



**2009 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> 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 study and organisational strategies should provide a good basis for thorough examination preparation. Please note that there is a new study design for 2010.

**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. Again 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>	26	74	<b>0.8</b>

An individual or group who has a vested interest in the performance, activities and operations of a business

Weaker responses tended to not write enough, and consequently they were too general when defining the term.

The following is an example of a good response.

*Stakeholders are any group or individual who has a vested interest in an organisation's activities and decisions. It can include, but is not limited to employees, managers and shareholders.*

**Question 1b.**

<b>Marks</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Average</b>
<b>%</b>	6	7	29	20	38	<b>2.8</b>

- Autocratic communication is one way (from the top down); participative communication is two-way.
- Autocratic decision-making is centralised, with the manager making the decisions. Participative decision-making is shared – it is a joint decision-making process.
- Autocratic management has a low level of trust of staff, and the staff's opinions and ideas are not sought after. Participative management has a high level of trust of staff.
- Autocratic management is more task-oriented; participative management is more staff-oriented.

The term 'contrast' asks students to discuss and highlight points of difference. Many students simply listed characteristics of each management style without showing how they were different from each other.

The following is an example of a good response.



*An autocratic management style is where a manager makes decisions alone, without staff involvement. Authority and decision making is centralised with one way communication from management down. In contrast, participative management style is where management joins with employees to make a joint decision using two way communication. Authority and decision making is decentralised as employee feedback is encouraged. The autocratic plant manager made decisions to retrench staff alone and communicated these down the hierarchy to staff.*

**Question 1c.**

Marks	0	1	2	3	4	Average
%	6	8	21	33	32	2.8

Advantages

- a greater range of opinions
- often employees have the best ideas about the work and a participative management style seeks that knowledge
- the expertise, talents and skills of the employees are utilised
- decision-making is consensual and is therefore more likely to be supported
- employees feel motivated and valued
- good employee/employer relations

Disadvantages

- time-consuming
- it can be unclear who is in control/accountable
- it can cause conflict between differing views
- may not always meet organisational objectives – possibly inconsistent
- assumes that employees want to be involved in the decision-making process

Most students were able to identify advantages and disadvantages of the management style but often simply listed them rather than discussing them. Students should have identified the advantage or disadvantage and then explained why it was an advantage or disadvantage.

The following is an example of a good response.

*The participative management style with two way communication and decentralised decision making means employees feel valued and part of the decision making process, taking ownership or ideas and improving staff morale and productivity. This style also creates strong relationships between management and staff, where mutual respect exists, improving staff morale and loyalty to the organisation. By being part of the decision making process employees at Johnson Automotive will feel more positive about management as a result. A disadvantage of this style is that it is very time consuming and decision making and problem solving may be long. Discussions can also cause conflict amongst workers (and management) and Johnson Automotive need a unified and motivated workforce in order to remain competitive in the global financial crisis.*

**Question 1d.**

Marks	0	1	2	3	4	Average
%	37	20	24	11	9	1.4

A strategy could be training. Training is the process whereby employees undergo specific skill or knowledge development in relation to their current or future role. This will provide the remaining employees with the knowledge or specific skills needed to perform their changing jobs. This will improve employee satisfaction as learning new skills will make them more valuable to the organisation.

Another strategy could have been a performance appraisal process. A performance appraisal is where a manager and/or employee establish set goals for a period of time. The employee's performance is then measured against these goals. This is often linked to a system of rewards. This will improve employee satisfaction as staff are able to achieve rewards for meeting established performance goals.

Students could also discuss job rotation or multi-skilling but needed to link the strategy to employee satisfaction.

Students were often unable to relate human resource strategies to the tasks performed by the human resource manager. There were two main problems with responses to this question – students appeared to be uncertain about what a human resource strategy was and so did not answer the question at all, or they selected strategies that were not human resource related, but general 'feel good' type activities.



The following is an example of a good response.

*A strategy that could be used to improve employee satisfaction could be training and development. Training is the systematic development of attitudes skills and knowledge needed for particular jobs. If employees develop new skills then they are able to improve their prospects as the potential for a pay rise or promotion goes up. Training also allows employees to do their job more satisfactorily which means they are less likely to fear redundancy which will improve morale and job satisfaction. Another strategy could be performance appraisals. If positives are shown against benchmarks employees will see if they are doing a good job. This will make employees feel safer in their jobs which will improve their satisfaction as they will no longer be in fear.*

**Question 1e.**

Marks	0	1	2	3	4	Average
%	15	23	27	21	14	2

Planning is a multi-step process that involves establishing future goals or objectives, devising a range of alternative ways of achieving those goals, selecting the most appropriate method(s) from the list, implementing the chosen strategies and evaluating the performance to ensure the goals or objectives are being met. In a time of reducing staff numbers and changing staff activities, planning is important to ensure organisational objectives are being met.

Controlling is the establishment by management of ways to compare actual performance to planned performance. Sometimes the word ‘monitoring’ is used interchangeably with ‘controlling’. Because of the changes that will occur, new benchmarks or standards will have to be established to measure performance. This will then need to be compared to actual employee performance. Once the comparison has been made, corrective action may be necessary.

This question required students to define each term and then relate it to the situation at hand. However, students often defined terms without application, or applied them without the definition. Students also often made the mistake of using the general English definition of controlling rather than using the business-related definition which is quite different (more related to monitoring).

The following is an example of a good response.

*Planning is the process of defining organisational goals and establishing an overall strategy to achieve them. The plant manager at Johnson Automotive will need to redefine organisational objectives as well as plan the structure of the organisation as a result of the retrenchment of staff. They will need to develop strategies to improve productivity and business competitiveness, as well as plan the implementation of a participative management style. Controlling is the process of monitoring and managing the work done by subordinates, then, using performance standards, evaluating planned performance with actual performance. Due to the retrenchment of staff, management would need to closely monitor staff performance to determine the extent to which staff were affected by the change (allowing them to develop strategies to improve staff performance and productivity levels). It also gives management an idea of how performance of employees are benefitting or decreasing as a result of the participative management style.*

**Question 1f.**

Marks	0	1	2	3	4	5	6	Average
%	13	8	12	18	19	13	16	3.2

- Communication is the process of creating and exchanging information. The participative management style relies on two-way communication so it is essential for the manager to have good communication skills. At Johnson Automotive, the new plant manager will need to ensure that he communicates the changes to employees and is open to feedback.
- Negotiation is a combination of discussion and bargaining between parties with the aim of producing an outcome that is satisfactory to all involved. A range of opinions will be offered with this management style. To minimise negative outcomes from the recent changes, the new plant manager will need to seek a compromise or find common ground.
- Time management is the structuring or scheduling of a time period such as a day or week to ensure deadlines are met. The participative management style, including its shared decision-making, can be very time-consuming. The new plant manager will need to carefully schedule time to ensure deadlines are met.

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Many students knew three appropriate management skills; however, many did not do as the question asked and described the skill before applying it to the situation at Johnson Automotive.

Students are improving in selecting skills that are different and appropriate for the case material, although many still choose skills that they were unable to differentiate between (for example, people skills and communication, problem solving and decision making).

The following is an example of a good response.

*A participative manager would use communication skills. Communication is the transfer of information in a way that produces the required response. It has two main purposes to transfer information and maintain social relationships. Communication is essential for the new plant manager as they will need to communicate changes taking place as well as communicate effectively with staff during the decision making process to ensure staff morale and productivity levels do not decrease and to overcome any feelings of uncertainty (about job security) employees may have. They would also need to negotiate. Negotiation is the ability to reach an agreement through discussion and compromise. As participative decision making incorporates both management and employees the new plant manager would need to negotiate effectively to ensure a win-win outcome is produced, so employees feel valued and improve job satisfaction and loyalty. The plant manager at Johnson Automotive would need to use time management skills. It is the effective utilisation of work time involving setting, prioritising or delegating tasks, allocating time and avoiding time wasting activities. As the participative management style can be quite time consuming, it is essential that the plant manager uses their time effectively during decision making as well as supervising the operations of the automotive plant.*

## Question 2a.

Marks	0	1	2	Average
%	7	28	65	1.6

Two of:

- more than 200 employees
- substantial total assets (more than \$20 million)
- significant total revenue
- in multiple locations and is a global company.

Generally this question was well answered, although some students were not specific enough when information was available, for example, a large-scale organisation has 200+ employees, not a 'large number'.

The following is an example of a good response.

*Wombat Airlines is a large scale organisation because it employs over 200 people, (as over 200 people would be needed to operate the business effectively, especially seeing as it has not outsourced any areas of its business). Another characteristic identifying Wombat Airlines as a large scale organisation is the fact that it operates internationally.*

## Question 2b.

Marks	0	1	2	3	Average
%	22	32	27	19	1.5

Three of:

- employment: approximately 30 per cent are employed in large-scale organisations
- stimulates infrastructure growth: large organisations need facilities such as transport, information systems, electricity, gas and water. Due to the importance of large-scale organisations, governments often plan infrastructure growth in consultation with them
- earn export income: large-scale organisations are commonly large exporters
- research and innovation: often this will require a large outlay of capital expenditure so it is more likely to be done by large-scale organisations.

While many students were able to identify ways that large-scale organisations contribute to the economy, their responses tended to be too general and did not differentiate a large-scale organisation from any other sized business. For example, simply saying that large-scale organisations contribute to employment is insufficient as small business also contributes to employment. The volume of employment they provide is what distinguishes them from other sized businesses.

The following is an example of a good response.

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*Large scale organisations (LSOs) contribute to the economy by providing significant employment. This helps local communities and impacts Australia's unemployment rates. By providing employment in Australia, also keeps the money in our economy to, rather than outsourcing overseas. It also impacts Australia's infrastructure, as large organisations work together with the government to provide new roads, buildings, gas and electricity. Governments oblige since a large proportion of revenue comes from company tax, aiding society and the economy. It also contributes by earning export income for Australia's balance of payments accounts. By exporting, LSOs are earning money for the Australian economy as other countries are buying Australian goods and services. Wombat Airlines also reduces import expenses, by not outsourcing overseas, further aiding our Balance of Payments account.*

## Question 2c.

Marks	0	1	2	3	4	Average
%	27	18	30	11	14	1.7

Two of:

- you can store manufacturing output but you cannot store service output
- a service is consumed as it is produced; a manufacturing output is not
- manufactured goods are tangible; services are intangible
- manufactured goods are standardised; services are tailored to individual customers
- manufacturing has minimal customer contact; services have a high degree of customer contact.

Wombat Airlines incorporates both service and manufacturing. Food is manufactured for consumption at a later time during the flight, while the flight itself as a service is produced and consumed simultaneously. The manufactured food will be consistent from one meal to the next. The staff who manufacture the food have no customer contact, while the flight attendants/staff have a high degree of customer contact when providing their service.

Students were asked to discuss differences in the operations of service and manufacturing businesses. Many students simply restated the question and said the main difference was that one business provided a service and the other business manufactured something. This response was insufficient.

The following is an example of a good response.

*Services are acts you perform where as manufacturing produces goods. Wombat airlines produce both goods and services. Goods are tangible products the production of an aeroplane meal is a good that customers consume whereas services such as providing the customer with the meal and ensuring they are enjoying it is an intangible process. It is not something you can hold onto or touch like a good. The production of a good is more resource centred and this is what the majority of funding is spent on, cleaning products, food ingredients are the highest costs for the goods of meal and fully equipped aeroplanes whereas services are more labour intensive than capital intensive like goods. They require a higher degree of human interaction for the services to be performed and received by the customer.*

## Question 2d.

Marks	0	1	2	3	4	Average
%	27	16	20	19	18	1.9

- Quality control, which is where the business sets standards or benchmarks, measures their performance, makes comparisons between the two and makes adjustments if necessary.
- Wombat Airlines could set standards or benchmarks relating to the timeliness of departures and arrivals, safety of aircraft and ultimately passengers, food quality and the occupancy rate of flights. By comparing actual performance against these benchmarks the airline can determine if operations need to change to achieve customer satisfaction.
- Just-In-Time, which is where new stock arrives as the old stock has been consumed. This avoids the need for storage. Food for flights (with a limited shelf life) would need to be prepared so that it arrives at the plane as it is needed. This will improve operations by reducing waste.

Students' ability to identify operations management strategies has improved, despite some confusion when they explain their features. The quality and materials management strategies tended to be answered quite well. However, the technology and facilities design and layout strategies were usually poorly answered. Most students were far too general and did not refer to a specific strategy. Many students were also confused about the nature of an airline, assuming they manufactured their own planes. These students often suggested technology strategies that were not operations management strategies (for example, individual television sets in the back of headrests would be a marketing decision, not an operations management strategy).



The following is an example of a good response.

*Within material management Wombat Airlines (WA) may use the Just-In-Time method for the delivery of the supply of food. By allowing the food to arrive only just before it is needed, management ensures that expense is not wasted on storage and it ensure the food does not expire before it is delivered to the customer. To operate the Just-In-Time method effectively, a good supply chain is required. Suppliers must be reliable or WA may not have sufficient food for customers. Under quality management, total quality management (TQM) would improve WA's operations. TQM is the philosophy that there is always a better way to conduct operations. It takes into account continuous improvement. The three elements it takes into account is customer focus, employee teamwork and continuous improvement. This would improve operations of WA as they would undertake research and development constantly. In effect this would, if done successfully, lead to an increase in business competitiveness, possibly increasing market share.*

**Question 2e.**

Marks	0	1	2	3	4	5	6	Average
%	29	9	14	19	11	8	9	<b>2.4</b>

An ethical and social responsibility is Wombat Airlines' carbon footprint. A negative aspect is that airlines are traditionally poor environmentally. Positive aspects, however, are the increasing use of biofuels, the purchase of lighter, more efficient planes and the encouragement of passengers to take less luggage, and the use of technology to reduce paper wastage through e-ticketing.

The outsourcing of maintenance to cheap labour countries is another ethical and social responsible issue that Wombat Airlines would need to address. However, this may mean the loss of Australian jobs and may affect the safety/quality of the maintenance provided. As a positive, it will reduce costs, improve the return to shareholders and may help the airline to remain viable in a poor economic environment.

Problems with responses to this question included mixing up ethical issues and legal issues. For example, not discriminating in the selection process is a legal requirement, rather than an ethical issue. Once the issue was identified, students were asked to explain the issue, raising positive and negative aspects, and often students did not raise both positive and negative issues.

The following is an example of a good response.

*Ethics refers to the day to day decision making conducted in the workplace being carried out in a moral way, and social responsibility refers to an organisation's commitment to the community and environment beyond what is required by law. McDonald's has demonstrated ethics and social responsibility through it new menu, which now includes healthy eating options such as salads and wraps, in order to address society's concerns about healthy eating. The healthier options are likely to attract more customers who are conscious of the food they eat, thereby increasing McDonald's customer base, and therefore sales. A negative aspect of the change however, would be that staff may have to be trained in how to make the new foods, taking up company time and money. Another social responsibility issue faced by McDonald's is its commitment to the community demonstrated by its charity the Ronald McDonald House. While the charity would take time and money to establish, through the actual making of the buildings and extensive advertising campaigns, it is likely that the community will be impressed by the organisation's effort to give back to those disadvantaged in society, and so McDonalds will be likely to have an increase in customers and therefore profit. Ethically minded people will also be more attracted to an organisation that behaves ethically, so McDonalds will be able to select the best possible candidates for their jobs. Overall, the benefits of an organisation acting ethically and socially responsibly are likely to outweigh the negatives.*

**Question 3a.**

Marks	0	1	2	3	4	Average
%	20	27	26	13	14	<b>1.8</b>

To select staff appropriately, Ms Zheng will need to perform a job analysis. This involves the systematic collection that relates directly to the job performed. It can include information such as conditions of employment, salary, reporting relationships, social relationships, education, qualifications, skills and experience. This information will be used to rewrite job descriptions and job specifications. These will need to be altered due to the increase in staff and the changes to the jobs the remaining staff will do. Ms Zheng will also need to alter the recruitment policies as the hotel is moving to 5-star, and the new staff will require a high level of skills and experience. This will impact from where staff are sourced.

This question related to the selection process and how it might alter when choosing staff for a different type of organisation. In some cases, students chose to discuss how current staff might be retrained, which did not relate to what



the question was asking. Other responses were too general and lacked specific detail about the potential changes. Some students chose to simply state the selection process but did not refer to how it would have changed.

The following is an example of a good response.

*The human resource department may develop more rigorous testing methods. Applicants in the selection stage may be subjected to situations where they have to respond to particular customer situations. This is called stress testing and allows the organisation to observe how the employee will interact with clients and ability to cope with situations through witnessing their service standards. This is a good indication of the applicants customer service ability and allows the organisation to determine if the employee meets the newly raised performance standards of the organisation.*

*A clearer job description and specification may be developed. The job description outlines the tasks and duties that an employee will perform and job specification outlines the experience and knowledge skills required to satisfactorily complete the job. This will help the organisation to develop a strong understanding of what candidates must be able to achieve in the job, therefore when selecting the potential employees they can be used as references to ensure the employee possess all the necessary skills and will be able to complete the required tasks to the organisations satisfaction.*

**Question 3b.**

Marks	0	1	2	3	4	Average
%	26	14	25	21	15	1.9

Abraham Maslow developed a five-stage ladder of needs. These included physiological (basic needs: food, water, air, shelter), safety (job security, protection from emotional harm), social (affection, affiliation, acceptance and friendship), esteem (status, recognition, self-respect and autonomy), self-actualisation (personal growth, achieving to potential, self-fulfilment). Maslow believed we started at the bottom of the ladder and, as that need was substantially satisfied, we moved onto the next stage.

At Wilton Hotel their lower level needs are primarily satisfied. The decision to move upmarket will primarily meet their esteem and self-actualisation needs as the workplace is more prestigious. Skill development will be required and this allows for personal growth.

Hertzberg, Alderfer or McClelland could also have been used.

Generally, students were able to identify a motivational theory and explain it with some accuracy, although at times they did not fully do so. The major concern with this question was the lack of application to the situation at hand. In many cases, students simply explained the theory and did not go any further.

The following is an example of a good response.

*Maslow's hierarchy of needs is a motivational theory that groups motivational factors into 5 levels of needs. The lowest level is physiological, and continues up in the order of safety, social, self esteem with the highest order need being self actualisation. Each need acts as a source of motivation for employees to achieve goals as one level of needs is achieved the next successive level in the hierarchy replaces it as a motivating factor for employees. This theory recognises that different strategies will motivate different employees, therefore the HR manager could implement a range of strategies such as fair remuneration as a physiological motivator, teamwork and social events to meet social needs recognition and bonuses for esteem needs and training and development as motivation to achieve self actualisation. These strategies will ensure that there are factors present to motivate all employees so that they are working more productively and efficiently and this their level of performance will increase.*

**Question 3c.**

**3ci.**

Marks	0	1	2	Average
%	37	25	38	1

Driving

This question was answered well, although greater explanation would have helped many students.

The following is an example of a good response.

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*A driving force is one that encourages change to occur. A driving force that may have been considered by Ms Zhang may have been competitors, who had increased the quality of service at their hotels, which may have increased customers, meaning a decrease in customers at the Wilton Hotel. This would drive change as quality of the Wilton Hotel would have to increase also if it wanted to remain competitive.*

### 3cii.

Marks	0	1	2	Average
%	20	25	55	1.4

Restraining

This question tended to be answered well, although greater explanation would have helped many students.

The following is an example of a good response.

*A restraining force is one which inhibits the organisations ability to create change. Financial costs could be a restraining force as it is expensive to recruit and select new employees as well as providing them with induction and training programs. Combined with the remuneration of 20 new employees the organisation may have been worried about the high financial strain this would place the organisation under and Ms Zheng may have been worried if the organisation could remain profitable in the face of such a change.*

### Question 3d.

Marks	0	1	2	3	4	5	6	Average
%	25	6	11	18	17	13	9	2.7

A change management theory is Lewin's three-phase process.

- Unfreezing the present situation: this is the phase of preparing the organisation for change. This may involve minimising resistance and gaining commitment to the proposed change.
- Moving to a new state: this is the change itself. This may involve change in structure, reporting relationships and reward systems, and should see changes in behaviour patterns.
- Refreezing: this involves stabilising or institutionalising these changes by establishing systems that make these behaviour patterns relatively secure.

In relation to Wilton Hotel, Ms Zheng will need to effectively communicate the driving forces for the change to staff and address any resistance. Ms Zheng would then change the activities, policies, structure and corporate culture of the hotel and its staff so that it becomes the five-star experience. Finally, Ms Zheng will need to ensure that the new behaviour patterns become the norm and are reinforced by the structure, recruitment processes and reward system.

Generally, students were able to identify a change management theory and explain it with some accuracy, although at times they did not fully do so. In many cases, students who chose Lewin's theory did not explain it in any detail. The main concern with responses to this question was the lack of application to the situation at hand. In many cases, students simply explained the theory and did not go any further.

The following is an example of a good response.

*Kotter's eight step change theory aids in the implementation of the business strategy. Firstly be establishing the need for change, which Ms Zheng has done by wanting to improve the organisations performance be becoming a 5 star resort.*

*Secondly Ms Zheng should for a guiding team, by creating a group of people alongside herself to help implement and push the change throughout the organisation.*

*Thirdly, by creating a positive vision, this would be Ms Zheng's plan to run a 5 star luxury hotel.*

*Fourth, Ms Zheng must communicate the vision, which means herself and her guiding team must ensure all staff are aware of the direction the resort is taking, by becoming a 5 star resort.*

*Fifth step is to empower staff to implement the change, this means the guiding team and herself should demonstrate the change, through increased service and influence staff to do the same.*

*The sixth step is to plan for and celebrate progress, this means Ms Zheng must create steps and strategies, actions the organisation will take in order to accomplish the change. This could involve training programs, and the need for more staff. As well as recognising and rewarding those who are aiding in implementing the change.*

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*The seventh step is to consolidate improvements and maintain momentum by setting targets and using key performance indicators to measure the success of the change. Ms Zheng could use customer satisfaction surveys and productivity figures. Ms Zheng must also help continue the change process by removing any barriers, such as effectively communicating with staff so they undertake the change.*

*Lastly Ms Zheng needs to institutionalise the new organisational behaviour, by creating a corporate culture, being the shared beliefs and values of an organisation which reflects the change. Therefore aiding in Ms Zheng implementing her business strategy.*