



VCE BUSINESS MANAGEMENT UNIT 3/4

2023

Practice examination C

**SUGGESTED
RESPONSES/ADVICE**

Section A

Question 1 (13 marks)

State Rail is a government business enterprise established in 1985 with a vision to provide a high-performing railway and coach service that all Victorians will love. The business is considered to have a positive corporate culture underpinned by its team focus and workplace flexibility. Its corporate culture is reflected in its values, which include 'we are passionate', 'we respond', 'we are accountable' and 'we care'. State Rail is a major employer with a staff of more than 2000 employees working hard to deliver great services for the 22 million passengers carried by the business in 2022.

a. Define the term 'government business enterprise'.

2 marks

Advice 1: The use of the task word 'define' here simply requires students to provide meaning for a term. Students should try to write a definition that does not make use of the term itself. Straight definition questions do not necessarily require examples. However, it is often worthwhile providing an example to convince assessors that the student really does understand what the term means via its application to a real world or contemporary setting.

Advice 2: Learning definitions is an important part of preparing for the Business Management exam. The 2014 Examination Report stated that "there are some preparation tasks that students could perform that would improve their performance. For example, a glossary that precisely and accurately defines key terms will assist students to gain better marks when answering those questions requiring a definition."

Advice 3: Two-mark definition questions have featured on the previous five exams (2018, 2019, 2020, 2021 and 2022) – these require students to write a little more than a one-mark question, and to be precise with use of terminology. Generally, students have been rewarded with full marks when making use of key words in their definitions. This expectation is true for this practice exam question (where two marks has been designated to the definition in the marking scheme).

Advice 4: This practice exam question appeared on the CPAP practice examination 1, but also on the 2022 VCAA Business Management exam! This was question 1a (Section A) and was answered reasonably well, with a total of 19 per cent of students scoring zero and an average mark of 1.2 out of 2. Many students were not able to state that government business enterprises are owned by the government. Note that, when defining types of businesses (sole traders, partnerships, both types of companies, government business enterprises), you need to refer to who owns the type of business.

- 1 mark for stating that a GBE is a type of business that is 'owned' by the government
- 1 mark for stating that a GBE contributes to revenue earned by the government, carry out government policies, provide essential services to the community, or similar

Sample answer: *A government business enterprise (GBE) is a type of business that is owned by a government (at either the federal or state level). As such, State Rail is operated just like a company and participates in commercial activities with the goal of making a profit. While doing so, GBEs carry out government policies as they deliver community services.*

b. Outline the difference between the official corporate culture and the real corporate culture of State Rail. 3 marks

Advice 1: This question has been included in this practice exam because a similar question from the 2021 VCAA examination was not handled well by students. Students were asked to explain the difference between official corporate culture and real corporate culture as part of the ten-mark question (Question 3 in Section A). While most students knew something about corporate culture, many students struggled to explain what official and real corporate culture are, and how they are very different. This question is slightly different in that some application should be made to the corporate culture of State Rail.

Advice 2: Note the use of the task word ‘outline’ here, which 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 3: Differences should be pointed out using words such as ‘whereas’, ‘however’ or ‘on the other hand’.

- 1 mark for demonstrating an accurate understanding of official corporate culture and real corporate culture
- 1 mark for pointing out the main difference between official and real corporate culture
- 1 mark for referring to examples of the official corporate culture and the real corporate culture of State Rail

Sample answer: *Official corporate culture refers to the values and beliefs shared by State Rail’s people revealed officially in the policies, objectives or slogans of the business. Essentially, it is the culture that management desires at the business and wants external stakeholders to see. This is demonstrated through State Rail’s official values (‘we are passionate’, ‘we respond’, ‘we are accountable’ and ‘we care’) and its vision to ‘provide a high-performing railway and coach service’. On the other hand, real corporate culture is seen in State Rail’s unwritten or informal rules that guide how its management and staff behave, such as the way staff dress, the language staff use, and the way that staff treat each other and customers. This is the culture that actually exists in the business. Real corporate culture is demonstrated through State Rail’s positive culture, where the business has a team focus and provides employees with flexibility.*

c. Explain how the following management skills would be important in the management of employees at State Rail. 4 marks

Advice 1: This question has been included in this practice exam because skills questions, once a common feature of VCAA Business Management examinations, have only been on the exam once in the previous six exams. A skills question was last on the 2019 exam (Question 4 in Section B), where students were asked to explain two skills that the human resources manager of the business in the case study would require when closing stores. The average mark for that question was 2.3 out of 6. Many students did not provide enough detail to receive the full 6 marks, with only 2 per cent of students scoring 6 marks. Students were required to explain each skill, and then link their answer to the case study, specifically to the role played by the human resource manager.

Advice 2: The task word ‘explain’ requires students to include enough detail in their response that the main point, topic or issue is expanded on or made clear. This practice exam question requires students to clearly explain each management skill (planning and delegating) and how each skill would be important in managing employees at the business in the case material.

Planning

- 1 mark for explaining the term planning
- 1 mark for making a link between planning and the management of employees at State Rail

Sample answer: *Planning refers to the ability to define business objectives and determine methods or strategies that will be used to achieve those objectives. By defining objectives for the business, management*

at State Rail will have a clear understanding of staffing needs at the business, including the knowledge and skills required by the business before commencing recruitment and selections, as well the skills that will need to be provided to employees through training. Carrying out planning will also allow State Rail to know what strategies need to be implemented to achieve its objectives, whether that be motivation strategies, training or performance management. Ensuring that staff are prepared and able to achieve business objectives would support the business in upholding its values such as ‘we are accountable’.

Delegating

- 1 mark for explaining the term delegating
- 1 mark for making a link between delegating and the management of employees at State Rail

Sample answer: *Delegating refers to the ability to transfer formal authority and responsibility from a manager to an employee to carry out specific activities. By delegating part of an operational task to staff, for example, management at State Rail can facilitate the learning of new skills, providing employees with an opportunity to improve in their personal development and possibly boosting their job satisfaction and motivation. In addition, delegation can be used to build trust and a feeling of mutual understanding between employees and managers. This would support the business in upholding its values such as ‘we care’. As staff satisfaction and motivation increase, it is likely that employee performance will also be improved, as should State Rail’s performance.*

d. The prevailing management style at State Rail is a consultative management style.

With reference to State Rail, analyse the relationship between management styles and management skills. 4 marks

Advice 1: The key knowledge relevant to this practice exam question (dot point eight from Area of Study 1, Unit 3) has never appeared on a VCAA Business Management exam. The question also relates to outcome 1 of Unit 3 Business Management, which states that students should be able to “analyse the relationship between corporate culture, management styles and management skills”. On the other hand, management style questions have appeared on nine exams over the last ten years (but not on the 2021 exam). This current question may prove to be difficult if it ever appears on the VCAA exam, simply because it would be a new, previously unseen question.

Advice 2: 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 management styles and management skills, referring to State Rail. Students should be able to point out that State Rail predominantly makes use of a consultative style and link this to likely skills that would be used at the business as a consequence of choosing to use this style.

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 management styles and management skills. Clear and detailed analysis of the link between management styles and management skills, with good reference to State Rail. Includes accurate and appropriate use of terminology.
3	Detailed and accurate knowledge and understanding of management styles and management skills. Sound analysis of the link between management styles and management skills, with reference to State Rail, but lacking the quality of a 4-mark response. Includes appropriate use of terminology.
2	Adequate knowledge and understanding of management styles and management skills.

	Includes some analysis of the link between management styles and management skills, with some/limited reference to State Rail. Includes generally appropriate use of terminology with some inaccuracies.
1	Limited knowledge and understanding of management styles and management skills. Includes weak analysis of the link between management styles and management skills, with limited/no reference to State Rail. Includes limited/no use of terminology with inaccuracies demonstrating some/little understanding.
0	Shows no knowledge of management styles and management skills, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: *The term ‘management style’ refers to the way a manager does things – the behaviour and attitude of the manager when making decisions, directing and motivating staff and when implementing plans to achieve business objectives. This very much relates to the personality, experience, values and beliefs of the manager. For example, the prevailing management style at State Rail is a consultative style. This involves a manager consulting with staff on certain issues before making a decision. A manager using this style will seek the opinions of employees and hold information-sharing meetings, however they will retain the final decision-making power. The type of management style that a manager chooses will determine the skills that they use (the abilities or competencies that managers use to complete tasks effectively), as well as the extent or the degree to which they use those skills. Therefore, a consultative manager is very likely to use delegation and interpersonal skills, as well as other skills such as open communication and team building. For example, delegating is the ability to transfer authority and responsibility from a manager to an employee to carry out specific activities. A manager at State Rail using the consultative style is very likely to delegate authority and/or responsibility to subordinates. Interpersonal skills refers to the ability to deal or liaise with people and build positive relationships with staff. In making use of the consultative style, a manager at State Rail will certainly need to work closely with other staff as building positive relationships is a key feature of this style.*

Question 2 (16 marks)

Fixit Plumbing & Repairs offers a wide range of plumbing services including gas leak repairs, unblocking drains and stormwater drains, repairing leaking taps, hot water system replacement, burst pipe repairs, and roof plumbing. The company has become renowned for its integrity and high quality standards. Fixit makes use of forecasting to maximise efficiency and effectiveness of its production process and is investigating technological developments to improve operations.

- a. Other than ‘efficiency’ and ‘effectiveness’, identify and explain two business objectives that would be relevant to Fixit Plumbing & Repairs. 4 marks**

Advice 1: This question asks students to ‘identify’ (or list) two business objectives. This task word is not commonly used on the VCAA Business Management exam, and if it does appear, it is generally used in combination with other task words, such as ‘explain’ or ‘describe’. However, the task word ‘identify’ was used on its own on the exam in 2017 (Section B, Question 1 a). That question had a limited number of answers, so it is important to realise that such questions require answers that are concise and accurate.

Advice 2: This question has been included on this practice exam because a similar question to this one appeared on the 2018 VCAA exam, where students were asked to describe a business objective (other than ‘to make a profit’) that would be relevant to the business in the case study. (Section A, Question 1b). This question was handled reasonably well, but provided a challenge for some students. The average score was 1.2 marks out of 2, and 27 per cent of students scored zero.

Advice 3: Unlike the 2018 exam question, this practice exam question excludes ‘efficiency’ and ‘effectiveness’. However, this question might be expected to be more challenging than the VCAA exam question because two objectives are asked for, rather than just one. In the case of current question, students must select and explain

two business objectives that would be relevant to the business referred to in the case study material (Fixit Plumbing & Repairs). Accepted business objectives that students might select from include 'to make a profit', 'to increase market share', 'to fulfil a market need', and/or 'to meet shareholder expectations'. It is also possible for students to refer to objectives not stated in the study design. The key to answering this practice exam question is explaining the business objectives. In the 2018 examination report, the chief assessors stated that "... often student responses identified the objective and then outlined why it was relevant to the business, rather than providing a description of the objective as the question required." Some student simply rewrote the question or defined the term 'business objective'.

- 1 mark for identifying a business objective that would be relevant to Fixit Plumbing & Repairs (maximum of 2 marks)
- 1 mark for explaining the business objective (maximum of 2 marks)

Sample answer: *Fixit would have the objective of 'to make a profit'. Profit is what is left after business expenses have been deducted from money earned from sales (revenue). The 'to make a profit' business objective relates to ensuring that revenue is greater than expenses. Making a profit is relevant to Fixit as it indicates whether or not the business is performing successfully, and the business will implement strategies such as forecasting and technological developments so that it not only makes a profit, but will attempt to maximise it and increase it from year to year.*

As a company, Fixit would also have the objective of meeting shareholder expectations. This relates to the owners of the company (the shareholders) expecting to make a return on their investment. Whether Fixit makes a profit is particularly important for shareholders because they expect to receive dividends (a proportion of the profits) and/or make a capital gain on their investment. If part of the profit gained by the company is returned to shareholders, or the value of a company's shares increase, then shareholders will have their expectations met.

b. Describe one way that Fixit could improve the efficiency of its operations system through the use of technological developments. 3 marks

Advice 1: A similar question to this practice exam question was asked on the 2021 exam. Question 4b in Section A on the 2021 exam asked students to explain how technological developments would improve the efficiency in operations of a service business. Unfortunately, many students failed to understand that the business in the case study was a service business. They therefore struggled to address the focus of the question – improving the operations system of a service business. A total of 48 per cent of students scored zero marks and the average mark was 0.9 out of 3.

Advice 2: The study design lists strategies to improve the efficiency and effectiveness of operations related to technological development as including the use of automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence and online services. Out of these, only artificial intelligence, online services and robotics are really relevant to a service business such as Fixit. Students need to ensure that their responses relate to operations, not sales and marketing. In the 2021 VCE Business Management external assessment report, the chief assessors noted that, for Question 4b of Section A, "*Responses that scored highly tended to refer to equipment that used less materials, energy or human input, such as robotic vacuum cleaners and self-cleaning windows. This allowed them to explain the technological development and relate it to an improvement in efficiency in operations.*" This approach would also work for this exam practice question.

Advice 3: Note that efficiency and effectiveness are two different concepts. Effectiveness refers to the degree to which a business accomplishes the objectives it sets out to achieve, whereas efficiency refers to how well a business uses resources to achieve objectives.

Advice 4: 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. For this question, students are required to describe how a technological development could improve the efficiency of Fixit's operations.

- 1 mark for describing a relevant strategy related to technological development
- 1 mark for describing how the technological development could improve the efficiency of an operations
- 1 mark for application of the response to Fixit's operations system

Sample answer: *One way that Fixit could improve the efficiency of its operations system is through the use of robotics. This strategy involves the use of a programmable machines that are able to carry out tasks autonomously or semi-autonomously. For instance, Fixit could implement an automated inspection system making use of robotics, artificial intelligence and machine learning, that assesses the conditions of pipes, drains and sewers, providing reports to Fixit technicians and/or customers regarding the condition of the pipes, drains and sewers and what work may need to be completed. Robots could navigate through pipes, remove debris, and perform high-pressure water cleaning to clear blockages. Robots would be able to perform these tasks again and again, for long periods of time, as robots work without complaint or demands for wage rises. The use of robotics is likely to result in better management of resources, reducing the amount of resources used and reducing waste due to improved accuracy. Robots also perform tasks faster than humans can. Efficiency would be improved as the business improves in the way that it uses resources.*

c. Explain how forecasting might be used by Fixit to improve the efficiency and effectiveness of its operations. 4 marks

Advice 1: The study design lists the strategies to improve the efficiency and effectiveness of operations related to materials as including forecasting, master production schedule, materials requirement planning and Just In Time. Accordingly, students should note that forecasting is a materials strategy. For this question, students will need to explain forecasting, then make links to how it might improve efficiency and effectiveness in Fixit's operations.

Advice 2: This practice exam question is very similar to a question appearing on the 2021 VCAA exam. Question 4d in Section A asked students to describe how forecasting or Just In Time could be used by the service business in the case material to ensure that materials are managed efficiently. The performance by students on this question was quite good, with an average mark of 1.7 out of 3 and only 12 per cent of students scoring zero marks. However, similar questions on previous exams have not been handled as well as the 2021 question. Question 5b in Section A on the 2020 exam asked students to analyse how forecasting might be used by the business in the case study to improve the efficiency and effectiveness of its operations. A total of 23 per cent of students scored zero marks and the average mark was 1.7 out of 4. Many students struggled to make appropriate links to efficiency and/or effectiveness as separate concepts. Question 5a in Section A on the 2018 exam asked students to describe how forecasting (and website development) could be used by the business in the case study to improve its operations. A total of 25 per cent of students scored zero marks and the average mark was 1.4 out of 4. Students tended to handle the forecasting part of this question better than the website development part. Low-scoring responses generally did not refer specifically to how forecasting may improve operations. Question 2 in Section B on the 2017 exam asked students to explain how a materials strategy might be used by the business in the case study to improve the efficiency and effectiveness of its operations. The question was not answered well by students as a total of 41 per cent of students scored zero marks and the average mark was 1.1 out of 4. Students tended not to treat efficiency and effectiveness as separate concepts, or stated that their selected strategy would improve efficiency and effectiveness, but did not explain how the strategy would do this.

- 1 mark for explaining forecasting
- 1 mark for explaining how forecasting might be used to improve the efficiency of an operations system

- 1 mark for explaining how forecasting might be used to improve effectiveness of an operations system
- 1 mark for application of the response to Fixit's operations

Sample answer: *Forecasting is a materials management strategy that involves analysing data from the past and present and examining market trends to attempt make a prediction about future events, including customer demand for upcoming periods. Through the use of analysis of past activities, the use of software to predict future trading patterns and the use of seasonal analysis to determine the way in which resource use is likely to change at specific times throughout the year, Fixit will be able to predict the materials (including pipes, tape and spare parts) that will be required for upcoming periods (for example, school holidays or Christmas holidays where there may be additional demand for plumbing repair services). Forecasting will allow Fixit to ensure that it maintains an appropriate level of materials for its operations system through these periods, avoiding problems related to over-ordering or materials becoming unusable through damage or theft. In this way, Fixit will be able to improve its efficiency as it uses its resources well, boosting productivity as there should be fewer delays in the provision of the business's plumbing service. Additionally, as the business is able to meet the needs of its customers it will be able to create sales. This means that the business will be able to accomplish the objectives it set out to achieve (effectiveness).*

d. Propose and justify one quality strategy that Fixit could use to ensure all of its plumbers provide high-quality service. 5 marks

Advice 1: The use of the task descriptors 'propose' and 'justify' here requires students to put forward and outline a quality strategy that will allow Fixit to ensure it provides high-quality service. Students then must point out the reasons or the arguments supporting the use of this strategy.

Advice 2: The study design lists quality strategies as including quality control, quality assurance and Total Quality Management. Students should choose from one of these strategies.

Advice 3: VCAA exam questions related to quality strategies have tended to be poorly answered. For example, Question 1b on the 2012 exam asked students to identify and explain two quality strategies for ensuring high-quality products at the business in the case study. The average score was only 1.5 out of 4 and 39 per cent of students scored zero marks. Many students were unable to identify quality strategies, but other students struggled to relate their selected strategies to the business in the case study as required. Similarly a question on the 2015 exam asked students to explain a management of quality strategy that the business in the case study could use to improve its operations (Question 3c). The average score was only 1.5 out of 4 and 32 per cent of students scored zero marks. Some students were not able to clearly explain the quality strategy selected, while others failed to link the quality strategy selected to the operations of the business in the case study as required. On the 2021 exam, students were asked to explain and justify a quality strategy that the business in the case study could implement to ensure high quality across all of its branches. Generally, students did not answer this question well, with an average score of only 1.8 out of 5 and 28 per cent of students scoring zero marks. Similarly, many students were unable to accurately explain the quality strategy selected, while others failed to relate the quality strategy selected to the operations of the service business in the case study. Many students missed the final component of the question, where they were required to point out how the selected strategy would lead to consistency across all branches of the business. The chief assessors noted that "Students who chose Quality Control often struggled to relate the checking or benchmarking element of that process to a service firm, especially a cleaning business. TQM was generally readily applied to the service business, while Quality Assurance, with the focus on the whole business, was often able to be related well to consistency across all branches. Few students were able to bring all three elements of a good response together." This practice exam question is very similar to all three questions referred to in this advice.

- 1 mark for briefly outlining a quality strategy that Fixit could use to ensure high-quality service
- 1 mark for further detail outlining the strategy
- 1 mark for justifying the choice of quality strategy
- 1 mark for further detail justifying the strategy, clearly linking it to Fixit's operations

- 1 mark for application of the response to consistency across all of Fixit’s plumbers

Sample answer: *Quality assurance is a quality strategy that Fixit could use to ensure that all of its plumbers provide high-quality service. This strategy involves the use of a system that ensures that set standards are being achieved in production, assuring customers that the goods and/or services provided by the business are fit for purpose. These standards provide guidelines on how a business should adopt specific procedures, controls, and recording and documentation measures. Fixit may decide to make use of an external organisation to audit the operations of the business against national and international standards. One example of this is the ISO 9000 set of international standards. Fixit also would need to meet plumbing standards within Australia. All of Fixit’s plumbers would need to make sure that these standards are being met, including checking to make sure that repairs have been carried out correctly, that pipes and water services have been installed correctly, and that all work completed has been inspected according to the standards.*

By making use of international standards and plumbing standards, quality assurance should ensure that quality issues are prevented before they occur. By ensuring that all employees are working to the same standards, plumbing and repairs should be completed to a consistently high quality standard by all plumbers. Additionally, because customers are likely to feel assured that they are purchasing a service that is fit for purpose, the use of quality assurance should lead to customers perceiving that Fixit’s service is one of high-quality.

Question 3 (10 marks)

Evaluate the ability of motivation strategies and training options to effectively manage employees during their time at a business and ensure business objectives are achieved.

Advice 1: The best performing students on a ten-mark question are typically those who read the question carefully and interpret it accurately. This same approach should be taken to this CPAP exam question, which focuses on evaluating motivation strategies and training options with respect to their ability to effectively manage employees during their time at a business and ensure business objectives are achieved.

Advice 2: 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 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.

Advice 5: Questions specifically related to motivation strategies have appeared on the VCAA Business Management exam three times out of the last five exams. The 2017 exam asked students to describe an appropriate motivation strategy that the owner of the business in the case study could use to improve the performance of his employees (question 3a, Section A). The 2019 exam asked students to explain a motivation strategy (related to a theory of motivation and a contemporary business case study). The 2020 exam asked for an evaluation of two different motivation strategies, then asked students to identify and justify which

strategy would be most effective for short-term motivation and which one would be most effective for long-term motivation (this was the ten-mark question – Question 4 in Section A). The 2021 exam asked students to propose and justify a strategy that the business in the case study could use to increase employee motivation (Question 5c, Section A).

Advice 6: A question relating to a form of training appeared on the 2015 exam (Question 3d). Many students wrote about on-the-job or off-the-job training. However, a large number of students could not name a form of training (now renamed training options in the new study design) and 40 per cent of students scored 0 marks out of 2. The average mark was 1 out of 2 marks. Question 3b (Section A) on the 2017 exam asked students to discuss a suitable training option that could be used for the employees of the business in the case study. The question was reasonably well-answered with an average mark of 2.3 out of 4 marks, however, more than half of students scored between 0 and 2 marks. The 2021 exam asked for an advantage and a disadvantage of on-the-job training as a strategy for improving the effectiveness of employees (Question 3, Section B). This question was quite well-answered with an average of 2.2 out of 4 marks.

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"> Comprehensive and accurate knowledge and understanding of motivation strategies and training options. Sophisticated and detailed evaluation of the ability of motivation strategies and training options to effectively manage employees and ensure business objectives are achieved. 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"> Detailed and accurate knowledge and understanding of motivation strategies and training options. Detailed evaluation of the ability of motivation strategies and training options to effectively manage employees and ensure business objectives are achieved. 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"> Demonstrated adequate knowledge and understanding of motivation strategies and training options. Some evaluation of the ability of motivation strategies and training options to effectively manage employees and ensure business objectives are achieved. 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"> Demonstrated basic knowledge and understanding of motivation strategies and training options. Limited evaluation of the ability of motivation strategies and training options to effectively manage employees and ensure business objectives are achieved. 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"> Demonstrated limited knowledge and understanding of motivation strategies and training options. Weak evaluation of the ability of motivation strategies and training options to effectively manage employees and ensure business objectives are achieved. 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 motivation strategies and training options and/or no attempt to engage with the question.
NA	<ul style="list-style-type: none"> No attempt at a response.

Sample answer: Motivation strategies are able to be used to effectively manage employees during their time at a business and ensure business objectives are achieved. A motivation strategy such as support will ensure that employees are able to sustain their effort over time. Support strategies, which relate to the assistance or services (such as counselling and mentoring) provided by management to help employees cope with difficulties that may impede their work performance, should result in employees feeling encouraged and more confident, motivating them to increase performance. In this way, support as a motivation strategy is a very good way to effectively manage employees. Employees working with greater motivation and more productively should be able to support the business in achieving objectives.

However, the use of support strategies will generally require a business to have a positive corporate culture, and, if this wasn't the case at a particular business, it is unlikely that management would make use of this strategy. Furthermore, it is possible that some employees may become too dependent on the support services provided by the business, or on the person offering support. However, the provision of support, particularly in the form of something as simple as encouragement, can generally be provided at little (or zero) cost.

Another motivation strategy is career advancement, which involves 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. In the short-term, as career advancement usually results in a pay rise and greater job security, this strategy should positively influence employees who are motivated by lower-order needs. The opportunity to be involved in decision-making in a leadership position, or to hold a more challenging or stimulating position with greater responsibility or authority, can influence employees who are motivated by higher-order needs, positively influencing long-term motivation and increasing commitment to the business. In this way, career advancement as a motivation strategy should be able to effectively manage employees. Accordingly, motivated and productive employees should result in business objectives being achieved.

However, a limitation of career advancement is its potential to reduce the motivation of employees who are not given responsibilities or who are overlooked for promotion. Employees may be motivated in the short-term to try to advance their careers, but as they miss out on promotion or additional responsibilities in the long-term, rivalries and conflict may be created. Furthermore, there may be resentment within a workplace if a promotion was not merited, or if it was not carried out fairly and equitably. In some cases, employees may be promoted beyond their capacity. An employee's productivity and motivation may actually fall if they are given more responsibilities or broader responsibilities.

Ultimately, despite some limitations, motivation strategies such as support and career advancement are very likely to be used by a business to manage employees effectively and to ensure that business objectives are achieved. Both strategies should positively influence employee attitudes and help them to be motivated to do better. Most employees want to feel that their employer values their contribution to the business and that they will be treated with sensitivity to their needs. A supportive workplace would encourage a sense of loyalty and willingness to remain in the workplace. Career advancement provides the business with the opportunity to increase the contribution of employees to the business, thereby assisting in retaining and attracting appropriate staff. Career advancement would support any business in demonstrating that they value the contribution of employees to the business, providing them with responsibility and involving them more in decision-making, motivating employees both in the short-term and in the long-term.

Training options are very likely to be used by a business to effectively manage employees and ensure business objectives are achieved. 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 through, for example, on-the-job training, a business enables employees to use the actual equipment, tools or machinery that is required to do the job. On-the-job training means that a business is able to provide employees with skills and knowledge while they are actually working, resulting in the employees and the business remaining productive. However, training can be expensive, particularly if it is provided off-the-job (where employees learn a specific set of skills to perform particular tasks in an environment external to the workplace). The fees of the training course, or the fees of the

outside expert or specialist teaching the course, may be considerable. On the other hand, if a business makes use of training provided by experienced co-workers, or by a leader or manager with particular or specific expertise, the cost may not be so great.

Regardless of whether training is made available on-the-job or off-the-job, providing employees with training would be expected to improve the performance of staff. In this way, training options are a very good strategy for effectively managing employees. For example, with improved skills, staff should be able to serve more customers in the same amount of time, as well as making fewer errors – i.e. the training should improve productivity and ultimately result in lower per unit costs. Fewer errors made by employees can also improve the quality of a business's good or service, further improving the competitiveness of the business. In addition, if training leads to an improvement in customer service, customer satisfaction may improve, and the improved reputation of the business should lead to more sales over time. Accordingly, business objectives will be achieved. However, training can take up time by diverting resources from production. Instead of being able to devote all of their attention to their work, employees may be focussed on learning skills. The quality of the training most likely also will depend on the quality of the trainers, and older or more experienced staff acting as trainers may pass on bad habits to newer employees.

On balance, training options are very likely to be used by a business to manage employees effectively and to ensure that business objectives are achieved. The use of training options should result in net benefits for a business as training should boost productivity, lead to fewer workplace errors and improve customer service. The use of training should also increase individual employee job satisfaction through better job performance, as well as enhance a business's ability to meet objectives. In this respect, training should be an ideal solution to employee management and to achieving business objectives.

Question 4 (5 marks)

Haullux recently announced a restructure, which will result in the termination of the employment of a number of staff.

a. Define what is meant by 'termination management'. 2 marks

Advice 1: Termination management is key knowledge that has appeared on the exam three times from the last five exams. However, a question asking for a definition of the term 'termination management' has never appeared on the exam.

- 1 mark for referring to 'ending' of employment or similar
- 1 mark for referring to 'the employment relationship', 'employment at the business', 'employment contract' or similar

Sample answer: *Termination management refers to the effective management of the end of the employment relationship.*

b. Distinguish between entitlement considerations and transition considerations. 3 marks

Advice 1: The task word 'distinguish' requires students to note the difference between two terms, or in this case, the difference between entitlement and transition considerations. When asked to distinguish, students should aim to show directly that there is a difference. Using signposting words such as 'whereas', 'however' or 'on the other hand' can be useful when attempting to clarify differences.

Advice 2: 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 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 at the business in the case study who were to be made redundant. 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.

- 1 mark for demonstrating an understanding of entitlement considerations
- 1 mark for demonstrating an understanding of transition considerations
- 1 mark for establishing a clear point of difference between the two terms

Sample answer: *Entitlement considerations are the rights to benefits that employees have when leaving the workplace, either on a voluntary or an involuntary basis. For example, employees who have been made redundant or dismissed must be given notice of their termination. These employees are also eligible for payments for outstanding annual leave entitlements and long service leave entitlements. In contrast, transition considerations relate to the process or a period of changing from one job to another or from one set of circumstances to another. For example, an employee who is retiring may require advice and assistance regarding income planning and future lifestyle choices. Employees who have been made redundant or dismissed may require exit interviews or counselling before they leave the workplace.*

The main difference between the two terms is that entitlement considerations are the rights that employees have when leaving the workplace whereas transition considerations relate to the process or a period of changing from one job to another or from a set of circumstances to another. In general, the law requires entitlements to be provided whereas the advice and support provided to employees arising as transition considerations generally are offered above and beyond the law.

Question 5 (6 marks)

Using a contemporary business case study, describe how human resource management and operations management relate to business objectives.

Advice 1: Questions on ‘the relationship between human resource management and business objectives’ and ‘the relationship between operations management and business objectives’ have been rare on the Business Management exam – over the last ten years there have been three occasions when this occurred. This practice exam question is very similar to the 10 mark question on the 2016 VCAA exam (Question 6). The question asked students to describe the relationship of operations and human resources to business objectives (and then discuss operations strategies and human resources strategies that communicate a commitment to CSR). The average score was 3.3 out of 10 and 43 per cent of students scored 0 to 2 marks. Unsurprisingly, many students struggled to answer the question in full. On the 2020 exam, students were asked to explain the relationship between operations management and the business objectives of the business in the case study (Question 2, Section B). The average score was 1.3 out of 3 and 25 per cent of students scored 0 marks. The chief assessors noted that students needed to explain the relationship between operations management (not operations or the operations system) and the objectives of the business in the case study. On the 2022 exam, Question 2a (Section A) asked students to explain the relationship between operations management and the business objective of the business in the case study (‘to fulfil a market need’). Very similar to the 2020 exam, the average score was 1.3 out of 3 and 24 per cent of students scored 0 marks.

Advice 2: Questions asking for contemporary business case studies have appeared on the past five exams. It is therefore perfectly clear that students need to be prepared for the exam with contemporary business case studies. The questions on the last five VCAA Business Management exams 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/ driving forces/ restraining forces.

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 human resource management and operations management. Sophisticated and detailed description of how human resource management and operations management relate to business objectives, with reference to a contemporary case study. Includes accurate and appropriate use of terminology.
5	Adequate knowledge and understanding of human resource management and operations management. Includes a good description of how human resource management and operations management relate to business objectives, with good reference to a contemporary case study. Includes generally appropriate use of terminology with some inaccuracies.
3-4	Basic knowledge and understanding of human resource management and operations management. Includes limited description of how human resource management and operations management relate to business objectives, with some reference to a contemporary case study. Includes some appropriate use of terminology with inaccuracies.
1-2	Limited knowledge and understanding of human resource management and operations management. Includes weak description of how human resource management and operations management relate to business objectives, 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 human resource management and operations management, and/or no attempt to engage with the question.
NA	No attempt at a response.

Sample answer: *Operations management is the area of management that is responsible for producing a business's product. It consists of all the activities in which managers engage to oversee the transformation of inputs into finished output. Without operations management, a business would have no product and therefore would not be able to achieve its objectives (the desired goals, outcomes or specific results that a business intends to achieve). A particular focus for operations is to maximise efficiency and use resources to produce output at the lowest possible cost (and price). In October 2022, Medibank reported that the business had "detected unusual activity on its network". It soon emerged that a hacker had stolen customer data, including names, addresses, phone numbers and identification document numbers, affecting millions of current and former customers. The hacker group later released the customer data on dark web forums after Medibank refused to pay a ransom. The Office of the Australian Information Commission is investigating the data breach, and a number of law firms have launched legal proceedings against the company, including Slater and Gordon filing a class action in the Federal Court. In June, the Australian Prudential and Regulation Authority (APRA) announced that it had taken action against Medibank. APRA will impose an increase in Medibank's capital adequacy requirement of \$250 million, which reflects the weaknesses identified in Medibank's information security environment. This capital adjustment will remain in place until an agreed remediation program of work is completed by Medibank to APRA's satisfaction. APRA will also conduct a targeted technology review of Medibank, with a particular focus on governance and risk culture. This decision will require the operations area to work with the information technology area to ensure that the company's operations system functions securely. Medibank's operations management area will need to enhance its use of technological developments including the ways it uses artificial intelligence and online services, ensuring that it strengthens its security and management of data. The operations area will also need to ensure that the business is still pursuing strategies, such as quality management, customer service, waste minimisation and speed of delivery in attaining Medibank's objectives, such as satisfied customers and increasing profit.*

Human resource management refers to the management of the relationship between the employer and employees. It is the area of management that is responsible for coordinating all the activities involved from

acquiring to terminating employees. Human resource management makes an important contribution to the achievement of a business's objectives. A particular focus of this area of management would be on positive work relationships, assisting employee motivation and labour productivity, and ultimately helping to achieve objectives such as profit and business growth. Following its data breach in 2022, Medibank will be working on enhancing its cybersecurity protocols as well as establishing robust plans for responding to similar incidents in the future. This would include detecting, responding to, and mitigating potential future breaches of its network. As well as implementing new threat detection systems, Medibank will need to train employees on cybersecurity best practices. Employees are a crucial input in a business's production process and without fully-trained employees. Medibank will not be able to continue meeting the needs of its customers. Medibank will also need to continue providing employees with motivation strategies and strategies for the management of their performance. The company's human resources area will be responsible for these tasks. These strategies will help to ensure that 'human input', as a factor of production, continues to contribute to the achievement of Medibank's business objectives.

Section B – Case Study

Case Study

Soopa Foods Ltd. is a manufacturing company that began in 1960 as a family-run business located in Ararat, Victoria. It has now grown to be one of the largest frozen food manufacturers in Australia, manufacturing products including frozen chips, pizzas, vegetables, prepared meals, and desserts. The business employs 500 workers, attempts to source all of its raw materials from local suppliers, and has a strong focus on maximising customer satisfaction.



Recently, costs have become a major issue for the business. Suppliers' costs have increased over the last two years, and more recently, energy costs, labour costs and shipping costs have also risen. As a consequence, the company, which had performed well financially up to this time, has experienced a decline in net profit. To address these issues, management are conducting a full review of the business's operations. In particular, the operations manager is examining the way that the company sources its inputs in an effort to reduce costs and is considering the implementation of global outsourcing as an option. Management are open to any change that will result in the business achieving its objectives, however, they are fully aware that there may be resistance from stakeholder groups including employees to such changes.

Key performance indicators for Soopa Foods are shown in the following table.

Key performance indicator	2020	2021	2022	2023
Net profit figures	\$344 million	\$345 million	\$350 million	\$340 million
Level of wastage	↓ 3%	↓ 4%	↓ 3%	↓ 2%
Rate of staff absenteeism	6%	7%	7%	9%

Question 1 (2 marks)

Define the term 'net profit figures'.

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: When defining 'net profit figures', students should write a little more than simply stating 'revenue less expenses' – this is a definition for 'net profit'. The term here is 'net profit figures' and students should address the 'figures' part of the term. Accordingly, acceptable definitions might include 'numbers that show what remains after expenses are deducted from revenue', 'calculated by deducting expenses from revenue' or similar.

- 1 mark for an accurate definition of net profit figures
- 1 mark for referring to relevant data/information in the case study

Sample answer: Net profit figures are the numbers found at the end of an income statement that show the net profit, or what remains when expenses are deducted from the revenue earned. For example, Scoopa Foods' net profit figures showed an increase in the difference between revenue earned and expenses deducted between the years 2020-22, but the company experienced a reduction in profit from \$350 million to \$340 million between 2022 and 2023.

Question 2 (4 marks)

Compare global sourcing of inputs and global outsourcing as global considerations at Scoopa Foods.

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, regarding 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. In the case of this current practice exam question, students will need to write about the similarities and differences between global sourcing of inputs and global outsourcing.

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. Take for example a compare question featured 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. This practice exam question is similar to this VCAA exam question (global considerations have been referred to instead of quality strategies). A compare 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.

Advice 4: On the 2022 exam, Question 2 (Section B) asked students to explain how the business in the case study might use global outsourcing to ensure that one business objective would be met. This question was not answered well, with an average score of 0.9 out of 3 and 58 per cent of students scoring 0 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 global considerations Makes some reference to Soopa Foods
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 global considerations Makes little/no reference to Soopa Foods
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 Soopa Foods OR explanation of a difference with reference to Soopa Foods Demonstrates some understanding of both global considerations
1	A limited explanation of a similarity OR a limited explanation of a difference Demonstrates limited understanding of global considerations No reference to Soopa Foods
0	Shows no knowledge of global considerations, and/or no attempt to engage with the question.
NA	No attempt at a response

Sample answer: Both global sourcing of inputs and global outsourcing are global strategies that businesses such as Soopa Foods will use to improve their operations system, reduce costs and improve competitiveness. Both strategies involve a business taking advantage of opportunities overseas to access resources that are not available domestically and to improve quality through access to expertise not available locally. The reason why Soopa Foods is examining the way that it sources its inputs and considering the use of global outsourcing is because both strategies could be used to address its costs issue, as well as improving efficiency and maintaining quality, supporting the business in achieving its business objectives including returning the business to making a profit.

However, these two considerations do have differences. Global sourcing of inputs is a strategy where the operations manager will seek the most cost-efficient materials and other resources, including from countries overseas. Businesses do this to exploit efficiencies that can be gained from the lower input costs and production costs, including low-cost skilled labour, low-cost raw materials and other economic factors such as lower taxes and low trade tariffs due to free trade agreements. On the other hand, global outsourcing refers to the practice of transferring a specific business operation to an external individual or business in another country. For example, tasks that are not part of a business's core activities, such as accounting, technology support or customer service, are often contracted to another business overseas. Some businesses will outsource the production and delivery of goods and services that are considered to be their core business. A key difference is that global sourcing of inputs refers to a business purchasing materials and other resources from businesses residing overseas. In contrast, global outsourcing does not involve purchasing from other businesses, but instead is about contracting out part of the business's operations (usually non-core) to an external person or business in another country.

Question 3 (5 marks)

In order to improve its financial results and gain a competitive advantage, the management team at Soopa Foods has decided to focus on the lower cost approach from Porter's Generic Strategies.

Discuss how this approach could be applied in relation to Soopa Foods achieving its business objectives.

Advice 1: Note the use of the task word 'discuss' here, which requires students to outline both sides of a proposition or topic. In the 2020 VCE Business Management examination report, the chief assessors noted that the task word 'discuss' requires students to provide both the benefits/strengths and limitations/weaknesses of a thing. They stated that a discussion requires a multifaceted approach and is not simply a linear explanation. For this question, students are required to consider both the advantages/ benefits and disadvantages/ limitations of the lower cost approach, making links to Soopa Foods' objectives. The 2022 Examination Report stated several times that the task word 'discuss' requires students to explain strengths and limitations.

Advice 2: There is no need for students 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 3: A question relating to Porter appeared on the 2017 exam (where students were asked to identify and discuss one of the key approaches to strategic management), on the 2019 exam (where students were required to analyse how a manager had used Porter's Generic Strategies), on the 2020 exam (where students were asked to compare the two key approaches – lower cost and differentiation), and on the 2022 exam (where students were asked to discuss how the business in the case study could use one of Porter's Generic Strategies).

Advice 4: This particular question has been included on this practice exam because students experienced difficulties with Porter questions on the 2017 and 2019 exams. Question 5b in Section A on the 2019 exam required students to analyse how the manager in the case study had used Porter's Generic Strategies to respond to the issues of declining sales and changing customer tastes. The average score for that question was a respectable 1.7 out of 4 marks, however 30 per cent of students scored zero marks. Many students had some understanding of Porter's Generic Strategies, but were not able to explain it well or relate it to the business in the case study. Question 5 in Section B on the 2017 exam asked students to identify one of the key approaches to strategic management from Porter's Generic Strategies, and then discuss how this approach could be applied in relation to the business in the case study. This question was answered poorly, with an average mark of 1.9 out of 5 marks, and 30 per cent of students scoring zero marks. Students struggled to demonstrate an understanding of both the benefits and limitations of their choice, and to relate their response to the business mentioned in the case study. The current question combines the 2017 and 2019 VCAA questions, therefore potentially making this a tricky question.

- 2 marks for outlining the advantages/ benefits of the lower cost approach, linked to Soopa Foods
- 2 marks for outlining the disadvantages/ limitations of the lower cost approach, linked to Soopa Foods
- 1 mark for application of the response to Soopa Foods' business objectives

Sample answer: *The lower cost approach involves a business seeking to become the business with the lowest costs in its industry. To succeed in this approach, while still achieving profit, a business will need to operate at a lower cost than competitors. A business might pursue cost leadership by reducing direct and indirect costs, using assets more efficiently or attempting to control prices in its supply chain. For example, Soopa Foods wants to lower its costs of operating through supply chain management, possibly reducing the cost of materials by sourcing from cheaper suppliers. In doing so, the business may become more profitable as it increases its margin — the difference between its costs and its selling price. This would support Soopa Foods in achieving its business objectives including improving its financial results. Furthermore, if Soopa Foods is able to operate at a lower cost than its competitors, it may be able to prevent competitors from increasing their market share while gaining market share itself. Because businesses making use of a lower cost strategy are likely to offer*

customers similar or lower-priced products compared to the industry average, this approach is likely to appeal to price-conscious customers. Reducing costs so that they are lower than those of competitors, enabling the business to make a higher profit than competitors, as well as increasing sales, would give Soopa Foods a competitive advantage, enabling the business to achieve its objectives.

However, in pursuing cost leadership, Soopa Foods may leave itself vulnerable to other low cost businesses that might undercut its prices and therefore block any attempts by the company to increase its market share. Another limitation of the lower cost approach is the lower customer loyalty that may eventuate as price sensitive customers typically swap brands with little hesitation. In addition, a reputation as a cost leader may mean that some of a business's customers associate the business with poor quality products. This may make it difficult for the business to keep improving its financial results and gaining a competitive advantage going into the future.

Question 4 (3 marks)

Explain how management at Soopa Foods could use the low-risk strategy of incentives to overcome possible employee resistance to the changes it is planning.

Advice 1: This question is similar to question 5c in Section A of the 2019 VCAA exam. That question asked students to explain 'support' as a low-risk strategy and how it could be used to overcome possible employee resistance to the changes at the business in the case study. The average score was a low 1.1 marks out of 3 and 37 per cent of students scored zero marks. When answering this question, many students wrote about other low-risk strategies such as communication, rather than writing about support as required. Other students writing about support struggled to define the term. To do well on the question, students needed to define support, or demonstrate an understanding of the term in their response, and then relate the strategy to the situation at the business in the case study. Students should use the same approach for the current question, defining incentives and relating the strategy to the situation at Soopa Foods.

Advice 2: A similar question appeared on the 2021 exam. Question 5a in Section A asked students to identify a stakeholder group that might resist changes at the business in the case study, and then describe a low-risk strategy that could be used to overcome resistance to the changes from the selected stakeholder group. Students performed quite well on this question with an average score of 2.4 marks out of 4 and only 6 per cent of students scoring zero marks. Most students were able to identify a stakeholder and describe a low-risk strategy. However, many students were unable to describe how their selected strategy would overcome resistance.

- 1 mark for explaining incentives as a low-risk strategy
- 2 marks for relating incentives to the situation at Soopa Foods

Sample answer: *The low-risk strategy of incentives refers to any financial or non-financial rewards provided to employees to encourage them to behave in a certain way, such as to embrace a change that the business plans to make. Management at Soopa Foods could implement this strategy to overcome possible employee resistance as most employees will be less likely to resist decisions where they feel that the business has faith in their abilities and is willing to move forward with these employees 'on board'. Employees at Soopa Foods could be offered bonuses or pay rises linked to improvements in the company's financial performance, which could motivate them to support a change where they are aware that they might gain personally from it. Making use of a low-risk strategy, such as incentives, is also more likely to result in positive employer/employee relations, with higher levels of trust and cohesion, and less likelihood of resistance as employees are more likely to accept any change, particularly in the longer-term.*

Question 5 (4 marks)

Referring to Soopa Foods' key performance indicators, justify two corporate social responsibility considerations that the business will need to address when implementing change.

Advice 1: Corporate social responsibility (CSR) questions used to be on just about every VCAA Business Management exam, and were nearly always handled poorly. However, they have become less common. In 2019, students were asked to define the term 'corporate social responsibility' (Question 5a, Section A). On the

2018 exam, students were asked to analyse two ways in which CSR considerations influence decisions made by managers (referring to two different areas of management responsibility). This was question 4 in Section A – the ten marker. The average mark was 3.3 out of 10 marks. It is worth noting that there was no CSR question on either the 2020 or 2021 exam; however, there was a societal attitudes question on the 2020 exam (Question 6 in Section A). The 2022 exam asked students to outline one corporate social responsibility consideration for the business in the case study when implementing change (Question 1, Section B). The average mark was 1.2 out of 2 marks and 23 per cent of students scored zero marks. Many students made mistakes with only naming considerations, explaining legal considerations (rather than CSR considerations) or explaining the ‘triple bottom line’ (rather than a specific CSR consideration).

Advice 2: This particular question has been included on this practice exam because students experienced difficulties with a similar question on the 2017 exam. Question 4d in Section A required students to justify a CSR consideration that a business, such as the one in the case study, would need to address when implementing change. The question was not answered well – the average score was 1.1 out of 3 marks, and 33 per cent of students scored zero marks. The chief assessors noted in the 2017 examination report that many students simply wrote about CSR as a concept, and did not relate it to change. To do well on this question students needed to link CSR to the implementation of change and justify why it was a consideration. Only one CSR consideration was necessary – some students included lists of obligations.

Advice 3: It is best to avoid commenting on legal obligations when asked for a CSR consideration, as the latter 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 were for legal obligations and were not considered to be examples of businesses demonstrating corporate social responsibility. There are a number of corporate social responsibility considerations that would be relevant to the current question, including ensuring that any strategies introduced as part of a change introduced is environmentally friendly, ensuring that suppliers are chosen and managed appropriately, ensuring employees are given the opportunity to retrain, or keeping employees up to date with any change planned.

- 1 mark for justifying a corporate social responsibility consideration that Soopa Foods will need to address when implementing change
- 1 mark for linking the consideration to Soopa Foods’ key performance indicators
- Repeat for a second consideration

Sample answer: *One corporate social responsibility consideration that Soopa Foods will need to address when implementing change is ensuring that the strategies introduced, whether cost cutting, redeployment of resources or new technology, are environmentally friendly. This consideration would be offered above and beyond the law. When implementing change, Soopa Foods will need to ensure that any strategy introduced does not add to pollution or create additional waste. For example, if new technology is implemented, the business might check that the technology that it is investing in is appropriate before purchase. By doing so, the business will be able to maintain or improve its performance in relation to minimising waste. According to the business’s level of wastage, Soopa Foods has reduced its waste every year from 2020 to 2023. However, ensuring that any change implemented is environmentally friendly might help the business to improve the rate at which it is reducing waste - as level of waste as a performance indicator has deteriorated from an annual reduction of 4 per cent in 2021 to 2 per cent in 2023.*

Another corporate social responsibility consideration that Soopa Foods will need to address as it implements change is ensuring that employees are kept informed of the strategies being implemented and are supported during the change process. Soopa Foods should communicate processes for change, assist in transition issues where necessary, and offer employees the opportunity to retrain. These considerations are offered above and beyond the law. Although decisions in relation to corporate social responsibility considerations may have a negative impact on Soopa Foods’ financial performance, it allows employees to feel supported, and expresses concern for how its management strategies affect employees in its workplace. The need to maintain or improve employer/employee relations is relevant as Soopa Foods’ higher rate of staff absenteeism since 2020 (from 6

per cent in 2020 to 9 percent in 2023) suggests a slight increase in staff dissatisfaction, which could be resolved through great communication throughout any change implemented.

Question 6 (7 marks)

Employee wages and conditions of work at Soopa Foods are currently determined via an expired enterprise agreement. However, management want to terminate this agreement and fall back to the award.

Outline awards and agreements as methods of determining wages and conditions of work. Evaluate the most appropriate method for Soopa Foods.

Advice 1: Questions on awards and agreements are not common on the VCAA exam, having only appeared on two of the last ten exams. However, this practice exam question is similar to one that appeared on the 2018 VCAA exam. Question 4 (Section B) asked students to explain awards and agreements as methods of establishing employee wages and conditions of work, then propose and justify which method the owners of the business in the case study should adopt. The average score was 3.1 marks out of 7 and 20 per cent of students scored zero marks. Students who scored low marks generally did not provide sufficient detail to demonstrate an understanding of each method of determining wages and conditions of work. Some students attempted to compare the two methods, even though the question did not require this. In the examination report, the chief assessors noted that students were required to make a recommendation in favour of one of the two systems and provide detailed reasons for their choice, linking their answer back to the case study, but many students struggled to do this.

Advice 2: There does not need to be an equal number of advantages or benefits and disadvantages or limitations of awards or agreements provided for this question. For example, students may present two advantages of the use of awards or agreements countered by one strong argument related to a disadvantage.

- 1 mark for outlining awards as a method of determining wages and conditions of work
- 1 mark for outlining agreements as a method of determining wages and conditions of work
- 2 marks for arguments related to the benefits or strengths of awards and/or agreements
- 2 marks for arguments related to the limitations or weaknesses of awards and/or agreements
- 1 mark for an overall conclusion or judgement based on the arguments related to the most appropriate method for Soopa Foods

Sample answer: *Awards are legally enforceable documents covering pay and work conditions that apply to entire industries. The Fair Work Commission (FWC) has responsibility for making and varying awards in Australia's workplace relations system. Modern awards provide the safety net of basic employment conditions for all employees. Agreements, such as enterprise agreements, are negotiated collectively between groups of employees (or their representatives such as a union) and employers at workplaces in relation to pay and work conditions. Enterprise agreements must be approved by the FWC to ensure that employees will be better off overall than if they were being covered by the relevant award.*

An advantage in offering award wages and conditions is that it will be less costly for Soopa Foods and less time will be consumed in determining the appropriate terms and conditions. The allowances are already determined for each occupation. A disadvantage of making use of enterprise agreements is the potential for the process to become time consuming. The successful negotiation of an agreement relies on both the management of Soopa Foods and the workers (or their union) agreeing to terms and conditions, and this can take time.

However, the use of award wages and conditions provides less flexibility. By contrast, an advantage of making use of enterprise agreements is flexibility – an enterprise agreement allows for terms and conditions of employment that are suitable to the business and its workplace. Making use of an award would not allow Soopa Foods to introduce wages and conditions that take into account the individual characteristics of the business's workplace.

Another advantage of making use of an award is that there will be less work for Soopa Foods' management to complete as allowances are already determined, and awards also provide a stable and secure safety net for employees. Because conditions under an enterprise agreement are better than the relevant Award, agreements may be very expensive for a business. However, modern awards can be complex, and a business making use of awards may need to implement numerous different awards in the same workplace. By contrast, an enterprise agreement is a simpler method for determining wages and conditions of work when compared to using a modern award – for example, a business might make an enterprise agreement that incorporates award entitlements into a base rate that will be paid to employees.

Despite the advantages that agreements offer, Soopa Foods should fall back to the award as doing so would allow the business to continue cutting costs. The use of an award would support the company in investing back into the business, in new technologies or innovation for instance, rather than spending on wages and working conditions for employees. Overall, an award would better meet the current needs of the business.