

# 2020 VCE Business Management examination report

## General comments

In 2020 the Victorian Curriculum and Assessment Authority produced an examination based on the *VCE Business Management Adjusted Study Design for 2020 only*.

Students who performed to a high level across the entire examination generally:

- specifically addressed each element of the question
- when required to do so, referenced the stimulus material/case study in an appropriate manner
- demonstrated sound content knowledge and were able to express themselves in a clear, detailed and precise manner
- made good choices when options were available, which allowed them to respond well to all elements of the question
- read and understood the task word(s) within the question.

While defining key terms can be a useful starting point within a question, some students spent too much response time doing this when it was not specifically requested. If definitions are not requested, no specific marks are allocated for their provision.

## Specific information

Student responses reproduced in this report have not been corrected for grammar, spelling or factual information.

This report provides sample answers or an indication of what answers may have included. Unless otherwise stated, these are not intended to be exemplary or complete responses.

The statistics in this report may be subject to rounding resulting in a total more or less than 100 per cent.

## Section A

### Question 1a.

Marks	0	1	2	Average
%	4	59	37	1.3

For this definition question worth two marks, students were required to provide more information than simply stating that an objective is a goal.

Rather, students should state that a business objective is a goal, specific target, outcome (or something very similar), followed by one of the following statements:

- that the business is aiming/striving to achieve
- that the business aims to achieve within a specified period of time
- that guides business decision-making
- that gives direction to the business.

Students were not required to refer to the business objectives as listed in the study design (for example, 'to make a profit') although many did.

The following is an example of a high-scoring response.

*A business objective is a goal which an organisation sets out to achieve in a given time period. A business objective may include to 'increase profit' or to 'fulfil a social need'.*

## Question 1b.

Marks	0	1	2	3	4	5	Average
%	6	6	17	28	29	14	3.1

The task word 'evaluate' required students to refer to both strengths and weaknesses of the autocratic management style and then come to a conclusion about its suitability for achieving the business objectives of the bakery.

Students who referred to other management styles in their answer did not score any marks unless the evaluation linked or was appropriate to the autocratic style of management.

The evaluation of the suitability of the autocratic style was the weakest part of many responses, as students suggested a different style be used instead of the autocratic style; this was a misunderstanding of what was required. The question required an evaluation of the strengths and weaknesses, and a conclusion about the specific suitability of the autocratic style. Alternative/more appropriate management styles were not requested.

The following is an example of a high-scoring response.

*An autocratic style refers to when management have centralised decision-making and communication authorities. Most commonly managers provide employees with clear directions to complete a task, and regularly check in on employee performance. An advantage of John using this style is that he is able to make quick decisions in his bakery, since decision-making is centralised. This will mean that less time is spent making a decision, leading to less time of a low productivity. If productivity isn't affected, John's more likely to achieve his objective of increasing net profit by 10%. Another advantage of this style is that John can provide his employees with clear directives to complete a task, meaning that employees will know how to complete a task with higher competence, since they won't be confused (because of clear directions). However, a disadvantage of this style is that John's employees will experience a low morale, since they are delegated tasks, and have no inputs at John's Bakery. This may lead to staff continuing to be absent, decreasing the likeliness of the bakery achieving objectives. Another disadvantage is that this style doesn't allow for a large pool of ideas from employees, as the manager makes decisions with no input. This may result in a lower quality decision being made if John is using his ideas/creativity when making a decision. Overall, John should not utilise the autocratic style because employees will experience a low morale as they do not provide any input, leading to most feeling underappreciated. This is because staff feeling like this are more likely to work at a lower productivity, resulting in the objectives of the bakery not being met.*

## Question 1c.

Marks	0	1	2	3	Average
%	21	17	32	30	1.7

This question allowed students to select from a large variety of management strategies. Examples of accepted strategies included:

- performance management strategies such as management by objectives, appraisals, self-evaluation or employee observation
- management strategies to respond to key performance indicators, including staff training, staff motivation, change in management skills, increased investment in technology, improving quality in production, cost cutting, initiating lean production techniques and redeployment of resources
- motivation strategies such as performance-related pay, career advancement, investment in training, support and sanction.

Students were required to link the strategy to the reduction of staff absenteeism and show how it could result in that outcome.

Students who did not score well did not explain or demonstrate the link between the strategy specified and a reduction in staff absenteeism. Simply stating that the strategy will reduce staff absenteeism did not demonstrate the understanding required to gain full marks. Students were required to explain why the strategy would work.

The following is an example of a high-scoring response.

*John may use staff training as a management strategy in response to the key performance indicator 'staff absenteeism'. By improving the skills and knowledge of employees at the bakery so that they are able to perform more efficiently and effectively in their role, they will feel valued as an asset at the bakery. As John invests time and money enhancing their abilities, their job satisfaction will improve, and they will feel more competent to work to the best of their ability. In turn, they will be more likely to attend work as they feel both competent in their abilities and satisfied/valued at work, reducing staff absenteeism.*

## Question 2

Marks	0	1	2	3	4	Average
%	28	10	27	24	11	1.8

The task word 'compare' required students to provide both similarities and differences in their answer to be awarded full marks. At least one similarity and one difference was required.

The following is an example of a high-scoring response.

*A similarity between Porter's cost leadership strategy and his product differentiation strategy is that they both seek to help companies achieve their business objectives, particularly profit and increased market share. As a cost leader or through a differentiated product, more sales will occur, leading to the satisfaction of stated business objectives. Another similarity between the two strategies is that they both intend to deliver a competitive advantage for businesses who use each strategy. This allows businesses in their area to outperform rivals. A difference between lower cost strategy and product differentiation is that large companies are more likely to implement the former. This is a result of cost leadership requiring economies of scale to be achieved in order to reduce the cost of production. On the other hand, product differentiation is available to firms of all sizes, not just large companies with great amounts of capital to invest. Another difference is that product differentiation aims to create brand loyalty, where cost leadership does not. Through the development of a brand/identity, differentiated products seek a target or regular customer base*

of loyal supporters. In Porter's cost leadership strategy, this does not occur with customers opting for the cheapest option regardless of the products' brand.

### Question 3a.

Marks	0	1	2	3	Average
%	19	27	36	18	1.5

The response needed to focus on either unions or employer associations but not both. When a student explained both, only the first stated was assessed. Most responses addressed the role of unions.

Students were not required to refer to the case study material or any other business as this was not specified as necessary in the question. If, however, students referred specifically to the Abs Are Us example, they needed to consider that the case study materials stated that wages and conditions at this business were pre-determined by the Fitness Industry Award 2010. Therefore, students could not include the negotiation of agreements as part of the role of unions or employer associations in that specific instance.

The following is an example of a high-scoring response.

*Unions act as a representative of employees. They champion the rights of employees and act as negotiators on behalf of groups of workers in the fight to attain better pay and conditions of employment. In a workplace such as Abs Are Us, where an award is the method of determining pay/conditions, unions will act as a provider of information for employees in regards to what their rights under this particular award entails. Furthermore, shop stewards can also act as a link to the Fair Work Commission for employees who believe their rights have been breached by their employer. Lastly, unions will also organise annual or biannual strikes, go slows or pickets in order to encourage the Fair Work Commission to improve conditions of employment and wages across the entire industry.*

### Question 3b.

Marks	0	1	2	3	4	Average
%	23	18	27	20	12	1.8

The task word 'compare' required students to explain at least **one** similarity and **one** difference between the two methods. Students who wrote about the strengths and limitations of each method were not awarded any marks as this was not a comparison of the two.

The following is an example of a high-scoring response.

*A similarity between awards and agreements is that both must follow the 10 National Employment Standards set by the Fair Work Commission, such as all employees having a maximum weekly hours of work. Another similarity is both involve the Fair Work Commission in approving of wages and conditions of work, such as Awards being set as the minimum standards, and all agreements must be approved by Fair Work Commission to ensure they are above the standards of the relevant award.*

*A difference is that Awards cover whole industries and occupations for wages and conditions of work, such as the Fitness Industry Award. Whereas Agreements are tailored to individual workplaces to suit the needs of the workplace, such as flexible starting and finishing hours to assist new mums to transition back into work at a law firm.*

## Question 4

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	15	6	7	8	9	11	13	13	10	6	3	4.6

High-scoring responses identified and explained two distinct motivation strategies. The advantages and disadvantages of each strategy were also accurately discussed. One of the two strategies was selected and justified as being more appropriate for short-term motivation; in most cases, the alternative strategy was selected and justified as being more appropriate for long-term motivation of employees.

Lower scoring responses tended not to address all elements of the question. Some did not evaluate each strategy; many did not explain clearly why one was more appropriate for short-term motivation while the other was better for long-term motivation. A few students also wrote about motivation theories, which was not relevant to the question.

The following is an example of a high-scoring response.

*Motivation refers to the level of energy, creativity and commitment one brings when performing a task. As employees are vital stakeholders in the achievement of business objectives, ensuring they remain motivated at work is crucial for both individual and business success and sustainability.*

*One motivation strategy is performance related pay. This involves a financial reward being given to employees whose work has reached or exceeded a set standard. It may be in the form of bonuses or sales commissions. This extrinsic motivation acts to motivate many employees driven by money and driven to acquire material goods and possessions. This can act to improve their productivity at work, as they work more efficiently, knowing such reinforcement is available for admirable performance. This allows a business to achieve its objectives as employees strive to have their achievement recognized, working hard to generate a higher quality product or provide better customer service, both of which can improve customer satisfaction, sales, and thus a businesses profit due to increased revenue. However, this strategy can create a competitive culture within the business. This can lead to resentment and disputes as some employees feel overlooked and their contributions to the business unrecognised. It can also be a significant cost to a business due to the provision of money, increasing their expenses. Thus this strategy can enhance performance/motivation for some, but should not be the only option to employees. It can be largely unsustainable, and thus more effective for short term motivation. This is because employees will strive to reach the bonus or have their wage increased, and once achieved, are likely to revert to their prior performance and overall not remain motivated once acquired. Therefore, this provides short term motivation for employees.*

*Another motivation strategy is investment in training, which acts to increase skills and knowledge of employees so they are better able to perform their jobs. By investing in training, such as on the job training including role modelling or mentoring, or off the job, whereby a business pays for an external course provider in the form of a lecture or conference, employees will feel valued and satisfied within a business. Such job satisfaction will increase their willingness to work hard to achieve business objectives, improving their productivity due to their motivation and engagement. It also allows them to develop a wider breadth of skills, to produce a better quality good or provide a better quality service for the business. Although this can be costly, and also halt productivity as employees may be away from their place of work, it acts to increase motivation as their abilities and self-efficacy increases simultaneously. Thus, this provides long term motivation to employees when a business makes a commitment to providing ongoing training options and opportunities for growth and development, as employees know they are provided the opportunity to work to the best of their ability and remain valued and required in the business, improving their levels of motivation into the long term.*

## Question 5a.

Marks	0	1	2	3	Average
%	24	20	32	24	1.6

This question required students to explain an operations management strategy, with specific reference to how this strategy was appropriate for reducing waste at Chef@Home.

Students could have included explanations of lean management or one of its components, such as:

- seven types of waste
- 5S
- principles of pull, takt, one piece flow and zero defects
- Kaizen.

Other accepted operations management strategies included the materials management strategy of Just in Time.

Students who scored highly were able to explain the operations management strategy and specifically demonstrate how it could be used to reduce waste at Chef@Home.

Lower scoring responses either did not clearly explain how the strategy could reduce waste within operations (just stating that it would was not sufficient) or did not specifically apply the strategy to the ingredient box business of Chef@Home.

The following is an example of a high-scoring response.

*Chef@Home could introduce lean management, which is an ongoing management philosophy, whereby they seek to reduce wastage in each area of the business while still providing quality and value to customers. They can adopt the 'pull focused' principle whereby they only prepare and package the required amount of meals as demanded by customers, perhaps after they order it online. This will minimize wastage in terms of over-production of pre-made meals that will not be sold and thus have to be discarded. They can also minimise waste in regards to time through adopting the 'flow' principle, and minimising any wait times in their preparation and packaging of meals. Reducing starts and stops and bottle necks will minimise time that may otherwise be wasted improving the efficiency of operations.*

## Question 5b.

Marks	0	1	2	3	4	Average
%	23	22	28	17	10	1.7

The task word 'analyse' required students to explain how forecasting might be used by the business to improve efficiency and effectiveness. Students were therefore required to explain in steps how forecasting would work to do this. The explanation needed to include specific references to Chef@Home. A definition of forecasting was not required, but the explanation required a demonstrated understanding of the term.

Students who scored highly were able to identify how forecasting would enable the manager to predict sales trends and therefore the quantity of ingredients that would be required. This would lead to improved efficiency as the correct quantity of ingredients would be ordered so that all were used, with none going off or expiring. This would reduce the waste of inputs. Forecasting would also improve effectiveness because by predicting sales trends and therefore demand, Chef@Home could be sure of ordering the correct quantity of ingredients to fulfill all orders, thus reducing the chance of complaints from customers if ingredients were not available. This would lead to improved sales, thus achieving Chef@Home's business objectives.

The following is an example of a high-scoring response.

*Forecasting is a materials management strategy that uses data from the past and present and analysis of trends in attempts to determine future events. An advantage of forecasting is that it allows Chef@Home to identify what needs to be produced, in what quantities, how and when. This will result in “all inputs from local suppliers” actually being used and not wasted, thus assisting to improve efficiency of operations as Chef@Home is able to better utilise their resources. Moreover, Chef@Home using forecasting to order inputs from local suppliers in advance avoids the risk of having to outsource to other suppliers as they do not have enough inputs currently to supply boxes. As a result of this, Chef@Home will be improving the effectiveness of its operations as it is able to order inputs in advance to ensure all inputs are from local suppliers, this improving the business objectives of all locally sourced inputs.*

*However, a disadvantage of forecasting is that it will represent a cost to Chef@Home if the wrong quantities are calculated as it will lead to overproduction or underproduction. Overall, forecasting would be good to improve operations as it ensures that all local sourced inputs will be used.*

## Question 5c.

Marks	0	1	2	3	4	5	6	Average
%	9	11	21	26	18	10	6	2.9

The task word ‘discuss’ required students to provide both the benefits/strengths and limitations/weaknesses of sourcing from overseas suppliers. A discussion requires a multifaceted approach and is not simply a linear explanation. Students’ points needed to be both relevant and related to ingredients for Chef@Home. A common mistake when answering this question was providing only an explanation of generic considerations of sourcing from overseas rather than discussing these specifically in relation to Chef@Home.

The following is an example of a high-scoring response.

*A strength of sourcing from overseas suppliers is that this would allow Chef@Home to have reduced expenses, as typically overseas suppliers charge lower costs due to paying lower labour costs, hence passing on the difference to customers. Thus, this would help to increase Chef@Home’s net profit figure, hence they would have more capital for expansion, assisting Chef@Home to expand their business allowing for competitiveness to increase because they are able to operate and ship to a wider range of locations, due to this growth. However, a weakness of Chef@Home sourcing from overseas suppliers is that given the nature of the product, food, being perishable there is a risk that the ingredients could go bad given the travel time to ship them to the Chef@Home headquarters prior to being packed. Thus, this would likely increase waste at the business as they would have to discard a large amount of their inputs, increasing waste and thus limiting efficiency at Chef@Home. However, another strength is that by globally sourcing inputs Chef@Home may be able to purchase inputs which are unavailable locally. Thus, they may be able to offer a wider range of meals to customers in their boxes with these exotic ingredients. Thus, this would likely allow Chef@Home to create a point of difference from competitors, this allowing for a competitive advantage. However, a weakness of Chef@Home globally sourcing their ingredients is that they are not displaying social responsibility and sourcing inputs from local suppliers to promote local jobs in the community. Thereby this may damage the businesses reputation, as in an age of conscious consumers, many customers want to buy from businesses who support local jobs. Thus, through Chef@Home globally sourcing inputs they may lose competitiveness along with lowering percentage of market share.*

## Question 6

Marks	0	1	2	3	4	5	6	Average
%	22	13	18	18	17	9	3	2.3

Students were asked to analyse how societal attitudes have been a driving force for change in a business they have studied. Three basic components were needed for this response:

- explanation of a change that had occurred in a business within the past four years
- explanation of what the societal attitude was that drove the specific change
- explanation of how that societal attitude had driven the business to make the change.

Low-scoring responses often started by referring to societal attitudes but then referred to customers or technology as driving forces for change.

Responses that simply stated 'Covid' as the reason for the change were not accepted. Students needed to explain the societal attitude caused by the virus (e.g. fear of contagion, increased awareness of hand hygiene) that drove the change.

The following is an example of a high-scoring response.

*Many businesses had to go through reactive change due to the global pandemic of Covid-19. Particularly supermarket businesses responsible for supplying the society with essential products for survival. As an effective leader, Brad Banducci, CEO of Woolworths, has led his business in an efficient way to respond to the change. Driving forces are those that support and encourage change and thus, aids in accomplishing business objectives and ensures the success of the change. Societal attitudes are a major driving force. These relate to the changing attitudes and beliefs of the wider community. Covid-19 sent many customers/society into a panic state of purchasing an excessive amount of essentials for the survival of lockdown. This led to Brad's response to change the way Woolworths run, in order to accurately respond to the changed societal attitudes towards purchasing essentials. Brad needed to quickly respond to this by introducing a limit as how much items an individual could purchase (as he needed to ensure there is always enough stock considering the panic buying). Not only this, but also open up Woolworths stores an hour early, dedicated to only the elderly as societal attitudes also changed towards them as they were considered most vulnerable and thus, had more priorities to gain essential items over those of a younger age. Therefore, Brad used societal attitudes as a way that drove his business to change, in which he handled adequately and had been successful and efficient during the pandemic.*

## Section B

Students are reminded that all responses to questions in Section B must be applied to the case study, regardless of whether the question specifically refers to the case study or not. This is stated at the beginning of Section B.

### Question 1

Marks	0	1	2	Average
%	21	40	39	1.2

Students were required to draw on evidence from the case study to answer this question. They needed to correctly identify the business as a public listed company by referring to the change in share price on the ASX. Then they needed to link the evidence to the characteristic of a public listed company that provides for their shares to be listed and/or freely bought and sold on the ASX.

Lower scoring responses simply identified two characteristics of a public listed company or did not provide supporting evidence from the case study.

The following is an example of a high-scoring response.

*Manitta Mining is a public listed company as “the business’s share price on the Australian Securities Exchange (ASX) has decreased by 15% over the same five-year period”. A public listed company is an incorporated business with a minimum of 5 shareholders and whose shares are openly traded on the Australian Securities Exchange (ASX).*

## Question 2

Marks	0	1	2	3	Average
%	25	33	30	12	1.3

There were two key elements to this question. The first was to explain the relationship between operations management (not operations or the operations system) and the objectives of Manitta Mining. The second was to refer to a business objective of Manitta Mining, which in this case study related to workplace safety and/or accidents.

Note that training is a Human Resources strategy, not operations.

The following is an example of a high-scoring response.

*Excellent management of operations can lead to the achievement of business objectives more efficiently. If operations are putting employees in danger, then it will limit the achievement of improving workplace safety. That’s why it is essential that operations management who are involved with the monitoring of turning inputs into finished outputs ensure that the effectiveness and efficiency of their operations is at a high level. If safety machinery and gear is implemented at Manitta Mining (for example, the use of automation when mining rather than mining by hand), then employees are less likely to get hurt and come to work. The use of machinery will allow the business to mine quicker and at a better quality and thus, meet business objectives of improving workplace safety whilst increasing customer satisfaction and thus profits.*

## Question 3

Marks	0	1	2	3	4	5	6	Average
%	11	4	10	21	24	18	11	3.4

Students generally performed satisfactorily on this question. Most students demonstrated good knowledge of Lewin’s three-step change model. However, the use of terminology was inconsistent – Lewin’s model refers to ‘unfreeze’, ‘change or move’ and ‘refreeze’. A weakness in many responses was a lack of specific reference to reducing the number of workplace accidents through application of the three steps.

The following is an example of a high-scoring response.

*Kurt Lewin developed a seminal theory on the best approach a business should take when managing change that involves three main steps, unfreezing the status quo, changing and refreezing. Initially, the manager of Manitta Mining will need to unfreeze the status quo by explaining to its employees reasons for the change, why they need to implement it, who will be affected by it, etc. In this case, Manitta Mining will need to explain the level of workplace accidents occurred which will explain to the employees why it is essential to adopt the change. During this time, employees may feel scared about the situation and a manager must provide support and openly communicate. Next, the manager at Manitta Mining will aim to apply the change in the second step of the three step model. In this case, the manager will need to constantly provide feedback and maintain support whilst understanding that staff need to learn to adopt the new operations that have been put in place by the new operations manager. Finally, the business will*

refreeze and all policies will need to be updated to reflect the change. For example, all new safety procedures would need to be stated in written documents and policies as the change is embedded into their new culture.

## Question 4

Marks	0	1	2	3	4	5	6	Average
%	20	14	20	15	15	10	6	2.4

Key performance indicators mentioned within the text and therefore not able to be used within a response were:

- level of staff turnover
- number of sales
- number of workplace accidents
- rates of staff absenteeism
- rate of productivity growth.

Options students could refer to included:

- net profit figures
- level of waste
- percentage of market share
- number of customer complaints.

Many students referred to KPIs already mentioned in the case study and were not able to receive marks. As a result, this question was, overall, poorly answered. Many students also failed to address how the KPIs named could be used to assess business performance.

Note: Key performance indicators not specifically named within the study design were accepted if they were relevant to Manitta Mining.

The following is an example of a high-scoring response.

*KPI 1: The KPI of number of customer complaints could be used by Manitta Mining to assess business performance. If the business can maintain low levels of customer complaints, it indicates to management that they are responding to the needs of customers through the provision of high quality mining services. Therefore, it demonstrates that the organisation is performing to a high standard, as fewer customers complaining indicates that Manitta Mining is meeting the expectations of their customers and clients. If complaints were to increase, it may indicate to the CEO an issue with quality or an increased need for staff training.*

*KPI 2: Another KPI that could be used is percentage of market share, which indicates the percentage of the market that Manitta Mining has control of within the mining sector. A high percentage of market share indicates that consumers prefer Manitta Mining over competitors, suggesting they have high levels of quality and thus satisfied customers. It also indicates that Manitta is producing higher levels of profit than their competitors. Both of these factors indicate to the CEO and upper management that Manitta is performing at an extremely high level.*

## Question 5

Marks	0	1	2	3	4	Average
%	14	22	35	23	7	1.9

High-scoring responses generally:

- commented on the importance of reviewing KPIs and referred to a relevant KPI of Manitta Mining (e.g. why Manitta Mining should review and compare the KPI data that led to the original change)
- explained how such a review would be used by Manitta Mining (e.g. to make further change, maintain course of action, wait for further data etc.)
- related this process to effectiveness (e.g. achievement of objectives at Manitta Mining).

The following is an example of a high-scoring response.

*In order to discover if the relevant strategies implemented by Manitta Mining have successfully improved poorly performing key performance indicators (KPIs), it is crucial that the data is continually reviewed. A failure to continually review KPIs like number of workplace accidents would leave Manitta Mining unaware if their strategies had led to any improvements. This can be even more damaging, as if the strategies are not improving KPIs and this performance is not evaluated, it is likely Manitta will continue to use this strategy, despite the ongoing damage it is causing to the success of their business. By reviewing the KPIs, it allows Manitta to assess if any further changes are needed to improve the performance of their business, or if the strategies initially implemented have been effective enough to cause the desired change to the KPI data.*

## Question 6

Marks	0	1	2	3	4	Average
%	13	17	42	21	7	1.9

Students who scored highly selected two restraining forces from the list provided and for each:

- clearly outlined how it might be a restraining force
- related the response specifically to Manitta Mining.

The following is an example of a high-scoring response.

*Restraining force 1: legislation are the laws set by the government which all businesses must follow, otherwise there will be fines of possible imprisonment. This is a restraining force as the Australian Government may place a limit on the amount of brown coal to be mined each year. This could limit Manitta Mining from growing their business. Preventing change from occurring, hindering Manitta Mining's business activity. Preventing successful change of expansion.*

*Restraining force 2: Financial considerations will be restraining cost as the business may have to pay large amounts to update mining machinery and technology, such as trucks. Although this may be too expensive for Manitta Mining, as it could lead to negative Net Profit figures, which would lead to a reduction in the market share price, which could unsettle the shareholders. This will limit and inhibit the benefits of updating technology to have a successful change.*