



Units 3 and 4 Business Management

Practice Exam Solutions

Stop!

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

Any questions?

Check the Engage website for updated solutions, then email practiceexams@ee.org.au.

Marks allocated are indicated by a number in square brackets, for example, [1] indicates that the line is worth one mark.

Question 1a

Students need to correctly define 'benchmark':

A level of quality or achievement used as a standard of comparison for others. A point of comparison used to evaluate success levels. [1]

Question 1b

Students need to outline **two** likely stakeholders of large-scale organisations. [1 mark for each outline for a total of 2 marks] Then, students need to use their example stakeholders and explain why they may have a vested interest in a large-scale organisation. [1 mark for each explanation for a total of 2 marks]

Acceptable stakeholders and explanations include but are not limited to:

- Employees (who have a vested interest in the large-scale organisation because they desire fair working conditions; because they desire a fair wage; because they desire job satisfaction; because they wish to adhere to social and ethical responsibility in their operations).
- Management (who have a vested interest in the large-scale organisation because they desire the achievement of management goals; because they desire job advancement; because they desire job satisfaction; because they wish to adhere to social and ethical responsibility in their operations)
- Shareholders (who have a vested interest in the large-scale organisation because they want the organisation to be successful; because they desire as much profit as possible from dividends; because they wish to support an organisation which adheres to social and ethical responsibility in its operations).
- Customers (who have a vested interest in the large-scale organisation because they desire goods and services which are offered to be of good quality; because they wish to support the Australian economy; because they desire good quality customer service; because they wish to support an organisation which adheres to social and ethical responsibility in its operations).
- The Australian community (which has a vested interest in the large-scale organisation because it wants the organisation to contribute to the Australian economy; because it wants more jobs available to Australians; because it wishes to support an organisation which adheres to social and ethical responsibility in its operations).

Question 1c

Students need to adequately explain why enhanced employment is beneficial for the Australian community. [1 mark per point for a total of 1 mark].

Possible reasons include but are not limited to:

- Individuals who are employed are more likely to contribute back to the Australian economy through the purchase of other goods and services.
- Greater employment is likely to lead to other positive consequences such as a higher gross domestic product.

Question 1d

Students need to identify and explain one positive impact (not including enhanced employment opportunities) [1] and one negative impact [1] of large-scale organisations on the Australian economy. [1 mark for each identification and explanation for a total of 2 marks].

Possible positive impacts include but are not limited to:

- Improved balance of payments (LSOs are responsible for much of the exporting of goods and services in Australia, therefore improving our balance of pay. This boosts the flow of funds back into Australia's economy).
- Enhanced research and innovation (LSOs spend a large amount of capital on product innovation, which has flow on effects throughout the industry and society, benefitting the economy).
- Higher gross domestic product (Because of its high revenue and assets, LSOs contribute to the country's GDP, which benefits the standard of living.)

Employment: LSOs employ 30% of Australia's labour force, creating and maintaining jobs in the overall economy through providing the basis for increased spending in the economy. This also contributes to the country's employment rate. Possible negative impacts include but are not limited to:

- Price Setting: when a small number of large businesses control prices, they have the power to set their prices higher and force consumers to pay more for a product. Reduced employment due to outsourcing (nowadays, LSOs have the tendency to outsource activities to offshore locations, reducing the employment opportunities in Australia. This increases the country's unemployment rate).
- Pollution and destruction of natural resources (negative externalities of LSOs such as pollution and carbon emissions costs the Government and Taxpayers money to clean up).

Question 1e

Students need to accurately define 'performance indicator' [1], then name [1] and justify [1] one performance indicator a large-scale organisation may use to measure its success. Performance indicator: A (financial or non-financial) measure that helps a company determine if it is reaching its performance and operational objectives.

Possible performance indicators include but are not limited to:

- Market share (the proportion of the total market that the organisation provides for.)
- Net profit (the measurement of all the money earned by the organisation.)
- Staff turnover (measures the rate and frequency in which staff leave and are replaced within an organisation.)
- Level of job satisfaction in staff members (how staff feel in regards to how the business operates.)
- Rate of productivity (measures the percentage by which productivity increases from one period to the next.)
- Number of sales (the amount of product that is sold within a particular time.)
- Level of waste (the proportion of waste in a production process.)

Question 2a

Students need to identify that: [1 mark for each point, for a total of 2 marks].

- As a product needs to be recalled due to potentially harmful consequences, a management style with quick decision making needs to be employed [1].
- A laissez-faire management style would be inappropriate for the situation as it leaves the majority of decision making and running of the business operations to the employees, thus decision making is often a long process [1].

Question 2b

Students need to identify a suitable management style [1], before justifying its use in the situation provided. [1] Students should also indicate whether their chosen management style is an example of centralised or de-centralised decision making. [1]

Suitable management styles include the persuasive and autocratic management styles.

For example:

Mrs. Rice should use an *autocratic* management style, whereby there is little delegated authority, and communication is one-way (downward). This management style would be the most appropriate for Mrs. Rice and her company, as decisions regarding the food recall need to be made quickly and efficiently. There is a focus on the completion of tasks, and the clear division of roles and expectations, which makes the autocratic management style suitable for an emergency situation. The autocratic management style is an example of *centralised* decision making, as it is clearly hierarchical and is held by senior management.

Question 2c

Students need to outline the key management role of leading [1], then explain why it is a necessary role for Mrs. Rice to hold in relation to the case study. [1 mark per point, for a total of 2 marks].

For example:

Leading refers to one's ability to get others to willingly follow. Mrs. Rice needs to be a good leader, as an emergency situation such as the food recall at *Tunandrice* depends on clear communication and division of responsibilities from senior management. If Mrs. Rice is not an effective leader, she is unlikely to be able to get others to willingly follow, which may result in negative consequences for her organisation (such as the potentially harmful product not being recalled in time).

Question 2d

Students need to name **two** management skills [for a total of 1 mark], then explain how each management skill could be used by Mrs. Rice in regard to the case study. [1 mark per explanation, for a total of 2 marks]

Possible management skills include but are not limited to:

- Stress management (Mrs. Rice needs to disassociate herself with negative stress in order to be able to make informed and rational decisions)
- Delegation (Mrs. Rice needs to clearly define roles and responsibilities in order to get all employees to willingly follow)
- Time management (Mrs. Rice needs to make decisions quickly and not procrastinate regarding the food recall)
- Decision making/problem solving (Mrs. Rice needs to make the most suitable decisions which are likely to lead to the best outcome for her and her organisation)
- Team leadership (Mrs. Rice needs to be a figure of leadership in what is likely to be a stressful time for all employees)
- Communication (Mrs. Rice needs to be clear in what she wants from others in order to ensure maximum possible productivity)

Question 2e

Students need to indicate what *Tunandrice's* ethical and social responsibility would be [1], and then explain how Mrs. Rice's decision adheres to that responsibility. [1]

For example:

Tunandrice have an ethical and social responsibility to operate in a manner which is lawful, which does not bring about harm to its employees or customers, which adopts fair and responsible policies, which aims to improve the community, which does not attempt to unduly exploit any individual or group, and which is not morally questionable.

Mrs. Rice's decision to immediately recall a new product which she has just been told is potentially harmful adheres to *Tunandrice's* ethical and social responsibility, as it shows that the organisation is doing all they can to suitably protect their customers in an ethical manner.

Question 2f

Students need to firstly name [1] and define [1] one strategy of facility layout and design. Students then need to indicate whether or not that particular layout would be suitable in regard to the case study. [1 mark per point, for a total of 2 marks]

Possible strategies of facility layout and design include but are not limited to:

- Fixed position layout
- Process/functional layout
- Product layout
- Retail layout
- Office layout

For example:

A *product* layout would be suitable for the new branch of *Tunandrice*. Product layouts usually involve automation, which is used for a single purpose along a production flow line. As the product progresses along the line in a continuous flow, this layout is suitable for mass production of a product.

Products of *Tunandrice* – “small, microwavable packages of tuna, rice and vegetables” – are unlikely to need a lot of customisation. As such, a conveyor belt could be an effective method of producing a lot of similar products in a continuous flow.

A product layout, due to its utilisation of automation, is also likely to a) produce consistently high quality products, and b) do so in a cost-effective manner, which is important for a large-scale organisation.

Question 3a

Students need to correctly define ‘production process.’ [1]

The process of transforming resource inputs into finished goods and services (outputs).

Question 3b

Students need to identify the three key elements of the production process: inputs, processes and outputs. [1 mark per identification, for a total of 3 marks] Students also need to explain each element in relation to the case study. [1 mark per explanation relating to the case study, for a total of 3 marks]

For example:

The three key elements of the production process are inputs, processes and outputs.

Inputs refer to resources such as raw materials, labour, capital, equipment and information used in the production process. For example, in the case of *Felicitous Frames*, inputs may include the raw materials (plastic, timber and glass), the human capital, the time of the process, and the equipment used (whilst the outputs are produced by hand, some equipment will still be needed).

Processes refer to the acts of transforming resource inputs into finished goods and services. For example, in the case of *Felicitous Frames*, transformational processes would include taking the raw materials and physically modifying them in order to create the final product.

Outputs refer to the final products or services available to the external environment which have come about from transformed inputs. For example, in the case of *Felicitous Frames*, outputs may include level of customer service, and the tangible final products of frames and other accessories.

Question 3c

Students need to name [1] and define [1] one quality management strategy. Students then need to justify that quality management strategy's use by Mr. Wristling in relation to the case study. [1 mark per point, for a total of 2 points]

Possible quality management strategies include:

- Quality control
- Quality assurance
- Total Quality Management

For example:

Mr. Wristling could adopt Total Quality Management (TQM). TQM refers to a holistic approach to quality where all members of an organisation are responsible for quality.

TQM has three main aspects: continuous process improvement; customer focus; and teamwork and employee participation (which encompasses defect prevention and universal responsibility). As such, TQM would be perfect for Mr. Wristling to implement into the operations of *Felicitous Frames* as:

- There have recently been some defects in the products of *Felicitous Frames*, and TQM emphasises defect prevention through the operations process rather than attempting to fix them after they have already occurred.
- Some employees feel disempowered as they don't feel as if they are responsible for the end product, and TQM emphasises universal responsibility, whereby *all* employees are responsible for the quality of the output(s).

Question 3d

Students need to explain how the introduction of technology could improve efficiency in operations of *Felicitous Frames*, [1 mark per point, for a total of 3 marks]

Possible ways to introduce technology include but are not limited to:

- Computer Numerical Control (CNC)
- Computed Aided Design (CAD)
- Computer Integrated Manufacturing (CIM)
- Robotics

For example:

As *Felicitous Frames* still manufacture their products by hand, the introduction of new technology could vastly improve efficiency in operations. For example, the introduction of Computer Aided Design (CAD) would allow products to be produced more quickly and with greater accuracy (which would lead to less defects). Further, Computer Numerical Control (CNC) could streamline production by allowing control via a computer. Lastly, robotics could be implemented on a *production line*, which would be particularly beneficial for *Felicitous Frames* should they wish to mass produce certain products.

Question 4a

Students need to correctly define 'employment cycle.'

The entire process from human resource planning to termination of the employment contract.

Question 4b

Students need to name and explain two advantages of internal recruitment compared to external recruitment. [1 mark per explanation, for a total of 2 marks] Students also need to name and explain two disadvantages of internal recruitment compared to external recruitment. [1 mark per explanation, for a total of 2 marks]

Possible advantages of internal recruitment include but are not limited to:

- Acts as a motivator for other existing employees
- The applicant is already familiar with the organisation, so less training may be required
- Induction process may be unnecessary
- Selection of new employees may be comparatively quick and easy
- Selection of new employees may be comparatively cheap
- Less risk

Possible disadvantages of internal recruitment include but are not limited to:

- Reduces introduction of new ideas and philosophies
- May result in conflict and/or tension between already existing employees
- Poor work habits are likely to remain
- Smaller pool of applicants
- The role of the existing employee may then need to be filled
- Existing employees may not have the skills or experience required for their new role

Question 4c

Students need to demonstrate an understanding of reward and recognition. [1] Students also need to explain why reward and recognition of employees is important for a large-scale organisation. [1]

For example:

Rewards and recognition can be both financial, such as increased salary, superannuation and commission; and non-financial, such as career development, status and travel opportunities. Suitable reward and recognition of employees is important as:

- It is likely to motivate employees, thus result in greater levels of productivity
- It is likely to result in greater levels of job satisfaction, thus greater levels of productivity

Question 4d

Students need to explain Abraham Maslow's 'hierarchy of needs' motivational theory. [1 mark per point, for a total of 3 marks]

Students should refer to at least three of the points below:

- The hierarchy of needs has five stages: physiological needs; safety needs; social needs; esteem needs; and self-actualisation needs
- Maslow's theory can be represented in the form of a hierarchy or a pyramid
- An individual needs to satisfy the needs of the bottom stage before moving onto the next stage, which needs to be satisfied before moving onto the next stage, and so on
- Only needs which have not been satisfied are effective in motivation
- There is a distinction between 'lower-order needs' (physiological and safety) and 'higher-order needs' (social, self-esteem, self-actualisation)
- Lower-order needs are external, higher-order needs are internal

Question 4e

Students need to name two strategies from the maintenance phase of the employment cycle [1 mark for naming two strategies]. Students also need to explain how both of those strategies are likely to help retain productive employees. [1 mark per explanation, for a total of 2 marks]

Possible strategies from the maintenance phase of the employment cycle include:

- Induction
- Training and development
- Recognition and rewards
- Performance management

For example:

Induction involves the process of introducing a new employee to their environment, role, colleagues, supervisors, management and corporate culture. Using a process of induction for new employees is likely to make them feel more comfortable in their new surroundings, makes job satisfaction more likely, and is also likely to improve productivity. Thus, that individual is more likely to stay in the job.

Training and development involves the process of developing an employee's knowledge and skill base necessary for future work activities and responsibilities. Training and development allows for career development and possible promotion, along with greater levels of job satisfaction, and improvements in productivity levels. Thus, that individual is more likely to stay in the job.

Question 5

In reference to a large-scale organisation they have studied this year, students need to:

- Explain the difference(s) between driving forces for change and restraining forces for change [2]
- Name and explain three possible driving forces for change [3]
- Name and explain three possible restraining forces for change [3]
- Explain how the driving and restraining forces chosen could be managed in a socially and ethically responsible manner [2]

Possible driving forces for change include but are not limited to:

- Positive relationship between management and employees
- A lack of organisational inertia
- High levels of productivity
- A heavily de-centralised management style
- Minimisation of costs
- Legislation
- A positive corporate culture
- Adequate time
- Competition

Possible restraining forces for change include but are not limited to:

- Negative relationship between management and employees
- Organisational inertia
- Low levels of productivity
- A heavily centralised management style
- High costs
- Legislation
- A negative corporate culture
- Inadequate time
- Competition
-

For example:

Driving forces for change are forces which are pushing in a particular direction and are supporting a goal or proposed change, thus make change *more* likely, whereas restraining forces for change are forces which are acting to decrease the driving forces for change, thus make change less likely.

*Simon's Bakery** is a large-scale organisation which may be subject to both driving and restraining forces. For example:

Driving forces:

- Adequate time: *Simon's Bakery*, as a well-known and successful organisation, has adequate time to be able to plan for change in the future, making success more likely
- Competitors: If *Simon's Bakery's* competitors all enforce change and leave *Simon's Bakery* struggling in terms of market share, the organisation may have to promote internal change
- Productivity: As *Simon's Bakery* is a highly productive organisation, they have the capacity to take a risk and implement change with little to no negative consequences

Restraining forces:

- Legislation: There may be particular laws which make it more difficult for *Simon's Bakery* to implement change, especially regarding employment contracts
- Organisational inertia: If there is apprehension toward change from employees or management, the change is less likely to be successful
- Management style: Management styles with centralised decision making (i.e. autocratic, persuasive) which have little regard for their employees, may result in tension post-change (as the change may have been unexpected or unwanted)

Both the driving and restraining forces could be managed in a socially and ethically responsible manner by ensuring that the (proposed) changes keep and mind and respect all stakeholders, particularly those in the internal environments, or those whom are most likely to be affected. Social and ethical responsibility also includes ensuring that there is limited environmental impact caused by the change, and that the change in general is advantageous.

*Note that *Simon's Bakery* is not a real organisation, and should not be used in students' responses.