



**2007 Business Management GA 3: Written examination**

**GENERAL COMMENTS**

**Use of the study design**

The *Business Management VCE 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 1ai.**

Marks	0	1	Average
%	27	73	0.8

Induction Program: A formal program that introduces new employees to an organisation. It may involve initiation into the staff culture, an explanation of channels of communication, both formal and informal, within the organisation, and explain policies and procedures.

Following is an example of a very good student response.

*An induction program entails a set of formal processes and procedures introducing a new employee to the organisational workplace, its systems, practices, culture etc.*

**Question 1aii.**

Marks	0	1	Average
%	62	38	0.4

Best Practice: A process whereby businesses identify the 'best' way of performing a procedure or activity and model their performance/behaviour on that example.

Following is an example of a very good student response.

*Best practice involves those work practices, systems and procedures that are top class and innovative in comparison to competition in the same industry or market.*

**Question 1b.**

Marks	0	1	2	Average
%	11	28	62	1.5

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Appropriate characteristics included any two of:

- employs more than 200 people
- significant total assets
- significant revenue
- multinational
- large percentage of market share
- number of business locations.

Students did not score full marks if they gave only one characteristic or the characteristics listed were incorrect.

Following is an example of a very good student response.

*A large scale organisation must have at least 200 employees, it must have a large market share (% sales an organisation achieves compared to other organisations in the same industry), it must have revenue in the millions and have at least \$200 million in assets.*

### Question 1c.

Marks	0	1	2	3	4	Average
%	6	14	32	31	17	2.4

Benefits of a SWOT analysis include the following.

- Strengths: Identifies what is done well, thus giving a competitive advantage if marketed appropriately. This could be a possible reason for White Sands introducing a decentralised management structure.
- Weaknesses: identifies training needs and staff shortcomings, which influences recruitment. This could have been the reason for the induction program and training policy.
- Opportunities: Provides possible market expansion opportunities. Allows for market differentiation. White Sands could be seen as an employer of choice by the community because of greater staff participation and multi-skilling staff.
- Threat: Recognises the competitive environment. A Queensland resort island like White Sands would have many competitors.

Some students incorrectly used the 'English' interpretation of opportunity, stating for example that White Sands could take the opportunity to develop greater participation of staff. In a SWOT analysis, however, opportunities are external to the organisation. As a result, these responses did not score full marks for this question.

Following is an example of a very good student response.

*A SWOT analysis is used in the planning process. Its main aim is to evaluate the internal strengths and weaknesses of an organisation and the external opportunities and threats that could effect the organisation in the future. With White Sands, one of the benefits of conducting this SWOT analysis was that they found that having a decentralised management structure a lot more practical and productive than a centralised management structure, which in turn encouraged greater employee participation. The second benefit that White Sands received from this analysis was a change in their induction program, which meant that employees became more functionally flexible and able to transfer between departments. This would lead to ultimately increased productivity of White Sands and shows the benefits of conducting a SWOT analysis (which is an evaluation of what internal strengths is available to take future opportunities and minimise potential threats).*

### Question 1d.

Marks	0	1	2	3	4	Average
%	28	16	26	17	13	1.7

Appropriate answers included any two of:

- write appropriate job specifications to ensure that people with appropriate qualifications and experience are employed
- write appropriate job descriptions to ensure that applicants have a clear idea of the job expectations before accepting the position
- conduct behavioural testing to ensure that applicants have good communications skills and appropriate culture compatibility.

Some students suggested promoting people within the organisation. As these people are already part of the organisation and not being recruited from outside (as the question required) this response did not score marks.



Following is an example of a very good student response.

*The creation of a job specification and job description could be used to help recruit the best applicants. Job descriptions outline the roles, title and position of a job within the context of the organisation, and the specification outline the personal skills and attributes required by employees applying for the position. This would help White Sands identify exactly what the positions they offer involve, to communicate this to potential applicants, so they understand the expectations, such as the involvement in training programs and multi-skilling, and so White Sands can use these as criteria during the selection to identify the best, most skilled employee for a certain position. An interview, for example may also be used by White Sands to identify which employees really have long-term aspirations at the resort by seeking their oral responses regarding their interests or reasons for employment, resulting in selection of the most suitable candidate that meets this criteria.*

**Question 1e.**

Marks	0	1	2	Average
%	34	25	40	1.1

A performance appraisal identifies an employee's strengths and weaknesses. Once weaknesses are identified an appropriate training program can be implemented to eliminate these weaknesses.

Many students incorrectly responded that training relates to an employee beginning at an organisation and explains how to do their job and performance appraisal was rewarding staff for doing a good job.

Following is an example of a very good student response.

*Performance Appraisals are used to measure, identify and help develop an employee's skill level, in order for them to achieve organisational objectives. It will identify current performance, and also measure this against expected performance. If a gap is present, this gap may be filled by training, which would help develop the skills of the employees so they can perform certain tasks at required expectations, such as the ability to be multi-skilled at White Sands, to be able to perform a wide range of tasks across different divisions, which is what they expect from their employees.*

**Question 1f.**

Marks	0	1	2	3	4	Average
%	29	12	22	21	17	1.9

McGregor's Theory X/Y suggests that some employees dislike work, avoid responsibility and need to be threatened as the primary source of motivation. These are Theory X people. Theory Y people seek opportunities for input and responsibility within the organisation. The fact that the decentralised management structure has proven such a success indicates that the employees at White Sands are Theory Y people. Therefore, greater opportunities for shared decision making and individual accountability should lead to better staff performance.

Maslow's hierarchy of needs states that when an employee's level of need is substantially satisfied the next level on the hierarchy is what motivates the employee's behaviour. It would appear that the employees at White Sands have had their physiological, safety and social needs primarily met and are moving to where esteem needs (for example, status, recognition, autonomy, achievement and self respect) are beginning to become motivational.

Students could also have used Herzberg or McClelland as a basis for their response. Generally students selected an appropriate motivational theory and were able to explain the theory adequately. However, some students did not apply the theory to the case study as the question required, and therefore could not score highly.

Following is an example of a very good student response.

*Maslow's Hierarchy of Needs is a motivational theory that states that employees have five levels of needs, which are Self-Actualisation, Self-Esteem, Belongingness, Safety and Physiological needs. The advantages of this theory is that it identifies the level of needs that the employees at an organisation may see as unfulfilled, which they can then create strategies in order to meet these needs, providing motivation. However, it suggests that there are five levels of needs in real life, in certain order, and this may not hold true for every employee. Wendy Howard may have used this in developing a strategy at White Sands, as she implemented many strategies related to greater staff participation, and multi-skilling and skill development; both higher order Self-Esteem and Self-Actualisation needs. These may have been implemented as Wendy identified her employees recruited would have 'long-term career aspirations' and then suggested that such low level needs, such as safety, or belongingness would not motivate or be as important, as these lower level needs were already satisfied or less significant to motivate employees willing to stay for the long-term. Thus driving her strategy to meet higher order needs.*

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## Question 2ai.

Marks	0	1	2	Average
%	26	32	42	1.2

A driving force for change was management. Meehan Electric Company identified the need to become more productive and so changed their management style to improve the relationship between staff and management.

The introduction of enterprise bargaining could impact the internal environment through changes in the corporate culture of Meehan Electricity Company. Enterprise bargaining requires a collaborative relationship between management and staff that did not exist previously.

Students could also discuss organisational policies as a driving force for change.

Following is an example of a very good student response. Please note that it was not necessary for students to define a driving force in order to score highly.

*Driving forces are forces that drive, support and encourage change and can also be seen as the reasons for the change, and strengths that would allow it to go ahead like effective communication. A driving force at Meehan's for the push for enterprise bargaining would be the increases in productivity from the employees, as a result of a greater ability to link increases in wages with increases in productivity – the main idea of enterprise bargaining.*

## Question 2aii.

Marks	0	1	2	Average
%	30	30	40	1.1

A restraining force for change could be the employees. They may have concerns about loss of entitlements, benefits and job security.

Following is an example of a very good student response. Please note that it was not necessary for students to define a restraining force in order to score highly.

*Restraining forces are those that restrain against and resist change, and also include factors that are against the change or won't allow the change to go ahead, such as high costs. At Meehan's, a restraining force against enterprise bargaining would be employee resistance, as it would require them to take more effort and time in negotiating terms and conditions with their employers, and could also result in individual exploitation of employees, such as the controversies caused by Australian Workplace Agreements, a form of enterprise bargaining.*

Many students had difficulty with Question 2a., either not knowing what a driving or restraining force was or not applying their response to Meehan Electric Company.

## Question 2b.

Marks	0	1	2	3	4	Average
%	13	14	27	25	20	2.3

Students could choose any two of:

- legal/political
- environmental
- economic
- social
- technological.

Following is an example of a very good student response.

*Environmental factors, which include the pressures arising from the natural environments of the world, including natural disasters, climate change or air pollution issues, may pressure Meehan to change. An increasing pressure to prevent global warming through carbon emissions trading schemes, or carbon emission audit may affect Meehan's, as being an Electric company their services consume a lot of energy and release greenhouse gas emissions. This may pressure them to establish policies to ensure the power being sourced is not causing severe environmental consequences.*

*Legislative factors, including changes in legislation made by government, would also pressure Meehan Company to change its practices or policies. The introduction of Workchoices legislation would pressure Meehan's to change its policies and*

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*procedures regarding to employee relations, to help comply with changes made by Workchoices, such as policies regarding to minimum standards in agreements.*

## Question 2c.

Marks	0	1	2	Average
%	31	34	35	1.1

Controlling is a system of monitoring the organisation's performance to determine that its set objectives and/or goals are being achieved. By measuring performance you are able to identify where targets are not being met and develop strategies to address this.

Students could also have used 'planning', 'organising' or 'leading' and relate it to improving productivity.

Following is an example of a very good student response.

*Leading is a role that involves co-ordinating and directing tasks, both those day-to-day, or related to achievement of organisational objectives, and involves being a role model, directing, motivating others and providing feedback. James Meehan may use this role when developing policies, such as enterprise bargaining, by role-modelling new behaviours, such as increased openness to communicate with staffing and to motivate employees to adapt such practices to help improve productivity.*

## Question 2d.

Marks	0	1	2	Average
%	35	27	38	1.1

Australian Workplace Agreements (AWAs) are agreements between the organisation and the individual employee about the terms and conditions of employment. Collective/Certified Agreements (CAs) are also about the terms and conditions of employment, but are agreements that are between the organisation and all of its employees. Hence, one is an individual agreement while the other is a collective agreement.

Some students found this question difficult and were not able to explain the difference between an individual agreement and a collective one.

Following is an example of a very good student response.

*AWAs are employment contracts negotiated and made individually between an employer, and an employee, without the use of union involvement. It aims to provide more individual flexibility in terms of employment conditions. Collective/Certified Agreements, in contrast, are made between an employer and the majority, or collective number of employees at an organisation, not just one individual, or even between the employer and union representing employees. It must firstly be ratified with the AIRC.*

## Question 2e.

Marks	0	1	2	3	4	Average
%	28	12	20	20	21	2.0

Shareholders would most likely be pleased about the introduction of enterprise bargaining. Being able to link pay increases to productivity increases would give them confidence about the future success of the business.

Unions would most likely be suspicious about the introduction of enterprise bargaining as this would decrease their ability to bargain collectively for their members. This opens up the possibility that employees' rights and conditions will diminish.

Following is an example of a very good student response.

*Stakeholders refer to any people who have any interest or stake in the operations of an organisation. The management at Meehan's Electric Company would see this introduction of James Meehan's decision as a great benefit, as driving productivity would ensure the organisation remains competitive, as they would be able to produce more goods at lower costs, thus helping boost sales, profit, and thus allowing them to receive higher wages or returns for this improvement in organisational performance. However, in contrast, the employee's unions may see this introduction of enterprise bargaining in a bad light, as it would restrict their ability to negotiate and represent employees to receive a more favourable agreement, which they would have power in negotiating, like an award. The movement of bargaining to the enterprise level may also raise concerns for unions as it may result in employee exploitation, or inferior conditions, thus giving them unfair rights or conditions.*

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## Question 3ai.

Marks	0	1	2	Average
%	10	28	62	1.5

Characteristics include:

- one way communication, top down
- centralised decision-making
- low level of trust in staff
- task orientation.

Students who only responded with one characteristic did not score full marks for this question. Many students focussed on the centralised decision making and gave no other characteristics of the autocratic management style.

Following is an example of a very good student response.

*An Autocratic management style is characterised by its top-down, hierarchical reporting nature. This means the manager maintains full control over the situation, and usually make the decisions without any employee input. Another characteristic is the lack of employee motivation, due to the lack of empowerment or involvement in decision making, and also the constant criticism and little praise that is given to employees to drive their performance.*

## Question 3aii.

Marks	0	1	2	Average
%	37	29	33	1.0

Decision making needs to be quick in this situation and decentralised methods would be too slow. Unpopular/unpleasant decisions (redundancies) are best not discussed with employees.

Students who did not score full marks for this question justified the reasons for the changes rather than focusing on justifying the style's use. For example, students responded that Jerome Jones could communicate with the staff and negotiate with those who were being made redundant. In an autocratic management style, negotiations would not occur.

Following is an example of a very good student response.

*In this situation where such changes have been made leading to radical changes in the operations system like technology use, and also where redundancies will be dealt with, an autocratic style is definitely justified, as it allows for the organisation to be decisively led through the changes. Also, with the community threatening boycotts, it makes the autocratic style essential, as it allows for the quick, decisive decision-making with little dispute, important in this situation to avoid further negative publicity.*

## Question 3b.

Marks	0	1	2	3	4	Average
%	21	16	28	21	15	2.0

Communication: the ability to transfer information from the sender to the receiver. Jerome will need to explain the changes that are occurring, tell staff what is expected of them and inform them of the expected timeline.

Decision-making: the ability to choose one action from a series of alternatives, logically and strategically. By identifying the manual handling error problem and establishing solutions Jerome has used decision-making skills. He will need to continue to do so throughout the implementation as further issues arise.

The choice of skill needed to be consistent with the autocratic style of management. While some students correctly selected communication as a skill, it was not discussed with regard to Jerome Jones' current situation.

Following is an example of a very good student response.

*Jerome Jones could utilise communication skills in his current situation. Such skills involve the effective transfer of information and the maintenance of relationships. In his situation, Jerome must effectively convey information to his staff to ensure that action is taken, and that each employee is doing what they should be. Also, as he is employing an autocratic management style, he would need to ensure that when he 'tells' staff about decisions, that he is clear, articulate and concise.*

*Jerome Jones could also use the skill of time management in his current situation. Such skills involve the prioritising of tasks, and the setting of deadlines. By doing so, he will ensure that he is organised and has a plan on what issue to tackle first, and how to rectify the situation. Also, as his CEO is coming to visit him shortly, he needs to ensure that he has allocated the right staff to*



*the right tasks in an efficient and time saving manner. Time is of the essence and is a vital resource in this case. The setting of deadlines can also help staff to be organised and to reach objectives in an effective manner.*

**Question 3c.**

Marks	0	1	2	3	4	Average
%	16	17	28	21	18	2.1

Purity of the city's waterways: The problem was that traces of oil and paint were found in the waterways. If the change, which was designed to stop this happening, is successful the city's waterway should no longer be contaminated.

Number of manual handling errors: These have been identified as the cause of the contamination. The technology was introduced to eliminate these manual handling errors. A reduction in these errors must be achieved for the change to be considered successful.

Students could also use Customer Satisfaction Surveys. Generally students who did not obtain full marks chose customer satisfaction or employee satisfaction, but did not say how the key performance indicator would be measured.

Following is an example of a very good student response.

*Key Performance Indicators, or (KPIs), are specific criteria and statistics used to measure the financial or non-financial efficiency and effectiveness of a certain area of the organisation's performance. It also includes quantitative, based on numerical data, and qualitative, based in qualities or feelings, measures. The first KPI that could be used would be customer satisfaction with the company's overall reputation, which could be measured using surveys, or online surveys, and would evaluate whether the changes made have improved the customer's satisfaction with their company. If it rises against previous periods, or even against competitors, it would prove that the changes made have reduced their wastage and impact on the community.*

*Secondly, employee satisfaction could be measured by evaluating staff turnover figures, which measure the number of employees who leave the organisation each year, and would be compared to previous periods. A reduction in staff turnover would mean the changes were successful, as employees are more likely to retain employment at an organisation that shows concern for the environment, and that participates in ethical, and socially responsible measures. It would also indicate that changes have been well managed to minimise staff dissatisfaction or resistance during the change period, thus demonstrating the success of the strategy.*

**Question 3d.**

Marks	0	1	2	3	4	Average
%	46	8	14	15	16	1.5

Facilities Layout and Design: Remodelling the interior of the factory/warehouse to allow for better work flow could improve the efficiency of the operations, leading to cost reductions or increased productivity. This may allow for cost savings to customers, which would improve the business's competitiveness.

Quality control: Establishing performance criteria and then measuring actual performance against that allows for a reduction in errors and faults and creates a consistently better product. Reduction in wastage will reduce the costs of production, therefore improving competitiveness, and a consistently high quality product will be viewed favourably against competitors' offerings.

Materials Management could also have been used as a basis for responses. Generally, students who did not score full marks for this question confused operations management strategies with operations management elements. Thus their response included inputs, processes and outputs, which was incorrect.

Following is an example of a very good student response.

*Quality management is an operations strategy which focuses on monitoring and improving the standards of an organisation's output and processes to ensure they are consistently durable, reliable and meeting customer standards. It includes Quality Control and Assurance, however, Jones should implement the Total Quality Management (TQM) system, which enforces a philosophy that all employees are responsible for ensuring quality at the organisation, that they are all responsible for aiming for perfection and zero defects, and also contributing to the organisation by suggesting how quality maybe improved. This can improve their business competitiveness, as it may result in lower wastage of paint, or the selling of paint that achieves a higher quality or standard, and this may reduce costs, or increase productivity, resulting in a better ability to compete with the products of competitors.*

*Materials management is the strategy involved with managing and controlling the use, storage, and delivery of stock, or resource inputs to ensure the right amount of inputs are available when required in the operations system. The use of a Just-in-Time*



strategy, which would ensure inputs are delivered only when required in the operations process, or as old stock is being consumed, can reduce storage costs, and reduce risk of any waste in storage, thus reducing the costs, and increasing competitiveness.

**Question 3e.**

Marks	0	1	2	3	4	Average
%	40	8	14	19	19	1.7

Inputs are the employee's skills and effort, equipment and machinery and raw materials that are used to create the product or service the business offers. Processes are the transformation processes that the inputs go through to create the output. Outputs are the final products or services the business offers to its customers.

For example, in a hospital the inputs are the x-rays machines, the skills and experience of the doctors and nurses and medical supplies such as bandages. The process is the consultation between the medical staff and the patient and the resulting diagnosis. The output is a healthy, treated individual leaving the hospital.

Students who did not score full marks for this question either confused operations management strategies with operations management elements or used an example of a manufacturing organisation rather than a service organisation as required by the question.

Following is an example of a very good student response.

*The operations system is the area within the organisation that is responsible for producing the goods or providing services to the consumers through transformation of inputs to outputs. The three elements are inputs, processes, and output. Inputs are the resources used by an organisation in their operations process, including time, knowledge, or machinery, and are important in determining the quality of the final output. Monash University's inputs, for example, include students, lectures, lecture theatres, textbooks and the curriculum and assessment criteria. Processes are all activities used to transform these inputs into outputs, and, in Monash's case, include teaching the students, lecturing them, tutoring them or examining them. These processes often dictate the quality, or efficiency of output production, like how well students are lectured affects the quality of the graduates. Outputs are the final result of the operations system, and refer to the finished goods and services provided by an organisation to its customer, and can often dictate the competitiveness of a business, according to the quality or price of goods or services made. Monash's outputs include graduate students, who have gained qualifications and knowledge.*

**Question 3f.**

Marks	0	1	2	3	4	5	6	Average
%	15	12	20	22	16	9	5	2.6

Social responsibility encompasses the obligations that a business may accept over and above the legal obligations they face. Business ethical policies align the values of the organisation with the actual behaviour of the employees. Any differences between the two could be as a result of mismanagement or unethical behaviour.

Organisations have a clear environmental responsibility, particularly in relation to waste minimisation and appropriate disposal of waste in general. Members of the community are taking increasing responsibility for recycling waste, reducing their use of non-recyclable products and limiting their impact on the environment. As a result they expect organisations to do the same.

The waste management practices at Pacific Paint allowed leakage of contaminated material into the community's waterways. This mismanagement of the procedures needs to be addressed to realign employee behaviour with the community's expectations of a socially responsible organisation.

Socially responsible organisations put employees before profit. Maintaining employment levels, even when the level of sales is insufficient or current technology may prove more efficient, is a means of fulfilling social responsibility; however, this cannot be maintained in the long term. If staff redundancies are necessary, a socially responsible organisation would be involved in providing training or otherwise assisting staff to obtain new employment elsewhere.

Retraining of current staff at Pacific Paint may be able to eliminate the manual handling errors, which may make the redundancies unnecessary. However, it appears that the introduction of new technology is inevitable, therefore Jerome Jones will need to assist those staff made redundant to find alternative employment.

Following is an example of a very good student response.

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*Social and Ethical responsibility refers to a business' recognition of its obligations to undertake activities that benefit the wider community and society they operate in, and also that abides by moral standards and is seen as the 'right' thing in the interests of all stakeholders, not just programs for profit.*

*One issue Jerome Jones faces in this situation is the issue of how to appropriately dispose of his paint and oil materials in a way that respects the interests of the society, and the environment.*

*The negative aspect of this issue is the large amount of negative publicity they have received, that is spreading worldwide which is likely to compromise the number of sales, and hence profit that Pacific Paint is likely to receive, as many consumers these days consider the social responsibility, and benefits they are providing to the society, when they purchase goods, and would be unlikely to purchase goods from an organisation who have harmed the environment.*

*The positive aspect would be the ability to easily dispose of any waste, which would save their costs in getting it professionally disposed, or stored until such action.*

*The second issue being faced would be their concern they show for the welfare of their redundant employees. As an organisation, Pacific Paint provides a local source of employment, and provides employment opportunities to local members of society. They would need to carefully consider the impacts on the redundant employees, and establish training or redundancy packages to ensure they can continue further employment elsewhere, thus displaying their social responsibility and willingness to assist members of society.*

*The negative aspects of this issue would be the confusion and anxiety of local members of the community and also on other employees, who may be sacrificing productivity levels instead concerned about their future welfare or employment at the organisation.*

*A positive aspect would be the costs cut, and quality ensured from the adoption of technology, which would help benefit profit and business competitiveness in the long term. Generally however, Jerome Jones must ensure he can address his social and ethical responsibility issues, otherwise the long-term negative impacts of loss of sales and negative business reputation will outweigh the positive aspects of such issues, such as better quality, efficiency or precision in handling paint materials.*