

COMMERCE PRESENTATIONS AND PUBLICATIONS



VCE BUSINESS MANAGEMENT UNITS 3/4

2023

Practice examination B

**SUGGESTED RESPONSES AND
ADVICE**

Section A

Question 1 (18 marks)

In response to mounting expenses, notably higher labour and materials costs, shortages of labour and supply chain disruptions, BuildRight Australia is facing some difficult decisions. The building company recently declared a significant decline in its net profit compared to the previous year's figures in 2022. As part of its strategic approach, BuildRight Australia will use its available resources to adapt to these challenging circumstances and will seek to reduce costs. While it seems unavoidable, the business wants to avoid cutting jobs where possible.

a. Describe how business change has come about at BuildRight Australia.

4 marks

Advice 1: The use of the task word 'describe' indicates that students need to provide the characteristics and features of the thing, topic or issue they are asked to describe. In the case of this question, students must describe how business change has come about at the business in the case study.

Advice 2: The key knowledge that this question relates to has never been examined (dot point one of Area of Study One, Unit Four, which is 'the concept of business change'). The question uses the wording of Outcome One of Unit 4, which states that students should demonstrate the ability to "explain the way business change may come about..." It is important to be aware of the outcomes and skills for each area of study in Business Management, as well as the key knowledge. The key knowledge dot points suggest what students need to know, but the outcomes and skills elaborate on this and inform students about what they should be able to do with the knowledge.

Advice 3: In responding to this question, students should demonstrate an understanding of business change – this does not need to be through an explicit definition, however, defining key terms for this question would be a good strategy. Note that it is important that students actually answer the question and describe how change has come about at the business referred to in the case study. This should be accomplished by identifying the causes of change and elaborating on them. A number of causes of business change at BuildRight are clearly raised in the case study; these include increasing costs, labour shortages, and supply chain disruptions. Students should know enough about these factors from their studies across Units 3 and 4 to be able to write about them in detail.

- 1 mark for demonstrating an understanding of business change
- 1 mark for identifying the causes of business change at BuildRight Australia
- 2 marks for describing how business change has come about at BuildRight Australia

Sample answer: *Business change is the adoption of a new idea or behaviour by a business. It comes about because of an alteration in the internal or external environments. Some changes will be forced on a business – in these cases a business may often be said to be reactive (waiting for a change to occur and then responding to it). Other changes are carefully planned – in these cases a business may be said to be proactive (initiating change rather than simply reacting to events). Change may come about because of a change in tastes, expectations, the way things are perceived or a new way of dealing with problems.*

One cause of business change at BuildRight Australia is rising costs. A business will incur a range of costs in the course of normal operations. These costs will typically include the cost of supplies or materials, utility costs, government charges and taxes, interest and other finance costs and wages. Rising costs will negatively impact on profit and may drive a business to change in response. BuildRight is facing rising labour and materials costs, which has led the business to look at ways it can reduce costs. Another cause of business change at BuildRight is labour shortages and supply chain disruptions. These problems are a consequence of both COVID-19 pandemic and the increased demand for building materials. BuildRight's financial performance is another cause of business change. All businesses, including BuildRight, need to earn a profit, of which a portion will be

returned to shareholders. The company's fall in its full-year profit negatively impacts on its objective to make a profit and to meet shareholder expectations.

b. Explain how cost cutting, as a management strategy for responding to key performance indicators, could be used by BuildRight Australia to achieve one business objective. 4 marks

Advice 1: The task word 'explain' requires students to include enough detail in their response such that the main point, topic or issue is expanded on or made clear. This practice exam question requires students to clearly explain how cost cutting could be used by the business in the case study to achieve a business objective. There should be detail on cost cutting in the response, detail on the selected business objective and some detail about how cost cutting could be used to achieve the business objective.

Advice 2: This question is similar to a number of questions on the 2022 exam. For example, Question 3b in Section A asked students to explain how appraisal could be used by the business in the case study to achieve one employee objective and one business objective. The average mark was 2.5 out of 6 marks, with 19 per cent of students scoring zero. Question 4c in Section A asked students to analyse the effect that increased staff absenteeism may have on the ability of the owner of the case study business to achieve one business objective. The average mark for this question was 2.5 out of 4 marks. Question 2 in Section B was one of the hardest questions on the 2022 exam. It asked students to explain how global outsourcing could be used by the business in the case study to ensure that one business objective could be met. The average mark for this question was 0.9 out of 3 marks, with 56 per cent of students scoring zero. While many students confused global outsourcing with global sourcing of inputs or overseas manufacture, many did not refer to a measurable business objective.

Advice 3: According to the VCE Business Management Study Design, business objectives include to make a profit, to increase market share, to improve efficiency, to improve effectiveness, to fulfil a market need, to fulfill a social need, to meet shareholder expectations. Students should be able to link cost cutting to one of these objectives, with the obvious ones being to make profit, to improve efficiency, to improve effectiveness, or to meet shareholder expectations.

- 1 mark for demonstrating an understanding of cost cutting
- 1 mark for identifying a relevant business objective
- 1 mark for explaining how the business objective could be achieved through the use of cost cutting
- 1 mark for making links to BuildRight Australia

Sample answer: *Cost cutting refers to the measures implemented by a business to reduce expenses. These measures might include reducing rates of pay, terminating employees, streamlining the supply chain, closing facilities, reducing or eliminating services such as cleaning and advertising. Cost cutting could be used to meet the business objective 'to make a profit'. The profit objective relates to ensuring that money earned from sales (revenue) is greater than business expenses. Making a profit is very relevant to BuildRight Australia as it indicates whether or not the business is performing successfully. Given that the company has recently experienced a significant decline in its net profit, it makes it imperative that this is addressed and cutting costs can be a fast and effective way of boosting net profit. By reducing direct and/or indirect costs, or by operating at lower cost, BuildRight should find that its revenue is greater than expenses and that it is therefore achieving its objective to make a profit. Most businesses, including BuildRight, would aim to not only make a profit, but attempt to maximise it and increase it from year to year.*

c. Justify how BuildRight Australia could improve the efficiency and effectiveness of its operations through waste minimisation in its production process. 4 marks

Advice 1: The task word ‘justify’ requires students to point out reasons for forming a particular conclusion. This may involve the provision of evidence to support an argument. The 2022 External Assessment Report stated that the task word ‘justify’ does not require disadvantages or limitations, or similarities and differences. This question requires students to point out how BuildRight might use a waste minimisation strategy and then outline the advantages or benefits in using this strategy.

Advice 2: This is new key knowledge on the current study design, so this type of question has never appeared on the exam. The study design suggests that students should know strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including reduce, reuse, recycle. While students could choose other waste minimisation strategies to respond to this question, reduce, reuse, recycle would probably be the most appropriate choice.

- 1 mark for briefly outlining a strategy to improve the operations of the cleaning service through waste minimisation in the production process
- 1 mark for justifying the selected strategy in terms of improving the efficiency of operations
- 1 mark for justifying the selected strategy in terms of improving the effectiveness of operations
- 1 mark for making links to BuildRight Australia

Sample answer: *One strategy to improve the operations of BuildRight Australia’s operations through waste minimisation is the ‘3R’ approach – reduce, reuse, recycle. Waste minimisation refers to eliminating waste and costs, as well as improving the overall quality in the operations system. In using this approach, BuildRight would carefully analyse its production schedule and follow the ‘3Rs’ as a sequence of steps. The use of ‘reduce’ might be achieved by ensuring that the business creates less waste. BuildRight might minimise the amount of waste the company creates by, for example, using a Just in Time system or by implementing a quality management system and, in doing so, is likely to experience reduced costs. As BuildRight reduces waste and costs it should be contributing to an improvement in efficiency (how well the business uses the resources needed to achieve its objectives). By reducing costs, the use of ‘reduce’ should also enable BuildRight to improve effectiveness (the degree to which the business has accomplished the objectives it set out to achieve). Lower costs of production should lead to an increase in profit.*

The building company’s use of ‘reuse’ means that it will be using items more than once. BuildRight might implement changes including reusing materials, such as office supplies, or repurposing materials or parts. This would reduce costs and potentially generate a second income stream for the business. The company’s use of ‘recycle’ refers to the business putting a product to a new use rather than discarding it and sending it to waste. For example, BuildRight might make sure that the business converts discarded materials into new products. Doing so has the potential to reduce costs, benefit both the community and the environment and create a positive image for the business. A reduction in waste should improve efficiency and lower costs of production should improve effectiveness as profit increases.

d. Describe an appropriate process for BuildRight Australia if it does decide to implement termination strategies. In your answer, include reference to:

- Redundancy as a form of termination
- Entitlement and transition issues.

6 marks

Advice 1: A question relating directly to entitlement and transition considerations made its first appearance on the 2019 Business Management exam. Question 6 (Section B) asked students to describe an employee entitlement issue and a transition issue resulting from the business in the case study closing stores. The question was poorly answered, with a total of 33 per cent of students scoring zero marks and an average mark of only 1.4 out of 4. Many students left this question blank, perhaps indicating that they experienced time management issues (the question was the last one on the exam). Both issues were expected to be described by students, with reference to the case study. A similar question on the 2022 exam asked students to describe two entitlement issues relevant to the employees who were to be made redundant at the business in the case study. Students performed better on this question than the 2019 one, with a total of 27 per cent of students scoring zero marks and an average mark of 1.6 out of 4. However, some students muddled up transition issues with entitlements.

Advice 2: A question asking specifically about redundancy has never appeared on the exam. However, questions in the past did ask for ethical/social responsibility processes or considerations that could have made use of this knowledge. For example, on the 2015 exam, students were asked to explain two ethical and socially responsible processes that a HR manager could implement when terminating staff (Question 2c). Most students referred to entitlement or transition issues when responding to this question, but could have written about using redundancy in a socially responsible manner. This question was not well done – generally because students struggled with the idea of ‘what is ethical/socially responsible’ compared to ‘what is legal’. However, students also did not know many processes related to termination. A total of 50 per cent of students scored between 0 marks and 1 mark, while the average mark was 1.5 out of 4 marks.

- 2 marks for explaining how redundancy is a form of termination
- 1 mark for demonstrating an understanding of entitlement issues
- 1 mark for demonstrating an understanding of transition issues
- 2 marks for describing an appropriate process for BuildRight Australia to follow in managing the termination of its employees

Sample answer: *Termination refers to the ending of the employment of an employee. Redundancy is a form of termination occurring when a business no longer has a need to employ a person as their job has ceased to exist, usually due to technological changes, a business restructure or a merger or acquisition. As the business seeks to reduce costs and make better use of its available resources, this is the situation facing employees working at BuildRight Australia.*

In the event that BuildRight does need to cut jobs, a process that it should follow in managing the termination of its employees could begin with notifying the employees and their unions of the situation, the timing of circumstances, and the reasons for the redundancies. The company could make use of voluntary and involuntary redundancy to maintain the motivation and trust of employees. Voluntary redundancy occurs when employees are informed of the need to reduce the size of the business’s workforce and then are provided with the opportunity to nominate themselves for (voluntary) redundancy. This will give employees the opportunity to leave BuildRight of their own will and is more likely to result in employees feeling valued and empowered. In contrast, involuntary redundancy occurs when employees are asked to leave the business without any ability for specific employees to nominate themselves for redundancy. Given that redundancies are typically unrelated to employee performance (i.e. employees are not at fault), this point would need to be communicated to staff to help mitigate any negative impact on staff morale.

There are also entitlement issues that BuildRight will need to consider. These are the rights to benefits that an employee has when leaving the workplace, either on a voluntary or an involuntary basis. Entitlement issues can include any wages or salary owing, as well as leave entitlements, such as accrued annual leave and long-service leave. In general, the law requires that BuildRight provide these entitlements and a 'redundancy payment' may also be included in the employees' entitlements. Transition issues should also be considered by management at BuildRight. This refers to the process or period of changing from one job to another, or from one set of circumstances to another. As part of the transition process, BuildRight may offer employees support with attaining new skills, or assistance with finding jobs when their employment ceases. Although the business is not required to do this by law, it could be beneficial as it creates goodwill over the time remaining and helps to maintain or protect staff morale.

Question 2 (16 marks)

TechNova Corporation is a technology company with a strong focus on increasing employee motivation. The business wants to develop a positive corporate culture by encouraging a team-based work environment and valuing employee well-being. By doing so, it hopes to improve productivity and achieve business objectives. Management at the business is prioritising the development of the company's corporate social responsibility procedures.

- a. Identify and explain two corporate social responsibility considerations that can influence the decisions made by management at TechNova Corporation in relation to its operations system. 4 marks**

Advice 1: This question comes from dot point nine of Area of Study Three, Unit Three in the Business Management Study Design, which states that students must know corporate social responsibility considerations in an operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs. Corporate social responsibility questions have featured prominently on past VCAA Business Management exams and were nearly always handled poorly.

Advice 2: This question has been included because a similar question was asked on the VCAA exam in 2018. Question 4 (Section A) asked students to analyse two ways in which corporate social responsibility (CSR) considerations influence decisions made by managers, and in their response, refer to two different areas of management responsibility. This was the ten-mark question on the paper and a total of 16 per cent of students scored zero marks, with an average mark of only 3.3 out of 10. Most students chose two operations, human resources and finance. Some students referred to a legal obligation and suggested that it was a social responsibility, which is a typical error made by Business Management students in the area of CSR.

Advice 3: It is best to avoid commenting on legal obligations when asked for a CSR consideration, as CSR refers to the obligations a business has 'over and above its legal responsibilities' to the wellbeing of employees, customers, shareholders, the community more generally, as well as the environment. In the examination report for 2017, the chief assessors noted that many examples provided by students related to legal obligations and were therefore not considered to be examples of businesses demonstrating a commitment to their CSR obligations.

- 1 mark for identifying a CSR consideration in TechNova Corporation's operations system
- 1 mark for explaining how the CSR consideration can influence the decisions made by TechNova Corporation in relation to its operations system
- Repeat for a second consideration

Sample answer: *One corporate social responsibility (CSR) consideration in an operations system is the environmental sustainability of inputs. The considerations that management at TechNova Corporation might make in this area involve ensuring that the inputs used in the production process do not have a serious or negative impact on the environment (as well as community health and social conditions). The business might, for example, decide to invest in energy-efficient equipment or source inputs from suppliers who make use of sustainable methods of production. Alternatively, management might decide to purchase inputs from local*

suppliers (rather than from overseas) to reduce emissions as a result of transportation. This will obviously benefit the environment as well as the local community, and local suppliers, as the custom it generates will help to support their businesses.

Another CSR consideration that TechNova will need to address in relation to its operations system is to reduce the amount of waste generated from its processes. The business could reduce waste by recycling materials or making use of recycled materials, changing the way that it disposes of waste or by attempting to reduce the amount of emissions in its processes. By reducing waste and carbon emissions, it is possible that TechNova will be able to improve its reputation as customers, and the public in general, discover that the business is acting in a socially responsible manner. This may ultimately result in more people, groups or businesses being willing to deal with TechNova, which has the potential to raise sales and profits.

- b. Describe and discuss either Maslow’s or Locke and Latham’s theory of motivation for assisting TechNova Corporation to motivate its employees. Recommend which motivational theory would be the most suitable for TechNova. 8 marks**

Advice 1: Note the use of the task word ‘discuss’ used in this question. This requires students to consider both the advantages/benefits and disadvantages/limitations of Maslow’s or Locke and Latham’s theory. The 2022 External Assessment Report stated several times that the task word ‘discuss’ requires students to explain strengths and limitations. There is no need for a student to have a certain number of advantages/ benefits and disadvantages/ limitations or even to have an equal number of both. However, there should be at least one of each.

Advice 2: Beware the ‘either... or’ question! Both the 2015 and 2014 VCAA exams featured questions that required students to decide between two options. For example, on the 2015 paper, students were asked to discuss either Maslow’s or Herzberg’s (a motivation theory on the old Study Design) motivational theory (Question 2b). Many students ignored the use of the word ‘or’ and discussed both theories. The Examination Report noted that only the first theory would be assessed if this was the case. Similarly, on the 2014 paper, students were asked to describe one driving force or one restraining force for change (Question 2a). The average score was 1 out of 2 and 30 per cent of students scored 0 marks. However, 46 per cent of students scored 1 mark. This indicates that many students wasted their time and wrote about both forces. In doing so, several students did not adequately explain how their first force (which was the one actually marked) linked to what was happening in the business in the case study. The 2020 VCAA exam featured a question that required students to explain the role of either unions or employer associations in a workplace such as the business in the case study (Question 3, Section A). Students performed reasonably well on that question, with an average score of 1.5 out of 3, and only 19 per cent of students scoring zero marks. However, some covered both unions and employer associations (which meant only the first stated response was assessed). It is always possible that another “either/or” question will appear on the 2023 exam and students should avoid making the errors noted above.

Advice 3: This practice exam question is very similar to the 2015 VCAA exam question. It has been included in this practice exam because the question on the VCAA exam was handled so poorly. The average score for this question was 3 out of 8. While only 14 per cent of students scored 0 marks, 59 per cent scored 3 marks or less. Only 1 per cent scored 8 marks.

Advice 4: Questions related to motivation theories have appeared on eight of the last 10 VCAA exams. Apart from the 2015 question referred to previously, they are normally handled reasonably well. A Locke and Latham Goal Setting Theory question appeared on the 2017 VCAA exam (Question 3c in Section A). It asked students to examine whether Locke and Latham’s Goal Setting Theory would be appropriate for the business in the case study and the average score was a relatively low 1.7 marks out of 4, with 23 per cent of students scoring zero marks. Many students struggled to provide the necessary detail for the question, or to apply the theory to the business in the case study. Maslow’s Hierarchy of Needs appeared on the 2018 VCAA exam (Question 1C in

Section A). Students performed reasonably well on that question, which asked them to describe Maslow's theory and explain how it could be applied to reducing the level of staff turnover at the business in the case study (the average score was 3.2 marks out of 6 and 11 per cent of students scoring zero marks).

- 1 mark for describing either Maslow's or Locke and Latham's theory of motivation
- 1 mark for further detail describing the selected motivation theory
- 2 marks for explaining the advantages/strengths of the selected motivation theory for TechNova
- 2 marks for explaining the disadvantages/weaknesses of the selected motivation theory for TechNova
- 1 mark for suggesting the most suitable motivation theory for TechNova
- 1 mark for providing reasons in favour of the suggested motivation theory

Sample answer: *The most suitable motivational theory for TechNova is Maslow's Hierarchy of Needs. Maslow's theory groups motivational factors into a hierarchy of five needs. Each need acts as a source of motivation for employees. The needs are ranked with the most basic needs situated at the bottom of the hierarchy, progressing to higher level needs at the top. An employee's level of needs at a specific level must be satisfied before they can move up to the next level. Once a particular need is satisfied it is no longer a motivator.*

The use of Maslow's theory will present TechNova with a number of advantages. It will allow management at the business to develop an understanding of individual needs, recognising that all individual employees are different and that they all have specific needs. Maslow's theory also will allow management to be aware that employees will be at different stages of development and that they will need to be motivated using a variety of methods. For example, staff might be offered generous pay as part of an overall remuneration package. This is likely to satisfy employees who are motivated by physiological needs. To satisfy employees who are motivated by social needs, the business might develop a culture of teamwork as management at TechNova already aim to do. The business could also encourage involvement in decision-making or make use of supportive management. Esteem needs may be satisfied when an employee's work is appreciated and they are given recognition. Finally, providing employees with flexibility and autonomy in their jobs may satisfy those who are motivated by self-actualisation.

However, Maslow's theory has a number of disadvantages. It is only a theory and is not supported by empirical evidence. Furthermore, the stages in the hierarchy do not apply to all individuals. A manager making use of Maslow's theory may struggle to identify the stage at which each individual employee resides – this can make it difficult to determine an appropriate strategy to motivate each employee.

Despite this, Maslow's theory is likely to be most suitable for TechNova as it should allow the business to create a workplace that attempts to satisfy all the needs of its employees. Management will be able to implement a range of different strategies at each level of the hierarchy, which should meet the needs of employees who are at different stages in their development. Providing strategies that meet employees at their level of need should help to ensure that employees are motivated.

Alternative sample answer: *Locke and Latham's theory focuses on the attainment of goals that are clear and specific, challenging but not overwhelming, and stresses the importance of feedback. This theory suggests that people are motivated to set and work towards goals because they provide a sense of direction and purpose, and because achieving goals leads to feelings of accomplishment and satisfaction.*

Locke and Latham's motivation theory has a range of benefits and weaknesses. Setting goals that are clear and specific, challenging but not overwhelming will help to motivate employees and improve their performance, thereby contributing to TechNova's business objectives. Staff are likely to perform at a higher standard due to clear and specific goals, leading to a higher rate of productivity. Better relationships between

management and employees are likely to be fostered as managers work with each employee to collaboratively set goals and provide feedback. The use of Locke and Latham's theory requires that feedback be given to employees at TechNova, which provides opportunities to offer recognition for progress achieved, and to make adjustments to the goal(s) if necessary. This ensures that expectations are clear, that employees stay motivated and are on track towards achieving their goal(s).

However, a weakness of Locke and Latham's theory is that the goals that individual employees set may clash with each other, with TechNova's objectives, or may not even support the attainment of business objectives. Furthermore, Goal Setting Theory only focuses on the setting of goals to improve performance. There are other factors that can contribute to improved performance.

TechNova should adopt Locke and Latham's Goal Setting Theory because working towards goals that are clear and specific, challenging but not overwhelming, will provide employees with the motivation to reach those goals, thus improving performance. The use of this theory will have the added benefit of further improving already positive relationships in the business. Feedback provided by managers to employees should provide additional motivation and demonstrate that management values the well-being of employees. Many studies support the theory that challenging and specific goals, together with commitment and feedback will motivate employees.

c. Analyse the importance of creating a positive culture for change within TechNova Corporation, with reference to the principles of the Learning Organisation (Senge). 4 marks

Advice 1: The use of the task word 'analyse' in this question requires students to identify the key components of factors, topics or issues and outline the relationship between them. The current question asks students to explain the links between creating a positive culture for change at TechNova and Senge's Learning Organisation.

Advice 2: A question related to Senge's Learning Organisation has only appeared on the VCAA Business Management exam twice. On the 2019 VCAA exam, Question 4 (Section A) asked students to analyse how managers can apply the principles of Senge's Learning Organisation during a period of change, in order to effectively manage employees, positively influence corporate culture, and ensure the change is implemented successfully. This was the ten-mark question. The average score was 4.4 marks out of 10, and 17 per cent of students scored zero marks. In the examination report, the chief assessors noted that there was generally a poor understanding of Senge's Learning Organisation, or an inability to apply it to the situations specified. On the 2022 VCAA exam, Question 3 (Section B) asked students to justify the use of Senge's Learning Organisation during the period of change at the business in the case study. The average score was 1.8 marks out of 4, and 27 per cent of students scored zero marks. Students here were expected to either focus on the advantages of using the theory itself, or through the advantages of applying principles of the theory to the business in the case study.

Advice 3: There are five disciplines, or principles, underpinning Senge's concept of a Learning Organisation. They are systems thinking, personal mastery, mental models, building shared vision and team learning. Students could analyse any of these principles.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
4	Comprehensive and accurate knowledge and understanding of the principles of the Learning Organisation (Senge) and the importance of creating a positive culture for change. Clear analysis of the importance of creating a positive culture for change within a business with reference to the principles of Senge's Learning Organisation, as well as a clear link to TechNova Corporation. Includes accurate and appropriate use of terminology.

3	<p>Adequate knowledge and understanding of the principles of the Learning Organisation (Senge) and the importance of creating a positive culture for change.</p> <p>Covers most of the key ideas identified above, but some aspects are missing – for example, there may be adequate explanation of the importance of creating a positive culture for change within a business with reference to the principles of Senge’s Learning Organisation, but no link to TechNova Corporation.</p> <p>Includes some appropriate use of terminology with inaccuracies.</p>
2	<p>Some knowledge and understanding of the principles of the Learning Organisation (Senge) and the importance of creating a positive culture for change.</p> <p>Includes some explanation of the importance of creating a positive culture for change within a business with reference to the principles of Senge’s Learning Organisation, with limited reference to TechNova Corporation; good description of the importance of creating a positive culture for change within a business or reference to the principles of Senge’s Learning Organisation, but no link to TechNova Corporation; weak descriptions of the importance of creating a positive culture for change within a business or reference to the principles of Senge’s Learning Organisation; or references to TechNova Corporation only.</p> <p>Includes some/no use of terminology with inaccuracies demonstrating some/little understanding.</p>
1	<p>Limited knowledge and understanding of the principles of the Learning Organisation (Senge) and the importance of creating a positive culture for change.</p> <p>Includes weak explanation of the importance of creating a positive culture for change within a business with reference to the principles of Senge’s Learning Organisation, with limited reference to TechNova Corporation; good description of the importance of creating a positive culture for change within a business or the principles of Senge’s Learning Organisation, but no link to TechNova Corporation; weak descriptions of the importance of creating a positive culture for change within a business and the principles of Senge’s Learning Organisation; or references to TechNova Corporation only.</p> <p>Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.</p>
0	<p>Shows no knowledge of the importance of creating a positive culture for change within a business or the principles of Senge’s Learning Organisation, and/or no attempt to engage with the question.</p>
NA	<p>No attempt at a response.</p>

Sample answer: *Creating a positive culture for change within a business is crucial for fostering flexibility, adaptability, and long-term success. The principles of the Learning Organization, as proposed by Peter Senge, provide valuable insights into building such a culture. Becoming a Learning Organisation would involve managers and staff at TechNova Corporation continually seeking to develop themselves so they can achieve the results they desire. Being a learning organisation would mean that the business is proactive and ready to meet changes as they arise.*

Corporate culture refers to the shared values and beliefs of a business. Accordingly, if TechNova values openness and honesty, a positive corporate culture should be developed that encourages and promotes inquiry and trust. This relates to mental models – the deeply ingrained beliefs, assumptions, and perspectives that shape individuals' behaviour and decision-making. TechNova could also utilise the principle of shared vision, which is where the business and its members agree on what they want the business to be, their role in it and how they will go about achieving this vision. A positive culture for change begins with a shared vision that aligns employees towards a common purpose. TechNova could also make use of Senge’s team learning principle to develop a positive corporate culture. A business where all managers and employees are learning and working as a team should result in a positive corporate culture that is welcoming of change. In addition, TechNova could use team learning, which is described as ‘the process of aligning and developing the capacities of a team to create the results its members truly desire’. This facilitates open communication, shared meaning and shared understanding which is very likely to contribute to a positive and supportive culture for change.

Question 3 (10 marks)

'Improved productivity, competitiveness and effectiveness for a business can only come from the provision of staff training.'

To what extent do you agree or disagree with this statement?

Advice 1: This question has been included in this practice exam because a similar question from the 2017 VCAA examination was not handled well by students. Question 6 in Section A of that exam asked students to evaluate the statement, 'Improved productivity, competitiveness and effectiveness for a business can only come from advances in technology.' Many students were able to evaluate technology as a means to improve productivity, competitiveness and effectiveness. However, large numbers of students missed the part of the question that suggested that technology is the only means to improve productivity, competitiveness and effectiveness. The average score for this question was 4.1 out of 10 marks and 41 per cent of students scored less than 4 marks. Students who performed well read the question carefully and interpreted it correctly. This same approach should be taken to this practice exam question, which focuses on evaluating whether staff training is the only means of improving productivity, competitiveness and effectiveness.

Advice 2: Besides training, there are several means that could contribute to improvements in productivity, competitiveness and effectiveness. These include:

- introduction of new technologies
- development of corporate culture
- use of motivation strategies – such as performance-related pay
- introduction of a quality management system
- introduction of lean management strategies
- introduction of performance management strategies – such as management by objectives
- use of global considerations to reduce costs – such as overseas manufacturing
- the business becoming a learning organisation.

Advice 3: It is very likely that the ten-mark question on the 2023 VCAA exam will have several elements. In the 2016 Examination Report, the chief assessors reminded students that they should be aware that questions might have many elements that need to be addressed. For this reason, students need to ensure that they cover each element of the question in their responses. Students were reminded that they should read the question carefully and plan their responses. It is worth remembering that the ten-mark question could come from Unit 3 or Unit 4, or from both. In the 2021 External Assessment Report, the chief assessors reminded students that they need to address every element of a question within their response to achieve full marks. In the 2022 External Assessment Report, the chief assessors pointed out that the ten-mark question on the 2022 exam included a number of Business Management concepts, each of which needed to be explored for a response to receive a high score.

Advice 4: The best responses will be those that are coherent and flow. Paragraphs will be clearly expressed so that they consider all parts of this question and bring everything together.

Teachers are advised to assess student responses globally.

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
9-10	<ul style="list-style-type: none"> • Indication of the extent to which the student agrees or disagrees with this statement. • Sophisticated and detailed exploration of arguments related to training improving productivity, competitiveness and effectiveness. • Sophisticated and detailed exploration of arguments related to at least one other concept improving productivity, competitiveness and effectiveness.

	<ul style="list-style-type: none"> Includes accurate and appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
7-8	<ul style="list-style-type: none"> Indication of the extent to which the student agrees or disagrees with this statement. Detailed exploration of arguments related to training improving productivity, competitiveness and effectiveness. Detailed exploration of arguments related to at least one other concept improving productivity, competitiveness and effectiveness. Includes appropriate use of terminology, which involves defining, describing and applying relevant business management concepts and terms.
5-6	<ul style="list-style-type: none"> Some indication of the extent to which the student agrees or disagrees with this statement. Some exploration of arguments related to training improving productivity, competitiveness and effectiveness. Some exploration of arguments related to at least one other concept improving productivity, competitiveness and effectiveness. Includes generally appropriate use of terminology with some inaccuracies, which involved attempts at defining, describing and applying relevant business management concepts and terms.
3-4	<ul style="list-style-type: none"> Poor or no indication of the extent to which the student agrees or disagrees with this statement. Limited exploration of arguments related to training improving productivity, competitiveness and effectiveness. Limited exploration of arguments related to another concept improving productivity, competitiveness and effectiveness. Includes some appropriate use of terminology with inaccuracies, which involved limited attempts at defining, describing and applying relevant business management concepts and terms.
1-2	<ul style="list-style-type: none"> Poor or no indication of the extent to which the student agrees or disagrees with this statement. Weak/no exploration of arguments related to training improving productivity, competitiveness and effectiveness. Weak/no exploration of arguments related to another concept improving productivity, competitiveness and effectiveness. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding, which involved limited/no attempts for use of defining, describing and applying relevant business management concepts and terms.
0	<ul style="list-style-type: none"> Shows no knowledge of the relationship of training or another concept to improved productivity, competitiveness and effectiveness and/or no attempt to engage with the question.
NA	<ul style="list-style-type: none"> No attempt at a response.

Sample answer: *I agree with this statement, but only to some extent. Staff training is certainly a strategy that can lead to improved productivity, competitiveness and effectiveness. However, it does have limitations and there are also other strategies that a business could use to improve productivity, competitiveness and effectiveness.*

Staff training is one way in which productivity, competitiveness and effectiveness can be improved. Training options such as on-the-job and off-the-job training can be implemented to improve many areas of the business. Training involves teaching staff how to perform their job by boosting their knowledge and skills. By providing employees with training, the performance of staff should improve. For example, with improved skills, staff may be able to serve more customers in the same amount of time or produce more goods in the same amount of time, as well as making less errors. In this way, the training of employees will improve productivity (a measure of the efficiency of a business in converting inputs into useful outputs). As productivity improves, the cost of a

business's product per unit is reduced, which can improve the competitiveness of the business (competitiveness is the ability of a business to sell its goods and services in a market). The reduced errors made by employees can also improve the quality of the good or service, further improving the competitiveness of the business. Furthermore, if training leads to an improvement in customer service, customer satisfaction may improve, and the enhanced reputation of the business may lead to more sales. The higher quality product, arising from reduced errors made by well-trained employees, should also lead to increased sales. This will mean that the business has become more effective (effectiveness refers to the degree to which a business accomplishes the objectives it set out to achieve). If a business's objective was to increase sales, and it did so, then it can be concluded that it has been effective in achieving its objectives.

However, there are a number of limitations in the effect that staff training will have on productivity, competitiveness and effectiveness. Training can be expensive, and a business will need to carefully select the most appropriate areas for its application. The cost of training may limit a business's effectiveness. Increased cost may also impact negatively on competitiveness. Training can also be time-consuming and may distract employees from completing important work activities. This may have the effect of reducing productivity and competitiveness. Staff training may in fact not necessarily lead to the intended improvements in productivity, competitiveness and effectiveness.

There are other means that can be used by a business that also result in improvements in productivity, competitiveness and effectiveness. For example, new technologies may be introduced to the processes of a business to improve productivity. A business may use an automated production line to manufacture goods at faster rate, with greater precision. An increase in the speed of production and a reduction in waste should lead to increased productivity. As costs are reduced through the use of technology such as automation, it would be expected that the competitiveness of the business would improve. A reduction in costs is also likely to have a positive effect on net profit, which improves effectiveness.

Similarly, the use of a motivation strategy such as support could also result in improvements in productivity, competitiveness and effectiveness. Using support (assistance to employees or services such as counselling or mentoring to help employees cope with difficulties that may impede their work performance) can result in employees working more effectively towards achieving business objectives and should improve productivity and the competitiveness of the business.

Question 4 (6 marks)

Analyse how legislation has been a restraining force for change in a contemporary business that you have studied this year.

Advice 1: This question has been included in this practice exam because a similar question from the 2020 VCAA examination was not handled well by students. Question 6 (Section A) of that exam required students to analyse how societal attitudes had been a driving force for change in a contemporary business case study. The average score was a low 2.3 marks out of 6, and 22 per cent of students scored zero. The study design clearly states the driving forces and restraining forces, including societal attitudes and legislation. The 2020 exam question serves as a reminder to students just how important it is to be aware of a range of contemporary business case studies from the past four years, and to ensure that they cover all the key knowledge in the study design. Students should also be aware that they should choose a case study example carefully before writing a response. A business that has recently announced a merger, for example, is unlikely to be relevant to societal attitudes.

Advice 2: The examination report for 2020 suggested that students needed to include three things in their response to Question 6 (Section A) referred to above. These included an explanation of a change that had occurred in a business within the past four years, an explanation of what the societal attitude was that drove the specific change, and an explanation of how that societal attitude had driven the business to make the change. The same approach should be taken for the current question, with the response focused on legislation.

The chief assessors also noted that many students started their response by referring to social attitudes, but then wrote about customers or technology as driving forces.

Advice 3: Questions asking for contemporary business case studies have appeared on the past five exams. These have required students to write about a situation occurring at a business within the past four years. Students have then been expected to either write about how the business made use of a strategy (or theory in the study design), how the business might have made use of a strategy (or theory), or how the business has been affected by a driving force.

Teachers are advised to assess student responses globally.

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
6	Comprehensive and accurate knowledge and understanding of legislation as a restraining force. Sophisticated and detailed analysis of how legislation acts as a restraining force for change in a business, with reference to a contemporary case study. Includes accurate and appropriate use of terminology.
5	Adequate knowledge and understanding of legislation as a restraining force. Includes a good analysis of how legislation acts as a restraining force for change in a business, with good reference to a contemporary case study. Includes generally appropriate use of terminology with some inaccuracies.
3-4	Basic knowledge and understanding of legislation as a restraining force. Includes limited analysis of how legislation acts as a restraining force for change in a business, with some reference to a contemporary case study. Includes some appropriate use of terminology with inaccuracies.
1-2	Limited knowledge and understanding of legislation as a restraining force. Includes weak analysis of how legislation acts as a restraining force for change in a business, with limited/no reference to a contemporary case study. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.
0	Shows no knowledge of legislation as a restraining force, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: Australia Post announced a four-year transformation program in 2022, known as the Post26 strategy, which involves the business improving its delivery services, improving/simplifying its operations and simplifying its product range. Australia Post’s CEO and managing director Paul Graham said that the transformation program would “help position Australia Post to be financially, socially and environmentally sustainable and enable the business to make a positive contribution to Australian communities, now and in the future”.

Restraining forces are those that work against change, creating resistance. One example of a restraining force is legislation – which refers to a law or set of laws made by a parliament. When new laws are passed, businesses must comply with the legislative requirements; in this way legislation is a restraining force because laws must be complied with. Change may be impeded if legislation places restrictions on certain operational practices and procedures. Since announcing its new transformation, Australia Post’s letters business has continued to make losses. Revenue from the letters business is falling while the cost of delivering letters is increasing. Mr Graham has warned that Australia Post will report a full year loss for the first time since 2015. However, there is only so much that Australia Post can currently do to change the way it operates because there are a number of community service obligations that it must meet according to the Australian Postal Corporation Act. This legislation acts to inhibit change at Australia Post. In response, Mr Graham has called on parliament to make changes to the legislation to ensure that Australia Post remains sustainable in the long-term.

Section B – Case Study

Case Study

Nuventure is a private limited company that designs and manufactures a diverse range of products, including electronic security systems, audio-visual solutions, and healthcare equipment. It has an outstanding reputation for excellence in product quality and customer service, and is renowned for its use of cutting-edge technology.

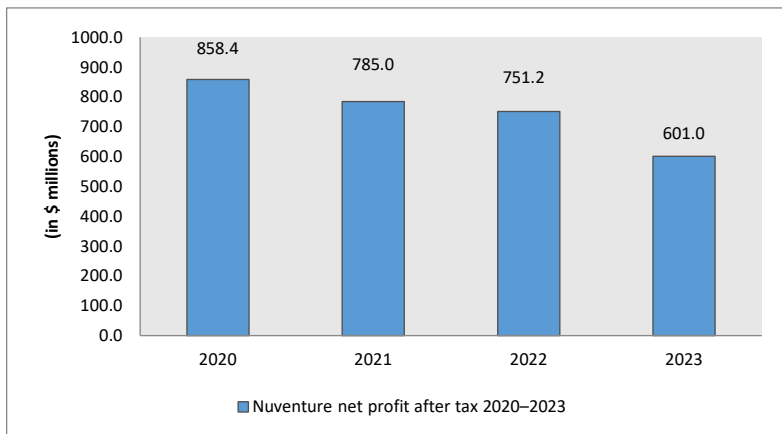
Nuventure’s vision is “to be a global leader in production and delight”. It values customers first, safety, integrity and professionalism.

When announcing Nuventure’s 2023 full-year results recently, managing director Robyn Marsh said that good progress was being made in achieving the business’s objectives. However, she announced that the business was still facing a problem with falling profit – the business made a \$751.2 million profit in 2022 followed by a \$601 million profit in 2023. Ms Marsh also pointed out that the business was not succeeding in improving workplace safety, with an increase in its number of workplace accidents of 20%.

Ms Marsh announced a number of changes that will occur at the business to address management’s concerns over the company’s financial situation. These include:

- restructuring the business to reduce costs and achieve efficiencies
- implementation of a lean management strategy to reduce costs
- investing in new technologies such as artificial intelligence (AI) – while the business already makes use of robotics, AI would be expected to improve efficiency and effectiveness.

Ms Marsh noted that a great deal of effort had already gone into improving the corporate culture of the business, including encouraging employees to make contributions to the success of the business and undertake personal growth. However, she said that more needs to be done to achieve the culture that management wants to see.



Question 1 (2 marks)

Define the term ‘number of workplace accidents’.

Advice 1: In the 2022 VCE Business Management External Assessment Report, the chief assessors noted that all responses in Section B must refer to the case material provided, even if the question does not explicitly state this. On the 2021 exam, two questions (Questions 1 and 3 in Section B) did not explicitly refer students to the case material. However, the preliminary material at the beginning of the section states that students should “use the case study provided to answer the questions in this section” and that “answers must apply to the case study”. It is therefore fairly clear that students must refer to the case material in all questions in this section of the exam.

Advice 2: Students tend to struggle with key performance indicator (KPI) questions on the VCAA Business Management exam. On the 2014 exam, students were asked to define a KPI on three different occasions. All three KPIs were from the Business Management Study Design. Question 1a asked students to define ‘staff turnover’. A total of 34 per cent of students scored zero and the average mark was 0.7 out of 1. Question 3a asked students to define ‘percentage of market share’ and ‘number of customer complaints’. A total of 41 per cent of students scored zero and the average mark was a low 0.8 out of 2. Students scored poorly on these questions because they tended to write definitions that simply repeated the words in the term, or they could not convince the assessors that they understood the relevant KPI. However, there was some improvement on a KPI definition question on the 2019 exam, where question 1 (Section B) asked students to define ‘level of staff turnover’. This time, only 16 per cent of students scored zero and the average mark was 1.2 out of 2. Students were expected to state that staff turnover refers to the total number of employees leaving a business and who need to be replaced. The answer also needed a quantifier such as ‘number of’ or ‘rate of’. The same is true for this current practice exam question, where students should refer to ‘the amount of’ rather than repeating ‘number of’.

Advice 3: A similar question appeared on the 2021 exam, where students were asked to define what is meant by the ‘rate of staff absenteeism’. The question was not answered well, with a total of 44 per cent of students scoring zero and an average mark of only 0.7 out of 2. Many students were not able to provide a clear and specific definition of the rate of absenteeism, and many did not make any reference to the case study material.

- 1 mark for an accurate definition of number of workplace accidents (i.e. the amount of injuries occurring at the business, the amount of unsafe incidents occurring, or similar)
- 1 mark for referring to relevant data/information in the case study

Sample answer: *Number of workplace accidents refers to the amount of times an unplanned event occurs in a business that results in personal injury or property damage. The number of workplace accidents at Nuventure has increased by 20%, suggesting that the workplace has a number of safety concerns.*

Question 2 (3 marks)

Using Nuventure’s data, describe the relationship between the increase in the number of workplace accidents and the company’s net profit figures.

Advice 1: This question has been included on this practice exam because a similar question to this appeared on the 2017 VCAA exam, where students were asked to describe the impact that an increase in the level of staff turnover may have had on one other key performance indicator (Section A, Question 1c). Many students did not understand the staff turnover KPI and many could not make a link between staff turnover and another KPI. The average mark for this question was 0.8 out of 2, with 46 per cent of students scoring 0 marks. Another similar question appeared on the 2021 exam, where students were asked to explain the relationship between the rate of staff absenteeism and the number of customer complaints, using data in the case study (Section B, Question 2). Some students simply described trends in the data, without making links between the two KPIs. The average mark for this question was 1.7 out of 3, and 42 per cent of students scored zero marks to 1 mark.

- 2 marks for describing the relationship between the increase in the number of workplace accidents and the company’s net profit figures
- 1 mark for making links to Nuventure’s key performance indicator data

Sample answer: *In 2023 the number of workplace accidents at Nuventure increased by 20% and Nuventure’s profit figures fell from \$751.2 million in 2022 to \$601 million profit in 2023. This data suggests that workplace accidents may be resulting in additional costs for the company. Workplace accidents may require production at the business to slow down or stop to attend to incidents, resulting in downtime, delays and lower productivity which adds to unit production costs. In addition, the business may have to pay medical expenses or compensation to employees. These costs lead to higher expenses for Nuventure, reducing its net profit figures.*

Question 3 (2 marks)

Outline one reason why private limited company is a suitable type of business for Nuventure.

Advice 1: The use of the task word ‘outline’ for this question requires students to do more than just state or identify something. However, it does require a little less than a full description or explanation.

Advice 2: This question has been included on this practice exam because a similar question to this appeared on the 2017 VCAA exam, where students were asked to outline a reason why a business may choose to operate as a partnership rather than as a sole trader (Section A, Question 1b). For that question, most students were able to state a reason why a partnership may be advantageous compared to a sole trader. However, few students were able to then expand on the reason. Only one reason was required for the question and some students stated two reasons – resulting in the second reason not being assessed. The average mark for this question was 1.2 out of 2.

Advice 3: There are a number of reasons why a business may choose to operate as a private limited company. Accepted responses include: company tax (which is taxed at a lower rate than personal income tax rates); private limited companies can attract public finance; easy transfer of ownership; long life – perpetual succession; experienced management through board of directors; greater spread of risk; growth potential; can have one shareholder and one director; a private limited company is not required to invite the general public to buy its shares by the issue of a prospectus; a private limited company can prevent the membership of persons considered undesirable.

- 1 mark for suggesting a reason for using private limited company as a type of business
- 1 mark for further detail outlining why the reason is relevant to Nuventure

Sample answer: *One reason that a private limited company is a suitable type of business for Nuventure is limited liability. Limited liability means that the most money that owners (shareholders) can lose if Nuventure goes into liquidation is the amount they paid for the purchase of their shares. The owners of the company are regarded as separate legal entities to the business. The legal security offered by limited liability would have positively influenced the choice to make use of this type of business.*

Question 4 (4 marks)

Propose and justify two motivation strategies to further improve the corporate culture at Nuventure.

Advice 1: The use of the task descriptor ‘propose’ here requires students to put forward and outline two motivation strategies that will allow Nuventure to further improve its corporate culture. Students then must point out the reasons or the arguments supporting the use of these strategies (justify).

Advice 2: This practice exam question is similar to a question that appeared on the 2016 VCAA exam (Question 2c), which asked students to use Maslow’s theory of motivation to justify two strategies to improve corporate culture. For that question, 34 per cent of students scored zero and the average mark was 1.4 marks out of 4. Many students struggled to apply Maslow’s theory to a given situation. To do well on that question, students needed to read the material in the case study carefully and then relate this information to the appropriate level(s) of Maslow’s theory. This practice examination question is different to the 2016 exam question, in that it asks for motivation strategies rather than a motivation theory. However, students might aim to make use of a similar process for the current question as that which might have been used on the 2016 exam – apply two motivation strategies to improve the corporate culture at Nuventure.

- 1 mark for proposing a motivation strategy
- 1 mark for justifying the motivation strategy in terms of further improving the corporate culture at Nuventure
- Repeat for a second motivation strategy

Sample answer: Corporate culture refers to the values, ideas, expectations and beliefs shared by the staff and managers within a business. Career advancement is a motivation strategy that may be used to further improve the corporate culture at Nuventure. It refers to the assignment of more responsibilities/authority to employees or the promotion of employees to positions that bring rewards, such as an increase in salary and fringe benefits, and increased responsibilities. A benefit of career advancement is that it can be used to reward employees who have performed well in the past, allowing them to increase their contribution to the business in the future. This will allow employees to be more involved in decision-making, as well as have more responsibility. In doing so, career advancement is likely to have an influential effect on the positive corporate culture at Nuventure.

Another motivation strategy that may be used to improve the corporate culture at Nuventure is investment in training. This involves the business directing finances into the teaching of skills to employees. Investment in training offers employees the opportunity for self-improvement and personal growth. By gaining skills and knowledge, employees are more developed, both professionally and personally, and are likely to feel valued by the business and empowered to do their best. In doing so, investment in training is likely to have an influential effect on the positive corporate culture at Nuventure. The use of this motivation strategy should lead to the business demonstrating that it values employees and is prepared to support them in advancing their careers. Furthermore, investment in training could involve teaching the values that the business expects to see in the workplace – this would also influence the further development of the positive corporate culture at Nuventure.

Question 5 (6 marks)

Evaluate the ability of a lean management strategy that Nuventure could use to enhance the efficiency and effectiveness of its operations.

Advice 1: In the 2020 VCE Business Management Examination Report, the chief assessors noted that the task word ‘evaluate’ requires students to refer to both strengths and weaknesses and then come to a conclusion about the suitability or worth of something (an overall judgement). Students often get muddled up with evaluation questions, believing that they are being asked to suggest a better strategy or thing. If this was the case, the question would ask for a more appropriate strategy or thing.

Advice 2: The study design states that students need to know the pull, one-piece flow, takt, zero defects strategy to improve the efficiency and effectiveness of operations related to lean management.

Advice 3: VCAA exam questions related to lean management strategies have tended to be poorly answered. For example, on the 2017 exam, Question 4b (Section A) asked students to explain how the principles of lean management might assist the business in the case study to reduce the level of wastage. The average score was 1.4 marks out of 4, and 33 per cent of students scored zero marks. Additionally, 55 per cent of students scored zero marks to 1 mark. Students who wrote about the pull, one-piece flow, takt, zero defects strategy tended to perform better. On the 2019 exam, Question 1c (Section A) asked students to explain how the business in the case study could implement the principles of lean management to improve efficiency or effectiveness. The average score was 2.4 marks out of 6, and 35 per cent of students scored zero marks to 1 mark. Some students referred to both efficiency and effectiveness, therefore finding it difficult to gain full marks as they may not have provided sufficient detail about either in their responses. It is important to provide detail when making links to efficiency and/ or effectiveness in operations management strategy questions.

- 2 marks for an explanation of the benefits or strengths of the selected lean management strategy
- 2 marks for an explanation of the limitations or weaknesses of the selected lean management strategy
- 1 mark for an overall conclusion or judgement based on the arguments related to the selected lean management strategy being used to improve the efficiency of the operations of Nuventure

- 1 mark for an overall conclusion or judgement based on the arguments related to the selected lean management strategy being used to improve the effectiveness of the operations of Nuventure

Sample answer: *One lean management strategy that Nuventure could use to improve the efficiency and effectiveness of its operations is the pull, one-piece flow, takt, zero defects strategy. This is a strategy that would eliminate waste and inefficiencies from the production of Nuventure’s electronic security systems, audio-visual solutions, and healthcare equipment. The pull, one-piece flow, takt, zero defects strategy would be a beneficial strategy for improving the efficiency and effectiveness of Nuventure’s operations. Using this lean management strategy would improve efficiency (how well a business uses resources to achieve objectives) because the use of pull and zero defects, for example, reduces or eliminates the amount of waste produced. At the same time, one-piece flow and takt would reduce energy and resource consumption and delays, and increase work productivity. Because waste is reduced or eliminated, Nuventure will therefore be using its resources more efficiently. However, the use of this lean management strategy may cause resentment in employees who may not like having to change to lean, or may prefer not to provide any input in the new approach. Lean management requires committed and experienced employees to be successful. The constant focus on improvement and elimination of waste can also result in workplace stress.*

Using the pull, one-piece flow, takt, zero defects strategy would improve effectiveness (the degree to which a business accomplishes the objectives it set out to achieve) because the use of pull and zero defects, for example, eliminates waste, thereby reducing costs. Reduced costs are likely to lead to an improvement in Nuventure’s profit. Furthermore, the pull, one-piece flow, takt, zero defects strategy can lead to increased customer satisfaction, which can result in increased sales and, subsequently, a further boost to profit. However, the use of this lean management strategy can involve high implementation costs, which may have a negative effect on profit (particularly in the short term). It will also be time-consuming to introduce across the entire business.

Overall, the pull, one-piece flow, takt, zero defects strategy would be appropriate for improving the efficiency and effectiveness of Nuventure’s operations. Despite limitations, such as the expense, time taken to introduce and possible employee resistance, the effective use of lean management should benefit a business as it reduces or eliminates waste, improves productivity and minimises costs.

Question 6 (4 marks)

Compare the use of robotics and artificial intelligence as strategies that Nuventure could implement to improve its operations.

Advice 1: In the 2021 VCE Business Management External Assessment Report, the chief assessors noted that the task word ‘compare’ requires similarities and differences. The chief assessors suggested writing a response with a section referring to ‘similarities are...’ and a section referring to ‘differences are...’ When responding to a compare question, a good strategy for students is to begin by using the word ‘both’ to ensure there is at least one similarity. The similarity should be something that the two terms share in common. Differences should be pointed out using words such as ‘whereas’, ‘however’ or ‘on the other hand’. Defining key terms should allow students to find a point of difference. The 2021 external assessment report also noted that, in relation to differences, it is important that the same criteria are compared (e.g. one is voluntary while the other is involuntary, one occurs within the workplace while the other occurs outside of the workplace), rather than just writing two explanations that do not contain similar or different elements.

Advice 2: In the 2021 VCE Business Management External Assessment Report, the chief assessors also noted that students will sometimes ‘discuss’ for a compare question. In the 2020 VCE Business Management Examination Report, the chief assessors noted that students who wrote about strengths and limitations for a compare question (question 3b) were not awarded any marks as this is not a comparison of the two terms.

Advice 3: Compare questions are typically not handled well by students on VCAA exams – this is largely because of a problem with finding similarities, but students will sometimes struggle with differences. For example, a compare question that featured on the 2016 exam was not answered well (Question 5a). While

the question featured content that is no longer in the study design, the question highlights the problems that students experienced when attempting to respond to ‘compare’ questions. A total of 41 per cent of students scored 0 marks and only 6 per cent scored 4 marks. The average mark was 1.2 out of 4. On the 2017 exam (Section B, Question 3), students were required to compare quality control with one other quality strategy. The question was poorly answered, with 40 per cent of students scoring zero marks, and only 4 per cent scoring the full 4 marks. The average score was a very low 1.3 out of 4. A question on the 2019 exam (Section A, Question 1b) asked students to compare the characteristics of operations management within a manufacturing business with those of a service business. This was better answered than the 2017 question – with an average score of 1.7 marks out of 4 and only 20 per cent of students scoring zero marks. However, 77 per cent of students scored between 0 and 2 marks. On the 2020 exam, there were two ‘compare’ questions – one asking students to compare Porter’s key approaches and the other asking for a comparison of awards and agreements. For both questions, the examination report noted that the compare command term requires students to provide similarities and differences, and for both questions, the average score was 1.8 out of 4. For Question 2 (Section A) 28 per cent of students scored zero marks, while 23 per cent of students scored zero for Question 3b (Section A). On the 2021 exam, Question 4 in Section B asked students to compare resignation and dismissal as forms of termination (with reference to the situation at the business in the case study). This was answered better than previous compare questions, with an average score of 2.2 marks out of 4 and only 6 per cent of students scoring zero marks.

Teachers are advised to assess student responses globally

Mark(s)	Descriptor: Expected qualities for mark (or mark range)
4	Detailed explanation of at least two clear similarities and two clear differences OR a detailed explanation of three of one side and one of the other Demonstrates a strong understanding of both technological developments Makes some reference to Nuventure
3	An explanation of at least two clear similarities and a clear difference OR an explanation of at least two clear differences and a clear similarity OR an explanation of at least two of one side but not the other Demonstrates an understanding of both technological developments Makes little/no reference to Nuventure
2	An explanation of a similarity and a difference OR an explanation of two similarities OR an explanation of two differences OR an explanation of a similarity with reference to Nuventure OR explanation of a difference with reference to Nuventure Demonstrates some understanding of both technological developments
1	A limited explanation of a similarity OR a limited explanation of a difference Demonstrates limited understanding of technological developments No reference to Nuventure
0	Shows no knowledge of technological developments, and/or no attempt to engage with the question.
NA	No attempt at a response

Sample answer: *Both robotics and artificial intelligence (AI) are technological developments that focus on improving the efficiency and effectiveness of operations. In doing so, both aim to speed up or shorten processes, reduce costs and improve accuracy. However, the two strategies differ in that robotics are programmable machines that are able to carry out tasks autonomously or semi-autonomously. Nuventure already makes use of robotics – robotics would be used on its production lines to complete physical tasks such as assisting with moving materials around, assembling products, and packaging. By contrast, AI refers to the ability of a computer, or a robot controlled by a computer, to perform tasks that typically require human intelligence and discernment, such as learning, reasoning, problem-solving, perception, and decision-making.*

Both robotics and AI are technologies that aim to automate tasks and processes that have been traditionally performed by humans. Because both strategies reduce the need for human labour, they should both allow a business such as Nuventure to produce at reduced cost and higher productivity. Both strategies will allow

production to occur at Nuventure for long(er) periods, as they will work without complaint, or demands for wage rises, and operate in conditions that might be considered unacceptable for employees. However, the two strategies differ in that robotics is the operation of a physical machine that deals with and interacts with other machinery in the real world, whereas AI focuses on software-based computer systems that can perform intelligent tasks such as analysing data and making decisions.

Question 7 (4 marks)

Explain the importance for Nuventure of reviewing its key performance indicators when evaluating the effectiveness of business transformation.

Advice 1: This question has been included on this practice examination because a similar question appeared on the 2020 VCAA exam, where students were asked to explain the importance for the business in the case study of reviewing its KPIs when evaluating the effectiveness of business transformation (Section B, Question 5). This was the only time that this key knowledge has appeared on the exam and the average mark for the question was 1.9 out of 4, with only 7 per cent of students scoring the full four marks. Most students were able to comment on the importance of reviewing KPIs, refer to a relevant KPI in the case study, explain why a review would be used by the business and related the process to effectiveness. The same approach should be taken to this practice examination question.

Advice 2: The Nuventure case study refers to net profit figures, costs, number of workplace accidents. All of these are KPIs that students could refer to in their response.

- 1 mark for commenting on the importance of reviewing KPIs
- 1 mark for explaining why a review would be used by the business
- 1 mark for referring to a relevant KPI(s) in the case study
- 1 mark for relating the process of reviewing KPIs to effectiveness (achieving objectives at Nuventure)

Sample answer: *A business such as Nuventure will review KPIs (specific measures or sets of data used to determine if objectives have been achieved) as part of its evaluation and review of the changes introduced. Accordingly, it would be important for Nuventure to review its KPIs following its restructure and the introduction of strategies such as lean management and artificial intelligence. Essentially, this would be done to determine whether the management strategies, used as part of the transformation of the business, were successful, or whether there was a need to make any further changes or modifications. If a strategy implemented had no impact on improving KPIs, and the performance was not evaluated, it is likely that Nuventure would continue to use the strategy, despite the potential ongoing damage that it might cause to the success of the business.*

When a business such as Nuventure reviews KPIs to evaluate how effective a transformation was, it means that the business is considering how the change or changes impacted on its objectives – this enables the business to see whether it has been effective or not. For example, when announcing the company’s 2023 results, managing director Robyn Marsh said that good progress had been made on achieving objectives. However, its results could be better – Nuventure made a \$601 million profit in 2023, following a \$751.2 million profit in 2022. Nuventure would reasonably expect that its restructure would help to raise productivity and reduce costs over time, resulting in more efficient use of resources. The business would therefore expect that an important KPI (net profit) would increase following its restructure. If Nuventure found that there was no improvement in its KPIs, it would need to adjust and make improvements.