YEAR 12 *Trial Exam Paper*

2018

BUSINESS MANAGEMENT

Written examination

Sample responses

This book presents:

- high-level sample responses
- mark allocations
- tips

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Question 1a.

Sample response

A business objective is a defined goal that a business sets as a target for achievement over a given period of time.

Mark allocation: 1 mark

- 1 mark for reference to goal or target and some reference to a time period for achievement

Tip

- *When asked to define a term, you must be exact with your response. Vague responses will not be awarded marks.*

Question 1b.

Sample response

Management skills are the abilities or competencies that managers use to help them to complete the tasks that are necessary to achieve business objectives. Planning is the ability to define the objectives a business seeks to achieve and then determine methods or implement strategies that will be used to achieve those objectives.

Mark allocation: 2 marks

- 1 mark for defining ‘planning’
- 1 mark for mentioning implementing strategies or determining methods

Tip

- *Describing a term, such as planning, requires more than just a definition.*

Question 1c.

Sample response

A social enterprise is a business that produces goods and services for the market, but operates with the primary objective of fulfilling a social need. The business will want to make a profit because that profit will be reinvested back into the business so that it can continue to fulfil the social need.

Social enterprises are often run just like commercial businesses and, unlike charities, they do not rely on donations as their main source of income. It is possible that some social enterprises will seek funding from the government to support their social objective(s); however, social enterprises exist to benefit society, rather than owners. These types of enterprises have been established to offer opportunities for local unemployed people, to provide vocational training or lifelong learning opportunities for disadvantaged people in the community and to focus on waste minimisation and recycling projects.

Both social enterprises and private limited companies seek to make a profit; however, a private limited company will distribute some or all of its profit back to the shareholders of the business, as shareholders often require this profit share as their income.

Mark allocation: 6 marks

While it is expected that questions worth 6 marks will be marked globally, the nature of this question allows for students to break the question into specific parts that must be addressed.

- 4 marks for stating the features of a social enterprise
- 2 marks for distinguishing this business structure from the other structure identified – only one distinction required as a minimum

Note: Responses with more points of distinction do not automatically receive more marks.

Tip

- *Features are different to advantages and you must ensure that you know the difference, as it affects the way the response is read and hence assessed.*

Question 2a.

Sample response

Redundancy is an involuntary form of termination and occurs when the job a person does is no longer necessary, usually due to technological changes, restructuring, or a merger or acquisition. Unless the employee can be retrained for another job, he or she will be made redundant.

Employees may also retire. This is where they voluntarily leave not only the business, but also the workforce itself, with no intention of working again.

Mark allocation: 3 marks

- 1 mark for defining ‘redundancy’
- 1 mark for going further – providing more information relating to the types of redundancy
- 1 mark for describing a second form of termination

Tip

- *‘Explain’ is a task word that requires you to ‘go further’ in your response, and questions that ask you to explain are generally worth 2 marks. The addition of the second part to the question – asking you to describe – adds the third mark. ‘Describe’ is a lower order task word and does not require as much detail, but does require more information than just a definition.*

Question 2b.

Sample response

Awards and agreements are both means of setting the formal wages and conditions of work for employees. Both of these means require the approval of the government body – the Fair Work Commission – before they can be put into effect in the workplace. Included in the terms of both awards and agreements are the ten National Employment Standards (NES), as determined by the government as the minimum level of conditions for all employees in Australia.

Despite these similarities, there are a significant number of differences between these two types of contracts. Awards are often referred to as industry-wide awards, as they apply to all workers within a particular industry. On the other hand, agreements can be for individual employees or can apply to all workers within a particular business.

Agreements can differ from the award, but must meet the ten NES, which ensure that the conditions pass the 'no disadvantage' test set by the Fair Work Commission. Agreements generally provide above-award conditions, while the award is considered a safety net for employees. Awards are reviewed every four years, while agreements last for three years in general.

Mark allocation: 6 marks

Marked globally.

- Responses must provide at least one similarity and one difference between the two types of contracts.
- Similarities can include: signed off by Fair Work Commission; set out wages and conditions of work; contain the ten NES.
- Differences can include: cover an industry rather than a business or an individual; four-year period versus three-year period (usually); safety net feature as opposed to above-award conditions.

Tips

- *Comparing requires noting both similarities and differences. A list of similarities and differences is not appropriate – it is better for you to provide fewer points of comparison in more detail rather than provide an extensive list.*
- *There is no need to balance the similarities and differences as this may not be possible, and attempting to do so may weaken your response, as not all points can be covered in sufficient detail.*

Question 2c.

Sample response

A union (often referred to as a trade union) is an organisation of workers or employees who have joined together to achieve common goals. These goals can include seeking higher pay and better working conditions, fighting for job security and protecting the integrity of a job.

A union, through its officials and delegates, bargains with the employer on behalf of union members, and negotiates to reach agreements with employers. This bargaining includes the negotiation of wages and the conditions of work that are currently being discussed at Rosefest Ltd.

Employer associations serve a similar function to unions; however, they represent the interests of employers. Employer associations were formed to counteract unions in particular industries. They assist employers in formulating policies and processing claims served on their members by unions. In this case, the employer association would be concerned with what this new agreement may contain in terms of wages and conditions. If the conditions are above award, then other businesses may face claims by their employees for better conditions, and so the employer association will assist in providing a unified approach to such negotiations.

Mark allocation: 4 marks

- 2 marks for the description of unions
- 2 marks for the description of employer associations

Note: You must link to the negotiations for an agreement.

Tip

- *To gain full marks, you will need a confident understanding of how unions and employer associations can assist in negotiations.*

Question 3a.

Sample response

When confronted with pressures for change, a business should not necessarily work to implement the change automatically. It is feasible that not all change will lead to positive outcomes for a business.

Kurt Lewin developed a means of determining whether a proposed change will benefit a business – this is referred to as a Force Field Analysis. This analysis allows a business to identify those forces that drive and foster change, and those that resist a proposed change.

Lewin suggested that a process to follow is to list and weigh the driving and restraining forces that may be impacting a business wishing or needing to change. The process might include forming a guiding group of people that drives or enables the change. The first task of the group is to clearly identify the change proposal and then identify the forces that are currently driving or restraining the change. For each force, the group should assign a score relative to the perceived strength of the force. A low score (1) suggests the force is weak, while a high score (5) suggests a strong force.

Once identified, the group would prioritise the top three or top five most restraining forces and driving forces. These are the forces the business and the guiding group need to either eliminate or strengthen to allow the change to occur. They would do this by listing the actions that need to be completed to meet the proposed change, and assigning responsibility for each action.

The benefit of preparing such an analysis is the early detection of forces. By identifying them early, it allows a business to take action to overcome the key restraining forces by preparing strategies in advance. Following on from that, a second benefit is that such an analysis allows the business to prepare strategies to promote the driving forces and build on them in the early stages so as to minimise or counteract the restraining forces.

Mark allocation: 6 marks

Marked globally. Alternatively:

- 4 marks for describing the features of Lewin's Force Field Analysis
- 2 marks for stating the benefits of preparing an analysis for a business such as Beechey Ltd (1 mark for each benefit)

Tip

- *Using the incorrect theory generally results in no marks being awarded, as the theories are not interchangeable.*

Question 3b.

Sample response

Lewin developed a model for change that complemented his Force Field Analysis. He theorised that, in order to change effectively, a business required some structure to the change process. Having a three-step model to follow allows a business to set a timeline for the change process, and having a structure allows all stakeholders to see the path the business is on and the progress being made to undertake the change. This allows the stakeholders to buy into the change process.

To implement the change, Lewin recognised that existing policies, procedures and processes that are long-established need to be removed. These are factors that are likely to be holding back change – a form of organisational inertia. These entrenched processes and policies need to ‘unfreeze’– this means identifying both why a change is needed and what needs to change.

Once the business has recognised what needs to change and has put all policies, processes and procedures ‘on the table’ for change, the business can actively make the necessary changes. To ease the process, management should ensure that the appropriate support is in place (be it training, communication, team building, redundancy packages or transition services if jobs are lost), so the business is moved into the new position that was identified when the need for change arose. This is the ‘move’ step in the model.

With the change now in place, it is imperative that the business does not slide back into its old ways. This can be achieved by making sure the change is embedded in the corporate culture of the business. Lewin believed that ‘refreezing’ required strategies to sustain and celebrate the change such as creating rituals that can be referred back to as a means of reminding staff of the change. It should also result in the rewriting of the mission and vision statements to reflect the change made.

Mark allocation: 4 marks

- 1 mark for providing a rationale for adopting a model/theory for change – structure, timeline, progress of change etc.
- 1 mark for a description of each of the three steps in Lewin’s model (up to 3 marks)

Question 4

Sample response

Employees are often the face of a business – they produce the product or interact with the customers. For employees, their job is their means of income, and earning a wage allows them to provide for themselves and their families. Any suggestion of a change can cause fear within an employee. Change can lead to job losses, the need to relocate, the need for additional training or the break-up of teams within a business. This causes stress for an employee and can lead to a negative culture if the change is not handled well by management.

To overcome employee resistance, management has a number of strategies available – whether they be high-risk or low-risk strategies. One low-risk strategy would be communication – the sharing of information with employees so they better understand the need for change and the process involved. The more sharing of information that occurs during the change process, the greater the level of trust will be between management and employees. Maintaining open lines of communication assists in the sharing of information at all levels of the business. As communication is a two-way process, leaders and managers also need to ensure that they provide all employees with the means to communicate their feedback, both positive and negative, to those leading the change.

Mark allocation: 4 marks

- 2 marks for explaining why employees are a restraining force – fear of job loss and/or uncertainty of future
- 2 marks for describing the strategy to overcome resistance – maximum one mark if strategy only is identified

Tip

- *Questions such as this require you to link a strategy to change – you must refer to change and select an appropriate strategy that can be linked to why employees may resist change.*

Question 5

Sample response

Mediation and arbitration are both methods of dispute resolution employed by a business to resolve disputes that occur within the workplace. Both methods involve the use of an independent third party whose basic role is to assist the parties to come to a mutually agreeable resolution. However, there are some specific differences between the two methods and, in particular, the role of the third party.

In mediation, the third party is tasked with ensuring that communication flows between the two principal parties – they facilitate communication between both parties in order to resolve a dispute. The third party does not offer advice, suggestions or possible solutions, but attempts to ensure that each party has the opportunity to have their say.

In arbitration, the third party will listen to both parties and encourage a joint resolution. However, if the parties cannot agree themselves, the third party will make a decision that both parties must abide by. In many cases where the dispute involves an award or an enterprise agreement, the third party is the Fair Work Commission.

Both mediation and arbitration can result in a legally binding agreement, but this will always be the result of arbitration.

Mark allocation: 4 marks

- 1 mark for describing mediation
- 1 mark for describing arbitration
- 2 marks for the comparison – similarities and differences

Tip

- *The Study Design specifically mentions mediation and arbitration, so do not refer to conciliation.*

Question 6

Sample response

Peter Senge developed the concept that all businesses are ‘Learning Organisations’. He proposed that all businesses are dynamic entities, constantly having to adapt and improve in an effort to develop into the type of business they aspire to be, often as outlined in their mission and vision statements.

Senge theorised that Learning Organisations are those businesses where managers and staff continually seek to expand their capacity to achieve the results they desire. One principle of a Learning Organisation is team learning.

Another principle of the Learning Organisation is the concept of building a shared vision. Having a shared vision will motivate all members of the business. It encourages risk-taking and experimentation, and fosters innovation because as the business is seeking to continually learn, the business must take risks to learn, grow and adapt to the changes occurring. Staff members who adopt this shared vision will see the long-term objectives and plan for the business, and so a commitment to the business and to learning will further develop.

Senge believed that if the shared vision and the other principles are implemented correctly, the employees and the business will develop systems thinking. Systems thinking is the ability to see the ‘big picture’ – to look past what is happening within the business, observe what is happening in the external environment and adapt. Businesses do not operate in isolation, and change can arise from patterns outside the business, not just from events specific to a business. This means the business is likely to be proactive and be ready for change – the business will develop a culture where change is not feared, and there will be less resistance to change and greater emphasis on driving change.

Michael Porter was more limited in his approach to change. When confronted with poor performance or non-achievement of objectives, Porter developed a reactive approach to dealing with change. Porter suggested a business should react by adopting one of two approaches. (He theorised that it was not possible for a business to use both approaches.) These approaches included becoming the low-cost provider in the market or adopting a differentiation approach where the business’ reputation is built by being different. Businesses adopt one of these approaches to gain a competitive advantage over rivals or new competitors, and to regain or improve market share.

Lower cost strategies involve a business seeking to become the business with the lowest costs in its industry. This will allow the business to become more profitable as it can increase its margin – the difference between its costs and its selling price. Alternatively, the business can increase the volume of sales by reducing its selling price.

In a differentiation strategy, a business will make its product unique in some way to gain a competitive edge and allow the business to market itself as a leader or innovator in that industry. Some strategies include making the product more durable, providing better support for customers, extended warranties or different brands within the same market.

Regardless of which theory a business adopts, businesses will react to change. To determine if the change has been successful, it is important for businesses to review their performance to determine if the desired outcome was achieved – for example, if market share has improved, if other key performance indicators (KPIs) have been met or if the change has been implemented effectively.

Mark allocation: 10 marks

Mark range	Descriptor: typical performance in each range
9–10 marks Very high	• Very high-level explanation of the two approaches – no need to refer to all five principles of Senge • Shows in-depth understanding of key terms and concepts • Shows understanding of reactive and proactive approaches to change • Clearly refers to the need to review KPIs after implementation of an approach
7–8 marks High	• High-level explanation of the two approaches – no need to refer to all five principles of Senge • Shows in-depth understanding of key terms and concepts • Shows understanding of reactive and proactive approaches to change • Refers to the need to review KPIs after implementation of an approach
5–6 marks Medium	• Good explanation of the two approaches – some reference to some of the principles of Senge • Shows an understanding of key terms and concepts • Shows an understanding of reactive and proactive approaches to change • Refers to the need to review KPIs after implementation of an approach
3–4 marks Low	• Limited explanation of the two approaches – poor knowledge of the principles of Senge • Limited understanding of key terms and concepts • Limited understanding of reactive and proactive approaches to change • Limited reference or no reference to the need to review KPIs after implementation of an approach
1–2 marks Very low	• Poor explanation of the two approaches – no reference to the principles of Senge or incorrect use • Weak understanding of key terms and concepts • No understanding of reactive and proactive approaches to change • No reference to reviewing KPIs or refers to KPIs as pressures for change
0 marks	• No attempt at response • Response addresses none of the concepts/issues identified in the question or suggested marking guide

Tip

- *These questions are marked globally – assessors read the response from start to finish and award a mark based on the criteria above. They do not ‘check off’ points. Ensure that you write one response, not three short-answer responses.*

SECTION B – Case study

Question 1

Sample response

Number of customer complaints is a key performance indicator (KPI) that measures the number of customers who contact the business and register their displeasure with the product, the service and/or the price of the product.

A rising number of customer complaints for Dell's Foods is likely to lead to a decrease in the market share held by the business. Dell's Foods customers who are unhappy will likely not purchase from the business again and may even discourage others from purchasing from the business. This leads to a decrease in sales and a decline in market share, assuming the decrease in sales is proportionately less than that of its competitors.

Mark allocation: 3 marks

- 1 mark for defining the KPI – you must refer to customers contacting the business. (If there is no contact then there is no formal complaint.)
- 1 mark for identifying that the impact is likely to be a decline in the market share held by the business
- 1 mark for explaining how the decline in market share occurs – customers stop buying from the business, leading to a decline in overall sales of the business

Tips

- *Definitions need to be accurate. Inclusion of the term 'contact the business' is crucial for full marks to be awarded.*
- *In explaining the effect on market share, there is no need to define 'market share'. This may distract you from responding to the question.*
- *You must also state how the KPI will be affected. This may be an increase or decrease, an improvement or deterioration.*

Question 2

Sample response

Given that Dell’s Foods has recently expanded overseas, an appropriate consideration might be to introduce overseas manufacturing.

Employing this consideration, Dell’s Foods will open a processing plant in another country and produce their packaged meats in that plant.

This plant can be responsible for producing the goods for the overseas market, reducing the cost of transportation and possibly the time taken to deliver products. This can improve the quality of the products, as there is less chance of spoilage between production and delivery.

However, with manufacturing occurring overseas, it may be problematic to ensure the same quality standards are upheld in the overseas plant as are used in the local plant. Additional complaints may arise because the standards are not the same. It is also possible that local customers of Dell’s Foods will object to some manufacturing moving overseas, leading to possible local job losses.

Mark allocation: 3 marks

- 1 mark for outlining one global consideration
- 1 mark for stating the benefits of this consideration for Dell’s Foods
- 1 mark for discussing the costs/negatives of this consideration for Dell’s Foods

Tip

- *The Study Design identifies four global considerations. You are advised to use one of these four considerations as the question is directed towards those considerations and therefore it is easier to provide a more appropriate response.*

Question 3

Sample response

Customers may express their dissatisfaction with the business for a number of reasons. These reasons may include a decline in the quality of the product being sold, an unreasonable increase in price or a decline in the standard of service. If the reason is due to a deterioration in the quality of the product, then the business could consider introducing a quality management system at Dell's Foods.

A quality management system seeks to ensure a minimum level of quality for all products sold. This could be achieved through quality control. This is a quality management system where products are selected at random at various points along the production line and then checked against a predetermined standard. Items that do not meet the standard are discarded, and the issue with the production process can be identified and rectified. This provides Dell's Foods with a confidence in the quality of their output.

However, quality control has a limited focus on production, and it could be that other areas of the business – such as the quality of inputs – are the actual cause of the deterioration in quality. Quality control will not be able to address complaints that stem from the price of the product, the service provided during or after sales, or some other aspect of the business. A further issue is that the effectiveness of quality control is limited by only looking at selected samples – not all products are tested, and so some defective products may make it onto the shelves.

Mark allocation: 3 marks

- 1 mark for explaining another strategy
- 1 mark for explaining the benefit of this strategy for Dell's Foods
- 1 mark for explaining the cost/disadvantage of this strategy for Dell's Foods

Students may select strategies from other areas including:

- materials management – such as the Just In Time (JIT) system
- technology strategy – such as automated production line to ensure minimum standards are met through consistency in output
- waste minimisation – analysis of a principle of lean management
- training – improving skills of employees to better manufacture the product or deal with customers.

Tip

- *In selecting strategies, you must first ensure that you select one that is appropriate to the scenario – this business manufactures packaged meats, and so quality, materials and technology (to improve operations) are appropriate strategies. Secondly, your response must be linked to the business in the case study.*

Question 4

Sample response

The level of wastage refers to the amount of waste created during the production process. If the process is inefficient, then the level of wastage is likely to rise. There are two possible strategies the business could implement to minimise waste.

An automated production line comprises machinery and equipment arranged in a sequence with components added to the good as it proceeds through each step. The good usually moves along the line on a conveyer belt. An automated production line will reduce waste as it does not need employees directly involved in its operation, since all or part of the process is controlled by automation; that is, it is self-operating or controlling. Computers manage the process, and humans are likely to be given the task of monitoring the operations system. The process allows for consistent performance, and each product will meet a minimum standard, resulting in waste being reduced. These systems do cost a substantial amount of money and often lead to redundancies of staff, further adding to the cost.

Computer-aided manufacturing is a second strategy that could be used. This is software that is used to allow the manufacturing process to become computer-directed by designing and controlling the process. In this way, the exact number of units can be produced with the correct amount of materials ordered and used, so there are no excess materials required and no materials are wasted in the process. Again, this is a costly program to operate and can lead to shortages of output if production problems occur. However, it provides a useful guide as to the minimum and maximum amounts of materials required so waste can be reduced.

Mark allocation: 6 marks

- 2 marks for proposing two technology strategies and explaining how they will improve efficiency (up to 4 marks)
- 1 mark for an evaluation of each strategy (up to 2 marks)

Question 5a.

Sample response

With an increase in the level of wastage and the number of customer complaints, it would seem that an investment in training is required by Dell's Foods. It may be that new staff members have joined the business and the induction program is inadequate for the technology or processes used by the business. Investing money in the training of employees will improve the skills of the employees and/or provide them with more skills.

Better skilled staff will become more efficient in their role and should also become more productive. The improved efficiency will see the level of wastage decrease as staff members perform their roles better, causing fewer issues for the business. This improves productivity as well as output per employee.

However, training is a cost to the business and the cost of the training needs to be weighed against the benefits to the business – if the cost outweighs the benefits, then the business may need to look at other means of reducing complaints and waste.

In addition, well-trained employees become more employable and some staff may use their improved skills to seek positions (often promotions) at other businesses, meaning the skills leave the business and new, inexperienced employees are hired to replace them, leading to a similar situation as that which currently exists.

Mark allocation: 6 marks

Marked globally. Alternatively:

- 2 marks for describing a motivation strategy – one mark can be awarded for identifying a strategy
- 4 marks for the evaluation of that strategy – an evaluation requires students to look at the positives and negatives of the strategy

Note: You are not required to provide an equal number of positives and negatives.

Tips

- *As with previous questions, the strategy must relate to the situation. When trying to motivate employees to improve performance in relation to waste or customer complaints, training and support would seem the most appropriate strategies. Selecting the most appropriate strategy will make responding to the question easier.*
- *The Study Design provides five motivation strategies, and it is expected that you will select one of these five strategies, although you are not bound to do so. Whichever strategy you select, it must be appropriate for the situation in the case study.*

Question 5b.

Sample response

Dell's Foods could introduce 'management by objectives' as its performance management system.

Management by objectives is a process by which management and employees agree on a set of goals for each employee, with these individual goals all contributing to the objectives of the business as a whole. Included in the process are the means of measuring progress towards the achievement of these goals, as well as performance appraisals when goals have been achieved.

This system may be appropriate for Dell's Foods as the objectives set can be linked to areas of concern, such as the level of wastage and the number of customer complaints, so that these areas can be improved upon. Management by objectives can also lead to improved motivation, as employees have ownership of the goals (since they are involved in setting the goals).

However, it can be a time-consuming process, as management will need to meet with all employees, individually or in teams, to set the goals and then meet regularly to check progress and provide feedback.

Mark allocation: 4 marks

- 2 marks for identifying and explaining a performance management system (You may select management by objectives, employee self-observation, peer evaluation or performance appraisal.)
- 2 marks for the evaluation – this will involve at least one positive/advantage of the selected system and one negative/disadvantage of the same system

Note: Full marks cannot be awarded unless the performance management system is linked to Dell's Foods.

Tip

- *Careful reading of the case study can help you to respond to questions such as these. The case study provides a number of areas of concern that relate to employee performance, such as waste and customer complaints. Higher scoring responses will link to these areas of concern.*

END OF SAMPLE RESPONSES