



**2005 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 examination requirements detailed in these documents. 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 that were more appropriate for questions asked in the past. 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 past examination questions; however, students must 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. In 2005 the examination format was a question and answer booklet that required answers to all questions asked.

**Question and Answer Book Format**

Students handled the transition to a question and answer book format well. However, it was evident that more space should have been provided for some responses, and this will be done in 2006. There will not be an automatic allocation of one line per mark. The number of lines provided will be based on the length of response expected and the type of question. Therefore, same-mark questions may have slightly different line allocations. Some extra space for responses will also be available at the back of the question and answer book.

**SPECIFIC INFORMATION**

**Question 1ai.**

Marks	0	1	Average
%	26	74	<b>0.8</b>

Staff absenteeism: When staff are away from work due to illness or job dissatisfaction. The number of days can be used to indicate the level of staff satisfaction for an organisation

Students should endeavour to explain the term without using the actual wording of the term.

**Question 1aii.**

Marks	0	1	Average
%	37	63	<b>0.7</b>

Corporate culture: The shared values and beliefs of an organisation. This is shown by the relationship between staff and management, which is reflected through their policies, procedures and the unwritten rules of the organisation.

**Question 1b.**

Marks	0	1	2	3	4	Average
%	15	27	31	17	10	<b>1.8</b>

Students were required to explain two of the key management roles and then apply them to Ms Wilson and describe how she could use these to address the problems that were occurring at Hume and Weston Ltd.

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Key Management Role	Description
Planning – the process of defining goals and establishing an overall strategy for achieving them.	<ul style="list-style-type: none"> <li>• setting objectives</li> <li>• analysing the present situation and future opportunities (SWOT)</li> <li>• developing and evaluating alternatives</li> <li>• implementing the plan</li> <li>• monitoring and reviewing results</li> </ul>
Organising – the process of defining the relationship between staff and tasks so that all the resources of an organisation are working towards its objectives.	<ul style="list-style-type: none"> <li>• organising the structure of the organisation</li> <li>• determining what is needed</li> <li>• establishing staff in productive working environments</li> <li>• assigning responsibilities to staff</li> <li>• delegating authority</li> <li>• communicating</li> <li>• arranging plant and machinery</li> </ul>
Leading – ensuring that the objectives of the organisation are met.	<ul style="list-style-type: none"> <li>• communicating ideas and objectives to everyone</li> <li>• influencing the corporate culture</li> <li>• modelling the expected behaviour and ideals</li> <li>• leading the organisation into the future</li> </ul>
Controlling – the establishment, by management, of ways to compare actual performance with planned performance.	<ul style="list-style-type: none"> <li>• establishing performance standards</li> <li>• determining methods of measuring performance</li> <li>• measuring actual performance</li> <li>• comparing actual performance with established standards</li> <li>• taking corrective action when necessary</li> <li>• reviewing performance standards</li> </ul>

Questions relating to management roles have been on the exam many times in the past; however, this question was still poorly answered. Student responses should have included information regarding the high staff absenteeism, the feelings of no sense of belonging and no support, and the high number of resignations.

### Question 1c.

Marks	0	1	2	3	4	Average
%	29	19	16	21	15	<b>1.8</b>

The most common responses referred to Maslow and Herzberg. While this question was generally well answered, some students did not score full marks as their responses did not refer to the benefits for the Marketing Division. These students did not answer the entire question as they did not apply the theory to the scenario.

A good example was:

*Abraham Maslow's needs theory of motivation comprises five levels of motivational factors, with each having to be satisfied before the next can be met. The factors, in ascending order are basic needs, safety, social needs, esteem and self-actualisation. This theory would benefit the Marketing Division through providing an idea of which employee needs should be satisfied, and in what order. This would maintain employee satisfaction, reduce absenteeism and provide a structure that is currently lacking.*

### Question 1d.

Marks	0	1	2	Average
%	46	32	22	<b>0.8</b>

Good responses used the Motivational theory to describe what needed to be done by Dave Rodgers and how the theory would address some of the issues the employees had. Weaker responses were very generalised; for example, 'by using this Motivational theory the employees will be happy and motivated to work harder'.

A good response was:

*Mr Rodgers could apply this theory to the Marketing Division by identifying the needs that his employees must have fulfilled. Employees have expressed that they feel 'no sense of belonging', which is a need identified in Maslow's theory. By providing opportunities in his department for this need to be fulfilled, perhaps through creating teams or teamwork situations, Mr Rodgers will motivate his staff to try to achieve higher order needs, which will increase the employee's job satisfaction and reduce staff absenteeism.*

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## Question 1e.

Marks	0	1	Average
%	63	37	<b>0.4</b>

Laissez-faire

Many students incorrectly chose 'autocratic' as their answer; however, the 'lack of direction, no sense of belonging and no support' mentioned in the scenario should have pointed students away from this response.

## Question 1f.

Marks	0	1	2	3	4	5	Average
%	12	5	14	28	26	16	<b>3.0</b>

Students predominantly chose 'consultative' or 'participative' for their responses to this question and were able to relate this to improving staff morale, thus scoring full marks. Students who didn't score full marks either did not justify their choice or justified the style but did not give two features of the style, thus not answering the whole question.

A structured response to this type of question will ensure that the answer contains the necessary components.

A good response was:

*The consultative management style would be more appropriate in this situation. Features of this style include an open, two-way communication channel and decision-making by management after consultation with employees. The consultative style would solve many problems. Employees complaining of lack of support and direction from Rodgers would be helped as this style is known to be supportive and guiding for staff. Due to the open communication channels and a focus on teamwork, employees who lack a sense of belonging would be satisfied. This management style would assist Dave Rodgers in improving staff morale greatly.*

## Question 2a.

Marks	0	1	2	Average
%	13	29	58	<b>1.5</b>

Shareholders are those who own part of the business through the purchasing of shares, whereas stakeholders are those who have an interest in the organisation; for example employees, suppliers, etc.

Overall this question was well answered. A good response was:

*Shareholders are, in the case of a public company, members of the public who have purchased shares in the company on the stock exchange thus are partial owners. Stakeholders, however, are a broader group who may or may not be shareholders, but still have a vested interest in the company. They can include management, employees, customers and suppliers etc.*

## Question 2b.

Marks	0	1	2	3	Average
%	17	16	33	34	<b>1.9</b>

The macro environment is the external environment that affects an organisation. The organisation has no control over the external environment.

Any two of the pressures in the external environment were accepted, with the more common answers being technology and legal/political pressures. Some students chose to relate these pressures to the Logical scenario and how the pressures would affect an organisation like that. While this wasn't required, it did show a good understanding of these pressures.

A good response was:

*Macro environment is defined as the factors external to an organisation that can influence a change, over which the organisation has no control.*

*Economic pressures, such as interest rates, inflation and employment can affect a large scale organisation, as it can reduce or expand the capacity of consumers to buy their goods and services.*

*Political pressures can also affect LSOs in terms of legislative compliance stemming from the three levels of Government (local, state and federal), which may lead to changes in policy or the operations process.*

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## Question 2c.

Marks	0	1	2	3	4	Average
%	11	14	29	23	23	2.3

Overall this question was well answered. Many students were able to identify contributions such as employment and exports (Balance of Payments). Repercussions were also included, such as the unemployment level rising, therefore the government receives less taxes, or other businesses (for example, suppliers) being impacted on.

A good response was:

*The closure of Blue Berry Jam would deprive the economy in terms of employment. Blue Berry Jam is seen to hire 'people from the local area' who would be made redundant, thus seriously reducing their capacity to forward money from their income back into the economy. The closure of Blue Berry Jam would also reduce the money gained by the Australian economy due to the sale of exports. As the organisation could no longer export their jam to Hong Kong and Indonesia, the balance of payments in our economy would be adversely effected as the level of exports has decreased.*

## Question 2d.

Marks	0	1	2	Average
%	12	30	57	1.5

Key performance indicators measure internal and external business comparisons over a set time period. Measures include, but are not limited to, financial performance, industrial relations, on-time completion, performance levels and inter-business comparisons such as comparing businesses by size, location, profit and inventory.

Popular responses were profitability figures and their measurement over time, customer complaints and staff absenteeism.

Many students did not specify which was the financial and which was the non-financial key performance indicator they were discussing. Weaker responses mentioned customer satisfaction without giving any details as to how this indicator was to be measured.

## Question 2e.

Marks	0	1	2	3	4	Average
%	17	16	27	21	20	2.1

The most common error in students' responses to this question was that they explained how the key performance indicator could be measured but did not relate this to improved performance by Blue Berry Jam.

A good response was:

*Profitability, as a financial KPI, could be used to benchmark progress and the success of changes in Blue Berry Jam's performance as it reflects the number of sales and the efficiency of the operations process overtime. For example an increase in profit by \$100,000 between financial years is evidence that Blue Berry Jam is increasing their performance, and a smaller figure may require changes to occur.*

*The number of customer complaints could be used to improve performance as it alerts management that aspects such as the quality of their jam is below the expectations of the customers and hence some changes need to be implemented (e.g. some type of quality control in production) this could decrease the number of complaints and thus improve performance.*

## Question 3a.

Marks	0	1	2	3	4	5	6	Average
%	48	13	12	6	7	5	9	1.7

The strategies could have been from any of the following groups:

- quality – TQM, quality assurance, quality control
- materials management – JIT, ABC
- facilities, layout and design – fixed position, etc.
- technology – CAD, CAM, etc.

Students could also have used three different strategies from those given above.

The most common strategies used by students were 'technology' and 'quality'. Some students did not gain full marks because they did not say how the strategy could be used by Logically to improve its competitiveness.

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A good response was:

*The operations manager at Logically could introduce technology into the operations process to increase competitiveness. The use of robotics or a Computer Aided Design (CAD) system, would reduce labour costs and faults caused by human error, thus making Logically more efficient and hence, more competitive.*

*Another strategy is the implementation of a quality management system, which can encompass aspects such as quality control, where physical checks at various points of production remove faulty goods, quality assurance where quality is built into the processes thereby proactively reducing errors and Total Quality Management where every member of the organisation participates in continual improvements in the production process. These processes increase competitiveness as it reduces the costs associated with waste and faulty products.*

*A third strategy that could be used is a Just in Time inventory process, whereby various inputs used in the creation of a mobile phone are delivered and attached just before the product moves on the next stage of production. This increases competitiveness as there are cost benefits associated with having low levels of inventory due to storage costs.*

### Question 3b.

Marks	0	1	2	3	4	5	6	Average
%	55	5	4	5	8	8	14	1.9

Three key elements of an operations management system are:

- Inputs – resources used in an operations system; human skill and effort, raw materials, facilities, machinery and equipment
- Process – transformation or conversion activities; activities that transform or convert inputs into valued outputs
- Outputs – valued goods and services available to consumers as a result of the production process.

Generally this question was poorly answered. Many students did not know what the three key elements of an operational management system were. Some students used strategies that were appropriate for Question 3a. but not for this question. Other students discussed the correct elements but did not make any reference to an organisation that they had studied.

A good response was:

*Inputs are a key element of an operations process and resources include raw materials, processed parts, human resources and time. At the Ford Motor Company the input of processed parts are used through the buying of ready-made windscreens which are later added to the production process.*

*The transformation process of operations management entails the transformation of inputs into a finished output of a good or service. At the Ford plant the transformation process is aided by robotics to reduce the labour force and the prevalence of human error, thereby significantly increasing the efficiency of Ford's operational process.*

*Outputs are the final element within an operational management system and are defined as the final good or service created through the transformation process. In the case of the Ford Motor Company this output is various types of motor vehicles for the Australian and overseas markets.*

### Question 3ci.

Marks	0	1	2	Average
%	12	37	52	1.4

Merger: When two organisations join together to become one large organisation. For example, BHP and Billiton have joined together and combined their name.

This question was answered well, with many students using the BHP Billiton example.

### Question 3cii.

Marks	0	1	2	Average
%	17	32	51	1.4

Multi-national corporation: An organisation that operates in many countries throughout the world. For example, Nike has offices or manufacturing facilities throughout the world.

Students who didn't score full marks for these terms usually did so because they did not supply an example.

### Question 3d.

Marks	0	1	2	3	Average
%	11	30	36	23	1.7

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Students were required to select a change management issue from the list given and explain its impact on Logically, or choose any of the other four change management issues and use an organisation that they had studied throughout the year to support their answer.

Unfortunately some students responded on one of the three change management issues listed, but did not relate their response to Logically and therefore could not score full marks.

A good response was:

*Globalisation is seen as the removal of trade barriers that allow for free international trade and the movement of capital between nations. As a result of globalisation, Logically will be forced to stay competitive with foreign companies. Logically may hence have to consider moving the manufacturing process to a location where site costs and labour costs are lowest. This is often evident in Asian countries where labour is cheap. Globalisation may also force Logically to downsize their labour force in an attempt to increase further competitiveness.*

### Question 3e.

Marks	0	1	2	3	4	5	6	7	8	Average
%	5	8	15	18	21	14	10	6	3	3.7

While many of the responses to this question were very good, a large number of students did not score full marks.

'Evaluate' requires the response to mention both good and bad aspects of implementing these strategies and the impact they would have. Many students, however, wrote only that Logically would benefit from introducing these strategies and did not mention the costs involved in doing these things.

Some students took a very generalised view of social responsibility and did not identify the impacts that these specific strategies listed would have on Logically. They talked about other organisations and their social responsibility strategies. These students scored poorly as they did not answer the question that was asked.

A good response was:

*There are both positives and negatives to Logically of implementing these social responsible strategies. Eventually it should have a positive effect on Logically as people these days are more environmentally conscious, which Logically's recyclable phones and batteries and low radiation phones would encourage environmentally aware people to purchase. The fact that they would implement contracts that clearly explain their billing structure may result in them getting business from parents and teenagers who don't want any hidden surprises in their bills. This social responsible activity may attract shareholders for Logically and may attract higher class employees who want to be apart of a socially responsible organisation, which would impact Logically positively.*

*On the other hand, Logically's socially responsible strategies will cost them money. It would cost more to produce low radiation, recyclable phones, as the input and processing stages would be more expensive. Even though Logically have decided to be socially responsible by clearly explaining their billing structure, it may deter some people, as Logically may expose hidden costs that may not be exposed by other organisations.*

*Overall, the strategies that Logically have implemented are very social responsible and the fact that the media suggest that not many mobile phone companies are socially responsible, make the strategies very good, where the positives outweigh the negatives. These socially responsible strategies may help Logically gain a core competency, that is, they are a more social responsible mobile phone organisation than any other mobile phone organisation, which would only help their object of becoming more competitive be achieved.*