answers include:

- Pull
- One-piece flow

Exam-style

5. a. [Efficiency is how productively a business uses its resources when producing a good or service.[1]][An operations manager can implement various strategies that aim to optimise a business's use of resources, whilst minimising waste and costs, ultimately improving efficiency.[2]]

- ✓ ✗ I have defined efficiency.[1]
- ✓ ✗ I have provided one characteristic of efficiency.[2]

b. [One characteristic of the processes of Rodger & Rico's operations system as a service business is that it is labour intensive, meaning it uses a high degree of employee involvement to provide its event services to customers, including waiters and chefs.[1]][On the other hand, a manufacturing business's processes are capital intensive, meaning a high degree of machinery and equipment is used during the production process, rather than human labour.[2]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to a characteristic of operations management within a service business.[1]
- ✓ ✗ I have provided a contrasting characteristic of operations within a manufacturing business.[2]
- ✓ ✗ I have signposted my response by using 'One characteristic'.
- ✓ ✗ I have referred to the business directly by using 'Rodger & Rico'.
- ✓ ✗ I have used comparison words, such as 'On the other hand', when comparing.

c. [A master production schedule (MPS) is a plan that outlines what a business intends to produce, in specific quantities, within a set period of time.[1]][At Rodger & Rico, Olivia could implement MPS to determine the event business's goals for the coming months in terms of the number of events it is catering and decorating for, allowing her to determine which venues need to be booked, the number of employees needed, and the number of materials required to deliver the service.[2]][By using a MPS, Olivia can accurately determine Rodger & Rico's resource requirements to ensure waste is minimised and resources are used optimally, whilst she can also develop an organised and structured plan for each event that ensures everything runs smoothly with minimal service delays, hence improving efficiency.[3]]

- ✓ ✗ I have identified and defined the materials strategy of master production schedule.[1]
- ✓ ✗ I have provided a master production schedule example relevant to the case study.[2]
- ✓ ✗ I have linked my master production schedule example to improving the efficiency of operations.[3]
- ✓ ✗ I have referred to the business directly by using 'Rodger & Rico' and 'Olivia'.

d. [One key element of the operations system is inputs, which are the resources used by a business to produce goods and services.[1]][Inputs at Rodger & Rico would include ingredients, table cloths, centrepieces, and other decorations, as well as the labour resources used to provide the events service, including waiters and chefs.[2]][Another key element of the operations system is processes, which are the actions performed by a business to transform inputs into outputs.[3]][At Rodger & Rico, processes would include cooking meals, decorating the venue, and serving customers.[4]][Moreover, the final key element of the operations system is outputs, which are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[5]][Outputs at Rodger & Rico would be the final event service that is provided to customers through a wedding, birthday, or business celebration.[6]]

- I have identified and defined inputs as a key element of operations.[1]
- I have provided an example relevant to the case study and linked it to inputs.[2]
- I have identified and defined processes as a key element of operations.[3]
- I have provided an example relevant to the case study and linked it to processes.[4]
- I have identified and defined outputs as a key element of operations.[5]
- I have provided an example relevant to the case study and linked it to outputs.[6]
- I have signposted my response by using 'One key element' and 'Another key element'.
- I have referred to the business directly by using 'Rodger & Rico'.
- I have used connecting words, such as 'Moreover'.

6. a. [Reduce is a waste minimisation strategy that aims to decrease the number of resources, labour, or time discarded during production.[1]][Implementing the waste minimisation strategy of reduce could involve a business adjusting the amount of goods produced each month based on predicted customer demand, allowing a business to reduce its number of unsold products that may be discarded, due to expiry, or wasting space as inventory.[2]]

- I have defined the waste minimisation strategy of reduce.[1]
- I have provided one characteristic of reduce as a waste minimisation strategy.[2]

b. [One-piece flow is a lean management strategy that involves processing a product individually through a stage of production and passing it onto the next stage of production before processing the next product, continuing this process throughout all stages of production.[1]][By implementing one-piece flow at It's Easy, Alba can ensure that the operations system is systematic and minimises the time and waste generated from producing pharmaceutical products. This can allow It's Easy to optimise its use of resources and consequently improve the efficiency of its operations.[2]]

- I have identified and defined the lean management strategy of one-piece flow.[1]
- I have provided an example of how one-piece flow can improve the efficiency of a business's operations system.[2]
- I referred to the business directly by using 'It's Easy' and 'Alba'.

c. [One way Alba could utilise quality assurance at It's Easy is through improving the production process of pharmaceuticals to ensure that its operations system meets the standards for external certification.[1]]

[By aiming to improve the quality of its operations system by gaining external quality assurance certification, It's Easy can proactively prevent errors before they occur in the production of its pharmaceuticals, consequently minimising the number of faulty products that are produced and the amount of waste discarded. Therefore, It's Easy can optimise its use of resources and therefore improve its efficiency.[2]][Furthermore, another way Alba can utilise quality assurance is by displaying the certification that It's Easy receives for meeting quality standards on its pharmaceutical products.[3]][By showcasing the business's certification, Alba can increase a customer's confidence and perception of It's Easy's pharmaceutical products, increasing the likelihood of repeat customer purchasing. Consequently, It's Easy can improve its sales, profits, and overall effectiveness.[4]]

- I have provided a quality assurance example relevant to the case study.[1]
- I have linked my quality assurance example to improving the efficiency of operations.[2]
- I have provided another quality assurance example relevant to the case study.[3]
- I have linked my quality assurance example to improving the effectiveness of operations.[4]
- I have signposted my response by using 'One way' and 'another way'.
- I have referred to the business directly by using 'Alba' and 'It's Easy'.
- I have used connecting words, such as 'Furthermore'.

d. [One advantage of sourcing inputs overseas at It's Easy is that it may be able to source higher quality ingredients from the U.S. for its pharmaceutical products that are not readily available in Australia, which may improve the overall standard of its products and increase customer satisfaction.[1]][Furthermore, another advantage of global sourcing of inputs is that It's Easy can source cheaper pharmaceutical resources from the U.S. as its human resource manager has found higher quality, more cost-effective supplies from this overseas location. This may allow Alba to reduce It's Easy's costs and improve profits.[2]][However, one disadvantage of global sourcing of inputs at It's Easy is that pharmaceutical ingredients and materials may be damaged during transport from overseas locations, therefore increasing waste.[3]][Moreover, another disadvantage of sourcing inputs overseas is that delivery of these resources may be time-consuming, especially if they are coming from the U.S., consequently decreasing It's Easy's production efficiency.[4]][Overall, despite the potential for delays in production and damage to resources, global sourcing of inputs is a suitable strategy for Alba to implement at It's Easy to improve the business's overall performance.[5]]

- I have provided an example relevant to the case study and linked it to an advantage of global sourcing of inputs as a global consideration.[1]
- I have provided an example relevant to the case study and linked it to another advantage of global sourcing of inputs as a global consideration.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of global sourcing of inputs as a global consideration.[3]

- I have provided an example relevant to the case study and linked it to another disadvantage of global sourcing of inputs as a global consideration.[4]
- I have provided an opinion on global sourcing of inputs as a global consideration by summarising the advantages and the disadvantages.[5]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'It's Easy' and 'Alba'.
- I have used connecting words, such as 'Furthermore' and 'However'.

7. a. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One CSR consideration that could influence the decisions made by an operations manager is the amount of waste generated from the production of its output. This can involve making outputs more environmentally friendly in terms of their disposal.[2]][One way that a business could achieve this is by switching to the use of recyclable materials. This would improve the business's environmental footprint as the final product would be able to be recycled by customers, therefore preventing it from ending up in landfill.[3]]

- I have defined the term corporate social responsibility.[1]
- I have identified and described one corporate social responsibility consideration for one key element of the operations system.[2]
- I have provided an example of how my chosen corporate social responsibility consideration can influence the decisions made by an operations manager.[3]
- I have signposted my response by using 'One CSR consideration' and 'One way'.

Other acceptable answers include:

- The environmental sustainability of inputs
- The amount of waste generated from processes

b. [Total Quality Management (TQM) is a holistic approach whereby all employees are committed to continuously improving the business's operations system to enhance quality for customers.[1]][On the other hand, quality control involves inspecting a product at various stages of the production process, to ensure it meets designated standards, and discarding those that are unsatisfactory.[2]][One key difference between TQM and quality control is that TQM is a proactive strategy that aims to prevent errors from occurring, whereas quality control is a reactive strategy that identifies and eliminates errors as they occur.[3]]

- I have identified and defined Total Quality Management as a quality strategy.[1]
- I have identified and defined quality control as a quality strategy.[2]
- I have provided a key difference between Total Quality Management and quality control.[3]
- I have signposted my response by using 'One key difference'.
- I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

c. [One waste minimisation strategy that Two Hands & One Wrist could implement is reuse, which aims to make use of items that would have otherwise been discarded.[1]][For example, Two Hands & One Wrist could reuse functional parts of defective products to avoid discarding all of the resources or wasting more time and supplies on producing the same component.[2]][By implementing reuse, Brielle can optimise the use of resources at Two Hands & One Wrist, and minimise costs wasted on discarded materials, hence improving the overall operations of the watch business.[3]]

- I have identified and defined a waste minimisation strategy.[1]
- I have provided an example of my chosen waste minimisation strategy relevant to the case study.[2]
- I have linked my example to how my chosen waste minimisation strategy can improve a business's operations.[3]
- I have signposted my response by using 'One waste minimisation strategy'.
- I have referred to the business directly by using 'Two Hands & One Wrist' and 'Brielle'.

Other acceptable answers include:

- Reduce
- Recycle

d. [One technological development that Two Hands & One Wrist could implement to improve the effectiveness of its operations system is computer-aided design, which is digital design software that aids the creation, modification, and optimisation of a design and the design process.[1]][At Two Hands & One Wrist, Brielle could implement computer-aided design to allow designers, engineers, and customers to work collaboratively to create a customisable and personalised watch design in an efficient manner.[2]][By doing so, Brielle can increase the speed at which watches are produced and enhance the overall quality of the final good, whilst also improving levels of customer satisfaction as the designs have been personalised to meet customer needs. Hence, this can improve Two Hands & One Wrist's number of sales and overall effectiveness.[3]][One advantage of computer-aided design at Two Hands & One Wrist is that it can increase the speed of the product design process, allowing watches to be created, modified, and delivered to customers more quickly.[4]][Furthermore, another advantage of computer-aided design is that it can improve Two Hands & One Wrist's overall reputation as watches are produced more accurately and to a higher quality, thus better satisfying customers.[5]]

- I have identified and defined one technological development.[1]
- I have provided an example relevant to the case study and linked it to my chosen technological development.[2]
- I have provided an example relevant to the case study and linked it to how my chosen technological development can improve the effectiveness of the operations system.[3]
- I have provided an example relevant to the case study and linked it to an advantage of my chosen technological development.[4]
- I have provided an example relevant to the case study and linked it to another advantage of my chosen technological development.[5]
- I have signposted my response by using 'One technological development' and 'One advantage'.
- I have referred to the business directly by using 'Two Hands & One Wrist' and 'Brielle'.
- I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Automated production lines
- Robotics
- Computer-aided manufacturing techniques
- Artificial intelligence
- Online services

Unit 3 review

Section A

1. a. [One characteristic of operations management within a service business is that the outputs produced are intangible, meaning they are unable to be physically touched.[1]][For example, the taxi ride that Taxify provides to transport customers to their desired destination, is unable to be physically touched.[2]]

- I have identified and described a characteristic of operations management within a service business.[1]
- I have provided an example relevant to the case study and linked it to my chosen characteristic of operations management within a service business.[2]
- I have signposted my response by using 'One characteristic'.
- I have referred to the business directly by using 'Taxify'.

b. [Redundancy involves an employee no longer working for a business because there is insufficient work or their job no longer exists.[1]][At Taxify, the 200 employees who have had their contracts terminated are being made redundant as the business can no longer afford to maintain the fleet of drivers it currently employs.[2]]

- I have identified and defined redundancy as a form of employee termination.[1]
- I have provided an example relevant to the case study and linked it to redundancy as a form of employee termination.[2]
- I have referred to the business directly by using 'Taxify'.

c. [One entitlement consideration that Jaquan should consider is redundancy pay, which is a form of financial compensation that correlates to the length of their service at the business.[1]][At Taxify, Jaquan should ensure that the 200 drivers being made redundant receive any redundancy pay they are entitled to, as this is a legal requirement that the business must abide by.[2]][One transition consideration that Jaquan could consider when terminating drivers is to provide an outplacement service, which can help redundant employees to write resumes and apply for new jobs.[3]][Jaquan could provide assistance to drivers that have been made redundant by helping them network with other taxi or chauffeur services to improve their job prospects and improve their chances of future employment.[4]]

- I have identified and described one entitlement consideration.[1]
- I have provided an example relevant to the case study and linked it to my chosen entitlement consideration.[2]
- I have identified and described one transition consideration.[3]
- I have provided an example relevant to the case study and linked it to my chosen transition consideration.[4]
- I have signposted my response by using 'One entitlement consideration' and 'One transition consideration'.
- I have referred to the business directly by using 'Taxify'.

d. [The Fair Work Commission (FWC) is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act.[1]][One role of the FWC would be to ensure that the award or agreement outlining the wages and working conditions for Taxify's employees complies with the 11 National Employment Standards (NES).[2]][Furthermore, another role of the FWC would be to ensure that Taxify's employees are being terminated fairly, providing assistance to any employees who believe they have been unfairly dismissed.[3]]

- I have identified and defined the Fair Work Commission as a workplace relations participant.[1]
- I have provided an example relevant to the case study and linked it to a role of the Fair Work Commission as a workplace relations participant.[2]
- I have provided an example relevant to the case study and linked it to another role of the Fair Work Commission as a workplace relations participant.[3]
- I have signposted my response by using 'One role' and 'another role'.
- I have referred to the business directly by using 'Taxify'.
- I have used connecting words, such as 'Furthermore'.

2. a. [One quality strategy that Goodman Sporting could implement is quality assurance, which involves a business achieving a certified standard of quality in its production after an independent body assesses its operations system.[1]][At Goodman Sporting, quality assurance could allow Carlos to proactively prevent errors before they occur, meaning fewer materials are likely to be wasted in the business's production of AFL guernseys. By reducing waste, Goodman Sporting can optimise its use of resources and consequently improve the efficiency of its operations.[2]] [Furthermore, quality assurance can allow Goodman Sporting to receive an external certification that ensures the AFL guernseys it produces meet a certified standard of quality. With this certification, customers may be more likely to purchase from Goodman Sporting, allowing the business to increase its sales and percentage of market share, and thus improving the effectiveness of Goodman Sporting's operations.[3]]

- ✓ ✗ I have identified and defined a quality strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen quality strategy can improve the efficiency of a business's operations system.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen quality strategy can improve the effectiveness of a business's operations system.[3]
- ✓ ✗ I have signposted my response by using 'One quality strategy'.
- ✓ ✗ I have referred to the business directly by using 'Goodman Sporting' and 'Carlos'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Quality control
- Total Quality Management

b. [One technological development that Goodman Sporting could implement is an automated production line, which is machinery and equipment that are arranged in a sequence, and the product is developed as it proceeds through each step.[1]][By utilising an automated production line, Goodman Sporting could produce its AFL guernseys at a faster speed, with fewer errors occurring in production.[2]][Accordingly, increasing production speed and reducing the number of errors that occur during production can allow Goodman Sporting to optimise its use of time and resources, thus improving the efficiency of the business's operations.[3]]

- ✓ ✗ I have identified and defined one technological development.[1]
- ✓ ✗ I have provided an example of my chosen technological development relevant to the case study.[2]
- ✓ ✗ I have linked my example to improving the efficiency of operations.[3]
- ✓ ✗ I have signposted my response by using 'One technological development'.
- ✓ ✗ I have referred to the business directly by using 'Goodman Sporting'.
- ✓ ✗ I have used connecting words, such as 'Accordingly'.

Other acceptable answers include:

- Robotics
- Computer-aided design
- Computer-aided manufacturing techniques
- Artificial intelligence
- Online services

3. a. [One motivation strategy that Benji could implement is performance-related pay, which is a financial reward that employees receive for reaching or exceeding a set business goal.[1]][At Sauni, Benji could offer remuneration in the form of a bonus to employees who contribute significantly to set objectives, such as managing marketing strategies for a certain number of clients per month. Due to Sauni employees' current concerns regarding remuneration, performance-related pay is likely to be an effective motivator by tangibly rewarding Sauni's employees for their work efforts and providing them with the opportunity to increase their personal wealth.[2]]

- ✓ ✗ I have identified and defined a motivation strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen motivation strategy.[2]
- ✓ ✗ I have signposted my response by using 'One motivation strategy'.
- ✓ ✗ I have referred to the business directly by using 'Benji' and 'Sauni'.

Other acceptable answers include:

- Career advancement
- Investment in training
- Support strategies
- Sanction strategies

b. [A persuasive management style involves a manager making decisions and communicating the reasons for those decisions to employees without their input.[1]][In contrast, the consultative management style involves a manager seeking input from employees on business decisions but making the final decision themselves.[2]][One difference between these management styles is that the consultative management style involves the consideration of staff input, whereas, the participative management style does not consider the opinions provided by employees.[3]][As employees at Sauni feel their ideas and opinions are not considered, the consultative management style would be most appropriate for Benji as he can encourage employees to contribute and feel as though their ideas and opinions are valued.[4]][Moreover, adopting a consultative management style could also be advantageous for Benji as he can gain multiple perspectives and suggestions from employees, whilst still retaining centralised control over decision making.[5]]

- ✓ ✗ I have identified and defined the persuasive management style.[1]
- ✓ ✗ I have identified and defined the consultative management style.[2]
- ✓ ✗ I have provided a key difference between the persuasive management style and the consultative management style.[3]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen management style.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen management style.[5]
- ✓ ✗ I have signposted my response by using 'One difference'.
- ✓ ✗ I have referred to the business directly by using 'Sauni' and 'Benji'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

c. [Owners are individuals who establish, invest, and have a share in a business, often with the goal of earning a profit from its operations.[1]][As Benji is the owner of Sauni, his interests would include establishing and fostering positive relationships with other stakeholders and receiving a return on his investment through successful business performance.[2]][Furthermore, another stakeholder at Sauni is employees, who are the individuals who are hired by a business to complete work tasks and support the achievement of its objectives.[3]][The employees at Sauni would have a have an interest in receiving fair remuneration and working conditions, long-term job security, and opportunities to advance their careers.[4]][One potential conflict that could arise between these two stakeholders is that the desire of Sauni employees for increased wages may come into conflict with the interests of Benji who, as an owner, would have an interest in increasing profits and minimising any unnecessary labour expenses.[5]]

- ✓ ✗ I have identified and defined owners as a stakeholder.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the interests of owners.[2]
- ✓ ✗ I have identified and defined another relevant stakeholder.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the interests of my chosen stakeholder.[4]
- ✓ ✗ I have signposted my response by using 'another stakeholder'.
- ✓ ✗ I have referred to the business directly by using 'Benji' and 'Sauni'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Suppliers
- General community
- Customers
- Managers

4. [Effective human resource management involves ensuring that employees are satisfied and motivated by their roles, pay, and working conditions, therefore encouraging them to contribute to the achievement of business objectives. Performance management is a central responsibility for human resource management.[1]]

[A business that manages employees effectively and ensures they are performing to the desired standard is more likely to have a work environment that values productivity and contributions towards shared objectives. This can allow a business to optimise its labour resources in the production of goods and services, reducing any waste associated with time or labour resources, thus promoting the achievement of making a profit.[2]][One performance management strategy that a business could use to effectively manage employee performance is management by objectives, which involves both managers and employees collaboratively setting individual employee goals that contribute to the achievement of broader business objectives.[3]][Management by objectives encompasses the importance of providing regular feedback to employees regarding their progress towards set objectives. This can allow management to implement any necessary training requirements or deadline alterations to assist employees to improve their performance.[4]][Furthermore, management by objectives effectively promotes the achievement of employees' personal objectives by collaboratively establishing individual objectives with management that align with the business's broader objectives.[5]][In a similar way, management by objectives promotes the achievement of business objectives through promoting the achievement of employees' objectives that are aligned to business objectives. Managers can provide regular feedback, implement any necessary training, and monitor deadlines, to assist with the achievement of business objectives.[6]][Moreover, another performance management strategy is performance appraisals, which involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.[7]][Performance appraisals allow management to effectively review employee performance over a given period of time, provide valuable feedback, and implement any necessary measures for improving inadequate performance.[8]][A business can utilise performance appraisals to promote employee success as they enable management to implement any necessary training and provide valuable feedback regarding how their future performance can be improved, enabling employee objectives to be achieved.[9]][By assessing employee performance against a set criteria, performance appraisals enable management to develop an understanding of how well an employee is performing. Therefore, enabling management to address any concerns regarding employee performance, thus contributing to a better performing workforce that is more equipped to achieve the overall objectives of the business.[10]]

- ✓ ✗ I have identified and described the relationship between human resource management and business objectives.[1]
- ✓ ✗ I have provided an example of the relationship between human resource management and one business objective.[2]
- ✓ ✗ I have identified and defined one performance management strategy.[3]
- ✓ ✗ I have explained one way that my chosen performance management strategy can improve employee performance.[4]
- ✓ ✗ I have explained one way that my chosen performance management strategy can contribute to the achievement of employee objectives.[5]
- ✓ ✗ I have explained one way that my chosen performance management strategy can contribute to the achievement of business objectives.[6]
- ✓ ✗ I have identified and defined another performance management strategy.[7]

- ✓ ✗ I have explained one way that my chosen performance management strategy can improve employee performance.[8]
- ✓ ✗ I have explained one way that my chosen performance management strategy can contribute to the achievement of employee objectives.[9]
- ✓ ✗ I have explained one way that my chosen performance management strategy can contribute to the achievement of business objectives.[10]
- ✓ ✗ I have signposted my response by using 'One performance management strategy' and 'another performance management strategy'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Moreover'.

Other acceptable answers include:

- Self-evaluation
- Employee observation

Note: This is a suggested marking scheme as 10 mark questions are marked globally.

5. [Yakult Honsha is a multinational company that is based in Japan and is best known for its probiotic milk beverage 'Yakult'. Inputs are the resources used by a business to produce goods and services.[1]][Some of the inputs used in the production of 65ml Yakult bottles include live Lactobacillus casei strain Shirota bacteria, water, sugar, skim milk powder, machinery, and labour resources.[2]][Furthermore, another key element is processes which are the actions performed by a business to transform inputs into outputs.[3]][Some of the processes performed at Yakult to produce its probiotic milk beverage include blending and fermenting the milk solution, moulding and filling plastic bottles, and packaging the bottles into packs of 5 and 10.[4]][Lastly, outputs are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.[5]][Yakult's outputs are 65ml bottles of Yakult Original and Yakult Lite packaged in packs of five or ten and wrapped in polyethylene film.[6]]

- ✓ ✗ I have identified and defined inputs as a key element of operations.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to inputs.[2]
- ✓ ✗ I have identified and defined processes as a key element of operations.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to processes.[4]
- ✓ ✗ I have identified and defined outputs as a key element of operations.[5]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to outputs.[6]
- ✓ ✗ I have referred to the business directly by using 'Yakult Honsha'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Lastly'.
- ✓ ✗ I have included a brief description of the contemporary case study.

6. a. [One business objective for a social enterprise such as Sleeptech is 'to make a profit', which occurs when a business generates more revenue than expenses incurred.[1]][As a social enterprise, Sleeptech would still have the central business objective 'to make a profit', as the it is required to generate a profit in order to contribute to its social cause of supporting homeless individuals.[2]]

- ✓ ✗ I have identified and described one business objective relevant to a social enterprise.[1]
- ✓ ✗ I have provided an example relevant to the case study and liked it to my chosen business objective.[2]
- ✓ ✗ I have signposted my response by using 'One business objective'.
- ✓ ✗ I have referred to the business directly by using 'Sleeptech'.

Other acceptable answers include:

- To improve efficiency
- To improve effectiveness
- To fulfil a market need
- To increase market share

Note: 'To meet shareholder expectations' is not an appropriate objective for a social enterprise.

b. [A public listed company is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX.[1]][In contrast, a social enterprise is a type of business that aims to fulfil a community or environmental need by selling goods or services.[2]][One distinguishing feature of a social enterprise, such as Sleeptech, is that the business must contribute at least 50% of its profits towards fulfilling a social or environmental cause. Thus, to be considered a social enterprise, 50% of Sleeptech's profits must be contributed to supporting homeless individuals, whereas this would not be a requirement if Sleeptech was operating as a public listed company.[3]]

- ✓ ✗ I have identified and defined public listed company.[1]
- ✓ ✗ I have identified and defined social enterprise.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a difference between public listed companies and social enterprises.[3]
- ✓ ✗ I have signposted my response by using 'One distinguishing feature'.
- ✓ ✗ I have referred to the business directly by using 'Sleeptech'.
- ✓ ✗ I have used comparison words, such as 'In contrast' and 'whereas', when distinguishing.

Section B

1. [Bagulua is a private limited company, which is an incorporated business structure that has at least one director and a maximum of 50 shareholders.[1]][One distinguishing feature of a private limited company, such as Bagulua, is that ownership of the business is shared between a maximum of 50 individuals who have been selected and approved by Bagulua's board of directors to purchase shares in the business.[2]]

- ✓ ✗ I have identified and defined private limited company.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a distinguishing feature of private limited companies.[2]
- ✓ ✗ I have signposted my response by using 'One distinguishing feature'.
- ✓ ✗ I have referred to the business directly by using 'Bagulua'.

2. [One waste minimisation strategy that Bagulua could implement is recycle, which is a waste minimisation strategy that aims to transform items which would have otherwise been discarded.[1]][At Bagulua, Milan could ensure that any excess material, such as leather, which would otherwise be discarded, is salvaged and reutilised where possible in production. As a result, Milan can decrease the amount of leather material that is discarded in production, thus reducing the amount of waste generated in Bagulua's operations.[2]]

- ✓ ✗ I have identified and defined a waste minimisation strategy.[1]
- ✓ ✗ I have provided an example of my chosen waste minimisation strategy relevant to the case study and linked it to reducing waste in operations.[2]
- ✓ ✗ I have signposted my response by using 'One waste minimisation strategy'.
- ✓ ✗ I have referred to the business directly by using 'Bagulua' and 'Milan'.

Other acceptable answers include:

- Reduce
- Reuse

3. [One corporate social responsibility consideration relating to the environmental sustainability of inputs is to source inputs locally, rather than from overseas suppliers, to reduce transport emissions and minimise the business's carbon footprint.[1]][Milan could ensure that Bagulua sources its leather from Australian suppliers, rather than international leather suppliers. Sourcing locally can reduce the distance that leather travels to reach Bagulua's Melbourne and Brisbane factories, minimising the amount of emissions the business emits when sourcing its inputs.[2]][By minimising its carbon footprint, Bagulua is demonstrating a concern for the environmental sustainability of its inputs, which may allow Bagulua to establish a positive reputation and allow the business to capture more sales within the baggage industry.[3]]

- ✓ ✗ I have identified and described a corporate social responsibility consideration for the environmental sustainability of inputs.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the environmental sustainability of inputs.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to my chosen corporate social responsibility consideration for the environmental sustainability of inputs.[3]
- ✓ ✗ I have signposted my response by using 'One corporate social responsibility consideration'.
- ✓ ✗ I have referred to the business directly by using 'Milan' and 'Bagulua'.

4. [Planning is the process of determining a business's objectives and establishing strategies to achieve these aims.[1]][Milan will need to utilise the management skill of planning when determining objectives related to Bagulua's operations. As Bagulua currently has the objective to minimise the amount of waste it generates in production, Milan would need to utilise planning skills when establishing strategies that will assist in the achievement of reducing waste in Bagulua's operations.[2]][Decision-making is the skill of selecting a suitable course of action from a range of plausible options.[3]][At Bagulua, Milan will need to utilise the management skill of decision-making when determining what operations strategies he is going to implement. Milan will need to employ strong decision-making skills in order to select the most appropriate strategy to assist Bagulua in reducing the amount of waste it generates in its production of leather handbags and luggage.[4]]

- ✓ ✗ I have identified and defined the management skill of planning.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to planning.[2]
- ✓ ✗ I have identified and defined the management skill of decision-making.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to decision-making.[4]
- ✓ ✗ I have referred to the business directly by using 'Milan' and 'Bagulua'.

5. [One advantage of introducing lean management at Bagulua is that the takt strategy can reduce the amount of time taken to produce bags, as they will be produced at a faster rate through a continuous flow of production. This can allow Bagulua to fulfil orders for its leather handbags and luggage at a faster pace, which can enhance levels of customer satisfaction and increase Bagulua's proportion of sales within the baggage industry.[1]][Furthermore, another advantage of implementing lean management is that introducing the zero defects strategy could assist Bagulua in minimising the amount of waste generated in production, as it will discard fewer defective products from it operations system.[2]][On the other hand, one disadvantage of implementing lean management within Bagulua's operations system is that it may be overwhelming for employees on the production line to implement new strategies when demonstrating a commitment to constantly improving bag production. As a result, employee productivity may decrease and the handbags and luggage may be produced at a slower pace.[3]][Moreover, another disadvantage is that Bagulua may have to incur training costs related to equipping employees on its production line with the skills required to execute lean management strategies effectively.[4]]

- I have provided an example relevant to the case study and linked it to an advantage of implementing lean management to improve operations.[1]
- I have provided an example relevant to the case study and linked it to another advantage of implementing lean management to improve operations.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of implementing lean management to improve operations.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of implementing lean management to improve operations.[4]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Bagulua'.
- I have used connecting words, such as 'Furthermore' and 'Moreover'.

6. [One lean management strategy is zero defects, which involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output.[1]][By implementing zero defects, Milan could ensure that if a defect is detected within Bagulua's operations system, the production of bags is halted so that the error is not passed on to future stages of the production process.[2]][Implementing zero defects would promote continuous improvement within Bagulua's operations and reduce the number of defective bags that customers receive. Accordingly, customers are likely to experience increased satisfaction which may allow Bagulua to enhance customer loyalty and therefore capture a greater proportion of sales within the baggage industry, thus improving the efficiency of operations.[3]] [Furthermore, introducing zero defects would be beneficial as it can reduce the number of errors that occur in Bagulua's production process, improving the overall quality of Bagulua's leather handbags and luggage.[4]][Moreover, another benefit of implementing zero defects is that by minimising the number of defects that occur during production, materials, such as leather, can be used optimally. Accordingly, by promoting the optimal use of Bagulua's resources, zero defects can contribute to Bagulua's core objective of reducing the amount of waste generated in production.[5]]

- I have identified and defined a lean management strategy.[1]
- I have provided a lean management strategy example relevant to the case study.[2]
- I have linked my lean management strategy example to improving effectiveness of operations.[3]
- I have provided an example relevant to the case study and linked it to an advantage of my chosen lean management strategy.[4]
- I have provided an example relevant to the case study and linked it to another advantage of my chosen lean management strategy.[5]
- I have signposted my response by using 'One lean management strategy'.
- I have referred to the business directly by using 'Milan' and 'Bagulua'.
- I have used connecting words, such as 'Moreover' and 'Furthermore'.

Other acceptable answers include:

- Takt
- One-piece flow
- Pull

7. [One advantage of Bagulua implementing Total Quality Management (TQM) is that there will be a proactive focus on the prevention of errors occurring in production. Accordingly, this can reduce the amount of materials, such as leather, that are wasted in production and allow Bagulua to avoid having to repurchase discarded or wasted resources.[1]][Furthermore, another advantage of TQM is that it focuses on continuous improvement, which would involve Milan and Bagulua's employees constantly evaluating operational processes and identifying methods to achieve a higher standard in production. Enhanced production quality can allow Bagulua to improve customer loyalty and continue increasing its proportion of sales within the baggage industry.[2]][On the other hand, one disadvantage of implementing TQM is that Bagulua may incur costs related to training employees and providing them with the required skillset to continuously identify methods to improve the quality of handbags and luggage produced.[3]][Moreover, another disadvantage is that it may take time for Bagulua to truly reap the benefits of TQM as it will require a company-wide shift in culture.[4]][Despite the potential training costs and time taken to reap the benefits, TQM is an appropriate strategy to implement as it will allow Bagulua to enhance the overall production quality of its baggage range and assist in the achievement of the business's objective to reduce waste generated in production.[5]]

- I have provided an example relevant to the case study and linked it to an advantage of Total Quality Management.[1]
- I have provided an example relevant to the case study and linked it to another advantage of Total Quality Management.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of Total Quality Management.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of Total Quality Management.[4]
- I have provided an opinion on the suitability of Total Quality Management by summarising the advantages and disadvantages.[5]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Bagulua' and 'Milan'.
- I have used connecting words, such as 'Furthermore' and 'Moreover'.

4A Business change

Theory review

1. A. True. *Business change is the alteration of behaviours, policies, and practices of a business.*

2. reactive change; proactive change. *Reactive change is when a business changes in response to a competitor or controversial situation. However, proactive change is when a business changes to avoid future problems and takes advantage of its current situation and opportunities.*

3. A. *Developing a new, unique coffee flavour is taking advantage of opportunities and getting ahead of competitors. Therefore, this is an example of a proactive approach to change.*

4. A. True. *Successful business change requires a supportive manager who possesses strong management and leadership skills.*

5. B. *Reactive change is often in response to a crisis and is, therefore, stressful, urgent, and spontaneous for the business.*

6. Both approaches to change. *Both approaches to change involve a manager who supports, leads, and guides the business through the change, regardless of the situation, for future business benefits.*

Preparing for exams

Case study skills

7. B

8. A

9. I is true. II is false.

10. B

11. I and III are similarities. II and IV are differences.

Exam-style

12. [Business change is the alteration of behaviours, policies, and practices of a business.[1]][Changes within a business can impact every area or just one part of the business and can have both positive and negative outcomes.[2]]

- ✓ ✗ I have defined business change.[1]
- ✓ ✗ I have provided one characteristic of business change.[2]

13. [A proactive approach to change is when a business changes to avoid future problems or take advantage of future opportunities.[1]] [On the other hand, a reactive approach to change involves a business changing in response to a situation or crisis.[2]][One key difference between proactive and reactive approaches to change is that proactive change involves a business preparing for the future and getting ahead of its competitors, whereas reactive change involves a business adjusting its practices to keep up with competitors or to respond to a critical situation where change is urgent to maintain business reputation.[3]]

- ✓ ✗ I have defined the proactive approach to business change.[1]
- ✓ ✗ I have defined the reactive approach to business change.[2]
- ✓ ✗ I have provided one key difference between the proactive and reactive approaches to business change.[3]
- ✓ ✗ I have signposted my response by using 'One key difference'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when comparing.

14. [The approach to business change taken at Daily Coffee is proactive, meaning the business is changing to avoid future problems or take advantage of future opportunities.[1]][At Daily Coffee, Bernie is taking advantage of the opportunity to become more environmentally friendly by encouraging the use of reusable coffee cups and using more sustainable takeaway materials. Therefore, he is aiming to avoid future criticisms that could amount from climate change issues, hence adopting a proactive approach to change.[2]]

- ✓ ✗ I have identified and defined the proactive approach to change.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the proactive approach to business change.[2]
- ✓ ✗ I have referred to the business directly by using 'Daily Coffee' and 'Bernie'.

Note: The proactive approach to change is the only acceptable response.

15. [The approach to business change taken at Crikey is reactive meaning the business is changing in response to a situation or crisis.[1]][At Crikey, Steve has had to implement changes in response to the safety issues associated with the fishing equipment and the scrutiny that the company received after the hospitalisation of a customer, which is a characteristic of reactive change.[2]][Furthermore, the implementation of the quality control, training, and supplier changes at Crikey would have been urgent and swiftly established by Steve to ensure no further damage was incurred to the fishing company's reputation and that a positive brand image can be restored as quickly as possible.[3]]

- ✓ ✗ I have identified and defined the reactive approach to business change.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the reactive approach to business change.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to the reactive approach to business change.[3]
- ✓ ✗ I have referred to the business directly by using 'Crikey' and 'Steve'.
- ✓ ✗ I have used connecting words in my response, such as 'Furthermore'.

Note: The reactive approach to change is the only acceptable response.

16. [One similarity between proactive and reactive change is that both approaches are utilised by a manager or business, like by Daniel at Avocado, to implement change for future benefits, such as growth and progression.[1]][Additionally, another similarity between these two approaches is that they both require the support of a manager, such as Daniel at Avocado, who must utilise their management and leadership skills to implement the change of investing in new technology and experts successfully.[2]][However, a difference between the reactive and proactive approach is that the proactive change is more planned, coordinated, and controlled, with fewer pressures acting on the business throughout the change. On the other hand, the reactive change is more spontaneous, urgent, and pressured upon the business.[3]][Moreover, another difference between these approaches to change, is that reactive change occurs in response to a situation or crisis that is essentially forcing the business to change, whereas proactive change occurs when a business takes advantage of an opportunity and avoids future problems.[4]][The proactive change approach is therefore characteristic of the decision to invest in new technology and hire more experts at Avocado undertaken by Daniel.[5]]

- ✓ ✗ I have identified one similarity between proactive and reactive approaches to change.[1]
- ✓ ✗ I have identified another similarity between proactive and reactive approaches to change.[2]
- ✓ ✗ I have identified one difference between proactive and reactive approaches to change.[3]
- ✓ ✗ I have identified another difference between proactive and reactive approaches to change.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the proactive approach to change.[5]
- ✓ ✗ I have signposted my response by using 'One similarity' and 'Another similarity'.
- ✓ ✗ I have referred to the business directly by using 'Avocado' and 'Daniel'.
- ✓ ✗ I have used connecting words in my response, such as 'Additionally' and 'However'.
- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when comparing.

Testing previous knowledge

17. [Business change is the alteration of behaviours, policies, and practices of a business. At Bottletop, the business change involves developing and selling its own oat milk range.[1]][One management skill that Bill could utilise at Bottletop when implementing the change to oat milk is planning, which is a manager's ability to establish objectives and strategies to achieve them.[2]][At Bottletop, Bill could use planning to set out a step-by-step process to achieving the development of oat milk in the two month period, this would allow the plant-based milk company to remain on track throughout the change process and ultimately reach this objective successfully.[3]][Another management skill that Bill could utilise is leading, which is a manager's ability to motivate employees to work towards business objectives.[4]][Bill utilising the skill of leading at Bottletop can create a collaborative and collective identity towards achieving the goal of establishing oat milk, encouraging the contributions of all employees and motivating them to cooperatively engage with this business change, potentially increasing the ability for Bottletop to successfully meet the oat milk deadline.[5]]

- ✓ ✗ I have identified and defined business change.[1]
- ✓ ✗ I have identified and defined one management skill.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen management skill.[3]
- ✓ ✗ I have identified and defined another management skill.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen management skill.[5]
- ✓ ✗ I have signposted my response by using 'One management skill' and 'Another management skill'.
- ✓ ✗ I have referred to the business directly by using 'Bottletop' and 'Bill'.

Other acceptable answers include:

- Decision making
- Communicating
- Delegating
- Interpersonal

4B KPIs: Part 1

Theory review

1. B. False. *Key performance indicators can be used to measure performance over a range of different areas of business operations, such as customer interactions, financial performance, and employee relationships.*

2. B. False. *A business that has a high percentage of market share would have a large share of total industry sales over a specific period of time.*

3. expenses; revenue. *Net profit figures can be calculated by subtracting a business's total expenses from total revenue. It is the amount of money a business has left over after all costs have been paid.*

4. A. True. *A business's rate of productivity growth can be calculated using the difference between new and old productivity rates, divided by the old productivity rate, multiplied by 100.*

5. I; III. *A business can increase its productivity by increasing the number of outputs produced for the same amount of inputs, or decreasing the number of inputs whilst producing the same amount of outputs.*

6. high. *A high number of customer complaints can indicate customer dissatisfaction with a business's goods and services, as customers may inform the business of a lack of quality in its products, which causes customer dissatisfaction.*

7. B. False. *The number of sales can indicate customer engagement with a product, as high number of sales may be due to customer satisfaction. In contrast, a low number of sales can be due to customer dissatisfaction. Sales form the basis of how businesses generate revenue, and therefore the number of sales can indicate both customer satisfaction levels and the financial performance of the business.*

8. A. True. *Key performance indicators can be used to highlight areas of a business that need to be improved. After a need for change has been identified, KPIs can be used to continually monitor and evaluate the performance of the business following the change.*

Preparing for exams

Case study skills

9. A

10. B

11. I and II are true. III is false.

Exam-style

12. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][KPIs can be used to measure business performance across a range of areas, including financial performance, quality of interactions with customers, and the ability to meet expectations of employees regarding their workplace environment.[2]]

- ✓ ✗ I have defined key performance indicators.[1]
- ✓ ✗ I have provided one characteristic of key performance indicators.[2]

13. [Percentage of market share measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure.[1]][Percentage of market share can be used to gauge a business's performance compared to its competitors and can highlight financial performance.[2]]

- ✓ ✗ I have defined percentage of market share.[1]
- ✓ ✗ I have provided one characteristic of percentage of market share.[2]

14. [Rate of productivity growth is the change in the total output produced from a given level of inputs over time, expressed as a percentage figure.[1]][It can indicate the level of efficiency that a business is able to achieve in its operations system, and financial performance, as businesses maximise the use of their inputs to produce their outputs.[2]]

- ✓ ✗ I have defined rate of productivity growth.[1]
- ✓ ✗ I have provided one characteristic of rate of productivity growth.[2]

15. [Number of sales is the total quantity of goods and services sold by a business over a specific period of time.[1]][In contrast, net profit figures are calculated by subtracting the total expenses incurred from total business revenue earned, over a specific period of time.[2]][One key difference between these two performance indicators is that net profit figures are expressed as a dollar value, whereas the number of sales is expressed as a whole numerical value.[3]]

- ✓ ✗ I have defined number of sales.[1]
- ✓ ✗ I have defined net profit figures.[2]
- ✓ ✗ I have provided a key difference between number of sales and net profit figures.[3]
- ✓ ✗ I have signposted my response by using 'One key difference'.
- ✓ ✗ I have used comparison words, such as 'In contrast' and 'whereas' when distinguishing.

16. [Net profit figures are calculated by subtracting total expenses incurred from total business revenue earned, over a specific period of time.[1]][The expansion of services at Air Reconditioned has led to a decrease in net profit figures, as costs of maintaining equipment have increased, however, the revenue that the business is generating has stayed the same compared to its air conditioning services in the summer.[2]][Another key performance indicator that Nigel could use to evaluate business performance is the number of sales, which is the total quantity of goods and services sold by a business over a specific period of time.[3]][The expansion of Air Reconditioned's services to include heating repair services has increased the yearly number of sales, as it is providing services during the winter months, compared to only air conditioning repairs during summer.[4]]

- ✓ ✗ I have identified and defined net profit figures.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to net profit figures.[2]
- ✓ ✗ I have identified and defined number of sales.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to number of sales.[4]
- ✓ ✗ I have signposted my response by using 'Another key performance indicator'.
- ✓ ✗ I have referred to the business directly by using 'Nigel' and 'Air Reconditioned'.
- ✓ ✗ I have used connecting words, such as 'however'.

Note: The number of sales is the only other KPI that can be used when referring to this case study.

17. [Percentage of market share measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure.[1]][By creating a more interactive and individualised customer experience, League Partners' percentage of market share has increased from 24% in 2022 to 28% in 2023, reflecting an improvement in the business's financial performance.[2]][A second KPI, is the number of customer complaints, which is the number of customers who notified the business of their dissatisfaction over a specific period of time.[3]][The decrease in the number of complaints from 7 in 2022 to 2 in 2023 indicates that customers are responding positively to the more customised experience that Katarina had implemented at League Partners, therefore reflecting an increase in customer satisfaction.[4]][Another KPI that Katarina has used to evaluate League Partners' performance is the rate of productivity growth, which is the change in the total output produced from a given level of inputs over time.[5]][The rate of productivity growth from 2022 to 2023 has decreased by 9%, compared to the previous period with an increase of 12%. Therefore, the change to become more interactive has meant that resources, such as time, are being used less efficiently during League Partner's customer processing, indicating a reduced level of resource management.[6]]

- ✓ ✗ I have identified and defined percentage of market share.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to percentage of market share.[2]
- ✓ ✗ I have identified and defined number of customer complaints.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to number of customer complaints.[4]

- ✓ ✗ I have identified and defined rate of productivity growth.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to rate of productivity growth.[6]
- ✓ ✗ I have signposted my response by using 'Another KPI'.
- ✓ ✗ I have referred to the business directly by using 'Katarina' and 'League Partners'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

Testing previous knowledge

18. [One key performance indicator that could be impacted by low employee motivation at Star Cars is the number of customer complaints, which is the number of customers who notified the business of their dissatisfaction over a specific period of time.[1]] [Low employee motivation can mean that the quality of the services provided at Star Cars decreases, as employees are less likely to put effort into the tasks they perform. Therefore, employees may deliver a lower quality car wash or detail services, leading to higher levels of customer dissatisfaction with the services they receive at Star Cars.[2]] [Another key performance indicator is percentage of market share, which measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure.[3]] [Low employee motivation could lead to a decrease in Star Cars' percentage of market share, as unsatisfied customers may seek out competitors' services due to the poor quality of services provided by unmotivated employees at Mater's business. Therefore, the proportion of Star Cars' sales compared to its competitors would decrease, resulting in a decrease in its percentage of market share.[4]]

- ✓ ✗ I have identified and defined a key performance indicator.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen key performance indicator.[2]
- ✓ ✗ I have identified and defined another key performance indicator.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen key performance indicator.[4]
- ✓ ✗ I have signposted my response by using 'One key performance indicator' and 'Another key performance indicator'.
- ✓ ✗ I have referred to the business directly by using 'Mater' and 'Star Cars'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

4C KPIs: Part 2

Theory review

1. A. *A business can utilise KPIs to determine both financial and non-financial performance. For example, rates of staff absenteeism and levels of staff turnover can measure staff morale and motivation, whilst the number of website hits can indicate levels of customer engagement.*

2. B. False. *The level of staff turnover is the percentage of employees that leave a business over a specific period of time and must be replaced. The average number of days employees are away from work when they are rostered on, for a specific period of time is the rate of staff absenteeism.*

3. B. *An increase in the level of staff turnover means more employees are leaving a business and must be replaced. Therefore, this suggests employees are unsatisfied with their working conditions, have low morale and motivation, and do not have strong relationships with management.*

4. Number of workplace accidents; Decreases. *The number of workplace accidents measures the amount of injuries and unsafe incidents that occur at a work location over a specific period of time and can indicate the safety of a working environment. Therefore, when management prioritises employee safety within the workplace, it would be expected that the number of accidents would decrease.*

5. A. True. *Levels of wastage indicate the amount of inputs and outputs that are discarded from a business's operations system. A high level of wastage means many materials are being discarded and unused by the business which can negatively impact the environment and reflect poorly on the business's sustainability and corporate social responsibility practices.*

6. customer engagement. *The number of website hits is the amount of visits a business's online platform receives for a specific period of time and therefore is reflective of the level of engagement a business has with its customers.*

7. A. True. *When a business assesses one KPI, it may indicate changes to multiple other KPIs as a single business change can affect many areas of business. Therefore, understanding the interconnected nature of KPIs is crucial for businesses as they continue to develop and grow.*

Preparing for exams

Case study skills

8. B **9.** A **10.** A **11.** A

12. III is true. I and II are false.

Exam-style

13. [The number of website hits is a key performance indicator that measures the number of customer visits a business's online platform receives in a specific period of time.[1]] [This KPI can be used to indicate a business's level of customer engagement and the overall online interaction of a business and its products with customers.[2]]

- ✓ ✗ I have defined number of website hits.[1]
- ✓ ✗ I have provided one characteristic of number of website hits as a key performance indicator.[2]

14. [Rates of staff absenteeism are the average number of days employees are not present at work when they are scheduled to be, for a specific period of time.[1]] [This KPI can be used to determine staff morale at a business, with high rates of staff absenteeism reflecting low levels of motivation, and employee dissatisfaction with their working conditions, ultimately reflecting poor business performance.[2]]

- ✓ ✗ I have defined rates of staff absenteeism.[1]
- ✓ ✗ I have provided one example of how rates of staff absenteeism can be used as a measure of business performance.[2]

15. [The level of staff turnover refers to the percentage of employees that leave Stitches in a year and must be replaced.[1]][Furthermore, another KPI at Stitches is the number of workplace accidents, which is the amount of injuries and unsafe incidents that occur at the textiles manufacturer over a specific period of time.[2]][In 2022, the level of staff turnover at Stitches increased by 7%. The number of workplace accidents also increased from 14 to 21. Stitches' level of staff turnover likely increased due to employee dissatisfaction with workplace safety, as there was an increased number of workplace accidents.[3]]

- I have identified and defined level of staff turnover.[1]
- I have identified and defined another key performance indicator.[2]
- I have provided an example relevant to the case study and linked it to the relationship between level of staff turnover and my chosen key performance indicator.[3]
- I have referred to the business directly by using 'Stitches'.

Other acceptable answers include:

- Number of website hits

16. [One KPI relevant to Blue House is the level of wastage, which refers to the amount of inputs and outputs that are discarded during operations.[1]][In Melbourne, Adelaide, and Perth the level of wastage has increased by 1%, 6%, and 10% respectively, indicating that at these Blue House stores there may be too many employees scheduled to work each shift resulting in a waste of time and labour resources.[2]][Moreover, another KPI at Blue House is rates of staff absenteeism which refers to the average number of days that employees are away when scheduled to be at work.[3]][Adelaide and Perth were the only states in which absenteeism increased, by 4% and 7% respectively, possibly indicating that employees are unmotivated to work, and are unsatisfied with their working conditions at Blue House.[4]][Therefore, from these KPIs, the Adelaide and Perth Blue House stores should be closed as they are both underperforming by the greatest amount in terms of level of wastage and rates of staff absenteeism when compared to playhouses in other states.[5]]

- I have identified and defined level of wastage.[1]
- I have provided an example relevant to the case study and linked it to level of wastage.[2]
- I have identified and defined rates of staff absenteeism.[3]
- I have provided an example relevant to the case study and linked it to rates of staff absenteeism.[4]
- I have provided a justification relevant to the case study and linked it to the two KPIs.[5]
- I have signposted my response by using 'One KPI' and 'another KPI'.
- I have referred to the business directly by using 'Blue House'.

17. [One way the introduction of an online booking platform has improved Serendipity's performance is that it has decreased the rates of staff absenteeism by 9% which indicates that there have been fewer employees away from work when they are scheduled to be there.[1]][This suggests that employees feel they are valued by Serendipity and are more satisfied with their working conditions, whilst an increase in their presence at the jazz bar indicates Serendipity is performing better than previously.[2]][Furthermore, another impact of the business change at Serendipity is a 1% decrease in the level of wastage, indicating that despite a greater number of customers being served, there were fewer discarded resources from the jazz bar's service.[3]][Since the online booking platform does not require any employees to manually take phone bookings and record when customers will be visiting the jazz bar, there is a more efficient use of staff skills and time at Serendipity, therefore resulting in the reduction of wastage and improvements in efficiency and overall business performance.[4]][Finally, the introduction of the online booking platform has improved business performance for Felipe's business as it has resulted in an 11% decrease in staff turnover which highlights that fewer employees are leaving Serendipity and need to be replaced.[5]][Therefore, it can be interpreted that employees have better relationships with Felipe, are taking greater satisfaction from their work and are overall happier to serve customers at the jazz bar. This can translate to more efficient and effective staff performance, increasing customer satisfaction and experience, and thus enhancing Serendipity's business performance.[6]]

- I have identified and described the change in rates of staff absenteeism from the data provided.[1]
- I have provided an example relevant to the case study and linked it to how the decrease in rates of staff absenteeism has improved business performance.[2]
- I have identified and described the change in the level of wastage from the data provided.[3]
- I have provided an example relevant to the case study and linked it to how the decrease in the level of wastage has improved business performance.[4]
- I have identified and described the change in the level of staff turnover from the data provided.[5]
- I have provided an example relevant to the case study and linked it to how the decrease in the level of staff turnover has improved business performance.[6]
- I have referred to the business directly by using 'Serendipity' and 'Felipe'.
- I have used connecting words, such as 'Furthermore' and 'Finally'.

Testing previous knowledge

18. [Level of wastage is a measure of the amount of inputs and outputs that are discarded during the production process.[1]][One advantage of the introduction of lean management at Enola Homes is that it results in more efficient use of building resources as employees are aiming for zero defects, therefore preventing errors and reducing the need to discard materials that have been used incorrectly, reducing Enola Homes' level of wastage.[2]][Furthermore, another advantage is that houses can be renovated and built at a faster rate as there is more of a focus on flow through the production process and streamlining of each person's task. Therefore, Enola Homes can reduce the amount of employee time and skills that are wasted as all individuals have a task to work on.[3]]

[However, a disadvantage of Enola Homes' introduction of lean management strategies is that it may be initially overwhelming for employees, as there is a continuous goal of improving processes and minimising waste, leading to stress and a decrease in motivation. This could potentially decrease productivity and overall efficiency and increase Enola Homes' wastage of time, materials, and employee skills.[4]][Additionally, another disadvantage is that it can be extremely costly to implement as Enola Homes' employees will need to be trained in new building and renovation techniques. Therefore, there may be an initial increase in the wastage of time and resources at Enola Homes from the implementation of lean management, resulting in an increase in the level of wastage.[5]][Overall, despite the potential to overwhelm employees and initially cause an increase in wastage, the introduction of lean management strategies is an effective strategy to reduce the level of wastage at Enola Homes because in the long term there is likely to be a more efficient use of resources and faster production processes that enhances business performance.[6]]

- I have identified and defined level of wastage.[1]
- I have provided an example relevant to the case study and linked it to an advantage of lean management strategies.[2]
- I have provided an example relevant to the case study and linked it to another advantage of lean management strategies.[3]
- I have provided an example relevant to the case study and linked it to a disadvantage of lean management strategies.[4]
- I have provided an example relevant to the case study and linked it to another disadvantage of lean management strategies.[5]
- I have provided an opinion on the lean management strategies' effectiveness in reducing waste by summarising the advantages and disadvantages.[6]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Enola Homes'.
- I have used connecting words, such as 'Furthermore' and 'Additionally'.

4A–C review

Exam-style

1. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][KPIs can be used to evaluate a business's performance before and after implementing change to see whether the change has been successful in achieving the business's desired objectives.[2]]

- I have defined key performance indicators.[1]
- I have provided one characteristic of key performance indicators.[2]

2. [A proactive approach to change is when a business changes to avoid future problems or take advantage of an opportunity to gain a competitive advantage.[1]][A business may pursue a proactive approach to change if it wishes to get ahead of its competitors by fulfilling a gap in the market or being the first to take advantage of new market trends and opportunities.[2]]

- I have defined the proactive approach to business change.[1]
- I have provided one characteristic of the proactive approach to business change.[2]

3. [A reactive approach to change is when a business undertakes change in response to a situation or crisis.[1]][The introduction of the new machinery at Blanichi Chocolates is an example of reactive change in response to poor performance in 2021 with hopes to improve the business's performance through switching to producing a gourmet chocolate range.[2]]

- I have identified and defined the reactive approach to business change.[1]
- I have provided an example relevant to the case study and linked it to the reactive approach to business change.[2]
- I have referred to the business directly by using 'Blanichi Chocolates'.

4. [Melina could use number of website hits as a key performance indicator to measure Blanichi Chocolates' online engagement. Number of website hits is the amount of visits that a business's online platform receives for a specific period of time.[1]][Blanichi Chocolates' number of website hits increased from 20,000 in 2021 to 40,000 in 2022, indicating that the new range of high-quality gourmet chocolates have increased business sales, including online sales, which has resulted in an increase in online customer engagement.[2]]

- I have identified and defined number of website hits.[1]
- I have provided an example relevant to the case study and linked it to number of website hits.[2]
- I have referred to the business directly by using 'Blanichi Chocolates' and 'Melina'.

Note: Number of website hits is the only acceptable answer

5. [Net profit figures are calculated by subtracting total expenses incurred from total business revenue earned, over a specific period of time.[1]][If net profit figures increased after implementing new machinery at Blanichi Chocolates, it would indicate that the new machinery is more precise and, therefore, efficient at producing chocolate as it reduces expenses from discarded materials. Consequently, the reduction in expenses would increase net profit, indicating an improvement in overall business performance.[2]]

- I have identified and defined net profit figures.[1]
- I have provided an example relevant to the case study and linked it to net profit figures.[2]
- I have referred to the business directly by using 'Blanichi Chocolates'.

6. [To measure Blanichi Chocolates' impact on the environment, Melina could look at the business's level of wastage, which is the amount of inputs and outputs that are discarded during the production process.[1]] [If the level of wastage at Blanichi Chocolates decreased from 2021 to 2022 it would indicate that the new machinery is more efficient at producing chocolate, with fewer errors and less spillage during the production process. This would lead to fewer resources being discarded, reducing Blanichi Chocolates' impact on the environment.[2]]

- I have identified and defined level of wastage.[1]
- I have provided an example relevant to the case study and linked it to level of wastage.[2]
- I have referred to the business directly by using 'Blanichi Chocolates' and 'Melina'.

7. [Number of customer complaints is the number of customers who notified the business of their dissatisfaction over a specific period of time.[1]] [Number of sales is the total quantity of goods and services sold by a business over a specific period of time.[2]] [The number of customer complaints decreased from 144 in 2021 to 56 in 2022. The number of sales increased from 230,000 chocolate boxes in 2021 to 920,000 chocolate boxes in 2022. The number of sales at Blanichi Chocolates likely increased due to improved customer satisfaction from the introduction of a gourmet chocolate range in 2022, which is also reflected by the decrease in the number of customer complaints.[3]]

- I have identified and defined number of customer complaints.[1]
- I have identified and defined another key performance indicator.[2]
- I have provided an example relevant to the case study and linked it to the relationship between number of customer complaints and my chosen key performance indicator.[3]
- I have referred to the business directly by using 'Blanichi Chocolates'.

8. [One key performance indicator (KPI) Melina could use to measure performance is the percentage of market share, which measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure.[1]] [If Blanichi Chocolates' percentage of market share increased from 2021 to 2022, it could indicate that the higher quality chocolates have led to an increase in sales, resulting in an increase in Blanichi Chocolates' percentage of market share.[2]] [Furthermore, another KPI Melina could use to measure performance is rate of productivity growth, which is the change in the total output produced from a given level of inputs over time, expressed as a percentage figure.[3]] [If Blanichi Chocolates' rate of productivity growth increased from 2021 to 2022, it would indicate that the new machinery is faster at producing chocolate compared to the old machinery, enabling Blanichi Chocolates to produce more outputs, reflecting an increase in rate of productivity growth.[4]]

- I have identified and defined a key performance indicator, not in the table, that can be used to measure Blanichi Chocolates' performance.[1]
- I have provided an example relevant to the case study and linked it to my chosen key performance indicator.[2]
- I have identified and defined another key performance indicator, not in the table, that can be used to measure Blanichi Chocolates' performance.[3]
- I have provided an example relevant to the case study and linked it to my chosen key performance indicator.[4]
- I have signposted my response by using 'One key performance indicator' and 'another KPI'.
- I have referred to the business directly by using 'Blanichi Chocolates' and 'Melina'.
- I have used connecting words, such as 'Furthermore'.

9. [The number of customer complaints, which is the number of customers who notified the business of their dissatisfaction over a specific period of time, significantly decreased at Blanichi Chocolates from 144 in 2021 to 56 in 2022.[1]] [This reduction in customer complaints can be attributed to the new machinery that produces higher quality chocolates, as the machinery's accuracy and quality in producing the new chocolate range likely reduced the number of dissatisfied customers, consequently decreasing the number of customer complaints.[2]] [Furthermore, the number of sales, which is the total quantity of goods and services sold by a business over a specific period of time, significantly increased from 230,000 boxes in 2021 to 920,000 boxes in 2022.[3]] [The new machinery's ability to produce higher quality chocolates likely improved levels of customer satisfaction, which consequently increased Blanichi Chocolate's number of sales.[4]] [However, rates of staff absenteeism, which are the average number of days employees are not present when scheduled to be at work, for a specific period of time, significantly increased from an average of 4 days per year in 2021 to 8 in 2022.[5]] [The introduction of new machinery likely decreased employee job satisfaction at Blanichi Chocolates, as its employees' previous roles are now being performed by machinery, consequently leading the rate of staff absenteeism to increase.[6]] [Ultimately, the introduction of new machinery at Blanichi Chocolates worked to significantly improve multiple KPIs. Despite employee morale being reduced, overall the introduction of new machinery at Blanichi Chocolates has worked to improve the business's performance.]

- I have identified and defined a KPI in the table that could be used to measure Blanichi Chocolates' performance.[1]
- I have provided an example relevant to the case study and linked it to the KPI.[2]
- I have identified and defined another KPI in the table that could be used to measure Blanichi Chocolates' performance.[3]
- I have provided an example relevant to the case study and linked it to the KPI.[4]
- I have identified and defined a third KPI in the table that could be used to measure Blanichi Chocolates' performance.[5]
- I have provided an example relevant to the case study and linked it to the KPI.[6]
- I have concluded whether performance has improved following the introduction of machinery at Blanichi Chocolates.

- I have signposted my response by using 'The number of customer complaints', 'the number of sales' and 'rates of staff absenteeism'.
- I have referred to the business directly by using 'Blanichi Chocolates'.
- I have used connecting words, such as 'Furthermore' and 'However'.

Other acceptable answers include:

- Number of website hits

Note: The original question was marked globally on the 2018 VCE Business Management Exam. The above is a suggested marking scheme.

4D Force Field Analysis

Theory review

1. B. False. *Driving forces must be stronger than restraining forces in order for change to be implemented.*

2. weighting; ranking. *Weighting involves placing a score and attributing value to the driving and restraining forces of the proposed change. Conversely, ranking is the next step that involves arranging the forces in order of value to determine an overall score of whether the change can be implemented or not.*

3. A. True. *In the implementation stage, businesses can implement strategies to strengthen the influence of driving forces or reduce and eliminate the influence of restraining forces.*

4. A. True. *Implementing a response occurs after the weighting and ranking of forces and involves the actual implementation of the change. A business could make use of an action plan to determine what needs to be completed, and how this may be completed, to bring about successful change.*

5. A. True. *The principle of evaluating the response is where the implementation can be assessed against business objectives to determine if the change was successful or not.*

6. B. False. *Undertaking a Force Field Analysis is beneficial as it will save the business time and money by ensuring only changes that are more likely to be successful are implemented. However, there are also disadvantages, such as it being a time-consuming process to undertake.*

Preparing for exams

Exam-style

7. [Driving forces are the factors affecting the business environment that promote and support business change,[1]][whereas restraining forces are factors that resist a business change or actively try to stop it.[2]]

- I have defined driving forces.[1]
- I have defined restraining forces.[2]
- I have used comparison words, such as 'whereas', when distinguishing.

8. [One advantage of following the steps of the Force Field Analysis model is that businesses can determine whether their proposed change is likely to be successful. By identifying various driving and restraining forces, a business is able to predict the likelihood of success in a change.[1]][Another advantage of implementing Force Field Analysis is that businesses are able to save money. By implementing change based on the model where success is most likely, businesses are able to save money and resources which could be wasted if the model is not used, and the change is unsuccessful.[2]]

- I have outlined an advantage of Lewin's Force Field Analysis theory.[1]
- I have outlined another advantage of Lewin's Force Field Analysis theory.[2]
- I have signposted my response by using 'One advantage' and 'Another advantage'.

9. [A key principle of Lewin's Force Field Analysis is weighting, which a business could apply by scoring and attributing a value to the driving and restraining forces.[1]][Another key principle is ranking, which involves arranging the forces in order of value and determining the total score of driving and restraining forces.[2]][Implementing a response occurs after weighting and ranking, and involves the action that can be taken to strengthen the driving forces, reduce or eliminate the restraining forces, and/or the actual execution of the change. A business can create an action plan that outlines what the business needs to do and how it will do it.[3]][Finally, evaluating the response is the assessment of whether the change has been successfully implemented or if further actions need to be taken. A business can use key performance indicators to evaluate the success of the change towards the achievement of business objectives.[4]]

- I have explained how a business could apply the principle of weighting as part of the Force Field Analysis.[1]
- I have explained how a business could apply the principle of ranking as part of the Force Field Analysis.[2]
- I have explained how a business could apply the principle of implementing a response as part of the Force Field Analysis.[3]
- I have explained how a business could apply the principle of evaluating the response as part of the Force Field Analysis.[4]
- I have signposted my response by using 'A key principle' and 'Another key principle'.

10. [One advantage of a business using Lewin's Force Field Analysis when undergoing change is that the analysis takes into account the whole business environment, hence a more well-informed change can be made.[1]][Another advantage is that the Force Field Analysis enables the business to examine if the proposed change can be implemented successfully, which can save the business time and money as it would only implement the changes where success is likely.[2]][However, one disadvantage of a business using the Force Field Analysis is that it can be a time-consuming process and delays the actual implementation of the change until after the analysis has been completed.[3]][Another disadvantage is that it can be costly, due to the business resources required to undertake the analysis.[4]]

- I have provided an advantage of Lewin's Force Field Analysis theory.[1]
- I have provided another advantage of Lewin's Force Field Analysis theory.[2]
- I have provided a disadvantage of Lewin's Force Field Analysis theory.[3]
- I have provided another disadvantage of Lewin's Force Field Analysis theory.[4]
- I have signposted my response by using 'One advantage' and 'Another advantage'.
- I have used connecting words, such as 'However'.

Testing previous knowledge

11. [The rate of productivity growth is the increase in outputs produced from a given level of inputs over time.[1]][By implementing the change of getting a new, faster oven, Jill would have increased the rate at which the bakery goods are baked, hence increasing the rate of productivity growth and creating a successful change at Jill's Bakery.[2]]

- I have identified and defined the rate of productivity growth.[1]
- I have provided an example relevant to the case study and linked it to the rate of productivity growth.[2]
- I have referred to the business directly by using 'Jill' and 'Jill's Bakery'.

4E Driving forces: Part 1

Theory review

1. A. True. *Driving forces for change are the factors affecting the business environment that promote and support business change.*

2. B. False. *Driving forces can stem from both the internal and external business environment.*

3. A. True. *Owners and managers are concerned with changes that affect business goals due to their involvement in long-term planning and determining business direction. However, employees are more concerned with changes that directly affect their working environment.*

4. A. True. *The pursuit of profit is a driving force that encourages the business to improve its financial performance and obtain higher profit margins. Managers and owners would be the ones within the business driving the changes to increase profits, due to their personal interest in financial performance, as they earn an income from the business.*

5. A. True. *The reduction of costs is a driving force that encourages businesses to reduce the costs of their operations to improve efficiency and effectiveness. Reducing waste lowers business costs, as well as improves productivity, as the business is more efficient in its usage of resources.*

6. B. *The driving force of reduction of costs can lead a business to move locations to where rent is cheaper, as unnecessary expenses can be eliminated. Typically, sourcing materials from more socially responsible suppliers is more expensive for the business, hence this change would not reduce business costs.*

7. B. False. *Driving forces need to be stronger than restraining forces in order for successful change implementation. That is, there needs to be more support in favour of the change for it to be implemented.*

Preparing for exams

Case study skills

8. A **9.** B **10.** I; III **11.** II; III

Exam-style

12. [Driving forces for change are the factors affecting the business environment that promote and support business change.[1]] [Driving forces may include the owners, managers, and employees of a business.[2]]

- I have defined driving forces.[1]
- I have provided examples of driving forces.[2]

13. [Driving forces for change are the factors affecting the business environment that promote and support business change. One driving force for change is managers.[1]][A manager's role is to ensure the business remains competitive and profitable, achieves its objectives and provides a return for shareholders. Consequently, a manager can support change as they are encouraged to find more efficient and effective ways of achieving business objectives to gain a sense of financial and job security.[2]]

- I have defined driving forces.[1]
- I have explained why a manager is considered a driving force.[2]

14. [One driving force for change is the pursuit of profit. This is the desire to increase a business's level of revenue compared to expenses, beyond its current point. It is a powerful driving force as profit is one of the main determinants of a business's success.[1]][The gap in the finance loans market for aquatic vehicles reflects an opportunity for Debit Finance Pty Ltd. to expand and increase its revenue. As the business has incurred a net loss for the second year in a row, the opportunity to increase profits by expanding into a profitable market demonstrates that the pursuit of profit is a driving force for change for Debit Finance Pty Ltd.[2]][Furthermore, another driving force for change is the reduction of costs. In an attempt to grow profits, reducing costs is one way of achieving this objective.[3]][The decision made by the directors of Debit Finance Pty Ltd. to lower the commission on sales is an example of the reduction of costs acting as a driving force.[4]]

- I have identified and described the pursuit of profit as a driving force.[1]
- I have provided an example relevant to the case study and linked it to the pursuit of profit as a driving force.[2]
- I have identified and described reduction of costs as a driving force.[3]
- I have provided an example relevant to the case study and linked it to reduction of costs as a driving force.[4]
- I have signposted my response by using 'One driving force' and 'another driving force'.

- ✓ ✗ I have referred to the business directly by using 'Debt Finance Pty Ltd.'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

15. [One driving force for change that exists for Fruit Emporium is the reduction of costs. The ability to reduce costs is a driving force as it effectively helps a business to increase its net profit.[1]][The decision to no longer sell unpopular lines of stock is an example of the reduction of costs acting as a driving force. Fruit Emporium will reduce its level of wastage as the amount of stock that is thrown out should fall, consequently lowering the business's expenses and will help to increase the net profit margin.[2]][Another driving force is managers. Managers act as a driving force when a proposed change has the ability to improve the achievement of a business's objectives.[3]][The manager would support the introduction of the in-demand organic food line as this change may help the business increase its total sales, improve market share, and the achievement of business objectives.[4]]

- ✓ ✗ I have identified and described one driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[2]
- ✓ ✗ I have identified and described another driving force.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[4]
- ✓ ✗ I have signposted my response by using 'One driving force' and 'Another driving force is'.
- ✓ ✗ I have referred to the business directly by using 'Fruit Emporium'.

Note: Pursuit of profit is not included as an acceptable answer as the question specifically states to exclude it.

16. [One driving force for change at Dillon Electric would be Maxwell as the business owner. Owners act as a driving force for change as they are intrinsically interested in the ability of their business to meet its objectives and continue to adapt, as this is essential to its survival and success.[1]][Maxwell acted as a driving force for change as his financial stake and personal finances may be jeopardised from the decline in performance that could arise from poor workplace relations.[2]][Another driving force for change that Dillion Electric should consider is the employees. In return for their contribution to the business, employees will seek the best possible working conditions, hence making them a driving force for change.[3]][As the employees of Dillon Electric were receiving poor employment conditions, they would have acted as a driving force for change, pursuing improvements to their conditions of work through implementing the agreement.[4]]

- ✓ ✗ I have identified and described one driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[2]
- ✓ ✗ I have identified and described another driving force.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[4]
- ✓ ✗ I have signposted my response by using 'One driving force ' and 'Another driving force'.
- ✓ ✗ I have referred to the business directly by using 'Maxwell' and 'Dillon Electric'.

Other acceptable answers include:

- Managers
- Pursuit of profit

Testing previous knowledge

17. [One driving force is the reduction of costs, where a business seeks to minimise unnecessary costs that arise in its processes.[1]][A business that is driven by the reduction of costs would be proactive in its implementation of change, as it assesses internal elements of its processes, and consequently improves efficiency by eliminating elements that add no value to its products.[2]][Another driving force for change is a business's owner. They are invested in the success of the business, as they have developed it from its initial stages, and benefit financially from its operations.[3]][As a driving force, owners can contribute to proactive change, as they seek new opportunities for expansion, considering the larger scale of business operations. Their financial investment into a business can mean they are willing to find areas for improvement and improve efficiency.[4]]

- ✓ ✗ I have described one driving force.[1]
- ✓ ✗ I have explained how the driving force can contribute to proactive change.[2]
- ✓ ✗ I have described another driving force.[3]
- ✓ ✗ I have explained how the driving force can contribute to proactive change.[4]
- ✓ ✗ I have signposted my response by using 'One driving force' and 'Another driving force'.

4F Driving forces: Part 2

Theory review

1. B. False. *As competitors, legislation, globalisation, technology, innovation, and societal attitudes are external driving forces and therefore are in the external business environment, businesses have little to no control over these forces.*

2. competitors. *In order to remain competitive, the business has had to decrease its selling prices in response to its competitor. This is because customers are more likely to purchase goods and services at the cheapest available price in the market.*

3. B. *As innovation involves businesses constantly improving or introducing new products, the decision for a business to introduce a new product line to fulfil a gap in the market is an example of how innovation can be a driving force for change.*

4. technology. *As technology is constantly progressing, businesses must ensure they keep their systems up to date to remain productive and competitive.*

5. B. False. *As more businesses are competing on a global scale due to globalisation, there is high pressure from international competition which must be taken into account by businesses in order to remain profitable.*

6. A. True. *As globalisation has created a global market that businesses operate in, there are now global competitors that businesses must consider, increasing the amount of competitors businesses face.*

7. II; III. *Societal attitudes as a driving force refer to a business becoming aware of changing values and beliefs in the general community, rather than being forced to change due to the passing of new legislation.*

8. B. False. *Businesses should constantly ensure they are responding appropriately to changes made by rival firms as failure to compete within a respective market will decrease business viability.*

Preparing for exams

Case study skills

9. A **10.** B **11.** B **12.** A

13. I and II are true. III is false.

Exam-style

14. [Legislation is the laws and legal regulations that a business has to follow which can act as a driving force if a business has to change its operations and practices in order to comply with the law.[1]] [For example, if there was new legislation introduced that made changes to the *Occupational Health and Safety Act*, a business would be required to change its practices to ensure it is following the new required legislation.[2]]

- ✓ ✗ I have described legislation as a driving force.[1]
- ✓ ✗ I have provided an example of how legislation can act as a driving force for change.[2]

15. [Innovation is the process of altering and improving or creating new products or procedures. Businesses are always looking for ways to improve their current operations, thus the process of innovation is always driving businesses to change.[1]] [For example, a business could incorporate new features into its products, such as offering them in different colours and sizes, in order to make the product stand out from other products offered by competitors.[2]]

- ✓ ✗ I have described innovation as a driving force.[1]
- ✓ ✗ I have provided an example of how innovation can act as a driving force for change.[2]

16. [Competitors are other businesses within the same industry that sell similar goods or services to a business and can encourage change as businesses seek to eliminate any competitive advantage that rivals have.[1]] [In the case of The Waluigi Hotel, rival hotels that offer a more luxurious service are generating greater profit and larger market share due to the change in customer preferences. The success of its competitors has prompted The Waluigi Hotel to become a 5-star hotel to better compete within the hospitality industry, thus acting as a driving force for change.[2]]

- ✓ ✗ I have identified and described competitors as a driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to competitors as a driving force.[2]
- ✓ ✗ I have referred to the business directly by using 'The Waluigi Hotel'.

17. [Societal attitudes are the collective values, beliefs, and views of the general public, and can act as a driving force for change for businesses, such as Arrow Air, in order to adapt to these societal attitudes.[1]] [As society is becoming more environmentally conscious, businesses such as Arrow Air are expected to adopt environmentally sustainable practices in order to remain up to date with these views. In turn, these societal attitudes have driven the change at Arrow Air of producing new environmentally friendly air conditioners.[2]]

- ✓ ✗ I have identified and described societal attitudes as a driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to societal attitudes as a driving force.[2]
- ✓ ✗ I have referred to the business directly by using 'Arrow Air'.

18. [One driving force that may have led Crystal Cleaners to consider manufacturing its parts in China is globalisation. Globalisation refers to the increased trade between countries due to reduced trade barriers and allows businesses to compete on a global scale, which can drive businesses to change in order to survive.[1]] [The increased competition as a result of globalisation would have encouraged Crystal Cleaners to outsource its production of parts to China. In China, the parts would be able to be produced at a cheaper rate, increasing efficiency and allowing Crystal Cleaners to maintain its competitiveness on a global scale.[2]]

- ✓ ✗ I have identified and described globalisation as a driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to globalisation as a driving force.[2]
- ✓ ✗ I have referred to the business directly by using 'Crystal Cleaners'.

19. [One driving force is societal attitudes which are the collective values, beliefs, and views of the general public, and can act as a driving force for change for businesses, such as Frank's Barbeques, in order to adapt to these societal attitudes.[1]] [The rise in popularity of online shopping has driven Frank to establish a website and sell barbeques online in order to keep up with the societal attitude of customers wanting to shop online.[2]] [Furthermore, another driving force is competitors, which are other businesses within the same industry that sell similar goods or services to a business and can encourage change as businesses seek to eliminate any competitive advantage that rivals have.[3]] [BBQ's R Us' decision to launch a new website likely prompted Frank's Barbeques to do the same in order to remain competitive in the market. This is because BBQ's R Us' online website may have resulted in more customers purchasing from them, and Frank's enactment of a website is in an effort to regain sales.[4]]

- ✓ ✗ I have identified and described one driving force for change.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[2]
- ✓ ✗ I have identified and described another driving force for change.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[4]
- ✓ ✗ I have referred to the business directly by using 'Frank' and 'Barbeques Galore'.

✓ ✗ I have signposted my response by using 'One driving force' and 'another driving force'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Technology as a driving force
- Pursuit of profit as a driving force
- Managers as a driving force

Testing previous knowledge

20. [The pursuit of profit is the desire to increase a business's level of revenue compared to expenses, beyond its current point and is a driving force for change as it is one of the main determinants of a business's success.[1]][As the old exercise tops were non-absorbent, Hannah's decision to launch a new line of exercise tops, which are made with sweat absorbing material, was likely driven by her desire to boost sales and profits beyond their current point.[2]][Furthermore, innovation is the process of altering and improving or creating new products or procedures. Businesses are always looking for ways to improve their current operations, thus the process of innovation is always driving businesses to change.[3]][Innovation was likely a driving force for Hannah to produce exercise tops with new sweat-absorbent material, as this material represented an improvement on the non-absorbent material.[4]]

✓ ✗ I have identified and described pursuit of profit as a driving force.[1]

✓ ✗ I have provided an example relevant to the case study and linked it to the pursuit of profit as a driving force.[2]

✓ ✗ I have identified and described innovation as a driving force.[3]

✓ ✗ I have provided an example relevant to the case study and linked it to innovation as a driving force.[4]

✓ ✗ I have referred to the business directly by using 'Hannah'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

4G Restraining forces

Theory review

1. A. True. *Restraining forces are factors that resist a business change or actively try to stop it.*

2. organisational inertia. *Restructuring the business or altering the current leadership model can overcome organisational inertia as this forces individuals within the business to adopt new practices and be willing to change their previous ways of operating.*

3. B. *Financial considerations act as a restraining force when a business cannot afford to pay for the proposed change due to a lack of funds and/or investment.*

4. B. False. *Managers, employees, and legislation are the only factors that can act as both driving and restraining forces for business change.*

5. threatens. *If employees feel their job security is threatened by a change, they are unlikely to support it out of fear of losing their source of income and stability.*

6. A. True. *Business change can only be implemented successfully if restraining forces exceed driving forces, meaning restraining forces often need to be overcome to prevent them from overpowering the driving forces.*

Preparing for exams

Case study skills

7. A **8.** B **9.** A **10.** B

11. A **12.** B **13.** B

Exam-style

14. [Managers are the leaders and decision-makers of a business and can therefore act as a restraining force by refusing to introduce or implement changes that they do not support or that threaten their position.[1]][As managers are in charge of the business, it may be difficult to overcome them as a restraining force, therefore the change may need to be compromised to compensate for this resistance.[2]]

✓ ✗ I have outlined how managers can act as a restraining force.[1]

✓ ✗ I have provided one characteristic of managers as a restraining force.[2]

15. [Restraining forces are factors that resist a business change or actively try to stop it.[1]][If restraining forces exceed driving forces, a business change is unlikely to be successful unless strategies are implemented to overcome these restraining forces.[2]]

✓ ✗ I have defined restraining forces.[1]

✓ ✗ I have explained how restraining forces can prevent business change if not managed appropriately.[2]

16. [One restraining force is organisational inertia, which is the tendency for a business to maintain established ways of operating, which is present at Brad's Fire Pits as the employees are unwilling to change current practices to adapt to the new online platform.[1]][This acts as a restraining force for change at Brad's Fire Pits as this organisational resistance prevents the growth of the company and inhibits a smooth transition to a more efficient and profitable online platform, thus preventing business opportunities for the future.[2]][Moreover, another restraining force is financial considerations, which can resist change at Brad's Fire Pits as the company may be required to pay large amounts of money to initially invest in the development of its online platform.[3]][This is likely to be expensive for Brad's Fire Pits and due to the resistance of shareholders, the company may find it difficult to increase their investments, potentially leading to a net profit loss which can threaten the viability and unsettle shareholders for the future.[4]]

✓ ✗ I have identified and described organisational inertia as a restraining force.[1]

✓ ✗ I have provided an example relevant to the case study and linked it to organisational inertia as a restraining force.[2]

✓ ✗ I have identified and described financial considerations as a restraining force.[3]

✓ ✗ I have provided an example relevant to the case study and linked it to financial considerations as a restraining force.[4]

- I have signposted my response by using 'One restraining force' and 'another restraining force'.
- I have referred to the business directly by using 'Brad's Fire Pits'.
- I have used connecting words, such as 'Moreover'.

17. [One restraining force at Massi is time, which is the need to complete business changes within a certain period.1][Negotiations for an enterprise agreement can take a long time and may even disrupt the operations of Massi, especially if Mike is aiming to develop long-term, trusting, interpersonal relationships with his staff. Therefore, time acts as a restraining force when implementing this change of employee agreements.2][Moreover, another restraining force at Massi is legislation, which is the need to comply with laws and regulations. Before approval, the enterprise agreements need to be legally assessed and approved by the Fair Work Commission.3][The agreements between Mike and his employees will only be approved if the Fair Work Commission is satisfied that the enterprise agreement provides pay and conditions that are consistent with and an improvement of the standards for the relevant industry.4]

- I have identified and described time as a restraining force.1
- I have provided an example relevant to the case study and linked it to time as a restraining force.2
- I have identified and described legislation as a restraining force.3
- I have provided an example relevant to the case study and linked it to legislation as a restraining force.4
- I have signposted my response by using 'One restraining force' and 'another restraining force'.
- I have referred to the business directly by using 'Massi' and 'Mike'.
- I have used connecting words, such as 'Moreover'.

18. [One restraining force impacting Fabulous Feasts' ability to implement on-demand cooking services is managers, such as Fabio, the operations manager, who has raised concerns about the logistics and legal implications of this change.1][Therefore, Fabio is acting to resist the change at Fabulous Feasts as he believes the change could negatively impact business performance due to the difficulty and costs involved with adhering to the legal requirements, which could decrease the profitability and viability of the catering company.2][Additionally, another restraining force at Fabulous Feasts is legislation. Providing on-demand cooking services will likely require the catering company to obtain a licence or permit and adhere to occupational health and safety regulations.3][To overcome legislation as a restraining force, Fabulous Feasts would need to ensure that it is aware of and adherent to all legal requirements before implementing its on-demand services, however, it is possible that certain laws may prevent Fabulous Feasts from operating within customer's homes, preventing this change from occurring.4][Finally, another restraining force within Fabulous Feasts is employees, as the staff have complained about the spontaneous and inconsistent hours that they would be expected to work if on-demand catering were implemented.5][Employees are acting to resist this change as they want to maintain the current consistency in their working hours and may feel that their job security is threatened by the potential change to their regular income, thus causing them to be unsupportive of on-demand services at Fabulous Feasts.6]

- I have identified and described a restraining force.1
- I have provided an example relevant to the case study and linked it to my chosen restraining force.2
- I have identified and described a second restraining force.3
- I have provided an example relevant to the case study and linked it to my chosen restraining force.4
- I have identified and described a third restraining force.5
- I have provided an example relevant to the case study and linked it to my chosen restraining force.6
- I have signposted my response by using 'One restraining force' and 'another restraining force'.
- I have referred to the business directly by using 'Fabulous Feasts' and 'Fabio'.
- I have used connecting words, such as 'Additionally' and 'Finally'.

Other acceptable answers include:

- Organisational inertia as a restraining force
- Time as a restraining force
- Financial considerations as a restraining force

Testing previous knowledge

19. [Driving forces are the factors affecting the business environment that promote and support business change.1][Conversely, restraining forces are factors that resist a business change or actively try to stop it.2][One driving force at Ri & Ana is societal attitudes, which are the collective values, beliefs, and views of the general public that influence customer purchasing and trends.3][At Ri & Ana, societal attitudes surrounding sustainability, climate change, and living a more eco-friendly lifestyle are acting as a driving force that is encouraging the umbrella business to transition to using sustainable materials in its production, hence appealing to customer wants and potentially enhancing their competitive advantage.4][Additionally, another driving force at the umbrella company is the pursuit of profit as Ri & Ana are implementing the change with the hope of driving profits and increasing market share.5][As the popularity of sustainable goods increases as a result of societal attitudes, the pursuit of profit acts to promote this change as these new umbrellas are likely to appeal to more customers in society as they feel they are supporting an ethical company when purchasing, thus increasing competitiveness and overall profitability.6][On the other hand, a restraining force for this change to sustainable materials at Ri & Ana is time, as the company is aiming to have the sustainable umbrellas fully implemented in the next three months.7][Time is acting as a restraining force as this is a short internal deadline that needs to be met and it may be difficult to obtain supplies and train all the staff in using these new materials in that time period, hence restricting Ri & Ana's ability to implement this change.8]

- I have defined the term driving force.1
- I have defined the term restraining force.2
- I have identified and described a driving/restraining force.3
- I have provided an example relevant to the case study and linked it to my chosen driving/restraining force.4

- ✓ ✗ I have identified and described a second driving/restraining force.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving/restraining force.[6]
- ✓ ✗ I have identified and described a third driving/restraining force.[7]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving/restraining force.[8]
- ✓ ✗ I have signposted my response by using 'One restraining force' and 'another driving force'.
- ✓ ✗ I have referred to the business directly by using 'Ri & Ana'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'On the other hand'.

Other acceptable answers include:

- Driving forces:
  - Managers
  - Employees
  - Reduction of costs
  - Competitors
  - Technology
  - Legislation
  - Innovation
  - Globalisation
- Restraining forces:
  - Managers
  - Employees
  - Legislation
  - Organisational inertia
  - Financial considerations

4D–G review

Exam-style

1. [Restraining forces are internal and external factors that resist a business change or actively try to stop it.[1]][Restraining forces may include the owners, managers, and employees of a business.[2]]

- ✓ ✗ I have defined restraining forces.[1]
- ✓ ✗ I have provided examples of restraining forces.[2]

2. [A manager's role is to ensure the business remains competitive and profitable, achieves its objectives, and provides a return for shareholders. Consequently, a manager can act as a driving force for change as they are encouraged to find ways that optimise business performance, because enacting successful change can provide them with a sense of financial and job security.[1]][On the other hand, as leaders and decision-makers of a business, managers can act as a restraining force by not introducing or implementing change that they do not support or threatens their position.[2]]

- ✓ ✗ I have outlined how a manager can act as a driving force.[1]
- ✓ ✗ I have outlined how a manager can act as a restraining force.[2]

3. [Owners act as a driving force for change as they are intrinsically interested in the ability of their business to meet its objectives and continue to adapt, which is essential to its survival and success.[1]][Khan, the owner of Potato Pals, acts as a key driving force for introducing the new Onionblade machinery, as he believes the change will assist Potato Pals' in achieving its objective of becoming a recognised global brand.[2]]

- ✓ ✗ I have identified and described owners as a driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to owners as a driving force.[2]
- ✓ ✗ I have referred to the business directly by using 'Khan' and 'Potato Pals'.

4. [Driving forces are the factors affecting the business environment that promote and support business change.[1]][On the other hand, restraining forces are factors that resist a business change or actively try to stop it.[2]][The key difference between driving and restraining forces is that driving forces are in favour of the change and encourage it to occur, whilst restraining forces actively attempt to resist change from occurring.[3]]

- ✓ ✗ I have defined driving forces.[1]
- ✓ ✗ I have defined restraining forces.[2]
- ✓ ✗ I have provided a key difference between driving and restraining forces.[3]

5. [One restraining force acting against the introduction of the new machinery at Potato Pals is the employees.[1]][One employee claims 'there's no need for this change' as employees are accustomed to the current machines used in Potato Pals' operations, thus showing resentment towards undergoing the mandatory training and learning how to operate the new Onionblade machinery.[2]][Furthermore, another restraining force affecting the change at Potato Pals is legislation, which is the need for the business to comply with laws and regulations.[3]][Recent legislation aims to reduce overall carbon emission rates in the food industry. Therefore, Potato Pals must be cautious of the amount of emissions it releases and the number of Onionblades it purchases to avoid legal consequences and implement the change successfully.[4]]

- ✓ ✗ I have identified and described one restraining force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen restraining force.[2]
- ✓ ✗ I have identified and described another restraining force.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen restraining force.[4]
- ✓ ✗ I have signposted my response by using 'One restraining force' and 'another restraining force'.
- ✓ ✗ I have referred to the business directly by using 'Potato Pals'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Managers
- Time
- Organisational inertia
- Financial considerations

6. [The first key principle of Lewin's Force Field Analysis is weighting, which involves Potato Pals scoring and attributing a value to the driving and restraining forces relevant to the proposed introduction of the Onionblade and new manufacturing plants, such as owners and legislation.[1]][The next principle is ranking, which involves arranging the forces in order of value and determining the total score of driving and restraining forces. This can allow Khan to determine whether driving forces exceed restraining forces, or vice versa.[2]] [After weighting and ranking, the next principle is implementing a response which involves Potato Pals actually installing the new Onionblade machinery, opening the new plants, and commencing the production of onion rings.[3]][The final principle is evaluating the response and this involves the assessment of whether the introduction of new Onionblade machinery has been successful or if further changes and adjustments are needed. Here, Khan can use key performance indicators, such as percentage of market share, to evaluate the success of the change towards the achievement of Potato Pals' objective of becoming a truly global brand.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of weighting as part of the Force Field Analysis.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of ranking as part of the Force Field Analysis.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of implementing a response as part of the Force Field Analysis.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of evaluating the response as part of the Force Field Analysis.[4]
- ✓ ✗ I have signposted my response by using 'The first key principle'.
- ✓ ✗ I have referred to the business directly by using 'Khan' and 'Potato Pals'.

7. [The pursuit of profit acts as a driving force for change due to the desire to increase a business's level of revenue compared to expenses, beyond its current point. It is a powerful driving force as profit is one of the main determinants of a business's success.[1]] [Potato Pals is aiming to take advantage of the opportunity to expand its product range and start producing onion rings with the introduction of new machinery. This opportunity can assist Potato Pals in increasing its exports to over 20 markets around the world, subsequently presenting a feasible strategy to increase Potato Pals' profits and reach $20 million by 2024.[2]][Moreover, technology acts as a driving force because technologies are constantly improving, meaning that in order to remain competitive, businesses are encouraged to change and adopt the latest technology.[3]][The new Onionblade machinery can produce onion rings at a rate nearly double the speed of the average time to manufacture onion rings. This can allow Potato Pals to improve efficiency in its operations and gain an edge over its competitors.[4]]

- ✓ ✗ I have identified and described the pursuit of profit as a driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the pursuit of profit as a driving force.[2]
- ✓ ✗ I have identified and described technology as a driving force.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to technology as a driving force.[4]
- ✓ ✗ I have signposted my response by using 'The pursuit of profit'.
- ✓ ✗ I have referred to the business directly by using 'Khan' and 'Potato Pals'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

8. [One advantage of using Lewin's Force Field Analysis during the change process at Potato Pals is that it can examine whether it is possible to successfully introduce the Onionblade and further expand the business's production of onion rings. This may allow for time and money to be saved, as Khan would only introduce the change if it can be successfully implemented.[1]][Furthermore, another advantage is that the analysis takes into account the whole business environment at Potato Pals, meaning a more informed decision can be made in regards to proceeding with the change.[2]] [On the other hand, one disadvantage of using Lewin's Force Field Analysis is that it may be a time-consuming process for management at Potato Pals to undertake, as it involves weighting and ranking various driving and restraining forces.[3]][Moreover, another disadvantage is that even if driving forces outweigh restraining forces, and the current employee resistance is not reduced, there may be employees within the manufacturing plants at Potato Pals that are unhappy with the change, which could negatively affect employee morale.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of Lewin's Force Field Analysis.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of Lewin's Force Field Analysis.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of Lewin's Force Field Analysis.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of Lewin's Force Field Analysis.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Khan' and 'Potato Pals'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Moreover'.

4H Porter's Generic Strategies

Theory review

1. B. False. *Porter emphasises that businesses should only implement one strategy to pursue a competitive advantage, as implementing lower cost contradicts the increased costs required to differentiate.*

2. Porter's differentiation strategy; Porter's lower cost strategy. *The lower cost strategy targets cost-conscious customers who are unlikely to show loyalty to a business's product if a cheaper alternative arises. However, the differentiation strategy involves selling a unique product which customers cannot purchase elsewhere, resulting in high levels of customer loyalty.*

3. Porter's lower cost strategy. *The lower cost strategy is appropriate for industries with a high number of cost-conscious consumers. If a business is able to offer a cheaper alternative than its competitors, these customers can easily be won over.*

4. B. *The differentiation strategy involves providing customers with unique product features that are of perceived value to customers.*

5. B. False. *The lower cost strategy requires a business to charge either industry average prices, slightly lower than average, or significantly lower than competitors. The differentiation strategy allows a business to sell its product at a premium price by providing unique features that customers cannot receive from competitors.*

6. A. True. *Using the differentiation strategy can increase customer loyalty, as customers are unable to purchase a product elsewhere that has the same unique features.*

7. A. True. *Using either the lower cost or differentiation strategy can enable the business to gain a competitive advantage, hence improving profitability.*

Preparing for exams

Case study skills

8. B **9.** I; II **10.** A

11. II and III are advantages. I and IV are disadvantages.

12. I and II are advantages. III and IV are disadvantages.

13. I and III are advantages. II and IV are disadvantages.

Exam-style

14. [Porter's lower cost strategy involves a business offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors.[1]][A business can achieve the lowest cost of operations by reducing operating costs through sourcing cheaper supplies or producing basic no-frills products.[2]]

- ✓ ✗ I have defined Porter's lower cost strategy.[1]
- ✓ ✗ I have provided an example of how the lower cost strategy can be achieved.[2]

15. [Porter's differentiation strategy involves offering customers unique services or product features that are of perceived value to customers, which can then be sold at a higher price than competitors.[1]][A business can achieve a differentiation strategy by offering products to specific markets or developing innovative products, distinguishing themselves from other competitors in the industry.[2]]

- ✓ ✗ I have defined Porter's differentiation strategy.[1]
- ✓ ✗ I have provided an example of how the differentiation strategy can be achieved.[2]

16. [A similarity between Porter's lower cost and differentiation strategy is that both aim to provide a business with a competitive advantage.[1]][On the other hand, a difference between the two strategies is that the lower cost strategy sells products at lower prices while the differentiation strategy typically charges premium prices.[2]][Accordingly, another difference is that lower cost businesses usually target cost-conscious customers while differentiated businesses focus on customers that are not as price-sensitive and willing to pay a premium price.[3]]

[Finally, another difference is the lower cost strategy tends to concentrate on reducing internal costs, whereas the differentiation strategy places importance on meeting external customer needs.[4]]

- ✓ ✗ I have provided one similarity between Porter's lower cost and differentiation strategies.[1]
- ✓ ✗ I have provided one difference between Porter's lower cost and differentiation strategies.[2]
- ✓ ✗ I have provided a second difference between Porter's lower cost and differentiation strategies.[3]
- ✓ ✗ I have provided a third difference between Porter's lower cost and differentiation strategies.[4]
- ✓ ✗ I have signposted my response by using 'A similarity' and 'another difference'.
- ✓ ✗ I have used connecting words, such as 'Accordingly'.

Note: This question could have been answered with two similarities and two differences.

17. [One advantage of using the lower cost strategy is that business operations are optimised to achieve lower costs of production, reducing business costs.[1]][Moreover, another advantage is that it makes it difficult for new competitors to enter the market since it is difficult to match the lower selling prices with reduced operations costs, whilst also remaining profitable.[2]][However, a disadvantage of the lower cost strategy is that customers are not loyal to the brand and if a competitor were to offer a lower price, customers would likely switch immediately.[3]][Furthermore, another disadvantage of the lower cost strategy is that customers might associate the low prices with low-quality products which can limit a business's sales.[4]]

- ✓ ✗ I have provided an advantage of Porter's lower cost strategy.[1]
- ✓ ✗ I have provided another advantage of Porter's lower cost strategy.[2]
- ✓ ✗ I have provided a disadvantage of Porter's lower cost strategy.[3]
- ✓ ✗ I have provided another disadvantage of Porter's lower cost strategy.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have used connecting words, such as 'However'.

18. [Leah is using the strategy of differentiation, which involves offering customers unique services or product features that are of perceived value to customers, which can then be sold at a higher price than competitors.[1]][Plant-Based Pastries demonstrates differentiation through offering unique gourmet vegan pies and pastries that would appeal to vegan and health-conscious consumers.[2]][In this way, Leah is able to gain a competitive advantage through maintaining a loyal customer base, as customers are unable to purchase the same gourmet vegan options from competing eateries in the local area. This allows Plant-Based Pastries to maintain consistent sales of its vegan pastries, which are able to be sold at premium prices to loyal customers.[3]]

- ✓ ✗ I have identified and defined Porter's differentiation strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the differentiation strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to achieving a competitive advantage.[3]
- ✓ ✗ I have referred to the business directly by using 'Leah' and 'Plant-Based Pastries'.

Note: The differentiation strategy is the only acceptable answer.

19. [One strategy Julie could use is Porter's lower cost strategy, which involves offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors.[1]][Using the lower cost strategy could be advantageous to Demazo as they will be required to optimise its operations to reduce operation costs. This will assist them in having the lowest cost of operations in the footwear industry.[2]][Moreover, another advantage is that by using the lower cost strategy, Demazo can target cost-conscious consumers and continue to work towards becoming Australia's most affordable and popular footwear brand.[3]][On the other hand, one disadvantage of implementing the lower cost strategy may result in Demazo having lower levels of customer loyalty, as customers are likely to be cost-conscious and switch to cheaper alternatives wherever possible.[4]][Furthermore, another disadvantage is that some customers may perceive Demazo's footwear offerings as low quality if they are priced below competing alternatives in the footwear industry.[5]]

- ✓ ✗ I have identified and defined Porter's lower cost strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of Porter's lower cost strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of Porter's lower cost strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of Porter's lower cost strategy.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of Porter's lower cost strategy.[5]
- ✓ ✗ I have signposted my response by using 'One strategy' and 'another disadvantage'.
- ✓ ✗ I have referred to the business directly by using 'Julie' and 'Demazo'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

Note: The lower cost strategy is the only acceptable answer.

20. [One generic strategy is the lower cost strategy, which involves a business offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors.[1]][This could be advantageous to Ready-Made Meals by attracting cost-conscious customers through basic and no-frills meals that are priced lower than its competitors.[2]][However, this could also be a disadvantage as customers often perceive lower-priced meals to be of poorer quality.[3]][On the other hand, the differentiation strategy involves offering customers unique services or product features that are of perceived value to customers, which can then be sold at a higher price than competitors.[4]][One advantage for Ready-Made Meals is that they would be able to build a brand loyal customer base by offering unique products such as vegan-only frozen meals to health-conscious customers.[5]][However, a disadvantage is that if another business also offers vegan frozen meals, Ready-Made Meals would lose its point of differentiation.[6]]

- ✓ ✗ I have identified and defined Porter's lower cost strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of Porter's lower cost strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of Porter's lower cost strategy.[3]
- ✓ ✗ I have identified and defined Porter's differentiation strategy.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of Porter's differentiation strategy.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of Porter's differentiation strategy.[6]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'a disadvantage'.
- ✓ ✗ I have referred to the business directly by using 'Ready-Made Meals'.
- ✓ ✗ I have used connecting words, such as 'However'.

Testing previous knowledge

21. [Net profit figures are calculated by subtracting total expenses incurred from total business revenue earned, over a specific period of time.[1]][The lower cost strategy involves a business offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors.[2]][The lower cost strategy enables a business to achieve a competitive advantage, as total expenses are reduced through achieving the lowest cost of operations within an industry. The lower cost strategy allows for increases in revenue by obtaining a larger volume of sales through offering lower prices than competitors, or, through offering similar or slightly lower prices than the industry average, which can increase profit margins and thus a business's profitability.[3]][This increase in revenue and decrease in expenses achieves a competitive advantage and positively affects a business's net profit figures.[4]]

- ✓ ✗ I have identified and defined net profit figures.[1]
- ✓ ✗ I have identified and defined Porter's lower cost strategy.[2]
- ✓ ✗ I have stated how implementing Porter's lower cost strategy can provide a business with a competitive advantage.[3]
- ✓ ✗ I have stated how a competitive advantage may affect net profit figures.[4]
- ✓ ✗ I have signposted my response by using 'Net profit figures are'.

Unit 4 AOS 1 review

Contemporary case study

1. [A proactive approach to business change is when a business changes to avoid future problems or take advantage of an opportunity to gain a competitive advantage.[1]][Multinational fast-food chain, McDonald's, has demonstrated a proactive approach to business change by taking advantage of the opportunity to implement robotic drive-thru technology. The robotic drive-thru technology is powered by artificial intelligence and aims to provide a competitive advantage through improved service speed and a unique customer experience.[2]]

- ✓ ✗ I have identified and defined the proactive approach to business change.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the proactive approach to business change.[2]
- ✓ ✗ I have referred to the business directly by using 'McDonald's'.
- ✓ ✗ I have included a brief description of the contemporary case study.

2. [The multinational fast food chain, McDonald's, has recently partnered with IBM to introduce robotic drive-thru technology powered by artificial intelligence. The first key principle of Lewin's Force Field Analysis is weighting, which would involve McDonald's scoring and attributing a value to the driving and restraining forces relevant to the implementation of the robotic drive-thrus. Relevant driving forces could include employees and innovation, whilst relevant restraining forces could be legislation or financial considerations.[1]][The next key principle is ranking, which involves arranging the forces in order of value and determining the total score of driving and restraining forces. This can allow McDonald's to see if the overall strength of driving forces outweighs that of the restraining forces associated with implementing the robotic drive-thrus.[2]][The next key principle, implementing a response, occurs after weighting and ranking, and would involve the installation of the robotic technology into McDonald's drive-thrus. The implementation should only proceed if overall driving forces exceed restraining forces. However, if restraining forces still outweigh the driving forces, McDonald's will need to take action to reduce the impact of these restraining forces, or further strengthen driving forces so that the technology can be successfully implemented.[3]][Finally, the last principle, evaluating the response, would involve the assessment of whether the robotic drive-thru technology has been successfully implemented or if further changes and adjustments need to be made. During this stage, McDonald's can use key performance indicators, such as the number of customer complaints, to evaluate the success of the new drive-thru technology.[4]]

- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the principle of weighting as part of the Force Field Analysis.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the principle of ranking as part of the Force Field Analysis.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the principle of implementing a response as part of the Force Field Analysis.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the principle of evaluating the response as part of the Force Field Analysis.[4]
- ✓ ✗ I have signposted my response by using 'The first key principle'.
- ✓ ✗ I have referred to the business directly by using 'McDonald's'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Finally'.
- ✓ ✗ I have included a brief description of the contemporary case study.

3. [The multinational fast food chain, McDonald's, has recently partnered with IBM to introduce robotic drive-thru technology powered by artificial intelligence (AI). The new drive-thru technology utilises AI to customise menus, predict purchases, and receive customers' orders via a multilingual voice assistant. One driving force that would support the implementation of robotic drive-thrus at McDonald's is employees.[1]][By removing the need to take orders from customers, the new drive-thru technology may allow McDonald's employees to focus more on other duties. Thus, Employees may be in support of the technology as it simplifies their role.[2]][Furthermore, another driving force may be owners of McDonald's franchises who are concerned with the ability of their business to meet its objectives and continue to adapt.[3]][If owners believe the robotic drive-thru technology will be beneficial to future business performance, they are likely to support the change.[4]][However, one restraining force may be legislation, such as laws surrounding the storage of customer data.[5]][When implementing the new technology, McDonald's must ensure that it is compliant with the relevant laws and regulations associated with the storage of customer data, such as licence plates.[6]]

- ✓ ✗ I have identified and described one driving force.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to my chosen driving force.[2]
- ✓ ✗ I have identified and described another driving force.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to my chosen driving force.[4]
- ✓ ✗ I have identified and described one restraining force.[5]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to my chosen restraining force.[6]
- ✓ ✗ I have signposted my response by using 'One driving force' and 'another driving force'.
- ✓ ✗ I have referred to the business directly by using 'McDonald's'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Note: This question could have been answered with two restraining forces and one driving force.

4. [Sal's Authentic New York Pizza is a Victorian-based chain of pizzerias that uses 100% imported, authentic, American ingredients. Sal's Pizza utilises Porter's differentiation strategy, which involves offering unique services or product features that are of perceived value to customers which can then be sold at a higher price than competitors.[1]][Sal's Pizza provides Melbournians with a unique authentic New York Pizza range, utilising a secret family recipe involving a variety of imported American ingredients, such as New York milled wheat flour, premium Wisconsin mozzarella, and vine-ripened California tomatoes.[2]][By providing customers with an authentic and unique experience, Sal's Pizza is able to effectively differentiate itself from competing Melbourne pizzerias and claims to offer "Australia's only 100% authentic New York pizza range".[3]][In doing so, Sal's is able to achieve a competitive advantage through attracting loyal customers who will consistently pay a premium price of $35-40 for an Authentic New York pizza which they cannot purchase elsewhere in Victoria.[4]]

- ✓ ✗ I have identified and defined Porter's differentiation strategy.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study.[2]
- ✓ ✗ I have linked my example to the differentiation strategy.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to achieving a competitive advantage.[4]
- ✓ ✗ I have referred to the business directly by using 'Sal's Pizza'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Exam-style

5. a. [The approach to business change taken at Frozone is reactive meaning the business is changing in response to a situation or crisis.[1]][The self-serve frozen yoghurt machines are being implemented to respond to Frozone's recent loss of market share. Therefore, Holly and Molly are taking a reactive approach in response to the new competitor that has entered the market.[2]]

- ✓ ✗ I have identified and defined the reactive approach to change.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the reactive approach to business change.[2]
- ✓ ✗ I have referred to the business directly by using 'Frozone' and 'Holly and Molly'.

b. [One restraining force that may influence Frozone's ability to successfully introduce the self-serve systems could be financial considerations, as there are high costs associated with implementing the new frozen yoghurt technology.[1]][Purchasing, setting up, and maintaining numerous self-serve systems across all of Frozone's stores would be extremely costly, hence this acts as a restraining force because Holly and Molly may not be able to afford these expenses.[2]]

- ✓ ✗ I have identified and described one restraining force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen restraining force.[2]
- ✓ ✗ I have referred to the business directly by using 'Frozone' and 'Holly and Molly'.

Other acceptable answers include:

- Organisational inertia
- Employees

Note: Other restraining forces are not considered acceptable answers as the question specified to choose a restraining force listed.

c. [One driving force that Frozone may have considered is competitors. When a business is faced with competition it will always be driven to change in order for it to survive in the industry.[1]][Following a new store opening up in the local area, Frozone's market share has recently declined. Consequently, this new competition may encourage Holly and Molly to implement the self-service yoghurt machines to remain competitive.[2]][Furthermore, another driving force that Holly and Molly may consider is innovation. Innovation can act as a driving force as businesses are always seeking to develop new products or processes that can provide them with a competitive advantage.[3]][The introduction of a self-serve system is an example of innovation as it provides a unique method for customers to be served. Holly and Molly may be willing to introduce the self-serve system as a point of difference, potentially attracting more customers and providing Frozone with a competitive advantage.[4]]

- ✓ ✗ I have identified and described one driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[2]
- ✓ ✗ I have identified and described another driving force.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[4]
- ✓ ✗ I have signposted my response by using 'One driving force' and 'another driving force'.
- ✓ ✗ I have referred to the business directly by using 'Frozone' and 'Holly and Molly'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Owners
- Managers
- Reduction of costs
- Pursuit of profit
- Technology

6. a. [A similarity between Porter's lower cost and differentiation strategies is that both aim to provide a business with a competitive advantage.[1]][On the other hand, a difference between the two strategies is that the lower cost strategy sells products at lower prices while the differentiation strategy typically charges premium prices.[2]][Furthermore, another difference is that lower cost businesses usually target cost-conscious customers while differentiated businesses focus on customers that are not as price-sensitive and are, instead, willing to pay a premium price.[3]][Finally, another difference is the lower cost strategy tends to concentrate on reducing internal costs, whereas the differentiation strategy places importance on meeting external customer needs.[4]]

- I have provided one similarity between Porter's lower cost and differentiation strategies.[1]
- I have provided one difference between Porter's lower cost and differentiation strategies.[2]
- I have provided a second difference between Porter's lower cost and differentiation strategies.[3]
- I have provided a third difference between Porter's lower cost and differentiation strategies.[4]
- I have signposted my response by using 'A similarity' and 'another difference'.
- I have used connecting words, such as 'Furthermore'.

Note: This question could have been answered with two similarities and two differences.

b. [Following the change of supplier at Zesty, net profit figures, which is a figure calculated by subtracting total expenses incurred from total business revenue earned, increased substantially by $990,000.[1]][The switch to cheaper inputs has likely reduced the operating expenses of Zesty, allowing it to pass on savings to customers in the form of lower prices. Consequently, customers would be more likely to purchase soft drinks, increasing revenue. Thus, both a reduction in expenses and an increase in revenue likely contributed to the $990,000 increase in net profit.[2]][Moreover, Zesty's percentage of market share, which is the proportion of a business's total sales, compared to the total sales in the industry, increased by 3%.[3]][The switch in suppliers allowed Zesty to establish itself as a low-cost producer of soft drink, which may have enticed customers of rival brands to switch to purchasing Zesty's affordable products. Consequently, this allowed Zesty to capture a greater proportion of sales within the soft drink industry, thus improving its overall competitiveness.[4]][However, Zesty's number of customer complaints, which is the number of customers who notified the business of their dissatisfaction over a specific period of time, increased by 200 following the switch in suppliers. This may be reflective of a decrease in the quality of Zesty's soft drinks as a result of switching to cheaper inputs, causing increased levels of customer dissatisfaction.[5]][Overall, the increase in net profit figures and market share reflects a positive improvement in Zesty's performance. However, to sustain this, the rise in customer complaints needs to be addressed.[6]]

- I have identified and defined a KPI in the table that could be used to measure performance.[1]
- I have provided an example relevant to the case study and linked it to my chosen KPI.[2]
- I have identified and defined another KPI in the table that could be used to measure performance.[3]
- I have provided an example relevant to the case study and linked it to my chosen KPI.[4]
- I have identified and defined a third KPI in the table that could be used to measure performance.[5]
- I have provided an example relevant to the case study and linked it to my chosen KPI.[6]
- I have concluded whether performance has improved following the switch of suppliers at Zesty.
- I have signposted my response by using 'Zesty's percentage of market share'.
- I have referred to the business directly by using 'Zesty'.
- I have used connecting words, such as 'Moreover' and 'However'.

c. [One key performance indicator that Zesty could use to assess business performance could be the number of sales, which is the total quantity of goods and services sold by a business over a specific period of time.[1]][If the number of sales at Zesty increased following the switch in suppliers it may indicate that customers are satisfied with the soft drinks Zesty is producing as a low-cost producer. This may be due to the quality or affordability of the soft drinks Zesty produces.[2]]

- I have identified and defined a key performance indicator, not in the table, that can be used to measure Zesty's performance.[1]
- I have provided an example relevant to the case study and linked it to my chosen key performance indicator.[2]
- I have signposted my response by using 'One key performance indicator'.
- I have referred to the business directly by using 'Zesty.

Other acceptable answers include:

- Level of staff turnover
- Rate of productivity growth
- Rates of staff absenteeism
- Level of wastage
- Number of website hits

7. a. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][KPIs can be used to evaluate a business's performance before and after implementing change to see whether the change has been successful in achieving the business's desired objectives.[2]]

- I have defined key performance indicators.[1]
- I have provided one characteristic of key performance indicators.[2]

b. [One driving force that could impact CodeWorld's overseas expansion is the pursuit of profit, which acts as a driving force for change due to the desire to increase a business's level of revenue compared to expenses, beyond its current point.[1]] [CodeWorld's proposed expansion into England is seeking to take advantage of the opportunity to break into a global toy market. This opportunity may assist CodeWorld to capitalise on sales from the overseas market, allowing for improvements in profit and performance.[2]][Conversely, one restraining force that may impact CodeWorld's expansion is time. This refers to how long the expansion process will take to be implemented successfully.[3]][Achieving successful results from expanding into a new market will take time to be reflected in CodeWorld's KPIs. As such this is a long-term strategy. This could create some resistance as greater benefits to the business could be achieved in the short term by investing resources elsewhere.[4]]

- ✓ ✗ I have identified and defined one driving force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen driving force.[2]
- ✓ ✗ I have identified and defined one restraining force.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen restraining force.[4]
- ✓ ✗ I have signposted my response by using 'One driving force' and 'one restraining force'.
- ✓ ✗ I have referred to the business directly by using 'CodeWorld'.
- ✓ ✗ I have used connecting words, such as 'Conversely'.

Other acceptable driving forces include:

- Owners
- Employees
- Managers
- Globalisation
- Competitors

Other acceptable restraining forces include:

- Employees
- Organisational inertia
- Legislation
- Financial considerations

c. [The first key principle of Lewin's Force Field Analysis is weighting, which would involve CodeWorld scoring and attributing a value to the driving and restraining forces relevant to the proposed overseas expansion. Relevant driving forces may include the pursuit of profit or globalisation, whilst relevant restraining forces may be time or legislation.[1]][The next key principle is ranking, which involves arranging the forces in order of value and determining the total score of driving and restraining forces. This can allow CodeWorld to see if the overall strength of driving forces outweighs that of the restraining forces associated with the expansion.[2]][The next key principle, implementing a response, occurs after weighting and ranking and would involve the actual execution of the expansion globally if driving forces exceed restraining forces. However, if restraining forces still outweigh the driving forces, CodeWorld will need to implement action to reduce these restraining forces, or further strengthen driving forces so that the expansion may proceed successfully.[3]] [Finally, the last principle, evaluating the response, would involve the assessment of whether the expansion has been successfully implemented or if further changes and adjustments need to be made. During this stage, CodeWorld can use key performance indicators to evaluate the success of the expansion.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of weighting as part of the Force Field Analysis.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of ranking as part of the Force Field Analysis.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of implementing a response as part of the Force Field Analysis.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of evaluating the response as part of the Force Field Analysis.[4]
- ✓ ✗ I have signposted my response by using 'The first key principle'.
- ✓ ✗ I have referred to the business directly by using 'CodeWorld'.
- ✓ ✗ I have used connecting words, such as 'However' and 'Finally'.

8. a. [Percentage of market share measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure.[1]][Lowfli has a market share of 18%, which indicates that the business currently captures approximately 18% of the sales within the domestic flight industry.[2]]

- ✓ ✗ I have identified and defined percentage of market share.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to percentage of market share.[2]
- ✓ ✗ I have referred to the business directly by using 'Lowfli'.

b. [Number of customer complaints is the number of customers who notified the business of their dissatisfaction over a specific period of time.[1]][Percentage of market share measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure.[2]][As Lowfli has the highest percentage of market share among its competitors, currently capturing 18% of the domestic market for flights, it would indicate that customers are likely satisfied with the affordable and reliable flight service that Lowfli provides. Thus, with high levels of customer satisfaction, it is likely that Lowfli has a relatively low number of customer complaints.[3]]

- ✓ ✗ I have identified and defined number of customer complaints.[1]
- ✓ ✗ I have identified and defined percentage of market share.[2]

- ✓ ✗ I have provided an example relevant to the case study and linked it to the relationship between the number of customer complaints and the percentage of market share.[3]
- ✓ ✗ I have referred to the business directly by using 'Lowfli'.

c. [One advantage of Lowfli using Porter's lower cost strategy is that the airline is able to better target cost-conscious customers within the market for domestic flights. As the lowest cost producer within the domestic airline industry, Lowfli can maintain its profit margin whilst offering affordable flights to cost-conscious customers.[1]] [Moreover, another advantage is that since Lowfli has established itself as the lowest cost producer, it will be challenging for any new competitors to offer similar priced domestic flights, whilst still remaining profitable.[2]][On the other hand, one disadvantage of Porter's lower cost strategy is that the airline's low priced flights may cause some consumers to associate Lowfli's flights as being unreliable or unsafe.[3]][Furthermore, another disadvantage is that Lowfli's customer base may be less likely to remain loyal to the airline, as its mostly cost-conscious consumers may switch to a cheaper domestic airline if given the opportunity.[4]][Overall, despite the inability to establish a loyal customer base and potential for negative perceptions to develop, Porter's lower cost strategy is suitable for Lowfli as it allows the domestic airline to gain a competitive advantage through creating challenging barriers for entry and effectively targeting cost-conscious consumers.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of Porter's lower cost strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of Porter's lower cost strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of Porter's lower cost strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of Porter's lower cost strategy.[4]
- ✓ ✗ I have provided an opinion on Porter's lower cost strategy by summarising the advantages and disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.
- ✓ ✗ I have referred to the business directly by using 'Lowfli'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

5A Change leadership

Theory review

1. A. True. *Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation. A manager can demonstrate leadership in change management by building a shared vision and providing ongoing communication and support.*

2. build a shared vision; provide ongoing support. *Leadership in change management can involve a manager building a shared vision, where they act to inspire employees and inform them about the change. It can also include providing ongoing communication, where a manager clearly instructs employees and instils them with comfort and confidence.*

3. A. *When a manager displays strong leadership in change management and reassures employees of their role and the overall objectives for the transition period, they are more likely to support and implement it.*

4. B. False. *Providing ongoing support involves a manager offering counselling, training, and consultations to coach and mentor employees through the change process and ease feelings of stress and uncertainty towards change.*

5. I; II. *Managers utilise leadership in change management by building a shared vision and providing ongoing communication and support. In doing so, they can have a positive impact on employees, enhancing the prospects of successful business change.*

Preparing for exams

Case study skills

6. II and III are true. I and IV are false.

Exam-style

7. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][A manager can demonstrate strong leadership in change management by building a shared vision and providing ongoing communication and support throughout the transition period.[2]]

- ✓ ✗ I have defined the term leadership in change management.[1]
- ✓ ✗ I have provided one characteristic of leadership in change management.[2]

8. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][One way a manager can implement leadership in change management is through building a shared vision. This involves a manager informing employees of the reasons and benefits of the change, as well as the consequences of not changing.[2]]

- ✓ ✗ I have defined leadership in change management.[1]
- ✓ ✗ I have outlined one way a manager can implement leadership in change management.[2]
- ✓ ✗ I have signposted my response by using 'One way'.

9. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][Strong leadership involves expressing a shared vision and providing ongoing communication and support during times of change.[2]][A shared vision allows employees to understand the reasons for and benefits of the change. By providing ongoing communication and support, a business can develop greater levels of understanding among employees and reduce stress and uncertainty during the change period.[3]][Therefore, through strong leadership in change management, a business can ensure employees understand and are comfortable with the change, increasing the likelihood of success.[4]]

- ✓ ✗ I have defined leadership in change management.[1]
- ✓ ✗ I have identified and described the elements of leadership in change management.[2]
- ✓ ✗ I provided an example of the importance of each element of leadership in change management.[3]
- ✓ ✗ I have provided an example of the overall importance of leadership in change management.[4]
- ✓ ✗ I have used connecting words, such as 'Therefore'.

10. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][One way Mac can implement leadership in change management is by building a shared vision with employees. This would involve informing employees of the benefits of the new store and their role in the business's growth, encouraging them to support this expansion.[2]][Additionally, leadership in change management may also involve providing ongoing communication to Ravi & Violi employees by guiding them through the expansion process and regularly updating them on their responsibilities. In doing so, employees are provided with clarity and clearly understand how to successfully implement change.[3]][Finally, a third way Mac can demonstrate leadership in change management is by providing support to Ravi & Violi employees through training and mentoring that upskills them for the responsibilities that the new CBD store may require. Therefore, employees will be able to better adapt to the expansion at Ravi & Violi, increasing the likelihood of success.[4]]

- ✓ ✗ I have identified and defined leadership in change management.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to leadership in change management.[2]
- ✓ ✗ I have provided a second example relevant to the case study and linked it to leadership in change management.[3]
- ✓ ✗ I have provided a third example relevant to the case study and linked it to leadership in change management.[4]
- ✓ ✗ I have signposted my response by using 'One way' and 'a third way'.
- ✓ ✗ I have referred to the business directly by using 'Mac' and 'Ravi & Violi'
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'Finally'.

Testing previous knowledge

11. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][Additionally, the rate of staff absenteeism is the average number of days employees are not present when scheduled to be at work, for a specific period of time.[2]] [One way Baxter could utilise leadership in change management to overcome the increase in the rate of staff absenteeism is by providing ongoing communication and support to employees. For example, Baxter may reassure his real estate agents of their job security whilst also providing them with training to understand how to comfortably use the new technology.[3]][As a result, employees may feel more valued and supported at On the House!, increasing their confidence and willingness to attend work, whilst reducing absenteeism.[4]]

- ✓ ✗ I have identified and defined leadership in change management.[1]
- ✓ ✗ I have identified and defined the rate of staff absenteeism.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to leadership in change management.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how leadership in change management can be used to overcome an increase in the rate of staff absenteeism.[4]
- ✓ ✗ I have signposted my response by using 'One way'.
- ✓ ✗ I have referred to the business directly by using 'Baxter' and 'On the House!'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'As a result'.

5B Management strategies to respond to KPIs: Part 1

Theory review

1. B. False. *A business should utilise key performance indicators to identify areas of both high and low performance and prioritise implementing strategies to improve its weaknesses. If a business only implemented management strategies to improve areas already performing to a high standard, its weaknesses would continue to become weaker and could jeopardise future business performance.*

2. B. *A change in management skills involves a manager altering the way they approach business tasks and collaborate with employees. A manager is most likely to emphasise and utilise management skills, such as delegation and communication, that complement the management style they have adopted, such as autocratic or persuasive.*

3. increase; decrease. *When a manager adopts a persuasive management style, they independently make decisions without employee input and therefore prioritise planning and decision-making skills. Due to the high level of control a persuasive manager maintains, they can increase productivity and minimise workplace accidents as they provide a highly-structured workplace environment where employees are directly instructed on how to perform their work tasks.*

4. II; III. *A decrease in net profit figures indicates that a business has increased its expenses or reduced its revenue. Consequently, a manager should adopt a more restrictive management style with high levels of control so they can provide clear direction and efficiently manage decisions related to expenses, waste, and resources. This may allow them to increase the business's net profit figures.*

5. B. False. *Cost cutting is the process of reducing a business's expenses and can be achieved through sourcing cheaper materials and minimising labour costs. However, to have a direct impact on a business's number of sales, a business would need to sell more products to customers. As the business is only reducing its expenses, this directly impacts its profits, not its sales.*

6. A. *It is most appropriate for a manager to motivate staff in response to indicators of employee morale, productivity, quality, and overall corporate culture, such as the level of staff turnover.*

7. B. *Management strategies to respond to key performance indicators include staff training, staff motivation, change in management styles or skills, and cost cutting. These strategies can improve a business's operations, employee morale, and financial performance.*

Preparing for exams

Case study skills

8. I, III and IV are true. II is false.

9. A

10. A

11. II; III

12. C

13. A

Exam-style

14. [Staff motivation involves a manager implementing strategies that encourage employees to work towards the achievement of business objectives.[1]][If a business's rate of staff absenteeism increases, implementing staff motivation strategies, such as career advancement, can encourage employees to feel valued and improve job satisfaction. This can foster a positive corporate culture and motivate employees to attend work, consequently decreasing rates of staff absenteeism.[2]][Additionally, a business that experiences an increase in its level of staff turnover can implement staff motivation strategies, such as performance-related pay, to recognise employee efforts and provide them with a greater sense of achievement. This can increase the commitment of employees to a business, therefore reducing the level of staff turnover.[3]]

- ✓ ✗ I have described staff motivation as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example of how staff motivation can be used as a management strategy to respond to key performance indicators.[2]
- ✓ ✗ I have provided another example of how staff motivation can be used as a management strategy to respond to key performance indicators.[3]
- ✓ ✗ I have used connecting words, such as 'Additionally'.

15. [A change in management skills involves a manager, such as El, altering the way they approach business tasks and collaborate with other employees.[1]][At Hawkins, the increase in the level of staff turnover indicates that employees currently feel undervalued, overwhelmed, and dissatisfied by the retailer's new processes. Therefore, El may change her management skills to emphasise communication and interpersonal skills, clearly demonstrating and discussing the new processes with employees and developing stronger relationships with them to increase feelings of value and reduce the level of staff turnover.[2]][Moreover, by utilising skills that emphasise employee involvement, Hawkins staff may be more motivated in the workplace and contribute unique ideas that improve customer experience and satisfaction. In turn, this can allow Hawkins to reduce its number of customer complaints and therefore increase sales.[3]]

- ✓ ✗ I have identified and described a change in management skills as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how a change in management skills can be used to improve key performance indicators.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to how a change in management skills can be used to improve key performance indicators.[3]
- ✓ ✗ I have referred to the business directly by using 'El' and 'Hawkins'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'In turn'.

16. [Staff training involves a business equipping employees with the knowledge and skills required to perform work tasks.[1]][An increase in the number of workplace accidents during the publication process at Never Ending Story indicates that employees have not been appropriately trained or instructed to safely operate the new equipment, therefore causing injuries to occur.[2]][Never Ending Story can utilise staff training to ensure all employees have the skills and knowledge to properly handle and operate the publishing machinery, promoting a safe working environment and consequently reducing the number of workplace accidents.[3]]

- ✓ ✗ I have identified and described staff training as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the increase in the number of workplace accidents.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how staff training can be used to respond to the increase in the number of workplace accidents.[3]
- ✓ ✗ I have referred to the business directly by using 'Never Ending Story'.
- ✓ ✗ I have used connecting words, such as 'therefore' and 'consequently'.

17. [One way a change in management style could be applied at Sweets on Caroline is through the adoption of a consultative management approach, which would involve Neil altering the way he currently directs and communicates with employees.[1]][Sweets on Caroline experienced an average increase of 8 days per employee in its rate of staff absenteeism, indicating that employees feel undervalued and unmotivated at the confectionary manufacturer.[2]][By changing his management style and adopting a consultative management approach, Neil can develop open, two-way communication with employees to increase their involvement in the business. This can allow Neil to establish strong interpersonal relationships with his employees which can increase their willingness to attend work and, therefore, decrease rates of staff absenteeism at Sweets on Caroline.[3]]

- ✓ ✗ I have identified and described a change in management style as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators shown in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how a change in management style can respond to my chosen key performance indicator.[3]
- ✓ ✗ I have signposted my response by using 'One way'.
- ✓ ✗ I have referred to the business directly by using 'Neil' and 'Sweets on Caroline'.
- ✓ ✗ I have used connecting words, such as 'therefore'.

Other acceptable answers include:

- Net profit figures

18. [A change in management skills involves a manager, such as Peter, altering the way they approach business tasks and collaborate with employees.[1]][At Straw N' Me, the rate of staff absenteeism has increased by 5%, indicating that employees are dissatisfied with the restructured customer service processes and may be struggling to adapt.[2]][Therefore, Peter could use a change in management skills to prioritise communication and interpersonal skills, which would allow him to provide clear instructions and develop positive relationships with employees. This can lead to increased feelings of support and satisfaction among employees, reducing the rate of staff absenteeism.[3]][Furthermore, cost cutting is the process of reducing business expenses through implementing strategies that minimise costs, enabling a business to increase its profits and achieve its objectives.[4]][Straw N' Me experienced a 3% decrease in its rate of productivity growth, indicating that hay baling processes are currently inefficient and resources are not being used as optimally as they could.[5]][One cost cutting strategy that Straw N' Me could implement is recycling or reusing baling materials during the production process. By reusing hay that has fallen from machinery and recycling used materials, Peter can minimise the number of inputs that are used to produce each output and hence increase Straw N' Me's rate of productivity growth.[6]]

- I have identified and described a change in management skills as a management strategy to respond to key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to one of the key performance indicators shown in the table.[2]
- I have provided an example relevant to the case study and linked it to how a change in management skills can be used to respond to my chosen key performance indicator.[3]
- I have identified and described cost cutting as a management strategy to respond to key performance indicators.[4]
- I have provided an example relevant to the case study and linked it to one of the key performance indicators shown in the table.[5]
- I have provided an example relevant to the case study and linked it to how cost cutting can be used to respond to my chosen key performance indicator.[6]
- I have signposted my response by using 'One cost cutting strategy'.
- I have referred to the business directly by using 'Peter' and 'Straw N' Me'.
- I have used connecting words, such as 'Therefore' and 'Furthermore'.

Testing previous knowledge

19. [An autocratic management style involves a manager making decisions and directing employees without taking any input from them. They have centralised decision-making control and one-way communication with employees.[1]][A change in management style would require this autocratic manager to alter the way they direct and communicate with their employees.[2]][For example, changing to a participative management style would allow a previously autocratic manager to collaborate with employees and have open, two-way discussions, which can increase employee motivation as staff feel more valued and considered at the business. This can result in improvements in key performance indicators, such as rates of staff absenteeism and the level of staff turnover, as employees are less likely to skip scheduled work or leave the workplace due to dissatisfaction.[3]]

- I have defined the autocratic management style.[1]
- I have identified and described a change in management style as a management strategy to respond to key performance indicators.[2]
- I have provided an example of a change in management style and linked it to improving key performance indicators.[3]

5C Management strategies to respond to KPIs: Part 2

Theory review

1. A. True. *When responding to key performance indicators, a manager can implement strategies that directly impact a specific area of business. For example, to decrease the number of customer complaints, a manager may increase quality in production by implementing quality strategies that target the operations system and therefore directly influence this area of business.*

2. I; III. *Increased investment in technology involves implementing automated and computerised processes into a business's operations system, including automated production lines (APL), robotics, computer-aided design (CAD), computer-aided manufacturing (CAM) techniques, artificial intelligence (AI), and online services to improve productivity, market share, and profitability.*

3. quality in production; fewer. *Improving the quality in production involves a business implementing processes that increase the perceived value of a good or service. When a business invests in technology, it is often more accurate and precise compared to human labour, resulting in fewer errors in production, thus increasing the quality and consistency of a good or service.*

4. B. False. *An increase in the number of customer complaints indicates that customers are dissatisfied with a business's goods or services, often due to poor quality. Therefore, if the quality in production improves, it would be expected that the number of customer complaints would decrease as the perceived value of the product has increased.*

5. Initiating lean production techniques; Redeployment of resources. *Initiating lean production techniques involves a business adopting lean management approaches that reduce waste in production whilst increasing the quality of the goods and services for the customer. On the other hand, the redeployment of resources involves reallocating natural, labour, and capital resources to different areas of the business to improve productivity and effectiveness.*

6. B. *When a business successfully implements management strategies to directly improve its operations system and respond to key performance indicators, it may result in decreased wastage and increased productivity and profits. For example, increased investment in technology can result in a faster operations system with fewer errors, therefore minimising the amount of discarded materials and reducing the cost of required resources.*

Preparing for exams

Case study skills

7. I; III; IV

8. I and II are true. III and IV are false.

9. A

10. B

11. I; II; IV

Exam-style

12. [Redeployment of resources involves reallocating natural, labour, and capital resources to different areas of the business to improve productivity and effectiveness.[1]][For example, a business that experiences a decrease in its rate of productivity growth could redeploy its labour resources to another area of business where there are a number of roles and responsibilities available. This allows resources to be used more efficiently as the number of idle employees is minimised, thus improving the rate of productivity growth.[2]][Moreover, a business can also redeploy resources in response to a decrease in net profit figures, as reallocating capital resources, for example, may allow a business to minimise inefficiencies in its operations system. This can allow resources to be used optimally and minimise wastage and its associated expenses, therefore increasing profit margins.[3]]

- ✓ ✗ I have defined redeployment of resources as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example of how redeployment of resources can be used as a management strategy to respond to key performance indicators.[2]
- ✓ ✗ I have provided another example of how redeployment of resources can be used as a management strategy to respond to key performance indicators.[3]
- ✓ ✗ I have used connecting words, such as 'Moreover'.

13. [Initiating lean production techniques involves a business adopting lean management approaches that reduce waste in production whilst increasing the value of goods and services to the customer. At Sponge, Victoria can implement lean management strategies such as pull, one-piece flow, takt, and zero defects.[1]][In year 5, there was a 2% increase in the level of wastage at Sponge, which may be due to its mass-production of cakes. The mass-production of cakes would produce a large level of wastage in terms of time and ingredients, as labour resources are not being used optimally and a number of these cakes would be discarded due to expiry if not sold.[2]][Therefore, to combat this, Sponge could implement pull which would involve Victoria only baking cakes to fulfil customer orders, creating a more efficient operations system and decreasing the level of wastage as cakes are produced to meet customer demand rather than on mass.[3]]

- ✓ ✗ I have identified and described initiating lean production techniques as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how initiating lean production techniques can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have referred to the business directly by using 'Victoria' and 'Sponge'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

Other acceptable answers include:

- Net profit figures

14. [Increased investment in technology involves implementing automated and computerised processes into a business's operations system. A business can invest in technological developments by implementing strategies such as robotics, artificial intelligence (AI), or online services.[1]][In year 2, A Cuppa With Chino experienced a 2% decrease in its rate of productivity growth from 3% to 1%, which could be attributed to an increase in the time that baristas waste when manually grinding coffee beans.[2]][Therefore, A Cuppa With Chino could invest in robotics machinery that mechanically grinds the coffee beans for baristas, automating the process to allow coffee to be delivered to customers at a faster pace, improving the rate of productivity growth in the future.[3]]

- ✓ ✗ I have identified and described increased investment in technology as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how increased investment in technology can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have referred to the business directly by using 'A Cuppa With Chino'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

Other acceptable answers include:

- Number of sales

15. [Redeployment of resources involves reallocating natural, labour, and capital resources to different areas of the business to improve productivity and effectiveness.[1]][In year 6, Hydro experienced a 3% decrease in its rate of productivity growth which could be due to the production line employees remaining unused and idle at the water bottle company.[2]][One way Hayden could improve Hydro's rate of productivity growth is by redeploying the production line employees to another role in the water bottle business, such as customer service. This would allow Hydro to optimise its use of labour resources, which can increase its rate of productivity growth and improve business performance.[3]][Consequently, this would allow Hydro to better position itself for the future, as increases in productivity correlate to greater efficiency, therefore the water bottle manufacturer can increase its ability to meet objectives and further improve key performance indicators.[4]]

- ✓ ✗ I have identified and described redeployment of resources as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how redeployment of resources can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have provided an example relevant to the case study and explicitly stated how it will position the business for the future.[4]

- ✓ ✗ I have referred to the business directly by using 'Hayden' and 'Hydro'.
- ✓ ✗ I have used connecting words, such as 'Consequently'.

Other acceptable answers include:

- Level of wastage

16. [One management strategy that Silky Smooth may have used to respond to key performance indicators (KPIs) after its first year of operation is increased investment in technology. This would have involved Silky Smooth implementing automated and computerised processes into its operations system, such as computer-aided manufacturing (CAM) techniques.[1]][In year 2, Silky Smooth increased its rate of productivity growth by 4%, indicating that the operations system that produces the luxury bedding was more efficient and required fewer inputs to produce the same level of outputs.[2]] [Therefore, by increasing investments in technology through CAM, Silky Smooth would have been able to increase the speed of its operations system and minimise the number of errors and discarded bedding materials produced during production. As a result, this technology would have likely improved Silky Smooth's efficiency, leading to an increase in the rate of productivity growth.[3]][Moreover, another management strategy that Silky Smooth may have implemented to respond to KPIs and increase its performance in year 2 is improving quality in production. This would have involved Silky Smooth implementing processes that increase the perceived value of its luxury bedding and customer service.[4]][At Silky Smooth, the number of customer complaints decreased from 72 to 12, indicating that customers were more satisfied with the business's bedding.[5]] [Thus, through the implementation of strategies that proactively improve the quality of bedding production, Silky Smooth was able to produce higher-quality goods with fewer errors and consequently minimise bedding returns, leading to more satisfied customers. As a result, the number of customer complaints decreased in year 2 as the quality of bedding products at Silky Smooth increased.[6]]

- ✓ ✗ I have identified and described one management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen management strategy can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have identified and described another management strategy to respond to key performance indicators.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen management strategy can be used to respond to my chosen key performance indicator.[6]
- ✓ ✗ I have signposted my response by using 'One management strategy' and 'another management strategy'.
- ✓ ✗ I have referred to the business directly by using 'Silky Smooth'.
- ✓ ✗ I have used connecting words, such as 'Therefore' and 'Moreover'.

Testing previous knowledge

17. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][When undertaking any business change at Driving in the Outback, including initiating lead production techniques, Ruey can implement strong leadership in change management by building a shared vision and providing ongoing communication and support.[2]][Initiating lean production techniques at Driving in the Outback would involve adopting lean management approaches that reduce waste in production whilst increasing the value of goods and services to the customer. At Driving in the Outback, Ruey could initiate lean production techniques through pull, by only purchasing fuel and food products to meet current tour demands rather than bulk buying.[3]][One way that Ruey can demonstrate strong leadership during the process of implementing pull, is through building a shared vision. This would involve Ruey inspiring employees at Driving in the Outback of the overall goal to improve the business's environmental sustainability and minimise waste, consequently encouraging their support.[4]] [Additionally, another way Ruey can demonstrate strong leadership in change management is through providing ongoing communication and support by continually updating and informing employees about their role in establishing pull, instructing and clarifying concerns with them, and providing any training that is required to successfully implement the change. This can ease employee concerns and allow the lean production technique of pull to be implemented smoothly and efficiently at Driving in the Outback.[5]]

- ✓ ✗ I have identified and defined leadership in change management.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the elements of leadership in change management.[2]
- ✓ ✗ I have identified and described initiating lean production techniques as a management strategy to respond to key performance indicators.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the importance of leadership in change management when initiating lean production techniques.[4]
- ✓ ✗ I have provided another example relevant to the case study and linked it to the importance of leadership in change management when initiating lean production techniques.[5]
- ✓ ✗ I have signposted my response by using 'One way' and 'another way'.
- ✓ ✗ I have referred to the business directly by using 'Ruey' and 'Driving in the Outback'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

5D Management strategies to respond to KPIs: Part 3

Theory review

1. B. False. *Although management strategies can enable a business to improve its performance and respond to KPIs, there is no guarantee that they will have a positive impact. The successful implementation of management strategies depends on their relevance to the business, the leadership shown during the implementation of the strategy, and the overall receptiveness of a business's stakeholders to the strategy.*

2. innovation; increasing. *Innovation is the process of altering and improving or creating new products or procedures. When a business implements innovation it is often fulfilling an unmet customer need or aiming to improve current products to increase customer satisfaction. In turn, this can increase a business's sales.*

3. B. *A business that promotes and highlights its use of authentic, globally sourced inputs that cannot be obtained locally may attract more customers to its online platform as customers are likely to seek products that are exclusive and more genuine than competitors.*

4. A. True. *Implementing overseas manufacturing may provide a business with greater access to global markets, allowing it to swiftly enter these markets and become a global competitor. This can consequently increase a business's brand recognition and improve its future performance.*

5. global outsourcing; decrease. *Global outsourcing involves transferring specific business activities to an external business in an overseas country. By doing so, a business often gains the expertise of highly-skilled employees who are able to efficiently complete business tasks, therefore minimising the amount of time and resources a business uses in its activities.*

6. B. False. *Although it is often more common to recognise and apply these management strategies to manufacturing businesses, service businesses can still utilise them in their daily activities. For example, a law firm may source its computers, phones, and online software from a global supplier, whilst a beauty salon may outsource the management of its website overseas.*

Preparing for exams

Case study skills

7. I and III are true. II and IV are false.

8. B **9.** I; III **10.** A **11.** C

Exam-style

12. [Innovation is the process of altering and improving or creating new products or procedures.[1]][For example, if a business's number of sales decreases, a business can develop an innovative good or service that better meets customer needs. This may allow a business to establish a competitive advantage in the market, therefore attracting more customers and increasing sales.[2]] [Moreover, a business can also use innovation to seek new opportunities, such as engaging with its customers, developing and growing its brand, and positively establishing itself in the market.[3]]

- ✓ ✗ I have defined innovation as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example of how innovation can be used as a management strategy to respond to key performance indicators.[2]
- ✓ ✗ I have provided an example of how innovation can be used as a management strategy to seek new business opportunities.[3]
- ✓ ✗ I have used connecting words, such as 'Moreover'.

13. [Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located.[1]] [At She's Loaded, the increase in the number of customer complaints indicates that customers are currently unsatisfied with the quality of its washing machines. Therefore, Seiko can implement overseas manufacturing to utilise the expertise of highly-skilled employees who may be able to produce higher quality washing machines and therefore, increase customer satisfaction.[2]][Moreover, by relocating its manufacturing overseas, She's Loaded can minimise the cost of its operations system as labour resources are often cheaper overseas than in Australia. In turn, this can allow Seiko to increase She's Loaded's profit margins, therefore increasing its net profit figures and financial stability.[3]]

- ✓ ✗ I have identified and described a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a key performance indicator.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen management strategy can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have referred to the business directly by using 'She's Loaded' and 'Seiko'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'In turn'.

Other acceptable answers include:

- Global sourcing of inputs

Note: Global sourcing of inputs was the only other acceptable answer for this question.

14. [Global outsourcing involves transferring specific business activities to an external business in an overseas country.[1]][In year 2, there was a 3% decrease in the rate of productivity growth at Bits and Bytes, which may be due to a lack of trained customer service staff. The lack of trained customer service staff has created inefficiencies at Bits and Bytes, therefore decreasing its overall productivity and its ability to produce outputs with minimal inputs.[2]][Therefore, in response to this, Bits and Bytes could globally outsource its customer service to the renowned overseas company, which would allow the business to utilise the expertise of highly-trained staff who can perform such tasks efficiently and effectively. Consequently, Bits and Bytes is likely to improve its rate of productivity growth and overall customer service experience.[3]]

- ✓ ✗ I have identified and described global outsourcing as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators shown in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how global outsourcing can be used to respond to my chosen key performance indicator.[3]

- ✓ ✗ I have referred to the business directly by using 'Bits and Bytes'.
- ✓ ✗ I have used connecting words, such as 'Therefore' and 'Consequently'.

Other acceptable answers include:

- Level of wastage

15. [Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers.[1]][In year 2, With Speed experienced a 3% decrease in its percentage of market share which could be due to customers opting for cheaper car mechanics that provide a higher quality service.[2]][One way Thenul could improve With Speed's percentage of market share is by implementing global sourcing of inputs to source authentic car parts and car repair equipment. This may allow Thenul to decrease the cost of With Speed's resources whilst also improving the quality of its service for customers as they would be provided with authentic car parts at a cheaper price.[3]][Consequently, this would allow With Speed to better position itself for the future, as decreasing costs can allow Thenul to offer a more competitive price and therefore attract more customers, enabling him to increase With Speed's percentage of market share and further improve its financial performance.[4]]

- ✓ ✗ I have identified and described global sourcing of inputs as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how global sourcing of inputs can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have provided an example relevant to the case study and explicitly stated how it will position the business for the future.[4]
- ✓ ✗ I have referred to the business directly by using 'Thenul' and 'With Speed'.
- ✓ ✗ I have used connecting words, such as 'Consequently'.

Other acceptable answers include:

- Net profit figures

16. [One management strategy that SOUP can use to respond to key performance indicators (KPIs) is innovation, which is the process of altering and improving or creating new products or procedures.[1]][In 2022, SOUP's number of website hits decreased by 50%, indicating that customers have taken less interest in the brand since its attempt to develop into the future.[2]][Therefore, by implementing innovation, SOUP may be able to develop a unique suit design that is stylish and fashionable, therefore attracting new customers to the business. As a result, more customers are likely to interact with and click on SOUP's website to view the suit design, thus increasing its number of website hits.[3]][Moreover, another management strategy that Brian may implement at SOUP to respond to KPIs and increase its performance is overseas manufacture. This would involve SOUP producing goods or services outside of the country where its headquarters are located.[4]][At SOUP, the number of workplace accidents increased by 3% in 2022, indicating that these workers likely lack the required skills and abilities to operate the suit manufacturing machinery, or have not been appropriately trained to do so.[5]][Thus, by relocating its manufacturing overseas, SOUP can utilise highly-skilled workers who have been appropriately trained and have the required expertise to operate suit manufacturing machinery and equipment. As a result, the number of workplace accidents at SOUP will likely decrease in the future, therefore improving employee safety and wellbeing at the business.[6]]

- ✓ ✗ I have identified and described innovation as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how innovation can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have identified and defined overseas manufacture as a management strategy to respond to key performance indicators.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how overseas manufacture can be used to respond to my chosen key performance indicator.[6]
- ✓ ✗ I have signposted my response by using 'One management strategy' and 'another management strategy'.
- ✓ ✗ I have referred to the business directly by using 'SOUP' and 'Brian'.
- ✓ ✗ I have used connecting words, such as 'Therefore' and 'Moreover'.

Other acceptable answers include:

- Rates of staff absenteeism

Testing previous knowledge

17. [One global consideration a business can implement to improve KPIs is global sourcing of inputs. An advantage of global sourcing of inputs is that it can allow a business to acquire cheaper resources from overseas suppliers which may enable it to reduce its expenses and improve its net profit figures.[1]][Furthermore, another advantage of this global consideration is that it can provide a business with higher quality, more authentic supplies which may allow a business to better meet customer expectations. This may improve a business's ability to satisfy customers, thus decreasing its number of customer complaints.[2]][However, a disadvantage of global sourcing of inputs is that materials may be damaged during transportation, which can increase a business's level of wastage.[3]][Additionally, another disadvantage of this global consideration is that a business may experience delivery delays depending on where the supplies are being sent from. This may decrease a business's efficiency and therefore negatively impact its rate of productivity growth.[4]]

- ✓ ✗ I have provided an advantage of my chosen global consideration and linked it to improving KPIs.[1]
- ✓ ✗ I have provided another advantage of my chosen global consideration and linked it to improving KPIs.[2]

- I have provided a disadvantage of my chosen global consideration and linked it to improving KPIs.[3]
- I have provided another disadvantage of my chosen global consideration and linked it to improving KPIs.[4]
- I have signposted my response by using 'An advantage' and 'another advantage'.
- I have used connecting words, such as 'Furthermore' and 'Additionally'.

Other acceptable answers include:

- Overseas manufacture
- Global outsourcing

5E Developing corporate culture

Theory review

1. I; II; IV. *A business can experience increased positive employee interactions, a more favourable business reputation, and greater willingness of employees to participate in change after implementing strategies to develop its corporate culture.*

2. B. *Encouraging employees to communicate regularly to share ideas can be used to improve a business's real corporate culture, as it involves the shared values and beliefs that develop organically within a business.*

3. A. True. *A business can implement employee training programs to improve official corporate culture, as it can ensure that employees actively follow the standards for workplace conduct and their responsibilities within the business.*

4. B. *A business's hiring practices can affect how employees interact with each other in the workplace, therefore impacting real corporate culture. By hiring employees from a range of backgrounds, the business can ensure it has a diverse range of employee perspectives, and participate in inclusivity and fairness in its treatment of employees.*

5. official corporate culture; real corporate culture. *A business's official corporate culture involves the shared views and values that a business aims to achieve, and therefore outlines its overall intentions. In contrast, real corporate culture involves the shared values and beliefs that develop organically within a business due to daily employee interactions.*

Preparing for exams

Case study skills

6. II; IV

Exam-style

7. [Corporate culture is the shared values and beliefs of a business and its employees. It is made up of both real and official elements.[1]] [Creating a positive corporate culture during times of change is important, as it can help a business's employees become more open to change, and therefore help create a culture of continual growth. This can allow a business and its employees continue to approach change with their shared views and values in mind to increase the likelihood of the success of the transformation.[2]]

- I have defined corporate culture.[1]
- I have explained the importance of corporate culture during change.[2]

8. [One similarity between strategies to develop official and real corporate culture is that strategies used to improve both would relate to a business and its employees' shared values and beliefs.[1]] [However, one difference between the types of strategies is that developing official corporate culture often involves changing or publishing a business's aspirations and intentions, and is usually contained in formal written documents. In contrast, strategies to develop real corporate culture use more informal methods, such as business rituals, that are based on organic daily interactions between employees.[2]]

- I have outlined one similarity between strategies to develop official corporate culture and strategies to develop real corporate culture.[1]
- I have outlined one difference between strategies to develop official corporate culture and strategies to develop real corporate culture.[2]
- I have signposted my response using 'One similarity' and 'one difference'.
- I have used connecting words, such as 'However'.
- I have used comparison words, such as 'In contrast' when comparing.

9. [One strategy that a business can implement to develop a positive corporate culture is creating a vision statement, which outlines the aspirations of the business. Vision statements are an example of an element of official corporate culture, as they are a formal, written statement of a business's shared views and values.[1]] [Vision statements can be used to outline business expectations and set an example for employees to follow, therefore guiding their approach to work.[2]] [Moreover, another strategy a business can implement to develop a positive corporate culture is creating open working environments. Open working environments are an example of an element of real corporate culture, as open workspaces are focused on employee interactions.[3]] [Open work environments can encourage greater employee collaboration and higher levels of employee engagement and productivity, meaning that employees are better able to complete work and share ideas to foster positive relationships between employees.[4]]

- I have identified and described one strategy to develop a positive corporate culture.[1]
- I have explained how my chosen strategy can develop a positive corporate culture.[2]
- I have identified and described another strategy to develop a positive corporate culture.[3]
- I have explained how my chosen strategy can develop a positive corporate culture.[4]
- I have signposted my response by using 'One strategy' and 'another strategy'.
- I have used connecting words, such as 'Moreover'.

Note: Other strategies to develop official and real corporate culture can be used in a response.

10. [One strategy that can be used to develop official corporate culture is publishing or updating mission statements.[1]][Mission statements are written descriptions of a business's objectives and its chosen approach to achieving them. As an indicator of a business's intentions and aspirations, a mission statement can be used to guide employees to contribute to achieving a business's overall goals.[2]][For example, a mission statement can outline how employees are expected to complete their work, leading to greater employee productivity, increased sales, and therefore meet a business's objective to make a profit.[3]][Additionally, a strategy to develop real corporate culture is tailoring employee hiring criteria to the specific needs of the business.[4]][Creating criteria when hiring new employees can ensure that new employees joining the business have values aligned with the business's existing culture, possess the appropriate skills to perform at a high standard, and have the business's interests in mind when they start work.[5]][Hiring skilled employees that understand the business's interests can help achieve its objective of improving effectiveness. Employees can use their skills to increase productivity, and work towards achieving business goals, therefore improving effectiveness.[6]]

- ✓ ✗ I have identified and described one strategy to develop corporate culture.[1]
- ✓ ✗ I have explained how my chosen strategy can be used to develop a business's corporate culture.[2]
- ✓ ✗ I have explained how my chosen strategy can lead to the achievement of business objectives.[3]
- ✓ ✗ I have identified and described another strategy to develop corporate culture.[4]
- ✓ ✗ I have explained how my chosen strategy can be used to develop a business's corporate culture.[5]
- ✓ ✗ I have explained how my chosen strategy can lead to the achievement of business objectives.[6]
- ✓ ✗ I have signposted my response by using 'One strategy'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

11. [One strategy that Rebecca has implemented to improve official corporate culture is creating a new Code of Conduct that outlines expected employee behaviour at work. A Code of Conduct can act as an example for employees to follow to ensure they are fulfilling their roles and meeting Rebecca's expectations.[1]][Furthermore, another strategy that has been implemented at Jolene's Jewellery to improve official corporate culture is introducing new uniforms. Uniforms can help employees identify with the business and become recognisable as representatives of the business, fulfilling its aspirations in their work.[2]][However, a strategy that Rebecca has attempted to implement to improve real corporate culture at Jolene's Jewellery is celebrations, which are used to recognise employee successes at work and other personal milestones. They can act as a source of motivation for employees to become more productive as they seek recognition and approval for their work, therefore creating a culture of progress and high performance.[3]][Moreover, another strategy implemented at Jolene's Jewellery to improve real corporate culture is creating open workspaces, which encourage employee collaboration, and sharing of knowledge to complete work tasks.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one strategy to develop official corporate culture.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another strategy to develop official corporate culture.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one strategy to develop real corporate culture.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another strategy to develop real corporate culture.[4]
- ✓ ✗ I have signposted my response by using 'One strategy' and 'another strategy'.
- ✓ ✗ I have referred to the business directly by using 'Rebecca' and 'Jolene's Jewellery'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.

Testing previous knowledge

12. [A change in management styles is a strategy that could be implemented by Dario to improve real corporate culture of BubbleBomb. This may involve Dario adapting from a persuasive style to a consultative one, whereby a manager seeks input from employees on business decisions but makes the final decision themselves.[1]][This would allow greater employee inclusion at BubbleBomb, ensuring there is two-way communication and employees have an opportunity to contribute to the business's decision-making processes.[2]][Greater employee participation can create a culture of inclusivity and highlight the importance of employee cooperation within the business. Hence, contributing to positive employee interactions with Dario, as well as an overall positive perception of their workplace. Therefore, a change to the consultative management style can improve real corporate culture of BubbleBomb.[3]]

- ✓ ✗ I have identified and described an appropriate management style to develop real corporate culture.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen management style.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how changing management styles can improve real corporate culture.[3]
- ✓ ✗ I have referred to the business directly by using 'Dario' and 'BubbleBomb'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

Other acceptable answers include:

- A change to participative management style

5F Senge's Learning Organisation

Theory review

1. B. False. *A learning organisation is a business that facilitates the growth of its members and continuously transforms itself to adapt to changing environments. A learning organisation encourages systems thinking and interaction among and between teams, as well as personal learning beyond an individual employee's job role.*

2. A. True. *According to Senge, it is important for individuals to reflect on their own behaviour and beliefs to challenge existing mental models, so that learning and change can occur within the business.*

3. systems thinking. *Systems thinking is the ability to understand the interrelationships between different areas of a business. It focuses on being able to understand how change affects the business as a whole.*

4. I; II. *Personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose. Opportunities for self-assessment to determine strengths and weaknesses could be provided to employees who can then choose which areas they would like to improve.*

5. A. True. *Team learning as a principle assumes that people working together are able to develop skills faster than they would individually because they are able to combine their strengths and ideas.*

6. a learning organisation; a positive culture for change. *The five principles outlined in Senge's theory can all contribute positively to a culture of learning and willingness to pursue transformation, which is important for change to be successful.*

Preparing for exams

Case study skills

7. II; III; IV

8. II, III and IV are true. I and V are false.

Exam-style

9. [A learning organisation is an organisation that facilitates the growth of its members and continuously transforms itself to adapt to changing environments.[1]][A learning organisation promotes the adaptability of all of its members through the five principles of systems thinking, mental models, shared vision, team learning, and personal mastery.[2]]

- ✓ ✗ I have defined a learning organisation.[1]
- ✓ ✗ I have provided one characteristic of a learning organisation.[2]

10. [Team learning is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices.[1]][Opportunities for employees to collaborate and share ideas can be provided regularly so that teams can collectively learn together to develop skills faster than they would individually.[2]]

- ✓ ✗ I have defined the team learning principle.[1]
- ✓ ✗ I have outlined how the team learning principle can be applied in a business .[2]

11. [One principle of Senge's Learning Organisation is systems thinking, which is a management approach that considers the interrelationship between the parts of a whole system. This principle involves analysing a business as a whole rather than as its separate parts.[1]][Another principle is personal mastery, which is the discipline of personal growth and learning, aligned with one's values and purpose. This principle encourages the business to develop an environment that facilitates employees' learning.[2]][A third principle is mental models, which are existing assumptions and generalisations that must be challenged so that learning and transformation can occur in an organisation. This principle ensures that people within the business are able to challenge the way they think and behave so they can discover more effective processes.[3]][A fourth principle is shared vision, which is an aspirational description of what an organisation and its members would like to achieve. This principle creates a sense of commitment among employees to work towards a collective long-term objective.[4]][The final principle is team learning, which is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices. This principle allows for knowledge to be shared and greater learning and collaboration to take place within the business.[5]]

- ✓ ✗ I have identified and described the systems thinking principle.[1]
- ✓ ✗ I have identified and described the personal mastery principle.[2]
- ✓ ✗ I have identified and described the mental models principle.[3]
- ✓ ✗ I have identified and described the shared vision principle.[4]
- ✓ ✗ I have identified and described the team learning principle.[5]
- ✓ ✗ I have signposted my response by using 'One principle' and 'Another principle'.

12. [A shared vision is an aspirational description of what an organisation and its members would like to achieve.[1]][A strong and clearly-communicated vision can provide a unified focus for employees and their work activities, contributing to a positive corporate culture where employees value teamwork and collective progress towards stated goals.[2]][If employees are able to share in the business's vision they are more likely to be open and flexible to adapt to achieve the vision, leading to successful change.[3]][Additionally, personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose.[4]][Personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose, which can promote a positive corporate culture where self-assessment of strengths and weaknesses is encouraged, in order to improve.[5]][If employees are able to share in the business's vision and are given opportunities to personally grow and develop, this can help develop a positive corporate culture whereby employees are more likely to have a growth mindset and be open and willing to change.[6]]

- ✓ ✗ I have identified and defined a principle of Senge's Learning Organisation.[1]
- ✓ ✗ I have explained how my chosen principle positively influences corporate culture.[2]
- ✓ ✗ I have explained how my chosen principle ensures a change is successful.[3]

- ✓ ✗ I have identified and defined another principle of Senge's Learning Organisation.[4]
- ✓ ✗ I have explained how my chosen principle positively influences corporate culture.[5]
- ✓ ✗ I have explained how my chosen principle ensures a change is successful.[6]
- ✓ ✗ I have used connecting words, such as 'Additionally'.

Other acceptable answers include:

- Systems thinking
- Mental models
- Team learning

13. [A principle demonstrated at Hamilton XE is shared vision. A shared vision is an aspirational description of what an organisation and its members would like to achieve.[1]][Alaya has communicated to all employees at Hamilton XE a vision to improve the quality of the computer software that they produce. This creates a sense of commitment amongst employees at Hamilton XE to work towards their objective of improving quality.[2]][Moreover, another principle demonstrated at Hamilton XE is team learning. Team learning is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices.[3]][The various team-based processes in the workplace environment at Hamilton XE demonstrate the team learning principle. Working in teams allows individuals at Hamilton XE to collaborate and share their different knowledge and strengths to achieve the desired outcome.[4]] [Furthermore, another principle demonstrated at Hamilton is personal mastery. Personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose.[5]][The environment at Hamilton XE encourages personal growth from employees as it allows them to complete learning activities of their choice during work hours. The knowledge that employees gain from this can directly assist them with personal growth and achieving their own visions.[6]]

- ✓ ✗ I have identified and defined the shared vision principle.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the shared vision principle.[2]
- ✓ ✗ I have identified and defined the team learning principle.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the team learning principle.[4]
- ✓ ✗ I have identified and defined the personal mastery principle.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the personal mastery principle.[6]
- ✓ ✗ I have signposted my response by using 'A principle demonstrated at Hamilton XE' and 'another principle demonstrated at Hamilton XE'.
- ✓ ✗ I have referred to the business directly by using 'Alaya' and 'Hamilton XE'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

Note: The question specifically states the principles of shared vision, team learning, and personal mastery, and therefore other principles cannot be used to answer this question.

14. [One principle of Senge's Learning Organisation that could be implemented at Snapple is systems thinking, which is a management approach that considers the interrelationship between the parts of a whole system.[1]][Systems thinking could be implemented at Snapple by increasing the communication flow between different areas of the business. This would ensure different areas are aware of what is going on in other parts of the business and how certain decisions may affect them.[2]][Another principle that could be implemented at Snapple is mental models, which are existing assumptions and generalisations that must be challenged so that learning and transformation can occur in an organisation.[3]][The pre-existing assumption by employees who think that Snapple cannot survive in other technological markets could be challenged. This would allow Snapple to pursue additional technological innovations in the future.[4]] [Moreover, another principle that could be implemented is team learning, which is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices.[5]][Snapple could implement the team learning principle by creating group projects for employees to work on. This would allow the strengths and capabilities of employees at Snapple to be shared amongst the team and produce greater outcomes.[6]]

- ✓ ✗ I have identified and defined one principle of Senge's Learning Organisation.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[2]
- ✓ ✗ I have identified and defined a second principle of Senge's Learning Organisation.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[4]
- ✓ ✗ I have identified and defined a third principle of Senge's Learning Organisation.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[6]
- ✓ ✗ I have signposted my response by using 'One principle' and 'Another principle'.
- ✓ ✗ I have referred to the business directly by using 'Snapple'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

Other acceptable answers include:

- Shared vision
- Personal mastery

Testing previous knowledge

15. [One strategy that could be used to develop corporate culture is the implementation of policies to provide for employee training and development. Policies are a set of guidelines that are used to come to decisions in a rationalised way.[1]][Policies can help to implement Senge's principle of personal mastery, which is the discipline of personal growth and learning, aligned with one's values and purpose.[2]][Policies can assist in implementing personal mastery by providing clear information about how employees should plan for and access learning and growth opportunities, so that meaningful personal development is more likely to occur.[3]]

[Another strategy that could be used to develop corporate culture is creating an open-plan office layout with spaces for teams to collaborate.[4]][An open-plan office layout can assist in implementing Senge's principle of team learning, which is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices.[5]][An open-plan office layout could provide greater opportunities for employees to work as a team, share strengths and ideas, to develop skills faster than they would individually.[6]]

- I have identified and described one strategy to develop corporate culture.[1]
- I have identified and defined a principle of Senge's Learning Organisation.[2]
- I have explained how my chosen strategy can contribute towards a business being able to implement my chosen principle.[3]
- I have identified and described another strategy to develop corporate culture.[4]
- I have identified and defined another principle of Senge's Learning Organisation.[5]
- I have explained how my chosen strategy can contribute towards a business being able to implement my chosen principle.[6]
- I have signposted my response by using 'One strategy' and 'Another strategy'.

5A–F review

Exam-style

1. [Mental models are existing assumptions and generalisations that must be challenged so that learning and transformation can occur in an organisation.[1]][A business can apply Senge's principle of mental models by encouraging employees to consider a variety of ideas, values, and beliefs and challenge their own existing assumptions to create an open and honest working environment.[2]]

- I have defined the mental models principle.[1]
- I have outlined how the mental models principle can be applied in a business.[2]

2. [Staff training involves a business, such as We'll Cheque It, equipping employees with the knowledge and skills required to perform work tasks.[1]][At We'll Cheque It, the increased level of staff turnover indicates that employees currently feel undervalued and dissatisfied with the accounting firm's conditions of employment and flexibility, consequently causing them to move to Balancing the Sheets. Therefore, Dinah may implement staff training to demonstrate to employees that they are supported at We'll Cheque It and have the opportunity to grow in their roles and learn new skills.[2]][Additionally, by allowing employees to develop new skills, We'll Cheque It's staff may be more motivated in the workplace, encouraging them to speak up about issues and attempt to resolve problems with management in a constructive manner, as they feel their best interests are valid and considered. Thus, this can allow We'll Cheque It to improve job satisfaction and employee morale, consequently reducing its level of staff turnover.[3]]

- I have identified and described staff training as a management strategy to respond to key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to staff training.[2]
- I have provided an example relevant to the case study and linked it to how staff training can be used to improve key performance indicators.[3]
- I have referred to the business directly by using 'We'll Cheque It' and 'Dinah'.
- I have used connecting words, such as 'Additionally' and 'Therefore'.

3. [One management strategy that could be applied at We'll Cheque It is innovation, which is the process of altering and improving or creating new products or procedures.[1]][In the last two years, We'll Cheque It's number of customer complaints have risen by 34% as a result of a number of accounting errors made by staff. This indicates that customers are dissatisfied with We'll Cheque It's accounting services and, as a result, are opting for the services provided by competitors, such as Balancing the Sheets.[2]][One way Dinah could reduce We'll Cheque It's number of customer complaints is by implementing innovation. This would involve We'll Cheque It developing or investing in new, unique, and more efficient ways of conducting its accounting processes, including budgeting and developing statements. As a result, We'll Cheque It may be able to provide a service to customers that is more efficient and delivered at a higher quality than its competitors, thus reducing its number of customer complaints.[3]][Furthermore, this may allow We'll Cheque It to seek new opportunities as it can better engage with customers and their needs, as it aims to deliver the best accounting services possible in a productive manner, which can provide the business with a competitive advantage.[4]]

- I have identified and described one management strategy to respond to key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to one key performance indicator.[2]
- I have provided an example relevant to the case study and linked it to how my chosen management strategy can be used to respond to my chosen key performance indicator.[3]
- I have provided another example relevant to the case study and linked it to how my chosen management strategy can be used to seek new opportunities.[4]
- I have signposted my response by using 'One management strategy'.
- I have referred to the business directly by using 'We'll Cheque It' and 'Dinah'.
- I have used connecting words, such as 'Furthermore'.

Note: Other management strategies to respond to key performance indicators and seek new opportunities can be used in a response.

4. [Corporate culture is the shared values and beliefs of a business and its employees.[1]][One strategy We'll Cheque It could implement to develop a positive official corporate culture is policies, which involve establishing and publishing codes of conduct and business processes. Policies are used to develop official corporate culture as they are developed in a written format and reflect We'll Cheque It's values and beliefs.[2]][By implementing policies, We'll Cheque It can establish processes and procedures by which employees can communicate relevant issues with management and other staff members, enabling them to resolve any issues in a productive manner, thus developing a positive official corporate culture in the workplace.[3]]

- ✓ ✗ I have identified and defined corporate culture.[1]
- ✓ ✗ I have identified and described one strategy to develop a positive official corporate culture.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen strategy can be used to develop a positive official corporate culture.[3]
- ✓ ✗ I have signposted my response by using 'One strategy'.
- ✓ ✗ I have referred to the business directly by using 'We'll Cheque It'.

Note: Other strategies to develop official corporate culture can be used in a response.

5. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][One way Dinah can implement leadership in change management is by building a shared vision with employees. This would involve informing employees of the benefits of investing in technology and their role in the business's growth and development, encouraging them to support the transition at We'll Cheque It.[2]][Moreover, leadership in change management may also involve providing ongoing communication to We'll Cheque It employees by guiding them through any changes relating to the implementation of the new technology and regularly updating them on their responsibilities. In doing so, employees are provided with clarity and clearly understand how to successfully implement change at We'll Cheque It.[3]][Finally, a third way Dinah can demonstrate leadership in change management is by providing support to We'll Cheque It employees through training and mentoring that upskills them for the responsibilities that the new technology may require. Therefore, employees can better adapt to the changes in We'll Cheque It's accounting processes, increasing the likelihood of business success.[4]]

- ✓ ✗ I have identified and defined leadership in change management.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to leadership in change management.[2]
- ✓ ✗ I have provided a second example relevant to the case study and linked it to leadership in change management.[3]
- ✓ ✗ I have provided a third example relevant to the case study and linked it to leadership in change management.[4]
- ✓ ✗ I have signposted my response by using 'One way' and 'a third way'.
- ✓ ✗ I have referred to the business directly by using 'Dinah' and 'We'll Cheque It'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Finally'.

6. [One strategy that We'll Cheque It can implement to develop a positive real corporate culture is establishing business rituals, which involves organising regular celebrations or discussions in the workplace that recognise and celebrate employee performance. Rituals allow a business to develop its real corporate culture as its shared values and beliefs are organically established amongst employees.[1]][By implementing rituals, We'll Cheque It can create a more unified business environment where employees feel valued for their contributions and more connected to the business, enabling positive relationships to develop.[2]][Furthermore, another strategy that We'll Cheque It can utilise is changing the workplace environment, which involves altering the office layout to reflect a business's desired way of working. Office layouts can allow a business It to implement its shared values and beliefs into its daily practices.[3]]
[At We'll Cheque It, adopting an open work layout that allows for collaboration between employees and management, including Dinah, may allow strong interpersonal relationships to develop which can enhance communication flow and allow any issues to be resolved in a constructive and beneficial manner. Thus, changing the office layout can allow Dinah to improve the firm's real corporate culture.[4]]

- ✓ ✗ I have identified and described one strategy to develop real corporate culture.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen strategy to develop real corporate culture.[2]
- ✓ ✗ I have identified and described another strategy to develop real corporate culture.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen strategy to develop real corporate culture.[4]
- ✓ ✗ I have signposted my response by using 'One strategy' and 'another strategy'.
- ✓ ✗ I have referred to the business directly by using 'We'll Cheque It' and 'Dinah'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Note: Other strategies to develop real corporate culture can be used in a response.

7. [One principle of Senge's Learning Organisation that could be implemented at We'll Cheque It is shared vision, which is an aspirational description of what an organisation and its members would like to achieve.[1]][A shared vision could be implemented by Dinah at We'll Cheque It by developing and promoting a goal, such as becoming the leading business in the accounting industry, that employees can believe in and work towards. If Dinah communicates this vision strongly and clearly at We'll Cheque It, she can encourage employees to have a unified focus towards achieving business objectives, ultimately improving the accounting firm's performance.[2]]

[Another principle that could be implemented at We'll Cheque It is personal mastery, which is the discipline of personal growth and learning, aligned with one's values and purpose.[3]][At We'll Cheque It, Dinah can apply personal mastery by encouraging employees to improve their own performance and continually develop themselves. This would allow We'll Cheque It to enhance its employees' skills, encouraging them to take initiative and approach issues with confidence and resilience.[4]][Moreover, a third principle that could be implemented is team learning, which is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices.[5]][We'll Cheque It could implement the team learning principle by creating group projects for employees to work on. This would allow the strengths and capabilities of employees at We'll Cheque It to be shared amongst the team and produce greater outcomes, potentially enhancing levels of job satisfaction and employee motivation.[6]]

- ✓ ✗ I have identified and defined one principle of Senge's Learning Organisation.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[2]
- ✓ ✗ I have identified and defined a second principle of Senge's Learning Organisation.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[4]
- ✓ ✗ I have identified and defined a third principle of Senge's Learning Organisation.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen principle.[6]
- ✓ ✗ I have signposted my response by using 'One principle' and 'Another principle'.
- ✓ ✗ I have referred to the business directly by using 'We'll Cheque It' and 'Dinah'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

Other acceptable answers include:

- Systems thinking
- Mental models

5G Low-risk strategies

Theory review

1. A. True. *Low-risk strategies create a supportive environment for employees during the change process and are a gradual management approach that requires the business to have suitable time and resources to reduce resistance to change.*

2. support; communication. *Support involves managers providing employees with assistance as they move from current to new practices to reduce resistance to change. However, communication involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change.*

3. I; II. *Financial incentives encourage employees to embrace the change in return for receiving a reward such as a bonus, pay rise, or commission. Similarly, non-financial incentives, such as an increase in responsibilities, reduce resistance to change as employees feel that they will personally gain from embracing the change.*

4. responsibility. *Empowerment as a low-risk strategy reduces employee resistance to change by increasing their authority and providing them with the power to contribute to a change. This allows employees to feel that managers have more confidence and trust in them, and they will be more likely to embrace the change due to increased investment in the changes' success.*

5. I; II. *Low-risk strategies focus on ensuring that employees feel supported and valued by the business during the time of change, which is advantageous as this leads to a strengthened relationship between managers and employees. Another benefit is that the use of low-risk strategies leads to employees having an increased sense of trust in the business, reducing the likelihood that they will leave and need to be replaced.*

6. I; III. *A disadvantage of low-risk strategies is that they will be largely ineffective in situations where employee resistance needs to be overcome quickly in order to implement the change. Another disadvantage is that the use of empowerment can lead to tasks being carried out in a way that a manager did not intend, especially if the employee that is given more responsibility is inexperienced.*

7. B. *Low-risk strategies aim to create a supportive environment for employees during the change process. They are often focused on building open communication between managers and employees, as well as providing assistance through the change process to ease concerns.*

Preparing for exams

Case study skills

8. I; III

9. I; IV

10. II and III are advantages. I and IV are disadvantages.

Exam-style

11. [Low-risk strategies are gradual management approaches that encourage employees to accept and participate in a business change.[1]][Managers will typically use low-risk strategies when they have a longer period of time to implement the change, and are aiming to maintain a positive relationship with employees.[2]]

- ✓ ✗ I have defined the term low-risk strategies.[1]
- ✓ ✗ I have provided one characteristic of low-risk strategies.[2]

12. [Communication as a low-risk strategy involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change.[1]][In order to effectively use communication as a low-risk strategy, managers must use two-way communication, whereby employees are able to ask questions, voice their concerns, and receive feedback regarding the potential change.[2]]

- ✓ ✗ I have defined communication as a low-risk strategy.[1]
- ✓ ✗ I have provided one characteristic of communication as a low-risk strategy.[2]

13. [The low-risk strategy of incentives involves managers providing financial or non-financial rewards to influence employees to embrace change.[1]][One way that William could use incentives as a low-risk strategy is by offering financial incentives, such as bonuses, to employees at Ez Meals who make efforts to embrace the new technology. This technique is likely to encourage employees to support this change as they perceive the personal gain they can receive as a result of the change, therefore reducing employee resistance.[2]][Another way that William could use incentives to overcome employee resistance is by providing increased responsibilities to employees who are demonstrating a welcoming attitude towards the introduction of the new technologies. Offering employees non-financial incentives would be a less expensive strategy for William to reduce employee resistance to change.[3]]

- ✓ ✗ I have identified and defined the low-risk strategy of incentives.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to incentives as a low-risk strategy.[2]
- ✓ ✗ I have provided another example relevant to the case study and linked it to incentives as a low-risk strategy.[3]
- ✓ ✗ I have signposted my response by using 'One way' and 'Another way'.
- ✓ ✗ I have referred to the business directly by using 'William' and 'Ez Meals'.

14. [One low-risk strategy that Taj could use to overcome employee resistance is empowerment. Empowerment involves managers providing employees with increased responsibility and authority during times of change.[1]][By delegating tasks and responsibilities to employees when merging Daily Delights with a larger supermarket chain, Taj could make employees feel directly involved with the change. If employees feel they are actively participating in the change, they may be less likely to resist the change.[2]][Another low-risk strategy that Taj could use is support, which involves managers providing employees with assistance as they move from current to new practices.[3]][By providing support, such as counselling consultation to employees during the process of moving the deli into larger supermarkets, Taj can reduce employees' levels of fear and stress. Reducing levels of fear and stress can make employees at Daily Delights feel more comfortable with the change, reducing levels of employee resistance.[4]]

- ✓ ✗ I have identified and defined a low-risk strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen low-risk strategy.[2]
- ✓ ✗ I have identified and defined another low-risk strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen low-risk strategy.[4]
- ✓ ✗ I have signposted my response by using 'One low-risk strategy' and 'Another low-risk strategy'.
- ✓ ✗ I have referred to the business directly by using 'Taj' and 'Daily Delights'.

Other acceptable answers include:

- Communication
- Incentives

15. [One advantage of Penny using low-risk strategies is that their gradual and supportive nature can effectively reduce employees' fears and insecurity related to the change at Plantopia. If employees' fears and insecurities are reduced it can lead to lower levels of employee resistance, allowing the new cafe to be successfully implemented.[1]][Furthermore, another advantage of using low-risk strategies is that they increase the chance of change being successful in the long term. As they develop legitimate concern and interest in the change's success, employees are more likely to maintain their efforts in the long term.[2]][However, one disadvantage of Penny using low-risk strategies to overcome employee resistance is that it can be time-consuming. Strategies such as empowerment that involve employee input can involve time-consuming employee consultation, and mean that Penny has less time to work on implementing the change of the new cafe.[3]][Moreover, another disadvantage of using low-risk strategies is they might be costly to Plantopia. Strategies such as incentives can cause the business to incur significant costs if the incentives are financial. This may mean that Penny will have fewer funds to spend on incorporating the new cafe into the business model.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of using low-risk strategies to overcome employee resistance to change.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of using low-risk strategies to overcome employee resistance to change.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of using low-risk strategies to overcome employee resistance to change.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of using low-risk strategies to overcome employee resistance to change.[4]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Penny' and 'Plantopia'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.

Testing previous knowledge

16. [Employees are individuals who work for the business and receive compensation in exchange for their physical or mental labour.[1]][Employees are interested in having job security and feeling valued by the business, and may resist the change in ownership of Tech Guys if they fear redundancy.[2]][One low-risk strategy that could be used to overcome employee resistance to change is communication. Communication as a low-risk strategy involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change.[3]][Andrew could use two-way communication to clearly inform employees of the changes that would occur to their roles, and give employees the opportunity to ask their own questions and provide feedback. This would reduce resistance as employees would feel that there was greater transparency regarding the change and any misunderstandings would be resolved.[4]]

- ✓ ✗ I have identified and defined employees as a stakeholder.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an interest of employees.[2]
- ✓ ✗ I have identified and defined a low-risk strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen low-risk strategy.[4]
- ✓ ✗ I have signposted my response by using 'One low-risk strategy.
- ✓ ✗ I have referred to the business directly by using 'Tech Guys' and 'Andrew'.

Other acceptable answers include:

- Support
- Empowerment
- Incentives

5H High-risk strategies

Theory review

1. A. *A manager can use high-risk strategies in situations where the business change needs to be implemented quickly, as employees have little input and will be influenced in a short period of time.*

2. manipulation; threat. *Manipulation involves managers selectively presenting information to employees about the change to overcome resistance. On the other hand, threat involves forcing employees to accept a change through intimidation.*

3. B. *A manager can use manipulation to overcome employee resistance to change by providing incomplete or deceptive information, which misrepresents the true nature of the change and influences employees to alter their viewpoint.*

4. A. *Threat involves a manager making statements that exploit the typical fears held by employees, such as reducing their paid working hours.*

5. II; III. *High-risk strategies are used to influence employees to quickly accept a change through the use of manipulation and threat. This can create fear and dissatisfaction within the workplace and lead to employees leaving the business and needing to be replaced.*

6. A. True. *High-risk strategies involve no employee input regarding the change, as it occurs in the way a manager desires. Employees may not be informed about the true nature of the change, especially through the high-risk strategy of manipulation.*

Preparing for exams

Case study skills

7. II; III

8. I, III and IV are true. II is false.

9. I; II

10. I and III are advantages. II and IV are disadvantages.

Exam-style

11. [High-risk strategies are autocratic management approaches used to influence employees to quickly accept and follow a business change.[1]][These strategies are unsustainable in the long term as they are forceful and deceptive, harming the relationship between managers and employees.[2]]

- ✓ ✗ I have defined high-risk strategies.[1]
- ✓ ✗ I have provided one characteristic of high-risk strategies.[2]

12. [Manipulation as a high-risk strategy involves influencing employees to support a proposed change by providing incomplete and deceptive information about the transformation.[1]][This strategy aims to coerce employees to agree with and quickly accept the proposed change by selectively omitting information to distort their thoughts.[2]]

- ✓ ✗ I have defined manipulation as a high-risk strategy.[1]
- ✓ ✗ I have provided one characteristic of manipulation as a high-risk strategy.[2]

13. [Threat as a high-risk strategy involves forcing employees to follow a proposed change by stating that they may or will cause harm to them if they fail to do so.[1]][One way that Bora Airways could use threat is by communicating to employees that they will lose their jobs, and therefore their source of income, if they do not embrace the change and agree to undergo extra training.[2]][Moreover, another way that Bora Airways could use threat is if managers tell employees that if they do not embrace the change and left the business, they would be given a poor reference and find it difficult to obtain a new job in future.[3]]

- ✓ ✗ I have identified and defined threat as a high-risk strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one way a business can use threat as a high-risk strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another way a business can use threat as a high-risk strategy.[3]
- ✓ ✗ I have signposted my response by using 'One way' and 'another way'.
- ✓ ✗ I have referred to the business directly by using 'Bora Airways'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

14. [One high-risk strategy that Royalty Cruises could use to overcome employee resistance to change is manipulation, which involves influencing employees to support a proposed change by providing incomplete and deceptive information about the transformation.[1]][One way that manipulation could be used to overcome employee resistance is if Harriet leaves out undesirable details about the cruise ship renovations when communicating with employees. For example, she may not inform employees about the extra training and fewer working hours involved in the change.[2]][Furthermore, another way that manipulation could be used to overcome employee resistance is if Harriet distorts the facts to coerce employees into believing that the change would be more beneficial than it actually is. For example, Harriet could imply that the change positively impacts employees as they may be higher in demand and receive greater tips from customers after the renovations, despite having no factual basis for her claims.[3]]

- ✓ ✗ I have identified and defined manipulation as a high-risk strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one way a business can use manipulation as a high-risk strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another way a business can use manipulation as a high-risk strategy.[3]
- ✓ ✗ I have signposted my response by using 'One way' and 'another way'.
- ✓ ✗ I have referred to the business directly by using 'Royalty Cruises' and 'Harriet'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

15. [One high-risk strategy Rani could implement is manipulation which involves influencing employees to support a proposed change by providing incomplete and deceptive information about the transformation.[1]][At Zen Beanies, employees may resist proceeding with expansion due to potential redeployment and increased workload. Subsequently, Rani could implement manipulation by lying to resistant employees, by telling them that global business locations will only hire local staff and encouraging them to accept the change.[2]] [One advantage of high-risk strategies is that they initially involve little or no financial costs. Through manipulation, Zen Beanies would be able to coerce employees to execute the change without having to incur expenses related to support or incentives.[3]][Another advantage is that Rani does not have to discuss the change with employees or make compromises, allowing the change to be implemented in the way he desires.[4]][However, a disadvantage of high-risk strategies is that they are usually only effective in the short term. Employees at Zen Beanies may be unable to continuously cope with manipulation, decreasing the success of the expansion as employees are less productive in the long term.[5]][Another disadvantage is that it may lead to employee dissatisfaction. Employees at Zen Beanies may feel unhappy at work after being persuaded to accept the redeployment and high workloads, making them more likely to leave the workforce or increase their absenteeism.[6]]

- ✓ ✗ I have identified and defined one high-risk strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen high-risk strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of high-risk strategies.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of high-risk strategies.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of high-risk strategies.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of high-risk strategies.[6]
- ✓ ✗ I have signposted my response by using 'One high-risk strategy' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'Rani' and 'Zen Beanies'.
- ✓ ✗ I have included connecting words, such as 'Subsequently' and 'However'.

Other acceptable answers include:

- Threat as a high-risk strategy

Testing previous knowledge

16. [Global outsourcing involves transferring specific business activities to an external business in an overseas country.[1]][One high-risk strategy that La La Land could use to overcome employee resistance to change is threat which involves forcing employees to follow a proposed change by stating that they may or will cause harm to them if they fail to do so.[2]][One way that Tom could use threat to overcome employee resistance is by warning employees that if they do not embrace the change of implementing global outsourcing, he will reduce their working hours and therefore reduce their pay.[3]][Furthermore, another way that Tom could use threat at La La Land is by communicating to his employees that if they did not assist him in implementing global outsourcing and support the change, he will make their job redundant and not redeploy them to another role in the travel agency.[4]]

- ✓ ✗ I have defined global outsourcing as a global consideration.[1]
- ✓ ✗ I have identified and defined a high-risk strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one way a business can use my chosen high-risk strategy to overcome employee resistance to change.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another way a business can use my chosen high-risk strategy to overcome employee resistance to change.[4]
- ✓ ✗ I have signposted my response by using 'One way' and 'another way'.
- ✓ ✗ I have referred to the business directly by using 'La La Land' and 'Tom'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Manipulation as a high-risk strategy

5I Lewin's Three-step Change Model

Theory review

1. A. True. *Lewin's Three-step Change Model breaks down change into three stages: unfreeze, change, and refreeze. This process involves ensuring that all stakeholders understand the need for change, actually implementing the change, and then ensuring the change is adopted in the long term, allowing for a smooth business transformation to occur.*

2. unfreeze. *The unfreeze step involves a manager highlighting the reasons why a particular change is necessary, as well as the benefits of implementing the change in the business, to ensure stakeholders are prepared to undergo change.*

3. II; III. *The refreeze step ensures the change is implemented in the long term, so businesses may implement strategies, such as introducing new policies or writing new job descriptions, to prevent employees from reverting to previous ways of operating.*

4. B. *The change step involves moving a business towards its desired state. During the unfreeze step, employees may be given the opportunity to raise concerns they may have while, in the change stage, management may decide to provide training and support to employees to alleviate their stresses regarding the change and ensure it is implemented smoothly.*

5. B. False. *Lewin's Three-step Change Model involves highlighting the reasons for, and benefits of the change to employees, supporting them while the change is implemented, and embedding the change within the business. Therefore, implementing this model can allow a business to overcome employee resistance to change.*

Preparing for exams

Case study skills

6. II; III

7. II and IV are true. I and III are false.

Exam-style

8. [The first step of Lewin's Three-step Change Model is unfreeze, which involves moving a business to a state where stakeholders are prepared to undergo change. During this stage, a manager communicates the need for, and benefits of the change to gain support from stakeholders.[1]][The second step of this model is change, which involves moving a business towards its desired state. During this stage, a manager can provide ongoing support and resources to equip employees with the required knowledge and skills to implement the change.[2]][The third step of Lewin's Three-step Change Model is refreeze, which involves ensuring a change is sustained within a business for the long term. During this stage, managers should introduce new policies and job descriptions to reinforce the new culture and solidify it as part of the business's daily operations.[3]]

- ✓ ✗ I have identified and defined the first step of Lewin's Three-step Change Model.[1]
- ✓ ✗ I have identified and defined the second step of Lewin's Three-step Change Model.[2]
- ✓ ✗ I have identified and defined the third step of Lewin's Three-step Change Model.[3]
- ✓ ✗ I have signposted my response by using 'The first step', 'The second step', and 'The third step'.

9. [The first step of Lewin's Three-step Change Model is unfreeze, which involves moving a business to a state where stakeholders are prepared to undergo change.[1]][During this stage, Sally should communicate the reasons for, and benefits of using only ethically sourced, high-quality local ingredients to employees, including the executive chef, to encourage them to support and embrace the change.[2]][Furthermore, the second step in this model is the change step, which involves moving a business towards its desired state.[3]][During this step, Sally should provide her executive chef with support and training on how to use ethically sourced ingredients when making pizza. This can allow the chef to smoothly transition to using the new ingredients as they have the skills to do so.[4]]

- ✓ ✗ I have identified and defined one step of Lewin's Three-step Change Model.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen step of Lewin's Three-step Change Model.[2]
- ✓ ✗ I have identified and defined another step of Lewin's Three-step Change Model.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my second chosen step of Lewin's Three-step Change Model.[4]
- ✓ ✗ I have signposted my response by using 'The first step' and 'the second step'.
- ✓ ✗ I have referred to the business directly by using 'Sally'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- The refreeze step

10. [The first step of Lewin's Three-step Change Model is unfreeze, which involves moving a business to a state where stakeholders are prepared to undergo change.[1]][During this stage at Sotak Salad's, Max should communicate the reasons for, and benefits of diversifying the business's food range to stakeholders, such as employees, to encourage them to support the change and enable its implementation.[2]][Furthermore, the second step in this model is change, which involves moving a business towards its desired state.[3]][Max should provide his employees with support and training on how to make the new foods in the business's new diversified food range during the change step. This can ensure employees smoothly transition at Sotak Salad's as they have the skills to begin these new practices.[4]][The third step in Lewin's Three-step Change Model is refreeze, which involves ensuring a change is sustained within a business for the long term.[5]][Max should integrate new job descriptions such as 'making sandwiches' to reinforce the expansion of the food items at Sotak's Salads. This can ensure the change is ingrained within Sotak Salad's activities for the future.[6]]

- ✓ ✗ I have identified and defined the unfreeze step of Lewin's Three-step Change Model.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the unfreeze step.[2]
- ✓ ✗ I have identified and defined the change step of Lewin's Three-step Change Model.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the change step.[4]
- ✓ ✗ I have identified and defined the refreeze step of Lewin's Three-step Change Model.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the refreeze step.[6]
- ✓ ✗ I have signposted my response by using 'The first step', 'the second step', and 'the third step'.
- ✓ ✗ I have referred to the business directly by using 'Sotak's Salads'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Testing previous knowledge

11. [The first step of Lewin's Three-step Change Model is unfreeze, which involves moving a business to a state where stakeholders are prepared to undergo change.[1]][During this step at Eye See You, Sara should communicate the reasons for, and benefits of selling prescription sunglasses to employees to encourage them to support the change and increase their willingness to attend training programs. By doing so, Sara can reduce Eye See You's level of staff turnover as employees are less likely to leave the business if they understand why being trained to effectively sell prescription sunglasses is necessary to maintain current demand.[2]] [Furthermore, the second step in this model is change, which involves moving a business towards its desired state.[3]][Sara should provide her employees with support throughout their training so they continue to learn how to effectively serve customers who want prescription sunglasses and answer any questions they may have. This can ensure employees have the required knowledge and skills to smoothly transition to selling this new product, therefore preventing more employees from leaving the business.[4]][The third step in Lewin's Three-step Change Model is refreeze, which involves ensuring a change is sustained within a business for the long term.[5]][Sara should write new job descriptions, to reinforce the introduction of the new sunglasses range at Eye See You and reduce the level of staff turnover by ensuring employees are fully aware of their new role within the business. This can ingrain the change in business activities for the future.[6]]

- I have identified and defined the unfreeze step of Lewin's Three-step Change Model.[1]
- I have provided an example relevant to the case study and linked it to how the unfreeze step can reduce the level of staff turnover.[2]
- I have identified and defined the change step of Lewin's Three-step Change Model.[3]
- I have provided an example relevant to the case study and linked it to how the change step can reduce the level of staff turnover.[4]
- I have identified and defined the refreeze step of Lewin's Three-step Change Model.[5]
- I have provided an example relevant to the case study and linked it to how the refreeze step can reduce the level of staff turnover.[6]
- I have signposted my response by using, 'The first step', 'the second step', and 'the third step'.
- I have referred to the business directly by using 'Sara' and 'Eye See You'.
- I have used connecting words, such as 'Furthermore'.

5G–I review

Exam-style

1. [High-risk strategies are autocratic management approaches used to influence employees to quickly accept and follow a business change. They include threat and manipulation.[1]][In contrast, low-risk strategies are measured management approaches that gradually encourage employees to accept and participate in a business change. Such strategies include communication, empowerment, support, and incentives.[2]][One difference between these two approaches is that high-risk strategies, such as threat and manipulation, may damage the relationship between managers and employees, whereas low-risk strategies are more likely to contribute to positive relationships in the workplace, as they promote trust and encourage cooperation.[3]]

- I have defined high-risk strategies.[1]
- I have defined low-risk strategies.[2]
- I have provided a key difference between high-risk strategies and low-risk strategies.[3]
- I have signposted my response by using 'One difference'.

2. [Support as a low-risk strategy involves managers providing employees with assistance as they move from current to new practices.[1]][As part of the change, Neah could arrange staff training or counselling services that can reduce employees' fear, distress, or uncertainty that they may feel during periods of change.[2]][By implementing support strategies, Neah can reduce OccasionsPlus' employees' resistance to the change of introducing a new branch for corporate events management.[3]]

- I have identified and defined support as a low-risk strategy.[1]
- I have provided an example relevant to the case study.[2]
- I have linked my example to support as a low-risk strategy.[3]
- I have referred to the business directly by using 'Neah' and 'OccasionsPlus''.

3. [One low-risk strategy is communication, which involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change.[1]][Neah could use communication by maintaining a two-way communication flow between management and employees, providing opportunities for employees to ask questions, and ensuring they receive appropriate information about the change. By doing so, employees are more likely to be well-informed about the introduction of corporate events services at OccasionsPlus, and therefore will be more likely to accept the change.[2]][Another low-risk strategy that Neah could use is empowerment, which involves managers providing employees with increased responsibility and authority during times of change.[3]] [Neah could provide employees with opportunities to become more involved in the change, for example, taking a survey to find any employees who wish to specialise in corporate events. Therefore, empowerment could allow employees to take responsibility for the change and increase their feelings of value as part of OccasionsPlus, leading to decreased resistance to the business change.[4]]

- I have identified and defined a low-risk strategy.[1]
- I have provided an example relevant to the case study and linked it to my chosen low-risk strategy.[2]
- I have identified and defined another low-risk strategy.[3]
- I have provided an example relevant to the case study and linked it to my chosen low-risk strategy.[4]
- I have signposted my response by using 'One low-risk strategy' and 'Another low-risk strategy'.
- I have referred to the business directly by using 'Neah' and 'OccasionsPlus'.
- I have used connecting words, such as 'Therefore'.

Note: The question specifically excludes support strategies, and they therefore should not be used in a response.

4. [Lewin's Three-step Change Model is a process that can be used by a business to implement change successfully. It involves the steps of unfreeze, change, and refreeze, that a manager may use to prepare a business for change, implement new policies and procedures, and reinforce the change in business practices.[1]] [As part of the restructuring process, Neah used the unfreeze step when she asked relevant stakeholders to challenge their previous beliefs, highlighted the necessity of the change, and analysed different aspects of OccasionsPlus to plan the restructuring process. These measures prepared OccasionsPlus for the restructuring process.[2]] [After these preparations, Neah implemented the change step of Lewin's model, by reallocating resources and changing employees' roles and responsibilities.[3]] [Furthermore, Neah implemented the refreeze step by writing new job descriptions for employees, writing new business policies, and providing opportunities for training for employees whose roles had changed or whose skills were found to be below standard. This ensures that the restructuring of OccasionsPlus is maintained, and employees do not revert back to previous methods of operating.[4]]

- I have identified and defined Lewin's Three-step Change Model.[1]
- I have provided an example relevant to the case study and linked it to the unfreeze step.[2]
- I have provided an example relevant to the case study and linked it to the change step.[3]
- I have provided an example relevant to the case study and linked it to the refreeze step.[4]
- I have referred to the business directly by using 'Neah' and 'OccasionsPlus'.
- I have used connecting words, such as 'Furthermore'.

5. [One advantage of using high-risk strategies to overcome employee resistance to change is that the restructuring can take place according to a manager's directions, as employees do not have the opportunity for input, therefore leading to a streamlined change process.[1]] [However, a disadvantage of using high-risk strategies is that employees may lose trust in their manager after being given false or insufficient information regarding the change, therefore such strategies can damage the relationship between employees and management.[2]] [One advantage of using low-risk strategies to overcome employee resistance is that they can be slowly implemented over the course of the change at a business, leading to ongoing motivation for employees to adapt to the change.[3]] [One disadvantage of low-risk strategies to overcome employee resistance is that they can be costly for a business to implement over the duration of a change, and they may lead to significant increases to the business's expenses while they are in place.[4]]

- I have provided one advantage of using high-risk strategies.[1]
- I have provided one disadvantage of using high-risk strategies.[2]
- I have provided one advantage of using low-risk strategies.[3]
- I have provided one disadvantage of using low-risk strategies.[4]
- I have signposted my response by using 'One advantage' and 'a disadvantage'.
- I have used connecting words, such as 'However'.

6. [Lewin's Three-step Change Model is a process that can be used by a business to implement change successfully.[1]] [The unfreeze step involves moving a business to a state where stakeholders are prepared to undergo change.[2]] [To implement the unfreeze step of Lewin's model, Neah would highlight to employees and other stakeholders of the business the benefits of introducing corporate events management services to OccasionsPlus. During this time, Neah should give employees the opportunity to voice their concerns, and engage in discussion to understand the proposed change.[3]] [Furthermore, the change step involves moving a business towards its desired state.[4]] [Neah would apply the change step at OccasionsPlus by implementing the appropriate new policies and procedures to introduce the new services offered by the business. She may choose to provide support and training opportunities for employees to utilise to adopt their new responsibilities.[5]] [Finally, the refreeze step involves ensuring a change is sustained within a business for the long term.[6]] [After the introduction of the new corporate events management services at OccasionsPlus, Neah may reinforce the change by creating new job descriptions or drafting new procedures for the corporate events sector of the business, to ensure that OccasionsPlus maintains the change and does not revert to previous methods of operating.[7]]

- I have identified and defined Lewin's Three-step Change Model.[1]
- I have identified and defined the unfreeze step of Lewin's Three-step Change Model.[2]
- I have provided an example relevant to the case study and linked it to the unfreeze step.[3]
- I have identified and defined the change step of Lewin's Three-step Change Model.[4]
- I have provided an example relevant to the case study and linked it to the change step.[5]
- I have identified and defined the refreeze step of Lewin's Three-step Change Model.[6]
- I have provided an example relevant to the case study and linked it to the refreeze step.[7]

- I have signposted my response by using 'The unfreeze step' and 'the change step'.
- I have referred to the business directly by using 'Neah' and 'OccasionsPlus'.
- I have used connecting words, such as 'Furthermore' and 'Finally'.

5J Change and stakeholders

Theory review

1. B. False. *Business change can have an impact on a variety of stakeholders, including those external to the business. If a business alters the quality of its outputs, where it sources its inputs from, or the nature of its business activities, this can positively or negatively impact the external stakeholders of customers, suppliers, and the general community.*

2. positively; negatively. *Owners can experience the positive effects of business change if they are required to work more closely with their employees, as this may allow for the development of strong interpersonal relationships. On the other hand, an owner's financial security often relies on the success of the business change and therefore may be negatively impacted if the change is unsuccessful.*

3. A. *During business change, owners and managers often take authoritative roles that involve high levels of responsibility. Consequently, this responsibility requires increased planning and decision-making on top of their current workload, which may increase stress and negatively affect their wellbeing.*

4. A. *When business change is successful, employees are often positively impacted. For example, being provided with long-term job security can positively impact employees as it ensures they have a stable level of income in the future.*

5. negatively. *If a business sources cheaper resources, this may worsen the quality of its final outputs, causing a decrease in overall customer satisfaction and increased levels of frustration. Furthermore, sourcing resources from an alternative business may negatively impact suppliers as their sales to the business may decrease.*

6. A. *True. When business change is successful, a business may have more funds that it can donate and contribute to community causes. Additionally, business practices may be more productive, therefore a business may provide employees with paid working hours to volunteer their time to societal initiatives.*

7. A. *True. By considering the effect of business change on stakeholders, a business can determine whether its proposed change is likely to have an overall positive or negative impact. Therefore, if a business recognises that its change will predominantly negatively affect its stakeholders, it can implement strategies and practices to minimise such outcomes.*

Preparing for exams

Case study skills

8. I; II **9.** I; III **10.** II; III

11. II and III are true. I and IV are false.

12. II; III; IV

Exam-style

13. [One effect that business change could have on customers is that it could result in greater levels of customer satisfaction. If a business change results in the production of goods and services at a lower cost, a business may offer its products at a lower price, therefore positively affecting customers.[1]][Furthermore, another effect that business change could have on customers is that it may lead to frustration if a business opts for cheaper resources that reduce the quality of the product. Consequently, customers may be negatively affected by the business change.[2]]

- I have outlined one effect of a business change on customers.[1]
- I have outlined another effect of business change on customers.[2]
- I have signposted my response by using 'One effect' and 'another effect'.
- I have used connecting words, such as 'Furthermore'.

14. [One positive effect of manufacturing overseas on Hulk & Berg's employees is that it may provide remaining employees with opportunities to advance into higher job positions and learn new skills as Nico may want all Australian employees to focus on designing new, innovative gym equipment.[1]][However, one negative effect of moving manufacturing overseas is that 200 of Hulk & Berg's production employees will lose their jobs and therefore are likely to experience the stress and uncertainty associated with a loss of job and financial security.[2]]

- I have provided an example relevant to the case study and linked it to a positive effect of business change on employees.[1]
- I have provided an example relevant to the case study and linked it to a negative effect of business change on employees.[2]
- I have signposted my response by using 'One positive effect' and 'one negative effect'.
- I have referred to the business directly by using 'Hulk & Berg's' and 'Nico'.
- I have used connecting words, such as 'However'.

15. [One effect of Ravens' change on the owner, Cho, is that if the closure of the Ballarat office is successful, the accounting firm may be more profitable in future. This may positively affect Cho's financial security and potentially provide her with the benefits of personal wealth as a business owner.[1]][Another effect of business change on Cho is that she may become overwhelmed and stressed by her responsibilities as an owner, especially when informing employees and suppliers of the decision to close the Ballarat office, which can negatively affect her wellbeing.[2]][Alternatively, one effect of Ravens change on the general community is that unemployment rates are likely to increase as a result of the Ballarat office closure, contributing to lower living standards and negatively affecting the general community.[3]][Moreover, another effect of business change on Ravens' general community is that foot traffic for local cafes and retail stores is likely to decrease as employees of the Ravens' accounting firm are no longer purchasing beverages, food, or clothing items before or after their work day. This can negatively affect the general community as contributions to the local economy will decrease.[4]]

- I have provided an example relevant to the case study and linked it to one effect of business change on owners.[1]
- I have provided an example relevant to the case study and linked it to another effect of business change on owners.[2]
- I have provided an example relevant to the case study and linked it to one effect of business change on the general community.[3]
- I have provided an example relevant to the case study and linked it to another effect of business change on the general community.[4]
- I have signposted my response by using 'One effect' and 'Another effect'.
- I have referred to the business directly by using 'Ravens' and 'Cho'.
- I have used connecting words, such as 'Alternatively' and 'Moreover'.

16. [One effect of adopting a fully automated system on Galileo, is that it may allow Galilee's to provide customers with telescopes in a more timely manner as supplies are more accurately ordered. This may positively affect Galileo as he may be provided with financial rewards or a promotion for the success of the change.[1]][Additionally, another effect of Galilee's business change on the manager, Galileo, is that it may allow him to further develop his technical skills as he must understand how the automated ordering system works. Consequently, Galileo's knowledge and overall employability may be positively impacted by Galilee's change.[2]][Another stakeholder that may be affected by Galilee's change is suppliers. One effect of adopting a fully automated system on suppliers is that they will likely experience an increase in sales as resources and materials were previously under-ordered. This can positively affect the profitability of suppliers.[3]][Furthermore, another effect of business change on suppliers of Galilee's is that Galileo may request more frequent deliveries which may negatively disrupt their delivery schedule.[4]]

- I have provided an example relevant to the case study and linked it to one effect of business change on managers.[1]
- I have provided an example relevant to the case study and linked it to another effect of business change on managers.[2]
- I have provided an example relevant to the case study and linked it to the effect of business change on my chosen stakeholder.[3]
- I have provided an example relevant to the case study and linked it to another effect of business change on my chosen stakeholder.[4]
- I have signposted my response by using 'One effect' and 'another effect'.
- I have referred to the business directly by using 'Galileo' and 'Galilee's'.
- I have used connecting words, such as 'Additionally' and 'Furthermore'.

Other acceptable answers include:

- Owners
- Employees
- Customers
- The general community

17. [One stakeholder impacted by the change at Isn't It Fascinating is customers. A positive effect of the change on Isn't It Fascinating's customers is that there may be improvements in product quality. The transfer of ownership to a well-renowned American company, may lead to products being produced to a higher standard, increasing the perceived value for customers.[1]][Moreover, another positive effect is that the change to cheaper suppliers may lead to a reduction in the price of Isn't It Fascinating's hats, making them more affordable for customers.[2]][However, one negative effect of the change at Isn't It Fascinating is that the company is no longer an Australian producer. This may result in lower brand loyalty as customers who disagree with this change may choose to shop with competitors who are 100% Australian producers.[3]][Furthermore, another negative effect of this change is that some customers may feel as if quality has been sacrificed in favour of cheaper resources, leading to the loss of some customers who prefer a superior quality.[4]][Overall, while some customers may be unsupportive of the change due to offshore production, overall customer satisfaction will likely be improved through improvements in quality and reduced prices. Therefore, Isn't It Fascinating's change is likely to have an overall positive effect on customers.[5]]

- I have provided an example relevant to the case study and linked it to a positive effect of business change on my chosen stakeholder.[1]
- I have provided an example relevant to the case study and linked it to another positive effect of business change on my chosen stakeholder.[2]
- I have provided an example relevant to the case study and linked it to a negative effect of business change on my chosen stakeholder.[3]
- I have provided an example relevant to the case study and linked it to another negative effect of business change on my chosen stakeholder.[4]
- I have provided an opinion on the overall effect of the change on my chosen stakeholder by summarising the positive effects and the negative effects.[5]
- I have signposted my response by using 'One stakeholder' and 'A positive effect'.
- I have referred to the business directly by using 'Isn't It Fascinating'.
- I have used connecting words, such as 'Moreover' and 'However'.

Other acceptable answers include:

- Owners
- Managers
- Employees
- Suppliers
- The general community

Testing previous knowledge

18. [Number of sales is the total quantity of goods and services sold by a business over a specific period of time.[1]][One way a decrease in sales can affect suppliers is that it may decrease their sales as the business will require fewer supplies when there are lower levels of customer demand. This may negatively affect a supplier's profits and overall viability.[3]][Furthermore, another way a decrease in sales can affect suppliers is that it may cause a business to reduce its number of supply deliveries and consequently change its supply schedule, therefore impacting the regular flow and routine of the supplier and negatively affecting its productivity.[4]]

- I have defined number of sales.[1]
- I have provided an example and linked it to one way a decrease in sales can affect suppliers.[2]
- I have provided an example and linked it to another way a decrease in sales can affect suppliers.[3]
- I have signposted my response by using 'One way' and 'another way'.
- I have used connecting words, such as 'Furthermore'.

5K CSR considerations and change

Theory review

1. A. True. *When a business addresses CSR considerations during the implementation of change, it is aiming to minimise the negative consequences of its transformation on its employees, the general community, and the environment. By doing so, stakeholders may view the business more favourably and customers may be more willing to purchase from it.*

2. the general community. *Business changes can negatively impact the general community's employment rates and economic conditions. If a business decides to change suppliers, sourcing materials and resources locally can improve the state of the economy and decrease unemployment.*

3. A. *Considering employees involves addressing considerations that promote staff wellbeing during periods of change. By providing employees with training and support on how to use new equipment, they are likely to feel more comfortable and prepared to operate machinery and implement the change successfully.*

4. the environment; employees. *By building a new energy-efficient facility, a business is considering the environment as it is reducing the negative impacts of its activities on the planet. Moreover, having two-way conversations with employees during redeployment can reduce stress and anxiety associated with the change and improve staff wellbeing.*

5. B. False. *Although machinery that utilises renewable energy has a positive impact on the environment, if it produces more waste than human labour, the negative impact of the business's activities on the environment will increase.*

6. A. True. *Highly-skilled employees often value the ethical conduct of the business they work for, therefore a socially-responsible business can attract and retain these individuals and motivate them to commit to and achieve objectives.*

Preparing for exams

Case study skills

7. B

8. I, III and IV are true. II is false.

9. I; III

Exam-style

10. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One CSR consideration a business can address when implementing change is the general community, which involves a business reducing or eliminating practices that are detrimental to society. For example, a business that is changing to globally sourcing its inputs can address CSR in the general community by ensuring its suppliers provide their employees with fair pay and working conditions.[2]]

- I have defined corporate social responsibility.[1]
- I have outlined one corporate social responsibility consideration for a business when implementing change.[2]
- I have signposted my response by using 'One CSR consideration'.

11. [One way a business could consider the general community in a socially-responsible way when introducing new technology is by redeploying employees who have been made redundant to a different role in the business.[1]][By transferring employees into a new role, it ensures that individuals remain employed. This is beneficial for the general community as ensures employment rates are sustained and issues such as homelessness do not increase.[2]]

- I have identified one way a business could consider the general community when introducing new technology.[1]
- I have outlined how my chosen CSR consideration affects the general community.[2]
- I have signposted my response by using 'One way'.

12. [One corporate social responsibility (CSR) consideration that Thanos can address when changing suppliers is improving Toggies' environmental impact. Thanos could ensure Toggies' business activities positively impact the environment by utilising local suppliers for swimwear materials.[1]][By sourcing Toggies materials locally, Thanos can minimise the carbon emissions generated in the transportation of the swimwear materials and therefore reduce the environmental damage caused by the business's processes. In doing so, Toggies can reduce the amount of pollution in the environment and positively contribute to preserving the planet.[2]]

- I have identified and described one CSR consideration that a business could address when changing suppliers.[1]
- I have provided an example relevant to the case study and linked it to how my chosen CSR consideration could be addressed when changing suppliers.[2]

- ✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.
- ✓ ✗ I have referred to the business directly by using 'Thanos' and 'Toggies'.

Other acceptable answers include:

- Considering employees
- Considering the general community

13. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One CSR consideration that Bloom could address when implementing change is the wellbeing of employees. When introducing the new technology into Bloom's operations system, Orlando can address staff wellbeing by relocating employees who would otherwise be made redundant to another role in the pottery and ceramics business.[2]][By doing so, Orlando can ensure the financial wellbeing and job security of Bloom employees is maintained, fostering a positive attitude amongst staff and preventing them from experiencing the stress and burden associated redundancy and contract termination.[3]]

- ✓ ✗ I have identified and defined corporate social responsibility.[1]
- ✓ ✗ I have identified and described one corporate social responsibility consideration that could be addressed when implementing change.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration when implementing change.[3]
- ✓ ✗ I have signposted my response by using 'One CSR consideration'.
- ✓ ✗ I have referred to the business directly by using 'Bloom' and 'Orlando'.

Other acceptable answers include:

- Considering the general community
- Considering the environment

14. [One corporate social responsibility (CSR) consideration Give it a Flick can address during its store closures and change of suppliers is promoting the wellbeing of its employees.[1]][At Give it a Flick, Ben could offer counselling and support services to remaining employees to help them remain satisfied, confident, and positive at work, especially when their colleagues are being made redundant.[2]][Furthermore, another CSR consideration that Ben could address is the general community which would require Give it a Flick to reduce or eliminate practices that are detrimental to society.[3]][By providing job interview training to terminated employees, Ben can assist these individuals to find employment elsewhere. This can minimise the impact of unemployment on the general community and the perpetuation of issues such as crime and poverty.[4]]

- ✓ ✗ I have identified and described one CSR consideration that a business could address when implementing changes.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen CSR consideration could be addressed when implementing changes.[2]
- ✓ ✗ I have identified and described another CSR consideration that a business could address when implementing changes.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen CSR consideration could be addressed when implementing changes.[4]
- ✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'another CSR consideration'.
- ✓ ✗ I have referred to the business directly by using 'Give it a Flick' and 'Ben'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Considering the environment

Testing previous knowledge

15. [The first step of Lewin's Three-step Change Model is unfreeze, which involves moving a business to a state where stakeholders are prepared to undergo change.[1]][During this step, Picco should utilise two-way communication to honestly and transparently inform employees of the reasons for, and benefits of the new technology, whilst providing staff with redeployment options in the glassware company. By doing so, Picco is ensuring it is going above and beyond its legal obligations by supporting employees to remain employed at the glassware company, and minimising negative impacts on local unemployment rates.[2]][Furthermore, the second step in this model is change, which involves moving a business towards its desired state.[3]][Picco should provide support to employees who have been redeployed into new roles. Due to the introduction of technology, employees should be provided with training to ensure they are able to adapt to new business practices. This can ensure employees have the required knowledge and skills to smoothly transition into their new roles, therefore feeling confident in their abilities and reducing anxiety throughout the change.[4]][The third step in Lewin's Three-step Change Model is refreeze, which involves ensuring a change is sustained within a business for the long term.[5]][Managers at Picco could write new job descriptions for redeployed employees, to reinforce their position within the business and guarantee their job and financial security. This can ingrain the change in Picco's activities for the future and provide employees with the certainty they need to feel comfortable in the business.[6]]

- ✓ ✗ I have identified and defined the unfreeze step in Lewin's Three-step Change Model.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how the unfreeze step can allow a business to implement change in a socially responsible manner.[2]
- ✓ ✗ I have identified and defined the change step in Lewin's Three-step Change Model.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how the change step can allow a business to implement change in a socially responsible manner.[4]
- ✓ ✗ I have identified and defined the refreeze step in Lewin's Three-step Change Model.[5]

- ✓ ✗ I have provided an example relevant to the case study and linked it to how the refreeze step can allow a business to implement change in a socially responsible manner.[6]
- ✓ ✗ I have signposted my response by using 'The first step', 'the second step', and 'the third step'.
- ✓ ✗ I have referred to the business directly by using 'Picco'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

5L Evaluating change

Theory review

1. B. False. *It is vital for any business that has undergone a change to review its key performance indicators (KPIs) to evaluate whether the transformation has successfully contributed to the business's ability to achieve its objectives.*

2. A. *It is common for businesses to not achieve their objectives on their first attempt, therefore requiring them to reconsider the strategies they implemented and make adjustments to better address the desired area of performance. Businesses that persist in achieving their objectives are more likely to improve their long-term performance compared to those that disregard their failures.*

3. A. True. *Key performance indicators can provide a business with objective data regarding its performance and can be used to compare different periods of the business's operations to quantify the effect of any change and determine its success.*

4. number of customer complaints. *When a business implements quality strategies, it is aiming to improve the overall value of its product for the customer and minimise the number of errors in its operations system. By doing so, a business can better meet customer expectations through its products, meaning it is likely to receive fewer complaints and product returns from customers.*

5. B. *When evaluating the success of a change that aims to improve employee morale, a business can utilise a number of different key performance indicators (KPIs) to holistically evaluate its performance. However, to directly determine whether employee morale has improved, the most relevant KPI measures are the level of staff turnover and rates of staff absenteeism.*

6. A. True. *For a business that has effectively undergone change, reviewing performance through KPIs can allow it to determine future objectives and identify other areas for improvement. Furthermore, for businesses that do not successfully undergo change, reviewing performance through KPIs can allow them to consider alternative strategies to reach their desired results.*

Preparing for exams

Case study skills

7. I; III; IV

8. A

9. I, II and IV are true. III is false.

Exam-style

10. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][Following a business change, one reason why it is important for a business to review its KPIs is that it allows the business to objectively determine whether the transformation successfully achieved set objectives.[2]][Furthermore, another reason why reviewing KPIs after a change is important for a business is that it may identify that the change has negatively affected another area of business performance. Therefore, this indicates to the business that the change must be more carefully considered so the business is able to achieve its objectives.[3]][Finally, a third reason why reviewing KPIs is important is that whether the business change is successful or not, KPIs can enable a business to determine its future course of action as the quantifiable data can provide a holistic understanding of each area of business performance. Thus, a business can identify both strengths and weaknesses in its performance and establish objectives for the future.[4]]

- ✓ ✗ I have defined key performance indicators.[1]
- ✓ ✗ I have provided one reason why KPIs need to be evaluated after business transformation.[2]
- ✓ ✗ I have provided a second reason why KPIs need to be evaluated after business transformation.[3]
- ✓ ✗ I have provided a third reason why KPIs need to be evaluated after transformation.[4]
- ✓ ✗ I have signposted my response by using 'one reason' and 'another reason'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Finally'.

11. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][One reason why reviewing KPIs is important for Bob's Builders is that it will allow Wendy to determine the size and extent of the business change, enabling her to identify how the annual safety training and monthly celebrations have impacted all areas of her business's performance.[2]][Additionally, another reason reviewing KPI data is important is that it can allow Wendy to determine the effectiveness of the business changes at Bob's Builders. The quantifiable KPI data can enable Wendy to identify whether Bob's Builders' number of workplace accidents has decreased by 25% and if employee morale has improved, thus allowing her to assess whether her objectives were successfully achieved.[3]][Finally, a third reason why reviewing KPIs is important for Wendy is that it can allow her to determine Bob's Builders course of action for the future. If Wendy identifies that her business change was successful, she can analyse other areas of her business's performance to improve and therefore set objectives. However, if business objectives were not achieved, Wendy can implement other strategies and invest more time into reaching her desired level of performance for Bob's Builders.[4]]

- ✓ ✗ I have identified and defined key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one reason why KPIs need to be evaluated after business transformation.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a second reason why KPIs need to be evaluated after business transformation.[3]

- I have provided an example relevant to the case study and linked it to a third reason why KPIs need to be evaluated after business transformation.[4]
- I have signposted my response by using 'One reason' and 'another reason'.
- I have referred to the business directly by using 'Bob's Builders' and Wendy'.
- I have used connecting words, such as 'Additionally' and 'Finally'.

Testing previous knowledge

12. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][It is important for Trent to review KPIs following the rebrand to determine whether the transformation has been successful in achieving Lace 'Em Up's desired objectives of increasing market share and improving profits by 10%.[2]][Following the rebrand at Lace 'Em Up, the shoe store became the market leader in the footwear industry, indicating that the business received the greatest proportion of customer sales in its industry.[3]][The increase in the percentage of market share indicates that Lace 'Em Up's rebrand caused the business to be associated with higher-quality shoes that better meet customer expectations and styles. Therefore, this resulted in more positive customer perceptions of the business, thus increasing Lace 'Em Up's proportion of sales compared to its competitors.[4]][Moreover, Lace 'Em Up experienced a 16% increase in its net profit figures following the rebrand, indicating the footwear business may have attracted and retained more customers, increasing its sales and therefore its revenue.[5]][This increase in profits suggests that customers are willing to frequently purchase from Lace 'Em Up, therefore providing the business with greater profits.[6]][Overall, by becoming a market leader and increasing profits by 16%, it can be concluded that Lace 'Em Up's rebrand was effective, as it successfully achieved its set objectives of increasing market share and improving its profits by 10%.[7]]

- I have identified and defined key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to a reason why KPIs need to be evaluated after business transformation.[2]
- I have identified and described how the percentage of market share was affected by the business change.[3]
- I have provided an example relevant to the case study and linked it to the effect on the percentage of market share following the business change.[4]
- I have identified and described how net profit figures were affected by the business change.[5]
- I have provided an example relevant to the case study and linked it to the effect on net profit figures following the business change.[6]
- I have provided a concluding statement on the overall effectiveness of the business change.[7]
- I have referred to the business directly by using 'Trent' and 'Lace 'Em Up'.
- I have used connecting words, such as 'Moreover' and 'Overall'.

13. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][Following the change in suppliers, it is important for Lauren to review KPIs as this will allow her to determine the success of the change at achieving Boi & Mied's objective of improving customer satisfaction.[2]][In 2022, Boi & Mied experienced a decrease in its number of customer complaints from 89 to 27, following its change to Italian suppliers, indicating that customers are more satisfied by the flavours of the Italian ingredients.[3]][The decrease in the number of customer complaints suggests that Boi & Mied's gelato is of a higher quality and greater flavour than it was previously, therefore increasing the ice cream truck's overall customer satisfaction.[4]][Additionally, Boi & Mied experienced a significant increase in sales from 10,000 in 2021 to 50,000 in 2022, indicating that the ice cream truck attracted more customers due to its higher-quality ingredients.[5]][This increase in sales suggests that customers are willing to frequently purchase from Boi & Mied, potentially due to the authenticity or quality of the Italian ingredients, therefore increasing sales and indicating that customers are more satisfied.[6]][Overall, through its decrease in customer complaints and increase in number of sales, it can be concluded that Boi & Mied's change to Italian suppliers was effective, as it successfully achieved Lauren's objective of improving customer satisfaction.[7]]

- I have identified and defined key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to a reason why KPIs need to be evaluated after business transformation.[2]
- I have identified and described how the number of customer complaints was affected by the business change.[3]
- I have provided an example relevant to the case study and linked it to the effect on the number of customer complaints following the business change.[4]
- I have identified and described how the number of sales was affected by the business change.[5]
- I have provided an example relevant to the case study and linked it to the effect on the number of sales following the business change.[6]
- I have provided a concluding statement on the overall effectiveness of the business change.[7]
- I have referred to the business directly by using 'Lauren' and 'Boi & Mied'.
- I have used connecting words, such as 'Additionally' and 'Overall'.

5J–L review

Exam-style

1. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][When implementing change, a manager should consider and attempt to minimise the negative consequences of the business transformation on employees, the general community, and the environment.[2]]

- I have defined the term corporate social responsibility.[1]
- I have provided one characteristic of corporate social responsibility.[2]

2. [One effect that Sun & Oda's change could have on the general community is that local employment rates could increase. Yuki plans to open ten new Sun & Oda stores in Queensland and South Australia which will require 300 more employees. Therefore, the general community is positively affected as more individuals are hired, thus reducing local unemployment rates and increasing societal wellbeing.[1]][Moreover, another effect of Sun & Oda's change is that switching to an overseas supplier can have negative impacts on the environment. By switching to a Vietnamese supplier to source cheaper sofa and bedding materials, pollution from transport emissions will increase as resources must travel further distances, therefore negatively affecting the general community.[2]]

- I have provided an example relevant to the case study and linked it to one effect of business change on the general community.[1]
- I have provided an example relevant to the case study and linked it to another effect of business change on the general community.[2]
- I have signposted my response by using 'One effect' and 'another effect'.
- I have referred to the business directly by using 'Sun & Oda' and 'Yuki'.
- I have used connecting words, such as 'Moreover'.

Note: This question could have been answered with two positive or two negative effects.

3. [One corporate social responsibility (CSR) consideration that a business, such as Sun & Oda, may address when implementing change is improving the wellbeing of its employees. Yuki could ensure that Sun & Oda's business activities positively impact its employees by supporting staff members during the change process and engaging in two-way communication.[1]][If Yuki has honest and informative conversations with employees, where they are provided with the opportunity to ask questions, Sun & Oda can reduce employee stress and uncertainty about the change, therefore positively influencing their wellbeing.[2]]

- I have identified and described one CSR consideration that a business could address when implementing change.[1]
- I have provided an example relevant to the case study and linked it to how my chosen CSR consideration could be addressed when implementing change.[2]
- I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.
- I have referred to the business directly by using 'Sun & Oda' and 'Yuki'.

4. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][One reason why reviewing KPIs is important for Sun & Oda is that it will allow Yuki to determine the size and extent of the business change, enabling him to identify how the expansion into Queensland and South Australia has had an impact on all areas of his business's performance.[2]][Additionally, another reason reviewing KPI data is important is that it can allow Yuki to determine the effectiveness of the business changes at Sun & Oda. The quantifiable KPI data can enable Yuki to identify which areas of Sun & Oda's performance have improved, thus allowing him to assess whether the business's objectives were successfully achieved.[3]] [Finally, a third reason why reviewing KPIs is important for Yuki is that it can allow him to determine Sun & Oda's course of action for the future. If Yuki identifies that his business change was successful, he can analyse other areas of his business's performance to improve and, therefore, set objectives. However, if business objectives were not achieved, Yuki can implement other strategies and invest more time into reaching his desired level of performance for Sun & Oda.[4]]

- I have identified and defined key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to one reason why KPIs need to be evaluated after business transformation.[2]
- I have provided an example relevant to the case study and linked it to a second reason why KPIs need to be evaluated after business transformation.[3]
- I have provided an example relevant to the case study and linked it to a third reason why KPIs need to be evaluated after business transformation.[4]
- I have signposted my response by using 'One reason' and 'another reason'.
- I have referred to the business directly by using 'Sun & Oda' and 'Yuki'.
- I have used connecting words, such as 'Additionally' and 'Finally'.

5. [One corporate social responsibility (CSR) consideration that Sun & Oda can address during its expansion and change of suppliers is promoting the wellbeing of its employees.[1]][At Sun & Oda, Yuki could offer training and support services to employees to help them learn about the new supplies and adapt to any changes from the opening of the new stores. By doing so, Yuki can ensure employees are satisfied, confident, and positive at work, especially if they are entering a new role.[2]][Furthermore, another CSR consideration that Yuki could address is the general community, which would require Sun & Oda to reduce or eliminate practices that are detrimental to society.[3]][By opening new stores in Queensland and South Australia, Yuki can offer employment to individuals in these locations. This can minimise the impact of unemployment on the general community and the perpetuation of issues such as crime and poverty.[4]]

- I have identified and described one CSR consideration that a business could address when implementing changes.[1]
- I have provided an example relevant to the case study and linked it to how my chosen CSR consideration could be addressed when implementing changes.[2]
- I have identified and described another CSR consideration that a business could address when implementing changes.[3]

- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen CSR consideration could be addressed when implementing changes.[4]
- ✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'another CSR consideration'.
- ✓ ✗ I have referred to the business directly by using 'Sun & Oda' and 'Yuki'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

6. [One stakeholder impacted by the change at Sun & Oda is managers. A positive effect of the change on Sun & Oda's managers is that they may be provided with opportunities to develop new skills and advance their careers, especially if they are promoted to a more senior role as a result of the new store openings. This may enhance the employability of these managers in the future.[1]][Moreover, another positive effect is that if Sun & Oda's store expansion is successful, managers may be provided with financial and non-financial rewards, allowing them to gain personal benefits.[2]][However, one negative effect of the change at Sun & Oda is that there may be increased workloads associated with the change. This may cause increased levels of stress and therefore, negatively impact the wellbeing of managers.[3]][Furthermore, another negative effect of this change at Sun & Oda is that if the expansion and change in supplier is not executed correctly, a manager may lose their job and financial security.[4]][Overall, while the implementation of change may be initially stressful and there may be pressures to achieve success, managers are likely to gain new experiences and personally benefit from Sun & Oda's business change. Therefore, Sun & Oda's business change is likely to have an overall positive effect on managers.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to a positive effect of business change on my chosen stakeholder.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another positive effect of business change on my chosen stakeholder.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a negative effect of business change on my chosen stakeholder.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another negative effect of business change on my chosen stakeholder.[4]
- ✓ ✗ I have provided an opinion on the overall effect of the change on my chosen stakeholder by summarising the positive effects and the negative effects.[5]
- ✓ ✗ I have signposted my response by using 'One stakeholder' and 'A positive effect'.
- ✓ ✗ I have referred to the business directly by using 'Sun & Oda'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'However'.

Other acceptable answers include:

- Owners
- Customers
- Employees
- Suppliers
- The general community

7. [One corporate social responsibility (CSR) consideration that Sun & Oda could address when implementing change is the wellbeing of employees. When expanding the business into Queensland and South Australia, Yuki can address staff wellbeing by ensuring any employees who are being promoted to higher job positions or changing roles, are appropriately trained, and can obtain support when required.[1]][By doing so, Yuki can ensure that employees feel comfortable and confident in their abilities to adopt the change, fostering a positive attitude amongst staff and preventing them from experiencing stress and burden that may be associated with change.[2]][Furthermore, another CSR consideration that Yuki could address is the general community, which involves reducing or eliminating practices that are detrimental to the wellbeing of society. At Sun & Oda, Yuki can address the general community by ensuring he sources materials from ethical Vietnamese suppliers.[3]][This can allow Sun & Oda to contribute positively to the wages and working conditions of individuals in overseas communities.[4]][Finally, a third CSR consideration that Yuki can address at Sun & Oda is environmental sustainability, which involves reducing the negative impacts of its activities on the planet. Yuki can address environmental sustainability by building new store locations that have eco-friendly and energy-efficient workspaces.[5]][By doing so, Yuki can ensure that the business's operational practices have positive impacts on the local wildlife and overall environment, therefore positively impacting the planet.[6]]

- ✓ ✗ I have identified and described one corporate social responsibility consideration that could be addressed when implementing change.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration when implementing change.[2]
- ✓ ✗ I have identified and described a second corporate social responsibility consideration that could be addressed when implementing change.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration when implementing change.[4]
- ✓ ✗ I have identified and described a third corporate social responsibility consideration that could be addressed when implementing change.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration when implementing change.[6]
- ✓ ✗ I have signposted my response by using 'One CSR consideration' and 'another CSR consideration'.
- ✓ ✗ I have referred to the business directly by using 'Sun & Oda' and 'Yuki'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Finally'.

Unit 4 AOS 2 review

Contemporary case study

1. [Snap Inc. is a social media and camera company founded in the United States that is primarily known for its app Snapchat. In 2022, Snap underwent a company restructure in response to a period of poor performance. Corporate culture is the shared values and beliefs of a business and its employees.[1]][One strategy that Snap can implement to develop a positive corporate culture is creating a vision statement, which outlines the aspirations of the business and is an element of official corporate culture, as it is a formal, written statement of a business's shared views and values.[2]] [By implementing a vision statement, Snap can clearly establish its goals and desires for the future as a restructured company, such as improving its profits, therefore allowing it to outline business expectations and set an example for employees to guide their approach to work.[3]]

- ✓ ✗ I have identified and defined corporate culture.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to one strategy a business can implement to develop a positive corporate culture.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it how my chosen strategy can develop a positive corporate culture.[3]
- ✓ ✗ I have signposted my response by using 'One strategy'.
- ✓ ✗ I have referred to the business directly by using 'Snap Inc.' and 'Snap'.
- ✓ ✗ I have included a brief description of the contemporary case study.

2. [Snap Inc. is a social media and camera company founded in the United States that is primarily known for its app Snapchat. In 2022, Snap underwent a company restructure in response to a period of poor performance. One management strategy that could be used to respond to key performance indicators (KPIs) is improving quality in production, which involves implementing processes that increase the perceived value of goods and services.[1]][At Snap, the business's number of sales and net profit figures profits both declined, indicating that the business is not attracting and retaining as many customers as it requires to remain competitive.[2]][Thus, through the implementation of strategies that proactively improve the quality of its social media platform, Snap may be able to provide a higher quality user experience that has fewer bugs and errors, improving levels of customer satisfaction. As a result, Snap's sales and net profit figures are likely to increase as customers are more willing to repeatedly use the higher-quality platform.[3]]

- ✓ ✗ I have identified and defined one management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to key performance indicators.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to how my chosen management strategy can be used to respond to key performance indicators.[3]
- ✓ ✗ I have signposted my response by using 'One management strategy'.
- ✓ ✗ I have referred to the business directly by using 'Snap Inc.' and 'Snap'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Note: Other management strategies to respond to KPIs and seek new opportunities can be used in a response.

3. [Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation.[1]][A manager can demonstrate strong leadership in change management by building a shared vision, providing ongoing communication, and providing ongoing support.[2]] [Snap Inc. is a social media and camera company founded in the United States that is primarily known for its app Snapchat. In 2022, Snap underwent a company restructure in response to a period of poor performance. One way a manager can implement leadership in change management is by building a shared vision which involves inspiring employees and informing them of the reasons and benefits of change, as well as the consequences of not changing.[3]] [At Snap, the Chief Executive Officer (CEO), Evan Spiegel, could build a shared vision by informing employees of Snap's struggling financial performance and the benefits of changing for the future viability of the business. By doing so, he can encourage employees to support and feel comfortable with the change.[4]][Furthermore, another way a manager can implement leadership in change management is by providing ongoing communication and support, which involves providing employees with clear instructions to instil trust and confidence, whilst also offering counselling, training, and consultations to assist employees through the transition.[5]][Spiegel can provide ongoing communication and support to Snap employees by remaining transparent throughout the change process and providing counselling services to employees who may be leaving the business to improve their prospects of future employment. By doing so, Spiegel can enhance the likelihood of successful change at Snap as employee resistance is likely to decrease.[6]]

- ✓ ✗ I have identified and defined leadership in change management.[1]
- ✓ ✗ I have identified and described the elements of leadership in change management.[2]
- ✓ ✗ I have identified and described one way a manager can demonstrate leadership in change management.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the importance of leadership in change management.[4]
- ✓ ✗ I have identified and described another way a manager can demonstrate leadership in change management.[5]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the importance of leadership in change management.[6]
- ✓ ✗ I have signposted my response by using 'One way' and 'another way'.
- ✓ ✗ I have referred to the business directly by using 'Snap Inc.' and 'Evan Spiegel'.

- ✓ ✗ I have used connecting words, such as 'Furthermore'.
- ✓ ✗ I have included a brief description of the contemporary case study.

4. [Snap Inc. is a social media and camera company founded in the United States that is primarily known for its app Snapchat. In 2022, Snap underwent a company restructure in response to a period of poor performance. The first step of Lewin's Three-step Change Model is unfreeze, which involves moving a business to a state where stakeholders are prepared to undergo change.[1]][During this stage at Snap, the Chief Executive Officer (CEO), Evan Spiegel, should communicate the reasons for, and benefits of, restructuring the company to Snap's stakeholders to encourage them to support the change and enable it to be successfully implemented.[2]][Furthermore, the second step in this model is change, which involves moving a business towards its desired state.[3]][At Snap, Spiegel should provide his remaining employees with support and training on how to perform new roles within the business and implement any restructured processes. This can ensure Snap's employees transition smoothly into the change as they have the skills to begin these new practices.[4]] [The third step in Lewin's Three-step Change Model is refreeze, which involves ensuring a change is sustained within a business for the long term.[5]][Spiegel should create new job descriptions for employees whose roles' have changed at Snap to reinforce the company's restructure. This can ensure the change is ingrained within Snap's operations for the future.[6]]

- ✓ ✗ I have identified and defined the unfreeze step of Lewin's Three-step Change Model.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the unfreeze step.[2]
- ✓ ✗ I have identified and defined the change step of Lewin's Three-step Change Model.[3]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the change step.[4]
- ✓ ✗ I have identified and defined the refreeze step of Lewin's Three-step Change Model.[5]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the refreeze step.[6]
- ✓ ✗ I have signposted my response by using 'The first step', 'the second step', and 'The third step'.
- ✓ ✗ I have referred to the business directly by using 'Snap Inc.' and 'Evan Spiegel'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Exam-style

5. a. [Incentives as a low-risk strategy involves managers providing financial or non-financial rewards to encourage employees to support change.[1]][To implement incentives and reduce employee resistance, a manager can offer financial rewards, such as bonuses, pay rises, and commissions, or non-financial rewards, such as career advancement and leadership opportunities.[2]]

- ✓ ✗ I have defined incentives as a low-risk strategy.[1]
- ✓ ✗ I have provided one characteristic of incentives as a low-risk strategy.[2]

b. [One low-risk strategy that Chrissy and Eddie could use to overcome employee resistance at Wake Up is communication, which involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change.[1]][In order to effectively overcome employee resistance towards the implementation of new technology, Chrissy and Eddie can ensure they engage in two-way communication, whereby employees are encouraged to ask questions, voice their concerns, and provide feedback regarding the change. This can provide Wake Up employees with reassurance and reduce their overall resistance towards the change.[2]]

- ✓ ✗ I have identified and defined one low-risk strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen low-risk strategy can be used to overcome employee resistance.[2]
- ✓ ✗ I have signposted my response by using 'One low-risk strategy'.
- ✓ ✗ I have referred to the business directly by using 'Chrissy and Eddie' and 'Wake Up'.

Other acceptable answers include:

- Support
- Empowerment

c. [One stakeholder that may be affected by the implementation of new machinery at Wake Up is customers, as Chrissy and Eddie may be able to provide them with clocks in a more timely manner as the machinery is likely to be more efficient than current practices. This may positively affect Wake Up's customers as they can obtain their clock order more quickly, thus increasing their levels of satisfaction.[1]][Additionally, another effect of Wake Up's business change on customers is that it may increase the quality of the alarm clocks that are provided. The new machinery at Wake Up is likely to produce fewer errors than human labour, thus minimising the number of defective clocks that reach customers and therefore increasing customer satisfaction.[2]][Moreover, another stakeholder that may be affected by the implementation of new clock manufacturing machinery at Wake Up is employees as their roles and responsibilities within the business may be affected by the change. At Wake Up, employees may fear that they will be made redundant by the new technology, which can negatively affect their wellbeing and increase stress.[3]][Furthermore, another effect of the new technology on Wake Up's employees is that it may require current production line workers to learn new complex skills and difficult processes, such as how to operate the new machinery, in order to remain employed at the business. Consequently, this may cause employees to feel overwhelmed and pressured at Wake Up, thus negatively affecting their wellbeing.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one effect of business change on my chosen stakeholder.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another effect of business change on my chosen stakeholder.[2]

- ✓ ✗ I have provided an example relevant to the case study and linked it to one effect of business change on another chosen stakeholder.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another effect of business change on my chosen stakeholder.[4]
- ✓ ✗ I have signposted my response by using 'One stakeholder' and 'another effect'.
- ✓ ✗ I have referred to the business directly by using 'Wake Up' and 'Chrissy and Eddie'.
- ✓ ✗ I have used connecting words, such as 'Additionally' and 'Moreover'.

Other acceptable answers include:

- Owners
- Managers
- Suppliers
- The general community

d. [Increased investment in technology involves implementing automated and computerised processes into a business's operations system. A business can invest in technological developments by implementing strategies such as robotics, artificial intelligence (AI), or online services.[1]][In 2022, Wake Up experienced a rate of productivity growth of 2%, which was lower than its rate in 2021 of 6%, indicating a slower growth in productivity, which could be attributed to an increase in the time that is wasted manually producing clocks through human labour.[2]][Therefore, Wake Up could invest in new clock building machinery and computer-aided manufacturing that automates the production of clocks and increases efficiency, allowing clocks to be delivered to customers at a faster pace and ultimately improving Wake Up's rate of productivity growth.[3]]

- ✓ ✗ I have identified and described increased investment in technology as a management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the rate of productivity growth.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how increased investment in technology can be used to improve a business's rate of productivity growth.[3]
- ✓ ✗ I have referred to the business directly by using 'Wake Up'.
- ✓ ✗ I have used connecting words, such as 'Therefore'.

e. [One principle of Senge's Learning Organisation that Wake Up could implement is systems thinking, which is a management approach that considers the interrelationship between the parts of a whole system.[1]][By encouraging employees at Wake Up to recognise the interconnectedness within the business, Chrissy and Eddie can support staff to understand the importance of the introduction of new technology to improve clock manufacturing efficiency, encouraging them to successfully implement the change.[2]][This may result in employees having a greater connection and appreciation of Wake Up and allow them to recognise how their role is making a difference within the business, thus creating feelings of value and fostering a positive corporate culture.[3]][Furthermore, another principle of Senge's Learning Organisation that Chrissy and Eddie could implement is team learning, which is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices.[4]][At Wake Up, Chrissy and Eddie could encourage employees to work within teams when undergoing change in order to foster the sharing of knowledge and ensure staff are supported to facilitate the implementation of successful change.[5]][By doing so, employees can develop stronger interpersonal relationships and connections within the team, allowing staff to feel appreciated and welcomed into the business, ultimately enhancing corporate culture.[6]]

- ✓ ✗ I have identified and defined a principle of Senge's Learning Organisation.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen principle can ensure change is successful.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen principle can positively influence corporate culture.[3]
- ✓ ✗ I have identified and defined another principle of Senge's Learning Organisation.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen principle can ensure change is successful.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen principle can positively influence corporate culture.[6]
- ✓ ✗ I have signposted my response by using 'One principle' and 'another principle'.
- ✓ ✗ I have referred to the business directly by using 'Wake Up' and 'Chrissy and Eddie'.
- ✓ ✗ I have used connecting words, such as 'Furthermore'.

Other acceptable answers include:

- Mental models
- Shared vision
- Personal mastery

6. a. [High-risk strategies are autocratic management approaches used to influence employees to quickly accept and follow a business change.[1]][A business can utilise high-risk strategies to rapidly reduce employee resistance to change by influencing them to support a high-priority business transformation.[2]]

- ✓ ✗ I have defined high-risk strategies.[1]
- ✓ ✗ I have provided one characteristic of high-risk strategies.[2]

b. [Innovation is the process of altering and improving or creating new products or procedures.[1]][Recently, Sergio has been concerned about Checo's performance, as the number of headphones and speaker sales decreased from 250,000 in 2021 to 170,000 in 2022, indicating that customers are potentially unsatisfied by the business's products.[2]][Therefore, by implementing the management strategy of innovation, Checo's may be able to develop a unique headphone or speaker design that provides the best sound quality through a practical and aesthetic design that attracts new customers to the business. As a result, more customers are likely to purchase from and engage with the business, thus improving Checo's KPIs of number of sales and net profit figures.[3]]

- I have identified and defined innovation as a management strategy to respond to key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to business performance and one key performance indicator.[2]
- I have provided an example relevant to the case study and linked it to how innovation can be used to improve business performance and my chosen key performance indicator.[3]
- I have referred to the business directly by using 'Sergio' and 'Checo's'.
- I have used connecting words, such as 'Therefore'.

c. [One advantage of using high-risk strategies at Checo's is that Sergio can use them to implement change in the way he desires as there is no employee input, which can increase the efficiency of the change.[1]][Furthermore, another advantage of high-risk strategies is that their initial implementation can be relatively inexpensive for Checo's as there are usually no costs associated with manipulation and threat.[2]][However, a disadvantage of high-risk strategies at Checo's is that they may lead to the development of a negative corporate culture in the future, due to the establishment of long-term distrust between Sergio and his employees.[3]][Moreover, another disadvantage of high-risk strategies is that there may be low morale in the workplace as employees may be fearful of losing their job and believe they can be easily replaced, consequently increasing stress and decreasing productivity at Checo's.[4]]

- I have provided an example relevant to the case study and linked it to an advantage of using high-risk strategies.[1]
- I have provided an example relevant to the case study and linked it to another advantage of using high-risk strategies.[2]
- I have provided an example relevant to the case study and linked it to a disadvantage of using high-risk strategies.[3]
- I have provided an example relevant to the case study and linked it to another disadvantage of using high-risk strategies.[4]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Checo's' and 'Sergio'.
- I have used connecting words, such as 'Furthermore' and 'However'.

7. a. [Threat is a high-risk strategy that involves forcing employees to follow a proposed change by stating that they may or will cause harm to them if they fail to do so.[1]][At Cognition, Camille could implement threat by making statements that aim to intimidate employees and exploit typical fears that they hold, including losing their job and financial security. This may allow Camille to quickly influence her employees to support transition to online wellbeing services, thus reducing their resistance to change.[2]]

- I have identified and defined threat as a high-risk strategy.[1]
- I have provided an example relevant to the case study and linked it to how threat can be used to overcome employee resistance to change.[2]

b. [One CSR consideration that Cognition could address when implementing change is employees, which would involve Camile expressing concern for the wellbeing of staff during the process of implementing the proposed online services.[1]][For example, Camille could ensure that employees working at the closing Cognition location are provided with job and financial security, by offering them redeployment to the online wellbeing services section of the business.[2]]

- I have identified and described one CSR consideration that a business could address when implementing changes.[1]
- I have provided an example relevant to the case study and linked it to how my chosen CSR consideration could be addressed when implementing changes.[2]
- I have signposted my response by using 'One CSR consideration'.
- I have referred to the business directly by using 'Cognition' and 'Camile'.

Other acceptable answers include:

- The general community
- The environment

c. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][One reason why reviewing KPIs is important for Cognition is that it will allow Camile to determine the size and extent of the business change, enabling her to identify how the closure of one business location and establishing the online wellbeing service impacted all areas of her business's performance.[2]][Additionally, another reason reviewing KPI data is important is that it can allow Camile to determine the effectiveness of the business changes at Cognition. The quantifiable KPI data can enable Camile to identify whether Cognition's performance has increased from the business change and whether the business has engaged more customers, thus allowing her to assess whether her objectives were successfully achieved.[3]]

[Finally, a third reason why reviewing KPIs is important for Camile is that it can allow her to determine Cognition's course of action for the future. If Camile identifies that her business change was successful, she can analyse other areas of her business's performance to improve and therefore, set objectives. However, if business objectives were not achieved, Camile can implement other strategies and invest more time into reaching her desired level of performance for Cognition.[4]]

- I have identified and defined key performance indicators.[1]
- I have provided an example relevant to the case study and linked it to one reason why KPIs need to be evaluated after business transformation.[2]
- I have provided an example relevant to the case study and linked it to a second reason why KPIs need to be evaluated after business transformation.[3]
- I have provided an example relevant to the case study and linked it to a third reason why KPIs need to be evaluated after business transformation.[4]
- I have signposted my response by using 'One reason' and 'another reason'.
- I have referred to the business directly by using 'Cognition' and 'Camile'.
- I have used connecting words, such as 'Additionally' and 'Finally'.

d. [Low-risk strategies are measured management approaches that gradually encourage employees to accept and participate in a business change.[1]][At Cognition, employees may resist the proposed change of closing a store location and establishing online wellbeing services as they fear their roles may be changed or be made redundant. Therefore, Camille can implement low-risk strategies, including communication, empowerment, support, and incentives, throughout the business's transition, to encourage employees to accept and follow the proposed change.[2]][One advantage of Camile using low-risk strategies is that it can reduce employee fear and stress towards the change as providing support or clear communication can enable employees to feel they have the resources required to successfully transition to providing the online wellbeing services, thus reducing their resistance.[3]][Moreover, another advantage of low-risk strategies is that Camile can increase the likelihood of the change being successful in the long-term at Cognition as she can increase the trust and cohesion between herself and her employees through these strategies, therefore decreasing employee resistance.[4]]
[On the other hand, one disadvantage of using low-risk strategies is that they may take time to implement, therefore Camile may be unable to establish the change as quickly at Cognition.[5]]
[Additionally, another disadvantage of using low-risk strategies at Cognition is that if Camile hires counsellors or mentors to support employees or implements incentives, this may come at an increased cost to the business.[6]]

- I have identified and defined low-risk strategies.[1]
- I have provided an example relevant to the case study and linked it to low-risk strategies.[2]
- I have provided an example relevant to the case study and linked it to an advantage of low-risk strategies.[3]
- I have provided another example relevant to the case study and linked it to another advantage of low-risk strategies.[4]
- I have provided an example relevant to the case study and linked it to a disadvantage of low-risk strategies.[5]
- I have provided another example relevant to the case study and linked it to another disadvantage of low-risk strategies.[6]
- I have signposted my response by using 'One advantage' and 'another advantage'.
- I have referred to the business directly by using 'Camile' and 'Cognition'.
- I have used connecting words, such as 'Moreover' and 'Additionally'.

Course review

Section A

1. a. [A government business enterprise is a business that is owned and operated by the government.[1]][One example of a government business enterprise is Australia Post, which provides a high-quality, national postal service. The profits that Australia Post generates from providing its postal services are either distributed to the Australian government or reinvested back into the business.[2]]

- I have identified and defined government business enterprise.[1]
- I have provided an example relevant to the contemporary case study and linked it to government business enterprises.[2]
- I have signposted my response by using 'One example'.
- I have referred to the business directly by using 'Australia Post'.
- I have included a brief description of the contemporary case study.

b. [A similarity between Porter's lower cost and differentiation strategy is that both aim to provide a business with a competitive advantage.[1]][On the other hand, a difference between the two strategies is that the lower cost strategy sells products at lower prices while the differentiation strategy typically charges premium prices.[2]][Accordingly, another difference is that lower cost businesses usually target cost-conscious customers while differentiated businesses focus on customers that are not as price-sensitive and willing to pay a premium price.[3]]
[Finally, another difference is that the lower cost strategy tends to concentrate on reducing internal costs, whereas the differentiation strategy places importance on meeting external customer needs.[4]]

- I have provided one similarity between Porter's lower cost and differentiation strategies.[1]
- I have provided one difference between Porter's lower cost and differentiation strategies.[2]

- ✓ ✗ I have provided a second difference between Porter's lower cost and differentiation strategies.[3]
- ✓ ✗ I have provided a third difference between Porter's lower cost and differentiation strategies.[4]
- ✓ ✗ I have signposted my response by using 'A similarity' and 'another difference'.
- ✓ ✗ I have used connecting words, such as 'Accordingly'.

Note: This question could have been answered with two similarities and two differences, or three similarities and one difference.

c. [Porter's lower cost strategy involves a business offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors.[1]][Pharmax has been able to achieve the lowest cost of operations within Australia's retail pharmaceutical industry by minimising unnecessary costs and processing large volumes of pharmaceutical products.[2]][By using the lower cost strategy, Pharmax is able to charge lower prices than its competitors whilst maintaining a healthy profit margin. Accordingly, Pharmax is able to achieve a competitive advantage by using pricing strategies that attract customers away from competitors.[3]][In addition, Pharmax has been able to further achieve a competitive advantage by reducing its operating costs through economies of scale. By producing large volumes of pharmaceutical goods, operating costs at Pharmax can be minimised and profit margins may increase, as inputs to manufacture these pharmaceutical products can be purchased in bulk, decreasing the overall cost of supplies.[4]]

- ✓ ✗ I have identified and defined Porter's lower cost strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the lower cost strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to achieving a competitive advantage.[3]
- ✓ ✗ I have provided another example relevant to the case study and linked it to achieving a competitive advantage.[4]
- ✓ ✗ I have referred to the business directly by using 'Pharmax'.
- ✓ ✗ I have used connecting words, such as 'Accordingly'.

Note: Porter's lower cost strategy is the only acceptable answer.

d. [One strategy Pharmax could implement to develop a positive corporate culture is the introduction of policies, which would involve establishing and publishing codes of conduct and business processes.[1]][At Pharmax, Malik can implement policies to develop a positive, official corporate culture as they will effectively reflect the values and beliefs of Pharmax's operations in a written format. For example, Malik could introduce a policy that promises to price match any item that is offered at a lower price in competing chemists.[2]][By implementing policies, Pharmax can establish processes and procedures that employees can follow to demonstrate the business's commitment to providing the most affordable prices to customers in the retail pharmaceutical industry, thus promoting a positive, official corporate culture.[3]]

[Additionally, another strategy Pharmax could implement to develop a positive, official corporate culture is making use of symbols, which would involve selecting business names, logos, and slogans to represent the business as an entity.[4]][Malik could investigate different options for a Pharmax business slogan that reflects the business's commitment to providing customers with low prices.[5]][A slogan that reflects Pharmax's value of providing the most affordable prices in the retail pharmaceutical industry could allow customers to quickly identify the business and help establish a strong business reputation, thus promoting a positive, official corporate culture.[6]]

- ✓ ✗ I have identified and described one strategy to develop a positive corporate culture.[1]
- ✓ ✗ I have provided an example relevant to the case study.[2]
- ✓ ✗ I have linked my example to my chosen strategy to develop a positive corporate culture.[3]
- ✓ ✗ I have identified and described another strategy to develop a positive corporate culture.[4]
- ✓ ✗ I have provided an example relevant to the case study.[5]
- ✓ ✗ I have linked my example to my chosen strategy to develop a positive corporate culture.[6]
- ✓ ✗ I have signposted my response by using 'One strategy' and 'another strategy'.
- ✓ ✗ I have referred to the business directly by using 'Pharmax' and 'Malik'.
- ✓ ✗ I have used connecting words, such as 'Additionally'.

Note: Other strategies to develop official and real corporate culture can be used in a response.

2. [International Business Machines Corporation (IBM) is an American multinational information technology company that is best known for producing and selling computer hardware and software. One principle of Senge's Learning Organisation that IBM could apply is personal mastery, which is the discipline of personal growth and learning, aligned with one's values and purpose.[1]][IBM could implement personal mastery by providing employees with access to a variety of educational resources and encourage them to continue learning and investing time into areas they find interesting and exciting. By doing so, IBM can promote a positive corporate culture where self-assessment of strengths and weaknesses is encouraged in order to improve.[2]][Moreover, if employees at IBM are able to share the business's vision of growth and are given opportunities to personally develop and improve, this can help build a culture whereby employees are more likely to have a growth mindset and be open and willing to change.[3]][Furthermore, another learning organisation principle that IBM could apply is shared vision, which is an aspirational description of what an organisation and its members would like to achieve.[4]][To implement a shared vision, IBM could ensure that there is a strong and clearly-communicated vision to provide a unified focus for employees and their work activities. This can contribute to a positive corporate culture whereby employees value teamwork and collective progress towards stated goals.[5]][Accordingly, if IBM employees are able to share in the business's vision, they are more likely to be flexible and willing to adapt their behaviours to achieve the vision, leading to successful change.[6]]

- ✓ ✗ I have identified and defined a principle of Senge's Learning Organisation.[1]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to how my chosen principle positively influences corporate culture.[2]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to how my chosen principle promotes successful change.[3]
- ✓ ✗ I have identified and defined another principle of Senge's Learning Organisation.[4]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to how my chosen principle positively influences corporate culture.[5]
- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to how my chosen principle promotes successful change.[6]
- ✓ ✗ I have signposted my response by using 'One principle' and 'another learning organisation principle'.
- ✓ ✗ I have referred to the business directly by using 'International Business Machines Corporation (IBM)'.
- ✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.
- ✓ ✗ I have included a brief description of the contemporary case study.

Other acceptable answers include:

- Systems thinking
- Mental models
- Team learning

3. a. [Goodall's Stories has taken a reactive approach to change, which is when a business undertakes change in response to a situation or crisis.[1]][Since Scott is undertaking change in response to the trend of declines in paper book sales and that customers are increasingly purchasing e-books from the business's competitors. Thus, the decision to transition to an online focus is considered reactive.[2]]

- ✓ ✗ I have identified and defined the reactive approach to change.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the reactive approach to business change.[2]
- ✓ ✗ I have referred to the business directly by using 'Goodall's Stories' and 'Scott'.

Note: The reactive approach to change is the only acceptable answer.

b. [One restraining force is organisational inertia, which is the tendency for a business to maintain established ways of operating. Organisational inertia is present at Goodall's Stories as employees are unwilling to accept that current practices may need to shift if it transitions its operations to a new online platform for e-books.[1]]

[This acts as a restraining force for change as organisational resistance acts to inhibit a smooth transition to a more efficient and profitable online platform, thus preventing Goodall's Stories from making use of the market opportunity of increased demand for e-books.[2]][Moreover, another restraining force is Goodall's Stories' employees, who are the individuals hired by the business to complete work tasks and support the achievement of its objectives. Goodall's stories employees are currently reluctant to shift the business's operations online.[3]][As employees may fear changes to their roles at the book store and the uncertainty surrounding the transition process, this resistance prevents the shift towards Scott's idea of capturing more sales through the implementation of an online platform that can meet the increased demand for e-books.[4]]

- ✓ ✗ I have identified and described a restraining force.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen restraining force.[2]
- ✓ ✗ I have identified and described another restraining force.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen restraining force.[4]
- ✓ ✗ I have signposted my response by using 'One restraining force' and 'another restraining force'.
- ✓ ✗ I have referred to the business directly by using 'Goodall's Stories' and 'Scott'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

Other acceptable answers include:

- Legislation
- Time
- Financial considerations

c. [Online services are services that are provided via the internet.[1]][Implementing an online platform at Goodall's Stories where customers can purchase e-books online can reduce the number of employees needed to operate the bookstore. This can allow Goodall's Stories to optimise the use of its labour resources, thus improving the efficiency of the business's operations.[2]][Moreover, with regard to the increased demand for e-books, establishing an online platform where customers can purchase their favourite books online in an e-book format is likely to improve levels of customer satisfaction. This can allow Goodall's Stories to capture more sales and increase its market share, thus improving the effectiveness of the business's operations.[3]]

- ✓ ✗ I have identified and defined the technological development of online services.[1]
- ✓ ✗ I have provided an online services example relevant to the case study and linked it to improving the efficiency of operations.[2]
- ✓ ✗ I have provided an online services example relevant to the case study and linked it to improving the effectiveness of operations.[3]
- ✓ ✗ I have referred to the business directly by using 'Goodall's Stories'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

4. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.[1]][One CSR consideration for an Australian business could be deciding to hire more local employees, as opposed to conducting its operations with overseas workers. This can help boost employment levels within the local economy.[2]][One way that the general community could be positively affected by a business deciding to hire local employees is that such hiring can boost local economic activity by increasing employment levels.[3]][Furthermore, another positive effect of hiring locally on the general community is that higher local employment rates are typically associated with increased living standards and lower levels of crime.[4]][However, the decision to hire local employees may negatively affect customers, as their interests as a stakeholder involve receiving high-quality goods and services at affordable prices. Since it may be relatively more expensive to conduct operations using local employees instead of overseas workers, customers may be prevented from receiving the lowest possible price for goods and services.[5]][Additionally, another CSR consideration is a business deciding to fully convert its operation's processes to use renewable energy sources.[6]][One stakeholder that may be positively affected by the business's choice to use renewable energy sources is the general community, as the business's operations will produce lower levels of pollution.[7]][However, one stakeholder that may be negatively affected is suppliers, particularly the current energy providers of the business, as the current supplier of energy may lose the revenue it previously generated.[8]][Furthermore, another stakeholder that may be negatively affected by the switch to sustainable energy sources is owners. The high, initial investment costs required to switch to renewable energy sources can increase business expenses, reducing profits in the short-term and thus negatively impacting the ability of owners or shareholders to make a profit, one of their core objectives.[9]][Overall, the implementation of practices that demonstrate a business's commitment to CSR will not always positively affect each stakeholder. CSR initiatives may be beneficial to some stakeholders but can also negatively affect other stakeholders.[10]]

- ✓ ✗ I have defined corporate social responsibility (CSR).[1]
- ✓ ✗ I have provided an example of a CSR consideration.[2]
- ✓ ✗ I have linked my example to a positive effect on a chosen stakeholder.[3]
- ✓ ✗ I have linked my example to another positive effect on a chosen stakeholder.[4]
- ✓ ✗ I have linked my example to a negative effect on a chosen stakeholder.[5]
- ✓ ✗ I have provided an example of a second CSR consideration.[6]
- ✓ ✗ I have linked my example to a positive effect on a chosen stakeholder.[7]
- ✓ ✗ I have linked my example to a negative effect on a chosen stakeholder.[8]
- ✓ ✗ I have linked my example to another negative effect on a chosen stakeholder.[9]
- ✓ ✗ I have provided an opinion on whether the effect of CSR on stakeholders is always positive by summarising the positive and negative effects.[10]
- ✓ ✗ I have signposted my response by using 'One CSR consideration' and 'another CSR consideration'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.

Note: 10 mark questions are globally marked and this is a suggested marking scheme. More than one stakeholder should be used in your answer.

5. a. [One performance management strategy that Arnie could implement is performance appraisals, which involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements.[1]][One advantage of using performance appraisals at Herrman's Gym is that the results from the performance appraisal process can outline areas where personal trainers are lacking knowledge, and training can be implemented to resolve the identified issues.[2]][Moreover, another advantage of using performance appraisals is that it can increase levels of communication between Arnie and his personal trainers which can enable Arnie to provide a clear direction to his employees on how to improve their performance and strengthen their knowledge related to providing fitness sessions.[3]][Furthermore, another advantage of using performance appraisals to improve the performance of the personal trainers at Herrman's Gym is that since the appraisals will be conducted every six months, Arnie will be able to ensure that the service provided by his staff is continuously improving and addressing the needs of the gym's members.[4]]

- ✓ ✗ I have identified and defined one performance management strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen performance management strategy.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a second advantage of my chosen performance management strategy.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a third advantage of my chosen performance management strategy.[4]
- ✓ ✗ I have signposted my response by using 'One performance management strategy' and 'One advantage'.
- ✓ ✗ I have referred to the business directly by using 'Arnie' and 'Herrman's Gym'.
- ✓ ✗ I have used connecting words, such as 'Moreover'.

Other acceptable answers include:

- Management by objectives
- Employee observation
- Self-evaluation

COURSE REVIEW

b. [Arnie could implement on-the-job training, which involves employees improving their knowledge and skills within the workplace. One advantage of using on-the-job training to upskill the personal trainers at Herrman's Gym is that Arnie can avoid any expenses associated with transporting his personal trainers to an external training facility, as the training would be conducted within the workplace using Herrman's Gym's facilities.[1]] [Furthermore, another advantage of on-the-job training is that during the training personal trainers can use the equipment within Herrman's Gym that they are familiar and train with on a day-to-day basis.[2]] [On the other hand, one disadvantage of using on-the-job training is that since the training will be conducted within the workplace, the personal trainers who are being trained may become distracted by other staff members that are not undertaking training.[3]] [Moreover, another disadvantage of using on-the-job training is that Herrman's Gym may lack the required amount of experienced staff to effectively upskill the personal trainers.[4]] [Overall, despite the risk of lacking the required number of training staff and the potential for trainers to become distracted, on-the-job training is an effective and inexpensive method for Herrman's Gym as it can ensure Arnie's personal trainers are equipped with the appropriate knowledge to conduct their training sessions with customers.[5]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen training method.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen training method.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of my chosen training method.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of my chosen training method.[4]
- ✓ ✗ I have provided an opinion on the appropriateness of my chosen training method by summarising the advantages and the disadvantages.[5]
- ✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.
- ✓ ✗ I have referred to the business directly by using 'Arnie' and 'Herrman's Gym'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'On the other hand'.

Other acceptable answers include:

- Off-the-job training

Section B

1. [The number of website hits is a key performance indicator that measures the number of customer visits a business's online platform receives in a specific period of time.[1]] [This KPI can be used as an indicator of a business's level of customer engagement and the overall online interaction of a business and its products with customers.[2]]

- ✓ ✗ I have identified and defined number of website hits.[1]
- ✓ ✗ I have provided one characteristic of number of website hits.[2]

2. [One management strategy Lillia could use is increased investment in technology which involves implementing automated and computerised processes into a business's operations system. Lillia can implement increases investment in technology by purchasing new self-service checkouts and implementing them into Deemart's 15 stores across Australia.[1]] [Deemart's rate of productivity has been negatively affected in recent years, decreasing by 5% in 2022, a rate of growth that is significantly lower than the increase of 12% that Deemart experienced in 2020. This indicates that Deemart has become less productive over the past three years.[2]] [By implementing new self-service checkouts, Lillia can improve the customer purchasing experience by providing a checkout process that is faster and more convenient than being served by an employee. This could help Deemart improve its rate of productivity growth, as labour resources could be relocated elsewhere where they may be used more optimally.[3]] [Furthermore, another management strategy Lillia could implement to respond to key performance indicators is cost-cutting, which is the process of reducing business expenses. Lillia can implement cost-cutting by stopping the production of grocery items with high amounts of unsold or expired stock that is discarded.[4]] [Deemart's percentage of market share has recently declined, from 11% in 2020 to 9% in 2022, indicating that the business is capturing a lower proportion of total sales within the retail grocery industry.[5]] [Through implementing measures to cut costs, Lillia can pass on savings in the form of more affordable prices to customers, whilst maintaining Deemart's desired profit margins. Accordingly, these lower prices can attract customers from competing supermarkets to Deemart and allow Deemart to increase its proportion of total sales within the grocery industry.[6]]

- ✓ ✗ I have identified and described one management strategy to respond to key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen management strategy can be used to respond to my chosen key performance indicator.[3]
- ✓ ✗ I have identified and described another management strategy to respond to key performance indicators.[4]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one of the key performance indicators in the table.[5]
- ✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen management strategy can be used to respond to my chosen key performance indicator.[6]
- ✓ ✗ I have signposted my response by using 'One management strategy' and 'another management strategy'.
- ✓ ✗ I have referred to the business directly by using 'Lillia' and 'Deemart'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Accordingly'.

Other acceptable answers include:

- Innovation
- Initiating lean production techniques

3. [The first key principle of Lewin's Force Field Analysis is weighting, which would involve Lillia scoring and attributing a value to the driving and restraining forces relevant to the proposed introduction of self-service checkouts.[1]][The next principle is ranking, which involves arranging the forces in order of value and determining the total score of driving and restraining forces. This can allow Lillia to determine whether driving forces exceed restraining forces.[2]] [If during the ranking stage it is determined that the driving forces for the change outweigh the retraining force, Lewin suggests a business can go ahead with the next principle which is implementing a response. This would involve Deemart actually installing the self-service checkouts in its 15 supermarkets located across Sydney, Brisbane, Melbourne, and Canberra.[3]][The final principle is evaluating the response.This involves Lillia assessing whether the new self-service checkouts have been successfully implemented in Deemart supermarkets or if further changes and adjustments are needed. Here, Lillia can use key performance indicators, such as percentage of market share, to evaluate the success of the change towards the objective of further refining Deemart's operations.[4]]

- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of weighting as part of the Force Field Analysis.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of ranking as part of the Force Field Analysis.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of implementing a response as part of the Force Field Analysis.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to the principle of evaluating the response as part of the Force Field Analysis.[4]
- ✓ ✗ I have signposted my response by using 'The first key principle' and 'The next principle'.
- ✓ ✗ I have referred to the business directly by using 'Lillia' and 'Deemart'.

4. [Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers.[1]][Deemart's operations manager, Lillia, would have the responsibility of implementing operations strategies to maximise efficiency and effectiveness in the business's operations. In this case, to address the recent increase in customer complaints, Lillia could implement a quality strategy, such as Total Quality Management, to ensure there is a company-wide focus on providing Deemart's customers with the best possible shopping experience, by focusing on maximising customer value.[2]][Consequently, this could allow Deemart to capture more sales within the retail grocery industry, therefore assisting the business in increasing its market share and making a profit.[3]]

- ✓ ✗ I have identified and defined operations management.[1]
- ✓ ✗ I have provided an example relevant to the case study.[2]
- ✓ ✗ I have linked my example to the relationship between operations management and business objectives.[3]
- ✓ ✗ I have referred to the business directly by using 'Lillia' and 'Deemart'.
- ✓ ✗ I have used connecting words, such as 'Consequently'.

5. [The first step of Lewin's Three-step Change Model is the unfreeze step, which involves moving a business to a state where stakeholders are prepared to undergo change.[1]][The next step is the change step, which involves moving a business towards its desired state.[2]][Lastly, the final step in the model is the refreeze step, which involves ensuring a change is sustained within a business for the long term.[3]][Lillia could apply the unfreeze step of Lewin's Three-step Change Model by communicating to employees the reasons for, and benefits of, implementing self-service checkouts at the 15 Deemart supermarkets across Australia. Accordingly, this can enable Lillia to ease any feelings of uncertainty that Deemart's employees may have towards the change and encourage them to support the implementation of the self-service checkouts.[4]]

- ✓ ✗ I have identified and defined the unfreeze step of Lewin's Three-step Change Model.[1]
- ✓ ✗ I have identified and defined the change step of Lewin's Three-step Change Model.[2]
- ✓ ✗ I have identified and defined the refreeze step of Lewin's Three-step Change Model.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one step in Lewin's Three-step Change Model.[4]
- ✓ ✗ I have signposted my response by using 'The first step' and 'The next step'.
- ✓ ✗ I have referred to the business directly by using 'Lillia' and 'Deemart'.
- ✓ ✗ I have used connecting words, such as 'Accordingly'.

6. [One high-risk strategy that Lillia could use to overcome employee resistance is manipulation, which involves influencing employees to support a proposed change by providing incomplete and deceptive information about the transformation.[1]][For example, Lillia could distort information to coerce her employees into believing that the implementation of self-service checkouts will have no effect on their roles. These false or deceptive claims could coerce employees working at Deemart supermarkets into becoming more open towards the idea of adopting self-service checkouts, thus reducing levels of employee resistance towards the change.[2]]

- ✓ ✗ I have identified and defined a high-risk strategy.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen high-risk strategy.[2]
- ✓ ✗ I have signposted my response by using 'One high-risk strategy'.
- ✓ ✗ I have referred to the business directly by using 'Lillia' and 'Deemart'.

Other acceptable answers include:

- Threat

7. [Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives.[1]][One reason why reviewing KPIs is important for Deemart is that it can allow Lillia to determine the effectiveness of the introduction of self-service checkouts at Deemart supermarkets. The quantifiable KPI data can enable Lillia to identify whether rates of productivity have increased, thus allowing her to assess the extent to which the change allowed Deemart to refine its operations.[2]] [Furthermore, another reason that reviewing KPI data is important is that it can allow Lillia to determine the extent of success of the business change, by assessing multiple criteria that provide insight into how all areas of Deemart's performance were affected by the decision to adopt self-service checkout technologies.[2]][Lastly, a final reason why reviewing KPIs is important for Lillia is that it can allow her to determine a future course of action for Deemart. If Lillia identifies that the introduction of the self-service checkouts was successful, she can analyse other areas of the business's performance to improve. However, if Deemart's objectives were not achieved, Lillia can implement relevant adjustments to further promote the successful change.[4]]

- ✓ ✗ I have identified and defined key performance indicators.[1]
- ✓ ✗ I have provided an example relevant to the case study and linked it to one reason why KPIs need to be evaluated after business transformation.[2]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a second reason why KPIs need to be evaluated after business transformation.[3]
- ✓ ✗ I have provided an example relevant to the case study and linked it to a third reason why KPIs need to be evaluated after business transformation.[4]
- ✓ ✗ I have signposted my response by using 'One reason' and 'another reason'.
- ✓ ✗ I have referred to the business directly by using 'Deemart' and 'Lillia'.
- ✓ ✗ I have used connecting words, such as 'Furthermore' and 'Lastly'.

Back to contents

GLOSSARY

A

Agreements are legal documents that outline the wages and conditions of employees and are applicable to a particular business or group of businesses. p. 159

Arbitration involves an independent third party hearing arguments from both disputing parties and making a legally binding decision to resolve the conflict. p. 166

Artificial intelligence (AI) involves using computerised systems to simulate human intelligence and mimic human behaviour. p. 203

Autocratic management style involves a manager making decisions and directing employees without any input from them. p. 33

Automated production lines involve machinery and equipment that are arranged in a sequence, and the product is developed as it proceeds through each step. p. 198

Awards are legal documents that outline the minimum wages and conditions of work for employees across an entire industry. p. 157

B

Business change is the alteration of behaviours, policies, and practices of a business. p. 274

Business objectives are the goals a business intends to achieve. p. 14

C

Career advancement is the upwards progression of an employee's job position. p. 106

Change step involves moving a business towards its desired state. p. 404

Communication is the skill of effectively transferring information from one party to another. p. 48

Communication as a low-risk strategy involves managers openly and honestly transferring information to employees, and listening to their feedback so that employees are fully aware of the reasons for, and impacts of an upcoming change. p. 391

Computer-aided design (CAD) is digital design software that aids the creation, modification, and optimisation of a design and the design process. p. 201

Computer-aided manufacturing techniques (CAM) involve the use of software that controls and directs production processes by coordinating machinery and equipment through a computer. p. 202

Consultative management style involves a manager seeking input from employees on business decisions but making the final decision themselves. p. 35

Corporate culture is the shared values and beliefs of a business and its employees. p. 61, 378

Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. p. 244, 416

Cost cutting is the process of reducing business expenses. p. 355

Customers are individuals or groups who interact with a business by purchasing and utilising its goods and services. p. 24

D

Decision-making is the skill of selecting a suitable course of action from a range of plausible options. p. 48

Delegation is the skill of assigning work tasks and authority to other employees who are further down in a business's hierarchical structure. p. 48

Dismissal involves the involuntary termination of an employee who fails to meet required work standards or displays unacceptable or unlawful behaviour. p. 140

Dispute resolution process is a series of steps that disputing parties follow in order to resolve a disagreement and reach a resolution. p. 165

Drive to acquire is the desire to achieve rewards and high status. p. 90

Drive to bond is the desire to participate in social interactions and feel a sense of belonging. p. 91

Drive to defend is the desire to protect personal security as well as the values of the business. p. 91

Drive to learn is the desire to gain knowledge, skills, and experience. p. 91

Driving forces are factors affecting the business environment that promote and support business change. p. 301, 306

E

Effectiveness is the extent to which a business achieves its stated objectives. p. 19, 183

Efficiency is how productively a business uses its resources when producing a good or service. p. 18, 182

Employee observation involves a range of employees from different levels of authority assessing another employee's performance against a set of criteria. p. 134

Employees are individuals who are hired by a business to complete work tasks and support the achievement of its objectives. p. 24, 149

Employer associations are advisory bodies that assist employers in understanding and upholding their legal business obligations. p. 150

Empowerment as a low-risk strategy involves managers providing employees with increased responsibility and authority during times of change. p. 392

Back to contents

Entitlement considerations are legal obligations an employer owes to its employees following the termination of their employment contract. p. 141

Esteem needs are an individual's desires to feel important, valuable, and respected. p. 84

F

Fair Work Commission (FWC) is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act. p. 152

Force Field Analysis is a theoretical model that determines if businesses should proceed with a proposed change. p. 301

Forecasting is a materials planning tool that predicts customer demand for an upcoming period using past data and market trends. p. 209

Four Drive Theory is a motivational theory that suggests that people strive to balance four fundamental desires. p. 90

G

General community is the individuals and groups who are impacted by a business's operations and decisions, often because they are located in close proximity to the business. p. 25

Global outsourcing involves transferring specific business activities to an external business in an overseas country. p. 254, 373

Global sourcing of inputs involves a business acquiring raw materials and resources from overseas suppliers. p. 371, 251

Goal Setting Theory is a motivation theory that states that employees are motivated by clearly defined goals that fulfil five key principles. p. 97

Government business enterprise (GBE) is a business that is owned and operated by the government. p. 8

H

High-risk strategies are autocratic management approaches used to influence employees to quickly accept and follow a business change. p. 397

Human resource management is the organisation of employees' roles, pay, and working conditions. p. 78

Human resource managers are individuals who coordinate the relationship between employees and management within a business. p. 148

I

Incentives as a low-risk strategy involves managers providing financial or non-financial rewards to encourage employees to support change. p. 392

Innovation is the process of altering and improving or creating new products or procedures. p. 370

Inputs are the resources used by a business to produce goods and services. p. 186

Interpersonal is the skill of creating positive interactions with other employees, to foster beneficial professional relationships. p. 49

Investment in training is allocating resources to improve employee skills and knowledge. p. 107

J

Just in Time (JIT) is an inventory control approach that delivers the correct type and quantity of materials as soon as they are needed for production. p. 212

K

Key performance indicators (KPIs) are criteria that measure a business's efficiency and effectiveness in achieving its different objectives. p. 281

L

Laissez-faire management style involves a manager communicating business objectives to employees and giving them freedom to make decisions independently. p. 37

Leadership is the skill of motivating others in order to achieve a business's objectives. p. 49

Leadership in change management is the ability to positively influence and motivate employees towards achieving business objectives during a transformation. p. 348

Lean management is the process of systematically reducing waste in all areas of a business's operations system whilst simultaneously improving customer value. p. 235

Learning organisation is an organisation that facilitates the growth of its members and continuously transforms itself to adapt to changing environments. p. 383

Level of staff turnover is the percentage of employees that leave a business over a specific period of time and must be replaced. p. 289

Level of wastage is the amount of inputs and outputs that are discarded during the production process. p. 292

Lewin's Three-step Change Model is a process that can be used by a business to implement change successfully. p. 403

Low-risk strategies are measured management approaches that gradually encourage employees to accept and participate in a business change. p. 391

M

Management by objectives involves both managers and employees collaboratively setting individual employee goals that contribute to the achievement of broader business objectives. p. 130

Managers are individuals who oversee and coordinate a business's employees and lead its operations to ultimately achieve the business's objectives. p. 24

Manipulation as a high-risk strategy involves influencing employees to support a proposed change by providing incomplete and deceptive information about the transformation. p. 397

Manufacturing businesses use resources and raw materials to produce a finished physical good. p. 191

Market share is a business's percentage of total sales within an industry. p. 15

Maslow's Hierarchy of Needs is a motivational theory that suggests people have five fundamental needs, and their sequential attainment of each need acts as a source of motivation. p. 82

Master production schedule (MPS) is a plan that outlines what a business intends to produce, in specific quantities, within a set period of time. p. 210

Materials requirement planning (MRP) is a process that itemises the types and quantities of materials required to meet production targets set out in the master production schedule. p. 211

Mediation involves an impartial third party facilitating discussions between disputing parties to help each side of the conflict reach a resolution themselves. p. 166

Mental models are existing assumptions and generalisations that must be challenged so that learning and transformation can occur in an organisation. p. 384

Motivation is the willingness of an individual to expend energy and effort in completing a task. p. 82

N

Net profit figures are calculated by subtracting total expenses incurred from total business revenue earned, over a specific period of time. p. 282

Number of customer complaints is the number of customers who notified the business of their dissatisfaction over a specific period of time. p. 284

Number of sales is the total quantity of goods and services sold by a business over a specific period of time. p. 283

Number of website hits is the amount of visits that a business's online platform receives for a specific period of time. p. 292

Number of workplace accidents measures the amount of injuries and unsafe incidents that occur at a work location over a specific period of time. p. 291

O

Off-the-job training involves employees improving their knowledge and skills in a location external to the business. p. 124

Official corporate culture involves the shared views and values that a business aims to achieve, often outlined in a written format. p. 62, 378

On-the-job training involves employees improving their knowledge and skills within the workplace. p. 123

One-piece flow is a lean management strategy that involves processing a product individually through a stage of production and passing it onto the next stage of production before processing the next product, continuing this process throughout all stages of production. p. 236

Online services are services that are provided via the internet. p. 204

Operations management involves coordinating and organising the activities involved in producing the goods or services that a business sells to customers. p. 182

Outputs are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers. p. 187

Overseas manufacture involves a business producing goods or services outside of the country where its headquarters are located. p. 253, 372

Owners are individuals who establish, invest, and have a share in a business, often with the goal of earning a profit from its operations. In public listed and private limited companies, owners are known as shareholders. p. 23

P

Participative management style involves a manager sharing information with employees so that employees can participate in decision-making. p. 36

Partnership is a business structure that is owned by two to 20 owners. p. 5

Percentage of market share measures the proportion of a business's total sales, compared to the total sales in the industry, expressed as a percentage figure. p. 281

Performance appraisals involve a manager assessing the performance of an employee against a range of criteria, providing feedback, and establishing plans for future improvements. p. 132

Performance-related pay is a financial reward that employees receive for reaching or exceeding a set business goal. p. 105

Personal mastery is the discipline of personal growth and learning, aligned with one's values and purpose. p. 384

Persuasive management style involves a manager making decisions and communicating the reasons for those decisions to employees without their input. p. 34

Physiological needs are the basic requirements for human survival, such as food, water, and shelter. p. 83

Planning is the process of determining a business's objectives and establishing strategies to achieve these aims. p. 47

Porter's differentiation strategy involves offering unique services or product features that are of perceived value to customers, which can then be sold at a higher price than competitors. p. 333

Porter's lower cost strategy involves a business offering customers similar or lower-priced products compared to the industry average, while remaining profitable by achieving the lowest cost of operations among competitors. p. 330

Private limited company is an incorporated business structure that has at least one director and a maximum of 50 shareholders. p. 6

Back to contents

Proactive approach is when a business changes to avoid future problems or take advantage of an opportunity to gain a competitive advantage. p. 275

Processes are the actions performed by a business to transform inputs into outputs. p. 186

Profit is total revenue earned minus total expenses incurred. p. 14

Public listed company is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX. p. 6

Pull is a lean management strategy that involves customers determining the number of products a business should produce for sale. p. 235

Q

Quality is a good or service's ability to satisfy a customer's need. p. 216

Quality assurance involves a business achieving a certified standard of quality in its production after an independent body assesses its operations system. p. 217

Quality control involves inspecting a product at various stages of the production process, to ensure it meets designated standards, and discarding those that are unsatisfactory. p. 216

R

Ranking involves arranging the forces in order of value and determining the total score of driving and restraining forces. p. 302

Rate of productivity growth is the change in the total output produced from a given level of inputs over time, expressed as a percentage figure. p. 283

Rates of staff absenteeism are the average number of days employees are not present when scheduled to be at work, for a specific period of time. p. 288

Reactive approach is when a business undertakes change in response to a situation or crisis. p. 276

Real corporate culture involves the shared values and beliefs that develop organically within a business, and are practised on a daily basis by its employees. p. 62, 379

Recycle is a waste minimisation strategy that aims to transform items which would have otherwise been discarded. p. 230

Redeployment of resources involves reallocating natural, labour, and capital resources to different areas of the business to improve productivity and effectiveness. p. 364

Reduce is a waste minimisation strategy that aims to decrease the amount of resources, labour, or time discarded during production. p. 229

Redundancy involves an employee no longer working for a business because there is insufficient work or their job no longer exists. p. 139

Refreeze step involves ensuring a change is sustained within a business for the long term. p. 404

Resignation involves an employee voluntarily terminating their own employment, usually to take another job position elsewhere. p. 140

Restraining forces are factors that resist a business change or actively try to stop it. p. 301, 320

Retirement involves an individual deciding to leave the workforce permanently as they no longer wish to work. p. 139

Reuse is a waste minimisation strategy that aims to make use of items which would have otherwise been discarded. p. 229

Robotics are programmable machines that are capable of performing specified tasks. p. 199

S

Safety and security needs are the desires for protection from dangerous or threatening environments. p. 83

Sanction strategies involve penalising employees for poor performance or breaching business policies. p. 109

Self-actualisation needs are the desires of an individual to reach their full potential through creativity and personal growth. p. 84

Self-evaluation involves an employee assessing their individual performance against a set of criteria. p. 133

Service businesses provide intangible products, usually with the use of specialised expertise. p. 191

Shared vision is an aspirational description of what an organisation and its members would like to achieve. p. 384

Social enterprise is a type of business that aims to fulfil a community or environmental need by selling goods or services. p. 7

Social needs are the desires for a sense of belonging and friendship among groups, both inside and outside the workplace. p. 84

Sole trader is a business structure that is owned and operated by one individual. p. 4

Stakeholders are individuals, groups, or organisations who have a vested interest in the performance and activities of a business. p. 23

Suppliers are individuals or groups that source raw materials, component parts, and processed materials, and sell them to a business for use in the production of its goods and services. p. 24

Support as a low-risk strategy involves managers providing employees with assistance as they move from current to new practices. p. 392

Support strategies involve providing employees with any assistance that improves their satisfaction at work. p. 108

Systems thinking is a management approach that considers the interrelationship between the parts of a whole system. p. 383

Back to contents

T

Takt is a lean management strategy that involves synchronising the steps of a business's operations system to meet customer demand. p. 236

Team learning is the collective learning that occurs when teams share their experience, insights, knowledge, and skills to improve practices. p. 384

Termination is the process whereby a business ends its employment contract with an employee. p. 139

Threat as a high-risk strategy involves forcing employees to follow a proposed change by stating that they may or will cause harm to them if they fail to do so. p. 397

To fulfil a market need is when a business fills a gap in the market, which involves addressing customer needs that are currently unmet or underrepresented by other businesses in the same industry. p. 17

To fulfil a social need is improving society and the environment through business activities. p. 18

Total Quality Management (TQM) is a holistic approach whereby all employees are committed to continuously improving the business's operations system to enhance quality for customers. p. 219

Transition considerations are social and ethical practices that a manager can consider implementing when terminating employment. p. 142

U

Unfreeze step involves moving a business to a state where stakeholders are prepared to undergo change. p. 403

Unions are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions. p. 151

W

Waste minimisation is the process of reducing the amount of unused material, time, or labour within a business. p. 227

Weighting is the process of scoring and attributing a value to the driving and restraining forces. p. 302

Z

Zero defects is a lean management strategy that involves a business preventing errors from occurring in the operations system by ensuring there is an ongoing attitude of maintaining a high standard of quality for the final output. p. 237

Back to contents

ACKNOWLEDGEMENTS

Images

Figure 4/https://streat.com.au//STREAT **p. 8**, Figure 3/https://www.bossfitness.com.au//BOSS Fitness **p. 334**, Figure 3//Yakult Honsha **p. 230**, Figure 4//Sneaky Wholefoods **p. 231**, Figure 8/https://greatwrap.com.au//Great Wrap **p. 247**, Case study, Figure 1/https://serotonindealer.com/collections/menu/Serotonin Eatery **p. 73**, Figure 1//Yakult Honsha **p. 188**, Figure 1/https://www.honeyflow.com.au/pages/press/Flow **p. 374**, Figure 2/https://www.theguardian.com/business/2013/dec/18/car-parts-suppliers-warn-30000-jobs-hinge-on-keeping-toyota-in-australia/Joe Castro/AAP **p. 106**

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