 BUSINESS MANAGEMENT UNIT 2

Business Management Unit 2 practice exam 2017 and suggested answers

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The following practice exam covers the three areas of study in Unit 2 of the *VCE Business Management Study Design* (2017–2021).

The practice exam consists of 15 short-answer and extended-response questions presented in the form of a question and answer book. All questions are compulsory. The total marks available are 75.

Some questions are introduced with stimulus material.

Additional space is provided at the end of the question and answer book.

The practice exam and suggested answers are based on the author's interpretation of the *VCE Business Management Study Design*.

Teachers are advised to preview and evaluate all practice exam material before distributing it to students.

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Teacher: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BUSINESS MANAGEMENT UNIT 2

**Practice written examination 2017**

**Reading time: 15 minutes**

**Writing time: 2 hours**

**Question and answer book**

**Structure of book**

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| --- | --- | --- |
| *Number of questions* | *Number of questions to  be answered* | *Number of marks* |
| 15 | 15 | 75 |

* Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
* Students are NOT permitted to bring into the examination room: blank sheets of paper and/or white-out liquid/tape.
* No calculator is allowed in this examination.

**Materials supplied**

* Question and answer book.
* Additional space is available at the end of the book if you need extra paper to complete an answer. Clearly label all answers with the appropriate section and question number.

**Instructions**

* Write your name and your teacher’s name in the spaces provided above on this page.
* All written responses must be in English.

**Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.**

**Instructions**

Answer **all** questions in the spaces provided.

Question 1 (2 marks)

Identify **two** legal requirements for setting up a business in Victoria.

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Question 2 (4 marks)

Explain **two** benefits for a business owner of having a separate bank account for their business.

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Question 3 (5 marks)

Lois McGruen-Fraser launched her fashion label, Lois Hazel, in 2015. She creates original, exclusive, small-run garments for women using premium fabrics. She is highly committed to ethical and sustainable business practices across the fashion industry. This ensures that her garments are produced in an ethical manner. Lois uses ethical suppliers and produces garments in Melbourne, either in-house or by using a network of local workers. She also uses ‘dead stock’ textiles to minimise waste. She produces timeless, quality and multifunctional pieces that are designed to last through the seasons, are suitable for different climates, and which transcend fast-changing fashion trends.

**a.** Define the term ‘corporate social responsibility’. 1 mark

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**b.** In relation to Lois McGruen-Fraser’s business, explain **one** benefit and **one** weakness of choosing suppliers that meet the corporate social responsibility objectives of her business.

4 marks

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Question 4 (3 marks)

Explain the difference between a policy and a procedure.

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Question 5 (4 marks)

Describe **one** technological issue and **one** global issue that could affect the decisions to be made when establishing a business.

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Question 6 (4 marks)

Using examples, explain the relationship between marketing and business objectives.

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Question 7 (4 marks)

Specialised Sports Cars (SSC) is a new business that sells second-hand sports cars.

With reference to **one** factor from the external environment (operating or macro) and **one** factor from the internal environment, explain how each factor can help SSC to establish and increase its customer base.

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Question 8 (6 marks)

Tony runs a small gourmet delicatessen and cafe in the inner suburbs of Melbourne. He has been researching trends in the cafe scene and has found that there is a trend towards evening dining and entertainment venues in the area. Tony is considering extending the hours of business and offering meals and entertainment at night. Tony’s target market includes urban professionals who reside in the area who dine out frequently and workers in the area.

**a.** Identify and describe **one** data collection technique Tony could use to gather information from his customers about whether they would patronise his cafe at night. 2 marks

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**b.** Define the term ‘target market’. 1 mark

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**c.** With reference to the case study, explain why it is important for a business to identify market trends. 3 marks

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Question 9 (11 marks)

Price is one of the 7P’s of marketing. Molly has decided to open an online gift store that specialises in creating bouquets using brownie biscuits shaped as flowers. Molly’s ‘Brownie Bouquet’ is a modern twist on floral bouquets. One strategy Molly will use when she introduces this product is to offer free delivery of the bouquets to businesses and homes in the local area. Molly now needs to decide how to set a price for the product. No other business in the area appears to be offering a similar product.

**a.** Identify and explain **one** approach that Molly could use to set a selling price for Brownie Bouquets and justify your choice. 3 marks

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**b.** Explain the role of public relations in a business. 2 marks

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**c.** Molly wants to increase brand awareness of Brownie Bouquets but cannot decide whether to use a marketing strategy or a public relations strategy.

Evaluate the suitability of each type of strategy and recommend the most suitable one for increasing brand awareness of Brownie Bouquets. Justify your recommendation. 6 marks

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Question 10 (6 marks)

**a.** Define the term ‘public relations crisis’. 1 mark

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**b.** Outline a plan of action a business should follow when dealing with a public relations crisis.

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Question 11 (10 marks)

BCH Solar Panels imports solar panel components that have been made in North America. At its factory in Melbourne the business’s workers assemble the components of the panels, which are then installed by technicians at its customers’ premises. The company has experienced a decline in sales and hence profit this year. In an attempt to improve sales, the CEO has decided to increase the size of its sales team. The human resource manager, Grace Street, has been asked to recruit three new sales staff. It is hoped that this strategy will help the business achieve its business objectives of increased sales and improved profitability.

**a.** Identify the phase of the employment cycle in which the hiring of new employees occurs.

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**b.** The human resource manager, Grace Street, will need to undertake a job analysis and create a job design for the new sales positions.

Explain the difference between a job analysis and a job design. 3 marks

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**c.** Grace Street has decided to recruit the new sales staff from outside the business.

Identify **one** external recruitment method that Grace could use and outline **one** benefit and **one** limitation of this method. 3 marks

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**d.** After the first round of interviews, Grace Street shortlisted six of the job applicants, but she is not sure which three of the six candidates would be the most suitable. She has decided that the final selection will be made after conducting a work test.

Define the term ‘work test’ and outline **one** advantage and **one** disadvantage of using a work test to select suitable employees. 3 marks

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Question 12 (1 mark)

Outline **one** purpose of imposing legal obligations on businesses when employing staff.

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Question 13 (2 marks)

Explain **one** reason why a business should implement an occupational health and safety policy.

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Question 14 (5 marks)

**a.** Define the term ‘employee induction’. 1 mark

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**b.** Explain **one** benefit for a business and **one** advantage for new staff members of a well-run induction program. 4 marks

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Question 15 (8 marks)

Beega Ltd is a large Australian company that makes car parts that it sells to various car manufacturers in different parts of the world. It has decided to close its diesel engine parts plant in Melbourne and transfer production to Taiwan, which will result in the loss of 100 jobs locally. The company also wants to increase the use of automated technology, including robots, in its domestic and overseas plants, which will involve some positions being made redundant. In addition, due to competition and cyclical changes in economic conditions leading to fluctuations in the demand for its products, the company wants to increase workplace flexibility. To achieve this, it has decided to employ more of its workers on a contract and casual basis, and reduce the number of permanent positions. This change will enable the company to vary its labour requirements when needed and reduce its labour costs, even though wage growth is not keeping up with inflation.

Discuss the implications of Beega Ltd’s proposed staffing strategies from the perspectives of both the business and its employees.

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**END OF QUESTION AND ANSWER BOOK**

**Extra space for responses**

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Suggested answers to Business Management Unit 2 practice exam 2017

Question 1 (2 marks)

**Identify *two* legal requirements for setting up a business in Victoria.**

***Note:*** *A number of alternative answers have been provided for this question.*

* Sole traders, partnerships and trusts must register a business name with the Australian Securities and Investments Commission (ASIC).
* If a business is operating as a company, it must be registered with ASIC so that an Australian Company Number (ACN) can be issued—registering a company name is not compulsory as the ACN can be used to identify the company.
* Sole traders, partnerships, trusts and companies must apply for an Australian Business Number (ABN) through the Australian Government’s Australian Business Register website.
* All businesses must obtain a Tax File Number (TFN) from the Australian Taxation Office—a Business TFN in the case of a company; an Individual TFN in the case of sole traders.
* If a business (including sole traders, partnerships and companies, and trusts that are carrying on an enterprise) has a turnover in excess of $75 000, it must register for the goods and services tax (GST).
* Businesses (sole traders, partnerships, companies and trusts) with employees must register for pay as you go (PAYG) withholding if tax needs to be withheld from payments to employees and some contractors.

***Note:*** *The following website contains a summary of the legal requirements for setting up a business in Victoria:* [*http://www.business.vic.gov.au/setting-up-a-business/how-to-start-a-business/licences-and-registrations*](http://www.business.vic.gov.au/setting-up-a-business/how-to-start-a-business/licences-and-registrations)

*Marking guide:*

***1 mark*** *for identifying each legal requirement (x two = 2 marks)*

Question 2 (4 marks)

**Explain *two* benefits for a business owner of having a separate bank account for their business.**

While a business bank account is not compulsory for sole traders, it is compulsory for tax purposes if the business is operating as a partnership, trust or company. Even if a business is a sole trader, it is beneficial for all types of businesses to have a business bank account. It is easier to track and control business expenses and income, and produce better financial records compared with using a personal bank account. Using a separate bank account makes it easier to extract information for inclusion in Business Activity Statements (BAS) and annual tax returns. Having a mixture of personal and business income and expenses will make it harder to complete a BAS and a tax return, as personal expenses will need to be identified separately, and valid deductions at tax time might be missed. Keeping business finances separate from personal finances also enhances the credibility and professionalism of a business.

*Marking guide:*

***2 marks*** *for explaining each benefit (x two = 4 marks)*

Question 3 (5 marks)

**Lois McGruen-Fraser launched her fashion label, Lois Hazel, in 2015. She creates original, exclusive, small-run garments for women using premium fabrics. She is highly committed to ethical and sustainable business practices across the fashion industry. This ensures that her garments are produced in an ethical manner. Lois uses ethical suppliers and produces garments in Melbourne, either in-house or by using a network of local workers. She also uses ‘dead stock’ textiles to minimise waste. She produces timeless, quality and multifunctional pieces that are designed to last through the seasons, are suitable for different climates, and which transcend fast-changing fashion trends.**

**a. Define the term ‘corporate social responsibility’. 1 mark**

Corporate social responsibility refers to a business’s commitment to take responsibility for the effects of its decisions and activities on the environment, its employees, suppliers and customers, and the community in which it operates; in other words, to take responsibility for the social and environmental consequences of its activities, not just the economic consequences.

*Marking guide:*

***1 mark*** *for defining the term correctly*

**b. In relation to Lois McGruen-Fraser’s business, explain *one* benefit and *one* weakness of choosing suppliers that meet the corporate social responsibility objectives of her business. 4 marks**

***Note:*** *The following answer is one of a number of possible answers to this question.*

Favouring suppliers that have socially responsible policies can reflect on how customers view a business. Customers will be attracted to Lois McGruen’s commitment to ethical and sustainable business practices and Lois will need to ensure that this applies to every facet of her business. Many customers would not purchase clothes from her if her suppliers were engaging in practices that were not ethical or socially responsible. Thus, the business will benefit from strong brand recognition and brand loyalty because customers will trust the brand and be willing to buy additional products and will recommend the brand to other people. This will lead to improved financial performance.

A weakness of choosing suppliers that meet the corporate social responsibility objectives of Lois’s business is that supplies might be costly because of the suppliers’ higher overheads, such as higher labour costs and strong compliance with health and safety regulations. Searching for reputable suppliers and conducting periodic audits of suppliers could take up a lot of time that Lois should be spending on the core activities of her business. If supply costs are high, the business will be less competitive than otherwise, which could lead to lower profits.

*Other benefits:*

Businesses that are committed to ethical and sustainable business standards and practices are more likely to be able to recruit and retain good-quality employees.

Building a reputation as an ethical and socially responsible business could lead to a competitive advantage, particularly if competitors are failing to source supplies in an ethical manner.

*Other weaknesses:*

Adopting ethical sourcing policies can reduce a business’s capacity to maximise its profit.

Maintaining an ethics compliance program for suppliers is expensive and time-consuming as ethics policies need to be continually updated to reflect changes in laws and community standards.

*Marking guide:*

***1 mark*** *for explaining one benefit*

***1 mark*** *for linking the benefit to Lois McGruen-Fraser’s business*

***1 mark*** *for explaining one weakness*

***1 mark*** *for linking the weakness to Lois McGruen-Fraser’s business*

Question 4 (3 marks)

**Explain the difference between a policy and a procedure.**

A policy is a clear guiding principle or statement used to set the direction of a business and help with decision-making, whereas a procedure is a series of steps to be followed so that a consistent and repetitive approach is adopted to deal with an issue or to accomplish an end result. Policies are the guidelines that drive the procedures, which describe how a policy will be put into action.

*Marking guide:*

***1 mark*** *for defining each term (x two = 2 marks)*

***1 mark*** *for explaining the difference between the two terms*

Question 5 (4 marks)

**Describe *one* technological issue and *one* global issue that could affect the decisions to be made when establishing a business.**

(12 lines)

***Note:*** *The following answer is one of a number of possible answers to this question.*

A business that wants to have an effective presence on the internet needs to ensure that the website it has created is user-friendly, easy to navigate and is regularly updated and maintained. It is important that the design of the website reflects the brand of a business and the image it wants to convey. A website also needs adequate security controls to protect customer data and safeguard it against hackers.

Globalisation and the internet have made accessing raw materials and finished products from overseas easier than in the past. Raw materials and finished products are often available at much lower prices from overseas suppliers than from local wholesalers, and some raw materials are not be available domestically. However, using overseas suppliers involves finding suitable suppliers that have the production capabilities and capacity to meet orders on time and at the required standard. As laws and standards differ among various countries, it is important to ensure that an overseas supplier’s business practices in relation to how it sources raw materials and the working conditions of its employees are in keeping with the corporate social responsibility standards of the Australian business that is purchasing from that supplier.

*Marking guide:*

***2 marks*** *for describing one technological issue affecting decisions to be made when establishing a business*

***2 marks*** *for describing one global issue affecting decisions to be made when establishing a business*

Question 6 (4 marks)

**Using examples, explain the relationship between marketing and business objectives.**

A business objective is a precise, measurable direction a business needs to take to achieve its overall goals. Common business objectives include increasing market share, generating greater profits, and increasing the customer base. For example, a specific business objective could be to increase sales by 20 per cent. A marketing objective is subordinate to a business objective, as a marketing objective is determined by one or more business objectives. For example, in order to meet the business objective of increasing sales by 20 per cent, a company decides to increase its marketing budget by 30 per cent.

*Marking guide:*

***1 mark*** *for defining business objectives*

***1 mark*** *for defining marketing*

***2 marks*** *for using examples to explain the relationship between the two terms*

Question 7 (4 marks)

**Specialised Sports Cars (SSC) is a new business that sells second-hand sports cars.**

**With reference to *one* factor from the external environment (operating or macro) and *one* factor from the internal environment, explain how each factor can help SSC to establish and increase its customer base.**

***Note:*** *The following answer is one of a number of possible answers to this question.*

Specialised Sports Cars (SSC) could use technological developments, specifically social media, from the macro environment (external) to help it establish and build a customer base. Using social media, such as Facebook, Instagram or Twitter, will help the business increase its audience and hence customer base by building the SSC brand. The average Facebook user has over 300 friends, which means that social media is a powerful tool for distributing content about a business and building a community of followers and hence establishing and building a customer base. While original content can be created on a social media page, a business can also interact with its audience by leaving comments, answering questions and learning about the daily lives of users, which will help it build relationships with prospective customers.

The employees of a business are an internal factor that can influence the establishment and growth of a customer base. Employees are the key element in developing customer relationships by building trust through good service and being consistent and honest. When customers trust a business they will continue to buy from that business and recommend it to others. A high standard of service from employees will help to establish and build a customer base.

*Other external environment factors:*

* macro: economic, legal, government, social
* operating: customers, suppliers, competitors

*Other internal factors:*

* management, employees, culture

*Marking guide:*

***2 marks*** *for explaining how an external factor could help SSC to establish and increase its customer base*

***2 marks*** *for explaining how an internal factor could help SSC to establish and increase its customer base*

Question 8 (6 marks)

**Tony runs a small gourmet delicatessen and cafe in the inner suburbs of Melbourne. He has been researching trends in the cafe scene and has found that there is a trend towards evening dining and entertainment venues in the area. Tony is considering extending the hours of business and offering meals and entertainment at night. Tony’s target market includes urban professionals who reside in the area who dine out frequently and workers in the area.**

**a. Identify and describe *one* data collection technique Tony could use to gather information from his customers about whether they would patronise his cafe at night. 2 marks**

***Note:*** *The following answer is one of a number of possible answers to this question.*

Tony could use a questionnaire (survey) to collect data to find out if his customers would patronise his cafe at night. A questionnaire is a written document that contains a number of questions that the respondent is expected to answer. Respondents write their answers in the space provided following each question. For ease of completion, questions can include alternative responses that are ticked, questions that allow for yes/no answers, and questions that require answers to be written in the respondent’s words.

*Alternative methods:*

* interviews
* observation
* focus groups.

*Marking guide:*

***1 mark*** *for identifying one technique*

***1 mark*** *for describing the technique*

**b. Define the term ‘target market’. 1 mark**

A target market is a group of people whose needs and preferences match the product range of a business and to whom those products are marketed or directed towards.

*Marking guide:*

***1 mark*** *for defining the term correctly*

**c. With reference to the case study, explain why it is important for a business to identify market trends. 3 marks**

It is important for a business to identify relevant market trends as they might affect a business’s target market. It is important for Tony to research market trends that affect his business because they indicate opportunities for developing his cafe business and improving profits, and if identified early enough he can plan for changes to his business. Tony can take advantage of market trends to develop a business growth strategy. Being aware of market trends will also help him to stay ahead of his competitors and guard against any negative changes in the market.

*Marking guide:*

***2 marks*** *for explaining why it is important for a business to identify market trends*

***1 mark*** *for linking the explanation to the case study*

Question 9 (11 marks)

**Price is one of the 7P’s of marketing. Molly has decided to open an online gift store that specialises in creating bouquets using brownie biscuits shaped as flowers. Molly’s ‘Brownie Bouquet’ is a modern twist on floral bouquets. One strategy Molly will use when she introduces this product is to offer free delivery of the bouquets to businesses and homes in the local area. Molly now needs to decide how to set a price for the product. No other business in the area appears to be offering a similar product.**

**a. Identify and explain *one* approach that Molly could use to set a selling price for Brownie Bouquets and justify your choice. 3 marks**

***Note:*** *The following answer is one of a number of possible answers to this question.*

*Cost plus profit/margin/mark-up*—Molly needs to calculate the cost of producing each Brownie Bouquet, including labour, raw materials and delivery costs. After she has determined the cost price per unit, Molly needs to calculate the required profit per bouquet. The cost price plus the profit margin will be the final price for her product. Using this approach to pricing means that Molly will cover her costs and allow for the profit margin she wants to generate. This approach is an easy way to calculate the price of a product and is an effective pricing method for maximising profit. This approach is also called ‘cost-based pricing’.

*Alternative answer:*

*Market forces*—using this approach, Molly would set a price for her new product according to what the market (consumers) is willing to pay. At certain times of the year, such as Valentine’s Day, Mother’s Day and Father’s Day, the demand for the product will increase and Molly can raise the price of Brownie Bouquets. At other times of the year when demand for the product is low, Molly will need to reduce the price to encourage consumers to buy the product. In using this approach, to remain competitive Molly will need to be fully aware of changes in demand and hence prices for similar or substitute products throughout the year in order to be ready to adjust the price of her product accordingly. As Molly’s new product is unique, she can take advantage of the benefits of the market forces approach to pricing, which means she can set a relatively high price at certain times of the year and hence maximise her profit. This approach is also called ‘demand-based pricing’.

***Note:***Competition pricing *is another approach to pricing a product and involves setting a price based on what competitors are charging. This approach tends to be used by businesses selling similar products. Therefore, it would not be appropriate for Molly to use this approach to pricing because the Brownie Bouquet is a unique product.*

*Marking guide:*

***2 marks*** *for identifying and explaining an approach to setting a price for a product*

***1 mark*** *for justifying the choice of approach*

**b. Explain the role of public relations in a business. 2 marks**

The role of public relations is to maintain the image of a business and to communicate its messages to customers, investors and the general public. Various strategies are used to promote a positive image, such as organising events, communicating with the media and having a social media presence. Public relations can also involve managing crises and determining how to repair damage to a business’s image and reputation.

*Marking guide:*

***2 marks*** *for explaining the role of public relations in a business*

**c. Molly wants to increase brand awareness of Brownie Bouquets but cannot decide whether to use a marketing strategy or a public relations strategy.**

**Evaluate the suitability of each type of strategy and recommend the most suitable one for increasing brand awareness of Brownie Bouquets. Justify your recommendation.**

**6 marks**

A marketing strategy could be used to promote Brownie Bouquets through the use of the media, such as advertisements in the local paper or on radio, leaflets to be distributed in the local community, discount coupons for the new product given to customers, or using online platforms, including a website and a social media service (such as a Facebook page). The advantage of a marketing strategy is that it can reach a broad audience, particularly using online platforms, and Molly should be able to gauge the impact of any marketing initiatives on sales. The disadvantage of a marketing strategy is that it can be costly. However, Molly could limit the use of a marketing strategy to less expensive options, such as a website and a social media service, and thus avoid the use of paid advertising.

If Molly uses a public relations strategy she might not see the immediate benefits of an increase in sales compared with the use of a marketing campaign. A public relations strategy is an ongoing process where Molly would be trying to create a positive business image over the long-term. For example, she could place displays at local exhibitions, festivals and fairs, donate a percentage of her sales to a local charity, or stage an event. A weakness of a public relations strategy is that it might have no impact on sales of Brownie Bouquets. However, she could use media releases to attract publicity for her new product, such as the publication of an article in the local newspaper. While this approach might result in conveying information about the business and increase the business’s credibility in the eyes of the public, it might not result in sales of Brownie Bouquets specifically.

It is recommended that Molly use a marketing strategy as this is more likely to have an impact on sales of Brownie Bouquets, particularly since there are inexpensive marketing options.

*Marking guide (global):*

***1–4 marks*** *for evaluating the benefits and limitations of both types of strategies*

***2 marks*** *for a recommendation and justification*

Question 10 (6 marks)

**a. Define the term ‘public relations crisis’. 1 mark**

A public relations crisis is an unplanned event that causes a major disturbance to a business and can potentially have long-lasting harmful effects on a business’s reputation. A public relations crisis can arise because of a faulty product, a personnel problem such as misconduct, an operational problem that affects the environment, a financial problem, natural disasters, or other internal issues or external events.

*Marking guide:*

***1 mark*** *for defining the term correctly*

**b. Outline a plan of action a business should follow when dealing with a public relations crisis. 5 marks**

***Note:*** *Answers to this question and the number of steps listed could vary.*

Every business should have a crisis management plan that outlines the policies and procedures to follow in case of an emergency.

*Step 1:* Identify the crisis and contact the relevant public (media, employees, consumers, government). Do not ignore the issue hoping it will go away.

*Step 2:* Choose one spokesperson (generally from the business or a specialist public relations company) who will communicate with the relevant publics. Be honest in your answers.

*Step 3:* When the facts, other allegations and information surface, make sure your responses are quick and relevant. Do not delay your responses beyond a reasonable time or make hasty decisions and do not provide insufficient information or circulate rumours.

*Step 4:* Do not blame other people/businesses for the problem. Express sympathy for those affected.

*Step 5:* Keep monitoring the situation and keep the public up-to-date with your findings.

*Step 6:* Once the crisis has been resolved, review your crisis management plan.

*Marking guide (global):*

***1–5 marks*** *based on logical steps in the plan of action*

Question 11 (10 marks)

**BCH Solar Panels imports solar panel components that have been made in North America. At its factory in Melbourne the business’s workers assemble the components of the panels, which are then installed by technicians at its customers’ premises. The company has experienced a decline in sales and hence profit this year. In an attempt to improve sales, the CEO has decided to increase the size of its sales team. The human resource manager, Grace Street, has been asked to recruit three new sales staff. It is hoped that this strategy will help the business achieve its business objectives of increased sales and improved profitability.**

**a. Identify the phase of the employment cycle in which the hiring of new employees occurs. 1 mark**

The hiring of new employees occurs in the establishment phase of the employment cycle.

*Marking guide:*

***1 mark*** *for identifying the correct phase of the employment cycle*

**b. The human resource manager, Grace Street, will need to undertake a job analysis and create a job design for the new sales positions.**

**Explain the difference between a job analysis and a job design. 3 marks**

A job analysis is a process that involves identifying and determining the duties involved in a particular job and their relative importance, the equipment that is needed to perform the duties, the skills required and the level of supervision needed for the job. Following this analysis a job description is written, which states the employee’s duties and tasks along with a job specification that lists the minimum qualifications necessary to perform the job, including the education requirements and the skills and experience required by the job holder.

While a job analysis investigates the tasks and skills required to perform a particular job, a job design is the process of organising the tasks and duties into a unit of work to achieve certain objectives. It also involves specifying the order in which tasks and duties are to be performed, organising the techniques and procedures to be used in carrying them out, and identifying the relationships between the job holder and his or her managers and co-workers, as well as meeting the job satisfaction needs of the job holder.

A job analysis determines the tasks and duties of an existing job, while a job design follows a job analysis and focuses on how the tasks are to be carried out in a way that is optimal for both the business and the employee.

*Marking guide:*

***1 mark*** *for explaining job analysis*

***1 mark*** *for explaining job design*

***1 mark*** *for explaining the difference between the two terms*

**c. Grace Street has decided to recruit the new sales staff from outside the business.**

**Identify *one* external recruitment method that Grace could use and outline *one* benefit and *one* limitation of this method. 3 marks**

External recruitment methods include:

* a recruitment agency
* schools, TAFE colleges and universities
* social media services
* job advertisements in the print media or employment websites such as Seek
* government-sponsored websites or programs.

Benefits of recruiting externally include:

* Advertisements attract a large pool of candidates for a position, which increases the chance of finding the right person for a particular job.
* Employers can recruit employees who fit a business’s culture
* Externally recruited employees can offer new ideas and approaches, and give an insight into factors that are contributing to the success of a business’s competitors.
* People with experience can be hired, which avoids the need for training.
* External recruitment promotes transparency in the hiring process, which avoids the possibility of favouritism and nepotism.

Limitations of recruiting externally include:

* Applicants are not known so there is a risk of hiring the wrong person.
* A new person might not like the business or the job and leave within six months, which means having to recommence the hiring process.
* Using an outside recruitment agency is costly and time-consuming as job advertisements have to be placed and applicants need to be processed using systematic procedures in order to select the right person.
* Employee morale can be damaged and hence productivity can decline as current employees might think that their chances of promotion have diminished.
* While hiring a person with new ideas can be an advantage, it can also be a disadvantage as their ideas might conflict with those of current employees.
* New employees will need to be given time to adapt to a new workplace and become familiar with the systems and procedures used by that business, so they will not be fully productive initially.

*Marking guide:*

***1 mark*** *for identifying an external recruitment method*

***1 mark*** *for outlining one benefit of the method*

***1 mark*** *for outlining one limitation of the method*

**d. After the first round of interviews, Grace Street shortlisted six of the job applicants, but she is not sure which three of the six candidates would be the most suitable. She has decided that the final selection will be made after conducting a work test.**

**Define the term ‘work test’ and outline *one* advantage and *one* disadvantage of using a work test to select suitable employees. 3 marks**

***Note:*** *The following answer is one of a number of possible answers to this question.*

A work test is an exercise or piece of work, such as written work, a role-play, a presentation or a computer test, that is similar to the work that a job applicant would undertake in an actual job. The purpose of a work test is to determine if candidates for a job have the necessary skills to perform the job.

An advantage of using a work test is that an employer (in this case, Grace and other members of the sales team) can gauge whether a prospective employee can complete certain tasks and has the skills required to perform a particular job.

A disadvantage of using a work test is that it might not provide sufficient opportunity or scope for the job applicant to demonstrate their ability to perform a job.

*Other advantages:*

Some types of work tests allow the employer to determine how well the candidate interacts with people such as customers or suppliers. A work test is an objective way of doing this and can be applied consistently for those tested.

Work tests can assess the use of equipment and/or processes that are used on the job.

Work tests provide information about candidates’ skills that are difficult to assess in other ways.

*Other disadvantages:*

Work tests will not be useful for predicting performance on tasks that take days or weeks to complete as they are undertaken in a short period of time.

Work tests measure the ability to perform a work sample but not more difficult tasks that will be encountered on the job.

*Marking guide:*

***1 mark*** *for defining the term ’work test’ correctly*

***1 mark*** *for outlining one advantage of a work test*

***1 mark*** *for outlining one disadvantage of a work test*

Question 12 (1 mark)

**Outline *one* purpose of imposing legal obligations on businesses when employing staff.**

***Note:*** *The following answer is one of a number of possible answers to this question.*

Employers have a duty of care towards their employees, so one purpose of legal obligations imposed on businesses when employing staff is to establish working conditions that protect the health, safety and wellbeing of their employees.

*Marking scheme:*

***1 mark*** *for explaining a purpose of laws relating to employing staff*

Question 13 (2 marks)

**Explain *one* reason why a business should implement an occupational health and safety policy.**

***Note:*** *The following answer is one of a number of possible answers to this question.*

Businesses have legal responsibilities to provide and maintain a safe working environment for their employees and other parties such as independent contractors. Under federal and state laws, businesses owe a duty of care to their employees and are required to take appropriate measures to provide safe work premises, to assess risks and implement appropriate measures to control them, ensure the safe use and handling of machinery and materials such as chemicals, and provide a suitable working environment and facilities. Introducing an occupational health and safety policy that leads to a safe working environment will help to ensure that a business meets its legal obligations.

*Alternative answer:*

Businesses should introduce an occupational health and safety policy to ensure that routines are in place to train employees in correct procedures for operating machines and handling materials. Doing so will minimise the risk of workplace injuries and enable a business to manage a critical incident if it occurs. Employees are more likely to be committed to a business and have a high level of morale if they are working in a safe workplace. Workplace accidents due to unsafe work environments are costly for businesses, so having an occupational health and safety policy in place will help to minimise accidents and injuries.

*Marking guide:*

***2 marks*** *for explaining one reason for introducing an occupational health and safety policy*

Question 14 (5 marks)

**a. Define the term ‘employee induction’. 1 mark**

Employee induction is a process used by a business to welcome and introduce an employee to their new workplace and its culture, and to prepare them for their new role. New employees learn about the responsibilities associated with their new position, the employer’s expectations of them, and the policies and procedures of the business.

*Marking guide:*

***1 mark*** *for defining the term correctly*

**b. Explain *one* benefit for a business and *one* advantage for new staff members of a well-run induction program. 4 marks**

***Note:*** *The following answer is one of a number of possible answers to this question.*

A well-run induction program is likely to ensure maximum productivity as soon as possible, as new employees will adjust into their roles and to the workplace more quickly than if an induction program is not available or is poorly conducted. Greater employee productivity will lead to an increase in the operational efficiency of a business.

A well-run induction program makes new employees feel welcome, which will help them adapt to their new workplace and feel comfortable. Employees who feel welcome, respected and valued are likely to be satisfied in their new position and therefore unlikely to leave the job prematurely.

*Alternative benefits for a business:*

A well-run induction program will also benefit a business by helping new employees adopt the values and culture of the business, thus helping them to feel accepted, which will increase their commitment to the business. This in turn will help to increase the staff retention rate. Minimising employee turnover means minimising the costs of staff recruitment and training.

A well-run induction program is likely to promote workplace safety as employees will be familiar with a business’s equipment and operational procedures, and therefore fewer accidents and injuries are likely to occur. Workplace accidents impose high costs on businesses, including lost productivity and the cost of replacing injured workers, which impacts adversely on a business’s revenue and reputation.

*Alternative advantages for new staff members:*

A well-run induction program is likely to build a new employee’s self-esteem, morale and sense of motivation.

A well-run induction program is likely to establish good communication between new employees and their managers.

*Marking guide:*

***2 marks*** *for explaining one benefit for a business*

***2 marks*** *for explaining one advantage for new staff members*

Question 15 (8 marks)

**Beega Ltd is a large Australian company that makes car parts that it sells to various car manufacturers in different parts of the world. It has decided to close its diesel engine parts plant in Melbourne and transfer production to Taiwan, which will result in the loss of 100 jobs locally. The company also wants to increase the use of automated technology, including robots, in its domestic and overseas plants, which will involve some positions being made redundant. In addition, due to competition and cyclical changes in economic conditions leading to fluctuations in the demand for its products, the company wants to increase workplace flexibility. To achieve this, it has decided to employ more of its workers on a contract and casual basis, and reduce the number of permanent positions. This change will enable the company to vary its labour requirements when needed and reduce its labour costs, even though wage growth is not keeping up with inflation.**

**Discuss the implications of** **Beega Ltd’s proposed staffing strategies from the perspectives of both the business and its employees.**

***Note:*** *The following answer is one of a number of possible answers to this question.*

Beega Ltd’s decision to move the manufacture of its diesel parts toTaiwan, increase its use of automated technology in its domestic and overseas plants, and increase workplace flexibility by reducing the number of permanent positions will help the business to reduce costs and improve its profitability. To meet the needs and objectives of the company, these changes will involve staffing adjustments.

The increasing globalisation of the world economy, which has led to greater interconnectedness of national economies, means that in order to achieve objectives such as improved market share or greater profits, businesses must respond to the environment in which they operate. Thus, many businesses have decided to source low-cost materials from around the world and produce their products in low-wage countries.

Such decisions impact on a business’s staffing needs. Developments in technology also affect staffing needs, such as the decision to use robots in manufacturing at Beega Ltd. In addition, some staffing decisions can cause a conflict of interests in terms of a business’s corporate social responsibility objectives.

Many businesses, such as Beega Ltd, are public companies that are responsible for protecting and managing shareholders’ interests, such as maintaining or increasing returns, but they are also employers and have a duty of care to their employees. Employees are one of the greatest assets of a business and the quality of staff has a direct link to business productivity and the achievement of business objectives. Therefore, businesses must take care when implementing decisions that impact on stakeholders in different ways, for example the interests of shareholders might clash with those of employees.

Striving to meet business objectives can be at the expense of employees whose expectations might not be in keeping with the staffing decisions of a business. While businesses expect employee loyalty, employees want job security at the very least if not wage increases, but businesses cannot always meet such expectations when operating in highly competitive markets and when balancing the interests of different stakeholder groups. On the other hand, in order to retain and attract high-quality staff, it is important for businesses to try and meet employee work expectations.

Beega Ltd has decided to make staffing changes for a number of reasons. However, the company will need to provide adequate staff training in the use of the new automated equipment and allocate resources to establishing the new plant overseas, which will also involve training staff. Furthermore, it must meet its legal obligations when terminating an employee’s contract of employment, such as observing correct notice periods, and when retrenching workers due to job losses or changing permanent full-time or part-time positions to contract and casual positions. Employees have legitimate expectations that their employer will comply with its legal obligations, including paying out redundancy or termination entitlements.

Beega Ltd will expect its employees to have the attributes and skills needed to adapt to the proposed changes. It will expect remaining staff, including those whose employment arrangements have changed, to continue to work towards meeting Beega Ltd’s business objectives and comply with its standards, policies and procedures, but there is a risk that employees whose employment status has changed will not be as loyal to the company in the future.

*Marking guide (global):*

***1–4 marks*** *for discussing the implications of the proposed staffing strategies for the business*

***1–4 marks*** *for discussing the implications of the proposed staffing strategies for the employees*

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