



**2008 Business Management GA 3: Written examination**

**GENERAL COMMENTS**

**Use of the study design**

The *VCE Business Management Study Design* and other relevant documents are available on the VCAA website <[www.vcaa.vic.edu.au](http://www.vcaa.vic.edu.au)> and it is very important that students are familiar with the requirements. Students need to be familiar with the vocabulary of the study design, as well as the areas of study. Students could use the study design as a guide for organising their notes during the year and to keep track of the material they are studying in class. A clear understanding of the content of the course and organisational strategies should provide a good basis for thorough examination preparation.

**Preparation for the examination**

The best responses used specific details to answer the questions asked, rather than providing prepared answers to questions that had been asked in past examinations. Students who had studied all areas of the course were able to provide relevant and detailed answers. It was evident that many students had consulted previous assessment reports and used the advice provided to prepare for the examination. It is good examination preparation to practise by using past examination questions; however, students must also be able to adapt their knowledge to questions that ask for information in a different way, or with a different emphasis.

**Following instructions**

Schools are provided with an example of the front page of the examination (which provides students with instructions for completing the examination) prior to November and it is important that students see this. This year there was a question and answer booklet that required answers to all questions asked.

**SPECIFIC INFORMATION**

**Note: Student responses reproduced herein have not been corrected for grammar, spelling or factual information.**

For each question, an outline answer (or answers) is provided. In some cases the answer given is not the only answer that could have been awarded marks.

**Question 1a.**

<b>Marks</b>	<b>0</b>	<b>1</b>	<b>Average</b>
<b>%</b>	16	84	<b>0.9</b>

The mission statement sets out the reasons why the organisation exists and describes the purpose of the organisation.

The following is an example of a good response.

*A written document which outlines an organisation's overall reason for existence. It's strategies and plans are then based on achieving the objectives in the mission statement. It provides the employees and organisation with direction eg. 'to provide our clients with high level of service'.*

Students generally answered this question well.

**Question 1bi.**

<b>Marks</b>	<b>0</b>	<b>1</b>	<b>Average</b>
<b>%</b>	49	51	<b>0.5</b>

Organisational structure describes the way that an organisation chooses to divide the labour and coordinate the activities of individuals and groups within the organisation.

When answering questions that require definitions, students should ensure that they do not use the same words that are in the question. For example, when asked to define organisational structure, responding with 'is the structure of the organisation' will not score any marks.

The following is an example of a good response.

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*The way in which the roles in a business relate to each other, outlining the direction of delegation and communication. Outlines the ways in which employees and their tasks are grouped together and related. Eg, functional structure groups employees according to function such as HR and operations.*

## Question 1bii.

Marks	0	1	2	Average
%	54	26	20	<b>0.7</b>

In the matrix structure, teams are formed for specific projects or tasks. Team members are assigned from their department to perform a specific role. They are responsible to both their team leader and department manager.

Some students confused the matrix structure with other structures and did not score any marks.

The following is an example of a good response.

*A matrix structure exists when an employee is a part of a specific group or team, but remains part of a functional area. Its key features are hence effective communication both upwards and downwards in their functional area (eg. Human resources) and across in their team. Employees are hence accountable to both a team leader and a functional manager. Skills are pooled across the organisation and it is characterised by synergy within the organisation and flexibility.*

## Question 1c.

Marks	0	1	2	3	4	Average
%	36	7	12	21	24	<b>1.9</b>

- Strategic: Long-term planning for 3–5 years dealing with the overall direction of the company and done by top level management.
- Tactical: Medium-term planning 1–2 years implements the strategic plan and done by middle management.
- Operational: Short-term planning, day to day planning, done by supervisors or line managers.

In some text books the three levels of planning are identified (in order) as strategic, operational and frontline – the definitions remain the same.

Students who did not score full marks for this question either did not include the level of management involved or did not specify a timeframe for the level of planning.

The following is an example of a good response.

*The three levels of planning are strategic, tactical and operational types of planning.*

*The strategic level of planning is typically conducted by senior managers and refers to the development of long term goals and strategies, which generally take over a 3 – 5 year timeframe. A strategic plan for Safeway supermarket could include expanding the market share by 5% over a 3 year period.*

*The second level of planning is tactical planning. This is generally conducted by middle management in order to create objectives and plans for a 1- 2 year period. Tactical planning usually refers to the goals of each department rather than the overall organisation. A tactical plan for Safeway could include deciding to renovate a store of stock a new food product.*

*The third type of planning is operational planning, which is undertaken generally by frontline managers. Operational planning is for short-term goals to achieve on a daily or monthly basis. Operational planning for an organisation such as Safeway can entail setting daily targets for staff.*

## Question 1d.

Marks	0	1	2	3	4	Average
%	35	17	20	12	16	<b>1.6</b>

Indicators include:

- the prevailing management style
- attitudes of management to staff and staff to management
- relations among staff
- budgets and other statements of priorities
- style of dress and language

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- rituals
- symbols
- task or people orientation.

Students needed to select two indicators and discuss them. For example, rituals. These express and reinforce the key values and can include recognition and award ceremonies, weekly Friday drinks, uniforms or identification badges and how new staff are introduced.

The following is an example of a good response where the student has incorporated the case study. Students who incorporated the case study were able to give a much better response and, as a result, scored highly.

*Corporate culture is the shared beliefs of an organisation which can either formally or informally guide employee behaviour. Staff turnover can indicate corporate culture that its the number of employees leaving on organisation in a given time. This is because the rate at which people leave an organisation may indicate the level of staff satisfaction, which is intrinsically related to corporate culture. If the corporate culture is positive then morale and motivation of employees is generally high AMR and Jerrilderi Mining may have noticed that one of the companies had a high staff turnover and the other had a low staff turnover and hence observed the impact that this may have on the employees when they merge as a potential problem. Uniforms may also indicate the corporate culture because this is tied to public image, while uniform is generally dictated by management, it may reflect the way in which employees conduct themselves when dealing with each other or suppliers. If AMR's culture is reflected in the fact that their employees take pride in their uniform then Jerrilderi corporate culture may conflict with this.*

### Question 1e.

Marks	0	1	2	Average
%	22	50	28	1.1

Leading is the process of influencing staff to achieve organisational goals. It involves activities such as communication, negotiation and motivation.

Leadership, with its emphasis on communication, employee engagement and the ability to facilitate work relationships, is essential for successful change to occur. If leaders do not have the skills to implement change it can lead to a situation where employees resist and become confused, and a decline in morale levels could occur.

Weaker responses to this question generally suggested that leadership was the leading of staff. It is important that students know the management roles of planning, organising, leading and controlling, and are able to apply their intended meaning.

The following is an example of a good response.

*Change involves the alteration of some aspect of an organisation's internal environment. Whilst leadership is the guiding and directing of behaviour whilst simultaneously gaining support, confidence, respect and co-operation. With the nature of change being that it is a time of transition and confusion, effective leadership is imperative for reducing resistance to the change by communicating the effects of the change and reasons for the change with employees and demonstrating confidence in the change themselves through their own behaviour. By showing empathy and concern for the welfare of employees during the change employees are more likely to accept the change.*

### Question 1e.

Marks	0	1	2	3	4	5	6	Average
%	26	5	9	12	17	16	15	3

One change management theory is JP Kotter's. This theory has eight stages:

- create a sense of urgency by identifying a clearly defined business problem
- form a powerful guiding coalition with enough power to lead the change
- create and communicate a vision (this is two stages)
- empower others to act on the vision by encouraging risk taking and removing obstacles that undermine the vision
- plan for and create short-term wins by recognising and rewarding employees and consolidate improvements (this is two stages)
- institutionalise new approaches.

Other theories include Lewin's change model, Egan's model and Carnell's learning loop.

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The following is an example of a good response.

*Lewin's theory defines the following three stages to reduce resistance to change.*

1. *Unfreeze. This is the planning stage in which AMR and Jerrilderi mining will be preparing for the merger. It is important at this stage that they communicate effectively with employees so that they know what the merger will entail, why its happening and how it will effect them. They will also set objectives and determine strategies to implement the change.*
2. *Change. This is the action phase in which the merger will be implemented their plans will be put in action. This is when they will meet and construct a joint mission statement, restructure the organisation and possibly provide training and support for the employees to deal with the change. They have even hire a change agent, a HR specialist, to ensure a smooth transition of the merger.*
3. *Refreeze. This is when the new mindset is crystallised and management will monitor and evaluate now successfully the merger has been implemented with the use of KPIs such as staff turnover to see if it has had any impact on staff satisfaction.*

### Question 2a.

Marks	0	1	2	3	4	Average
%	20	28	26	16	9	1.7

Employee relations is the interplay between workers (or their representatives) and employers (or their representatives) about the terms and conditions of employment or work.

The human resources manager's role is to employ conflict resolution skills when disputes arise, keep abreast of current industrial relations laws, try to promote the concept of an organisational team, avoid IR disputes, and initiate and carry out performance appraisals.

This question was not handled well as many students were unable to define employee relations and the role of the human resources manager in this area.

The following is an example of a good response.

*Employee relations is the total relationship between employees and management including pay and working conditions and other entitlements. It is through a system of employee relations that contracts are negotiated and ratified. The Human Resources Manager plays an important role in all aspects of employee relations. Firstly they will set objectives and determine strategies relating to employee relations which will result in the highest level of staff satisfaction. They will determine, in line with the strategic plans, which agreements are most appropriate and they will plan the meetings which are necessary for the negotiations or AWAs or enterprise agreements to take place. They will then co-ordinate the employees to take part in these processes where appropriate e.g. enterprise bargaining they will organise when it will take place and who it will involve. During enterprise bargaining they will display leadership when openly negotiating proposals with employees and unions and will represent the needs of the organisation, keeping in mind its financial position. If a vote is necessary, as it would for a collective agreement, then they would organise for this to take place. It is then their responsibility to evaluate the agreements (Legally binding contracts) to ensure they will encourage high employee satisfaction, they may use KPIs to do this such as staff satisfaction or staff turnover.*

### Question 2b.

Marks	0	1	2	3	4	Average
%	45	13	19	11	11	1.3

- Retrenchment is the termination of employment where the employee is surplus to the organisation's need for staff. Retrenchment is sometimes called redundancy.
- Relocation is moving staff from one place of work to another within the same organisation.  
Retrain staff to assist them find employment elsewhere.

Bob Spiteri needs to relocate the Bendigo staff to either Ballarat or Geelong, which may not be achievable, thus retrenchment may be his only option.

Students who scored poorly on this question did not relate their response to the case material. Many students suggested that the human resources manager could hire staff. However, the case material clearly stated that the plant would be closed, therefore it would not require staff to be hired.

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The following is an example of a good response.

*Bob could offer redundancy packages as part of the termination phase of the employment cycle. To do so he would conduct exit interviews with all employees at the Bendigo factory and negotiate compensation which would meet their needs. This may involve a monetary bonus or some other form of incentive. This would aim to ensure that employees do not leave the organisation with a negative image of it, which may be reflected to the public and affect their other factories.*

*Bob could also offer training, that is helping them to develop skills which could allow them to get a job somewhere else more easily, such as resume writing for this same purpose. This may be important if many of the employees have had the same job for many years. He may even offer some jobs in their other factories if this is appropriate. Each of these strategies aims to decrease the likelihood that they will take industrial action as this often occurs when employees are highly dissatisfied.*

## Question 2c.

Marks	0	1	2	3	4	Average
%	17	12	33	19	18	2.1

Two of:

- communication
- stress management
- decision-making/problem-solving
- negotiation.

For example, negotiation is a combination of discussion and bargaining between parties with the aim of producing an outcome that is satisfactory to both parties. Bob will need to negotiate retrenchment packages for staff that are unwilling or unable to relocate to either of the other plants.

Generally, this question was well handled. Students who scored highly were able to identify two skills, discuss the theory regarding those skills and apply them to the case material.

The following is an example of a good response.

*Communication skills is the ability to send and receive information to produce the required response by getting further understanding or clearly articulating concerns. It is imperative that Bob communicates effectively with employees so that they understand when the closure is going to occur, why it's going to occur and what their entitlements are. It is equally important that he understand the concerns that they communicate to him and that he takes these into consideration. This will assist him in ensuring the employees are not dissatisfied with Country Foods.*

*Negotiation: this is when two parties meet to discuss an issue, often when they have different interests, to come to an agreement which satisfies both parties. Bob would have to negotiate with employees about their redundancy packages as well as senior management about how to best deal with the employees.*

## Question 2d.

Marks	0	1	2	3	4	Average
%	7	7	18	27	41	2.9

Stakeholders could include:

- employees
- shareholders
- managers
- suppliers to the Bendigo plant
- the local community of Bendigo.

Employees who lose their jobs might have to relocate to another city. Suppliers will lose a customer in Bendigo and this will impact their business financially.

This question was well handled, with many students able to give a suitable response about stakeholders.

The following is an example of a good response.

*Stakeholders are people or groups who have a states interest in, or who are affected by the operations of Country Foods.*

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*Employees are the people who provide their time, skills and labour in return for remuneration. They will be most affected because they will lose their jobs, which may affect their living standard, particularly if they struggle to find a new job. They may even have to retrain in another skill to make them employable.*

*Suppliers are the people or businesses from which Country Foods purchases resources, materials and services. They will lose the business and hence the revenue which Country Foods provides them. This may have a detrimental effect on their ability to earn a profit and they may have to look for other work eg. The fruit farmers may have to find another client to sell to.*

## Question 2e.

Marks	0	1	2	3	4	Average
%	28	12	23	22	15	1.8

Theories could include Maslow, Herzberg, McClelland, Alderfer and McGregor.

In the past, Maslow's lower order needs (physiological and safety) have been met at the Geelong and Ballarat plants. However, with the closure of the Bendigo plant, job security, which is a safety need, may become significant to the staff at these two plants. It is therefore important that Bob addresses this by reinforcing the safety of their jobs as a priority in the immediate future.

Any attempt to motivate staff through social or esteem needs is likely to be unsuccessful until the safety needs of staff have been satisfied.

Many students gave a rote-learned response about a motivational theory and therefore did not answer the question. To obtain full marks for this question, students needed to relate the motivational theory to the case material.

The following is an example of a good response.

*Maslow's hierarchy of needs outlines a 5 stage theory ranging from basic needs (food and water) to higher order needs such as self actualisation. While the employees at the other factories may feel slightly affected by the closure, Bob could motivate them according to Maslow's theory. According to Maslow, the second highest need is esteem that is for status, recognition or attention. As a HR Manager, Bob could hence conduct performance appraisals with employees which is where their ability to perform their job is observed and evaluated and then Bob could provide feedback. This would involve setting goals to improve their performance, employees could be motivated to work more productively, while the recognition by Bob of what they are doing well would satisfy their esteem needs. Furthermore, to help employees to achieve self actualisation, that is the highest need which is a desire to reach their full potential and utilise all of their talents and capabilities, Bob could organise for them to participate in workplace training so that they will develop new skills and hence aim to achieve their full potential. According to Maslow, satisfying these needs will ensure that morale is maintained.*

## Question 3a.

Marks	0	1	2	3	4	5	6	Average
%	30	10	11	12	14	12	11	2.5

- Quality Control, TQM and Quality Assurance: Quality Control involves the use of a series of physical checks at different stages of the production process to ensure that products and services meet designated standards and errors are eliminated post production.
- Just In Time Make or Buy, ABC Inventory Analysis: Just In Time is where the organisation determines the lead time for each stock item and orders are placed to allow the new stock to arrive Just In Time to avoid running out of stock.
- Functional, Product or Fixed Position: Given that Classic Cleaners are manufacturing white goods, the product layout, which is where the components are arranged in progressive steps in a production line process, would be an obvious choice.

Students were able to give a good response to the quality and materials part of this question, but were not able to give a good response to the facilities and design layout part. Students need to ensure that they answer all components of the question asked.

Following is an example of a good response.

*Quality is a standard which meet the needs and wants of the customer. Classic Cleaners could implement quality assurance, which is a certification by an external body which shows that the quality of Classic Cleaners production process and washing machines and dishwashers meet a set of predetermined quality standards eg. ISO 9000. This would be necessary for Classic*



*Cleaners so that sales do not suffer as a result of customers hearing that the new parts of the new model are manufactured in China and hence may not be of equal quality.*

*Materials management is the planning organising and controlling of all activities relating to the resources required in the production process. Just-in-time materials management should be adopted as a result of the new models as because they're new, the business shouldn't have too many resources on hand in case they end up being unsuccessful and their production is discontinued. Just-in-time means that resources required for production are only delivered when they are needed to reduce waste and costs of storage.*

*Facilities design and layout refers to the way an operations system is organised. They should adopt a process layout which is required for organisations which produce a variety of products as they do produce different models. Their work stations should be grouped according to functions eg. Assembling to be done in one place and sticking of stickers in another to allow for high levels of productivity and efficient flow of the new machines through the production line.*

### Question 3b.

Marks	0	1	2	3	4	Average
%	13	13	25	20	29	2.4

- A positive impact that may occur from the possible changes is that by sourcing parts from China, there may be cost savings, allowing for the option of this to be passed on to customers, thus making the business more competitive. Other positives might include increasing the use of automation of technology and altering the layout of the production plant. A new product may also enable a marketing advantage over competitors.
- A negative impact on business competitiveness could be that parts do not arrive in a timely fashion from China. This would interrupt the production process, which would increase costs and decrease business competitiveness. Other negatives might include the increased costs of new technology and the training of staff to manufacture the new models.

Students generally handled this question well and were able to give a positive and a negative response.

The following is an example of a good response.

*Competitiveness refers to an organisation's ability to match or better its rivals in a given market. By introducing new models, it may improve its competitiveness because it may be offering more variety to customers than other organisations which may mean that customers are more likely to purchase from them than from competitors. This variety could improve their public image and hence sales.*

*Negative: having some product parts manufactured in China may mean that they do not meet the quality standards of the machines produced in Australia. This would reduce competitiveness because if customers purchase poorer quality products from Classic Cleaners than they are used to then they are less likely to purchase from them again and may instead purchase from competitors. It also means that they would not be meeting the standard of their competitors.*

### Question 3c.

Marks	0	1	2	3	4	Average
%	12	14	26	26	23	2.4

Two of:

- level of sales
- productivity levels
- market share
- customer satisfaction as measured through surveys.

Students generally handled this question well. They were able to identify suitable KPIs and relate them to the case material.

The following is an example of a good response.

*Number of sales: this shows how many of the new models have been purchased by customers. They would be considered successful if sales were high because it means that they are in high demand.*

*Number of returned goods: this is how many of the new models have been returned once they have been purchased because they have not met the expectations of customers, usually because of quality. If the number of returned machines is high this indicates that customer satisfaction is low and the models have been unsuccessful in helping Classic Cleaners achieve its objectives.*

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## Question 3d.

Marks	0	1	2	3	4	Average
%	24	14	29	15	18	1.9

Issues could include:

- loss of jobs for local workers through outsourcing to China
- the environmental costs of shipping parts from China to Australia.

Students who did not receive full marks for this question did not identify two issues or did not relate their response to the case material.

## Question 3e.

Marks	0	1	2	Average
%	22	29	49	1.3

- competitors (the need to match prices and reduce costs)
- economic conditions in Australia (wages pressures that increase costs)
- technology (increased ability to transfer goods between countries)
- customers (demanding cheaper prices)
- suppliers (unable to source the parts in Australia)

Students generally performed well in this question and were able to identify an external pressure that caused the company to change their practices.

The following is an example of a good response.

*Globalisation is the increased flow of communication and capital between countries as a result of reduced trade barriers such as tariffs and advancements in technology, particularly communication and transport. Globalisation is an element of the macro environment because it effects all businesses by increasing competitiveness between countries. This increased competitiveness means that Classic Cleaners are forced to find more efficient and cheaper ways of producing to maintain their own competitiveness in their given market.*