



A non-profit organisation supporting students to achieve their best.

Unit 3 and 4 Business Management - Solutions

Practice Exam Solutions

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Don't look at these solutions until you have attempted the exam.

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Section A – Short-answer questions

Marks allocated are indicated by a number in square brackets, for example, [1] indicates that the line is worth one mark.

Question 1a [1 mark]

Operations Management: area of responsibility covering the planning, organising, leading and controlling of the activities (transformations) needed to change raw materials (inputs) into finished goods/services (outputs). [1 mark]

Students should avoid using the actual wording (operations) of the term in their explanation.

Question 1b [1 mark]

Market Share: the proportion (often expressed as a percentage) of the total sales of a good or service that a business holds within an industry in comparison to competitors. [1 mark]

Question 1c [6 marks]

Students first need to identify one operations management strategy relating to quality [1 mark for each for a maximum of 1 mark]. Acceptable strategies include:

- Quality Control
- Quality Assurance
- Total Quality Management

They then need to explain in detail the chosen quality management strategy [for a maximum of 2 marks]. For example:

Using a Quality Control operations strategy, Jenny could optimise the quality of her fabric through monitoring the quality of her goods during its production and delivery so as to find faults as they occur, before they reach customers. This will involve setting performance standards of quality that she may wish to achieve in the operations process. Jenny could then inspect the outputs through statistical techniques to measure whether the fabrics meet the predetermined quality standards. Jenny should then make corrective adjustments if checking revealed it is necessary.

Students then need to identify another operations management strategy and explain with reference to a specific strategy how it would assist Jenny in optimizing her operations and remaining competitive [for a maximum of 3 marks]. Acceptable strategies may include:

- Facilities design and layout: design and layout planning, process layout
- Materials management: waste management, just-in-time approach, economic order quantity
- Extent of the use of technology: computer-aided design, computer-aided manufacturing, management of information, automation

Students should expand on these general strategies by linking it with a specific strategy like those suggested, in order to achieve high marks.

If students chose to discuss another quality management strategy no marks would be given.

Question 1d [4 marks]

Students need to identify two performance indicators [1 mark for each, maximum of 2 marks]. These may include:

- Results of a customer satisfaction survey
- Levels of waste

- Percentage of market share
- Level of productivity growth
- Number of sales
- Number of clients
- Number of customer complaints

Students then need to explain how the two key performance indicators could be used to evaluate the effectiveness of the quality management strategy identified in **Question 1c** [1 mark each, maximum of 2 marks].

Students must make sure to relate their answers to the chosen operations management strategy and how it may assist Fabrika in remaining competitive.

Question 1e [4 marks]

Students must identify and describe two positive [1 mark each, maximum of 2 marks] and two negative [1 mark each, maximum of 2 marks] contributions of LSOs to the economy. Positive contributions may include:

- Providing employment
- Contribution to exports
- Contribution to GDP
- Infrastructure growth

Negative contributions may include:

- LSOs are the main emitters of carbon into the atmosphere
- Other waste emissions
- Add the balance of payment difficulties
- Outsourcing jobs outside of Australia

Question 2 [6 marks]

Students need to identify and describe two management styles [2 marks]. Management styles and key characteristics include:

- Autocratic: top-down communication, decision making is a one way process, centralisation of power
- Persuasive: decisions are communicated effectively to staff, centralisation of power
- Consultative: employees are part of the planning process, staff suggestions are valued
- Participative: communication is two way, decision making is shared, high level of trust in staff
- Laissez-faire: high degree of delegation of authority, decentralisation of power

They need to compare the two styles, explaining the differences in characteristics [2 marks].

Students must then explain which management style would better assist Mr Ross in the introduction of the new operations technology [2 marks].

Although the persuasive, consultative and participative management styles would be better suited to the situation, any management style would be accepted as long as the students were able to justify their answer.

Question 3 [6 marks]

Students need to identify three management skills [1 mark for each, maximum of 3 marks]. Appropriate management skills include:

- Communication
- Negotiation
- Decision making and Problem solving
- Emotional intelligence
- Delegation
- Time Management
- Stress Management

They then need to describe the three chosen management skills and justify how they could be used in the situation described [1 mark for each, maximum of 3 marks].

Students should make sure to clearly relate their answer to the specific situation of the organisation.

Question 4 [4 marks]

Corporate culture: values and beliefs shared by members of an organisation [1 mark].

Students are required to differentiate between official culture (promoted by the organisation through slogans, promotional material, mission statements etc) and real corporate culture (honest description of the true culture within the workplace) [1 mark].

Students are also required to identify two indicators of real corporate culture [1 mark each, maximum of 2 marks]. Indicators may include:

- Number of sick days taken
- Rates of staff turnover
- Attitudes between staff and management
- Style of dress
- Type of language used in the workplace

Question 5 [6 marks]

Students are required to define the three key elements of operations [1 mark each, maximum of 3 marks]. These are:

- Inputs: the raw materials needed to create the final product/service.
- Transformations: the activities required to change the inputs into the final good/service.
- Outputs: the final good/service, ready to be consumed.

Students are then required to describe what these elements might be in Articles' operations system [1 mark for each element, maximum of 3 marks]. Possible examples include:

- Inputs: labour, electricity, factory, machinery, fabric.
- Transformations: washing, cutting, sewing.
- Outputs: final items of clothing ready to be sent to retail outlets.

Question 6a [4 marks]

Students need to identify and describe Herzberg's Two Factor Theory in relation to how it might assist in motivating Foodaway's employees. Students should include a description of intrinsic (sometimes called 'maintenance') and extrinsic (sometimes called 'motivational') factors [1 mark each, maximum of 2 marks] and apply this to the situation [for a maximum of 2 marks]. For example:

Hertzberg's Two Factor Theory is a motivational theory consisting of two sets of factors; extrinsic and intrinsic. Extrinsic factors are external to the job, do not provide motivation and measure levels of dissatisfaction. These factors include pay rate and job security. Intrinsic factors are internalised within the job meaning that they arise from the work itself and measure job satisfaction. Such factors include a sense of achievement, the level of responsibility held and the variety and challenge of the work performed. The human resource manager could use Hertzberg's theory to determine how satisfied and how dissatisfied staff are and adjust the extrinsic and intrinsic factors accordingly. For example, if staff had high levels of dissatisfaction, Human Resources could motivate staff by increasing pay, an extrinsic factor.

Question 6b [5 marks]

Students need to first identify a relevant management strategy associated with the **maintenance phase** of the employment cycle [1 mark]. These include:

- Induction
- Training and development
- Recognition and reward
- Performance management

They then need to describe the strategy and explain how it would assist a human resource manager in reducing staff turnover levels [2 marks].

Students should then explain what employee expectations are being met by the chosen strategy [1 mark each, maximum of 2 marks]. These may include:

- Good working conditions
- Recognition
- Career development
- Work-life balance
- Steady employment
- Job satisfaction

Question 6c [4 marks]

Students need to identify two driving forces of change in Foodaway [1 mark each, maximum of 2 marks]. These include:

- Competition
- Management
- Technology

Students then need to identify two restraining forces of change in Foodaway [1 mark each, maximum of 2 marks]. These include:

- Organisational inertia
- Employees
- Cost

Only forces which relate to the information provided are appropriate.

Question 6d [4 marks]

Students need to identify one low-risk strategy for effective change management [1 mark for each, for a maximum of 1 mark]. These include:

- Two-way communication

- Empowering employees through participation
- Support
- Establishing teams to implement the change

Students then need to identify one low-risk strategy [1 mark for each, maximum of 1 mark]. These include:

- Manipulation
- Threat
- Distortion of the issue by management
- Deceit

They then need to explain which strategy would be more effective in dealing with the resistance to the change [for a maximum of 2 marks]. For example:

Jody should use the low-risk strategy of participation over the high-risk strategy of threat by involving employees in the decision making processes regarding the change rather than forcing them to comply. Employees are less likely to resist decisions they were part of making and so will be more committed to the change.

Question 7 [10 marks]

Students need to discuss how factors within the internal and external (taking consideration of both the operating and macro) environments can act as sources of change. They must illustrate their answer with reference to a significant issue or organisation studied in class [for a maximum of 10 marks]. Possible significant issues studied include:

- Globalisation
- Social responsibility
- Business ethics and corporate governance
- Merges and acquisitions
- Technological development
- Legislative compliance
- Privatisation

Sources of change within an organisation's internal environment may include:

- The need for innovation
- Staff participation
- Rapid growth

Sources of change within an organisation's operating (external) environment may include:

- Competitive markets
- The trend to outsourcing

Sources of change within an organisation's macro (external) environment may include:

- Technological factors
- Society's attitudes
- Employee relations framework
- Legislation

Students should consider using appropriate sources of change within the environments that are relevant to their chosen issue or large-scale organisation. Students should also provide examples as they integrate their issue with management theory, but also make sure that their response is not entirely made up of examples. Students must also define key terms to achieve full marks.