2016 VCE Business Management examination report

General comments

Students' breadth of knowledge and understanding of course content were good.

However, there were two key issues. The first issue was the students' lack of ability to apply content knowledge to scenarios and situations provided within the examination. Secondly, students did not always interpret questions accurately and so did not directly answer the question being asked. In some cases this came from not focusing appropriately on the task word in the question and omitting portions of what would be a full response. Students must be aware of the requirements of task words; for example, 'discuss', 'compare' and 'evaluate'.

Specific information

Note: Student responses reproduced in this report have not been corrected for grammar, spelling or factual information.
This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

The statistics in this report may be subject to rounding resulting in a total more or less than 100 per cent.

Question 1a.

Marks	0	1	2	Average
%	13	45	43	1.3

While many students were able to list two contributions that large-scale organisations make to the economy, the question required an outline of them. Other students referred to characteristics of large-scale organisations rather than contributions. Students were expected to outline how large-scale organisations contribute to the economy. Saying that they employ many people was insufficient; there needed to be an explanation of how this is a contribution to the economy.

The following is an example of a high-scoring response.

One positive contribution that large-scale organisations (LSOs) make to the economy is that they employ substantial numbers of people. LSOs employ around 33% of the total workforce. These people therefore have more disposable income to spend on purchasing goods and services which has a multiplier effect through the economy.

LSOs also positively contribute to Australia's Balance of Payments performance. By exporting Australian-made goods and services, this results in more money being injected into the Australian economy through the purchase of these products by overseas entities.

Question 1b.

Marks	0	1	2	3	4	Average
%	34	24	19	11	11	1.5

This question was not answered well. The key elements of an operation system are clearly stated in the study design as inputs, processes and outputs. Many students were able to distinguish between manufacturing and service organisations, but did not directly answer the question, which required them to also refer to the distinction between the key elements of service and manufacturing. The question also asked students to refer to two elements. Some low-scoring responses referred to two features of the outputs of each type of large-scale organisation, rather than of two different elements.

The following is an example of a high-scoring response.

Element 1

One element of operations is processes – which convert inputs into outputs. In a manufacturing business such as IKEA, processes are highly automated and capital intensive, such as cutting, packaging, painting the Billy Bookcase. Lots of capital equipment is required. In service organisations however, often processes are labour intensive and require people to perform, such as ANZ Bank employees, rather than machines must work to satisfy customer demand, talk to bank customers, arrange accounts, etc, often the process is also simultaneous to consumption.

Element 2

Outputs are the finished product or service provided by an organisation to sell to customers. Manufacturers such as IKEA outputs are tangible and can be touched and stored, and are often standardised/homogenised such as IKEAs Billy Bookcase. Contrastingly service organisations such as ANZ Bank, outputs are intangible – cannot be touched, such as the delivery of financial services. These outputs are also tailored to the individual customer unlike at manufacturers.

Question 1c.

Marks	0	1	2	3	4	5	6	Average
%	20	19	21	16	13	7	4	2.3

This question required students to show that they understood the relationship between controlling (as a key management role) and both materials management and the management of quality. Definitions of the key terms were not required, although high-scoring responses showed a clear understanding of the terms. Controlling involves setting targets and the evaluation and assessment of performance against those targets. In general, students performed better when relating controlling to quality management than to materials management. The materials management part of the question was less well done as many students focused on strategies such as the Just-in-Time method of stock management, which was not easily related to controlling.

Control of materials may occur in the following ways:

- controlling timely and accurate delivery of materials
- monitoring stock levels so that reordering can occur as required or theft can be prevented
- minimising waste so that materials are used to their full extent.

Control of quality may occur in the following ways:

- controlling processes so that they are performed at the highest possible standard (best practice)

- controlling the quality of the final goods produced
- controlling the standard of the service provided.

The following is an example of a high-scoring response.

Controlling refers to the continuous process of evaluating performance and taking corrective action to ensure that the organisation's objectives are being met. In terms of materials management this would relate to monitoring whether the materials and resources being used in production are being delivered on time, and are being stored effectively, and are in the necessary quantities needed for production. In terms of supply chain management (a materials management strategy), managers would need to assess whether their suppliers are on time with the right amounts of inputs, and that inputs are not inferior or too expensive. Through the control process of establishing these standards (eg. 2000 good quality planks of wood to be delivered every Monday at $1 per plank) and then monitoring performance and comparing them to these standards (only 1500 planks were delivered) management may find they need to take corrective action (change to a new supplier).

The management of quality refers to monitoring the degree of excellence of a good or service and its ability to satisfy the customer. Controlling in this area involves establishing standards of quality for the business's products during production and then carrying out inspections at various points during the production process to check if these quality standards have been met. If the comparison of products to standards shows these are not being met, these products should be rejected and changes made where necessary to ensure these defects do not reoccur. This process is referred to as Quality Control.

Question 2a.

Marks	0	1	Average
%	44	56	0.6

Most students had a reasonable understanding of what corporate culture is. However, students are reminded that they should use appropriate business terminology rather than colloquial terms when answering questions in examinations.

The following is an example of a high-scoring response.

Corporate culture refers to the shared values and beliefs of an organisation, which can influence the actions and decision-making styles of managers and employees.

Question 2b.

Marks	0	1	2	Average
%	27	51	22	1

Many students found this question to be quite challenging. Maslow's and Locke's theories are very different and many students struggled to find an area that they could comment on. Additionally, the question required them to describe differences rather than simply list them. Students are reminded that when they are asked to show differences they must show the link. Simply stating characteristics is not sufficient.

The following is an example of a high-scoring response.

One difference between Maslow's and Locke's theories is that Maslow states that different employees will require different motivating factors in order to be motivated, whereas Locke states that all employees will be motivated by the setting of goals.

Another difference is that Maslow ranks the elements of his theory (the level of needs) in a hierarchy based on their importance, whereas Locke does not rank the elements of his theory in order. Equal weight is placed on goal difficulty, goal specificity and feedback.

Question 2c.

Marks	0	1	2	3	4	Average
%	34	23	26	10	9	1.4

This question was not answered well. Many students struggled to apply the elements of Maslow's theory to a given situation. Students needed to read the case material carefully and then relate the information within that material to the appropriate level(s) of Maslow's theory. Many students simply explained every level of Maslow's hierarchy or selected one or two and wrote generally about those.

The following is an example of a high-scoring response.

Maslow's motivation theory is one where employees needs are ranked in a hierarchy based on their importance with the most basic needs situated at the bottom of the hierarchy (physiological and safety needs) progressing to higher order needs at the top (social, esteem and self-actualisation needs). Maslow states that once a particular need is met it no longer motivates and the employee moves up the hierarchy. Lower order needs must be met before an employee can be motivated by higher order needs.

Due to the email released by Win It Now, placing employees working hours and conditions as non-negotiable, employees are likely to feel undervalued. Therefore management could implement the strategy to adopt a participative decision-making style to recognise employee input. This would make staff feel valued by management for their contribution to those conditions of employment. As such, this will lead to a more positive corporate culture and will satisfy the esteem level of Maslow's hierarchy.

Management should also adopt the strategy of implementing rituals such as Friday night drinks. These will help to create a more positive relationship between management and staff and will thus satisfy the social needs of Maslow's hierarchy. A more positive relationship will allow, hopefully, a chance to open up the opportunity for working hours, remuneration and working conditions to be discussed with staff. If this was to occur, a more positive corporate culture would eventuate.

Question 2d.

Marks	0	1	2	Average
%	48	29	23	0.8

The structure chosen by most students was the divisional – geographic structure. However, many students referred to geographic as a structure itself. Many students simply stated that the best structure was divisional by geography because they now operated in two states. High-scoring responses referred to advantages offered by the stated structure for Win It Now such as different sporting codes requiring different knowledge and skills of staff in different states. The highest-scoring responses were specific to the material provided and directly addressed the case study material.

The following is an example of a high-scoring response.

An appropriate management structure for Win It Now after the takeover is the divisional (geographic) structure. This is where employees are grouped into divisions based on the geographic location.

This structure will give Win It Now the opportunity to tailor sports equipment it sells to the local markets (for example, Queensland and Victoria). The sporting interests of each state will be different, and so by tailoring equipment to each State, Win It Now will be able to meet customer interests thus increasing customer satisfaction and consequently sales. For example, where AFL is significant in Victoria, football related items should be sold here.

Question 3a.

Marks	0	1	2	Average
%	18	70	12	0.9

Many students wrote definitions of policies or about why policies are necessary, without addressing the final part of the question, ‘in the management of large-scale organisations’. Specific reference to advantages of policies in large organisations was required. Giving advantages of policies in general was not sufficient. High-scoring answers made reference to the fact that with more than 200 employees, policies allow managers to ensure that there is consistency throughout the workforce in terms of behaviours, practices and/or procedures.

The following is an example of a high-scoring response.

A policy is a written statement of the processes and procedures, rules and regulations that must be observed in a given workplace situation. Policies are necessary to provide guidance to employees on how they should act in certain workplace situations (for example, the use of social media at work) and in doing so, promote consistency between the daily actions of all employees. They ensure that what happens in a given situation is within the boundaries of what is expected to happen so that the actions of people within the business are managed fairly.

Question 3b.

Marks	0	1	2	Average
%	25	36	39	1.2

This question was answered reasonably well. Students were required to describe rather than simply list two steps from the policy development process to receive full marks.

The following is an example of a high-scoring response.

One step of the policy development process is the posting of the draft policy. The draft policy is displayed in a public place such as in a newsletter or on a public noticeboard. This allows interested stakeholders to make comments and provide feedback.

The next stage is the policy approval stage. Feedback from stakeholders is considered by the working party and any necessary changes are made. Appropriate level of management approval is obtained and a final copy of the policy is issued. Managers and employees may be trained on how to implement the policy.

Question 3c.

Marks	0	1	2	3	Average
%	32	40	23	5	1.1

This question was not answered well. Many students named a performance indicator without defining it. Very few justified their choice of performance indicator in terms of the effectiveness of a specific policy. Many students used the performance indicator of employee satisfaction through the results of a survey, but the justifications tended to be in terms of whether or not the employees liked the policy, not whether the large-scale organisation could measure the effectiveness of the policy.

High-scoring answers named or described a policy (for example, an OH&S policy) and were able to clearly justify a choice of performance indicator to determine its effectiveness, such as the number of workplace accidents.

The following is an example of a high-scoring response.

> *Rate of productivity growth refers to the change in efficiency of the operations system over time, the level of output obtained from a set level of input. This would be a good performance indicator because management can compare the amount of work done by employees before and after the policy about social media was introduced. If employees are getting more done it suggests that less distractions from phones is increasing employee productivity and hence the rate of productivity has increased. If the rate of productivity has decreased or remained the same the policy may be re-evaluated to become more effective.*

Question 4a.

Marks	0	1	2	3	Average
%	11	21	30	39	**1.9**

This question required students to distinguish between driving and restraining forces and describe an example of each. Generally, students described good examples but struggled to distinguish between driving and restraining forces. Students were also asked to describe the example rather than simply list it.

The following is an example of a high-scoring response.

> *A driving force includes the people, activities and structures that both support a change and actively work to make it possible. An example of a driving force is management. If they see lots of benefits with the introduction of change, perhaps it increases productivity, then they are likely to support it and push it through so that their subordinates are more likely to achieve objectives.*
>
> *A restraining force differs in that it includes the people, activities and structures within an organisation that resist the change and actively try to stop it. A restraining force could be employees. If a change is brought in that an employee is unfamiliar with, such as new technology, they may be fearful of the unknown. They may also be scared that a change may result in loss of jobs, thus actively resist it.*

Question 4b.

Marks	0	1	2	3	4	Average
%	27	17	22	18	15	**1.8**

Some students misinterpreted this question and were therefore not always able to answer it fully. Most students chose phases of the employment cycle. Regardless of which option chosen, the key issue was that students often selected from the same strategy in operations or the same phase of the employment cycle when the question required students to select from different phases. Careful reading of the examination during reading time was required.

When students were asked to refer to an organisation that they have studied, many students simply told the story of what happened at that organisation rather than directly and specifically addressing the question.

The following is an example of a high-scoring response.

> *Linfox is a large privately-owned Australian company in the transport and logistics industry. Due to social responsibility becoming an issue (specifically environmental sustainability) Linfox changed to implement the Greenfox program – to reduce CO_2 emissions by 50% by 2015.*

This changed the human resources (HR) planning that Linfox undertook as part of the establishment phase. Linfox adapted its HR planning (which establishes current and future staffing needs for the organisation and how they will be met) to reflect its new environmental focus. Therefore they needed people to fill jobs that were now needing to be filled (such as design aerodynamic vehicles), as well as looking for people who are passionate about sustainability and have experience in this area (which would be outlined in the job specification). In the maintenance phase, Linfox changed its approach to training, which refers to teaching employees new skills and knowledge so they can perform their jobs better. Linfox introduced EcoDriver training so employees could learn how to use less fuel and reduce emissions when driving Linfox trucks.

Question 4c.

Marks	0	1	2	3	4	5	6	7	8	Average
%	18	7	14	16	20	10	7	4	2	3.1

Students struggled with the concept of a significant change issue and to distinguish this from an organisation. They were either unable to identify what the question was asking them about or they identified the issue and then told a story about an organisation they had studied. In both cases there was no specific attempt to directly answer the question. Students were familiar with Kotter and knew the steps but struggled to apply them to a given situation and a specific change issue.

The following is an example of a high-scoring response.

A significant change issue is technological developments. This refers to advancements in the practical application of science to achieve a commercial or industrial objective. It often involves the use of computers and can relate to information, communication, design and manufacturing.

The first stage of Kotter's theory involves creating urgency. The organisation needs to develop a sense of necessity around the need for change and must inspire others to want to change. In regards to technological developments, urgency can be created by expressing the benefits of technology in creating a competitive advantage. If the business outlines that without technology it will fall behind competitors, losing out on market share and placing its survival in doubt, urgency will be created.

The fifth step of Kotter's theory is to remove obstacles to change. This involves eliminating any factors that are hindering the change and slowing down progress to achieving the vision. Employees are likely to be stressed about the introduction of new technology as they may not have the skills and knowledge on how to use it. This step allows training to be provided to staff to give them the skills and knowledge on how to use the technology. This will make them feel more comfortable with its introduction, therefore reducing their resistance to the technology and ensuring it is accepted.

The sixth step of Kotter's theory is to create short-term wins. This involves recognising and rewarding any achievement that occurs along the way to achieving the vision. Once technology has been implemented, this event should be celebrated. At the time the technology is first 'turned on' a staff celebration such as a morning tea should be used to ensure staff feel motivated to continue to advance with any further technology.

The eighth step of Kotter's theory is to anchor the change into corporate culture. This involves looking at the new practices, processes and shared values to determine a new corporate culture so that technology becomes part of the 'way of life' of the business. This could occur by the business changing its job descriptions and job specifications to focus on technological skills (such as computer use) and knowledge. These updated documents can then be used to ensure that new workers employed have a history in technology and will share these values with existing staff so that a culture of technology is created.

Question 5a.

Marks	0	1	2	3	4	Average
%	41	20	23	11	6	1.2

To answer this question well, students were required to identify a feature of the employee relations system, show how it was similar in both the centralised and decentralised methods, and then show how it was different in each. The table below shows a summary of what was expected. Students should have discussed both similarities and differences.

Feature	Similarity	Difference
Pay and conditions of employment	Deals with pay and conditions of employment	• Centralised – sets pay and conditions for an entire industry • Decentralised – sets terms and conditions for an individual large-scale organisation
Awards	Apply to both approaches	• Centralised – primary form of establishing pay and conditions • Decentralised – used as a safety net
Fair Work Commission	Plays a role in both approaches	• Centralised – sets minimum pay and conditions • Decentralised – ratifies agreements and applies 'better off overall test'
Negotiation of pay and working conditions	Both use negotiation	• Centralised – done externally with unions, employer bodies and Fair Work Commission • Decentralised – done internally at the workplace level
Resolution of disputes	Both have systems for resolution that may involve Fair Work Commission	• Centralised – straight to Fair Work Commission • Decentralised – internal resolution preferred but Fair Work Commission as a last resort

The following is an example of a high-scoring response.

> *One feature of the centralised and decentralised approaches is the use of awards. The centralised and decentralised approaches are similar in that they both use awards to set minimum pay and working conditions for an entire industry. However, they differ in that the centralised approach uses awards as the primary form of setting pay and working conditions for staff, whereas the decentralised approach only uses awards as a safety net for pay and conditions, instead using collective agreements and individual contracts primarily.*
>
> *Both systems use Fair Work Australia as a method of conflict resolution. In both systems Fair Work Australia can be used to end disputes between employees, employers and/or unions. However, in the decentralised system Fair Work Australia is only used as a final last resort option when resolving conflict, as organisations are encouraged to resolve disputes internally. In the centralised system, external interference is used more quickly when conflict occurs.*

Question 5b.

Marks	0	1	2	Average
%	18	28	54	1.4

This question was generally answered well. Most students were able to identify stakeholders from the internal and operating environments and explain their interests in the organisation. Some students confused environments and selected an option from the external environment or two from one of the options available, and some named them rather than explained their interest in the organisation.

The following is an example of a high-scoring response.

> *One stakeholder from the internal environment is employees. Employees are interested in receiving fair pay, good working conditions, being recognised for their work and having opportunities for career advancement.*
>
> *One stakeholder from the operating environment is customers. Customers are interested in purchasing high quality products that are durable, reliable and provide value for money. They also want these products to be at affordable prices to maximise their purchasing power.*

Question 5c.

Marks	0	1	2	Average
%	18	44	38	1.2

It was not necessary to describe the characteristics of the style chosen, but it was difficult to answer this question appropriately without doing so. The two most common styles chosen were the participative style and the autocratic style. Both were acceptable in the context of the question, although students who chose the participative style found it easier to justify its use in the resolution of conflicts, as required by the question.

The following is an example of a high-scoring response.

> *An appropriate management style is the participative style. This is where decisions are made as a team (decentralised) with management and staff working together; communication is two-way.*
>
> *This style allows for employees to provide their input and voice their concerns on a conflict that is occurring allowing for fair negotiations that will allow a collective settlement to be made. This will help to ensure both parties reach a fair and mutual agreement on the resolution of the dispute that satisfies both parties in the conflict. It allows parties to take ownership over how the conflict is resolved which encourages a better resolution.*

Question 5d.

Marks	0	1	2	3	4	Average
%	19	23	28	18	12	1.8

The most common skills chosen were negotiation and problem-solving, which tended to elicit a response about the use of management skills in the successful resolution of disputes. Other skills could have been used but needed to be related back to dispute resolution.

Some students' responses seemed prepared as they did not relate to the situation provided.

The following is an example of a high-scoring response.

> *One management skill required is negotiation. This is the process by which one party seeks to obtain something it wants from another party; they reach an agreement through discussion and compromise. It is important when resolving disputes that both parties get a fair opportunity to*

discuss their viewpoints and compromise on these to ensure a 'win-win' situation is agreed upon. By negotiating in the dispute, both parties will be better satisfied with the resolution decided upon.

Time management is the efficient utilisation of work time, which involves setting and prioritising tasks, allocating time and avoiding time wasting activities through delegation. When a dispute arises, it is vital to ensure a decision is reached quickly so that it does not escalate and damage the organisations reputation. If management show that they are trying to reach a resolution quickly, employees will feel that they are taking the issue seriously and so industrial action is less likely.

Question 6

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	20	13	13	12	11	10	8	6	4	2	1	3.3

Many students struggled to answer this question fully. A careful reading of the question would have shown that there were many elements that needed to be addressed and students often did not recognise its complexity so were unable to address each part of the question. There were some excellent responses. Students are reminded to read the question carefully and plan their responses.

The following is an example of a high-scoring response.

Operations refers to the coordination of resources to convert inputs to outputs. The operations function will implement strategies (such as robotics) to increase productivity and quality, allowing the business to be more competitive (from resulting lower selling prices) which will increase sales and profits, hence leading to the achievement of the organisations objectives. The Human Resource function will implement strategies such as training to ensure staff are motivated and well trained and thus working at their optimal level. This will increase productivity and this leading to the achievement of the organisations objectives.

One strategy to optimise operations is Just-In-Time. This is an inventory management system that aims to avoid holding any stock (as either inputs or finished products); supplies arrive just as needed for production. This strategy ensures that stock is not kept in storage for long which reduces the chance of it getting damaged and becoming waste. Lower waste is therefore ethical and socially responsible as it means less landfill and this less destruction to the environment. However, this requires frequent deliveries which will increase carbon emissions which increases the rate of global warming which is bad for the environment.

Another strategy to optimise operations is robotics; the use of computer controlled robots to perform manual tasks, replacing functions previously performed by human labour. Robots are generally much more accurate than humans, allowing them to produce high quality products that are durable, reliable and withstand will beyond the warranty period, hence helping the business to be ethical and socially responsible. However, robots replace functions performed by humans, thus causing a loss of jobs and increasing the unemployment rate which is unethical.

One practice to effectively manage human resources is development, which refers to preparing employees for longer term opportunities. This practice shows a commitment to ethical and socially responsible management as, when provided to all staff, it allows employees to equally expand their skill base and knowledge and fosters their personal growth and development and employees will be more motivated and thus be more productive. However, providing development programs is a time-consuming process and so will decrease productivity.

Another strategy to effectively manage human resources is the provision of outplacement services when employees are made redundant. These are specialised services given to retrenched employees to assist them to find new employment. They help to give employees *resume writing skills, job searching assistance and developing their interview skills. This will help retrenched staff to find new employment quicker which will assist it in communicating its commitment to ethical and social responsibility. However, the provision of these services is an additional expense incurred by the business which is not legally required, and thus will contribute to lower profits. This may cost the satisfaction of the businesses shareholders as the will receive lower dividends.*