

2013
Higher School Certificate
Trial Examination

Business Studies

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Board approved calculators may be used
- Write using black or blue pen
- Write your student number and/or name at the top of every page

Total marks – 100

Section I – Pages 2–8

20 marks

- Attempt Questions 1–20
- Allow about 35 minutes for this section

Section II – Pages 9–15

40 marks

- Attempt Questions 21–24
- Allow about 1 hour and 15 minutes for this section

Section III – Page 16

20 marks

- Attempt Question 25
- Allow about 35 minutes for this section

Section IV – Page 17

20 marks

- Attempt either Question 26 OR Question 27
- Allow about 35 minutes for this section

This paper MUST NOT be removed from the examination room

STUDENT NUMBER:

TEACHER: BEVAN CLEMENTS DE MATOS KEATING KUMAR

(circle)

- 1 *An Australian coffee company, 'Impulscoffee', creates a new logo to establish a global brand image.*

Which type of marketing strategy is 'Impulscoffee' addressing?

- (A) Promotion
- (B) Price
- (C) Place
- (D) Product

- 2 Which of the following is a *compliance cost* of producing a new product?

- (A) Emitting carbon following the Carbon Emission Scheme
- (B) Purchasing raw material
- (C) Marketing the product
- (D) Purchasing new machinery to undertake production

- 3 A factory manager is comparing monthly production statistics to see if changes to the production line have improved efficiency. Which operations process is being carried out?

- (A) Task design
- (B) Monitoring
- (C) Scheduling
- (D) Sequencing

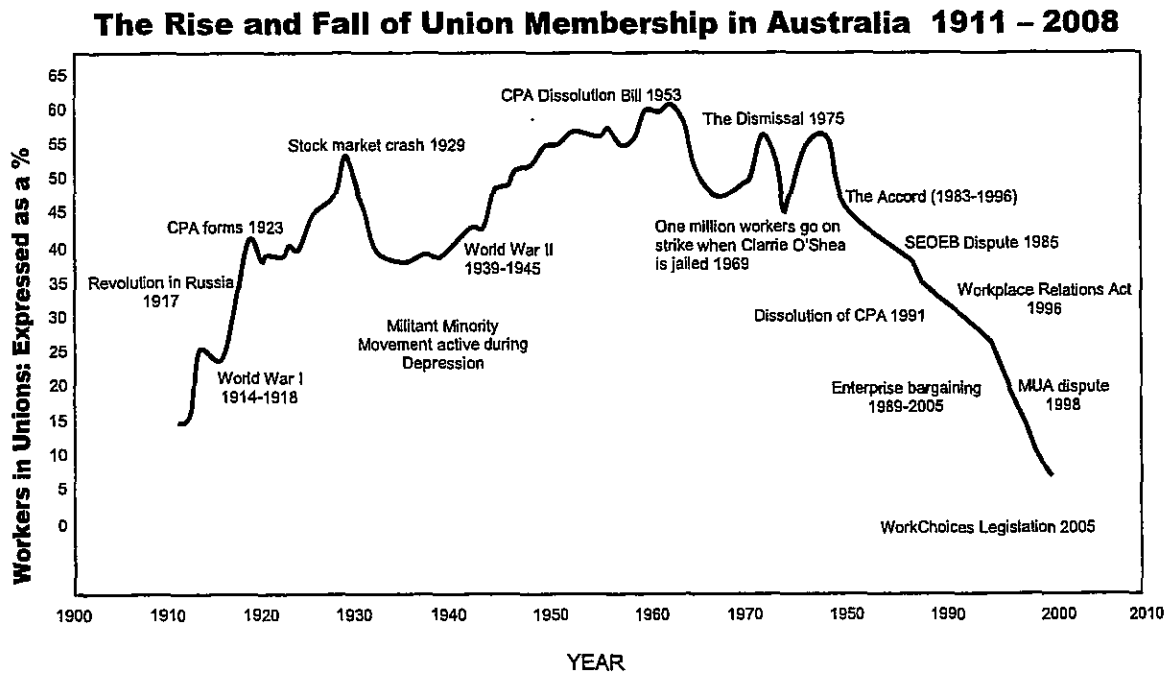
- 4 *In an attempt to increase its market share, 'Trustus' bank is offering a new service to its customers. Upon customer request, Trustus bank staff will travel to the customer's home after normal business hours, to discuss loans financing rates.*

What type of marketing is 'Trustus' using?

- (A) Customer marketing
- (B) Relationship marketing
- (C) Production marketing
- (D) Sales marketing

- 5 Which of the following statements reflects the change in Australia's workplace?
- (A) There has been a decrease in job share and flexible working conditions, due to the ageing population.
 - (B) Globalisation has decreased the level of international competition, resulting in more businesses acquiring local workers.
 - (C) Over the last two decades there has been a decline in part-time and casual work.
 - (D) Structural change occurring in the economy has led to employment growth in the service sector.
- 6 Which of the following is an example of *voluntary* separation of an employee?
- (A) Redundancy
 - (B) Resignation
 - (C) Summary dismissal
 - (D) Recruitment
- 7 Which market involves the purchasing of resources to be used in the production of other goods?
- (A) Consumer market
 - (B) Intermediate market
 - (C) Resource market
 - (D) Industrial market
- 8 Which of the following is a type of short-term external debt finance?
- (A) Leasing
 - (B) Debentures
 - (C) Commercial bills
 - (D) Term loans
- 9 Which of the following are examples of *fixed* costs for a business?
- (A) Leased equipment and rent
 - (B) Rent and fuel
 - (C) Casual labour and inventory
 - (D) Inventory and electricity

- 10 Lee and Rae have been in conflict over what each believes they are responsible for in the office. Lee asks her manager to call a meeting so the three of them can sort out the problem so that she and Rae can work together as they used to. *What type of conflict resolution have they engaged in?*
- (A) Applying a grievance procedure
- (B) Establishing a tribunal
- (C) Seeking mediation
- (D) Using negotiation
- 11 Observe the following image.



What is a major reason for the decline in union membership over the last thirty years?

- (A) Community attitudes have been against union participation
- (B) Decrease in the labour force participation rate has affected union participation
- (C) Increase in enterprise agreements linking wage increases to productivity
- (D) Development of a centralised wage fixing system determining wage increases

- 12 *'Ticktock Pty Ltd' sells watches and has decided to use a pricing strategy, whereby the company sells lines of watches at predetermined prices.*

Which pricing strategy is 'Ticktock' using?

- (A) Loss leader
- (B) Supply and demand
- (C) Price penetration
- (D) Price points

- 13 Which of the following measurements illustrates effective *employment relations*?

- (A) Increase in costs of redundancy payments
- (B) Increase in training and development costs to replace specific skills
- (C) Decrease in productivity rates
- (D) Decrease in staff turnover rates

- 14 Which of the following is a strategy that a business can use to improve its *working capital*?

- (A) Increase inventory levels in order to increase profitability.
- (B) Use cost centres to identify the business's greatest costs.
- (C) Use sale and lease back to increase liquidity.
- (D) Hedge the currency when the Australian dollar is strong in order to buy cheap imports.

- 15 *'Fairdinkum Furnishings' has set one of its strategic objectives as being a cost leader in the industry.*

What must 'Fairdinkum Furnishings' aim to do in order to achieve cost leadership?

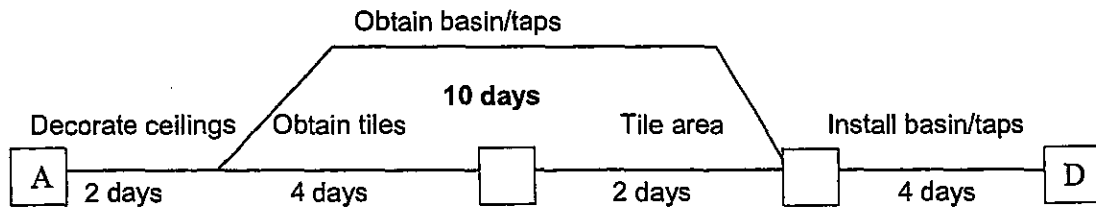
- (A) Aim to standardise its products, through mass production
- (B) Aim to have the lowest cost in the industry, whilst maintaining profitability
- (C) Aim to have the highest cost in the industry, whilst compromising profitability in the short term
- (D) Aim to provide only quality products to customers, through global sourcing

- 16 'Comfy Furniture' is only using a few chosen outlets to distribute its brand of products.

This is an example of which distribution channel choice?

- (A) Selective
- (B) Intensive
- (C) Limited
- (D) Physical

- 17 'Pietro's Pizza' is renovating the bathroom and has used the following sequencing diagram.



How long will it take 'Pietro's Pizza' to renovate the bathroom using the *critical path analysis*?

- (A) 12 days
 - (B) 14 days
 - (C) 16 days
 - (D) 18 days
- 18 Which of the following is an indication of effective human resource management?
- (A) Increase in workers compensation costs
 - (B) Decrease in the number of warranty claims made by customers
 - (C) Increase in staff turnover
 - (D) Decrease in absenteeism

Use the following information to answer Questions 19 and 20.

'Pickus Computer App' has recorded the following figures as at 30 June 2012

	\$
Cash	20 000
Accounts payable	15 000
Mortgage	190 000
Net profit	23 000
Capital	70 000
Land and building	230 000
Accounts receivable	12 000
Equipment	35 000
Overdraft	7 000
Inventory	8 000

- 19 What is the return on *total equity*?
- (A) 24.7%
- (B) 32.9%
- (C) 57.5%
- (D) 86.9%
- 20 Which of the following describes the *liquidity* of the 'Pickus' business?
- (A) The firm is not liquid, with \$1 in current assets to cover \$1.80 of current liabilities.
- (B) The firm is liquid, with \$1.80 in current assets to cover \$1 of current liabilities.
- (C) The firm is not liquid, with \$1 in current assets to cover \$1.39 of current liabilities.
- (D) The firm is liquid, with \$1.39 in current assets to cover \$1 of current liabilities.

Section II

40 marks

Attempt Questions 21–24

Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided. These spaces provide guidance for the expected length of response.

Question 21 (9 marks)

Marks

In response to an economic downturn, "We're Fair Furniture" is looking to implement new transformation processes to reduce costs, in order to maintain sales levels that sustain its market share.

(a) Outline ONE role of operations management.

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(b) Describe how *globalisation* can influence the operations management of 'We're Fair Furniture'.

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Question 21 continues on the next page

Question 21 (continued)

Marks

(c) Recommend TWO *operational processes* that management would implement to improve the transformation process AND maintain sales levels.

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(i)
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(ii)
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End of Question 21

Question 22 (9 marks)

Marks

- (a) Identify ONE *illegal* marketing practice under Australian consumer law. 1

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- (b) Outline how *psychological* factors can influence consumer choice. 2

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- (c) Describe ONE *ethical* criticism of marketing. 2

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- (d) Explain how a *situational analysis* can be used to determine appropriate marketing strategies. 4

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End of Question 22

Question 23 (10 marks)**Marks**

The Income Statement of Brisk Café is shown below.

Income Statement for the year ending		
	2012	2011
Sales	160 000	200 000
Opening stock	43 000	25 000
Purchases	26 000	32 000
Closing stock	34 000	47 000
Expenses		
- Selling expenses	20 000	36 000
- Administrative expenses	6 000	5 000
- Interest	4 000	4 000

- (a) Calculate the *gross profit* ($GP \div \text{sales}$) AND *net profit* ($NP \div \text{sales}$) ratios for 2012.

2

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- (b) Distinguish between *debt* and *equity* finance.

2

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- (c) Using the expense ratio (total expenses \div sales), comment on "Brisk Café's" *efficiency* in 2012.

2

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Question 23 continues on the next page

Question 23 (continued)

Marks

(d) Recommend TWO financial strategies that "Brisk Café" can implement to improve its *profitability*.

4

(i)

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(ii)

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End of Question 23

Question 24 (12 marks)

Marks

'Futurz Graphics' is a large business with 300 employees. The recent economic downturn has forced management to reduce costs. Management has decided to outsource its accounting and administration functions to Malaysia. They have also decided to reduce non-monetary benefits such as training expenses and flexible working hours. The company's employees have threatened to go on strike unless managers allow them to be part of the decision-making process.

- (a) Outline ONE influence on employment relations at this business. **1**

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- (b) Describe how a high *staff turnover* can impact training costs and profitability. **3**

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- (c) Explain ONE advantage and ONE disadvantage of global *outsourcing*. **4**

(i)

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(ii)

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Question 24 continues on the next page

Question 24 (continued)

Marks

- (d) Recommend TWO human resource strategies "Futurz Graphics" can implement to improve employment relations.

4

(i)
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(ii)
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End of Question 24

Section III

20 marks

Attempt Question 25

Allow about 35 minutes for this section

Answer the question on a SEPARATE page of your own paper, or writing booklet if provided.

Expected length of response is *approximately* six written pages or 800 words.

In your answer, you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
 - use the information provided
 - communicate using relevant terminology and concepts
 - present a sustained, logical and cohesive response in the form of a business report
-

Question 25 (20 marks)

‘Tolstoy’s Toy Store’ is a large manufacturer of toys and children’s furniture with 150 employees. The business has been operating successfully for 8 years. However, over the past year sales have fallen and management is looking at making a number of changes to improve overall business performance.

Management is looking to adopt new technology, which will result in job cuts. Employees are unhappy with this and are using covert forms of industrial action; resulting in increasing rates of absenteeism and staff turnover. Productivity has also been declining.

Other issues include:

- Cash flow problems, due to excessive credit sales and poor accounts receivable turnover ratio
- Problems meeting debt obligations, due to poor working capital management

Management is looking to:

- Improve cash flow
- Improve working capital and pay debts on time
- Improve staff morale and employment relations

You have been employed by ‘Tolstoy’s Toy Store’ to prepare a report for management on the issues outlined above.

In your report, recommend and justify strategies for human resources AND finance that the firm could implement to improve business performance.

Section IV

20 marks

Attempt EITHER Question 26 OR Question 27

Allow about 35 minutes for this section

Answer the question on a SEPARATE page of your own paper, or writing booklet if provided.

Expected length of response is *approximately* six written pages or 800 words.

In your answer you will be assessed on how well you:

- demonstrate knowledge and understanding relevant to the question
 - use relevant business case study/studies
 - communicate using relevant business terminology and concepts
 - present a sustained, logical and cohesive response
-

EITHER

Question 26 (20 marks)

Why is the marketing plan important for the success of a business.

OR

Question 27 (20 marks)

Why is corporate social responsibility, cost based competition and government policies a key concern of operations management.

End of paper

2013
AP4.

STUDENT NUMBER/NAME: ANSWER
SHEET.

Section I

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

Select the alternative A, B, C or D that best answers the question and indicate your choice with a cross (X) in the appropriate space on the grid below.

	A	B	C	D
1				X
2	X			
3		X		
4		X		
5				X
6		X		
7				X
8			X	
9	X			
10			X	
11			X	
12				X
13				X
14			X	
15		X		
16	X			
17			X	
18				X
19	X			
20		X		

MULTIPLE CHOICE

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
D	A	B	B	D	B	D	C	A	C	C	D	D	C	B	A	C	D	A	B

Section I

Question 21(a)

Criteria/Suggested answer	Marks
<ul style="list-style-type: none"> • Outlines the role of operations management. This can include: <ul style="list-style-type: none"> ○ Coordinating the process of transforming inputs into final goods and services by value adding ○ Minimise waste ○ Operate at low cost to maximise profits ○ Integrate environmental awareness and a need for ecologically sustainable practices ○ Cost leadership 	2
<ul style="list-style-type: none"> • Identifies ONE role of operations management 	1

Question 21(b)

Criteria/Suggested answer	Marks
<ul style="list-style-type: none"> • Describes how globalisation can influence the operations management of 'We're Fair Furniture'. Answers may include: <ul style="list-style-type: none"> ○ Definition of <i>globalisation</i> ○ Explains that globalisation offers the business the opportunity to meet the needs of the global consumers, resulting in a need to standardise production which can result in reduced expenses ○ Globalisation also offers businesses the opportunity to seek cheaper suppliers through the development of a global web ○ Globalisation also fosters growth opportunity through innovation 	3
<ul style="list-style-type: none"> • Outlines how globalisation can influence operations management 	2
<ul style="list-style-type: none"> • Defines <i>globalisation</i> or identifies a way in which globalisation can influence operations management 	1

Question 21 (c)

Criteria	Mark
Gives reasons in favour of TWO operations processes that management would implement to improve the transformation process and maintain sales	3-4
Gives reasons in favour of ONE operation process that management would implement to improve the transformation process and maintain sales OR Sketches in general ONE process	2
Identifies ONE operation process	1

Sample answer:

- Sequencing and scheduling
- Technology, task design, layout
- Monitoring, control, improvement

Marking Guidelines – Q22

22a

Criteria	Mark
• Identifies ONE illegal marketing practice under Australian consumer law	1

Answers could include:

- Deceptive and misleading advertising
- Price discrimination
- Unacceptable quality under implied conditions
- Exclusion of warranties

22b

Criteria	Mark
• Outlines how psychological factors can influence consumer choice	2
• Identifies a means by which psychological factors can influence consumer choice	1

Answers may include:

- Motivation, Perception, Lifestyle, Personality, attitude.

Better responses had to address at least two psychological factors and outline how they influenced consumer choice. Weaker responses either just identified or only outlined one factor.

Student Example: Psychological factors refer to the influences an individual has when buying a product. Consumers may purchase a product based on their self-image and whether the product in question matches the image they want for themselves. An individual's perception of a product based on personal opinion from word of mouth or criticism of a product can also influence consumer choice.

22c

Criteria	Mark
• Describes ONE ethical criticism of marketing.	2
• Identifies ONE ethical criticism of marketing.	1

Answers may include:

- Truth, accuracy and good taste in advertising
- Products may damage health
- Engaging in fair competition
- Sugging

Student example: Truth and accuracy in advertising: Advertising is a paid non-personal message communicated through a mass medium. However some advertising exaggerate claims by overstating claims, as well as telling untruths due to concealed facts which omit important information, deceiving consumers.

22d

Criteria	Mark
<ul style="list-style-type: none">Explains how a situational analysis can be used to determine appropriate marketing strategies	3-4
<ul style="list-style-type: none">Outlines how a situational analysis can be used to determine appropriate marketing strategies	2
<ul style="list-style-type: none">Identifies how a situational analysis can be used to determine appropriate marketing strategies	1

Answers may include:

- Use of SWOT analysis to build up the strengths and opportunities of the product
- Product life cycles – determining the stage of the product life cycle will impact on the choice of marketing strategies
- Determines SCA for promotion

Better responses addressed both SWOT and product life cycle as the syllabus clearly notes that a situational analysis is not solely a SWOT analysis.

Student Example: Situational analysis is the use of SWOT and product life cycle to determine where a business is positioned compared to its competitors. By identifying its strengths, then acting on the opportunities it sees present the business is able to determine appropriate marketing strategies and apply the one which will best achieve the objectives of the company. To achieve this effectively, a business will also determine where the product sits in the product life cycle as the appropriate strategy needed will differ depending on whether a product is in the introduction or growth phase, or an existing product in the maturity decline that the business is trying to reinvigorate.

Marking Guidelines – Q23

Question 23a

Criteria	Mark
<ul style="list-style-type: none">Correctly calculates the cost of goods sold and net profit for 2012 in order to correctly calculate the gross profit and net profit ratios. COGS = Opening stock + Purchases – Closing stock = \$35000 Gross profit = Sales – COGS = \$125,000 (Ratio: 125,000/160,000 = 0.78125:1 or 78%) Net profit = Gross profit – Expenses = \$95,000 (Ratio: 95,000/160,000 = .59375:1 or 59%)	2
<ul style="list-style-type: none">Correctly calculates either net OR gross profit ratio	1

Markers comments:

Many students were unable to calculate the gross profit, COGS and net profit correctly which resulted in the calculation of incorrect ratios. It's imperative to know the formulas in order to calculate these correctly.

It was not necessary to include working out unless otherwise stated.

Students could not give their answers as fractions as the questions clearly asked for the ratio.

Question 23b

Criteria	Mark
<ul style="list-style-type: none">Distinguishes between debt and equity finance by providing two related points of difference for both sources.	2
<ul style="list-style-type: none">Distinguishes between debt and equity by providing one related point of difference for both sources. ORCorrectly defines either debt or equity finance.	1

Answers may include:

- Debt is from external sources and equity can be either internal or external
- Debt has to be repaid with interest and equity doesn't need to be repaid until profits are generated in the form of dividends or owner decides to leave business
- Debt involves no loss of ownership whereas equity involves a loss of ownership

Marker's comments:

Many students lost marks as they did not provide 2 points of difference that were related. Students also confused equity as being only internal or stated that it's internal and then gave an incorrect example such as raising money through shares.

Sample answer:

Debt finance involves acquiring finance from external sources that require interest repayments plus principal and are not tax deductible. While equity finance refers to money contributed by the owners, shareholders or investors that are not tax deductible and do not require interest repayments but do have expectations of return on investment.

Question 23c

Criteria	Mark
<ul style="list-style-type: none"> • Correctly calculates the efficiency ratio for Brisk café ($30,000/160,000 = 0.1875:1$ or 18.75%) AND • Correctly comments on Brisk café's efficiency in 2012 as being highly efficient. 	2
<ul style="list-style-type: none"> • Correctly calculates efficiency ratio for Brisk café without commenting on efficiency in 2012 OR makes comment without reference to a calculation. 	1

Marker's comments:

Most students were able to correctly calculate the efficiency and make a comment about whether the business was efficient.

Sample answer:

Efficiency at Brisk Café is very good given it only requires 18.75% of its total sales to cover its expenses. This signifies great cost control and maximising resources to achieve sales.

Question 23d

Criteria	Mark
<ul style="list-style-type: none"> • Clearly recommends TWO strategies with reasons in favour of that Brisk café can implement to improve its profitability. 	4
<ul style="list-style-type: none"> • Puts forwards reasons in favour for ONE strategy that can be implemented to improve profitability AND Sketches in general terms an appropriate profitability strategy for Brisk café. 	3
<ul style="list-style-type: none"> • Identifies a strategy that could be used to improve profitability. 	1-2

Answers may include:

- Implementing cost centres
- Expense minimisation
- Revenue controls
- Fixed versus variable costs

Markers comments:

Most students were able to correctly recommend effective profitability strategies. Some students confused profitability with liquidity or cash flow. Any strategies not pertaining to profitability were not accepted.

Sample answer:

By using cost controls, Brisk café continually monitors its fixed costs including rent and salaries as well as variable costs (material inputs). In doing so they can establish cost centres for better management of costs for greater conversion of sales, the resulting gap leading to improved profitability.

Brisk café can utilise revenue controls in which its marketing objectives that include sales mix, pricing policy to further increase their potential for sales with more attractive food items at great prices. This increases revenue and if implemented with cost controls can significantly improve profitability.

Marking Guidelines – Q24

24a

Criteria	Mark
• Outlines ONE influence on employment relations at this business	1

Answers could include:

- Economic, stakeholders, social, legal, technological, ethics and corporate social responsibility.

To get the mark students had to do three things. 1) Provide an accurate influence relevant to this business – Economic, Stakeholders (trade unions/employees) were the best options) 2) outline that influence and 3) make specific reference to the bs case study.

24b

Criteria	Mark
• Describes how a high staff turnover can impact training costs and profitability.	2-3
• Identifies that this will increase costs and/or reduce profits.	1

Answers may include:

- High staff turnover increases the need of a business to acquire more staff which will require training; this will increase cost of training for the business and therefore cut into profitability

Student Example: A high staff turnover can negatively impact a business by increasing training costs and reducing profitability. As the business needs to train new employees, this turnover dramatically increases the training cost on a business. This affects their profitability by reducing forcing resources to be channelled to training. In addition, new staff may not be as effective at selling the product or service knowledge which can also affect the businesses profitability.

24c

Criteria	Mark
• Explains ONE advantage and ONE disadvantage of global outsourcing	3-4
• Outlines ONE advantage and/or ONE disadvantage of global outsourcing	2
• Identifies ONE advantage or ONE disadvantage of global outsourcing	1

Answers may include:

- Advantages
 - Expertise: most of the time, tasks are outsourced to vendors who specialise in their field. Effectively the task can be completed faster and with better quality output.
 - Concentrating on core process rather than the supporting ones: Outsourcing the support processes gives the organisation more time to strengthen their core business process.

- Reduce operational and recruitment costs: Outsourcing eludes the need to hire individuals in-house; hence recruitment and operational cost can be minimised to a great extent.
- Disadvantages
 - Risk of exposing confidential data: When an organisation outsources HR, payroll and recruitment services, it involves a risk of exposing confidential company information to a third-party
 - Loss of domestic jobs: Current employees lose their jobs as they go overseas
 - Hidden costs: Although outsourcing, most of the time, is cost-effective, at times the hidden costs involved in signing a contract across international boundaries may pose a serious threat
 - Lack of customer focus: An outsourced vendor may be catering to the expertise-needs of multiple organisations at a time. In such situations vendors may lack complete focus on your organisations tasks

24d

Criteria	Mark
● Students recommend TWO possible strategies Futurz Graphic can implement to improve employment relations.	3-4
● Students recommend ONE possible strategy OR the identify TWO strategies Futurz Graphic can implement to improve employment relations.	2
● Students identify ONE possible strategies Futurz Graphic can implement to improve employment relations.	1

Answers may include:

- Adopting a particular leadership style, job design, recruitment, training and development, performance management, rewards, global, communication.

Student Example:

- (i) Leadership style: The staff at Futurz Graphics are seeking to be part of the decision making process. A democratic leadership style can vastly improve employment relations as its employees become empowered and satisfied that they can contribute to the decision making process.
- (ii) Job Design: Futurz Graphics should also employ job design to allow for employee enrichment. This strategy increases the responsibility of the employees as well as providing them with greater ownership of the task and product. This leads to intrinsic rewards of satisfaction, thereby improving productivity and employment relations

Criteria	Marks
<ul style="list-style-type: none"> • Presents a sustained logical and cohesive business report integrating relevant business terminology and concepts • Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question • Puts forward and provides multiple reasons in favour of human resource strategies which will improve business performance • Puts forward and provides multiple reasons in favour of financial strategies which will improve business performance 	17-20
<ul style="list-style-type: none"> • Presents a logical and cohesive business report and uses relevant business terminology and concepts • Makes some use of the information provided, demonstrating knowledge and understanding relevant to the question • Puts forward and provides reasons in favour of human resource strategies which will improve business performance • Puts forward and provides reasons in favour of financial strategies which will improve business performance 	13-16
<ul style="list-style-type: none"> • Includes features of a business report and uses some business terminology and concepts • Provides characteristics and features of human resource strategies which will improve business performance • Provides characteristics and features of financial strategies which will improve business performance 	9-12
<ul style="list-style-type: none"> • Includes some features of a business report and uses basic business terminology • Sketches in general terms some aspect of human resources OR finance 	5-8
<ul style="list-style-type: none"> • Uses basic terminology • May make reference to human resources OR finance 	1-4

Answers may include the following:

HR strategies:

- Resolving workplace disputes – grievance procedures in first instance, followed by negotiation as workers are using covert forms of industrial action. Implement strategy which will resolve issues with as little cost or time to business. Grievance procedures can identify issues the employees have that can be addressed to improve morale.
- Rewards – individual or group, non-monetary or monetary, linked to productivity improvements and to improve worker satisfaction. Monetary rewards may be harder to implement as the business is trying to reduce costs so non-monetary can be used in the short term.
- Performance management – appraisals to address strengths and weaknesses of employees. This can help to increase productivity.

- Job design
- Training and Development
- Leadership style

Financial strategies:

Cash flow:

- Cash flow statements to identify periods of low and high cash flow.
- Distribution of payments throughout the year to avoid shortfalls of cash.
- Chasing up accounts or offering discounts for early payment.
- Factoring
- Implementation of a credit policy

Working capital:

- Leasing and/or sale and lease back to free up funds, improve distribution of payments and excess money can be invested into other parts of business. These are also tax deductible.
- Control of current assets – Enough current assets being converted into cash to fund day-to-day operations. Controlling receivables, managing inventory to ensure that the business has not too little or too much cash.
- Control of current liabilities – delay payment as much as possible to increase liquidity or take advantage of early payment options if possible, avoid excessive payment of interest.

Marker's comments:

The business report section was completed satisfactorily. Given that the question was quite straight-forward and the stimulus provided students with opportunities to recommend and justify a whole range of finance and HR strategies, the markers felt that this question could have been completed to a higher standard.

The top responses demonstrated a very good understanding of the scenario and showed depth of knowledge by recommending a variety of strategies which were the MOST appropriate for the business. These responses went beyond the stimulus in their justification and were able to make stronger links with business performance. Furthermore they consistently referred to the stimulus in their response.

Students needed to ensure they demonstrated their knowledge of the syllabus by incorporating 3 or more strategies for each section. Students who had fewer strategies than 3 per section, even if they were completed to a high level of detail, did not attain as many marks as they could have as they didn't demonstrate a breadth of knowledge of strategies.

Students should think about which HR strategies would be the most useful for Tolstoy rather than trying to include as many as possible or following the order of strategies in the syllabus. Some students referred to recruitment in the HR section which didn't fit well with the scenario.

It was clear that many students had difficulty managing their time for this section as often one section was completed better than the other. In the finance section justification that went beyond the stimulus was crucial in order to score in the higher bands. Furthermore students needed to focus on strategies that both addressed the working capital and cash flow problems the business was having. Some students also talked about profitability management which was fine given the falling sales of the business. However, strategies to address liquidity and cash flow needed to be the greater focus.

Students need to ensure they adopt proper business report writing structure in their responses. In addition to having an executive summary and conclusion, students also need to have clear sections with headings and sub-headings throughout their report. Since the question already asked students to recommend strategies, recommendations at the end of each section were not necessary.

Attention: Management of Tolstoy's Toy Store

EXECUTIVE SUMMARY

The purpose of this report is to address "Tolstoy's Toy Store"'s current issue of cash flow problems, due to excessive credit sales and poor credit policy as well as issues of meeting debt obligations and current human resource (HR) issues that is threatening to half the progress of the business.

Tolstoy's Toy Store is a large manufacturer of toys and children's furniture with a successful operation of 8 years. It is looking to adopt new technology and improve its sales that have recently fallen along with productivity. It currently has problems with HR and financed management, indicative of the issues addressed above. This report will recommend and justify HR strategies, including training and development (T&D), leadership styles, job strategies such as cash flow and working capital management the firm can implement to improve business performance.

HUMAN RESOURCE STRATEGIES

- i) Training & Development – through training and development, current employees will have their skills enhanced such that they can skilfully operate the new technology, and by establishing these current skills employees will in fact feel more confident with their jobs and while does not rectify the issue of job cuts, can improve productivity of the business so as to continue producing toys and ultimately enhance business performance. While this may be costly and seemingly pointless, by developing some employees for their future skills they may be able to in fact take up other jobs within the firm, reducing risks of job cuts as well as gain satisfaction in feeling valued so they can reduce their correct forms of industrial disputation, decreasing absentees and turnover.
- ii) Dispute Resolution – this is essential to improve staff morale and employment relations. In applying forms of negotiation and mediation, managers and have both sides reach a greater understanding between each other, and improve and alleviate the current tension in the workplace. In knowing that management are likely to consider covert forms of disputation as they feel more valued. In addition to grievance procedures and potential conciliations, this can allow employees needs to be met while business interests aren't too compromised, resulting in improved business performance due to some productivity gains.
- iii) Democratic Leadership Style – while this would be hard to implement, considering the business is under such pressure in both HR and finance, it is imperative that Tolstoy now starts listening to what the employees have to say about the business' current decisions. It is more than likely that the employees can propose a much better direction for the business that does not require job cuts while improving business performance. Although management has to go the extra mile due to a longer span of control, employees will feel better knowing their news are also considered and as a result, their morale and HR relations will improve, leading to greater productivity and improving your business performance.
- iv) Rewards system – it is understandable in such times of financial trouble, Tolstoy would be resistant to provide more rewards for the employees, given their current confrontational stance with the business. In introducing monetary rewards, the business is able to motivate the employees to try harder on their job so as to gain satisfaction from their occupation. Non-monetary rewards also intrinsically motivate them, through a good job design, which will be further investigated. Through group performance-based pay, employees are more inclined to work

well in their groups, often sparking the rebellious groups to replenish productivity levels again and improve business performance.

- v) Job Design – this is an important step into meeting employees' needs while meeting the business's objectives of better performance. Here, a job analysis is conducted to look for all the jobs needed within the entire business. This is a great opportunity for Tolstoy to discover new areas of work that may not yet exist within the business, for example an environmental initiative team. Therefore you can justify more work being able to provide for the employees and not have to perform job cuts. Here, employees will cease their covert forms of disputation and reduce staff turnover and absenteeism. Through further job enlargement, job enrichment and job rotation, Tolstoy is able to further intrinsically satisfy the employees (see part 2) with sense of meaning. As a result, staff morale increases, and productivity will also increase leading to improved business performance.

As a recommendation, Tolstoy should look to implementing these HR strategies more appropriate which can help reduce rates of turnover, improve staff productivity and improve business performance while potentially reducing job cuts and further HR issues such as productivity can also lead to increased sales.

FINANCIAL MANAGEMENT STRATEGIES

- i) Credit Policy – as part of cash flow management, this will help target your cash flow problems due to excessive credit sales and poor accounts receivable turnover ratio. You need to establish a tighter credit policy of around 30 days, sending regular invoices to your customers and imposing penalties for late payments. Furthermore, you can offer
 - a. Discounts for early payment – this further encourages your customers to pay earlier, because although you will not receive the full amount, you will not have to risk cash flow problems and the costs associated with collecting bad debts anyway
 - b. Factoring – by factoring your accounts receivable to finance compares, you can also improve your cash flow conditions with a larger inflow of cash as part of current assets. In conjunction with a), this can help pay debts on time, improving the overall business performance, improving accounts receivable turnover ratio and achieving efficiency
- ii) Cash flow statement – the cash flow statement is a financial report that displays the cyclical flow of cash receipts and payments of each month through operating, investing and financial activities. This allows Tolstoy to project forecasted period of low income and high payments so as to implement
 - a. Overdrafts – by withdrawing more than what is present in Tolstoy's bank account. This helps meet temporary cash shortfalls so as to improve cash flow and meet debt obligations, hence improve liquidity and business performance
 - b. Distribution of payments – in spreading the payments more evenly so that it is less of a financial burden, Tolstoy can improve its cash flow and financial performance with enough money each month to pay off debts, improving working capital, as a result, harness liquidity, better cash flow and performance
- iii) Working Capital Management – this can be divided into:
 - a. Control of current assets – cash should always be monitored. There should be no idle cash such that it hinders profitability, or too little such that Tolstoy cannot pay their debts on time. Inventory management can be improve through JIT stocking methods to reduce storage costs and meet financial obligations more easily. Control of accounts receivable further increases working capital due to more current assets, improving liquidity and business performance.

- b. Control of current liabilities – Tolstoy should maintain positive relationships with its creditors to ensure they do not have a bad reputation in their name. Tolstoy should constantly look for better options of debt finance in the forms of payables and loans to reduce the possible current liabilities, improving working capital while reducing the difficulty of meeting debt obligations. This address the poor working capital management and improves business performance.
- c. Leasing Sale and Lease back – both strategies free up an immense amount of current assets and cash so that working capital is replenished. This allows you to use the equipment with a much larger reservoir of cash and as a result improve working capital. There are also lower debt obligations as part of leasing finance, hence resolving poor working capital management and improving business performance.

It is highly recommended these are implemented to ensure current cash flow and working capital problems at Tolstoy are addressed to improve business performance.

RECOMMENDATIONS

To conclude, Tolstoy should also look to offer voluntary redundancies or even retrenchment of stubborn employees if all HR strategies (T&D, leadership style, job design, rewards, dispute resolution) fail. This can produce a more amicable work culture and redundancy payments can be met due to better cash flow levels as a result of tighter credit policy, use of cash flow statements, discounts for early payments, factoring, use and control of overdraft and distribution of payments). Working capital (control of current assets/liabilities, sale and lease back) management will be implemented to return business performance and image and replenish sales.

Sincerely,
Your business consultants.

Section IV

Question 26

Why is the marketing plan important for the success of a business?

Criteria	Marks
<ul style="list-style-type: none">• Presents a sustained logical and cohesive response and communicates clearly using relevant business terminology and concepts• Shows the implications of the importance of a marketing plan to the success of a business• Applies relevant case study/studies and contemporary issues	17-20
<ul style="list-style-type: none">• Presents a logical and cohesive response using relevant terminology and concepts• Makes evident the relationship between a marketing plan and business success• Uses relevant case study/studies and contemporary issues	13-16
<ul style="list-style-type: none">• Communicates using business terminology and concepts• Provides characteristics and features of a marketing plan• May make some reference to case study/studies and contemporary business issues	9-12
<ul style="list-style-type: none">• Communicates using some business terminology and concepts• Makes some reference to the marketing plan• Makes some reference to case study/studies and contemporary issues	5-8
<ul style="list-style-type: none">• Uses basic business terminology• May refer to case study/studies• May make reference to marketing	1-4

Answers may include the following:

Students show an understanding of the importance of the marketing plan and this is clearly linked to business success. Success is judged by the attainment of marketing objectives.

- situational analysis – SWOT, product life cycle
- market research
- establishing market objectives
- identifying target markets
- developing marketing strategies
- implementation, monitoring and controlling – developing a financial forecast; comparing actual and planned results, revising the marketing strategy

Marker's comments section IV Q 26

This question proved problematic to many students due to the following factors:

- **Knowing the entire marketing plan** – many students omitted the implementation, monitoring and control section. This is fact is extremely important as this is how the success of a marketing plan is viewed. The strategies were also left out by a significant number of students.
- **Timing** – many students obviously ran out of time. Please make sure that you time the exam so that you finish the last section.
- **Case study** – if you are making up a case study or using one that it unknown to others (based on a business you know) it is essential that you identify what the business does. It is hard to understand the marketing plan if you as the marker, have no idea what the business is marketing.
- **How is success measured?** It is the achievement of the objectives of the business? This is a question that many students fail to understand. It is essential that you indicate how the success of a business is measured and not simply say “using this part of the marketing plan will ensure success” at the end of every paragraph. This is not answering the question.
- It is important that you do not tell the story of QANTAS (note how this is spelt!) You could have used other businesses (VEA or Kit Kat) which specifically dealt with the introduction of a particular product to the market place. This could then show that the plan was indeed successful as it resulted in increased sales or profitability. QANTAS really does have to be linked to improved customer satisfaction or the successful market share capture by Jetstar. Their marketing plan has not improved their profitability in recent years.

Suggested Answer SECTION IV Q 26

A marketing plan is crucial for use within businesses such as Qantas and Kit Kat in the realisation of successful marketing ventures that enable them to achieve marketing objectives as well as achieving strategic business goals such as increasing market share, maximising profitability and improving customer service, ultimately contributing to business success. The ability to undertake a situational analysis, market research, establishing marketing objectives, identifying target markets, developing marketing strategies and implementing, monitoring and controlling the marketing plan is instrumental in any business' step towards success, through the marketing process.

In response to declining performance, Qantas has undertaken an extensive situational analysis to help provide a foundation for where marketing efforts need to go and achieve success. Through a SWOT analysis, Qantas has developed a further insight into its weaknesses and strengths, including their poor workplace dispute resolution abilities, weakness on the international arm, while acknowledging their brand reputation that they can exploit. They also seek further opportunities in expanding into Asia Pacific, while acknowledging the threats of competitors such as Virgin Blue and Virgin. It further establishes its positions in the product life cycle, knowing Jetstar is under growth, domestic Qantas under maturity and international Qantas in decline. This allows Qantas to then base specific points of research and objectives for each of these segments, implying that they have established a solid foundation from which they can work on to improve chances of business success.

Similarly, Kit Kat have also identified, in the late 1990's, with the aid of a SWOT analysis that, despite their reputation, their current line of products are becoming outdated. In understanding

its products are in the decline stage, Kit Kat can then seek to develop other products, implying they now have a specific direction of where to go in a new marketing venture. Therefore, a situational analysis is absolutely essential for a business to set its direction and success of marketing efforts.

Market research is again a vital component of the marketing process where a business can obtain valuable information, so as to establish marketing objectives. This involves identifying information needs, collecting data and analysing and interpreting the data. This has been done well by Qantas as they acknowledge their need to not only find out ways they can reinvigorate Qantas, but how they can promote the growth of Jetstar. Therefore, they obtain primary data through customer surveys and feedback forms so that they can obtain first-hand insight into customer needs. Secondary data like Roy Morgan airline industry reports further cement their information they need. Qantas analysed data well, replacing cold food boxes with warm Neil Perry meals, signifying they can now satisfy more customers, implying the eventual ability to increase customer satisfaction.

Similarly, with Project Tyson, Kit Kat further conducted focus groups of audiences of varying ages and ethnicities, to ponder their chocolate preferences. After gathering the data, they were then able to consolidate their information and bring about the conception of the Chunky Finger, which later on proved to be a great success. This implies that market research can assist in the development of new products and services that further increases chances of marketing success.

Establishing marketing objectives is equally important as this dictates what the business strives to achieve as part of the marketing plan. Having collected their data, Qantas was then able to realise the objectives of Jetstar to capitalise on growth in the Asia Pacific areas to counter the dominance of Virgin Blue, while having the domestic Qantas market share to remain at 65% as well as reducing the losses of its international arm. This implies that Qantas will now be better equipped to identify target markets and develop strategies so as to achieve these goals that help guarantee success.

Kit Kat extends this in establishing both qualitative and quantitative objectives, such as getting the Chunky Finger to be the most popular preference for a snack break, as well as setting S M A R T (specific, measurable, achievable, realistic, timed) goals, such as achieving 50 million units at the end of the production year. This implies that Kit Kat now have specific directives that they can constantly refer to and constantly be on their path to achieve their marketing goals. Hence, establishing marketing objectives is an imperative step to achieving business success.

Identifying target markets allows businesses to concentrate their marketing efforts and hence is important in the lead up to developing marketing strategies. Qantas utilises market segmentation, mainly behavioural segmentation, to target the frequency of their existing and potential customers, so they can satisfy both customers visiting family relatives (VFR) and senior managers on important business trips. This implies Qantas can know where to allocate their marketing resources, using the marketing concept to satisfy customer needs and increase customer satisfaction.

Likewise, Kit Kat also identifies its target market to be between 17-20 years of age as a primary market but that it is accessible to the general public. This implies they can adopt the right promotional strategies to attract the majority of its target market, leading to greater chances of increasing market share and maximising profitability. Therefore, this is also an essential step in the marketing plan to achieve success.

Developing marketing strategies is absolutely crucial as here the marketing function explores the marketing mix to harness as much market share and sales as possible. Qantas as a service business utilises the extended marketing mix to great effect to increase customer satisfaction and

increase sales. Product strategies such as comfort based features with the skybed and different flight classes (economy, business etc) and Neil Perry inspired foods to enhance customer experience, along with scheduling phones. It also adopts cost based, market based, competition based pricing methods to counter Virgin Blue's low cost flights through Jetstar, with price penetration, cost leaders (Jetstar) and pricing flexibility (Qantas) to balance increasing market share with maximising profitability. Promotional strategies are also maximised by Qantas, who utilise blanket advertising with slogans like "we still call Australia home"(2004) and "you're the reason we fly" (2012) along with sales promotions to gain the attention of customers and increase market share.

Publicity and public relations (PR) increase its exposure to the market with opinion leaders like John Travolta and sponsorship of rugby and football to increase chances of better market share. Distribution is direct and indirect which helps maximise customer exposure as well as sales to generate profits. Through processes, Qantas increase convenience through mobile check-ins and Q Bag Tags for convenience. Its people are professionally presented with their redesigned uniforms (2013) to enhance customer attraction, and physical evidence of signage and lounges, help increase market share due to a more attractive outlook and as a result, increase sales.

Qantas, through global branding and standardised services allows it to reduce promotional costs while still gaining a worldwide audience to boost market share and improve brand recognition. The enormity of Qantas' marketing strategies has enabled them to achieve success in all these years, implying that it is a crucial step of the marketing plan.

Kit Kat, through promotional campaigns, differentiation of its product as well as intensive distribution to stores as its marketing strategies have also yielded great results, signifying the importance of developing marketing strategies, as they further Qantas experiences due to the enormity of release success, attracting younger kids as well as part of aspirational identification. Therefore, developing marketing strategies mean that businesses can much better increase customer attraction and to achieve business goals and success, showing its importance as part of the marketing plan.

Finally, implementing, monitoring and controlling the marketing plan is a very essential step for businesses to make adjustments to contingencies and unexpected results. Qantas undertakes a financial forecast, including sales, market share and market profitability analyses to ensure all their marketing steps are economically viable and can guarantee marketing success. In monitoring their progress, Qantas was then able to identify financial problems on the acquisition of expensive new aircraft, and can hence take corrective action, or controlling, to defer orders and ensuring profitability and long term success of the business. This implies that this step of the marketing plan can ensure businesses can have ongoing success in revising the marketing strategy where needed, making it vital for success. This was also done by Kit Kat, but due to their great marketing steps beforehand, did not have any mentionable issues to control. Nonetheless, this shows the importance of implementing, monitoring and controlling the plan to ensure ongoing profitability and achieve business goals.

We are brought to appreciate the irrefutable significance of the marketing plan as a whole that is an irreplaceable step into business success. The progressive stages of the marketing process from situational analysis, market research, objectives, to identifying target markets, developing marketing strategies and implementing, monitoring and controlling the plan have proved to reward Qantas and Kit Kat's efforts of this process with the achievement of profitably increasing market share and maximising customer service. A marketing plan brings a business, step-by-step closer to the achievement of goals, hence showing why it is so important for business success.

Question 27 Criteria	Marks
<ul style="list-style-type: none"> • Presents a sustained, logical and cohesive response and communicates clearly using relevant business terminology and concepts • Shows the implications why CSR, cost based competition and government policies is a key concern of operations management • Applies relevant case study/studies and contemporary business issues 	17–20
<ul style="list-style-type: none"> • Presents a logical and cohesive response using relevant terminology and concepts • Makes evident the relationship between CSR, cost based competition, government policies and operations management • Uses relevant case study/studies and contemporary business issues 	13–16
<ul style="list-style-type: none"> • Communicates using business terminology and concepts • Provides characteristics and features of between CSR, cost based competition, government policies in operations • May make some reference to case study/studies and contemporary business issues 	9–12
<ul style="list-style-type: none"> • Communicates using some business terminology and concepts • Makes some reference to CSR, cost based competition, government policies in operations • May make limited reference to case study/studies and contemporary business issues 	5–8
<ul style="list-style-type: none"> • Uses basic business terminology • May refer to case study/studies • May make reference to operations 	1–4

Comment:

Q27 AP4 2013 – Markers Comments

Why is corporate social responsibility, cost based competition and government policies a key concern of operations management.

Some key points:

- This question was quite well answered. In order to access the 17-20 mark range there was an expectation that you needed to analyse (which you should be thinking anyway, particularly if the directive term is a 'why' or 'how')
- Most students who attempted this question handled the section on corporate responsibility very well but cost based competition was done less well and then government policies tended to be the poorest section in the essay across the board.
- Don't fall into the trap of just describing your case study and telling a story – you need to engage the question through your case studies. QANTAS (note spelling) was easily adapted to this question however, students used a range of case studies (which is fine). If you are going to make a case study up – it needs to be believable.
- Many students were able to show the implications of the three influences but did not always show why it was a concern to operations. Remember, analyse has three sections to it: a) describe the components (in this case the influences); b) show the relationship – the question asked why the three influences were a concern to operations and lastly; c) implications of this relationship.
- Structure your essay – if you can structure your response so you attempt one section - going through the 3 parts of an analyse, then attempt the next influence and so on, it makes it far easier to follow and read as a marker. Some of you were jumping around all over the place. You want to make the marker's job easy so they don't have to over analyse the response and more than likely mark you more harshly. One of the dot points in the marking guidelines actually refers to "a sustained, logical and cohesive response" Jumping around all over the place does not help with this criteria.

Corporate social responsibility, cost-based competitors and Government policies are a key concern for operating management as they greatly impact the productivity, efficiency and public image of a business' operation and thus, determine and shape business' operations strategies implemented to overcome such influences. Qantas, Coca Cola and Toyota have all been influenced by these influences and have implemented measures to overcome and take advantage of such impacts to see business success.

Corporate Social Responsibility refers to open and accountable business actions that are based on respect for people, society and the broader environment. As such, CSR mainly impacts upon the public image of a business's operations and forces a need for socially and environmentally responsible purchases within a business's operations. Coca Cola's product has undergone constant criticism for the negative impact it has had upon consumer health and as such, the business public image has been damaged. As a response to the need for CSR policies, Coca Cola has implemented many CSR procedures to address this key concern and improve business success. Recently Coke has employed an extensive advertising campaign which it promoted and introduced its smaller sized, less sugary drink as part of its support for society's fight against obesity.

Additionally, Coca Cola has also entered into partnerships with the Bicycle Network to promote healthy, outdoor lifestyles for young Australians. As a result, it is evident that Coke addresses the credibility of CSR and as a result this has led to the improved public image towards its brand and product.

Toyota, similar to Coke, also recognised the influence of CSR on business success and as such, implemented a "lean manufacturing" policy in which waste is minimised and recycled during stages of its manufacturing and transportation process. As a result, Toyota was able to address the key concern of CSR to ensure that the business cut wastage costs, developed a good public image of environmental responsibility and ultimately saw long-term success. The implications of CSR upon Toyota and Coca Cola has led them to recognise its importance as a crucial factor in determining the public perception of their products, in turn the businesses have been able to develop effective strategies to respond to the influence of CSR.

Cost-based competition refers to a business cost competitiveness within an increasingly competitive market. Qantas fares have competition within its domestic and international networks and as such, has realised the cruciality of cost-based competition. Upon determining the success of its global and domestic operations, Qantas, as a response to increased competition, has implemented many cost leadership measures to compete better. By outsourcing its IT and maintenance departments, as well as entering into alliances with OneWorld and Dreamliner groups, Qantas has been able to reduce costs and reduce economies-of-scale which, in turn, has allowed the business to compete well with local and international companies, leading to the success of the airline, especially in Pacific and Asia markets.

Similarly, Toyota, through the implementation of CAD, and enacting cost-cutting, Toyota Technologies has, as well as mass production of cars, has been able to increase efficiency and dramatically lower its costs. As a result, Toyota is far ahead of its competition in terms of efficiency and cost-based competition. As such, through the recognition of the key influences of cost-based competition, Toyota has realised its importance in shaping its operational process and, as such, has been able to develop strategies to overcome and capitalise on its impact. Thus, the implications of cost-based competition has led the business to implement effective strategies to realise, overcome and capitalise on the key operational concern of cost-based competition which in turn has led to the successful performance of both Qantas and Toyota, through lowering its costs which has helped both businesses compete better within their markets.

Government policies are those policies set by Government which detail and outline specific requirements which influence the procedures and policies of operations. Government policies and their influence will be dependent on which political party is in power and so are key factors for operational management and can change rapidly. Toyota, along with all other manufacturing businesses has been greatly influenced by the Labour Government's introduction of the Carbon Tax. As a result, Toyota has had to monitor its carbon emissions and develop measures to reduce its carbon emissions to reduce taxation.

Hence, the business has implemented new technologies and renewable energy inputs for its transformation process to lower its use of carbon-produced fuels. However, with such negative taxation costs, at Toyota have been passed on as slight increases in prices of new car models. Thus, the implications of Government Policies have been a crucial factor in Toyota's manufacturing and have forced the business to implement technologies with cost-cutting resources to respond to the key influence of Government Policy, to in turn maintain sales and profits. As such showcasing the importance of Government Policy on Toyota as it is a crucial factor in determining the reach publicity, productivity and success of its business.

Therefore, CSR, cost-based completion and Government Policies are all crucial concerns for operational management, due to their ability to determine the overall productivity, cost-effectiveness and strategic methods of the business. Through businesses such as Qantas, Toyota and Coca Cola it is evident that the operational processes and strategies of the business are based on and are shaped by such key influences and as such are very important concerns for operational management.