

BUSINESS MANAGEMENT

Units 3 & 4 – Written examination



2019 Trial Examination

SOLUTIONS

SECTION A

Question 1

a. The business is a social enterprise.

Responses could refer to either of these objectives:

- Make a profit
- Increase market share
- Fulfil a market and/or social need

The Make-Up Palace is a social enterprise. One objective the Make-Up Palace might have is to make a profit. This means have funds available after all expenses have been paid. This would be an objective for Lynette as she wants to have funds available to provide the accommodation for the homeless, so she needs to run at a profit to allow for this to happen.

3 marks

1 mark correct identification (social enterprise)

2 marks for an accurate description of one objective

b. One area of management responsibility is human resources. This is the area of a business which oversees the staffing side of the business. For example, this area looks at how to motivate, train, hire and dismiss staff. This area would be important for Lynette to make a profit because having efficient, motivated and hardworking staff are more likely to process orders quicker or provide better customer service, which could increase sales and help to generate a profit.

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Another area is operations. This is the area charged with overseeing the efficient transformation of inputs into outputs. For example, this area may look at the role of technology for the Make-Up Palace and what quality measures could be put in place. This area could be used by Lynette as these strategies could reduce the cost of production or improve quality, which may help the Make-Up Palace generate sales and be more profitable.

4 marks

2 marks for an explanation of each area, linked to maximising the profit of the business (x2)

c.

Responses could refer to any of the skills, if well justified.

One skill that Lynette would need is decision-making when overseeing the human resources area. This skill is the ability to choose a course of action from various alternatives. For example, Lynette would need to choose which staff to hire and which training packages to provide to staff.

Another skill that Lynette would require for the human resources area is communication. This is the ability to convey messages, so the intended audience understands the communication in being an effective listener. For example, working with staff would require Lynette to communicate with them to convey important information and she must listen to workers to find out any workplace issues that are taking place.

4 marks

2 marks for an explanation of each skill, linked to the area chosen (x2)

d.

Responses could refer to any strategies that can improve culture, such as:

- Training in the corporate culture
- Changing the uniform
- Providing incentives for those staff following the culture
- Other strategies could also be considered

One strategy that Lynette could use to improve corporate culture is to provide incentives for those who are adhering to the Make-Up Palace's shared values and beliefs. For example, Lynette could make bonuses related to team performance which may make the employees work better together in order to receive the payment.

Another strategy is to change or create a business uniform for Make-Up Palace. For example, this may mean that all staff feel a part of the team and value teamwork if everyone is dressed the same. This may improve the culture and focus on teamwork.

2 marks for an explanation of each strategy, linked to the culture around teamwork (x2)

Question 2

a. Lawrence and Nohria's Four Drive Theory suggests that employees can be motivated by stimulating one or more of the four drivers of behaviour, such as the drive to acquire, bond, learn and defend.

The drive to acquire suggests that staff are driven to achieve status and money at the workplace, such as promotional opportunities and performance related pay. For example, Chloe could use this to offer higher pay at The Burrito, which could then encourage staff to stay to receive the higher pay and in turn, reduce the level of turnover.

The drive to bond means a desire to build relationships with others at work. For example, Chloe could use this by providing staff catch-ups and fun nights where staff can get to know each other more. This may help staff feel more connected with each other and therefore less likely to leave The Burrito.

The desire or drive to learn suggests that staff are motivated in the workplace if they can learn new skills and acquire new knowledge. This links with training as this is one way to learn new skills and knowledge. Therefore, Chloe could provide additional training to the workers at the Mexican restaurant. This may increase the skill set of staff and help with their motivation and therefore could be less likely to leave the business.

The final drive is around defending. This is the desire by staff to defend against actions which they consider unjust or unfair or are likely to impact them negatively. Chloe could try and work openly with her staff and provide job security so that are not driving to defend (and may decide to leave if driven far enough). Therefore, this could reduce staff turnover.

6 marks

Globally marked, students must show an understanding of the theory (3 marks) and how it could be applied to The Burrito to reduce staff turnover (3 marks)

Not necessary to refer to all four drives in response

b. One performance management strategy which could be used by Chloe is an appraisal. This is when Chloe works with staff to review their performance, including looking at areas for improvement and acknowledging areas of strength. This can improve the performance of staff at The Burrito because Chloe can address areas that need to be improved by the staff member (such as punctuality or service to customers). If additional training is provided to staff, then this may help the staff member improve their performance. Also, by providing an outline of the strengths of the employee, the employee may feel more motivated and work harder at the business.

3 marks

3 marks for a justification of one performance management strategy

Question 3

a. One characteristic of a manufacturing business like Aus. Wipers is that the customer is not usually required to be present. For example, the mining companies (the customers) do not need to be there when Aus. Wipers makes the products. This means that Aus. Wipers' operations can focus more on operational efficiency rather than providing a nice space for customers.

Another characteristic of a manufacturing business like Aus. Wipers is that the output of the business are tangible and therefore can be stored. This means that the operations of Aus. Wipers will need to consider where they store the wipers after they are produced (so may need to look at storing inventory) and will need to arrange distribution to the customer.

4 marks

2 marks for explanation of each characteristic of the operations of Aus. Wipers (x2)

b. A master production schedule sets out a plan for when the production of outputs will occur, including understanding when and how much inputs will be needed such as labour, machine usage and raw materials. This plan sets out when and how much of each component or good will be produced. For example, for Aus. Wipers this would set out the plan for when a certain number of wipers would be produced and all the inputs necessary to ensure that they can be produced at a certain time. This can improve the effectiveness of operations at Aus. Wipers because this plan will make it more likely that Aus. Wipers will be able to produce the required number of wipers in the required amount of time. This will help them reach an objective of meeting customer orders, as it will make sure that the quantity produced matches that demanded.

4 marks

4 marks for linking the master production schedule or materials requirement planning with effectiveness of operations

Question 4

Lincoln could use a variety of strategies to improve the key performance indicators (which are the criteria used to measure business performance).

Firstly, Lincoln could look at a range of strategies and theories to improve employee performance, which may then lead to improved customer service or production, which in turn may improve the number of sales. For example, Lincoln could use motivational strategies such as training to improve the skills of the caravan workers. This may mean that the caravans are of higher quality, which may help improve the number of sales. Also, other motivational strategies may assist with reducing the rates of staff absenteeism. For example, Lincoln may introduce performance related pay (a monetary bonus for above standard work). This may encourage staff to attend work more often to try and receive the bonus payments. Another strategy could be to have promotional opportunities to allow for career advancement to encourage the Lincoln workers to remain working hard in order to receive these opportunities.

Lincoln could also look to use performance management strategies in an effort to boost motivation, increase productivity growth and improve sales. For example, Lincoln could bring in an appraisal system in order for management to work with staff to help identify their strengths and areas to improve. This may then encourage staff to improve and seek additional training to work on their weaknesses. This may mean a more productive staff that provides better customer service for caravan purchasers, which may improve the business reputation and the number of sales.

Lincoln could try and use motivational theories to reduce the rates of absenteeism and improve productivity growth (by increasing the growth rate). For example, Lincoln could aim to meet the staff's lower order needs based on Maslow's hierarchy of needs, so the staff can then focus on more higher order needs which are more productive for the business. Lincoln could do this by ensuring job security for its workers, providing adequate rest breaks for its caravan building staff, providing adequate and fair pay and providing social opportunities for staff to work with others. This would meet the basic physiological, social and safety needs of staff and make them more motivated and productive at Lincoln.

Lincoln could also use a range of operations strategies to improve the KPIs. For example, Lincoln could use a range of technology strategies in order to increase the rate of productivity growth. By implementing computer aided design, Lincoln could quickly and easily change its caravan designs using computer programs. This would help improve the efficiency and productivity of the operations. Also using an automated production line (where the caravan construction takes place with minimal handling by employees across an automatic line of assembly) and computer aided manufacturing (where robots could be programmed to assemble components of the caravan) could be used to make the operations of Lincoln run 24 hours a day, 7 days a week and therefore improve the rate of productivity growth. Also, these forms of technology may improve the accuracy of production, which may improve the construction of the caravans and in turn increase sales.

Lincoln could also use other quality strategies in order to improve the number of sales. By implementing total quality management, where the well-trained Lincoln staff are continuously looking for ways to improve product quality and aiming for zero defects, the product quality should improve, which may benefit the number of sales by increasing them.

Overall, after these changes have been made by Lincoln, it could measure the success of the changes through net profit figures (having money left over after expenses are paid). If staff are more motivated and more productive, then it would be expected that rates of staff absenteeism should fall, and the rate of productivity growth should rise. This is likely to help minimise business expenses. At the same time strategies to improve the number of sales should increase revenue. Therefore, net profit figures could be used to assess whether the changes have been effective in aggregate.

10 marks

Globally marked, high marking responses would analyse in detail how managing employees (such as through training, motivation strategies/theories, performance management) and using operations strategies (such as strategies related to quality, materials, technology or waste

minimisation) would improve the KPIs in the table. Then choose one KPI to assess the effectiveness of the change. High scoring answers would show an understanding of the key concepts and define key terms.

Question 5

a. One way that Rhys could expand is by setting up another store in another location, such as in a metropolitan area. For example, Rhys currently has two stores, but by opening a third store he would be able to service another area and therefore this would expand his business because he would offer another location for his sporting goods and increase the customer base.

One low-risk strategy Rhys could use is communication. This could involve him clearly communicating with staff about the plans to expand to another store. Also enabling staff to come to him to voice concerns and listen to their issues is also a part of effective communication. This would assist in expanding to another store because he could find out any issues from staff or suppliers by communicating with them.

4 marks

2 marks for a justification of an approach to expand domestically

2 marks for describing one low-risk strategy to implement this strategy

b. Driving forces are those factors which act to help the change occur.

One driving force that may assist Rhys are employees (those who work in exchange for payment). For example, there may be employees that would prefer to work for the store in another location, so this may actively encourage the change by getting other staff on board and actively helping with some aspects of the change.

Another driving force that could drive the change is competitors (the rival businesses in the industry). For example, if other sporting businesses are getting bigger and expanding, then it might be important for Rhys to also expand to other areas before other competitors also move there. This might push Rhys to make the expansion occur quicker to make sure the business moves before the competition does.

4 marks

2 marks for an explanation of each driving force in assisting the change (x2)

SECTION B

Question 1

A government business enterprise is a business owned by the government. Although being owned by the government, it still acts as other privately-owned businesses would (such as seeking to make a profit) as it is still subject to market forces like other parcel delivery services.

2 marks

2 marks for an accurate definition

Question 2

Senge's Learning Organisation consists of five key principles. The first is to have personal mastery, this means that employees are constantly looking at ways to improve themselves and master new skills. For Aus. Service this may involve offering further training for staff, such as external training or certificate level qualifications. This may assist the employees to be constantly learning and improving.

The second principle is mental models. This means that there is a culture of openness and a willingness to share information and ideas freely between Aus. Services staff. In Aus. Services case this may mean holding meetings where staff are able to openly work out how to improve Aus. Services.

The third principle is systems thinking. This involves looking at all aspects of an interconnected business, rather than just looking at specific problems in isolation. For example, at Aus. Service this could be applied by looking at all the various areas of the business, such as marketing, operations and finance to make sure that all the areas are on the same page regarding the changes and how they work together.

The fourth principle is shared vision. This means that everyone in the business has a clear understanding of where the business is heading and why the business has a specific goal. For Aus. Services, Bernie must clearly communicate the vision to staff and he may want their input into the vision so that they have some shared ownership of the vision.

The last principle is team learning. This means that workers learn better when they are interacting, engaging and learning from other employees. For example, Bernie may set up the employees in specific project teams, so they can work and learn from the various people in the business.

The Learning Organisation model could improve the effectiveness of operations at Aus. Services. This is because staff that are constantly learning and working together are likely to be more productive and provide better customer service to Aus. Services customers. This will help the business to meet objectives, such as to make a profit, and therefore be more effective.

7 marks

Globally marked, must show an understanding of the theory of the Learning Organisation (5 marks) and justify how it could be used to improve the effectiveness (2 marks).

Question 3

One restraining force that may hinder Aus. Services efforts to improve efficiency is financial considerations. This refers to having enough funds to cover the costs of the change. For example, if Aus. Services is looking to bring in new technology to improve efficiency and this technology is initially very expensive, then it may stop the change from occurring until they have enough money to pay for the technology.

Another restraining force for change could be organisational inertia. This refers to the inability of a business to change because it has been stuck in its ways for a long period of time so is not used to change. For example, Aus. Services has many staff that have been there for longer than 10 years and they may be comfortable in their current approaches and unwilling to change. This may hinder the change, as Aus. Services staff find it difficult to change because the business is stuck in its ways and some staff may try and refuse to change.

4 marks

2 marks for each restraining force which may hinder its goals (x2)

Question 4

Porter's Generic Strategies include lower cost (which is the strategy to become the lowest cost provider of products) and differentiation (aiming to have a unique product for the market).

Aus. Services could aim to be the lowest cost provider of delivery services. This would mean that it would need to be as efficient as possible and not wasting time or money in unproductive areas of the business. This may require Aus. Services to cut back on staff and invest in technology to improve the productivity and speed of processing deliveries. This would then enable Aus. Services to then lower the price of its deliveries which would help it become a lower cost provider.

Another alternative is for Aus. Services to differentiate itself from the competitors by offering unique delivery services not provided by other rivals. For example, this may include certain tracking capabilities (like seeing where the delivery is on a tracking app). This may differentiate it from the market and become an attractive product for customers. This would require a lot of research and development and innovation to come up with these unique ideas, which can be quite time consuming and costly.

Overall, Aus. Services could use the lower cost approach because customers generally prefer cheaper delivery costs rather than unique products with their deliveries. So, Aus. Services should continue to find ways of being more efficient in order to reduce costs and therefore try to reduce the price of the end product.

5 marks

Globally marked, needs to show an understanding of Porter's Generic Strategies (4 marks) and justify which approach should suit Aus. Services (1 mark)

Question 5

One element of the operations system is the inputs. This refers to the raw materials, labour and capital required to make products. For example, at Aus. Services the inputs are the labour (those employees sorting the deliveries and the drivers), capital (such as the sorting machines) and materials (such as stamps or other supplies).

Another element in the operations system is the processes. These are the actions to turn inputs into outputs. For example, at Aus. Services it is the handling of goods in order to deliver them to the destination.

The final element of the operations system is the output. These are the completed goods or services at the end of the processes. For example, at Aus. Services the outputs are the posted goods arriving to the correct destination.

4 marks

4 marks for explaining each element of the operations system, with links to Aus. Services

Question 6

A variety of answers would be acceptable for this response, such as a technology strategy, materials strategy, quality strategy or waste minimisation, as long as it linked to efficiency.

One operations strategy could be a materials strategy such as forecasting. This refers to reviewing past trends and data in order to predict future sales and when supplies will be needed. For example, with Aus. Services this would involve forecasting the peak delivery times of the year (such as Christmas) in order to have more staff and materials on hand (such as envelopes) in order to meet this demand. This will improve efficiency because the deliveries will be able to occur faster if enough labour and materials are on hand to meet the demand and improve the speed of the service delivery.

3 marks

3 marks for an accurate explanation of one operations management strategy, with links to Aus. Services