Engage
Education
Foundation

Units 3 and 4 Business Management

Practice Exam Solutions

Stop!

Don't look at these solutions until you have attempted the exam.

Any questions?

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Question 1

Corporate culture can be defined as the values and beliefs shared by all of the employees and management at an organisation.

Training refers to the process of teaching staff how to better perform their job by improving their skills and knowledge.

Management can offer employees training in order to develop corporate culture by teaching them new ways to approach situations and tasks. For example, if the culture of an organisation encourages support and providing the best for the customer, management can train its employees by teaching them customer service skills.

Question 2a

Planning is the process of setting objectives and deciding on the strategies used to achieve them. Pumping Kicks will need to undertake a 5 step planning process:

Step 1: Define the objective. Management must decide on where they want the organisation to head. It has been decided that they would like to expand their range and offer street-wear shoes for men and women, therefore they may wish to have the new range comprise of forty per cent of Pumping Kicks total sales in 12 months' time.

Step 2: Analyse the environment. Management may conduct a SWOT analysis to identify Pumping Kicks' internal strengths and weaknesses as well as external opportunities and threats. Strengths may include an established and leading brand, weaknesses may include a low level of staff morale, opportunities may include easy entry into the market due to few barriers and threats may include a monopolistic competition in the industry dominated by one brand.

Step 3: Develop alternative strategies. Pumping Kicks must develop an array of method to achieve the objectives. For example, their options may include only releasing the new range in metropolitan stores, creating a new retail outlet separate from the kids range or choosing a department store to stock their shoes.

Step 4: Implement an alternative. After analysing the various strategies, Pumping Kicks must decide on the best alternative and implement it. For example, they may have come to the agreement that it will be too large of a step to create a new retail store as it can be costly, and so instead they will just sell their range through a department store.

Step 5: Monitor and seek feedback. Management must set targets and check to see if they are being met. Is the number of sales up to standard? Is it too costly to have this new range? If the objective isn't being met, then management must review the planning process or implement a different alternative.

Question 2b

A performance indicator can be defined as a measure to see whether objectives are being met. Pumping Kicks could use the performance indicator (PI) of number of sales to see if objectives are being met. An increase or high number of sales in their new range will indicate the Pumping Kicks has successfully implemented a strategy that will best roll out the new shoes. Another PI that could be used includes the results of a customer satisfaction survey. An improvement in the level of customer satisfaction will indicate that the customers are happy with Pumping Kicks introducing a new range and hence indicating a successful strategy.

Question 2c
The management style suggested is the autocratic management style where the senior manager makes all the decisions and communicates the decisions to other managers and staff with no employee input. Communication is one-way flowing down the hierarchy.

Advantages include: (choose two from the list below)

- Directions and instructions being clearly outlined with little uncertainty. This results in a few errors.
- Management can easily monitor performance as employees' roles and responsibilities are clearly outlined.
- Management can quickly make decisions as decision-making is centralised to the top. This can save time as consulting employees can take a while.

Disadvantages include: (choose two from the list below)

- No employee input is allowed and this hence limits employee's ability to develop their skills. This can cause morale to falls as well as productivity.
- Job satisfaction decreases as employees do not feel valued which can lead to increases in absenteeism and staff turnover.
- Conflict and tension can rise as employees attempt to compete for the manager's approval. This can create a negative culture which can adversely affect performance.

Question 3a
The Spotlight Foundation provides a positive contribution to the economy by providing services to the community that other businesses or the government may not. They reduce the need for governments to spend as much on welfare allowing that money to be spent on other services to improve services for all Australians.

Question 3b
As The Spotlight Organisation is a not-for-profit organisation, its main objective will be to provide a social duty and guidance to children and their families that have been adversely affected by illness or disease. This contrasts to Woolworths, which operates primarily to achieve a profit for itself and its shareholders. It will attempt to increase sales and market share so profits increase allowing higher dividends to be returned to shareholders.

Question 3c
The operations system of an organisation comprises three components – the inputs, the transformation process and the output.

The Spotlight Foundation's inputs would be the money raised, collected or received through donations and the people and equipment used to provide activities for children. The transformation process is the sorting of the money and matching against bills of those in need and organising the activities as well as actually conducting the activities.

The output is the bills paid and assistance given to families of sick children.

Question 4a
A selection process includes the following steps which should be outlined:

- Collection of applications – either online or through resumes sent to the LSO
- Screening of applications to discard those applicants without the required skills, qualifications and/or experience
- Interviewing those people short-listed. Usually interview between 3 and 5 people to get the right person.
- Conduct any necessary physical or psychological tests that may be needed due to the nature of the job
- Contact referees for confirmation of skills and abilities
- Contact selected candidate and offer the position
- Contact unsuccessful applicants to inform them of outcome

Question 4b
Manufacturing organisations such as OzJeans Pty Ltd are very capital intensive in their production process. OzJeans will be producing mass amounts of jeans, most probably through the use of many automated machines, thus requiring a lot of capital. Jagger Jeans, a service organisation, on the other hand is predominately labour intensive. Employees are pivotal in providing the service, as they need to providing excellent customer services and tailoring services to their customer. In a manufacturing organisation like OzJeans, the customer is not present during the transformation process. That is, the customer receives the product at the end once complete. In a service like Jagger Jeans however, the customer must be present to receive the service to tailored and altered jeans. The customer must be present or else Jagger Jeans will be unable to provide a pair of jeans that fit perfectly.

Question 4c
Quality control is a quality management strategy that involves the use of inspections at different points in the production process to check for errors and defects. Quality assurance in a quality management system involves the use of system in order to see whether an organisation reaches set standards in production. OzJeans could use quality control by having regular inspections at various stages in the production process. They could have durability test to see whether the denim is strong enough or have staff monitor the production process to see if any of the stitching has come undone. OzJeans could use a quality assurance system that is external to the organisation to measure the quality of the jeans and the stiching. By getting external certification, OzJeans can adhere to high standards of quality.

Question 4d
Just-in-Time or Inventory Control using Stock Cards would be appropriate as the jeans are custom/tailor made and so a lot of stock is not needed.

By only ordering stock when needed the business is able to cut costs of storage and security for the stock. This reduction in costs allows the business to sell stock at a lower price than the competition leading to more sales and profits.

As they are lower cost carriers they remain more competitive than other businesses and so are better able to achieve their objectives.

Question 5

Maslow's Hierarchy of Needs is a motivational theory based on the notion that human needs are ordered according to their importance. It states that once a need is satisfied, it can no longer be a motivator and the individual seeks to satisfy a higher order need. The first need is physiological needs, which include satisfactory pay for survival (ability to purchase food, shelter, clothing, water etc.). The next need is safety and security, which includes being part of a safe working environment and having job security. Social needs follow and include the opportunity to work in teams, be part of the decision making process and having supportive management. Next are esteem needs, which include having responsibility, the opportunity for promotion and being recognised for good efforts. Finally, the highest needs are self-actualisation needs, which include having creative and interesting jobs and having opportunities for advancement. Retail managers at Zooming Auto must first identify what need has to be satisfied. As employees have demonstrated issues in pay, employees need to be motivated through physiological needs. Managers could link improvements in the level of customer service offered by staff with monetary incentives. Managers could outline that those who demonstrate excellent levels of customer service will be rewarded by increases in pay/commission. Managers should however note that once employees are satisfied with their pay, monetary compensation will no longer motivate them and they must move onto satisfying safety and security needs.

Students may also discuss Locke's goal-setting theory or Herzberg's two factor theory, ensuring they link it to how managers could motivate their staff to improve their level of customer service.

Question 6a

A similarity between a centralised and a decentralised approach to employee relations is that they are both concerned with negotiating working conditions and pay. Another similarity is that both approaches to employee relations involve the use of industry wide Awards that outline minimum terms and conditions of employment. A difference is that the centralised approach has terms and conditions of employment set out for an entire industry whereas a decentralised approach covers employment conditions for an enterprise. Another key difference is that the centralised approach heavily relies on the involvement of unions to negotiate terms of employments with employers whereas a decentralised approach places less importance on unions as employees have the ability to negotiate the terms with their organisation (as terms cover an enterprise not entire industry).

Question 6b

A participative management style is one where the manager consults and encourages employees to offer feedback and their opinions but also allows them to be a part of the decision-making process. It involves open, two-way communication. Two skills Sarah will need when negotiating employment conditions and pay include people skills and delegation skills. People skills involve good communication and interpersonal skills. This is important as Sarah will be spending time negotiating with employees and a positive approach will ensure that disputes are minimised. Delegation skills are also important for Sarah as she places trust and responsibility in her employees to help out with duties. As she will struggle to do all the negotiating on her own, she must trust other employees to help her out by delegating tasks. This will also help build a positive attitude and good culture.

Question 7

Low-risk strategies for effective change management are those that support and encourage change through the use of participation from employees, open communication, training, support and negotiation. They are low risk because if one of these strategies fail for some reason, there will not be detrimental effects. High-risk strategies, on the other hand, are those strategies that have the potential to produce great results, however if they fail, detrimental and consequences may occur. It may permanently damage the professional relationship between employees and management.

A significant change issue such as technological development is an important part of modern organisations and in order to keep with the times and maintain or improve competitiveness, they need to embrace technological changes. The introduction of new technology can be managed through the use of both low-risk and high-risk strategies. Some low-risk strategies (and their relative impact on the internal environment) an organisation could use when introducing new technology include:

- Open communication and encouraging employee participation.
    - Encourages a participative management style that supports employee feedback and opinions.
    - Corporate culture needs to reflect an environment and workplace that fosters feedback and idea generation.
- Providing support to employees. Employees need to feel as if the organisation has their best interests at heart.
    - HR will need to provide extra training and development to employees in order to equip them with the skills to use and manage the new technology. This will also reduce resistance and fear towards not being able to adapt to the change in technology.
    - Again, communication needs to be open and the culture needs to encourage employees to contribute.
- Negotiating.
    - Forced redundancies may occur through the introduction of new technology. Employees will require compensation and these terms of redundancies are usually negotiated between the employer and unions in order to reach an agreement that aims to satisfy both parties.
    - The organisation may need to review their termination process in the event of a redundancy and may require alterations to policies and procedures.

Some high-risk strategies (and their relative impact on the internal environment) an organisation could use when introducing new technology include:

- Manipulating.
    - Coercing and influencing an employee to get them to do something you want. If employees find out they have been manipulated, the relationship between management and the employees may be substantially damaged. Management may manipulate employees into thinking that the new training processes will help them use the technology when in actual fact they will soon be made redundant.
- Threat. Through the use of power, management may force employees to accept the change through threats. They may involve loss of promotion or benefits, termination, longer hours etc. The effects both manipulation and threat have on the internal environment of an organisation include:
    - Increased costs due to increases in industrial disputes. Employees don't feel that they are being treated justly and fairly and may report to their unions in order to seek action.
    - Poor relationships between management and employees can cause a lack of motivation and hence reductions in productivity.

Other impacts on the internal environment as a result of new technology include:

- Changes in the recruitment process and HR planning to ensure that future employees have the adequate skills in order to use new technology (and thus saving on training costs).
- Training and developing current staff.
- Providing recognition and reward to those employees that embrace and support the new technology.
- Introduction of relevant KPIs to measure the success of the technology, in particular, how it is effecting productivity and business competitiveness.
- Changes in policies and procedures, particularly if the technology is involved in the operations function. Employees need to be aware of how to deal with malfunctions, OH&S etc.

Note that this answer is not the only correct answer. As long as students address some low-risk and some high-risk strategies along with the impact on the internal environment, they should achieve a high-scoring response. It is important to remember to link it to an organisation or significant change issue studied this year.