

APPENDIX A

Examination and Externally Set Tasks

Please note that this is not a set of 'solutions' – the aim is to provide a scaffold around which answers might be constructed. Responses should be structured around relevant examples and supported with case studies, with teacher guidance.

SECTION A: ENVIRONMENTS

Short answer

1. *You manage a franchise of a national white goods chain. A customer has returned a microwave oven to your shop that they bought three weeks ago. They say they want a refund because it does not work properly. You respond by saying that you have a sign in your shop stating 'No Refunds'.*

A. *On what grounds can a customer ask for a refund?*

- A product is not of acceptable quality
- A product is not fit for the purpose
- A product does not match the description.

B. *If it is a minor fault what can you offer the customer?*

To repair for free instead of a replacement or refund.

C. *Discuss whether a 'no refund' policy protects the business.*

A business cannot have a no refund policy, they have a legal obligation to provide refunds to customers under ACL (statutory guarantee).

2. *Australian Consumer Laws protect consumers and prohibit deceptive and misleading conduct. Apply your understanding of misleading advertisements.*

A. *Give two examples of misleading conduct.*

- Bait advertising
- Country of origin
- Scientific claims
- Fine print
- Wrongly accepting payment

B. *Write three statements that, if included in an advertisement, would be regarded as puffery.*

A variety of responses possible. Statements must include exaggerated claims about the product or service eg. the best in the world, best taste ever.

C. *What action can a customer take if they are a victim of misleading conduct?*

Make a formal complaint to state and federal consumer protection agencies, take the business to the Magistrates Court for damages, this is more than just a refund – a deceptive business has broken consumer protection law.

3. *In WA there was a long debate over changes to trading hours. Community groups have argued that extended hours will impact on families, small business groups have argued that it will force them out of business and large companies want trading hours to be deregulated.*

A. *Outline the disadvantages and advantages of extended trading hours.*

Advantages	Disadvantages
More opportunity to attract customers Convenience as a selling point Increased sales	Competing with larger stores and chains Increased costs Difficulty rostering staff

B. *If you work in a small business how would it affect you?*

Various responses possible, for example:

Increased operating costs and wages but may not result in increased sales, decreased profit, impact on work/life balance with extra hours and days in the business.

4. *Max decided to buy an expensive watch that would last him a lifetime. Max found a watch and paid \$1800 for it. The shop offered a one year warranty for repair or replacement. Max's watch worked perfectly for a year but stopped working just after the warranty period ended. Max took the watch back to the shop but they refused to replace or repair it, saying that it was no longer under warranty.*

A. *What can Max do about the watch?*

Request a refund as the watch was sold as being able to last a lifetime, faulty after 1 year after normal use is still grounds for a repair, replacement or refund under the statutory guarantee, he can make a complaint to Consumer Protection.

B. *Explain three types of warranties.*

Voluntary warranties	Also called manufacturer's warranties. They are a warranty provided above the required statutory warranty. Businesses often offer a voluntary warranty as a way to highlight the quality of their products. For example, a car manufacturer provides a ten year warranty to show consumers they have confidence in the quality of the car.
Extended warranties	This extends the warranty beyond the statutory and voluntary period. Customers usually have to pay for the extension.
Statutory warranties	Australian Consumer Law gives consumers a right to a refund under certain conditions regardless of the warranty provided by the business.

C. *What were Max's responsibilities regarding the purchase of the watch?*

To ensure that the watch is of tradable quality, is suitable for its purpose and it must match pre-purchase sample or description.

5. *This sign is on display in an electronic goods store in your local area:*

**No refunds given on any purchases,
please choose carefully.**

Using examples to illustrate your answer, advise the business owner on the following:

A. Outline the Australian Consumer Law provisions for businesses in relation to warranties and refunds, including a discussion of the main types of warranties. Your answer should specifically address the content of this sign.

Warranties do not override or limit consumer guarantees and consumers may be entitled to a repair, replacement or refund, even if any voluntary or extended warranty has expired.

- **Express warranties** = extra promises or representations verbally or in writing about the quality or standard of a good. For example: quality, state, condition, performance, characteristics; availability of servicing and supply of parts.
- **Warranties against defects** = what the business will do if something goes wrong with a good or service. A voluntary or manufacturer warranty.
- **Extended warranties** = optional extended warranties to lengthen the coverage of the manufacturer's warranty.
- **Replacements and refunds** = if the problem with the product is major. Replaced products must be of an identical type to the product originally supplied. Refunds should be the amount already paid, in the same form as the original payment. The business may take into account how much time has passed since the product was purchased.

It is against the law for businesses to show signs stating that they do not give refunds under any circumstances, including for gifts and during sales. Rights under the consumer guarantees do not have a specific expiry date and can apply even after any warranties have expired.

B. State the main consumer responsibilities of this business in relation to warranties.

A business must honour all warranties. If it provides a warranty against defects it must comply with that warranty. A warranty against defects is provided in addition to consumer guarantees and does not limit or replace them.

Consumer responsibilities are:

- tradable quality
- suitable for purpose
- match pre-purchase description

C. Outline three areas of misleading and deceptive conduct that may be a concern to the business.

False or misleading claims = Businesses are not allowed to make statements that are incorrect or likely to create a false impression. This applies to advertising, product packaging, and any information provided by staff or online shopping services. It also applies to any statements made by businesses in the media or online, such as testimonials on their websites or social media pages. It makes no difference whether the business intended to be misleading or not. If the overall impression left by a business's advertisement, promotion, quotation, statement or other representation creates a misleading impression the behaviour is likely to breach the law. There is one exception to this rule. Sometimes businesses may use wildly exaggerated or vague claims about a product or service that no one could possibly treat seriously or find misleading. These types of claims are known as 'puffery' and are not considered misleading.

Discuss in detail any three of:

- bait advertising
- country of origin
- scientific claims
- fine print
- wrongly accepting payment
- offering gifts and prizes

Extended answer

I. Mel, a gas fitter, has a successful small business providing services to domestic customers. He sees potential in the commercial market but does not have enough capital to purchase additional equipment nor the advertising knowledge to start a promotional campaign to attract customers.

In essay form answer the following questions.

A. Discuss a sole trader and partnership structure in terms of personal liability for business debts

Both forms of business are not separate legal entities, the sole trader and partners take on assets and debts in their own names, personal assets can be accessed by creditors to meet business debts.

B. What are three of the legal requirements for setting up a sole trader?

- ABN
- GST registration if turnover will be greater than \$75000
- Register business name.

C. What two options do partners have for setting partnership rules? Discuss how the options work. Why would partners choose one and not the other?

Follow the Partnership Act or write their own Partnership Agreement. Partners may choose to follow the Act if their business is small and they make equal contributions in capital, time and work. They may choose to write their own agreement if they contribute differently and want to share profits accordingly and if they want the partnership to continue after a partner leaves the partnership. Differences are about profit sharing (Act equal, Agreement up to partners), what happens if a partner leaves or dies (Act partnership ends, Agreement up to partners), an agreement may also contain dispute resolution processes.

D. Explain to Max the difference between a general partnership and a limited partnership. Discuss which one you would recommend to Max.

General is where all partners are liable for business debts. A limited partnership is where one partner may make a capital contribution but have no role in business operations and management. Their liability can be limited. A general partnership may be better because the debt is shared even though the profits and decision making is too. A limited partnership may be useful to attract investors who do not want to have a management role.

2. *An important part of long term business success is having a positive public image. Positive public perception comes from being ethical and socially responsible in the community. There are industry standards, standards set in the workplace and consumer protection laws to regulate how businesses treat customers.*

Write a report on ethical practice and its impact on public image.

A. Discuss two ways a business can build a positive public image.

For example:

- 'green' gifts
- donate to good causes
- exceed expectations in service
- be ethical
- corporate sponsorship.

B. Explain two examples of misleading and deceptive conduct prohibited by ACL.

For example:

Bait advertising, country of origin, scientific claims, fine print, wrongly accepting payment, offering gifts and prizes.

C. What steps can a customer take if the product they purchased is faulty?

Take the product back to the seller for a refund, replacement or repair (if minor problem) based on the statutory guarantee, there may be a voluntary warranty they can apply, if no satisfaction a complaint can be made to Consumer Protection and court action is available if needed.

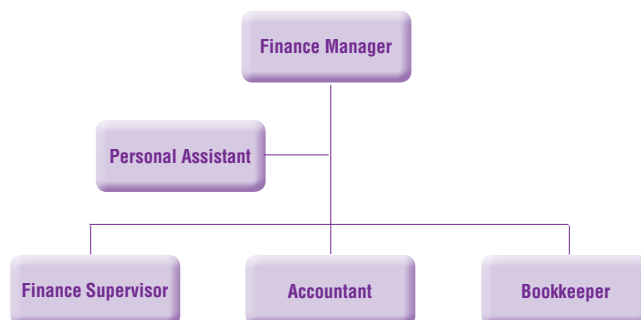
D. How can environmental issues impact on the public image of a business?

- When a customer uses a business that shares the same values they will be more likely to return to that business.
- If a customer finds out that a business causes pollution or uses packaging that is not sustainable they will be less likely to return to the business.
- A business could offer environmentally sustainable services such as carbon offsets, recycling or renewable energy options.
- When faced with the choice between an environmentally sustainable business and one that is not, many consumers will choose the 'green' business.
- Environmental issues are important to Australian consumers. Businesses can build a positive public image if they promote what they are doing to be more 'green'. If a business is shown to be damaging the environment it will damage their reputation.

SECTION B: MANAGEMENT

Short answer

1. The following diagram illustrates the management structure of the Finance Division in a business. The Finance Supervisor and Accountant each have three people reporting to them.



- A. Identify the type of management structure that is illustrated here, and give THREE of its main characteristics.

(Please note: the diagram above was missing from the first print run of the book.)

Hierarchical style of organisational structure with:

- Several layers of management
- A lot of information directed downward to employees at lower levels
- Major decisions being made at the top levels
- A clear chain of command and span of control

- B. State which are the top, middle and frontline level of management within this business.

- Top – Board or CEO
- Middle – Finance manager
- Frontline – Supervisor, accountant, bookkeeper.

- C. Define and discuss the chain of command and span of control for the Finance Manager.

Chain of command – how the hierarchy of the business is set up so that each person has authority over other people and is responsible for a specific section of the business. The finance manager has responsibility for the finance division and authority over the Supervisor, accountant and bookkeeper.

Span of control – number of employees who work directly for a manager. There are four people working for the finance manager.

- D. Outline how this business could restructure to enable a more decentralised approach.

A flatter structure such as a matrix or team organisation. Aspects that might be considered, include employee empowerment, teams, flatter structures, diversification and outsourcing.

2. *A business is restructuring from a traditional hierarchical structure, to a flatter structure by removing a layer of management. The CEO of the business values innovation for the building of the future of the business and it is planned that a new team structure will enable this to occur.*

A. Outline the effect that the restructure will have on the chain of command and span of control.

- Chain of command should decrease in size with less layers in the hierarchy (less formal).
- Span of control will increase (become broader) as the organisational structure is flattened.

B. Explain two major changes that should result from the new team structure.

For example:

- employee empowerment
- improved feedback
- team communication
- increased employee responsibility
- self directed teams with common goals
- generation of innovative business solutions.

C. What factors will impact upon the success of this new structure?

For example:

- potential personality clashes
- conflict which may not be resolved
- poor management.

D. Describe the benefits of enabling delegation in the organisation.

- Decision making authority shifted to a different level of the organisational hierarchy
- Grows the skills and competencies of employees
- Employees become more responsible and accountable.

3. *A service business needs to consider the extended marketing mix when planning its marketing strategy.*

A. Define the main elements of the marketing mix.

- **Product** = goods and/or services that business wishes to market. A product is an item that is designed to meet particular needs for the customer.
- **Price** = involves setting the price of the product. A good pricing strategy will ensure sales income and meet profit objectives.
- **Promotion** = communication of information about the product to the target market, while also attempting to influence the behaviour and attitudes of the customer.
- **Place** = the method of distributing the product or service to customers.
- **People** = the individual staff members and the employees working in the business who provide a service to the customer.
- **Process** = providing a customer experience by planning what the customer is going to be experiencing at every stage of their visit.
- **Physical presence** = encompasses all the elements of the business identity that the customer can see.

B. Outline why the people in a business are an important part of customer relationship management.

The business can define its competitive advantage by focusing on its customers, through ensuring that employees are well trained. Should plan for:

- elements of staffing that relate to the market
- conditions
- relevant training
- staff qualifications
- communication skills
- manufacturing and/or selling skills.

C. How can processes be aimed at a specific target market?

For example:

- customer queries and quotes
- following up orders
- complaints and after sales service
- delivering orders and billing customers.

D. Explain the relevance of the physical presence of a business to marketing goals.

Appearance is enhanced by the provision of good service, and this will affect the customer experience. It can be augmented with quality service delivery, therefore appearance is relevant. The business defines its competitive advantage through the use of a unique visual business identity in the marketplace.

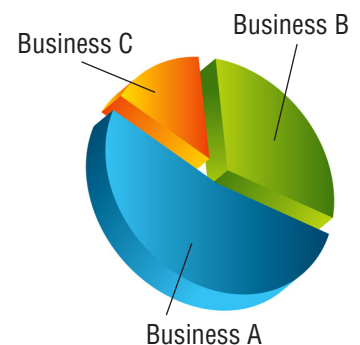
4. The diagram illustrates the division of a market where the industry leader, Business A has 50% of the market share, Business B has 35% and Business C has 15%.

Business C wishes to increase its market share.

A. Using the information in the diagram, define the concepts of the 'potential market' and the 'market share' for Business C.

The potential market for Business C's product could be considered to be the entire population of consumers who have any interest in the product. This potential market is currently 100%

Within the whole potential market, the business will target a specific section. This target market includes all the consumers that the business has decided to supply. The current target market is 15%, this is also defined as the market share of Business C – the percentage of the entire market that an individual business has.



B. Define three characteristics of market segmentation.

Markets can be divided based on the demographic, geographic, psychographic (lifestyle and behavioural) characteristics of the population:

- demographic characteristics describe attributes of the consumer population.
- geographic characteristics outline where consumers live.
- psychographic has two elements: Lifestyle characteristics describe attitudes and values in the population. Behavioural characteristics describe how the population would use the product.

C. Outline two sources of primary data that could be utilised by the business to collect marketing data.

For example:

- **interviews** = Discussion with customers, such as one-on-one interviews or small focus groups.
- **questionnaires** = Surveys that can be conducted either over the telephone, Internet, by post or face to face.
- **observation** = Watching how an individual or a group of people behave when shopping, or collecting information about their purchasing habits.
- **test marketing (experimental)** = The customer is given the product and their response, use and reaction is observed.

D. Explain a potential marketing strategy that could be used by the business to increase its market share.

A number of responses possible, for example:

- **product** = benefits customers will receive along with the product (or service). eg. Delivery, after-sales service, packaging, branding
- **price** = decisions about price setting. eg. Discounts, beating competitors price, profit targets
- **promotion** = how the business will communicate to customers. eg. Personal, public relations, sales deals, advertising
- **place** = how the product will be distributed and sold. eg. Distribution networks
- **people** = staffing needs of the marketing plan. eg. Training, communication skills, manufacturing capabilities, selling skills
- **process** = the customer service experience. eg. The procedure that will be followed if an inquiry is received, how to complete a customer quote.
- **performance** = satisfaction and competitiveness. eg. Customer satisfaction and competitor awareness.

5. Profiling is used by business to determine strategic goals.

A. List and define the main elements of a customer profile.

Define the specific group of customers in relation to the target market, and gather data on a range of elements, for example:

- demographics. eg. age, culture, income, occupation, marital status
- location
- lifestyle
- behaviour
- buying motives.

B. How is customer profiling used to determine the needs of customers?

By collecting information about customer, who want to buy the product. Consumers are specific about their motives for purchasing and the same product or service does not appeal to every consumer. A business will respond customer needs with marketing that targets a consumers feelings and wants or to highlight the benefits of the product or service and its main features.

C. Outline five elements that should be included in a competitor profile.

Competitors can be analysed in the marketing areas of (for example):

- **product:** quality, choice
- **price:** method, additional features, offers
- **positioning:** branding
- **premises:** facilities, ambiance (etc)
- **people:** staff, customer service
- **type:** current or potential, direct or indirect.

D. Why is competitor profiling important when a business is planning its marketing strategies?

The business can position itself in a particular area of the market. A profile will summarise the strengths and weaknesses of each competitor by analysing their capabilities, strategies and goals.

Extended answer

1. You have been employed as a management consultant for a medium sized, traditionally structured organisation. The business has a hierarchical structure in a geographical chart, with a business owner, seven area managers each with 2-3 people reporting to them in some supervisory capacity, each with 5-10 front line employees.

Offices are located near to each other in the urban area of Perth. Work roles are very rigid and structured with a short span of control for each individual in a management position. The use of information technology has not been integrated across the whole business.

The recruitment process is always undertaken by one area manager who then allocates staff to offices with other area managers organising induction and training locally on an 'ad hoc' basis. The managers tend to make most important decisions.

The business requires major structural change. You are required to write an essay making recommendations in the following areas:

A. Problems with the current type of organisational structure.

- A lot of information directed downward to employees at lower levels
- Major decisions being made at the top levels
- Many policy and procedure manuals,
- Rigid and inflexible
- Responsibility and accountability held by top layer of management
- Formal chain of command
- Narrow span of control

B. Changed management structures, such as a renewed organisational chart with a flatter structure where outsourcing is a possibility for low priority areas and

C. A changed work environment including delegation and teams.

B and C:

New structure should enable:

- employees working together creatively
- management structure flattened to enable idea generation
- timely reporting and control mechanisms
- successful team work approach possible.

Effective delegation:

- assign authority to employees
- employees responsible for decision making
- decision making authority shifted to a different level
- growth in skills and competencies of employees.

Empowering employees:

- trusted to make decisions
- encouraged to give feedback
- allowing change.

Teams:

- employees work together – not in competition
- united by a common purpose, and specific aim
- adaptable and innovative
- communicate and resolve conflicts.

2. *'What is the most important part of the marketing mix that is essential to ensure a better chance of success in the marketplace? It is ownership of a point of view.'*

S. Banjeree.

Write a report that addresses the importance of the four main elements of the marketing mix to achieve success for a business in the marketplace. In particular:

- A. *Outline how product positioning is used to create a unique impression of a product in the mind of potential consumers.*

Positioning involves attempting to create a specific idea in the mind of potential consumers of a product. In a crowded market place, it is difficult for a business to distinguish their product from others. Positioning requires the business to both simplify their advertising message, and to ensure their message sticks in the mind of the consumer. A business that is not the market leader wants consumers to have an idea in their mind about their product in relation to all other similar products. If they are not the market leader, their position could be that they are a viable alternative product to the market leader, or that they can take up a specific niche market.

Process of product positioning:

- decide on the target market for the product
- identify the current features of the product
- research customer perceptions about the product's features
- distinguish where the product is presently located in the market
- decide on the ideal combination of product features in the ideal target market
- examine the gap between the current product and the ideal.

- B. *Compare and contrast the differences between three relevant pricing methods.*

Response dependent upon justification given. For example:

- **market price:** respond to customer demand and increase price if demand is up
- **discount price:** lower price to stimulate demand if demand is low
- **target return pricing:** set price based on budget forecasts and required returns
- **competitor's price:** meet the price being charged by main competitor
- **profit margin or cost plus:** set price based on cost of producing it plus required profit margin.

C. Describe how direct distribution might be useful to business.

A small business might be able to distribute directly to retailers, thus decreasing costs and increasing responsiveness to demand. The Internet makes it possible for small manufacturers to access consumers directly. This is lessening the role of some wholesalers and retailers, and replacing some distributors with other distribution organisations.

D. Explain how a business could use technologies to facilitate its promotional activities.

Refer to a case study in your answer.

The Internet and gaming:

- advergaming
- dynamic ads
- product placement
- static ads

Digital point of purchase technology and hypertags:

- networked video advertising
- plasma screens with advertising content
- animations
- embedded in an advertisement

Viral marketing

M-commerce:

- mobile devices
- webpages
- tickets

Social media.

SECTION C: PEOPLE

Short answer

1. *The employment cycle consists of the stages in organising all aspects of employment of staff, from deciding on the staffing needs of the business and recruitment, through to the termination process. The employment cycle involves a number of stages, the completion of which should lead to a happy and productive workplace, with employees who enjoy their work.*

A. *What are the four stages of the employment cycle?*

Acquisition, Development, Maintenance, Separation.

B. *Explain what is involved in the second stage.*

Induction, training and coaching. Development involves inducting new employees into the business and providing ongoing training as employees and the business develop and grow.

C. *Discuss the importance of the third stage.*

Maintenance of employment requires the business to continue to offer employees the conditions and support required to retain them in the workplace, to ensure employees are rewarded and recognised for their efforts.

2. *Human resource management supports the functioning of a business. It provides information and planning for future success, future workforce needs and how those needs can be met.*

A. *Discuss the importance of forecasting staffing needs.*

It will predict the possible business requirements, and likely market supply, of suitable employees. This will ensure that managers are less likely to be caught by surprise when employee turnover alters or there is an increase in business and staffing needs.

B. *Outline the six stages of job analysis.*

Step 1: Select job

Step 2: Determine the type of information to be gathered

Step 3: Identify people who will be sources of information

Step 4: Gather information

Step 5: Evaluate the information

Step 6: Write a job description based on the finding.

3. *The people engagement and recruitment process in small business can be difficult. After the task of identifying the needs of your business the next step is to outline job descriptions and target your market accordingly.*

A. *What is the purpose of a job description?*

Job descriptions are detailed outlines of work involved in a particular position within the business.

B. What are some of the points a job description should include?

- Title
- Aims or objectives of the job
- Specific tasks and duties of the job
- Relationship of the job to others in the business
- Skills and knowledge, including minimum educational standards required
- Equipment used when performing the job
- Structure of the department
- Salary range
- Organisational chart outlining where the job fits.

C. Discuss three elements of a good job description.

For example:

- Why does job exist?
- Where does it fit into the business?
- How does it relate to other jobs?
- What is expected?
- What is affected, and what is the nature of that effect?
- What specialist skills are needed?
- What has to be managed, and what managerial/supervisory skills are needed?
- What level of human relations skills is needed?
- What is the structure of the job?
- What instructions, procedures, or goals define what the employee has to think about?
- What are the boundaries of the employees authority to make decisions?
- What are the most difficult parts?
- What kinds of challenges arise? How demanding is the problem solving required?

4. Social media has significantly altered the recruitment process. Sites such as LinkedIn provide bring recruiters and candidates together. Recruiters use social media as a tool to determine the suitability of prospective candidates. This screening has been taken further with some employers demanding the applicant's login details during interviews in order to gain full access to their accounts.

A. Explain the two sources a business could use for recruitment.

1. Internal recruitment: identifying individuals within the business who have the required skills, knowledge, and motivation to fill the role.
2. External recruitment: sourcing new people from outside of the business.

B. What are the four stages of recruitment?

- Application
- Interview
- Referees and testing
- Selection.

C. Discuss whether social media is a good recruitment source.

Various responses possible, for example:

- personal information and images on social media may not be suitable for employment purposes
- may require giving a potential employer access to private social media profile
- may be useful to get to know a potential employee for a workplace culture fit
- questions over whether private life predicts workplace performance.

5. Every time someone starts a new job they should receive some form of induction. New staff are at greater risk of injuring themselves at work than existing staff. For this reason, a staff induction program training should have high priority.

A. What is an induction?

The induction of a new employee involves making the employee familiar with their workplace, to ensure they start their job in the best manner possible and to provide essential information about the new workplace.

B. Why is it important?

A good induction ensures that the employee feels welcome and that they can see how their work or career goals fit with the organisational mission and culture. It also ensures that occupational health and safety are clear, as well as emergency and accident procedures.

C. What are some of the topics that would be included in an induction?

- Organisational history, ethics, mission statement
- Organisation structure, departments and people
- Maps and locations
- Emergency procedures, security, hazard and accident reporting
- Grievance procedures
- Career paths, training and development, performance review process, any mentoring
- Awards and incentive programmes
- General administration, restricted area access, passes
- Kitchen and bathroom
- Dress code
- Pay, personnel systems
- Policies for lateness, holidays, sickness
- Protective equipment, issue of tools and equipment
- Policies on information technology use and access to personal data
- Tour of facility

6. An Australian bank offered new employees two options for their employment package. A total employment cost (TEC) package which provided employees with one flat payment, which they could then break down into their preferred form of salary, superannuation and benefits or a package based on the relevant Award.

A. What is an employment package?

An employment package is a set of benefits that are offered to an employee along with their rate of pay. Financial benefits can be (for example): salary, superannuation and fringe benefits including entertainment, car, information technology, expense account, housing, mobile phone.

B. What is its role in retaining staff? Should new employees have a choice?

To provide benefits to encourage an employee to stay with the employer, to provide flexible arrangements to ensure they can do their job and balance their private life, a good package will attract employees and encourage them to stay and be committed to the success of the business.

C. What are three types of employment contracts?

Casual, part-time, permanent.

7. An effective performance management programme considers the recognition and rewards provided to employees. Reward systems must encourage the desired behaviour in employees and ensure that the reward recipient feels that they are a valued member of the business. It seems true that higher pay should produce better results, but evidence indicates that the link between compensation, motivation and performance is more complex. Research suggests that even if people decide how much they should earn, they would probably not enjoy their job more.

A. What is the difference between extrinsic and intrinsic rewards?

- **Intrinsic** – the rewards provided by the job itself, satisfaction, achievement, growth, social connections, passion, enjoyment
- **Extrinsic** – the rewards provided externally eg pay, bonuses, leave, incentives

B. Give two examples of each.

Extrinsic – external motivators	Intrinsic – internal motivators
<ul style="list-style-type: none"> • Pay rise • Bonus • Commission • Promotion • Gifts • Awards • Verbal praise 	<ul style="list-style-type: none"> • Challenge • Achievement of a goal • Belonging to a team • Autonomy • Developing a skill • Flexibility • Involvement in making decisions

C. Discuss which form of reward is more motivating.

Various responses possible, for example:

- **intrinsic** may be more motivating because it is based on personal feelings and love for the job, so even if the pay is not great a person will be motivated
- **extrinsic** rewards may be easier and clearer to manage but there may be a point where they stop working. A person may not be motivated even in a high paying job if they hate the workplace.

8. People think that the exit interview is your last chance to let management know that things need to change. Everyone thinks that they are going to be the change catalyst on the way out of the company. You're going to be the hero! The hero that changed the company for every other employee that decided to stay working at their horribly managed business.

A. Describe two reasons for separation in the employment cycle.

Any 2 of: Retirement, Resignation, Retrenchment, Dismissal.

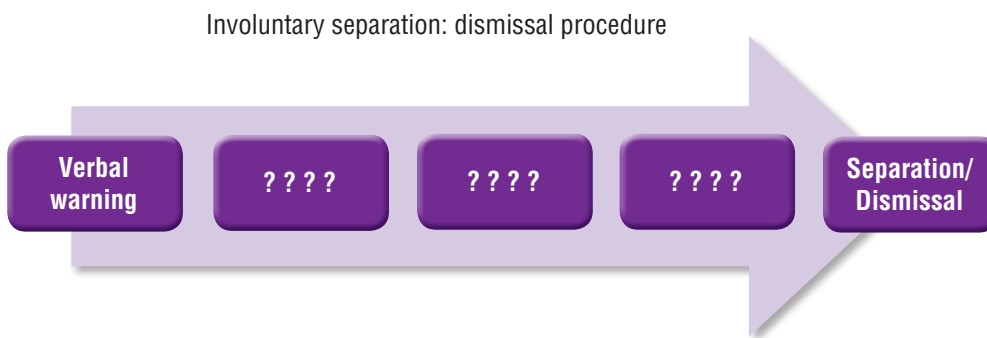
B. When would an employee be made redundant?

There is not a high enough level of work in the business for their position to be viable. This can occur because of structural changes to the business or technological changes.

C. What are the benefits of an exit interview?

Employers use exit interviews to find out:

- the reasons why the employee is leaving
- steps the employer could have taken to keep the employee
- the state of workplace morale
- what the employee liked about the company
- what could be improved to assist employees to do their jobs.



9. *A HR manager has decided that the employment contract of a recently appointed staff member needs to be terminated. The concern is continual poor results from monthly performance reviews.*

A. Explain three other acceptable reasons for termination of employment.

- **Retirement:** when an employee decides to give up work for good.
- **Resignation:** reasons for resigning might include workplace issues such as personality conflicts; dissatisfaction with manager; ineffective co-workers or personal reasons such as working hours; lifestyle choices; ill health; needing to take care of a family member. An employee might also leave for career reasons such as an improved position or good job offer in another business.
- **Voluntary redundancy:** if a job is no longer viable for the business, they might offer employees the opportunity to take up a redundancy package. This provides them with a sum of money for leaving the business.

B. Complete the flow chart above by explaining the three stages in the termination process that are missing. Outline all entitlement and transition issues in your answer.

Response

- Give employee the chance to explain

Written warning

- If the inappropriate conduct or unsatisfactory performance continues, the next warning must be in writing
- This should be signed by both the business owner, employee and a witness

Details contained in warning

- First, subsequent or final warning?
- Points of concern: inappropriate conduct or unsatisfactory performance

- Employee's response
- Appropriate behaviour
- Date of re-assessment and consequences

Re-assessment

- Final meeting with employee to review and make a decision

C. Give two examples of unlawful termination situations and explain why these are unacceptable.

Unfair dismissal is when an employee is dismissed from their job in a harsh, unjust or unreasonable manner.

Small businesses have different rules for dismissal. A small business is defined as any business with fewer than 15 employees. This is calculated on a simple headcount of all employees who are employed on a regular and systematic basis. A dismissal is fair if the employer follows the Small Business Fair Dismissal Code and can provide evidence of this.

A dismissal may be:

- unjust because the employee was not guilty of the alleged misconduct
- unreasonable because the evidence or material before the employer did not support the conclusion
- harsh on the employee due to the economic and personal consequences resulting from being dismissed, or
- harsh because the outcome is disproportionate to the gravity of the misconduct (the punishment does not fit the crime)

Examples of unfair dismissal:

- **Unsatisfactory performance** = if no warning is given of poor performance
- **Opportunity to respond** = if no opportunity to respond is provided
- **Misconduct** = where there is a lack of procedural fairness

Extended answer

1. Human resource management involves identifying needs of the business and selecting and developing people to meet those needs. By doing so, a human resource manager assists the business in its day to day operations and to achieve its long term goals of growth and success.

In essay form answer the following questions.

A. Outline the four elements of the employment cycle.

Discuss and define: acquisition, development, maintenance, separation.

B. Discuss characteristics of a reward system that a business may use to motivate its employees.

Many different types of rewards possible for example:

- **Intrinsic reward system** = employee involvement, recognition of achievements, employee celebrations, marking milestones, challenges, developing skills.
- **Extrinsic reward system** = financial bonuses, pay raises, fringe benefits, commissions, gifts, awards.

C. Discuss the importance of induction for new employees in a business.

Points include; intrinsic, extrinsic, employment package, incentives, financial and non-financial.

D. Describe why training is important for long term success.

Changes in the business and business environment are predicted and staff are prepared with the skills and knowledge to meet the changes and ensure the business is successful, business requirements are identified and training is done to meet the requirements.

E. Discuss how anti-discrimination laws impact on the employment cycle.

Advertisements cannot be discriminatory, the selection process and interview questions cannot be discriminatory, application and staff employment forms cannot contain discriminatory questions, jobs must be designed so a broad range of people could apply and perform it.

F. Describe how human resource policies can impact on the public image of a business.

Good employment packages and rewards will attract and retain staff and reduce turnover, it will make it easier to find staff when needed, a business will get a reputation for looking after employees and being a good place to work, staff will be happier and motivated and provide better customer service

Refer to a case study in your answer.

2.

You are employed as the team manager of a group of 10 people, working in the fitness industry. Your team of sales staff visit gyms and fitness centres to sell and maintain a range of fitness equipment. They are often out of the office for long periods of time, and there have been some difficulties in managing the paperwork associated with this as the business requires an upgrade of its computer system. One of your staff has just resigned from their position, which is quite frustrating for you personally as it is the busiest time of year. You decide as a result of this to only interview two people. At the interview, it is not possible for the interviewee to see around the warehouse facility as this is undergoing renovations and as a result the other members of staff do not meet with the person who is offered the job until their first day. You have some leave owing, and need to take this the day after the new employee commences their work. You decide to do the induction when you return from leave, and ask another employee to complete some basic training with the new person.

Discuss a more effective human resource management process than that outlined above. Include:

- *acquisition*
- *induction and training*
- *maintenance*
- *developing innovative teams*
- *the relationship between employers and employees.*

Acquisition involves predicting the businesses need for staff and attracting the best employees to meet business goals. The acquisition process includes evaluating staffing needs, analysing jobs, recruiting and selecting employees. The staff selection process is where a business matches people to its operational requirements. Recruitment involves advertising positions, attracting applicants and conducting interviews to select the most suitable employee. This process firstly involves a manager or a recruitment officer evaluating resumes from applicants. They then select a set of people who have potential to fulfil the requirements of the job. Applicants are contacted and invited to attend an interview session.

The induction of a new employee involves making the employee familiar with their workplace, to ensure they start their job in the best manner possible and to provide essential information about the new workplace. A good induction ensures that the employee feels welcome and that they can see how their work or career goals fit with the organisational mission and culture. It also ensures that occupational health and safety are clear, as well as emergency and accident procedures. Training is the set of activities required to ensure that an employee has the required knowledge and skills to perform their job role. Development is broader, and is the possible activities that the employee can undertake to learn more about their role and the business. The process to be followed requires the establishment of business requirements, then of staffing needs, followed by training priorities and then the final formation of a training and development plan.

Maintenance of employment requires the business to continue to offer employees the conditions and support required to retain them in the workplace. Employment packages, agreements, contracts are the pay and entitlements provided to the employee. Performance management will occur in order to ensure employees are rewarded and recognised for their efforts.

The reciprocal relationship between employer and employee recognises that the performance of a staff member in the workplace is directly related to their job satisfaction and the extent to which their expectations are met by work. Employees generally expect that they should be provided with safe working conditions, job security, good pay and fair treatment. Other, higher level, motivations were outlined earlier in this chapter. The employer will usually expect that employees will work to the best of their ability, communicate effectively and complete work as required. One common expectation from both groups is that communication will be effective and clear. This creates dependence between employers and employees, and a positive relationship can be developed and reciprocated. This will in turn result in better working relationships.

SECTION D: ENVIRONMENTS

Short answer

1. *Soft drink and snack food businesses have grown globally and fight each other for market share. The world of healthy inspirations and less unhealthy behavior finally is starting to take a toll on them and their peers that also sell drinks and products that have little nutritional value.*

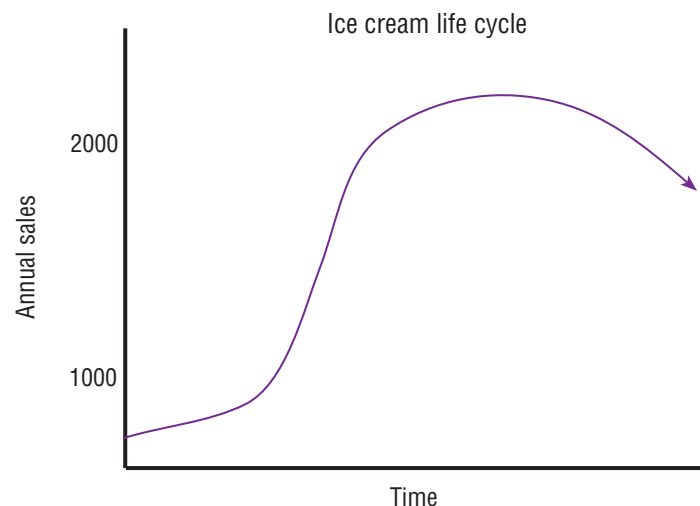
A. *What are some examples of ways other governments manage unhealthy products and their impact on consumer health, society and the economy.*

- Restrict advertising to children
- product labelling and warnings
- advertisement campaigns about responsible use and the dangers (eg anti-smoking ads)

B. *Should consumers be protected or is it up to the consumer to decide what they buy?*

This is a discussion question which the student needs to justify, there should be clear points or a discussion of both aspects.

C. *How are children protected from unhealthy choices?*



Restricted advertising, educational campaigns to parents, restricted display and access to products (eg tobacco), age restrictions for purchase and use (eg alcohol, media).

2. *In 1972, the Managing Director of Kambrook developed the electrical power-board. The product was hugely successful and was the basis for Kambrook's growth to become a major producer of electrical appliances. However, the power-board was not patented and Kambrook ended up sharing the market with many other manufacturers. Kambrook probably lost millions of dollars in royalties alone.*

A. *What are the advantages and disadvantages of using a patent to protect an innovation?*

It provides clear rights to protect a device, substance, method or process and can be patented worldwide. The downside is that to patent it it must be described in detail, competitors can then view the patent and see how it is done.

B. What should have Kambrook done to protect their market share?

Use Intellectual Property protection such as patent or at least registered the design. It could have licenced the design to other manufacturers.

C. How can IP protection drive business success?

It prevents other businesses from selling their own versions and taking market share. If it is well protected a business will ensure future sales and market share.

3. *Consumer Confidence in Australia increased to 94.91 in July of 2014 from 93.17 in June of 2014. Consumer Confidence in Australia averaged 101.87 from 1974 until 2014, reaching an all time high of 127.67 in January of 2005 and a record low of 64.61 in November of 1990.*

Consumer Confidence in Australia is reported by the Westpac Banking Corporation, Melbourne Institute.

A. Discuss how high unemployment and high interest rates impact on spending patterns.

Both mean that discretionary income decreases, people have less money to spend on luxuries or other goods and services and must budget just to pay essential items such as food, rent and transport. Consumers will search more for items of better value and lower price and substitute similar goods at lower prices. They may also look online to buy cheaper overseas goods. Consumer confidence will fall which will also lead to reduced consumer spending.

B. How can low interest rates and low unemployment impact on spending?

Consumers will have more discretionary or spare money above what they need for the essentials. Luxury spending will increase such as clothing, vehicles, house renovations and holidays. Consumer confidence will be higher and spending will increase.

C. Why would the Reserve Bank increase interest rates in Australia?

To try and control inflation. As more people spend the demand gets to be greater than the supply of goods and services which drives prices up. By increasing interest rates people will have to pay more on their credit cards and mortgages and will have less money to spend which should result in a slowdown in consumer spending and less upward pressure on interest rates.

4. *Over the last 10 years there has been a move to national health and safety laws. Most states have moved to a national framework while WA and Victoria remain with their state based laws.*

A. What is purpose of the OSH Act 1984?

The OSH Act details legal duties for employers and employees. Its aim is to prevent workplace accidents and injury.

B. What are some of the employer and employee responsibilities?

**Section 19
Duty of care of employers**

- Do not expose employees to hazards in the workplace
- Provide information, instruction, training and supervision to maintain safe work practices
- Cooperate with safety and health inspectors
- Provide protective clothing and equipment

**Section 20
Duty of care of employees**

- Take reasonable care for their own safety and health at work and to avoid harming the safety and health of other people
- Employees must follow the safety and health instructions given by their employer
- Employees must report all workplace injuries and hazards
- Employees must use protective clothing and equipment as instructed when required

C. What are the benefits of standard national health and safety laws?

So employees can be protected in the same way anywhere in Australia. Businesses do not have to operate under different laws if they operate in different states. Legal obligations are clearer because there is one set of rules.

5. *The Equal Opportunity Act (1984) makes it unlawful to publish or display an advertisement that shows an intention to discriminate. This includes television, newspaper and radio advertisements, as well as circulars, catalogues and price lists. Online and electronic advertising also are covered.*

A. What is purpose of the EOA Act 1984?

Equal opportunity is about making sure that everyone has fair and equal access to employment, education and services and that our society is free from discrimination and victimisation.

B. What are some of the employer and employee responsibilities?

Employers

- provide a workplace free from discrimination and harassment
- have policies regarding EEO
- apply EEO principles
- provide advice and training about EEO in the workplace
- have a clear complaints and disciplinary process for discrimination
- take action when incidents are reported
- keep up to date with changes in EEO laws
- regularly review and update EEO policies

Employees

- treat all co-workers equally
- respect cultural and social diversity among employees and clients
- follow employer policies regarding EEO
- report incidents of harassment and discrimination to the employer
- participate in EEO inductions and training
- use an employer's complaints process

C. What are three aspects that are protected from discrimination?

Age, family responsibility, gender history, impairment, marital status, political conviction, pregnancy, race, religious conviction, sexual orientation, spent conviction.

Extended answer

1. *A business has developed a new technology that translates speech into other languages. Either spoken English into another language or a spoken language into English. It is in its early stages and the technology is very expensive and is seen as a luxury item.*

In your essay response discuss the following:

A. The ways innovation can contribute to business success

- New products
- Competitive advantage
- New markets
- Better value

B. How the intellectual property of the technology can be protected

- Patent the method and process
- Trademark the branding
- Licence the technology to others

C. The meaning of discretionary spending

This is 'spare' money left over after the essentials (food, clothing, housing, transport, education) have been paid for.

It is used on luxury or non-essential purchases. For example: holidays, renovations, upgrading technology.

D. How each of the following impacts on spending patterns:

- i. inflation** – prices rise, people buy less, substitute with cheaper goods or look overseas for cheaper options, more research is done to find the best price and value
- ii. interest rates** – high rates means people will have less money to spend, discretionary spending will fall. Low rates means that spending will increase as people have more 'spare' money after paying their debts and access to loans will be easier because of lower rates.

E. How currency exchange rates impact on international sales.

If the dollar is strong, purchases from overseas will be more attractive as less Australian dollars are needed for the purchase. Exporters will be more motivated to sell their products in Australia.

2. *The market for children's products and food is enormous. Parents on the one hand have a hard time raising children the way they want to, while on the other hand, kids are being increasingly influenced by commercialism that often goes against what parents are trying to do. Advertising and other marketing activities are regulated and subject to industry standards.*

Discuss this issue in a report based on the following topics.

A. Why is it important to regulate advertising to children?

Young children do not have the cognitive ability and experience to understand advertising. Children 5 years old and younger don't understand that commercials are trying to sell them something but by 7 years of age they begin to understand that ads are not the same as news or programs. By the time children are 11 or 12 they are aware of the purpose of ads.

B. How is advertising to children regulated?

- Children's Television Standards (CTS) classify television programming as C (children) or P (preschool).
- Advertising broadcast during or directly before or after, C and P programs must meet requirements set out in the CTS.
- The CTS do not allow advertising during P programs and limitations are placed on commercials during C programs.
- A maximum of five minutes of commercials are permitted in every 30 minutes of C program. CTS 30 states that 'No advertisement may mislead or deceive children'.

C. What are some of the practices that breach standards?

For example:

- embedded advertisements, where characters or hosts of a children's television show promote a product. CTS 9 states that a presenter may not recommend, sell or endorse a product nor encourage children to use it. CTS 22 states that an advertisement during a C and P program cannot use a character or person out of the C and P program.
- advertising more than 5 minutes per 30 minutes of C program.

D. Discuss the promotion of unhealthy products such as alcohol, tobacco and junk food.

Discussion question. Responses should analyse the effect on consumers and on business of these products.

3. *In 2012 there were 26, 358 patent applications and 62, 633 applications for trade marks. To maintain competitive advantage and achieve business success it is important to prevent other companies from copying products and selling their own version. The intellectual property behind a product can be protected domestically and internationally.*

In essay form examine the following questions on intellectual property management.

A. What is intellectual property (IP)?

Intellectual property (IP) describes what comes from ideas, innovation and creativity. For example:

- a new invention
- a brand
- a design
- a process
- a recipe
- an artistic creation eg music, graphics, image.

B. What is the purpose of IP laws?

Once intellectual property is protected and ownership registered the owner can take legal action to stop other people from using it and can license or sell it to others.

C. Explain three types of IP protections?

For example:

- design
- patent
- copyright
- trademark
- domain name.

D. How can IP be used for business growth?

- Protect product so no-one else can make a similar product and take market share
- Protected product enters a market with limited competition
- Licence the design to an overseas company for manufacture or distribution
- Partner with a company using the design or product.

E. Discuss how IP can be protected internationally?

- International patent through the World Intellectual Property Organization (WIPO).
- Trademark in each country.

Refer to a case study in your answer.

SECTION E: MANAGEMENT

Short answer

1. The following Balance Sheet information has been provided by the business 'Sunscreen and Shade', an outdoor umbrella business, at 30 June 2025.

Current Assets	\$
Inventory	800 000
Cash at Bank	60 000
Non-Current Assets	
Premises	1 034 000
Fittings	54 000
Current Liabilities	
Creditors	60 000
Overdraft	30 000
Non-current Liabilities	
Loan	1 200 000
Equity	
Capital	?

- A. Calculate the missing figure.

Assets = Liabilities + Owner's Equity

800 000 + 60 000 + 1 034 000 + 54 000 = 60 000 + 30 000 + 1 200 000 + Capital

Capital = \$658 000

- B. Describe the function of each of the following financial statements:

- Profit and Loss Statement** = shows income and expenses, gives information about the profit or loss that the business has earned, and shows the financial performance of the business over a period of time.
- Balance Sheet** = totals assets and equities, gives information about the financial stability of the organisation, and shows the financial position at a point in time.

- C. Explain how this Balance Sheet has been classified, using examples.

- **Current assets** = resources which the business expects to turn into cash (such as accounts receivable) or consume (such as cash at bank) within a 12 month period. For example, cash and inventory.
- **Non-current assets** = resources which the business intends to have the use of for a period longer than 12 months to help generate income. For example, premises and fittings.
- **Current liabilities** = amounts that the business owes other entities, which fall due within a 12 month period. For example, overdraft and creditors.
- **Non-current liabilities** = obligations which the business will be committed to for a period longer than 12 months. For example, long term loan.

D. What does this Balance Sheet indicate about the stability of this business?

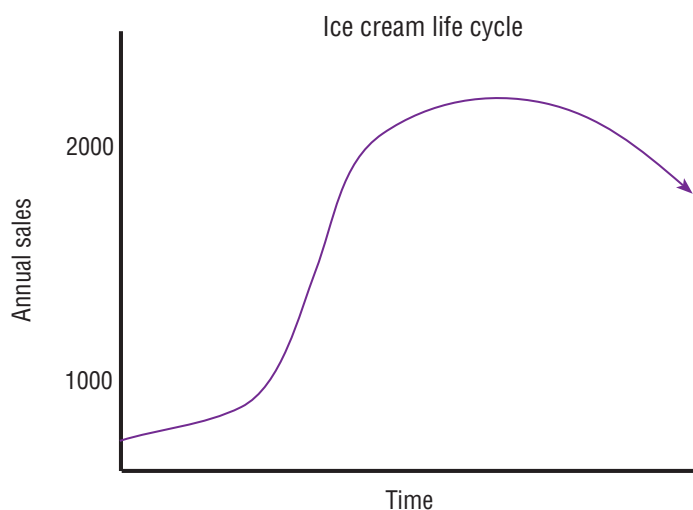
The business has a large proportion of assets compared to liabilities, so is relatively financially stable. Current assets in particular, are more than eight times current liabilities indicating a good liquidity situation because the business will be able to pay short term debt as it falls due.

E. Explain the difference between the Selling, Administrative and Financial classifications in the Profit and Loss Statement.

- **Selling:** expenses related to the sale and distribution of the product. For example, Petrol, vehicle repairs, advertising, maintenance
- **Administrative:** expenses not related to sales, but related to the general running of the support operations of the business. For example, Office, rates, power, phone, Internet, rent
- **Financial:** expenses derived from the businesses investments and financing of business operations. For example, Interest, bad debts.

F. What does the Profit and Loss Statement indicate about the profitability of a business?

Profit is the excess of income over expenditure for a business over a period of time.



2. An established business has developed a new ice cream and has yet to formulate branding and packaging for the launch of this product to the market.

A. What is the product life cycle? Use the graph above and this new product to illustrate your answer.

- **Development** – when the ice cream is launched. Low introductory sales are expected and there is poor customer awareness.
- **Growth** – increasing demand for the ice cream and more market share as awareness is improved.
- **Saturation** – sales of the ice cream may slow and the business will aim to maintain market share, as new competition enters the market. From the graph, this will occur at annual sales of 2 million ice creams.
- **Decline** – this is when ice cream sales start to decrease.

B. What does the graph indicate about this product?

That market saturation will occur when sales over 2 million ice creams a year are achieved.

C. Use the four main elements of the marketing mix to develop a simple marketing strategy for this product.

Responses will vary but all should justify relevant use of the four P's at the development stage:

- establish brand recognition and new/ unusual packaging
- low penetration pricing or niche skim pricing
- aimed at product awareness and education of consumers, high advertising costs
- cautious, selective distribution.

D. Describe the optimal packaging and branding for this ice cream. Your answer must reference the specific stage of the product life cycle.

Responses will vary and should discuss:

- product differentiation
- packaging – purpose and type
- branding – brand creation (jingle, font, colour, graphic etc), customer values, brand establishment, advertising.

3. Most businesses exist for the purpose of returning a profit.

A. Explain the meaning of 'profitability' for a business.

Profitability is the ability of a business to earn money from its investment in assets and equity.

B. How would a business apply pricing strategies in order to maximise profit?

Strategies differ depending on the stage of the product life cycle:

- In the early stages, low penetration pricing or niche skim pricing is used to break into the market, which has very little competition. Market share needs to be built.
- Then price leadership or market pricing would be utilised to really penetrate the market and improve growth. Market demand will be increasing.
- As market growth starts to even out, prices will probably fall as profits would be decreasing. More competitors will be entering the market and competing on prices.
- When sales start to fall, price cutting is often required.

C. What is the purpose of preparing a Profit and Loss Report?

To calculate the profit or loss that the business achieved over a period of time. This enables planning for future budget requirements, and monitoring and control of sales and expenses.

D. Give examples and the main characteristics of two financial KPI's that measure profitability.

A range of responses possible, for example:

- **Profit margin** = monitor the difference between the selling price of the product and the cost to produce each unit. The business could aim for a specific profit margin from each different type of product being sold.
- **Cost reduction** = monitor changes in costs for different categories of expense over time. The business could aim to decrease the amount, or the percentage, of specific costs.

4. *You are about to launch a new business selling a new method of cloud storage, that integrates with other applications and lets users save or retrieve files directly, syncs data instantly, and works between multiple devices. You need to consider your marketing strategy to launch this product.*

A. What are the main features of a marketing strategy?

- Branding
- Targeting
- Segmentation
- Positioning

B. Define and plot the four main stages of the product life cycle for this business.

- Development
- Growth
- Saturation
- Decline

C. Apply the marketing mix to the second stage of the product life cycle.

Growth:

- additional features added, and potentially shown on labelling
- market pricing as demand should be increasing
- aimed at a wider market and to build a customer base
- increased distribution channels as demand increases.

D. Outline the usefulness of a budget in the planning for your product.

- Forecast the financial position and performance of the business.
- Project the capital needs, income, expenses, and cash flows into the future.
- Planned results are measured against actual results, and corrective action is taken to control any problems which become evident.
- Budget variance report to compare budget estimates with the actual results, for the particular financial report.

Extended Answer

1. The chain store 'Insanity' sells CDs and DVDs, and has shops located in twenty towns in rural Western Australia. Their range includes music CDs and DVDs, movie DVDs, portable CD players and headphones. The business environment is changing: many of the stores that were direct competition with Insanity have had to close recently, as consumers are moving toward the easy accessibility of music downloads rather than purchasing entire CDs and DVDs. The managing director is considering a move toward selling downloadable individual songs, which customers can save onto portable devices.

The average cost of a downloadable song to the business is \$1.50 and they plan for a 50% mark up. (Assume no other variable costs). Each individual store has allocated a percentage of fixed costs or store overheads for the provision of this new initiative, and this is an average of \$500 per week. Projected sales for a store are 800 songs a week.

The managing director would like to develop a Business Plan, including a detailed marketing campaign. The focus is to be the change to include downloadable songs in their business model.

Write a report outlining the following elements of the Business Plan:

- A. *The purpose of the vision and mission statements*
 - B. *A profile outlining the business concept.*
 - C. *A SWOT analysis.*
 - D. *Marketing: Target market, and marketing strategy.*
 - E. *Finances: Projected profit/loss and break even analysis.*
- Detail any assumptions that you have made.*

A. B. C. D. and E:

Vision statement:

- guiding beliefs and values for the business
- internal – for employees
- external – to customers, suppliers and investors
- the 'big picture' for the future of the organisation
- related to SMART Goals: Specific, measurable, attainable, realistic and time-bound.

Mission statement:

- main products (goods or services) being provided to the market
- relate to the product/s
- usually internal to the business
- sets measures for stakeholders within the business – KPI's.

Focus can be:

- markets
- employees
- customers
- entrepreneurship
- innovation.

Profile:

- registration – The name, address and ABN of the business
- business concept – how the business was set up (if it already exists) or the amount of capital required to set up, main activity of the business, product (good or service) to be sold, competitive advantage, needs of current and future customers, market summary, potential income and profits, potential risks.

- business ownership – type of business, curriculum vitae of each owner
- competitor breakdown – summary of the industry, location, competitor analysis
- clients/advisors.

A SWOT analysis summarises the Strengths, Weaknesses, Opportunities and Threats to the business:

Strengths Areas internal to the business that are an advantage and will assist the business to function efficiently	Weaknesses Areas internal to the business that are of concern and that may lead to failure, or poor results
Opportunities External environmental factors that can be used to the advantage of the business	Threats External factors that could have a negative impact on the business. The owner wants to try to turn these into opportunities.

Target market steps:

- segment the market
- Choose and describe the target market
- position and differentiate the product.

Aspects of target market:

- demographic
- geographic
- psychographic (lifestyle and behaviour).

Obstructions to entry:

- costs to establish branding
- licenses
- government regulations
- insurance requirements
- staffing needs
- transport costs
- intellectual property costs.

Marketing strategy for each part of the 4 P's of marketing:

- benefits customers will receive along with the product (or service).
- decisions about price setting.
- how the business will promote the product to customers.
- place – how the product will be distributed and sold.

Finances:

- projected Income Statement to budget for profit/loss
- break even analysis to determine how costs and profits will be affected by changes in sales volume.

2. *'KPI's are... a metric that helps you understand how you are doing against your objectives'*

A Kaishik

Write an essay outlining the importance and relevance of Key Performance Indicators. In your answer, include:

- A. A definition and examples of KPI's*
- B. The function of KPI's*
- C. Characteristics of three different type of KPI*
- D. A comparison of financial and non-financial KPI's*

Refer to a case study in your answer.

Definition:

- quantifiable measures that can be expressed in either financial or non-financial terms
- allow the business to determine the progress made toward goals and measure success
- related to the businesses goals, measurable and a valuable indicator.

Function:

- a reporting and control mechanism
- monitor business operations
- measure achievement of goals or objectives
- allow the business owner to check, regulate and record how the business is performing against required standards
- enable regular review, to ensure meeting business objectives.

Characteristics (several responses possible, for example):

- quality checks and quality assurance – formal evaluation through an independent audit of the quality management practices of the business.
 - certification of suppliers
 - testing of inputs
 - requirements of processes
 - methods of correcting problems
 - audit of outputs

ie: The achievement and maintenance of certification.

- Financial statements
 - Cash Flow Statement (Liquidity)
 - Profit and Loss Statement (Profitability)
 - Balance Sheet (Stability and gearing)

ie: The achievement of financial benchmarks.

- Turnover and job satisfaction
 - Exit interviews
 - Staff turnover
 - Satisfaction surveys

ie: The achievement of HRM benchmarks.

Financial KPI's (several responses possible):

- a financial indicator that can be used to measure performance or the achievement of business goals. Usually quantitative in nature. For example: Sales per quarter, percentage of administrative cost reduction each week, annual profit growth, gearing ratio.

Non-financial KPI's (several responses possible):

- a non-financial indicator that can be used to measure performance or the achievement of business goals. Usually qualitative in nature. For example: product life cycle, analysis of manufacturing faults, annual inventory turnover, number of customer complaints per week, staff performance reviews.

SECTION F: PEOPLE

Short answer

1. *The manager's role in a business requires the ability to motivate and innovate in order to ensure success.*

A. *Explain the four main roles of a manager, using examples.*

1. Plan

- Develop objectives
- Set business aims
- Decide how to meet goals and objectives

2. Coordinate

- Handle resourcing
- Distribute tasks
- Administer the flow of information
- Organise finance

3. Control

- Direct employees
- Monitor performance
- Assess results
- Correct problems and take action

4. Lead

- Have a vision for the business' future
- Motivate staff members
- Direct line managers
- Steer employees toward business and personal objectives

B. *Compare the two main leadership styles that a manager could use when wanting to encourage staff innovation.*

For example:

- **Democratic or participative leader** = involves employees in decision making, aims to benefit both the business and employees as a result of decisions, communication occurs in both directions: from the leader to employees, and back 'upward' to the leader. Collaborative and feedback is ongoing and continuous.
- **Situational** = different leadership style for different situations, consideration of the individual planning for how groups work together, the type of work. Leader can adapt their leadership style depending on the needs of the individual employee and adjust their task behaviour and relationship behaviour as required.
- **Transformational** = inspire and motivate others, visionary, stimulate creativity, charismatic, employees follow their example, allow innovation to occur, show the way forward to achievement of ideas, involve employees and inspire them.

C. Outline three important leadership traits and give reasons why each is effective for a manager in a business.

For example:

- **Emotionally mature:** able to deal with emotional highs and lows and stressful work place situations
- **Enthusiastic:** active and involved in the activities of the business
- **Future thinker:** able to speak passionately about vision and goals for the business
- **Honest:** open about errors and supportive when mistakes are made
- **Inspirational:** charismatic
- **Practical:** sensible and realistic about what can be achieved
- **Responsible risk taker:** able to take business risks that are not reckless or foolish
- **Resilient:** quick to recover from adverse business results or negative feedback
- **Self-confident:** assured and secure about own abilities
- **Self-disciplined:** organised
- **Socially aware:** able to consider the needs of others and be unselfish
- **Thoughtful:** sympathetic and considerate

D. Explain how it is possible for a manager to monitor success.

Monitoring or control is one of the important elements of a manager's role in a business. Areas include operations, human resources, finances and marketing.

Control mechanisms are the policies and procedures in the business . used to regulate activities. They allow the manager to check, regulate and record how the business is performing against required standards. Important areas to control include the product, processes, physical locations, physical resources, human resources and finances. Control mechanisms such as ratio analysis, budgets, financial statements and key performance indicators can be used to measure and monitor performance.

Steps :

1. Select an area for review:
 - **Product:** design, marketing, potential sales
 - **Process:** production requirements, stock, equipment, labour
 - **Physical location:** manufacturing, storage, distribution, sales
 - **Physical resources:** factory, staff facilities, retail section, maintenance (as applicable)
 - **Human resources:** recruitment, training, retention of staff
 - **Finances:** achievement of sales forecasts, budgets.
2. Establish the standard that is to be met, using the business' goals and objectives
3. Monitor how the business performs in this area
4. Compare the actual performance of the business with the required standard
5. Control by making any changes required to correct any problems if the business goals have not been met.

2. *A marketing manager provides leadership to staff and works with teams that may have a range of functions. For example, sales teams, product development teams and customer service teams. Successful marketing managers use incentives to motivate staff and encourage progress towards marketing goals.*

A. Outline the steps of an appropriate goal setting process.

- Set goals that are congruent with business objective and staff incentives.
- Payment of financial compensation to employees is generally linked to performance.
- Recognition and reward systems do not have to always be financial however.
- People can be motivated to achieve the goals of the business through other reward systems.

B. Effective recognition and reward systems are:

- Individually tailored to each employee
- Able to recognise the different priorities of employees
- Responsive to changes in the workplace
- Seen to be fair, and available to everyone

C. What are the differences between financial and non-financial incentives? Give examples of each.

Financial incentives

- Bonuses – payments in cash if key performance indicators are achieved.
- Pay rise – staff can be rewarded with an ongoing pay increase based on their performance.
- Share schemes – employees are given shares in the business as rewards.

Non-financial incentives

- Extra leave – employees can get time off work or arrange to work from home based on their performance.
- Skill improvement – giving employees extra training to support their personal career goals.
- Employee recognition – publicly acknowledge good performance through awards.

D. Why are individual incentives sometimes counter productive when leading teams?

The cohesion of the team can be affected by competition between employees. Individual bonuses may undermine team work but this can be addressed by using team based incentives.

E. Explain how you would use financial and non-financial incentives to motivate a team to achieve sales targets.

Various responses possible, for example:

- **Financial** – share of profits for achievements over target, team bonuses, wage increase.
- **Non-financial** – public recognition of top sales team on a regular basis, extra leave, positive change to nature of the work, promotion opportunity.

3. *A car manufacturing plant is closing its main factory and moving to slightly smaller premises in a cheaper location.*

A. What effect might this change have on employee motivation and why?

This is the external work environment – the change might be demotivating if intrinsic motivation elements are ignored. May be able to counter by focusing on employee situation and elements of the work.

B. Use one human resource motivation theory to outline three strategies that can be put in place to maintain staff motivation.

For example:

Herzberg's Motivation-Hygiene Theory – positive and negative feelings about the workplace arise from different factors:

- Hygiene factors, related to the workplace environment and the conditions of employment. For example, security, relationship with other employees, status, pay rate, and physical working conditions.
- Motivation factors related to the elements of work. For example, achievement, recognition, challenge, promotion and responsibility.

Adam's Equity Theory – influence of comparisons with other employee's situations on the individual employee's motivation.

- An employee will compare their inputs at the workplace with the inputs of their workmates, and expect to achieve similar outcomes.
- If the outcomes are not as expected, then the employee will be less motivated.
- A person is motivated by what they perceive is equitable treatment in comparison to others in their workplace.

C. What effect might this closure have on the positioning and public image of the business?

- Positioning is creating a specific idea in the mind of potential consumers of a product.
- Distinguish product from others – in this case a potentially negative distinction.
- Need to refocus on a simple advertising message, and ensure this message sticks in the mind of the consumer.
- Must counter the negative public image created.
- Develop a campaign to meet goals in the position chosen.

D. Are there any appropriate incentives that can be put in place for employees? Explain your answer.

Intrinsic incentives:

- giving ownership of the change and the move
- praise for a job well done
- job autonomy in the new workplace
- skill improvement training.

4. *A. How may the role of a manager and a leader differ?*

B. Describe the qualities of a good leader.

C. In what situations will a business manager adopt different leadership styles?

Role of a leader:

- strategic
- business direction and goals
- inspiring employees
- establishing teams and talent
- empowering change

Role of a manager:

- tactical
- planning activities
- coordinating employees
- directing human resources
- managing risk

Good leadership:

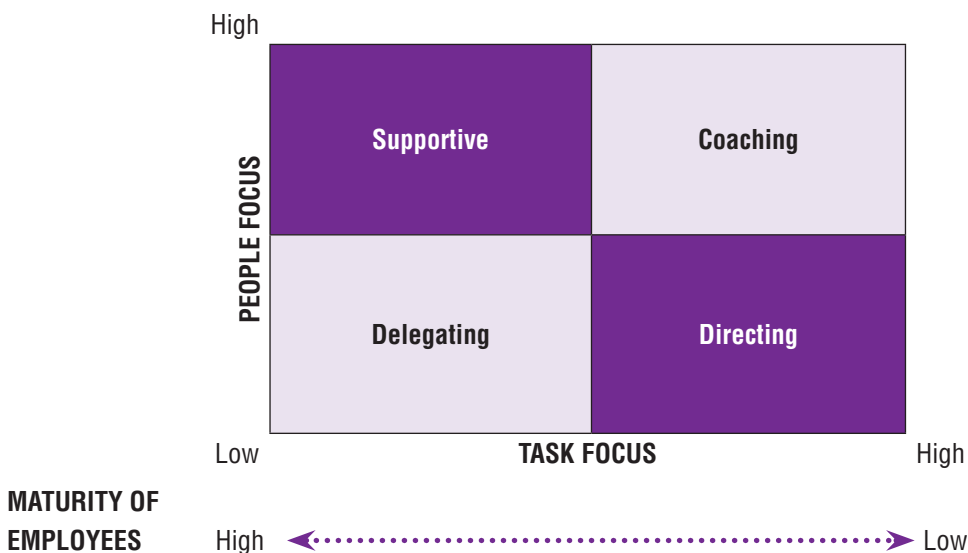
- have a vision for the business' future
- motivate staff members
- direct line managers
- Steer employees toward business and personal objectives

Situational leadership:

- different leadership style for different workplace situations
- leader will often vary their leadership style depending on the decision to be made.
- situational leadership style developed by Paul Hersey and Ken Blanchard
- leaders can adapt their leadership style depending on the needs of the individual employee.
- leaders can adjust their task behaviour and relationship behaviour as required by the situation.

The Hersey-Blanchard situational leadership model depends on:

1. leadership style
2. maturity of the employee or group of employees.



Depending on the situation, the leadership style can be:

- **delegating** = permits others to make decisions
- **supporting** = participative and shares
- **coaching** = explains
- **directing** = gives instructions and supervises.

Extended answer

- I. *It can be argued that while employees might be motivated by extrinsic incentives, such as cash bonuses, in the short term this is not the ideal method that should be used to manage staff or market the business to new employees.*
 - A. *Explain the purpose of sales bonuses and shares schemes, using examples.*
 - B. *Outline two alternatives to financial incentives that can be used to market a business to prospective employees.*
 - C. *Discuss a recognised motivational theory and how it provides additional incentives in the workplace.*
- The payment of financial compensation to employees is generally linked to the performance of an employee in some way, and this can then be reviewed as part of the performance management system.
 - Extrinsic financial incentives/rewards include financial benefits, promotions, fringe benefits sales bonuses and share schemes.
 - Bonuses – payments in cash if key performance indicators are achieved. A national bank sets a budget for bonuses and staff are allocated a share from the budget based on their performance. Individual bonuses may undermine team work but this can be addressed by using team based incentives.
 - Share schemes – employees are given shares in the business as rewards. This scheme can provide long term motivation as employees can only benefit from growth in share price and dividends if business performance improves over time.
 - Incentive programs must be clearly linked to business goals, be well managed with a budget and meaningful for employees.
 - Employee engagement is important to the business. Engagement occurs when an employee is committed to the goals and values of the business organisation, and when this commitment is reflected in their approach to their workplace.
 - Incentives can be used to attract and retain staff – non-financial incentives include:
 - Giving ownership and autonomy
 - Praise and employee recognition
 - Leave or holiday time
 - Skill improvement training

Herzberg's Motivation-Hygiene Theory:

- Different levels of employee needs in the workplace.
- Hygiene factors, related to the workplace environment and the conditions of employment.
- Motivation factors are the elements of work.
- Should ensure that long term motivators are emphasised in human resource plans.

MOTIVATION FACTORS Long term motivation	HYGIENE FACTORS Short term motivation
Achievement	Security
Recognition	Relationship with other employees
Challenge	Status
Promotion	Pay rate
Responsibility	Physical working conditions

Vroom's Expectancy Theory:

- Employees will want to maximise their happiness at work and minimise 'pain.'
- Performance at work is reflective of personal factors such as personality, skills, knowledge, experience and abilities.
- Employees will be motivated given they believe:
 - More effort will result in better job performance
 - Better job performance will lead to organisational rewards and benefits
 - These organisational rewards are valued by the employee.
- Motivational forces: Expectancy, Instrumentality, and Valence.
 - **I = Instrumentality** = The employee's belief that a reward will actually be achieved.
 - **E = Expectancy** = The confidence of the employee about their ability to do the work.
 - **V = Valence** = The attitude of the employee to the reward for their work.
- Need to ensure that rewards and incentives are closely linked to the desired performance from employees.

2. *Write an essay which compares and contrasts the low level needs of Maslow's Hierarchy of Needs with the hygiene needs of Herzberg's Motivation-Hygiene Theory. Refer to case studies where relevant.*

Maslow's Hierarchy of Needs states that humans have an ordered approach to meeting their needs. Each person requires the needs lowest in the hierarchy to be met first, before moving to the next level of need.

Lower level needs:

- belonging: family, work group, friends
- safety: security, unfearful, stability
- physiological: food, water, shelter, air.

To meet physiological needs, the business should pay employees appropriately and supply a protective environment or clothing as required. Safety needs are met through the provision of healthy working conditions, insurance plans and stable management. Belonging can potentially be satisfied using employee activities and social functions.

Frederick Herzberg expanded Maslow's theory and defined two different levels of employee needs in the workplace. Herzberg defined hygiene factors, as related to the workplace environment and the conditions of employment. For example, security, relationship with other employees, status, pay rate, and physical working conditions.

3. *'All the evidence that we have indicates that it is reasonable to assume in practically every human being ... that there is an active will toward health, an impulse towards growth, or towards actualization.'*
A Maslow

Write a report about motivation theories. Include the following:

- A. How an employer might meet the ordered needs contained in Maslow's hierarchy.
- B. The two different levels of employee needs identified by Herzberg.
- C. How Adams built on Maslow and Herzberg's theories.

Maslow's Hierarchy of Needs:

- **Self-actualisation:** inner talent, personal growth, fulfilment
- **Self-esteem:** status, achievement, recognition, respect
- **Belonging:** family, work group, friends
- **Safety:** security, unfearful, stability
- **Physiological:** food, water, shelter, air

Herzberg's Motivation-Hygiene Theory:

- Hygiene factors, related to the workplace environment and the conditions of employment. For example, security, relationship with other employees, status, pay rate, and physical working conditions.
- Motivation factors are the elements of work such as achievement, recognition, challenge, promotion and responsibility.

Adams built on Maslow and Herzberg's theories to consider the influence of comparisons with other employee's situations on the individual employee's motivation.

Adams' Equity Theory:

- An employee will compare their inputs at the workplace with the inputs of their workmates, and expect to achieve similar outcomes.
- If the outcomes are not as expected, then the employee will be less motivated.
- The main emphasis of this theory is that a person is motivated by what they perceive is equitable treatment in comparison to others in their workplace.

Inputs	Outcomes
Time	Recognition and thanks
Effort	Self esteem
Enthusiasm	Financial rewards
Commitment	Promotion
Hard work	Praise