

CPAP STUDY GUIDE TO VCE BUSINESS MANAGEMENT
5th EDITION
BONUS EXAMINATION
SAMPLE ANSWERS

Question 1

James Wolf began his graphic design business with his partner Sally Moloney 8 years ago. The business is called J&S Design and was built on a culture where relationships are highly valued. The business has gone through rapid growth over the past 3 years and now employs 35 people. James and Sally have grown the business by purchasing two small graphic design businesses. Since the acquisitions, Sally has noticed more conflict between many of the employees, especially the designers which has resulted in a high level of staff absenteeism. The number of complaints from clients has increased significantly and some larger clients are threatening to take their business elsewhere.

- a. Staff absenteeism is the rate in which employees do not turn up for work when scheduled to be there*
- b. One management style that would be appropriate for James would be the consultative style. The consultative style is where the manager seeks employee feedback before making the final decision themselves. The consultative style would be appropriate because James could ask the designers why they feel the customer complaints have risen. The designers are the employees that are in direct contact with the customers and would be able to give James an insight into the issues that are causing the complaints. This will allow James to make a more informed decision about how to overcome the rise in customer complaints. However, the consultative management style can be time consuming as James will need to consult with all of the designers. This can cause a delay in the solution to the complaints which could be costly to J&S Design as they will want to rectify the problems quickly.*
- c. Real corporate culture is the shared values and beliefs of the people within the business and can be seen in the way managers communicate with staff. Whereas official corporate culture is values and beliefs that the business wants its employees to display and can be seen in official documents such as the business mission statement. The difference between the two is that the official culture is what the business wants the culture to be, whereas the real culture is what the culture of the business actually is. For example, the official corporate culture at J&S Design is one where they want the employees to value relationships, however this value is not currently seen in the real corporate culture as there is rising conflict among employees.*
- d. The four drive theory is a motivation theory developed by Lawrence and Nohria and is based on four human drives. These four drives are the drive to acquire (tangible items and status), the drive to bond (form meaningful relationships), the drive to learn (learn new skills) and the drive to defend (defend their work or position). Lawrence and Nohria found that these four drives were innate in all humans however, the magnitude of each drive will vary in each individual and can change over time. To motivate employees, it is important that the business provides each employee opportunities to satisfy their four drives. To motivate the employees at J&S Design, James needs to ensure he is providing opportunities for the employees to satisfy their drives. For example, if the designers are not getting along, James can provide opportunities for the employees to get to know each other and build meaningful relationships, satisfying the drive to bond. He could do this by implementing work functions where employees spend time together and get to know each other. By doing this, the employees will bond and will enjoy being at work which will reduce the rising staff absenteeism.*
- e. A partnership is a business structure where between 2 and 20 people own a business. One of the advantages of this type of business is that there are shared responsibilities within the business and the partners can use their individual skills to help the business success. A partnership is also a relatively simple structure to set up and any liabilities within the business are shared amongst the partners which can relieve some of the*

financial burden on the partners. However, a partnership has unlimited liability, meaning that the owners are personally responsible for any debts incurred by the business. This can put each partner at personal financial risk. There can also be conflict between the partners about certain business decisions.

A private limited company is a business that has been incorporated and is owned by shares. The private limited company is a separate legal entity from the shareholders. The shareholders have limited liability, meaning their liability is limited by the amount of their investment. This helps protect the shareholders' personal assets. It can also be easier to raise money for a private limited company, as the business can sell shares to any potential investors. However, this type of business is more expensive to set up than a partnership and there is more government regulation that must be adhered to. I would recommend that James and Sally move to a private limited company to help protect their personal assets. This will allow them to sell shares in the business to private investors which will allow them to use the money to expand and grow the business.

Question 2

- a. *One materials management strategy is forecasting. Forecasting is a materials requirement tool that looks at data and trends to try and determine future demand for products. A business will look to forecast the demand for its products so that it has enough materials on hand when required for production. This will help Thread It as they can look at past data to help determine the market demand for their clothes. This will ensure they are not overstocked with idle product or understocked in high demand products. Another materials management strategy is the Just-In-Time (JIT) strategy. JIT is where materials arrive just as they are needed for production. This helps reduce storage which can greatly reduce wastage and improve efficiency. This will help Thread It with their inventory management as they will not have large quantities of stock on hand. This improvement in inventory management will ensure they have more space available to maximise production when required.*
- b. *Lean management is a management system that looks to reduce wastage from the business while improving the value to the end consumer. Manufacturing businesses such as Thread It can use lean management by assessing each of their processes and look to where they can reduce wastage. For example, one area that lean management looks to reduce waste is in overproduction. Thread It has been overproducing their products which has forced them to be three years overstocked. With fashion items having a short life span, implementing lean management practices will ensure that Thread It doesn't overproduce their clothing which will lead to greater efficiency due to the reduced wastage.*
- c. *Porter's theory states that businesses can gain a competitive advantage by implementing one of his generic strategies. The two generic strategies are the lower cost strategy and the differentiation strategy. The lower cost strategy is where a business looks to reduce its costs in primary and support activities. If a business is able to lower its costs and become a cost leader and sell its goods or services at or near the industry average, it will gain a competitive advantage. The differentiation strategy is where a business looks to offer something unique that its customers value. This increases the demand for the product and the business is rewarded by being able to charge a premium price for the product.
Thread It could gain a competitive advantage if it is to implement one of Porter's generic strategies such as the differentiation strategy. Ms Jean could create a unique brand that is valued by customers. This could be achieved by offering unique marketing or by having a unique relationship with a celebrity that promotes the Thread It brand. This will help the brand gain a competitive advantage by standing out from competitors. Having this unique brand will help attract more customers to the Thread It stores and will enable them to charge a premium price for their clothes.*

Question 3

- a. *One strategy that Spick & Span Cleaning Services could use to seek new business domestically would be to expand into new locations. Currently Spick & Span is working out of Melbourne and Sydney. It could look to*

service areas that are outside these capital cities and into rural areas. This will enable them to gain more business and increase their revenues as they will attract more clients. However, one drawback with this issue is the increased cost of entering these new markets. The business will need to set up offices and have a team of cleaners in a range of different locations which will likely have a high setup cost.

Another strategy that Spick & Span can implement is to franchise their business. Franchising is where a business grants another business the right to use their trademarks and systems. Franchising the business will allow them to enter into new locations and increase the amount of business they receive and utilising capital from the franchisees to expand. This can also increase the branding of the business as many new franchises open up throughout the country. However, one drawback of franchising is that although the amount of business is increased, only a percentage of sales is received by the head company. There would also be some loss of control for Spick & Span and the quality of the service that is being delivered by each franchisee.

- b. An industry award is a form of agreement that outlines the minimum wages and conditions of employment for those in a particular industry. Whereas an enterprise agreement is a type of agreement that outlines the wages and conditions of employment for a group of employees within a business. One of the differences is that the award covers all employees in an industry whereas the enterprise agreement would cover a group of employees in a business such as Spick & Span. Another difference is that an award is determined by the Fair Work Commission, whereas the enterprise agreement is negotiated through the use of enterprise bargaining between Spick & Span and their employees or their respective representatives.*

Question 4

One stakeholder that is impacted by change is the employees. Employees are those that work in the business in exchange for money. Change will often impact the employees the most. This can occur if a change results in redundancies, which has a negative impact on the employees as many will be left unemployed, which can place them under financial stress. This was seen at Target when they implemented a restructure of the company in 2020-2021. This restructure resulted in a large number of stores either close or be rebranded as Kmart stores. This resulted in a large number of redundancies which had an impact on hundreds of employees. These employees were left many employees without employment, placing them under financial stress, while many others were redeployed into the Kmart.

Another stakeholder that is impacted by change is the customers. Customers are those that purchase goods and/or services from the business. Customers can be impacted by change if the changes impact the goods or service they are purchasing. The impact can be either positive or negative. This was seen at Target where many customers no longer had access to their Target store. This impact was felt more in regional areas as these areas saw the greatest number of Target store closures. Many customers were unhappy that they were not able to access the products they enjoyed purchasing.

One high risk strategy that can be used is manipulation. Manipulation is where stakeholders are informed about the change with only select facts. This can help a business to implement change quickly as they employees will only hear the positives of the change. For example: if management were to notify the employees at Target about the restructure and played down the extent of the job losses and other negative impacts, this would help get the employees on board, helping gain support for the restructure. However, while this can get stakeholders on board with the change, it can cause a great amount of resentment once they find out they were manipulated. Once the extent of the redundancies became apparent, it could have the potential to create even more resistance and workplace conflict at Target.

A low risk strategy that can be used is open two-way communication. Being open and honest about the changes will ensure that employees are aware of the impact the changes will have and why they are happening. This can help get employees on board with the changes. For example, if the employees at Target were well aware of the amount of redundancies and the time they had to prepare, while they may be upset, they are more likely to appreciate the business being honest with them. This can reduce the resistance to the changes. It can also provide time for Target and the employees to work together on supports that would be available to help these employees

find new employment opportunities. However, communication can be time consuming and slow down the implementation of the changes. There may be lots of time wasted communicating and discussing which will harm the productivity of the business.

SECTION B

Question 1

Rate of productivity growth is the amount of outputs produced compared to the amount of inputs used and the rate in which this grows over time.

Question 2

The changes will firstly impact on the shareholders. The shareholders are expecting a return on their investment and the changes come at a significant cost. The \$300 million investment in the technology may hurt the dividends of shareholders in the short term. However, because the technology will result in less human labour required at the bank, it should result in higher dividends in the long term as the operating costs should reduce.

The employees will also be impacted by the new technology. The new technology is resulting in 1200 redundancies, meaning that many employees will be left without employment, impacting them negatively. The employees that are not made redundant may also be impacted as they may need to undergo training to learn how to use the technology. Their tasks they regularly perform may also be altered as a result of the technology, impacting their day-to-day work.

Question 3

The first step is the unfreeze stage which is where the business aims to prepare the business for the change. This involves creating a need for change and communicating this need to help get the key stakeholders enthusiastic about the change. Mark will need to create urgency about the automation by expressing that profits have been dropping and the bank needs to make changes in order to survive. This will help prepare the employees for the new software and help them get on board with the change as they will see a clear need for it to be implemented.

The next stage is the change phase. This is where the business begins to implement the desired changes and works towards the new desired state. It is important that the business continues to overcome and resistance in this stage and ensures there are enough resources provided to allow the change to be implemented. This is where Mark will begin implementing the new software as well as the redundancies. He will need to ensure that there is enough support provided for employees. This can come in the form of training for those whose job has changed as a result of the automated software as well as support for those that have been made redundant. Mark will need to continue to communicate clearly to help keep the momentum towards the desired goal of having the automated software implemented successfully.

The final stage is the refreeze phase. This is where the changes are reinforced so they remain for the long term. Without the refreeze phase, there is a chance that the business will revert to its old ways. Mark will need to reinforce the changes by re-writing job descriptions so that the software becomes the new norm within the bank. New policies may also need to be written and implemented to ensure that the new processes are reinforced. This will help reinforce the changes and ensure that the new software is embedded into the new way of doing things at EWB.

Question 4

Mark will need to use communication which is the transfer of information from one person to another. Mark will need to communicate clearly with the employees to ensure they understand what the change is and the impact it will have on them. Mark will need to answer any questions the employees and other stakeholders have to help get them on board with the change. This will ensure that everyone is clear about the exact nature of the changes. The employees will understand the impact of the new software and how their roles will change as a result of it being implemented into the bank's processes.

Mark will also need to use planning, which is the ability to set goals and detail the steps to achieve the goal. Mark will need a clear plan on how to implement the new automated software. Having a clear set of tasks that need to be performed and having deadlines for each key task will give clear direction on how the new software will be implemented into EWB's operations. Having a clear path with a detailed plan will ensure that the new software

is implemented in a timely manner. All employees will know the plan and when each of the stages will be taking place, helping reduce any resistance.

Question 5

A service business such as EWB produces intangible outputs, meaning they cannot be touched or handled. Whereas a manufacturing business such as Cotton On produces tangible outputs (e.g. clothes). This means its products can be touched and handled.

Another difference is that there is often more customer involvement during the processes of a service business. This is apparent at a bank, where to receive a loan, the customer will often be involved in providing information about their personal finances in order to receive a loan. Whereas there is very little customer involvement in the processes of a manufacturing business such as Cotton On. For example, customers are not at the manufacturing facility while the clothes are being produced.

Question 6

One termination method that EWB will need to use is redundancy. Redundancy is where an employee is forced to leave their employment from the business because their job no longer exists. This is the case at EWB due to the new automated software that is being implemented, resulting in many roles no longer being required.

Question 7

One driving force is the reduction of costs. This is where the business looks to implement changes with the aim of reducing its overall operating expenses. Due to the recent poor financial performance of EWB, the business would be implementing the new software to reduce its operating expenses over the long term. This software would improve the efficiency at EWB, helping to reduce its costs and enabling it to increase its profits without needing to increase the level of business they bring in.

One restraining force is organisational inertia. This is the tendency of a business to continue on its current trajectory and be unenthusiastic to change. Because EWB has been in operation since 1995, many employees may be accustomed to operating in the same way. This may result in them being relatively unenthusiastic to the new automated software as they are comfortable performing their job the way they always have. This can make it difficult to implement changes at the business, as many employees simply don't see the benefits of the new software. This is likely to make it difficult for Mark to implement the new software as employees are happy with the way the business is currently operating.