

Shore School

2009

Higher School Certificate Trial Examination

Business Studies

General Instructions

- Reading time – 5 minutes
- Working time – 3 hours
- Write using black or blue pen
- Draw diagrams using pencil
- Board-approved calculators may be used
- Write your Student Number at the top of pages 9, 11, 13, 15 and 17

Total marks – 100

Section I Pages 2–8

20 marks

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

Section II Pages 9–16

40 marks

- Attempt Questions 21–25
- Allow about 1 hour and 15 minutes for this section

Section III Page 17

20 marks

- Attempt Question 26
- Allow about 35 minutes for this section

Section IV Page 18

20 marks

- Attempt Question 27
- Allow about 35 minutes for this section

Section I

Total marks (20)

Attempt Question 1-20

Allow about 35 minutes for this section

Use the multiple-choice answer sheet for Questions 1-20.

Select the alternative A, B, C or D that best answers the question. Fill in the response oval completely.

Sample $2 + 4 =$ (A) 2 (B) 6 (C) 8 (D) 9
A B C D

If you think you have made a mistake, put a cross through the incorrect answer and fill in the new answer.

A B C D

If you change your mind and have crossed out what you consider to be the correct answer, then indicate this by writing the word correct and drawing an arrow as follows:

A B C D
correct

- 1 The new CEO of Springbok Ltd has decided to adopt a Classical-Scientific approach to management. This replaces the existing flatter structure.

This change would be reflected in the organisational structure of the business in which of the following ways?

- (A) An increase in the span of control for managers and a decrease in the chain of command.
 - (B) A decrease in the span of control for managers and a shorter chain of command.
 - (C) An increase in the span of control for managers and a longer chain of command.
 - (D) A decrease in the span of control for managers and a longer chain of command.
- 2 Which of the following effects will business observe during a recession?
- (A) Lower returns on investment and higher rates of taxation
 - (B) Lower returns on investments and higher rates of savings
 - (C) Lower business confidence and higher demand for skilled workers
 - (D) Lower business confidence and higher unemployment levels
- 3 Which of the following would be included as an example of the industrial market?
- (A) Farmer purchasing a tractor to plough wheat
 - (B) Engines used in the production of cars
 - (C) Retail outlets purchasing products to on sell
 - (D) Water sold to the public

4 Observe the following table.

Sales	\$465 000
Opening Stock	\$100 000
Purchases	\$55 000
Closing Stock	\$66 000
Expenses	\$172 000

What is the *net profit* of the business?

- (A) \$89 000
 - (B) \$376 000
 - (C) \$204 000
 - (D) \$548 000
- 5 Which of the following is part of the *financial planning cycle*?
- (A) Determine financial elements of the business plan
 - (B) Ensuring that the business maintains low liquidity levels
 - (C) Maximising financial risks and losses
 - (D) Distribution of payments
- 6 A construction company is conducting a SWOT analysis.

Which of the following is a possible *weakness* of this company?

- (A) Global economic downturn
- (B) Increase in the cost of steel
- (C) Increase in interest rates
- (D) Using environmentally damaging material

7 *Monty's Restaurant* recently received a bad review in a popular magazine. The review described the food as tasteless and overpriced. In an attempt to entice customers back to the restaurant, the manager has introduced a loyalty card where customers dine for half price on their third visit.

Which marketing strategy is being used by the company?

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

8 Which of the following methods of international expansion presents the highest financial risk to business?

- (A) Signing a management contract
- (B) Exporting
- (C) Licensing a product for an overseas manufacturer
- (D) Relocating its factory to a low wage country

9 Which of the following is an example of an external influence on business?

- (A) Political developments
- (B) New business cultures
- (C) New procedures
- (D) E-Commerce

10 An employer believes that conflict in the workplace is inevitable because employees and employers have different interests.

What is the employer's perspective on conflict?

- (A) Radical
- (B) Unitary
- (C) Pluralist
- (D) Unionism

11 A small manufacturing company does not have a Human Resources Department. Instead, each department (Accounts, Production, Marketing etc.) employs and maintains their own employees. What type of employment relations management is this?

- (A) Specialist management
- (B) Line management
- (C) Contingency management
- (D) Behavioural management

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Company A	Company B
Gross Profit ratio = 40%	Gross Profit ratio = 50%
Expense ratio = 20%	Expense ratio = 25%

From the above information, what would be expected?

- (A) Company A's Net Profit ratio would be higher than Company B's
- (B) Company A's Net Profit ratio would be lower than Company B's
- (C) Company A's Return on Equity would be higher than Company B's
- (D) Company A's Return on Equity would be lower than Company B's

13 The pressure from other countries for a reduction in the protection of domestic industries refers to which type of specific influence on global business?

- (A) Financial
- (B) Political
- (C) Legal
- (D) Social/cultural

14 Mark was fired from his job because he started a personal relationship with one of the managers.

What is this an example of?

- (A) Unfair dismissal
- (B) Occupational Health & Safety
- (C) Equal Employment Opportunities
- (D) Anti discrimination

15 Which of the following is a psychological factor that influences a consumer's purchase decision?

- (A) Social Class
- (B) Culture and subculture
- (C) Perception
- (D) General economic conditions

16 Reorganising plant layout is regarded as a reason for resistance to change in an organisation. What specific type of reason is this?

- (A) Financial cost
- (B) The inertia of managers
- (C) Staffing issues
- (D) The inertia of owners

17 A business has Accounts Receivable of \$142 000 and a wages bill of \$50 000 due in eight days time and has insufficient cash to cover the wages bill.

Which type of financing is most appropriate in this situation?

- (A) A new contribution of owners' capital
- (B) Venture capital
- (C) Debentures
- (D) Factoring

18 Rippemoff Pty. Ltd. has a policy which sees some of its customers charged more than others for the same product.

Of what is this an example?

- (A) Deceptive and misleading conduct
- (B) Resale price maintenance
- (C) Sugging
- (D) Price discrimination

19 Rob wishes to measure the effectiveness of his employment relations procedures. He discovers that staff turnover and absenteeism are ~~used to~~ above the industry average benchmark. He decides to encourage worker participation to improve communication systems.

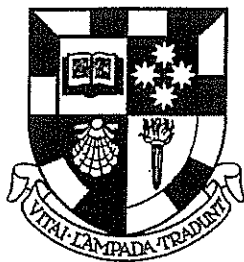
Which management theory does this best fit?

- (A) Autocratic
- (B) Behavioural
- (C) Democratic
- (D) Classical-scientific

20 Alfonse is a fashion designer. He has decided to market his service as 'Designer Gowns'. Alfonse only uses quality fabrics and offers personal service by appointment only. He has also chosen to only open one store, ensuring that each gown is an exclusive design.

Which *pricing strategy* would Alfonse most likely use?

- (A) Price Skimming
- (B) Loss leader
- (C) Penetration pricing
- (D) Competition pricing



Shore

2009

**HSC ASSESSMENT TASK 4
HSC TRIAL EXAM**

Business Studies

Examiner's Comments

- MC answers and comments
- SA marking guidelines and comments
- ER marking guidelines and comments
- ER Exemplars

Mark Breakdown

85 students sat the exam.

MC Q1-20

Marker MJW	Avg 15.9
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SA

Q21 Marker WPD	Avg 6.2
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Q22 Marker WPD	Avg 8.0
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Q23 Marker RGM	AVG 7.2
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Q24 Marker RGM	Avg 4.0
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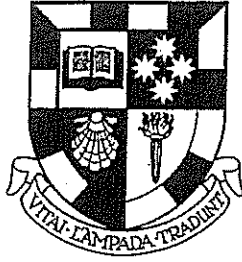
Q25 Marker WPD	Avg 5.2
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ER

Q26 Marker NTA	Avg 13.6
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Q27 Marker GCA	Avg 11.6
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Exam	Avg 71.6
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Shore

2009

Trial HSC Exam

Business Studies

Multiple choice answer sheet

Select the alternative A, B, C, or D that best answers the question.
Fill in the response oval completely.

- | | | | | | | | | | |
|----|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| 1 | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input checked="" type="radio"/> | 11 | A <input type="radio"/> | B <input checked="" type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 2 | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input checked="" type="radio"/> | 12 | A <input type="radio"/> | B <input checked="" type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 3 | A <input type="radio"/> | B <input checked="" type="radio"/> | C <input type="radio"/> | D <input type="radio"/> | 13 | A <input type="radio"/> | B <input checked="" type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 4 | A <input type="radio"/> | B <input type="radio"/> | C <input checked="" type="radio"/> | D <input type="radio"/> | 14 | A <input checked="" type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 5 | A <input checked="" type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> | 15 | A <input type="radio"/> | B <input type="radio"/> | C <input checked="" type="radio"/> | D <input type="radio"/> |
| 6 | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input checked="" type="radio"/> | 16 | A <input checked="" type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 7 | A <input type="radio"/> | B <input checked="" type="radio"/> | C <input type="radio"/> | D <input type="radio"/> | 17 | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input checked="" type="radio"/> |
| 8 | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input checked="" type="radio"/> | 18 | A <input type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input checked="" type="radio"/> |
| 9 | A <input checked="" type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> | 19 | A <input type="radio"/> | B <input checked="" type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |
| 10 | A <input checked="" type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> | 20 | A <input checked="" type="radio"/> | B <input type="radio"/> | C <input type="radio"/> | D <input type="radio"/> |

<p><i>Question 21(WPD)</i> <i>(9 marks)</i></p> <p>a) Calculate the gearing ratio for <i>Turton constructions</i> (show workings). (2)</p>	<ul style="list-style-type: none"> • $(\text{Debt/Equity}) \times 100$ • $330\,000/245\,000 \times 100 = 134.7\%$ OR $1.35:1$ 	<p><i>2 marks: students must correctly calculate the gearing of the business as 134.7% OR 1.35 :1</i></p> <p><i>1 mark: Students attempt to calculate the Gearing ratio and nominate the correct formulae for the gearing ratio</i></p>
<p>b) Calculate ONE profitability ratio for <i>Turton Constructions</i> (show workings). (2)</p>	<ul style="list-style-type: none"> • Based on the information the only profitability ratio is: • $\text{NP/OE} \times 100$ • $120\,000/245\,000 \times 100 = 49\%$ 	<p><i>2 marks: Students must correctly calculate the return on OE ratio of 49%.</i></p> <p><i>1 mark: Students attempt to calculate the return on OR ratio and correctly identify the formulae</i></p>
<p>c) Comment on the gearing of <i>Turton Constructions</i> (2)</p>	<ul style="list-style-type: none"> • The gearing for <i>Turton Constructions</i> of 134% is way above the industry average of 60%. • The business is highly geared and is a high risk business with low solvency. 	<p><i>2marks: Students will need to compare their ratio to the industry average of 60% and state that the business is highly geared and is a high risk business.</i></p> <p><i>1 mark: students must compare their gearing ratio to the industry average OR state that the business is highly geared or has high risk.</i></p>
<p>d) Recommend ONE strategy to manage <i>Turton Constructions</i>' working capital. (3)</p>	<p>Leasing: Leases are a way of obtaining access to assets without having to raise further debt or equity financing, or deplete current cash reserves. Leases are a strategic way of managing working capital as they give the business access to non-current assets without any significant impact on cash reserves. The lease spreads the impact on working capital across an extended time period.</p> <p>Factoring: Sale of accounts receivable (debtors) to a financier/finance company (third party) at a discount. This is a short term method to raise working capital. The cash raised from the sale of debtors could be used to pay short term liabilities immediately and thus alleviate working capital issues (rather than wait to sell stock). Can be used as longer term strategy – arrange an ongoing relationship with a factoring company re debtors so that there is more certainty over current assets and no wasted resources in debt collection</p> <p>Sale and lease back: the sale of an asset that the vendor rents back from the buyer immediately after the sale. This improves working capital as there is a cash inflow from the sale of a NCA. This allows extra funds for expansion, daily operations or liabilities (without loss of access to the NCAs).</p>	<p><i>3 marks: Students must clearly recommend (provide reasons in favour showing cause and effect) ONE appropriate working capital strategy and use appropriate business terminology.</i></p> <p><i>2 marks: Students must attempt to recommend an appropriate WC strategy</i></p> <p><i>1 mark: Student identify an appropriate WC strategy.</i></p>

Q22 (WPD)	Possible Answer	Comments
(A) Identify and justify the channel choice Susan would most likely use. (2)	<p>Exclusive distribution</p> <p>Justify: As she is targeting her product at a niche market in an exclusive area in one store.</p>	<p>2 marks: Students need to correctly identify and justify the channel choice</p> <p>1 mark: Students identify the correct channel choice without a justification.</p>
(B) Identify and justify the pricing strategy Susan would most likely use. (2)	<p>Price skimming</p> <p>Price points</p> <p>Premium pricing</p> <p>Justify: As niche market aimed at upper class high income end with little competition</p>	<p>2 marks: Students need to correctly identify and justify a relevant pricing strategy.</p> <p>1 mark: Students identify a relevant pricing strategy without a justification.</p>
(C) Explain the significance of branding, packaging and positioning in relation to the success of Susan's business (6)	<p>Branding: establishes customer awareness of product. may involve colours, logo, symbol. Distinguishes product from competitors. Important for success as can increase sales/ repeat sales and therefore improve profit – try and establish a premium brand at upper end of the market.</p> <p>Packaging: can attract customers, protects the product, possible information/ instructions forms part of augmented product. packaging needs to reflect the quality and image of product. Important for success as it can both attract and maintain sales.</p> <p>Positioning: the image of the product in consumers mind. Must work in combination with packaging and branding to create image of quality/ exclusiveness/ prestige. Important to target correct market.</p>	<p>5-6 marks: Students must explain (relate cause and effect) the significance of branding, packaging and positioning in relation to the success of the business using appropriate business terminology. Students must also link their explanation to this business and the stimulus.</p> <p>3-4 marks: Students must explain at least TWO of the branding, packaging and positioning strategies in relation to the success of this business. Students must attempt to use appropriate business terminology</p> <p>1-2 marks: Students outline any ONE of the branding, positioning and packaging strategies</p>

Q23 (RGM)	Possible Answer	Comments
(A) Identify ONE type of industrial action the staff have taken and nominate this action as "overt" or "covert".	types of industrial action <ul style="list-style-type: none"> - overt — work-to-rule - covert — absenteeism, 	1 mark for correct identification of an industrial action that is nominated as either overt or covert
(B) Nominate and describe TWO management skills needed to deal with the situation.	skills of management <ul style="list-style-type: none"> - people skills, strategic thinking, vision, flexibility and adaptability to change, teamwork, complex problem-solving and decision-making, ethical and high personal standards Acronym PSVFSTCE	4 marks for both descriptions and nominations 3 mks for both nominated & one correctly described 2 mks for a correct nomination & description 1 mk for correct nomination Needed identification of 2 skills appropriate to dealing with the situation of low productivity, and absenteeism, and clearly providing characteristics of each
(C) Explain how mediation could be used as a dispute resolution procedure in the above situation	Mediation is a step that could be used as a dispute resolution procedure where a third party is invited to help reach an agreement. The mediator is independent and never takes sides but is skilled in analysing issues and helping the disputing parties to reach their own agreement. A mediator is not legally binding. Acronym GNMCAED	2 marks for clearly relating cause and effect and suggesting why a mediator could be used to deal with the situation of low productivity and absenteeism 1 mark for describing the role of a mediator
(D) Explain ONE legal issue Andrew would need to consider in the workplace.	issues in the workplace <ul style="list-style-type: none"> - working conditions - Occupational Health and Safety (OH&S) - workers' compensation — state and/or federal agencies and common law redress - anti-discrimination - Equal Employment Opportunities (EEO) - unfair dismissal. 	2 marks for correctly identifying a legal issue and clearly relating cause and effect that Andrew would need to considering the workplace 1 mark for correctly identifying a legal issue

Q24 (RGM)		
<p>(A) Explain the TWO methods of international expansion used by Green Springbok Ltd. as part of its business strategy.</p>	<p>Export – exporting is the lowest risk method of expansion which involves selling products to customers into another country with the purpose to expand its potential market and to be close to the place of manufacture Licensing involves the sale of intellectual property from one firm to another. This allows a business to expand globally without having to make the foreign direct investment necessary to set up in each country. It also allows lower costs through savings on land & buildings and production costs Mnemonic FMLER</p>	<p>4 marks for explaining both methods of international expansion 3 mks for 2 identified and one correct explanation 2 mks for a correct identification and one correct explanation 1 mark for either a correct identification or explanation</p>
<p>(B) Explain ONE financial influence on global business which could impact on Green Springbok Ltd's operations.</p>	<p>Currency fluctuations Most international trade involves exchanging the currency of one country for another. This adds a layer of risk and cost to the transaction. The exchange rate may change by large amounts over a short period of time, therefore greatly increasing the risk for the business with the transaction. Businesses most exposed to currency fluctuations are those that have their costs in one currency and their revenues in another. This is typical for most exporters. Interest rates (the cost of borrowing money) vary from country to country. Business may be tempted to borrow in a low interest rate economy to finance activities in a higher interest rate economy. If they do this they will pay less interest but be exposed to more risk of exchange rates change. Overseas Borrowing Multinational Companies have the capacity to borrow from overseas to fund their operations but the business does have to consider the risk of borrowing in one currency, earning in another currency and having to pay back the loan in the original currency.</p>	<p>2 marks for correctly explaining ONE financial influence on global business and how it could impact on their operations. 1 mark for identifying & describing a financial influence on global business</p>

Q25 (WPD)		
A) Identify and explain ONE staffing cost associated with this move. (2)	<ul style="list-style-type: none"> • Deskilling, acquiring new skills or loss of career prospects/promotional opportunities. 	<p><i>2 marks: Students must correctly identify and explain ONE staffing cost. There must be a link to the stimulus.</i></p> <p><i>1 mark: Students identify ONE staffing cost.</i></p>
B) Recommend an appropriate management theory which the management of the company should use to manage the change. (4)	<ul style="list-style-type: none"> • Behavioural Theory: Using teams and change agents to bring about the change. Democratic leadership style with participation and contribution from staff who will have responsibility to implement the change. • Contingency Theory: apply the various aspects of all theories to the situation at the appropriate time – be democratic when required (behavioural theory) and autocratic and focus on efficiency when needed (classical scientific). Use power and influence in different circumstances when required (Political theory). 	<p><i>3-4 marks: Students must recommend (provide reasons in favour of) an appropriate theory of management to use to manage the change. They must link it to the stimulus and use business terminology.</i></p> <p><i>1-2 marks: Students must attempt to recommend an appropriate theory of management to use to manage the change</i></p>

HSC Trial Examination 2009 Marking Criteria (NTA)
Question 26 Business Report

Criteria	Marks
<ul style="list-style-type: none"> • Demonstrates detailed knowledge and uses the information provided effectively • Presents a sustained, logical and well-structured answer and clearly communicates in the form of a business report with relevant business terminology and concepts • Indicates <i>in detail</i> the main features of how mgmt at 'Live Plus' can manage change effectively • Provides reasons in favour of (recommends) ONE financial strategy to improve cash flow • Identify issues and provide points for and/or against THREE promotional strategies that can be used to increase consumer awareness 	17-20
<ul style="list-style-type: none"> • Demonstrates sound knowledge and uses some of the information provided • Presents a well-organised business report and uses relevant business terminology and concepts • Indicates the main features of how mgmt can manage change effectively, limited reference to stimulus • Attempts to provide reasons in favour of (recommends) ONE financial strategy to improve cash flow • Provides detailed characteristics and features of THREE promotional strategies that can be used to increase consumer awareness 	13-16
<ul style="list-style-type: none"> • Demonstrates some knowledge and uses some of the information provided • Includes features of a business report and uses some business terminology and concepts • Sketches in general terms managing change effectively • Provides characteristics and features (describes) of ONE financial strategy to improve cash flow • Provides characteristics and features of promotional strategies that can be used to increase consumer awareness 	9-12
<ul style="list-style-type: none"> • Demonstrates limited knowledge and may refer to the information provided • May include some features of a business report and uses basic business terminology • Recognises and names steps in the process of managing change • Sketches in general terms (outlines) ONE strategy to improve cash flow • Sketches in general terms promotional strategies that can be used 	5-8
<ul style="list-style-type: none"> • May refer to the information provided • Uses basic business terminology • May refer to managing change effectively • May refer to cash flow • May refer to promotional strategies 	1-4

Outline how management at 'Live Plus' can manage the change effectively

Managing change effectively:

- identifying the need for change
- setting achievable goals
- creating culture of change (encouraging teamwork approach using change agents)
- change models — force-field analysis, Lewin's unfreeze/change/refreeze model

The business scenario presented in the stimulus material should be referred to throughout

Recommend ONE financial management strategy that can be used to improve cash flow

Effective cash flow management

- management strategies: distribution of payments, discounts for early payments

Other possible strategies to improve cash flow - effective working capital (liquidity) management (not awarded higher Band 6 results):

- control of current assets — cash, receivables, inventories
- control of current liabilities — payables, loans, overdrafts
- strategies for managing working capital — leasing, factoring, sale and lease back
- cash flow statements could be discussed if within the context of how they can improve cash flow

The business scenario presented in the stimulus material should be referred to

Discuss THREE promotional strategies that can be used to increase consumer awareness

- elements of the promotion mix — personal selling, advertising, below-the-line promotions, public relations
- the communication process including opinion leaders and word of mouth
- the best responses integrated the ideas of opinion leaders and word of mouth in their discussion of the elements of the promotion mix rather than as separate strategies

The business scenario presented in the stimulus material should be referred to throughout, with specific examples of strategies to be used within each approach to marketing

Marker's Comments (NTA)

Marks Range: 2 – 20

Structure:

- Better responses used the business report structure well:
 - o To:
 - o Re:
 - o From:
 - o Executive Summary
 - o Headings and subheadings as relevant to the content to structure the response; logical, well-structured and consistent
 - o Diagrams and bullet points as appropriate
 - o Recommendations (*summary* of what has been discussed in the report)
- Weaker responses:
 - o Only some features of a business report
 - o Few headings
 - o The whole report as bullet points – not appropriate

Content:

- Content knowledge was generally good for most responses, particularly 'managing change effectively'
- Ensure that you are familiar with the **syllabus**
 - discussing pricing or product related strategies when asked about promotion strategies will not earn ANY marks
 - use the syllabus wording in developing and structuring your response (headings and content)
 - key concepts that are central to your response should be explained eg what is publicity before you give adv/disadv
- **Use the stimulus material** provided:
 - To earn a Band 6 result, you need to consistently draw upon and relate your content back to the scenario given to you in the stimulus material – in this case 'Live Plus'. A mostly theoretical report will earn you a high Band 5 result.
 - When discussing promotional strategies, give specific examples of how 'Live Plus' could undertake the approach. Don't just talk about public relations, link to 'Live Plus' and the sponsorship of local fun run as they would effectively reach the target market which is healthy and active people involved in such events. If talking about celebrity endorsement, give an example of who they could use and why
- Know your **directive terms**:
 - Ensure that you are ANSWERING the question that has been set
 - Take note of directive terms and allocate content/time appropriately to craft your answer
 - Many responses were very brief/limited in their discussion of promotion strategies – which affects the overall result
 - Don't waste time going into depth unnecessarily at the expense of where it is necessary
 - Don't waste time including content that DOES NOT help answer the set question
- Other **advice**:
 - **HANDWRITING!!!!** Your report needs to be legible!

BUSINESS STUDIES

Section IV Exemplar

In the contemporary competitive market place, expanding globally has become more common for several reasons. More so, importance of effective employment relations strategies in managing change has also become a focus of many businesses and the key to their ongoing success. This is demonstrated through numerous businesses such as Qantas, Westpac, Dell, AMP and many others.

Reasons for global Expansion

Global expansion can occur for a widely diverse range of reasons in modern day business. These can include increasing sales/finding new markets, acquiring resources and having access to technology, diversification, minimising the competitive risk, economies of scale, cushioning the economic cycle, regulation differences and tax

Increase Sales/find new markets

Many businesses wish to expand globally in order to enter new un-tapped markets and this increase their sales and profits. Dell for example originated in the U.S. and operate out of Africa, Middle East, Australia and New Zealand in order to pursue further profit.

Acquire resources and have access to technology

Resources and access to technology lie unevenly around the world and so in order to capitalise on more accessible or cheaper resources/technology, business may expand globally. By expanding globally, Dell now has cheaper access to resources and highly sophisticated technology for its complex operations.

Diversification

Another reason for global expansion may result as a need to diversify into new markets or industries. By branching off and having many markets, businesses reduce the risk of failure. Coca Cola for example have diversified into the food line to complement their drink's sales such as Mars Bars.

Minimising Competitive Risk

Modern day market places such as Australia are extremely competitive in a number of industries and so by moving offshore for example, businesses may avoid this competition, and pursue greater profit. Once Westpac realised the Australian market was saturated for example it moved offshore to avoid the competitive market.

Economies of Scale

Economies of scale can be achieved by reducing the average operating costs as a result of increased production. By expanding globally, production increase and businesses may save money on operating costs. Westpac have now achieved economies of scale with the assistance of Shared Services Centre (SSC) which avoid any duplications made in production.

Cushioning Economic Cycle

Countries and economies react differently to periods of economic downfall and uprise. For different reasons they may withstand a global recession than other countries. To cushion the effects of a economic downturn in one country therefore, businesses may wish to have operations in numerous countries to counter this. Since Australia has negative outlooks economically for 2009, Dell has operations in China and India to cushion this effect.

Regulatory Differences

Different countries also have specific laws relating to labour and unions. It may be financially beneficial for companies to take advantage of this in their operations. Dell operates out of Malaysia for example due to decreased labour laws and non-unionisation of the comparison to the U.S.

Tax Minimisation

Similarly to regulatory differences, countries are known for their tax differences. Tax havens exist though 3 types, tax parading, shelters and specific finance industries. To take advantage of the cheaper corporate taxes, Dell operates out of Ireland and Malaysia for their 28% and 25% reduction respectively.

Employment Relations Strategies

The importance of employment relation strategies in business is crucial for productivity and future sustainability. These in effect assist in managing change in a business-change for many employees, can be a daunting process and so strategies such as induction and rewards can assist in easing their nerves. Strategies such as communication, rewards, training and development and flexible working conditions essentially aid this process of change in the business in creating a positive environment.

Communications Systems

This involves the enhanced communication of employees and employers to create unison in the business workplace. More so, if employees feel included in decisions and knowledgeable on future activities they accept the change quicker. This is done through grievance procedures, team briefings and workers participation.

Grievance procedures are the formal process of handing a dispute showing employees who to speak to if they have a complaint etc. In creating a formal process, employees feel empowered to voice their dissatisfaction if needed.

Macdonald's for example have a formal grievance procedure of filing complaints to store managers who then handles it at a store lead through negotiations. If this cannot be achieved, personnel legal action presumes, including industrial tribunals.

Employees can also feel included through simple team briefing meetings. AMP has a 5 minute 'st... up' meeting every morning to explore short term goals and motivate the staff.

The inclusion of employees through worker participation also contributes to their self esteem and is ultimately reflected in their productivity. AMP uses the intra-net and suggestion boxes to allow employees to voice their concerns, thus allowing them to feel more satisfied and empowered.

Rewards

The process of rewarding employees based on performance is a key tool in motivating them, or letting them know they contribute to the businesses functioning. These can be in the form of financial benefits or non-financial benefits.

Financial services can include salesmans bonuses, discounts and pay checks. AMP for example use a 'CPI', rating system to reward employees based on performance from 5 key elements which result in salary bonuses. On the contrary, some workers prefer non-financial rewards such as office position, choice of company car and verbal praise. Workers at AMP are able to elect company car choice, base don the 'CPI' system and office space for promoting, thus boosting their morale.

Training and Development

Training and development is a vital element to employee success in lowering disputes, injury rates and improving morale. Induction is the first stage of training which is a formal process of familiarising workers with their workplaces thus reducing anxiety, fear and allowing them to feel comfortable. AMP has a 14 day fully paid induction process allowing workers to feel valued at work and reducing risk of injury.

Flexible Working Conditions

Due to the increased emphasis on family/work balance, business have needed to allow flexible conditions. This can occur through increased sick leave, maternity or even paternity leave. AMP has a golden award for family friendly program which target the increasing trends in todays workforce. Their schemes allow increased sick leave for parents of sick children and discounted child referral services.

The strategies in effect are designed to empower the in their self substitution. Workers should feel comfortable at work, important in decision railing processes and rewarded for good compliance and performance. These strategies ultimately break down resisting forces of change in businesses which usually result from staffing concerns.

After identifying the need for change for example through workers participation/suggestion and research. Businesses can now set achievable goals to firstly The overall mission statement and secondly ensure they are SMART (specific, measurable, achievable, timely and realistic). Macdonalds for example have set goals to expand McCafe into 30%-outlets and introduce 10 new low fat meals by 2005.

The creation of culture of change is much easier as employees, through the employment Strategies feel involved and important in the business. Change agents can also be used as a catalyst for creativity culture such as Qantas has done through using them as solution given and problem solvers.

The strategies as previously stated can assist to break down the staffing concerns which act as resisting forces to change. Once this is accomplished, the new system and proceedings can be implemented to reproduce force-field analysis models. Rewards and promotions as previously stated then can be used to make sure it is ingrained in the culture.

In conclusion there are many different reasons for global expansion which branch from a diverse group. To take advantages of resources, sales and lowered regulations, they are able to stay competitive. Similarly employment retention strategies can be used to aid the process of change in the business. The empowerment of employees is crucial in the process and so greatly important.

Business Studies Trial Exam 2009

Examiner Comments

Section IV

Section IV

Question 26 (20 marks)

Outcomes assessed: H 3.2, H 3.3, H 4.2, H 5.3

MARKING GUIDELINES

Criteria	Marks
<ul style="list-style-type: none">• Presents a sustained, logical and well-structured answer and clearly communicates using appropriate business terminology and concepts• Accurately outlines reasons for global expansion• Clear discussion of the importance of effective employment relations strategies in managing change• Clearly supports response with reference to relevant case study/studies	17-20
<ul style="list-style-type: none">• Presents a well organised answer and uses appropriate business terminology and concepts• Outlines reasons for global expansion• Discusses the importance of effective employment relations strategies in managing change• Makes reference to relevant case study/studies	13-16
<ul style="list-style-type: none">• Communicates using business terminology and concepts• Simple outline of reasons for global expansion• Some discussion of the importance of effective employment relations strategies in managing change• May make some reference to business case study/studies	9-12
<ul style="list-style-type: none">• Communicates using some business terminology• Brief outline of reasons for global expansion• Brief discussion of the importance of effective employment relations strategies in managing change• May make limited reference to case study/studies	5-8
<ul style="list-style-type: none">• Uses basic terminology• May refer to reasons for global expansion• Reference to the importance of effective employment relations strategies in managing change	1 - 4

Average mark:

Range: 20 - 3

Question

Outline the reasons for global expansion and discuss the importance of effective employment relations strategies in managing change.

- **General Comments:** There was quite a large variation in the quality of the responses. Marks ranged from 20 to 3.

In general, the first part of the question relating to *reasons for global expansion* was better dealt with than the second part relating to the *importance of effective employment relations strategies in managing change*. To gain good or better marks, it is necessary to answer the whole question, and follow the directive terms. If parts of the question were left out or treated only minimally, marks will be low. Most boys used the syllabus well, but some were very formulaic. i.e. they regurgitated the syllabus without much thought about the question. The last part of the question related to managing change, so the best answers discussed the way in which business could use ER strategies in the context of change in their business. They also used good examples from case studies.

The setting out of the response is also important. Underline or highlight syllabus points to make the point stand out. Use headings if you wish, and space paragraphs to make the response read more easily. Handwriting is also important: illegible handwriting cannot be rewarded no matter how much you write. Slow down a little to make it legible.

Students who had not learned the syllabus struggled to get a reasonable mark as no matter what the quality of their response was if it doesn't cover the syllabus points it can't be rewarded.

Better responses tended to do the following:

- Integrate their case study (or studies) into the response in a meaningful way.
- Define and explain the terms used
- Show a strong grasp of the issues associated with each part and communicate that effectively

Weaker responses tended to do the following:

- Leave out chunks of the question
- Describe but not define the terms used
- Have a weak use of case studies to support their response

BUSINESS STUDIES

Section III Exemplar

To: Owners of 'Live Plus'
Re: Merger with 'Live Well' & Health plus' and resulting changes.
From: Pioneer Consultants

Executive Summary

The merger of two successful companies 'Live Well & Health Plus' as a result of the current economic crisis is an effective way to continue operations successfully as they have been for the past 10 years.

There will however be challenges that result from this change and they will be dealt with in this report.

They are:

- ❖ How to manage this change effectively
- ❖ Improving cash flow position
- ❖ Increasing customer awareness of new product

If these can be dealt with effectively the drop in sales and cash flow issues resulting from the crisis will be overcome and the new magazine 'Live Plus' will be successful in the future.

1. Managing change effectively

In order to manage this change effectively 'Live Plus' must take 4 steps. First identify the need for change, then set achievable goals, create a culture for change and finally implement a change model.

1.1 Identifying the need for change

'Live Well' & 'Health Plus' have both effectively identified the need for change using financial statements. The lowered sales levels and negative impact on cash flow as a result has indicated to both companies that change is necessary. Further evidence could be found by using situational analysis, competitor and market analysis as well as customer complaints and employee suggestions. Once this change has been identified as necessary the business must set achievable goals.

1.2 Setting achievable goals

The business 'Live Plus' must now decide what goals it wishes to achieve as a result of the change. They must be SMART, that is specific, measurable, attainable, realistic and timely. These goals could include things as improving market share, profit or sales levels. It could also be to improve customer loyalty satisfaction. In 'Live Plus' case it has made clear its wishes to improve its cash flow position and increase customer awareness at the new magazine being produced. Once this has been decided a culture for change must be created within the business.

1.3 Creating a culture for change

In order to allow the change to occur effectively and efficiently the business must be in a state where it wishes to do so. A business can create this culture through the use of change agents, influential people within the business or an external source who can explain to employees why this change must occur and how it will benefit the business as a whole.

Furthermore managers must communicate effectively with their employees on how and when the change will occur and this can be done through the use of team briefings and staff meetings. Similarly reward and legitimate power could be used to create this culture for a change. Once this has been done the final step of implementing a change model can occur.

1.4 Change models

There are two major models which 'Live Plus' can choose from in order to implement the change. They are force field analysis and Lewin's unfreeze/change/refreeze model. Because of the nature of this merger it is recommended that the unfreeze/change/refreeze approach is utilised.

1.41 Lewin's unfreeze/change/refreeze model

This model has 3 steps. The first is to unfreeze the businesses engrained culture and processes to allow the businesses to merge. This process has been initiated during the creation of a culture for change and so manager's must simply continue this process. The second phase involves changing the business itself or in this case merging the two magazines. This change should occur quickly and effectively and ensure the needs and concerns of employees are considered while the change is taking place. Finally the business must refreeze in its new state. It should provide information and support systems to maintain the change and allow the employees to cope and settle into the new framework and culture. Once this has taken place 'Live Plus' will have effectively managed the change.

2. Cash flow strategy

The second issue 'Live Plus' must deal with is the poor cash flow position it has found itself in as a result of the economic crisis. In order to improve this position it is recommended that 'Live Plus' utilise a distribution of payments strategy.

2.1 Distribution of payments

Cash flow statements are usually produced on a monthly basis and the various receipts and payments are recorded. Distribution of payments involves spreading the outflows of cash over the months to correlate with periods of cash inflow. This ensures that expenses/payments are always able to be met and there are no periods of large cash surpluses or deficits which are inefficient for the business especially during this period of change and low economic activity. If this strategy is employed effectively 'Live Plus' should find its cash flow position improve over time and it can be successful as a result.

3. Promotional Strategies

The 3rd goal of 'Live Plus' is to increase consumer awareness of the new magazine. This can be done using elements of the promotions mix, that is personal selling, advertising, below the line and public relations. It is suggested that 'Live Plus' use 3 of these strategies and they should be advertising, personal selling and below the line. Together these should successfully increase customer awareness.

3.1 Advertising

Advertising involves paid, non-personal messages delivered through mediums such as television, radio, magazines and newspapers as well as many others. Because of the nature of 'Live Plus' content, advertising, should be directed to a target market of people who wish to sustain a healthy lifestyle. This could mean TV advertisements during health or cooking programs, Newspaper ads in the health or science sections or even website/internet advertising on health forums

and similar sites. Billboards and posters near gyms and health clubs would also be effective to raise consumer awareness of the new magazine.

3.2 Personal selling

'Live Plus' could also use direct contact with the consumer to raise awareness. This could be done by telemarketing or mail outs to households with forms to subscribe to the magazine. Furthermore, sales representatives at health food shops, pharmacies, gyms and health clubs could also be effective in making consumers aware of the new magazine. They must however, be considerate of ethical and legal aspects and not engage in acts such as..... Overall however personal selling will increase consumer awareness within the target market.

3.3 Below the line

Below the line or sales promotions involves activities such as giving coupons, discounts, loyalty programs and many others. 'Live Plus' could sue strategies such as discounts for 2 year subscriptions or for paying by credit card. 'Live Plus' could also sponsor events such as marathons and walkathons to target the right market but also to use it as an opportunity for giveaways and product launches. For example it could give a gift bag to all competitors which includes back issues of the magazines. This should raise awareness significantly within the target market and ensure consumers know about the new magazine.

Summary of recommendations

The merger of 'Live Well & 'Health Plus' to form 'Live Plus' as a result of the economic crisis will ensure longevity of the success of the two businesses. Changes must be made however and challenges will be faced as a consequence. In order to effectively manage this change 'Live Plus' must:

- ❖ Identify need for change
- ❖ Set achievable goals
- ❖ Create a culture for change
- ❖ Implement unfreeze/change/refreeze model

It must then face the cash flow challenges and make consumers aware of the new magazine by:

- ❖ Distributing payments
- ❖ Utilising promotion strategies of advertising, personal selling and below the line promotions.

If 'Live Plus' does this it should be able to manage change effectively, deal with the challenges and ensure long term success.