

2014
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

20 marks

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

Section II

40 marks

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

Section III

20 marks

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

Section IV

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/NAME:.....



- 1 Which key business function involves the production of goods and services?
 - (A) Human resources
 - (B) Marketing
 - (C) Finance
 - (D) Operations

- 2 Where are most shares traded in Australia?
 - (A) Fair Trade Australia
 - (B) The Reserve Bank of Australia
 - (C) Australia Securities Exchange
 - (D) Australian Securities Investment Commission

- 3 In which of the following markets is a company that supplies flour to bakeries?
 - (A) Industrial market
 - (B) Stock market
 - (C) Consumer market
 - (D) Intermediate market

- 4 Which of the following indicates an effective human resource strategy?
 - (A) High staff turnover
 - (B) Repetitive tasks
 - (C) Lower specialisation
 - (D) Reduced product returns

- 5 Which expenses are associated with meeting the requirements of legal regulations?
 - (A) Supplier costs
 - (B) Hedging costs
 - (C) Compliance costs
 - (D) Transformed pricing

6 Which pricing strategy is often used with luxury items?

- (A) Cost pricing
- (B) Price points
- (C) Penetration pricing
- (D) Price skimming

7 *A company receives a letter notifying them that an independent accountant will be checking the accuracy of their financial records.*

What is this process called?

- (A) Audit
- (B) Budget check
- (C) Ethical check
- (D) Sale and lease back

8 Which alternative describes a business that is most likely to be a cost leader?

- (A) It uses the least amount of input possible to produce a given output
- (B) It has a high level of customer contact
- (C) It has low volume and produces standardised products
- (D) It has a high variation in demand

9 Which of the following would immediately improve the working capital of a business?

- (A) Using sale and lease back
- (B) Preparing a cash flow
- (C) Increasing in credit sales
- (D) Installing surveillance camera

10 *A business decides to redesign its company logo as management feels the current one is out-dated.*

This a part of which type of marketing strategy?

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

Use the following information to answer Questions 11 and 12.

A business has recorded the following figures for June 2014.

	\$
Sales	420 000
Cash	35 000
Mortgage	198 000
Net profit	33 000
Accounts receivable	17 000
Equipment	40 000
Inventory	12 000
Overdraft	8 000
Land and building	250 000
Accounts payable	20 000
Capital	85 000
Drawings by the owner	6 000

$$\frac{33\,000}{112\,000}$$

$$= 0.29$$

- 11 What is the return on owner's equity ((net profit ÷ owners' equity) × 100 ÷ 1)?
- (A) 26.6%
 (B) 38.8%
 (C) 53.8%
 (D) 29.5%
- 12 What is the working capital ratio (current assets ÷ current liabilities) and the accounts receivable turnover ratio in days (sales ÷ accounts receivable = number of times, 365 ÷ number of times)
- (A) 2.29:1 and 28 days respectively
 (B) 0.44:1 and 15 days respectively
 (C) 2.29:1 and 15 days respectively
 (D) 0.44:1 and 28 days respectively
- 13 A group of business people have decided not to stay at a hotel during a business convention because it does not have a 4G broadband connection or meals available 24 hours. Which influence on operations is the hotel not satisfying?
- (A) Technology
 (B) Quality expectations
 (C) Globalisation
 (D) Task design

- 14 Pine Tree Furniture has developed a network of supplies from four different countries, ensuring that costs are minimised.

Pine Tree Furniture is using which of the following strategies?

- (A) Reverse engineering
 - (B) Quality expectation
 - (C) Domestic web
 - (D) Supply chain management
- 15 What of the following is a non-monetary reward used in employment relations?
- (A) Profit sharing
 - (B) Tickets to a sporting event
 - (C) End-of-year bonus
 - (D) Company car
- 16 Who administers workplace health and safety laws and worker's compensation in NSW?
- (A) Fair Work Australia
 - (B) WorkCover
 - (C) Trade Practices Act
 - (D) The Ombudsman
- 17 During an economic upturn, which of the following is likely to be a human resource outcome?
- (A) Increasing wages
 - (B) Decreasing wages
 - (C) Increasing redundancy
 - (D) Decreasing product quality
- 18 Which of the following is an ethical criticism of marketing?
- (A) Provides accurate information on products
 - (B) Engages in competition
 - (C) Creates needs
 - (D) Increases online advertising

- 19 Which of the following is a risk of using standard worldwide price?
- (A) Level of demand may increase in developed nations.
- (B) Cost of making a good increases because of shipping and transport.
- (C) Product quality will decrease in countries with lower exchange rates.
- (D) Changes in exchange rates may negatively impact the exported price.

- 20 Consider the following Gantt Chart for the production of a new mascara:

	Week:																					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
A	■	■	■	■	■																	
B						■	■															
C								■	■	■	■	■	■	■	■							
D						■	■	■	■	■	■	■										
E																						
F																■	■	■	■	■	■	■
G									■	■	■	■	■	■	■	■	■	■	■	■	■	■
H																						■

- A: Approval from Therapeutic Goods Administration
 B: Chemical Analysis
 C: Colour Decisions
 D: Package design
 E: Target market research
 F: Manufacture product
 G: Devise marketing mix
 H: Product launch

How will the time taken to complete the project be affected if Activity D takes ONE extra week to complete?

- (A) The project completion date will be extended by one week
- (B) The project completion date will remain unchanged
- (C) The project completion date will be reduced by one week
- (D) The Gantt cannot be used to forecast the completion date

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)

There are a number of legal influences that impact upon employment relations.

- a) Identify ONE stakeholder that common law attempts to protect. 1

- b) Outline TWO common law obligations of an employee. 2

(i) _____

(ii) _____

- c) Analyse the cause of ONE workplace dispute and the strategy/ies used to resolve it. Use a specific example in your answer. 6

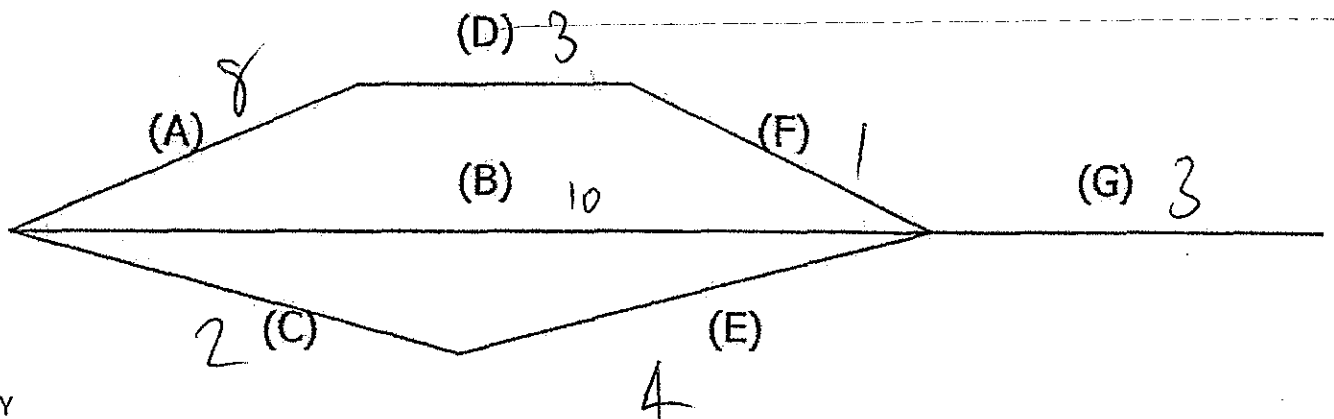
Student Number.....

End of Question 21

Question 22 (10 marks)

- a) Outline the interdependence of operations with ONE other key business function 2

- b) 'You Won't Whine' is a business that grows grapes and makes wines using the following scheduling method



KEY

- A = Prepare soil (8 weeks)
- B = Build casks and oil them (10 weeks)
- C = Contact retailers re: new season flavours (2 weeks)
- D = Tie and spray new growth (3 weeks)
- E = Recruit casual labour ('pickers') (4 weeks)
- F = Label red and green grapes (1 week)
- G = Harvest new crop (3 weeks)

- I. Calculate the length in weeks for the critical path 1

- II. Why would the tool used above be useful for managers? 3

Student Number.....

- c) Explain how ONE operations process other than sequencing and scheduling contributes to the success of a business.

4

End of Question 22

Student Number.....

Question 23 (10 Marks)

A large Melbourne-based beauty and hair supplier is expanding its operations by establishing another warehouse in Sydney. The company wants to adopt a marketing approach that will allow them to achieve marketing goals by focusing on customer needs and wants. Management have decided to use pricing strategies that will allow them to attract customers and increase sales.

(a) Identify TWO features of the marketing approach 2

- (i) _____

- (ii) _____

(b) Outline TWO marketing objectives that this business may aim to achieve 4

- (i) _____

- (ii) _____

Student Number.....

(c) Recommend two appropriate pricing strategies that this business may use to attract customers and increase sales.

4

(i) _____

(ii) _____

End of Question 23

Question 24 (11 marks)

Observe the following information.

Capex Ltd is an Australian medical supplies manufacturing company that is considering the purchase of new Hepa Filtration equipment from America to use in their manufacturing plant at a cost of \$10 million. Management at Capex want to use this specialised equipment in order to improve the sterile conditions in which their products are produced and help their products to compete more effectively in the American market.

'Capex Ltd' as at 30 June 2013			
\$			
Current assets		Current liabilities	
Cash	400 000	Overdraft	1 000 000
Accounts Receivable	2 500 000	Accounts payable	9 600 000
Inventory	3 600 000		
Non-current assets		Non-current liability	
Equipment	10 550 000	Mortgage	15 000 000
Property	26 000 000		
		Owner's Equity	
		Capital	16 500 000
		Net profit	950 000
Total	43 050 000	Total	43 050 000
Additional Information			
2012 debt to equity ratio: 0.8:1			
Industry average debt to finance ratio: 1.5:1			

(a) Comment on the change in gearing (Total liabilities ÷ Total Equity) between 2013 and 2014.

2

(b) Calculate the working capital for Capex Ltd in 2013.

1

(c) What is debt finance?

2

- (d) Propose and Justify ONE type of finance option that would be appropriate for the purchase of the new equipment. **3**

- (e) Explain ONE global financial management strategy that the management of Capex Ltd would need to consider in order to help them compete more effectively in the global market. **3**

End of Question 24

Section III

20 marks

Attempt Question 25

Allow about 35 minutes for this section

Answer the question on the writing paper provided

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

- Demonstrate knowledge and understanding relevant to the question
- Apply the hypothetical situation
- Communicate using relevant terminology and concepts
- Present a sustained, logical and cohesive response in the form of a business report

Question 25 (20 marks)

Victoria Rose Designs is a successful manufacturer and retailer of women's exclusive designer clothing that has been established in Melbourne for the past 10 years. Even though, Victoria Rose Designs manufactures all of its clothing lines in Australia, it sources some of its fabrics and other inputs globally. Management is very particular as to where it sources its fabric as it wants to ensure that its suppliers are not using production methods that have adverse impacts upon employees and the environment.

Victoria Rose Designs is now considering expanding by establishing retail outlets in Sydney and Brisbane.

However, management is concerned that over the past few years Victoria Rose Designs has experienced:

- Loss of market share as a result of cheap imported products
- Most of the equipment and design methods used in their factory are outdated compared to what their most of their competitors are using
- An increase the number of dissatisfied customers due to a rise in faulty garments
- and poor customer service

Quality effectation

Technology

You have been employed as a consultant by the owners of Victoria Rose Designs. Write a report to the owners recommending TWO appropriate operational influences that need to be addressed and marketing strategies that could be implemented in order to achieve the marketing objectives associated with the planned expansion.

End of Question 25

Section IV

20 marks

Attempt EITHER Question 26 OR Question 27

Allow about 35 minutes for this section

Answer the question on the writing paper provided.

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)

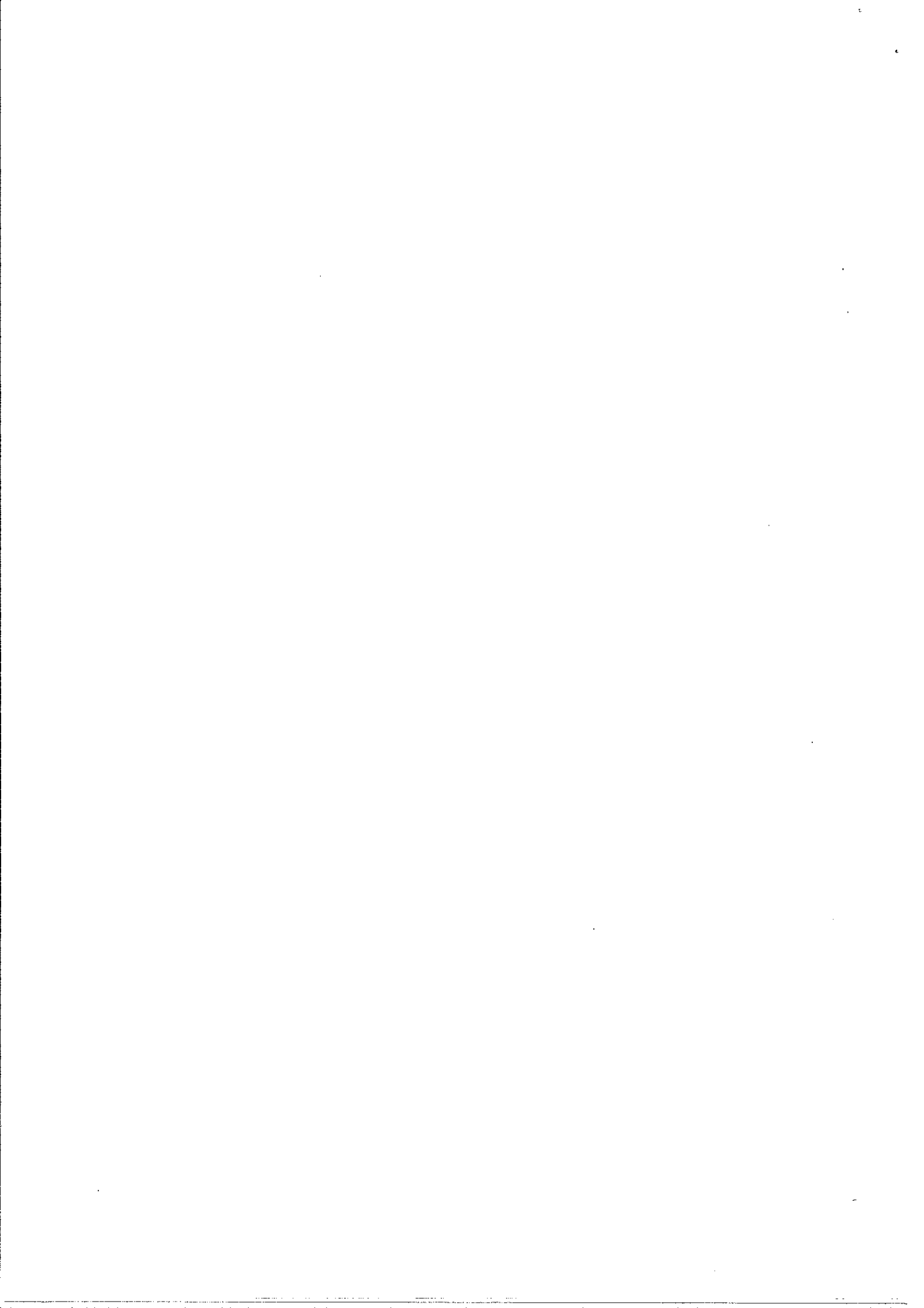
Analyse how financial strategies can contribute to improved financial performance.

OR

Question 27 (20 marks)

Analyse the influences of stakeholders, the economy and technological change and their importance in managing human resources.

End of paper



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				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				



Section I

20 marks

Attempt Questions 1–20

Allow about 35 minutes for this section

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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		

Marking guidelines Question 21

a) Identify one stakeholder that common law attempts to protect

Correctly identifies either the employee or employer	1
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b)

Outline two common law obligations

Outlines two employee obligations	2
Outline one employee obligation	1

Employers must obey lawful and reasonable commands made by the employer
 Employees must use care and skill in the performance of their work activities
 Employees must act in good faith and in the interests of the employer.

c) Analyse the cause of ONE workplace dispute and the strategies used to resolve it. Use a specific example in your answer

Clearly identifies the components of ONE workplace dispute, the cause and the strategy used to resolve it. Shows the relationship between these components and relates implications for the business. Uses a specific example	5-6
Identifies ONE workplace dispute, the cause and the strategy used to resolve it. Makes the relationship evident between the components.	3-4
Identifies a dispute, may state the cause and the strategy. Outlines some component of the dispute	1-2

workplace disputes
 resolution – negotiation, mediation, grievance procedures, involvement of courts and tribunals

A specific example means a case study example, not a story.

A workplace dispute exists when there is a disagreement over an issue between the employee and employer. The major causes of disputes include disputes over remuneration, employment conditions or job security. There are many ways to resolve disputes and this involves the key stakeholders being involved in the proceedings. Negotiation (a discussion between the parties resulting in a compromise), Mediation (discussion in the presence of a third neutral party), Grievance procedures (formal processes put in place in the workplace)and the involvement of courts and tribunals are the most common forms of resolution.

The QANTAS Pilots dispute is an excellent example of how one dispute has been resolved. This dispute was finally resolved in 2013 and the cause was over pay and job security. Negotiation was the first method used but this broke down. The result of this was a series of covert industrial action

by pilots but QANTAS used overt action and shut down its operations briefly in 2011. The pilots and their union (the Australian and International Pilot Association) entered a binding arbitration over a new Enterprise Bargaining Agreement before Fair Work Australia after they lost their Federal court challenge.

The implications for QANTAS of this resolution were that the pilots were given an incremental pay increase until 2014, causing additional financial stress for the airline. However, for the pilots, they did not get everything they wanted, as they missed out on job security and had to concede some productivity gains. QANTAS could also be in for more industrial problems as this agreement ends in December 2014.

Question 22 Marking Criteria

a. Outline the interdependence of operations with other key functions (3mks)

Accurately outlines the interdependence with one key function	2
Partly outlines interdependence	1
Inaccurately outlines	0

Sample:

Operations are dependent on human resources because labour needs to be recruited and trained to perform the various operational tasks. Human resources is dependent on operations because without it there would be no employment

b. Calculate the length in weeks for the critical path

Correctly calculates	1
Incorrectly calculates	0

Answer: 15 weeks

c. Why would tool used above be useful for managers

Clearly and substantially explains why the tool would be useful	3
Partially explains usefulness	2
Outlines tool	1

Sample:

The above tool would be useful because managers are able to see the types of task that need to be completed and the time it takes to complete each task. It allows the managers to determine the critical path ie shortest time needed to complete the operations process and then determine what other tasks can be performed simultaneously to reduce lead times. The tool allows managers to organise tasks so that products are produced more efficiently to reduce costs and in the minimum time. This leads to the business being more competitive in the market place.

d. Explain how one operations process other than scheduling contributes to the success of a business

Provides well -structured response using correct business terms and examples that comprehensively explains how one operations process contributes to the success of a business	4
Partially explains using business terms and examples	3
Describes process using business terms and examples	
Outlines/refers to business process	

Could mention

Inputs

Volume, variety, Variation and Visibility

Technology

Monitoring and control

Task design

Plant design

Output

Sample:

Sourcing and using technology efficiently in the workplace is an important operations process. By using robotics and CAD CAM, computers and information technology business cannot only produce more complex and improved products, they can do so with more precision and with fewer faults. It can also enable a business to reduce costs since less labour is needed. This could also lead to fewer accidents in the workplace which can be costly as well. Using Technology is critical to a business to produce on a large scale and to produce quality products so that it can more effectively compete and increase sales and ultimately maximise profit.

Question 23 (10 Marks)

A large Melbourne-based beauty and hair supplier is expanding its operations by establishing another warehouse in Sydney. The company wants to adopt a marketing approach that will allow them to achieve marketing goals by focusing on customer needs and wants, Management have decided to use pricing strategies that will allow them to attract customers and increase sales.

(a) Identify TWO features of the marketing approach

2

2	Identifies TWO features
1	Identifies ONE features

Answers could include

Finding out what customers want (market research), Satisfying their needs, customer orientation, corporate social responsibility, relationship marketing

NOTES

Answers need to be features of marketing approach Not characteristics which could be applied to marketing in general.

Identify – Don't waste time writing long responses. When you spend too much time on questions like this you are taking away from the time you could spend on the extended responses

If the same answer was provided in two different ways – 1 mark only

(b) Outlines TWO marketing objectives that this business may aim to achieve

4	Outlines TWO marketing objectives relevant to this business Objectives are specific and measurable
3	Outlines TWO marketing objectives relevant to this business
2	Outlines ONE marketing objective relevant to this business
1	Identifies an aspect of a marketing objectives

Answers could include

(Increasing market share, Expanding the product mix, Maximising customer service)

Example

Increase market share by 10% over two year period.

Expand the marketing mix by three items per year for two years

Notes

Students needed to refer to marketing objectives.

Increasing market share and sales is considered to be the same objective as you increase your market share by increasing sales. If a response differentiates between market share and sales then it could be considered for full marks.

e.g Increase market share by 10% over two year period.

Increase sales to established customers by 5% over two years

Students referring to Financial objectives of profitability and growth were not awarded marks.

- (c) Recommend two appropriate pricing strategies that this business may use to attract customers and increase sales

4	Recommends TWO appropriate pricing strategies giving reasons in favour of these strategies Makes effective use of the information provided in determining appropriate strategies
3	Recommends TWO appropriate pricing strategies giving reasons in favour of these strategies Describes TWO strategies in detail
2	Recommends ONE appropriate pricing strategy giving reasons in favour of this strategy. Makes effective use of the information provided in determining the strategy Outlines TWO pricing strategies
1	Outlines/Identifies pricing strategy/ies

Answers could include

Price skimming, Price penetration, Loss leader – Answer must show how the identified pricing strategies would allow the business to attract customers and increase sales.

Example

As the business aims to attract customers it is recommended that they implement price penetration as a strategy. This will allow the business to enter the new market with low prices on some items. This will in turn attract customers to the business. As customer loyalty increases the business will be able to increase the price of its product increasing the profit margin of the business.

Another strategy which is highly recommended is Loss Leader. This is an appropriate strategy as by advertising selected products at a loss customers will be attracted to the business. Customers will purchase the product due to the low price and will also be exposed to other products within the business and are highly likely to make additional purchases increasing sales.

NOTE

Price Skimming involves introducing the products at a high price in order to create a customer base who see the product as elite. The problem with choosing this strategy is that the business wants to attract customer. By having a high price you will be turning away many customers. The business also aims to increase sales, high prices may create a profit due to a high mark up price but you will receive limited sales. Another issue is that the business is already established in Melbourne. Using a strategy where you set prices higher in Sydney than Melbourne may be detrimental to the business and you can not go and increase the prices in Melbourne as you will lose your customer base.

Price skimming was accepted if the recommendation clearly showed that it would work.

DO NOT WRITE MORE THAN WHAT IS REQUIRED. IT DOES NOT GET YOU ANY MORE MARKS AND TAKES AWAY FROM THE TIME YOU HAVE TO PREPARE YOUR EXTENDED RESPONSE AND REPORT.

Marking guidelines:

(a) Comment on the change of gearing between 2012 and 2013.

Comments on the change of gearing between 2012 and 2013. Calculates the gearing in 2013.	2
Student either comments on the gearing in 2013 without using figures OR they calculate the gearing in 2013 without making a comment about the change in gearing.	1

- In 2012 the gearing was 0.8:1 and in 2013 it is 1.47:1 or 1.5:1 (rounded up to 1 decimal place)

Using the debt to equity ratio (Total Liabilities/Owner's Equity) $25600000/17450000 = 1.4670487$

This illustrates that the gearing ratio has deteriorated and increased from \$0.80 in external debt to \$1.45 in external debt for every \$1.00 of owners' equity.

Marker's comments:

Some students did not interpret the gearing ratio correctly and even used incorrect figures when referring to their interpretation. If you are going to interpret the ratio, you need to do it correctly (see above). Furthermore many students referred to the ratio is 1.4:1 or 1.45:1. This is technically incorrect as it hasn't been rounded correctly. Students were not penalised for this as many did show some working out. However for the HSC, PLEASE ensure you state the correct ratio. Round up to 1 decimal place or round to 2 decimal places. If you show your working out it gives the marker more scope to give you marks as it shows your understanding. Students were also not penalised for not showing working out but they should be doing so for any ratio calculation question.

Sample response:

The debt to equity ratio in 2012 was 0.8:1 which means there was 80c of debt to every \$1 of equity. In 2013, the debt to equity ratio is 1.5:1, meaning there is \$1.50 of debt to every \$1 of equity. This means the debt to equity ratio has worsened from 2012 which has increased the gearing of Capex making it at risk of becoming insolvent.

(b) Calculate the working capital for Capex in 2013.

Marker's comments:

Many students did this incorrectly and calculated it as a ratio or they did not add up the current assets and liabilities correctly. The only correct and acceptable answer was the one above. Once again it is preferable to show your working out but students weren't penalised for not including it.

Sample answer:

Current assets – Current liabilities
 $= 6\,500\,000 - 10\,600\,000 = -\$4\,100\,000$

(c) What is debt finance.

Accurately defines debt finance by using terms such as 'external sources' and 'borrowing', 'interest' etc.	2
May refer to an aspect of debt finance	1

Marker's comments:

This question was done well across the board with most students scoring the 2 marks. Students had to refer to the fact that funds were sourced externally to the business. Some students mentioned that debt included externally sourced equity which is incorrect. Furthermore, students could not just use the word 'debt' to define debt finance. They had to show their understanding about debt finance using other terms.

Sample answer:

Debt finance is sourced externally from a business and borrowed funds from a financial institution that are repaid through both principal and interest repayments. It is readily available and does not result in any loss of ownership. Debt finance can be either short or long term.

(d) Propose and Justify ONE type of finance option that would be appropriate for the purchase of the new equipment.

Criteria	Mark
Puts forward with detailed reasons in favour for ONE appropriate type of finance for Capex Ltd. Relates to information in scenario.	3
Puts forward with reason(s) in favour for ONE appropriate type of finance for Capex Ltd.	2
Sketches in general a source of finance.	1

Marker's comments:

Students needed to be specific to get the 3 marks and refer back to the stimulus. Students can refer to either Equity or Debt finance source. However, they must be specific in terms of a particular type of debt or equity finance. Appropriate sources of funding could include; Internal Owner's equity, Debentures, Unsecured notes, or external equity in the form of new shares etc. Students can also refer to leasing the equipment.

Note short term borrowing instruments such as bank overdrafts, commercial bills and factoring would **NOT** be appropriate as they would not be sufficient for the amount of funds involved i.e. excess of \$10 million.

Furthermore, a mortgage would not be appropriate as it's used for securing property purchases. Any inappropriate types of finance would still get 1 mark as long they were adequately outlined.

A bank loan was acceptable but it needs to be noted that this isn't an option listed in the syllabus. Students needed to be specific, justify in detail and relate back to the stimulus to get all the marks.

Sale and lease back was not accepted as an appropriate finance option as it can't be used for equipment that isn't currently owned by the company. Furthermore lease payments would not be enough to get the \$10 million upfront.

Reasons could be many but could relate to leasing and that not having a negative impact on working capital which is currently negative. Justification for using equity could be that too much debt is being used.

Sample answer:

Capex should issue shares on the ASX in the form of equity in order to finance the purchase of the new equipment. Capex is a public company and can raise funding by offering investors to become shareholders in the company. This is a much safer option than taking on more

debt for Capex as they are nearing their industry average for their level of gearing. Taking on more debt finance of \$10 million would worsen their gearing ratio even more and increase the risk of insolvency and could also lead to cash flow problems that are already prevalent in the business due to low current assets. Therefore, issuing equity through new shares is the best option.

e) Explain ONE global financial management strategy that management of Capex Ltd would need to consider in order to help them compete more effectively in the global market.

Criteria	Mark
Relates cause and effect of ONE appropriate global financial strategy that Capex could clearly use to compete more effectively globally.	3
Sketches in general ONE appropriate global financial strategy that may help Capex to compete more effectively.	2
May refer to a global financial strategy.	1

Marking guidelines:

Students could refer to changes in exchange rates (this could increase the cost of acquiring the equipment depending on the movement) and using derivatives or hedging to protect themselves, interest rates (cost of borrowing could be cheaper in other countries, if interest rates are high then the cost of borrowing would be greater), hedging and derivatives (offsetting adverse movements in exchange rates when exporting products to America therefore they would want to protect themselves from an increase in the AUD against the US dollar which would make their products more expensive overseas and reduce their competitiveness), methods of payment (a letter of credit could be used to reduce the level of exporting risk for Capex).

In order to get the 3 marks the strategy had to explained and related back how it would help them to compete more effectively by increasing sales, lowering costs etc.

Some students referred to outsourcing, global pricing, sale and lease back, supply chain management and many other NON-financial strategies for which they received no marks.

The answer had to be related to as aspect of global finance.

Sample answer:

A global financial strategy which Capex Ltd can consider is the use of international payment methods such as a letter of credit. As they are a manufacturer and make medical supplies, they will need to sell their products on the international market through exporting. A letter of credit is a safer option for exporters as it involves a commitment by the importer's bank to transfer the money to the exporter once shipping documents are received from the exporter. This would benefit Capex to compete more effectively as it reduces the risk of non-payment by the importer allowing them to maximise sales and thereby profits.

Question 25 AP4 2014

Criteria	Marks
<ul style="list-style-type: none"> Provides reasons in favour of TWO operational influences that need to be addressed Provides reasons in favour of marketing strategies to assist the business in meeting its marketing objectives Makes effective use of the information provided, demonstrating extensive knowledge and understanding relevant to the question Presents a sustained logical and cohesive business report integrating relevant business terminology and concepts 	17-20
<p>OR</p> <ul style="list-style-type: none"> Provides reasons in favour of TWO operational influences that need to be addressed, and provides characteristics and features of marketing strategies to assist the business in meeting its marketing objectives Provides reasons in favour of marketing strategies to assist the business in meeting its marketing objectives, and characteristics and features of TWO operational influences that need to be addressed Makes some use of the information provided, demonstrating knowledge and understanding relevant to the question Presents a logical and cohesive business report and uses relevant business terminology and concepts 	13-16
<p>OR</p> <ul style="list-style-type: none"> Provides characteristics and features of operational influences and sketches in general terms some marketing strategies Provides characteristics and features of marketing strategies and sketches in general terms operational influences Includes features of a business report and uses some business terminology and concepts 	9-12
<ul style="list-style-type: none"> Sketches in general terms some aspect of operations AND/OR marketing May include some features of a business report and uses basic business terminology 	5-8
<ul style="list-style-type: none"> Uses basic terminology May make reference to operations OR marketing 	1-4

Answers may include the following:

Operations influences

- globalisation, technology, quality expectations, environmental sustainability, corporate social responsibility, cost-based competition, government policies, legal regulation,

Marketing strategies

- market segmentation, product/service differentiation and positioning
- products – goods and/or services
 - branding
 - packaging
- price including pricing methods – cost, market, competition-based
 - pricing strategies – skimming, penetration, loss leaders, price points
 - price and quality interaction
- promotion
 - elements of the promotion mix – advertising, personal selling and relationship marketing, sales promotions, publicity and public relations
 - the communication process – opinion leaders, word of mouth
- place/distribution
 - distribution channels
 - channel choice – intensive, selective, exclusive
 - physical distribution issues – transport, warehousing, inventory
- people, processes and physical evidence
- e-marketing
- global marketing

- global branding
- standardization
- customisation

- global pricing
- competitive positioning

Executive Summary:

I am writing to you as your business consultant to address current issues experienced within your business VRD. The report will cover the following areas:

- Operational influences of technology and quality expectations that affect the operations of your business. A greater understanding of these influences upon your business will enable management to respond more effectively through the implementation of strategies to achieve business goals.
- Marketing strategies such as price penetration, branding, promotion through advertising and relationship marketing and product differentiation will enable VRD to regain market share and increase customer service to achieve other goals such as profit maximisation.

Operational Influences:

There are a number of operational influences that VRD need to address under its current circumstances. These include: technology; quality expectations; globalisation; cost based competition; corporate social responsibility and environmental sustainability. I will address the first two listed.

Technology: refers to the design and application of faster more efficient processes within the production process. Technology can be applied in both manufacturing and services to achieve efficiency and cost leadership through the reduction of costs associated with human labour and inefficient processes. Technology provides businesses with a competitive advantage as they are able to reduce costs and maximise profits achieving a more consistent and quality product. At VRD, manufacturing and design technology is ineffective reducing the ability of the business to compete effectively within the market. By updating the level of technology that it is currently using, VRD should be able to produce better quality consistent products, thus satisfying customer expectations of quality and reducing faulty garments that drive away customers and create lack of trust within the brand. The initial high cost of manufacturing technology could be overcome through cost leadership. VRD could use computer aided design (CAD) will enable designs for products to be created more effectively and efficiently to ensure they meet needs of customers. More effective design and manufacturing will also enable VRD to ensure designs are current and in-season to avoid garments that do not meet customer's expectations of a high quality designer garment.

Comment [GC1]: The operational influence of technology relates specifically to the scenario and is an issue that needs to be addressed by VRD.

Quality Expectations:

Quality refers to how well a product is designed and made and is clearly linked to how the product satisfies a consumer's expected level of quality. It is important that VRD ensures that all their garments are well designed, durable and that they fit the purpose for which they are manufactured ie to satisfy customers' expectations of being a high quality designer garment. Currently, products at VRD are damaging their brand and reputation with faulty products creating more dissatisfied customers. If this is not addressed VRD risks losing additional sales and market share- resulting in customers turning to its competitors. The implementation of new technology, staff training, sourcing quality inputs and quality control measures within operations will ensure products are of a higher quality reducing faults. By producing garments of a high standard, which satisfy consumers' expectations, VRD should be able to regain market share boosting, sales revenue and profits. High quality products will provide VSP with a competitive advantage offering products that exceed customer expectation and encourage customer loyalty.

Comment [GC2]: Sound description of technology and good recommendation/reasons in favour as to why the influence of technology needs to be addressed.

Comment [GC3]: The operational influence of quality expectations relates specifically to the scenario and is an issue that needs to be addressed by VRD.

Marketing Strategies:

VRD should consider implementing a number of marketing strategies that will enable it to achieve a number of marketing objectives that are associated with its planned business expansion into

Comment [GC4]: Sound description of quality expectations and good recommendation/reasons in favour as to why the influence of technology needs to be addressed.

Sydney and Brisbane. Such marketing objectives include: increased market share, improved customer satisfaction and an enhanced reputation and brand awareness.

Price penetration: involves charging the lowest possible price at either on or below cost price. As a result of falling sales to competitors VRD has suffered declining market share. Cheaper imported garments and the pricing of competitors' products have been largely responsible for this loss of market share for VRD. By implementing price penetration and charging cost price for products VRD would be able to gain market share, increasing sales revenue and in the longer term its profits. Increasing market share is an important goal of VRD to recover costs of planned expansion into Sydney and Brisbane and develop a customer base to maximise their profit potential. In the short term price penetration mean a reduction in profits, however, it will attract a high volume of consumers to trial their products, which will translate into increased sales and revenue. Prices can be revised once business awareness and market share is regained by selling to retained loyal customers who value quality over price. Price penetration will be effective in regaining market share, but may impact achievement of profit maximisation.

Product Differentiation: providing a higher degree of customer service to customers will enable VRD to differentiate their product from consumers. Offering specialist shopping services and extended opening hours for group shopping events will enable VRD to overcome poor customer service currently driving away sales and market share and differentiate their services and products to achieve a competitive advantage. This will be vital for VRD as it expands its business into Sydney and Brisbane.

Advertising: is a paid, non-personal message through a range of mediums to communicate a message to customers. Advertising raises brand awareness and recognition that boost VRD sales and thus increasing market share and brand awareness. Advertising in a women's fashion magazine would appeal to VRD's target market and inform and persuade customers to purchase products and thus increase their customer base. Advertising of new stock could also be used to create demand for products and build a wider recognition to encourage new customers and remind existing customers.

Relationship Marketing: is the development of long term cost effective relationships with customers. Effective customer relations can drive sales through customer loyalty. A loyalty program for VRD that offers discounts for certain purchases e.g. 5% for \$250 could be used to encourage loyalty and repeat sales to increase sale and market share. Relationship marketing will also assist VRD to improve its level of customer service. Retaining customers should be important for VRD to gain a competitive advantage to maximise its proportion of the total market, especially with its planned expansion into new geographic markets.

Branding involves the development of a logo, term or symbol. It allows a business to gain wider recognition of its products through growing brand awareness to increase sales revenue to boost market share. VRD should focus on developing and promoting a brand image which highlights its high quality, Australian made, designer labels. Developing such brand image for VRD will allow customers to easily identify the product and make choices based on branding conveying its image of trust and reassurance. An improved brand image is vital for VRD as it engages in its expansion into Sydney and Brisbane.

Recommendations:

As your business consultant I strongly recommend you fully understand and address the operational influences of technology and quality expectations. Additionally I urge you to consider the implementation of marketing strategies such as price penetration, product differentiation, advertising, relationship marketing and branding which will you increase market share, maximise customer service and enhance you brand awareness as you undertake you expansion into Sydney and Brisbane.

Your Business Consultant

Comment [GC5]: All marketing strategies recommended are relevant to VRD in terms of achieving its stated marketing objectives associated with its planned geographic expansion.

Comment [GC6]: Sound description of marketing strategies and good recommendation (e reasons in favour).

Comment [GC7]: Excellent Business Report format, sustained logical and cohesive in its structure. Sustained and effective use of the information provided from the scenario. Sustained use of syllabus terms and concepts throughout the response.

Analyse how financial strategies can contribute to improved financial performance

Question 26 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 how financial strategies can contribute to improved financial performances • 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 financial strategies and how they contribute to improved financial performances • 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 financial strategies and/or business performance • 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 financial strategies • 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 finance 	1–4

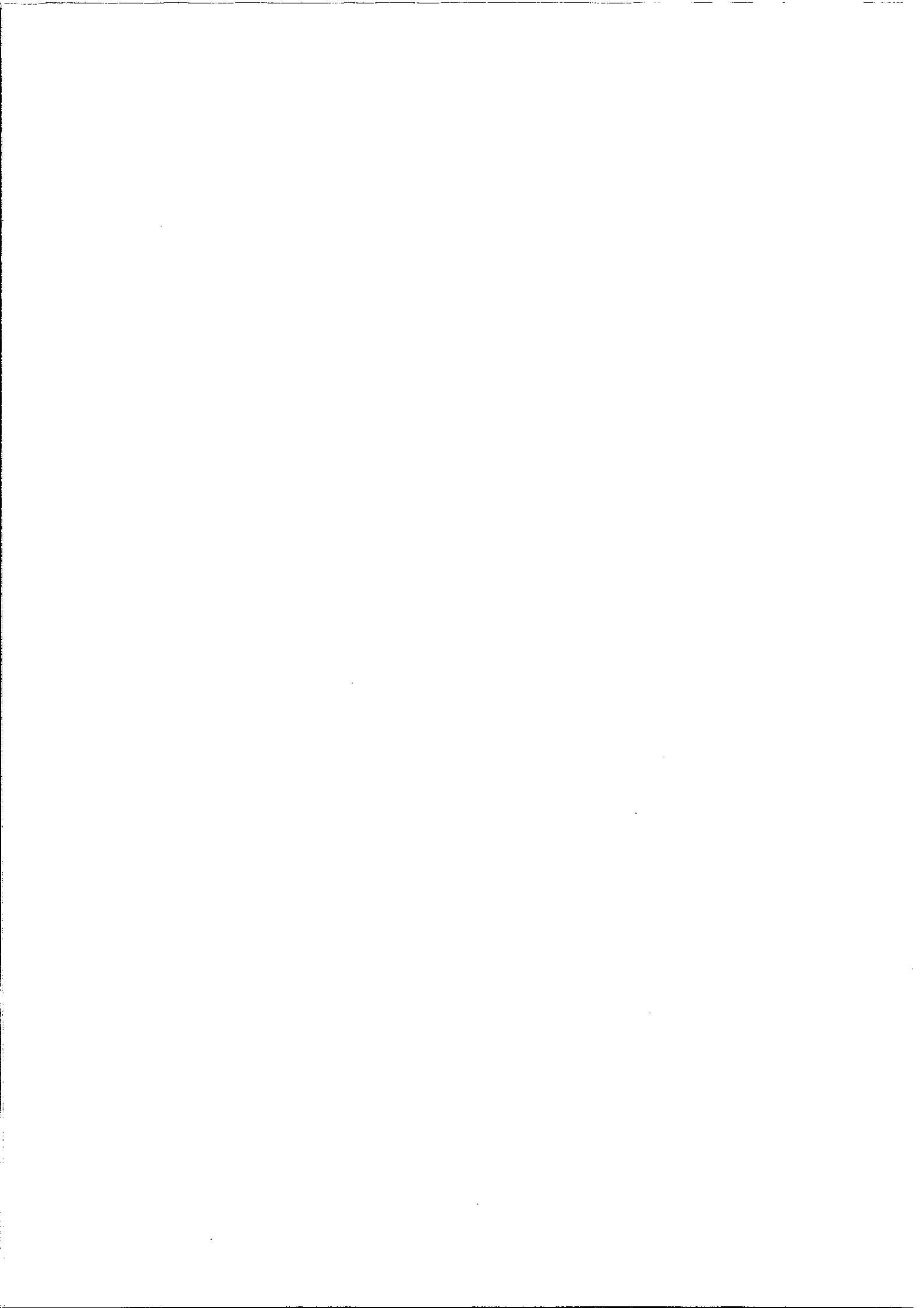
Answers may include

Financial management strategies

- cash flow management
 - cash flow statements
 - distribution of payments, discounts for early payment, factoring
- working capital management
 - control of current assets – cash, receivables, inventories
 - control of current liabilities – payables, loans, overdrafts
 - strategies – leasing, sale and lease back
- profitability management
 - cost controls – fixed and variable, cost centres, expense minimisation
 - revenue controls – marketing objectives
- global financial management
 - exchange rates
 - interest rates
 - methods of international payment – payment in advance, letter of credit, clean payment, bill of exchange
 - hedging
 - derivatives

Financial performance measured by:

- financial ratios
 - liquidity
 - gearing
 - profitability
 - efficiency



Markers Comments Q26

The best answers displayed an understanding of the range of financial strategies businesses use to increase performance. These strategies were then linked to particular financial objectives.

The syllabus identifies four broad areas of strategies, cash flow, working capital management, profitability management and global financial strategies. All of these needed to be covered to achieve an A range mark.

Case study example/s were expected to be used throughout the response. The best answers knew their case study well, did not make up information and many used QANTAS where appropriate. For cash flow, the better answers use a different case study.

The best answers were logical in their sequencing of ideas and syllabus information and had good use of terminology.

Areas of improvement for many students

- Use of the syllabus as a guide for the framework of their essay
- Learn the case study for the financial strategies. Many students made up examples of unbelievable businesses and the financial management of these businesses. This was especially true for factoring and cash flow management.
- At the minimum everyone should be able to define each financial strategy and give text book strategies to improve it.

AP4 2014 Sample Question 26

Financial Management refers to the effective allocation and use of financial resources to achieve strategic goals of a business. Effective financial management is necessary in business as it is directly attributed to business success through the achievement of profitability, growth, efficiency, liquidity and solvency. The implementation of financial strategies through cash flow, working capital, profitability and global management enables business to maximise their profit potential, a major goal of all business. Qantas operates within a highly competitive market exposed to high levels of domestic and international competition in operations reflected through its recent low profit yields and difficulty satisfying shareholders.

Cash flow management refers to the cash inflows and outflows of a business to ensure it is liquid enough to meet short term commitments. A high level of current liabilities may result in a business becoming insolvent whilst high levels of current assets may reduce a business profit potential through a lack of profit generating activities, careful cash flow management is required of business to achieve their financial and overall business goals. Qantas operates with little cash reserves due to the capital intensive nature of the aviation industry with a short term instrument of a \$300 million cash reserve and short term notes available in times of low cash flow or when cash is needed to pay creditors and dividends. The use of these financial instruments would worsen the liquidity ratio of Qantas as they are current liabilities. This could be seen to be a problem with potential investors and the bank. Financial stability is a major goal of Qantas with the downgrading of its credit rating to junk status (2014) the need for effective cash flow management is greater. Qantas cash flow strategies have been ineffective in response to influences of increased competition and economic fluctuations with a difficulty meeting financial obligations indicated by the downgrading of their credit rating. This has limited Qantas' ability to invest in profit generating activities impacting it's achievement of profitability and growth through the halting of Asian expansion unable to take advantage of the industry's growth in the Asia Pacific region. Financial instability through low liquidity levels have concerned investors and driven the share price down creating low employee morale damaging productivity.

More traditional cash flow management is seen by Juliana's florist located in Pennant Hills. To cover temporary cash flow shortages the manager uses a bank overdraft, and the distribution of payments. This is a very important strategy for the florist as this allows her rates, taxation responsibilities, and car registration to be managed more effectively. In conjunction with a cash flow forecast this ensures she is able to make payments to suppliers when needed and assists her to identify periods of potential shortfalls and surpluses.

Working Capital Management involves maintaining the right mix of current assets and current liabilities to meet financial obligations of a business. This is very important for the short term liquidity position and is essential for financial success of any business. With a worsening liquidity and solvency position Qantas working capital management has been ineffective in improving financial performance. Within this industry most businesses work on negative working capital due to the capital intensive nature. Deferring the purchase of more efficient aircraft and implementing leasing instead, has avoided a large capital outlay that would have further damaged their financial position whilst obtaining efficiency benefits

Comment [JB1]: Excellent introduction responds to question asked uses syllabus terminology and states case study to be used

Comment [JB2]: Syllabus dot point

Comment [JB3]: theory

Comment [JB4]: case study example

Comment [JB5]: current issue

Comment [JB6]: Clear analysis

Comment [JB7]: Additional strategies not employed by QANTAS but syllabus oriented

Comment [JB8]: Syllabus dot point

Comment [JB9]: theory

Comment [JB10]: case study example

of new aircraft with substantially less fuel consumption. Leasing has been effective in managing working capital, maximising profitability and efficiency, however, further more dramatic action is needed to improve financial performance. The proposed sale and lease back of Qantas' domestic terminals would significantly benefit the current working capital position generating a large cash flow that could be invested into profit generating activities to achieve growth and profit maximisation to improve financial stability of the business operations. Control of current assets, cash, receivables and inventories and control of current liabilities payables and loans have been ineffective in creating a suitable balance to achieve both financial stability and business goals. Lack of investment into profit generating activities has resulted in a lack of ROI and halted growth. Continual strategies are needed if Qantas is to improve performance through the achievement of financial objectives.

Comment [JB11]: excellent analysis

Profitability Management requires strategies to create the maximum profit potential through decreasing costs and increasing revenue. Qantas operation within the airline industry creates low profit margins that have been worsened as a result of the GFC and rising competition. Profitability management has been ineffective for Qantas indicated through a failure to provide a return of investments for investors since 2009. Fixed costs of Qantas have been reduced as much as possible with little flexibility to create dramatic change. It has been announced that QANTAS are looking to reduce costs by \$2 billion over the next 3 years. Variable costs have been reduced through the hedging of fuel costs and HRM restructuring to maximise operational efficiency. Cost centres through reduction of Qantas workforce, reconfiguration of plane's seating to include greater economy seats in response to the GFC and halting growth and expansion have enabled Qantas to reduce its costs by \$10million and achieve a 20-25% reduction in its costs base maximising its profitability and efficiency. Whilst facing significant domestic and global competition this has still resulted in a continual profit loss of operations in recent years. Revenue controls have increased revenue by 1% for 2013 through marketing objectives for agents, reduction in its sale mix providing less variety and frequency of its routes maximising amount of customers each flight. Cost and reserve controls have increased the profitability of Qantas however they have not been significant enough in maximising their profitability to provide a ROI investment dampening investor confidence and discouraging future investment. Reducing their ability to invest in profit generating activities and impact achievement of growth and financial stability. With a desire to increase profits the restructure of HRM has created disputes and industrial conflict damaging to the brand's reliability and quality. An increase in safety incidents has damaged the branding of Qantas with the view their achievement of profits is overriding safety. These strategies have not been effective in improving Qantas financial performance.

Comment [JB12]: syllabus dot point

Comment [JB13]: case study example

Comment [JB14]: current issue

Comment [JB15]: current issue

Comment [JB16]: excellent analysis

Operating within a global market requires business to control all aspects of their management to compare efficiency both domestically and internationally. Qantas operates within a highly competitive global market requiring the adoption of strategies to improve financial performance. Qantas hedged 87% of its fuel costs through the use of options contracts. These provide the business with the right not obligation to avoid unfavourable exchange rate movements that may incur large costs and take advantage of those that are favourable to achieve profit maximisation. Qantas additionally uses natural hedges with the exchange or revenue and expenses occurring in the same currency to reduce effects of exchange rate movements on profitability. These global financial strategies have enabled

Comment [JB17]: syllabus dot point

Comment [JB18]: case study example

Qantas to reduce costs and improve profitability but have been ineffective in enhancing overall performance as shown by the poor ROI and financial instability.

Qantas' financial management strategies have impacted on their overall financial performance with an inability to achieve some business goals and damaging their success. They have firmly stated that growth as a goal cannot be achieved and their primary focus is on cost cutting so that they will remain a viable entity. They will continue to implement strategies to address current concerns.

AP4 2014 Q27 Marking guidelines

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 the influences of stakeholders, the economy and technological change on managing human resources • 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 the influences of stakeholders, the economy and technological change on managing human resources • 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 the influences of stakeholders, the economy and technological change on human resources • 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 influences of stakeholders, the economy and technological change and/or human resources • 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 human resources 	1-4

Answers may include:

key influences

- stakeholders – employers, employees, employer associations, unions, government organisations, society
- economic
- technological

processes of human resource management

- acquisition
- development
- maintenance
- separation

BUSINESS STUDIES AP4 2014 Q27 MARKERS COMMENTS

Most students chose to attempt Q26 in the paper. For those that did attempt this question the following comments apply:

- Responses were not overly strong in this question.
- The QANTAS case study had enough information to use to answer the question adequately but many students chose to use other case studies or make them up. This is fraught with some danger in that the depth of case study information written about is quite superficial. Note: If you are going to make a case study up - you need to be able to write about it in some detail (this is a skill in itself)
- The question asked for an analysis of specific influences and their importance in managing human resources. In this case the management of human resources was linked to human resource processes. Many responses failed to show this relationship and some went off on a tangent and linked it to effectiveness of Human Resource management which was not what was asked in the question.
- Better responses analysed the importance of influences on HR processes – drawing out implications of the influences on HR processes used.

AP4 SAMPLE QUESTION 27 - 20.8.14

At Qantas the influences of stakeholders, technology and the economy have been very significant to management of human resources, and they have had widespread implications on the effectiveness on human resource management (HRM) which is measured by the indicators of staff turnover, absenteeism, worker's satisfaction, corporate culture, accidents and most importantly, levels of disputes.

Stakeholders: Influence

The influence of stakeholders has been profound. The major stakeholders that have influenced HRM are the employees and their unions. This is because many employees, like the engineers, the baggage handlers and international pilots have demanded pay rises as well as greater job security. This has led to lengthy industrial disputes between Qantas and these employees, notably in 2011. After the engineers sought wage increases at 3% per year, as well as maintenance of the A380, Qantas refused. Similarly, the baggage handlers sought a wage increase and when Qantas refused, they staged a 4 hour national strike in September 2011 which disrupted 6,000 passengers. The international pilots also sought wage increases and greater job security and again Qantas refused. In response to all of these disputes running at the same time in 2011, Qantas grounded its entire fleet in October 2011. The implications were severe: Qantas suffered a huge blow to their brand and their image was significantly tarnished. The total estimated cost was also at \$194 million, which is a major implication especially in light of Qantas' financial difficulties.

Comment [H1]: influence on HR

Comment [H2]: Link with maintenance of HR

Comment [H3]: implications

Stakeholders: Importance in HRM

Clearly the stakeholders of employees are absolutely imperative in the functioning of Qantas as a business. Disputes with employees is a clear indicator of poor HRM. Qantas and three unions representing the aforementioned groups of workers were forced into arbitration after the government, another stakeholder intervened. Thus, the government was very important in settling the dispute in the short term. However, the implications of arbitration as a dispute resolution mechanism are long term, as in arbitration the outcome is legally binding regardless whether parties agree. This leads to future difficulties as it does not solve the problem, only creating what is effectively a 'cease fire' in the dispute. The enterprise bargaining agreement with the international pilots is a clear example of this, as this agreement, a product of arbitration, expires in December 2014 and the disputes are likely to continue then. Another implication of the importance of employees is that whether or not Qantas like it, they depend on employees for the business to function, which raises the need for effective HRM. This has not been achieved, as seen not only in the excessive disputes in 2011, but also in the absenteeism rate which is standing at around 9-10 days per year per employee, a clear indicator of low worker's satisfaction which leads to diminished employee performance and thus reduces the efficiency of Qantas, who are struggling financially.

Comment [H4]: implications

Comment [H5]: link to HR

Economy: Influence

The economic outlook of not only Australia, but also the global economy, has a major influence on the HRM of Qantas as it determines the level of demand for Qantas products. Since the GFC in 2009 and the ensuing global economy, which is highly competitive and also unstable, Qantas has suffered from decreasing profits. This culminated in 2012 with a \$244 million loss and this was due to a number of reasons. The global economic downturn, despite Australia's performance being strong, has had a great impact on the success of Qantas, as customers worldwide have been flying less and businesses have cut down on expenses, including costs of travel. As a result, Qantas which is competing with government subsidised businesses like Singapore Airlines, relies on its domestic arm Jetstar to keep up its faltering sales. Despite this, a \$252 million loss was announced on February 2014 in the first half year, which had severe implications. In response, Qantas announced cuts of 5,000 jobs, which has meant many employees are now in fear of losing their jobs, leading to a poor corporate culture.

Comment [H6]: influence

Comment [H7]: implications

Economy: Importance in HRM

The economy is very important in HRM as it determines the availability of employees as well as the demand for products. Due to the global economic recession as of late, Qantas has been enjoying a low demand for employees, so they feel that they can afford to cut 5,000 jobs. This has the already mentioned implication of a poor corporate culture. Qantas also relies on profits to distribute appropriate rewards to its employees, with things like pay bonuses, company cars, free flights and non-monetary rewards in the form of social functions for staff. Due to the economic downturn, Qantas have recently been forced to cut down on these rewards, clear in the 2009 decision not to grant any pay bonuses. This reduction of rewards has meant staff are less motivated, with the implication being low worker satisfaction as staff do not feel recognised. Another important outcome of this influence of economy was the decision of Qantas to outsource the maintenance of its A380 to contractors in Singapore and New Zealand. The implication of this was that it contributed to the industrial dispute in 2011 with the engineers, which tarnished the image of Qantas and led to disputes, which is an indicator of poor HRM.

Comment [H8]: link with HR

Comment [H9]: link to HR

Comment [H10]: implication

Comment [H11]: link with HR

Comment [H12]: implications

Technology: Influence

Technology also has a very important influence on HRM, as it improves training as well as the efficiency of operations, which raises the need for training. Technological advancements in the form of new security controls, self-service kiosks and online check-ins, have a profound influence as staff must be trained to be able to work with these. In response, Qantas has spent \$275 million on average per year in training and development. This has been overwhelmingly positive in terms of staff retention, as it makes employees feel valued and they feel like they are given the right opportunities by their business. It also commits the employees to the business and makes them feel a sense of loyalty to Qantas. This has assisted in keeping the staff turnover rate low at 5.4% in 2013 and steady around 5%. Unfortunately for Qantas, their effective responses to the influence of technology has not been reflected in other areas of the business. A major implication of this response has been the cost to Qantas. At \$275 million a year, and in a business that is at the moment not

Comment [H13]: influence

Comment [H14]: link to HR

Comment [H15]: link with HR

profitable, it is unlikely that Qantas will continue its extensive training programs. Therefore, the major implication of technology is the sheer cost of training staff in updated business practices which rely on technology.

Comment [H16]: Implication

Technology: Importance in HRM

Technology also has an important role to play in HRM as it enables greater communication and superior training. Qantas' 2,300 pilots conduct more than 48,000 hours of training each year in state-of-the-art flight simulators, something that would not have been possible without technology. Additionally, Qantas' 'On-line College' also trains employees. As the training is improved through technology, technology is important in HRM to recognise employees and provide ample opportunities. However, the major implication is again the sheer cost of technology and the importance of it in conducting HRM, as \$278 million a year is at the moment not sustainable, especially when the HRM is lacking in other areas like dispute resolution which gives Qantas a poor corporate culture regardless. Furthermore, training employees with the use of advanced technology has the effect of upgrading their skills to the point where they feel that they are powerful enough as stakeholders to demand more from Qantas. This, a major implication of training through technology is that it actually contributed to the very costly industrial disputes of 2011. It is however essential in reducing the Lost Work Case frequency Rate, which refers to the level of accidents at Qantas, currently high at 10%. Technology provides safer working conditions through better protective equipment, but it is also expensive.

Comment [H17]: link with HR

Comment [H18]: link with HR

Comment [H19]: link with HR

As evident, the influences on HRM by stakeholders, the economy and technology are significant. They are also very important in the HRM itself with widespread implications as explored.

- A different approach in terms of structure but reads well – it is sustained, logical and cohesive
- Great integration of case study information
- Implications are good throughout
- Communicates using lots of relevant business terminology and concepts
- Demonstrates extensive knowledge and understanding of the question by linking influences to specific HR processes