***Chapter 10 Activity and case study solutions***

**Case Study 10.1: Evaluating performance – Woolworths and Masters**

1. Woolworths completed a strategic (long term) view of the performance of Masters. It had lost over $600 m in four years and Woolworths decided it could no longer support the venture.
2. A business needs to take into account a range of information and data before it makes a decision. Woolworths, for example, wanted to give the business some time to establish and develop. Sometimes a business needs to review decisions and the business did not look like it was going to become successful.
3. A number of stakeholders have been affected by the decision, these include customers, shareholders, employees, suppliers, competitors and competitors. Many have been affected in different ways. Employees may lose their jobs or have to move to other positions within Woolworths. Shareholders may find that the value of their shares either increases or decreases. Competitors such as Bunnings would benefit from the demise of Masters as there is one less competitor in this sector of the economy. Customers who liked Masters and their range of products will now have to go somewhere else.

**Case Study 10.2: 2015 a bumper year as Lego gains market share**

1. The percentage of market share can be defined as the proportion or amount of the market. If the proportion of market share increases, the business has a greater percentage of the market and sales.
2. Mattel would be concerned about their loss of market share as this means less sales and ultimately less profit. This may have an impact on other areas of the company and adversely affect the performance.
3. Lego is looking at attracting new markets and customers which will also impact on their market share. Lego has been able to link in to the movies and merchandising of ‘Frozen’ and ‘Star Wars’. It is also looking at producing a sequel to ‘The Lego Movie’ which will also increase sales.

**Case Study 10.3 Godfreys and Qantas**

1. Net profit is the difference between revenue and expenses. If a business makes a profit, it may be considered to be successful.
2. Businesses focus on profit as it is usually a strategic goal or objective. If a business has owners or shareholders then there is an expectation that profit will be made. Shareholders expect their share price to increase and also expect dividends, if a business cannot ensure there is a profit then there is likely to be pressure on managers.
3. Net profit provides a business with information about the performance of the business in the current period and also over time. If a business makes profit over time then it is likely to be considered successful. A business may also be able to make comparisons with other businesses in the same sector or industry.
4. The CEO of Godfreys resigned because the profit forecasted was more than the actual profit made. The business could make sure that it monitors profit and other KPIs in the future to ensure that performance continues to improve.

Qantas worked on increasing profit and overall performance by working on improving profit, sales and market share. They were able to do this through increase in sales and revenue and cost cutting and also lower fuel prices. Qantas has also looked at expanding routes and flights in the international sector. More Australians are also spending money and travelling overseas and domestically.

**Case Study 10.4: Productivity Commission suggests ways to improve productivity in the public service**

1. Productivity measures the business’s ability to transform inputs into outputs; and the rate or change, increase or decrease, gives an indication of the rate of growth.
2. New technologies and processes are able to assist and increase productivity. Technology is able to provide alternatives to videos and teleconferencing which affects technology. Changes in people’s jobs and less jobs in areas such as typists. There is also an argument that working extra hours is not conducive to improved productivity.
3. Extra hours might not be efficient as people tend to stay longer in the office and not take holidays do not tend to use their time as productively. The study found that when working hours were reduced employees were more productive.

**Activity 10.1**

1. Harry and Adam have been checking the number of sales each month at their business the Shearers Hub and have noticed that there has been an increase in sales on Fridays and the weekend. Harry and Adam can use this information to make operational decisions about how to manage their business. For example, they might use this information to make decisions about staffing arrangements and special offers.
2. The information suggests that there are more customers on Friday and on the weekend. Harry and Adam might decide to put additional staff on during these times to ensure that they can provide good customer service during busy times. They might also decide to offer special discounts and value meals on the quieter days of the week to generate more revenue on those days.

**Activity 10.2**

1. The rate of staff absenteeism measures the number of times staff are not at work. Staff absenteeism is an important KPI for businesses to monitor because staff absences are a large cost for many businesses. When staff are not at work, other employees are asked to do more and overall productivity decreases. Work tasks are not completed as quickly, and quality may be compromised.
2. Businesses should look at ways to reduce staff absenteeism because of the cost associated with it. Staff absenteeism can indicate an underlying issue with either a staff member, or the business itself. For example, a staff member that regularly takes time off work, may have a personal issue that they need support to deal with. Alternatively, they may be feeling stressed, overworked or be the victim of bullying or harassment at work. Either way, the staff member is not productive and may eventually leave the business. It is in the interests of businesses to put in place strategies which reduce staff absenteeism, including tracking absences, introducing an employee wellness program, assisting sick or injured employees to return to work gradually, reducing workplace stress and offering flexibility with respect to work and leave.

**Case Study 10.5: Don’t wait for the exit interview to discover how they feel**

1. The level of staff turnover measures the number of people or employees leaving a business by resigning. It is an important indicator of business performance as employees are important to the success or otherwise of a business. If a business does not keep track of its employees and who is leaving then it can be missing an important sign of how it is performing.
2. Staff turnover can be a cost to a business, if someone leaves a business then they may need to be paid money they are owed and then a business also has to find someone to replace the person who has left. This can mean time and money spent in finding a suitable replacement.
3. Students can create their own poster, brochure etc.

**Case Study 10.6: Customer complaints at Optus**

1. The levels of customer complaints for the phone companies per 10,000 services are 5.9 new complaints for Optus, 4.9 for Telstra and 3.5 for Vodafone.
2. Some companies could be concerned about the announcement by the Telecommunications Industry Ombudsman because it will provide negative publicity for some companies. If a business has a high level of complaints then it may mean potential customers will go somewhere else.
3. Two phone strategies a company can use include dealing with complaints in a positive way and try to resolve them as quickly as possible. Another strategy is to focus on customer service and clear communication with customers.

**Activity 10.3**

1. For this question, students may wish to consult the ‘Home’ page and the ‘Safety and prevention’ page.
2. A business can reduce accidents by being proactive about workplace safety. Students can find information about how businesses can do their own inspection and improve safety by clicking on ‘Safety and Prevention’, then ‘Making Your Workplace Safer’, then ‘Do your own inspection page’.
3. The rights and responsibilities of an employer are found under ‘Employers and Supervisors’ (on the home page), ‘Your rights and responsibilities’.

**Activity 10.4**

1. Assign and justify the most appropriate KPI

In each case below, the business should look at the KPI over time. Whist the level of a particular KPI at a point in time is important, it is more useful to look at the trend over time. This highlights whether, for example, staff turnover is increasing or decreasing over time. Such information can provide useful insights which can then be used for decision making.

* 1. Level of staff turnover: Measures the number of employees permanently leaving a business.
	2. Rates of staff absenteeism: Measures the number of times staff are not at work.
	3. Number of sales: Measures the total quantity of a particular product or service sold.
	4. Number of customer complaints: Measures the number of complaints that have been received from customers relating to a particular product or service.
	5. Results of a staff satisfaction survey:
	6. Level of wastage: Measures the amount of waste produced by the production process.
	7. Percentage of market share: Measures the proportion of total sales received by the business.
1. Match the KPI to the appropriate outcome or situation

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| --- | --- |
| 25% of employees left the business in the past 10 months. | Staff turnover |
| Revenue less expenses is greater than the previous financial period. | Net profit |
| Total proportion of the market increased by 5% in the previous six months. | Market share  |
| The number of workplace injuries has dropped compared to last year. | Number of workplace injuries  |
| Customer complaints have been identified as an area for improvement over the next three months. | Number of customer complaints  |
| Feedback from a customer survey indicated some unhappiness with the time taken to answer a phone enquiry. | Results of a customer satisfaction survey |
| Resources have been used more effectively this financial year compared to the two previous periods.  | Rate of productivity growth |

**Activity 10.5**

1. Looking at the data:

The data from MH Car Detailers provides a mixed picture about the business’ performance. On a positive note, net profit as increased by $19,000 over 12 months. This indicates that in 2018, MH Car Details either increased their revenue or decreased their expenses compared to the previous year. Together, the other indicators suggest that a decrease in expenses may be more likely to have contributed to the increase in profit, not an increase in revenue. Perhaps, the change to the new supplier of cleaning products helped MH Car Detailers decrease their expenses, contributing to increased net profit.

Unfortunately, market share dropped 1% in 2018 compared to 2017 figures. This indicates that MH Car Detailers received slightly less of the overall sales in the market place in 2018 compared to 2017. Perhaps the number of customer complaints explains why market share has dropped slightly. The number of customer complaints has increased from an average of 1 per month in 2017 to an average of 6 per month in 2018. Perhaps some dissatisfied customers have chosen to take their business elsewhere, contributing to the decrease in market share.

The number of workplace accidents per month has increased from an average of 13 in 2017 to 17 in 2018. The workplace has become less safe for employees over time. This figure may be related to the decrease in productivity growth. The rate of productivity growth decreased from 5% in 2017 to 3% in 2018. This suggests that MH Car Detailers did not use their resources as efficiently in 2018 as they did in 2017. Workers who become injured on the job often have to take time off work, which decreases overall productivity.

1. Recommendations:

Number of customer complaints: The number of customer complaints has increased from an average of 1 per month in 2017 to an average of 6 per month in 2018. MH Car Detailers must examine the customer complaints to determine the underlying problem. Then, the business must take action to fix the issue. For example, if they find out that customers have been complaining about the finish on their cars, then they should think about changing the suppliers of their cleaning products. By changing the cleaning products applied to the cars, they can improve the finish of the cars and decrease customer complaints. Hopefully, this will lead to the retention of current customers and the attraction of new customers.

Number of workplace accidents: The number of workplace accidents per month has increased from an average of 13 in 2017 to 17 in 2018. MH Car Detailers must analyse the statistics to determine what is causing the accidents. Then, they must take actions to fix the identified problem. For example, perhaps they determine that the accidents involved new staff members who have been poorly trained. In this instance, MH Car Detailers must ensure that all staff receive the proper training required to do their jobs safely. This will help prevent accidents from occurring, which will decrease costs associated with medical assistance, and time off work and help to improve productivity.