



NAME: \_\_\_\_\_

## VCE® Business Management

### UNITS 3 & 4 Practice Examination

Reading time: 15 minutes

Writing time: 2 hours

#### QUESTION AND ANSWER BOOKLET

##### Structure of book

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	5	5	50
B	5	5	25
		Total	75

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
- Students are NOT permitted to bring into the examination room: blank sheets of paper and/or whiteout liquid/tape.
- No calculator is allowed in this examination.

#### Materials supplied

- Question and answer book of 24 pages.
- Additional space is available at the end of the book if you need extra paper to complete an answer.

#### Instructions

- Write your **student name** on this page.
- All written responses must be in English.

**Students are NOT permitted to bring into the examination room mobile phones and/or any other unauthorised electronic devices.**

**SECTION A**

**Instructions for Section A**

Answer **all** questions in the spaces provided.

**Question 1** (14 marks)

Red Bumble is a social enterprise that manufactures and sells t-shirts and singlets that use designs from aspiring artists. The apparel is made and sold from a shop front in the city and on-line. Red Bumble allows employees to work on their own projects with little direction given by management, however, there is a high level of staff turnover and new staff can take some time to become productive.

**a.** Define the term social enterprise. 1 mark

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**b.** Identify and describe the management style that is used at Red Bumble. 2 marks

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- c.** Given the level of staff turnover at Red Bumble, evaluate the use of the management style identified in **part b**. 5 marks

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- d.** Explain the use of delegation and decision-making skills with regard to the management style identified in **part b**. 4 marks

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- e. Describe the impact of the high level of staff turnover on the corporate culture of Red Bumble. 2 marks

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**Question 2** (13 marks)

NMM is a business that prides itself on the training it provides its employees. The Human Resource Manager believes that this investment in training leads to more motivated employees who are more committed and driven to achieve business objectives. All employees are rewarded with performance related pay if they exceed set objectives.

- a. Describe the key principles of the Four Drive Theory (Lawrence and Nohria) of motivation. 4 marks

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**b.** With reference to the Four Drive Theory, discuss **one** of the motivational strategies used at NMM. 4 marks

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- c. Describe how human resource management can assist with the achievement of business objectives at NMM. 2 marks

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- d. Several employees at NMM are unhappy with the performance related pay that is on offer at NMM. Propose and justify a dispute resolution process that could be used to overcome this issue. 3 marks

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**Question 3** (3 marks)

Distinguish between awards and agreements as methods of determining wages and conditions of work.

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**Question 4** (10 marks)

*“A modern business needs to be flexible and adaptive to change”*

Explain the importance of leadership in the change process. Describe the principles of Senge’s Learning Organisation. Propose and justify a key performance indicator that would be used when a business adopts this as a model for change.

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- b.** Describe a potential conflict between two stakeholders as a result of **one** of the corporate social responsibility considerations in **part a.** 4 marks

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**SECTION B – Case study****Instructions for Section B**

Use the case study provided to answer the questions in this section. Answers must apply to the case study.

Answer **all** questions in the spaces provided.

FTC Auto was heavily impacted following the closure of the car manufacturing industry in Australia. FTC Auto had to close one of its factories and was forced to make a significant number of staff redundant. Shareholders were concerned about the impact of this change on the long-term direction of the business and the returns on their investment.

With a view to the future of the company, senior managers at FTC Auto redesigned another of their factories to allow movement into a new area, namely, defence force vehicles. This not only required a large investment in equipment but also in the re-training of employees. The training took place both at the new site as well as with technical experts off site. FTC Auto adopted several lean management strategies to ensure the success of the new operation. There has been some resistance from staff to these new changes which has required the adoption of several strategies to manage employees through this change process.

In a press release the CEO said;

*“At FTC Auto we have taken into consideration the global environment in which we operate but have attempted to maintain our local supply chain where possible. The quality of our product will be world class and deliver the Australian Defence Force the best that money can buy. This outcome is the product of hard work, established processes, the skills of our staff and working in a team environment. There has been strong leadership at FTC Auto over the past two years which has seen the vast resources of the business redeployed to maximise outcomes for our shareholders. The success of this venture will be able to be measured in many ways.”*

**Question 1** (7 marks)

**a.** Define the term supply chain management.

1 mark

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**b.** Evaluate the use of Porter’s Generic Strategies by FTC Auto.

6 marks

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**Question 2 (6 marks)**

Apply Lewin's Force Field Analysis to the situation at FTC Auto, identifying **two** driving forces and **two** restraining forces.

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**Question 3** (6 marks)

- a.** Discuss the use of on the job training as a method for upskilling the employees at FTC Auto. 4 marks

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- b.** Propose and justify an appropriate key performance indicator to measure the success of on the job training at FTC Auto. 2 marks

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**Question 4** (4 marks)

Discuss a strategy that FTC Auto could use to minimise the resistance to change that some employees have displayed.

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**Question 5** (2 marks)

Describe one materials management strategy and apply this strategy to FTC Auto.

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## Solution Pathway



**NOTE: This task is sold on condition that it is NOT placed on any school network or social media site (such as Facebook, Wikispaces, etc.) at any time.**

**NOT FOR PRIVATE TUTOR USE.**

Below are sample answers. Please consider the merit of alternative responses.

### Section A

#### Question 1 (14 marks)

- a. A simple definition of social enterprise is all that is required for one mark.

Sample response

*A social enterprise can be described as a business that desires to make a profit which is then reinvested in the business to assist in meeting a community need rather than a return on shareholders' investment.*

- b. From the information provided about the business students should select laissez-faire as the management style in practice at Red Bumble. While other styles are possible as an appropriate response, laissez-faire is the most appropriate. You should assess responses on their merits if an alternative style is put forward.  
One mark awarded for the identification and a second mark awarded for the description of the style. Ideally two aspects of the style are described, although one well described aspect could be sufficient.

Sample high level response

*The management style used at Red Bumble is laissez-faire. Employees are given flexibility and accountability in their decision making and are granted a high degree of independence. This style works best where employees are skilled and experienced in their field.*

- c. An evaluate response requires students to show both sides of an argument (pros/cons, advantages/disadvantages) and then make a recommendation. For a student to receive full marks they must show pros (2 marks), cons (2 marks) and then make a recommendation, yes style is appropriate/no style is not appropriate (1 mark). Students could argue either way with regard to the appropriateness of the style, however, given the scenario the argument against the use of the style would appear a more likely response.

## Sample high level response

*The use of the laissez-faire management style at Red Bumble could be appropriate as the employees that they have are highly skilled in their individual areas and thus have a very good understanding of what is required to succeed. The laissez-faire management style also allows employees a degree of innovation and creativity, which would be important in a business like Red Bumble. This management style could also be inappropriate for the situation that Red Bumble finds itself in. With a high degree of staff turnover this could see a lack of understanding and accountability with the laissez-faire management style and therefore a lack of guidance to new employees to the business.*

*Given the staff turnover at Red Bumble the laissez-faire style would seem inappropriate at present. Employees need to be given a level of guidance when they first enter a business and therefore Red Bumble should seek an alternative management style to ensure its success.*

- d.** Students should demonstrate an understanding of each skill and how it applies to the management style the student identified in part b. Ideally students have selected laissez-faire in part b, however responses that highlighted an alternate management style should not be discounted. The sample response will use laissez-faire as the selected management style.

## Sample high level response

*Both delegation and decision-making skills are vital for a business like Red Bumble who are using the laissez-faire management style. The laissez-faire management style requires employees to make decisions regarding their work. This has been delegated by senior managers to allow the business to perform and meet its objectives. It is vital that employees have the know how to make appropriate decisions when they have this responsibility in a laissez-faire situation. Regardless of the level of management there should be a process which an employee or manager should follow, especially in a laissez-faire environment.*

*In order for the laissez-faire management style to be effective and a business to achieve its objectives managers need to be able to delegate authority to those who work for them. These employees likewise need to be able to delegate some of their authority to allow good decisions to be made by all in the business. This can only occur effectively if employees possess the required skills to effectively use delegation and have tasks delegated to them.*

- e.** Students need to draw a link between high levels of staff turnover and corporate culture with a negative slant on the culture that may exist. Students could link this to the management style that is being used at Red Bumble.

## Sample high level response

*The corporate culture of a business often reflects the values and beliefs that are integral in making the business what it is. It relies on employees interacting with each other and with managers as well as how information is communicated through the business. Often the management style that is employed in the business will be reflected by the corporate culture and can inform how employees feel within the business. It could be that the use of the laissez-faire management style has had a negative impact on employees and thus led to a higher level of staff turnover.*

**Question 2**

- a. Students need to not just list the four areas of this theory but also apply a brief description.

Sample high level response

*Lawrence and Nohria developed the four drive theory that identified needs that act as drivers for employees. These drivers need to be satisfied to allow employees to balance personal and professional life.*

*The drive to acquire can come in the form of acquiring materialistic possessions and/or basic skills to survive or at a higher level the drive to acquire status or power. This can drive an individual to achieve at different levels within the business.*

*The drive to bond sees employees looking to connect with various people in their lives. This could include family, peer groups and other employees. Often individuals can perform at a higher level when they are part of a team or feel a sense of belonging.*

*The drive to learn applies to both learning within and outside of the business. If an individual can learn and apply this knowledge to their workplace then this can lead to higher levels of motivation.*

*The drive to defend comes from our natural instincts to ensure the safety of ourselves and those around us. This could also extend to ensuring our beliefs and ideas are upheld but can also lead to resistance to change.*

- b. Students need to identify that there are two motivation strategies in the scenario, investment in training and performance related pay. Either strategy is acceptable in response to this question. The sample response will deal with the investment in training. Two marks are awarded for the positives/advantages of the motivation strategy selected, second, two marks for the negatives/disadvantages of the motivation strategy selected. The response does need to refer to the Four Drive Theory. If no reference then maximum of two marks can be awarded.

Sample high level response

*NMM's investment in training is important when meeting several of the drivers that form Lawrence and Nohria's theory including the drive to learn, acquire and even bond.*

*A business that is willing to invest in training is assisting its employees to develop skills to meet business objectives, connect with other employees through a shared experience and the opportunity to learn and apply new skills and knowledge.*

*This investment in training does need to reflect the needs of the employees with regard to what the employees need to acquire with regards to skills and knowledge but also the opportunity to apply these skills and knowledge. If employees do not gain this from the investment in training then the organisation has not invested wisely.*

- c. One mark awarded for the brief explanation of the human resource management area of responsibility. Second mark is awarded for the link to achieving business objectives.

Sample high level response

*Human resource management plays a vital role in achieving business objectives by ensuring that a business has employed staff with relevant skills, ensuring appropriate employment agreements are in place and providing training, appraisals and motivation to employees on an ongoing basis. This will assist a business such as NMM in achieving its objectives by aligning employee objectives with those of the business and allow employees to grow with the business and improve their own and the business outcomes.*

- d. Students could select any of the dispute resolution processes outlined in the Study Design. One mark is awarded for the proposed process and a further two marks are awarded for the justification. The sample resource uses mediation as the chosen process.

Sample high level response

*Mediation would be an appropriate dispute resolution process that employees could use to resolve the issue with NMM management. Mediation involves a third party assisting the employees and management come to a mutually agreeable outcome that ideally meets both party's needs. The third party does not play an active role in coming to a decision but facilitates discussions between parties who in the end need to agree to the outcome. This could be beneficial to both parties as they need to continue to work together.*

### Question 3

A distinguish question requires students to highlight the differences between two factors, in this case awards and agreements as methods of determining wages and conditions of work. If students only provide two definitions as their response without highlighting differences they can only be awarded one mark.

Sample high level response

*Wages and conditions of work can be determined in two main ways, via awards and agreements. Awards outline minimum wages, conditions of work and leave entitlements that cover employees who work within a particular industry and are used as the basis for many agreements that are established. Agreements differ from awards in that they cover employees on an individual basis or as a collective group within a business which outline the wages and conditions of work for employees for a particular business rather than industry wide.*

**Question 4**

10 mark questions need to be marked globally. The table below provides a guide as to how this question should be marked.

<b>Mark Range</b>	<b>Descriptor: Typical performance in each range</b>
9 – 10 marks Very High	Very high level of detail in response which address all elements of the question. Student shows an in-depth understanding of the elements of the question including <ul style="list-style-type: none"> <li>• Detailed explanation of the role of leadership in change.</li> <li>• Detailed explanation of all five of the elements of Senge’s Learning Organisation.</li> <li>• Detailed identification and justification of a relevant key performance indicator that is related to the use of Senge.</li> </ul>
7 – 8 marks High	High level of detail in response which addresses most elements of the question. Student shows an in-depth understanding of the elements of the question including <ul style="list-style-type: none"> <li>• Sound explanation of the role of leadership in change.</li> <li>• Sound explanation of all five of the elements of Senge’s Learning Organisation.</li> <li>• Sound identification and justification of a relevant key performance indicator that is related to the use of Senge.</li> </ul>
5 – 6 marks Medium	Response has addressed some elements of the question <ul style="list-style-type: none"> <li>• Some explanation of the role of leadership in change.</li> <li>• Some explanation of all five of the elements of Senge’s Learning Organisation.</li> <li>• Basic identification and justification of a relevant key performance indicator that is related to the use of Senge.</li> </ul>
3 – 4 marks Low	Limited level of response to elements to some elements of the question <ul style="list-style-type: none"> <li>• Limited explanation of the role of leadership in change.</li> <li>• Limited explanation of all five of the elements of Senge’s Learning Organisation.</li> <li>• Limited identification and justification of a relevant key performance indicator that is related to the use of Senge.</li> </ul>
1 – 2 marks Very Low	Response very limited or missing elements

	<ul style="list-style-type: none"> <li>• Little to no explanation of the role of leadership in change.</li> <li>• Little to no explanation of all five of the elements of Senge's Learning Organisation.</li> <li>• Little to no identification and justification of a relevant key performance indicator that is related to the use of Senge.</li> </ul>
0	Response does not relate to the elements of the question.

Some considerations with student's responses:

- Clear link between the need for leadership and change management
- Clear explanation of all five elements of Senge's Learning Organisation. These do not need to be word perfect but do need to show a clear understanding and should not be generalistic in nature
- Key performance indicator need to be relevant to the use of Senge.

## Section B

### Question 5

- a. Students need to identify a corporate social responsibility consideration for each of the three elements of the operations system which then also need to be linked to a business that the students have studied. Marks are awarded as follows: (2 marks x 3, Inputs, Processes, Outputs)
- one mark for the identification of the corporate social responsibility consideration;
  - second mark allocated to the example used.

Sample high level response

*All businesses, both manufacturing and service-based businesses, need to ensure that their operating systems adhere to corporate social responsibility considerations at all levels. A business such as Jayco prides itself on meeting and exceeding their corporate social responsibility considerations.*

*At the input stage in the operating system it is vital that a business ensures that its inputs are both environmentally sustainable and procured from a reputable source. This ensures the business is using inputs that are not doing long term damage to the environment. Jayco do this via sourcing the wood from plantation source both in Australia and overseas. This allows them to have a reliable source of materials that are also environmentally sustainable.*

*Through the process stage a business needs to ensure that it minimises wastage by adopting production processes that minimise waste but also allow for the recycling of inputs that are left over from the production process. Jayco employs computer aided manufacturing systems which minimise the waste from the cutting of wood and maximising the use of the input. Similarly, Jayco adopt several aspects in the production process which capture and recycle waste products.*

*The final output from the production process needs to meet consumer expectations as well as quality expectations. All businesses need to ensure that the product or service that they put into the market place are of a high standard and meet these expectations. Jayco ensure the quality of their output through many*

*quality checks through the process to ensure that there is an output that meets and exceeds the consumers' needs.*

- b.** One mark is awarded for the identification of two stakeholders related to Jayco, second mark is awarded for the connection to the corporate social responsibility consideration from a). The final two marks will be awarded for the conflict that could arise between the stakeholders as a result of the CSR consideration. There are a number of possible responses that would be acceptable, but they do need to relate to the business referred to in part a. The sample response relates to the procuring of inputs as the CSR consideration and suppliers and shareholders.

Sample high level response

*The procurement of environmentally sustainable inputs is an ever-increasing consideration for businesses. This strategy could impact both suppliers and shareholders in differing ways. Suppliers to a business like Jayco would be keen to ensure that the inputs they are supplying meet the needs of the business who in turn want to ensure that their products are produced with materials that are sustainable. This will assist in meeting business objectives.*

*However, these inputs can often be more expensive than other non-sustainable inputs. Shareholders may have concerns with this strategy as they are looking to the business to maximise profits in order to receive an appropriate return on their investment. This may place them in conflict with suppliers who are looking to supply their materials into the production process.*

**Question 1** (7 marks)

- a.** Simple definition of supply chain management is required for one mark.

Sample high level response

*Supply chain management can be defined as meeting the needs of consumers for goods or services while ensuring the most efficient use of inputs into the production process and efficient distribution of the final product or service to the end consumer.*

- b.** Evaluate requires students to demonstrate the pros and cons of each of Porters Strategies and then make an assessment on which would be the most appropriate in the situation provided. Students should describe and apply each of the strategies to the scenario provided (2 x 2 marks) and then provide an evaluation that describes which would be most appropriate for the business scenario.

Sample high level response

*Porter's Generic strategies allows a business to determine their competitive advantage via a lower cost or differentiation principle. A business such as FTC Auto needs to assess which of these models is most appropriate in the delivery of its product in the competitive environment in which it operates.*

*A lower cost model could be beneficial for FTC Auto as it would allow the business to increase its profits through a reduction in costs while maintaining price. FTC could also enhance its market share through lower pricing. A business like FTC should be in a position to maximise the use of the assets that it has at its disposal.*

*While lower cost may be appealing to those within and outside the business from a cost perspective often customers equate lower price with lower quality of product or service. Similarly, one way a business can reduce costs is to review the cost of inputs which could lead to lower quality inputs used in the production process in a business such as FTC Auto which could lead to a lower quality output.*

*Differentiation is an approach that FTC could adopt which would see it develop a unique product that allows it to focus on a particular segment of the market. FTC could meet the particular needs of their customers through offering a unique product which offers high quality to customers.*

*Differentiation can be costly to implement and could narrow the market opportunities that FTC Auto has. Differentiation can be difficult to maintain as it requires ongoing investment to ensure that high quality of the product is continually delivered.*

*FTC Auto would be best served to be following a differentiation approach as the market it is entering would require a highly specialised and high-quality product in order to be successful. With the investment in equipment and training in the long term needed to attract and retain loyal customers through providing a high quality unique product on an ongoing basis.*

## **Question 2**

Students need to identify two driving and two restraining forces for change, apply these to Lewin's Theory and to the business in the scenario. Two marks awarded for the driving forces described (one for each force) and two marks are awarded for the restraining forces described (one for each force). Final two marks are then awarded for the application of the Force Field analysis with a link to FTC.

Sample high level response

*Restraining forces are those that inhibit change in a business while driving forces are those that push change. FTC would have competitors and the pursuit of profit driving change, while employees and organisational inertia could be seen as restraining forces. Lewin's Force Field analysis allows a business to analyse the forces for and forces against change and assist in managers making an informed decision with regard to how to best approach the management of these forces. A business like FTC need to enhance and strengthen driving changes to support change and minimise any restraining forces for change.*

*FTC Auto managers recognised the need for change in order to maintain the profitability of the business given the climate in which it operates. Competitors, both locally and internationally, have driven the need for change at FTC. Managers at FTC would need to harness these drivers for change to ensure the success of the transition of the business from its status quo to the new business model. As a result of the force field analysis managers could devise a plan and timeline for the implementation of this change.*

*Employees may be resistant to the change that is proposed at FTC and this may lead to a degree of organisational inertia within the business which may hinder the change process. Using the force field analysis will allow managers to identify these restraints on change and develop action plans to overcome these restraining forces and ensure these forces are dealt with appropriately.*



**Question 3**

- a. Students should highlight the pros and cons for undertaking on the job training, a link to FTC is important.

Sample high level response

*On the job training sees employees acquiring skills and knowledge via programs that are delivered in the workplace, this could take the form of coaching, role modelling, job rotation or apprenticeships.*

*Advantages of undertaking on the job training at FTC could include employees being trained on specific equipment used within the workplace and tailored to meet the specific needs of the business or employees. FTC could also offer apprenticeships in the specialised areas they are moving into to ensure there are skilled employees into the future.*

*Disadvantages of on the job training could include the trainer needing to leave their role to deliver the training required. Also this trainer could unintentionally pass on bad habits and this could impact on the ability of less experienced employees to implement the skills and knowledge into the workplace.*

- b. The key performance indicator chosen should be in line with human resources and specifically the training of employees. While there are many possibilities; level of staff turnover, number of workplace accidents, rate of productivity growth or net profit figures could be identified. One mark awarded for the nomination of a key performance indicator, a further mark is then awarded for the justification.

Sample high level response

*An appropriate key performance indicator to assess on the job training would be the rate of productivity growth. If the training has been successful this should result in employees at FTC, through their increase in skill and knowledge, increasing their output and thus improving productivity, both individually and as a collective. This key performance indicator would justify the investment in on the job training at FTC.*

**Question 4**

Students can select either a high risk or a low risk strategy to overcome resistance to change that some employees have displayed. A strategy needs to be identified and then the pros and cons of this strategy need to be highlighted as to how it may or may not assist in overcoming resistance to change.

Sample high level response

*FTC could adopt incentives to overcome the resistance to change that some employees are experiencing. Incentives could assist employees “buy in” to the change that is occurring at FTC. Certain goals could be set as part of working through the change process and employees could be rewarded for meeting these goals in the short to medium term.*

*An issue with incentives is that they are not sustainable over an extended period of time. If the change takes a longer period of time and employee resistance fluctuates, then offering incentives may not be as successful as it may lose its impact with employees at FTC over that period.*

**Question 5**

Students can select any materials management strategy for one mark, but must apply to FTC for the second mark.

Sample high level response

*Just in time would be an appropriate strategy for FTC to use in the management of its materials. As the name suggests materials are delivered just as they are required to go into the production process. FTC could use JIT to ensure that they are minimising inputs being stagnant and wasting money laying idle. With JIT FTC can have their inputs put into the production process only at the exact moment they are required and thus outputs and productivity are maximised.*