ABOUT THE AUTHOR

John Mitchell is an experienced VCE Business Management teacher at St. Joseph's College in Geelong. He holds Bachelor Degrees in Management and Applied Science from the University of Ballarat, as well as a Diploma of Education from the University of Melbourne. Prior to teaching, John worked in the financial services industry, specialising in the provision of mortgage products, before transitioning to the education sector in 2004, where he has become a leader in the field of business education. John has continued to help students achieve their best in VCE Business Management. He assesses end of year examination papers on an annual basis and is an enthusiastic, engaging and experienced presenter at student lecture programs. In 2012 he introduced a flipped classroom to his VCE Business Management classes and presented the technique to teachers on many stages, including the annual Comview conference for Commerce teachers. He is the founder and creator of the popular website TeachingBubble.com, which provides video lessons to enhance student understanding of the VCE Business Management course.

COPYRIGHT AND DISCLAIMER

Please note that this publication is protected by copyright laws and no part of the publication can be reproduced without the express permission of CPAP. The publication is in no way connected to the VCAA. Readers should be aware that the advice provided throughout the publication is the advice of the authors alone, and not of the VCAA.

The images used in this publication have been purchased from 123RF.
## CONTENTS

### CHAPTER 1: BUSINESS FOUNDATIONS

Types of Businesses
- Sole Trader ................................................. 10
- Partnership ................................................. 10
- Company .................................................... 11
- Private Limited Company ...................... 11
- Public Listed Company ......................... 12
- Social Enterprise ....................................... 13
- Government Business Enterprise .......... 13

Business Objectives
- To Make a Profit ........................................... 14
- Increase Market Share ............................... 15
- To Fulfil a Market or Social Need ............. 15
- Meet Shareholder Expectations ............... 15
- Improve Productivity .................................. 15
- Customer Service ....................................... 15

Characteristics of Stakeholders ............. 16
- Conflicts between stakeholders ................ 19

Areas of Management Responsibility .... 20
- Operations ............................................... 20
- Finance ..................................................... 21
- Human Resources ...................................... 21
- Sales and Marketing ............................... 21
- Technological Support ............................. 22

Management Styles ................................. 22
- Autocratic Management Style ................. 23
- Persuasive Management Style ............... 23
- Consultative Management Style ............. 24
- Participative Management Style ............. 24
- Laissez-faire Management Style ............. 25
- Situational approach ............................... 26

Management Skills ................................. 27
- Communication ........................................ 27
- Delegation ............................................... 27
- Planning ............................................... 28
- Leading ................................................... 29
- Decision-making ........................................ 30
- Interpersonal .......................................... 30
- Negotiation ............................................. 31
- Time Management ..................................... 31

Relationship between Management Styles & Management Skills ................. 32

Corporate Culture .................................... 32
- Elements of Corporate Culture ............... 33
- Developing Corporate Culture ............... 33

REVIEW QUESTIONS 1 – Business Foundations .......... 34

Quick revision crossword No 1: Business Fundamentals .................... 34

MINI EXAM NO 1: UNIT 3 AREA OF STUDY 1 (40 MARKS) ............... 35

YOU BE THE ASSESSOR: UNIT 3 AOS 1 ........................................ 36

### CHAPTER 2: MANAGING EMPLOYEES

Employees and Business Objectives .................. 40

Motivation Theories ...................................... 41
- Maslow’s Hierarchy of Needs ..................... 41
- Locke & Latham’s Goal Setting Theory ...... 42
- Four Drive Theory ...................................... 43
- Motivation Strategies ............................... 44
- Performance related pay ............................ 44
- Career Advancement ............................... 45
- Training ................................................... 45
- Support ................................................... 46

REVISION QUESTIONS 2 – Employee Motivation ......................... 47

Quick revision crossword No 2: Employee Motivation .................. 47

The CPAP Study Guide to VCE Business Management 1st Edition by John Mitchell
The Unit 3 Outline: Managing a Business

This unit focuses on the key principles and issues associated with managing a business efficiently and effectively to achieve the business objectives. Students will look at the challenges and complexities of managing a business and strategies used to effectively manage staff and operations to meet objectives.

AREA OF STUDY 1: Business foundations

In this area if study, students are introduced to the key characteristics of businesses and their stakeholders. Students will examine a range of management styles and skills that can be used by managers and will apply these to contemporary business case studies.

Outcome 1

On completion of this unit the student should be able to discuss the key characteristics of businesses and stakeholders, and analyse the relationship between corporate culture, management styles and management skills.

Key knowledge

- types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises
- business objectives including to make a profit, to increase market share, to fulfil a market and/or social need and to meet shareholder expectations
- characteristics of stakeholders of businesses including their interests, potential conflicts between stakeholders, and corporate social responsibility considerations
- the areas of management responsibility including operations, finance, human resources, sales and marketing, and technology support, and how each area contributes to the achievement of business objectives
- management styles including autocratic, persuasive, consultative, participative and laissez-faire
- the appropriateness of management styles in relation to the nature of task, time, experience of employees and manager preference
- management skills including communicating, delegating, planning, leading, decision-making and interpersonal
- the relationship between management styles and management skills
- corporate culture both official and real, and strategies for its development

AREA OF STUDY 2: Managing employees

In this area of study, students will investigate the factors involved in managing employees effectively to ensure that business objectives are successfully achieved. Students will consider the motivation theories of Maslow’s Hierarchy of Needs, Locke and Latham’s Goal Setting Theory and Lawrence and Nohria’s Four Drive Theory. Students will then use these theories to propose and justify solutions to employee management in business case studies.

Outcome 2

On completion of this unit the student should be able to explain theories of motivation and apply them to a range of contexts, and analyse and evaluate strategies related to the management of employees.

Key knowledge

- the relationship between managing employees and business objectives
- key principles of the following theories of motivation: Hierarchy of Needs (Maslow), Goal Setting Theory (Locke and Latham) and the Four Drive Theory (Lawrence and Nohria)
- motivation strategies including performance related pay, career advancement, investment in training, support and sanction
- advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation
- training options including on-the-job and off-the-job training, and the advantages and disadvantages of each
- performance management strategies to achieve both business and employee objectives, including management by objectives, appraisals, self-evaluation and employee observation
- termination management including retirement, redundancy, resignation and dismissal, entitlement and transition issues
- the roles of participants in the workplace including human resource managers, employees, employer associations, unions, and the Fair Work Commission
- awards and agreements as methods of determining wages and conditions of work
- an overview of the dispute resolution process including grievance procedures, mediation and arbitration
AREA OF STUDY 3: Operations Management

This area of study looks at how a business can effectively and efficiently produce goods and/or services. Transforming inputs into outputs is a core activity of businesses and it is vital to maximise efficiency and effectiveness while meeting the needs of key stakeholders. Students examine operations management and consider the best and most responsible use of resources for producing quality goods or services in a global environment.

Outcome 3

On completion of this unit the student should be able to analyse the relationship between business objectives and operations management, and propose and evaluate strategies to improve the efficiency and effectiveness of business operations.

Key knowledge

• the relationship between operations management and business objectives
• key elements of an operations system: inputs, processes and outputs
• characteristics of operations management within both manufacturing and service businesses
• strategies to improve the efficiency and effectiveness of operations related to technological developments, including the use of automated production lines, computer-aided design, computer-aided manufacturing techniques and website development
• strategies to improve the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just In Time
• strategies to improve the efficiency and effectiveness of operations related to quality, including quality control, quality assurance and Total Quality Management
• strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including the principles of lean management
• corporate social responsibility considerations in an operations system, including the environmental sustainability of inputs and the amount of waste generated from processes and production of outputs
• global considerations in operations management, including global sourcing of inputs, overseas manufacture, global outsourcing and an overview of supply chain management.
CHAPTER 1: BUSINESS FOUNDATIONS

A business is a type of organisation that is involved in the provision of goods and/or services. While businesses have many varying objectives, they share a common goal which is to make a profit. Businesses in Australia vary in size, ranging from micro-businesses with one employee all the way to large businesses such as Commonwealth Bank of Australia with more than 30,000 employees. Businesses play a major role in the economy and help to improve our standard of living. There are currently over two million businesses registered in Australia with many of them having a significant contribution to employment and income generation.

Small businesses are those that employ 20 people or less. This also includes those businesses where only the owner works in the business. These small organisations are often referred to non-employing businesses. Medium-sized businesses employ more than 20 employees, yet have less than 200 employees. Large businesses employ more than 200 employees and will likely have more than $200 million in assets. It is normally the case that smaller businesses will earn less revenue (money generated from sales) than the larger businesses and also own fewer assets.

The bar chart below left highlights that the NSW and Victoria have the largest number of businesses in operation, accounting for approximately 60% of 2.1 million businesses in Australia. The pie chart to the right highlights that the vast majority of Australian businesses are relatively small, with 59% (i.e. 1.27 million businesses) recording an annual turnover (i.e. sales) of less than $200,000 per year. It is only a small minority of businesses (7% or 140,834 businesses) earning more than $2m per year.

Businesses operate in one of two key sectors: the private or public sector. The private sector is where individuals, groups or institutions own a business, usually with the purpose of making a profit. The common types of business legal structures that operate in the private sector include sole traders, partnerships and companies (both private and public companies). The public sector comprises those businesses that are owned by the government, most notably Government Business Enterprises (GBEs).

There are different types of businesses that we address in this course. Let’s take a look at them individually.
Types of Businesses

Sole Trader

A sole trader (also known as a **sole proprietor**) is a business with one person who owns and runs the business. It may have more than one employee however the sole owner provides the finance and makes the decisions on the direction of the business. The sole trader is the most common type of business due to the ease of establishment. A sole trader will require an Australian Business Number (ABN) and will need to register a business name with the Australian Securities & Investments Commission (ASIC) if the business’s name is different to that of the owner. The owner is legally responsible for all aspects of the business including **unlimited liability**. Unlimited liability means that the owner of the business is personally responsible for any of the debts incurred by the business. If the business is unable to pay its debts, the owner may have to sell his/her personal assets such as properties or motor vehicles to raise enough money to pay off the liability.

<table>
<thead>
<tr>
<th>SOLE TRADER</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advantages</strong></td>
<td></td>
</tr>
<tr>
<td>Inexpensive to set up</td>
<td>Unlimited liability (personal assets at risk)</td>
</tr>
<tr>
<td>Owner has complete control</td>
<td>Business often relies heavily on owner, resulting in long hours</td>
</tr>
<tr>
<td>Owner can keep all the profits</td>
<td>Work/life balance may be affected (less holidays etc.)</td>
</tr>
<tr>
<td>No partner conflict</td>
<td>Owner usually puts up capital (financial risk)</td>
</tr>
<tr>
<td>Business can be sold without consent from partners</td>
<td>Capacity to raise capital is difficult</td>
</tr>
</tbody>
</table>

Partnership

A **partnership** is where two or more people (up to 20) own a business. Just like a sole trader, a partnership is not a separate legal entity and therefore has unlimited liability. There are two types of partners, general and limited. A **general partnership** is where all partners are equally responsible for the management of the business and each has unlimited liability for the debts of the business.

A **limited partnership** is where the liability for one or more of the partners for the debts of the business is limited. A limited partnership will have one or more general partners (whom have unlimited liability) and one or more limited partners whose liability is limited to the proportion of their investment. There is no limit to the number of limited partners a business can have.

A partnership can help a business access larger amounts of capital as all partners can pool their funds together. It can also be beneficial if the partners have varying expertise. This can help provide the business with a range of skills and experiences that can contribute to the success of the business. As well as sharing in the liabilities of the business, the partners share in any profits the business generates. The amount each partner receives is proportionate to the percentage of the business the partner owns. For example, if a business has three partners, Sally, Eugene and Cassandra, where Sally owns 50% of the business while Eugene and Cassandra have 25% each, the profits paid to the partners will reflect those percentages.

When starting a partnership, there should be a partnership agreement set out so that each partner knows their clearly defined role in the business. Although this is not a legal obligation, it can help prevent conflict down the track as each partner will know their roles and responsibilities in the business. Some businesses will have a **silent partner**. A silent partner is one that has a financial stake in the business yet has no role in the day to day operations of the business.
## Partnership

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inexpensive to set up</td>
<td>Unlimited liability (personal assets at risk)</td>
</tr>
<tr>
<td>Workload is shared among partners</td>
<td>Profits are shared among partners</td>
</tr>
<tr>
<td>Debts and obligations are shared among partners</td>
<td>It can be difficult to find suitable partners</td>
</tr>
<tr>
<td>Easier to raise more capital</td>
<td>Potential for disagreements over key decisions (resulting in slow decision making)</td>
</tr>
<tr>
<td>Different skills and experience brought to the business</td>
<td>All partners are liable for the actions of each individual partner</td>
</tr>
<tr>
<td>If a partner leaves the business, it can continue to operate</td>
<td></td>
</tr>
<tr>
<td>Often easier to take time off sick or for holidays</td>
<td></td>
</tr>
</tbody>
</table>

## Company

A **company** is an independent legal entity that is able to conduct business in its own right. A company has members that own the company. These owners are referred to as shareholders. These shareholders are entitled to share in the profits of the business (dividends). Shareholders elect company directors to manage and run the company.

The process of establishing a company is known as **incorporation**. The company will be registered with ASIC and will establish its own legal identity, almost like a new person. Like a person, this new company is able to incur debt, sue or be sued, and can continue beyond the life of its owners. The company must keep financial records of its business dealings and must also lodge a tax return with the Australian Tax Office.

Companies have **limited liability**, meaning the shareholders legal liability is limited to the extent of the value of their shareholding. This allows a company to sue or be sued for damages. Despite this limited liability, directors of the company can be personally liable if found to be fraudulent, negligent or reckless.

It is more expensive to set up a company structure and the company must provide financial reports to its shareholders and ASIC. There are two forms of a company structure: private limited companies and public listed companies.

### Private Limited Company

A **private limited company** (also known as proprietary limited company) is restricted to 50 shareholders. Shares are sold privately and not open to being publicly traded. This means that shares can only be traded with the permission of the other shareholders. A private limited company will have the letters ‘Pty Ltd’ after their name, meaning ‘Proprietary Limited’.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited liability</td>
<td>More expensive to set up</td>
</tr>
<tr>
<td>Company is a separate legal entity from the shareholders</td>
<td>More reporting requirements to shareholders and ASIC</td>
</tr>
<tr>
<td>Capital can be raised by offering more shares to investors</td>
<td>Restricted number of shareholders</td>
</tr>
<tr>
<td>Legacy of the company can carry on long after owners or directors are gone</td>
<td>Shares cannot be traded freely</td>
</tr>
<tr>
<td>Pay company tax rate rather than income tax rate on profits</td>
<td></td>
</tr>
</tbody>
</table>
The other form of company structure is a **public listed company**. This means the company is listed on an exchange such as the Australian Securities Exchange (ASX) and its shares can be traded (bought and sold) by the general public. Companies are able to raise money by offering shares to the public in exchange for money. The company decides how to use the money to improve the company. In exchange, the shareholder owns part of the company and gets to share in any profits through dividends and any capital gains in share price.

Public companies are legally obliged to report on their activities so the market is aware of anything that may affect the company’s share price positively or negatively. The word ‘Limited or Ltd’ is at the end of the company’s name which means the shareholder’s liability is limited by the value of their shares.

Public listed companies must have their financial reports audited each year and must publish these in their annual report for public viewing.

### PUBLIC LISTED COMPANY

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater ability to raise large amounts of capital through share offers</td>
<td>Large expense to set up</td>
</tr>
<tr>
<td>Limited liability</td>
<td>Current ownership is diluted as shares are sold to thousands of people</td>
</tr>
<tr>
<td>Company is a separate legal entity from the shareholders</td>
<td>No longer have full control over who is on the board of directors</td>
</tr>
<tr>
<td>Legacy of the company can carry on long after owners or directors are gone</td>
<td>Large reporting requirements</td>
</tr>
<tr>
<td>Pay company tax rate rather than income tax rate on profits</td>
<td>Loss of control over who owns shares in the company</td>
</tr>
</tbody>
</table>

The chart below highlights the different types of Australian businesses in terms of legal structure or organisation. Companies and Sole proprietors make up the majority of Australian businesses, with GBEs (or public sector businesses) making a very small proportion of the total 2.1 million businesses operating as at 30 June 2015.

**Types of Australian businesses as at 30 June 2015 (total 2,121,235)**

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Companies</td>
<td>770,557</td>
</tr>
<tr>
<td>Sole Proprietors</td>
<td>549,839</td>
</tr>
<tr>
<td>Total Partnerships</td>
<td>287,309</td>
</tr>
<tr>
<td>Trusts</td>
<td>513,030</td>
</tr>
<tr>
<td>Public Sector</td>
<td>500</td>
</tr>
</tbody>
</table>

**Exam Tip:** Trusts can be complex legal structures and come in various forms. In simple terms, a trust is a legal structure allowing a person(s) to carry out business on behalf of the beneficiaries of the trust. Trusts are not listed as required knowledge in the study design.
Social Enterprise

A **social enterprise** is a business that exists primarily to fulfil a vision that benefits the public or community rather than shareholders. They are commercially viable businesses that have a vision for an outcome that has a positive social impact on the community and they trade to fulfil that vision.

Many organisations consider themselves to have social objectives and work to benefit the community, however these objectives are often to ultimately help the organisation be more financially valuable. This may mean the organisation is being involved in corporate social responsibility however this is not deemed to be a social enterprise. To be deemed a social enterprise, the organisation must be selling goods and/or services to the marketplace and the primary focus on the use of the profits is to fulfil a vision that benefits the community.

Exam Tip: Remember that a social enterprise is not necessarily a charity. It is common for students to think of a social enterprise as a non-profit organisation. A social enterprise aims to make a profit through the selling of goods and/or services. What sets it apart from other businesses is that the profits earned are used towards a social or community cause.

A social enterprise aims to make a profit or surplus and reinvest a substantial proportion of the profits to fulfil their vision. Some examples of the types of social enterprises are:

- Businesses developed to employ people with disabilities and unable to work in mainstream businesses
- Businesses that are committed to fair trade and exist to benefit producers in developing countries
- Businesses that aim to train, support and employ disadvantaged job seekers and then transition them into mainstream employment
- Financial institutions that provide products and services to individuals, communities and organisations that have difficulty accessing finance from mainstream institutions
- Businesses that are set up to benefit the community in which they are primarily located

**Case study**

*Thankyou* was established in 2008 in response to the world water crisis. The social enterprise began by selling bottled water in cafes and has expanded into selling food and body products across Australian supermarkets. *Thankyou* operates under a shareholder-free business model where 100 per cent of its profits are given to water, food and health projects around the world. Co-founders Daniel Flynn, Justine Flynn and Jarryd Burns have created an enterprise that sells consumer goods with the primary purpose to end the effects of global poverty.

Government Business Enterprise

A **Government Business Enterprise** (GBE) is an organisation that undertakes a commercial activity on behalf of the Government. There are GBEs at both Federal and State levels of government. Although GBEs are owned by the government, they are run just like any other corporation. An example of a GBE is the Australian Postal Corporation. Like other businesses, this GBE has a board of directors, has a CEO and has an aim to make a profit.

The government is not normally involved in the day to day operations of the GBE but are involved through the shareholder ministers who represent the government. The shareholder ministers that are involved in the running of a GBE are the Finance Minister and the portfolio Minister. The Finance minister takes a lead role in GBE financial matters, with the portfolio Minister focusing on the operational issues. These shareholder Ministers represent the government and are responsible for areas such as:

- Providing GBEs with their objectives
- Proposing changes to GBE corporate objectives if necessary
- Selecting and removing GBE directors
- Assessing the financial performance of GBEs

In recent times, many GBEs have been privatised. This means the government has sold the GBE to shareholders in the private sector.
Business Objectives

**Vision**
What the business wants to become

**Mission**
What the business stands for, its purpose and how it intends to get there

**Objectives**
Specific goals that will help achieve the mission and vision

Business objectives are the stated goals a business is aiming to achieve. Objectives help give the business and its employees direction. The types of objectives businesses have will vary, depending on the time frame. They can be long, medium or short-term objectives and it is important that they are specific and measurable so the business knows if they are being achieved.

It is important for businesses to set some kind of purpose so that the key stakeholders such as owners, directors, managers and employees know what the business is aiming to achieve in the long term. This type of objective can be set with a vision statement or a mission statement. A vision statement is a broad objective that states the overall aspirations of the business in the future. A mission statement is a little more specific than the vision statement. A mission statement is an objective that states an organisation’s purpose and the way it will aim to achieve that purpose.

While not all businesses will have a vision and/or mission statement, they can help provide the people within the business direction and get them working for a common cause. By providing this direction, it can also help managers with their decision making, as the decisions that are made should have the vision and mission in mind.

Other common objectives set by organisations include:

**To Make a Profit**

Profit is the amount of money left over once expenses have been paid (revenue – expenses = profit). It is important for a business to remain profitable if it is going to survive long term. Businesses can boost profitability by:

- increasing revenue (e.g. the money they bring into the business through sales of goods and/or services); and
- minimising their expenses (e.g. the money spent on wages, materials, energy and other inputs).

Making a profit consistently allows the business to grow and expand. It also gives the employees within the organisation some form of job security as they know the business is more likely to survive long term if it is profitable.

**Exam Tip:** Students often forget that a GBE still aims to make a profit. Although it is owned by the government, it is different to a government department. GBEs have similar aims to other businesses. They aim to make a profit and increase market share.

**Exam Tip:** This area is new to the Unit 3 study design, therefore is yet to be on an examination. However it is important that students are prepared for ‘higher order’ questions. You could be asked to evaluate, discuss, analyse or compare these types of businesses. It is important that you are comfortable with any of these instructions in the examination.

**Exam Tip:** Ensure you are practising with different types of case studies. You never know what the case material will be in the exam. The case may or may not specify the type of business it is so you had best be prepared. The business in the case material could be a sole trader, partnership, private company etc. Ensure you have practised all types of scenarios.
Increase Market Share

Market share is the proportion of the market controlled or owned by a particular business or product. It is normally expressed as a percentage of the size of the market as a whole. For example, the pie chart to the right highlights that Woolworths has a 37% share of the products sold in Australian supermarkets, with Coles controlling 34% of the market, while Aldi (12%) and IGA (10%) hold a relatively small share of the market.

Businesses often have the objective to increase their market share. Businesses will compete against each other to increase their market share. How they will do this can vary greatly. Some strategies include, aggressive marketing, opening up more stores or implementing technology. If a business is able to increase their market share it means that other businesses are losing market share. For example, since Aldi’s entry into the Australian market in 2001, it has steadily increased its market share at the expense of both Coles and Woolworths.

To Fulfil a Market or Social Need

Consumers always have wants and needs. If enough people have the similar wants and needs it creates a market that a business can try and satisfy or fulfil. Businesses can set themselves the objective to satisfy the needs of that market. For example in recent times, more and more people have a need for coffee. Large coffee chains such as Gloria Jeans and Starbucks were able to open up coffee shops in well populated areas to fulfil that market need. Even more recently, there has been the need for people to get their coffee on the go without having to get out of the car. This has seen a rise in the amount of drive through coffee shops such as Bean Squeeze and Muzz Buzz. These businesses have been able to fulfil the market and changing social needs.

Meet Shareholder Expectations

Shareholders are the people who own the business, which will mean they have the expectation to make a return on their investment. Companies will often have the objective to meet these expectations which can influence the decisions and strategies that a manager uses. If the organisation is able to achieve this objective and meet the expectations of shareholders, they may attract investment from other potential shareholders.

Improve Productivity

Productivity is a measure of how efficiently an organisation is able to produce its goods and/or services. It is measured by the amount of resources used compared to the number of goods and services produced. The more efficiently an organisation is able to produce their end product, the more productive they are deemed to be. If a business is able to improve their productivity it can give them a competitive advantage. Due to the increased efficiency, they may be able to sell their product for less or even get their product to the market quicker than their competitors.

Customer Service

Many businesses create objectives around customer service. In a highly competitive market, it can be those that deliver the best customer service that can help increase sales. Businesses are often aiming to have repeat customers (customers that return to buy from the business). If a customer has a pleasurable experience they are more likely to return and purchase from the business again. This can also improve the image of the business as customers become raving fans.

Exam Tip: The business objectives listed in the study design are to make a profit, increase market share, fulfill a market and/or social need, and meet shareholder expectations. This means that they can be directly assessed and specifically included in a question. There are, however, other objectives that students can use in answers where appropriate such, as the ones used in this section (customer service and productivity).
Characteristics of Stakeholders

Stakeholders are those that have a vested interest in a particular business. All businesses have stakeholders and the decisions that are made by managers within a business can affect stakeholders in different ways. Stakeholders have differing interests in the business and a manager needs to consider these interests when making decisions. For the VCE Business Management course, students need to know:

- who the key stakeholders are;
- their interests that the stakeholders have in the organisation; and
- the corporate social responsibility considerations when businesses are dealing with these stakeholders.

This requires the need to address the concept of corporate social responsibility (CSR). Although there is no universally accepted definition of corporate social responsibility, here is a common definition used:

**Corporate social responsibility is the continuing commitment of a business to operate in an economically, socially and environmentally sustainable manner whilst balancing the interest of diverse stakeholders.**

This is often known as the ‘triple-bottom line’ where the business can evaluate how well it has performed economically, socially with its employees, customers and the community, as well as its impact on the environment. CSR should be a part of every function within a business. Although a business will have an objective to make a profit it needs to do so with CSR in mind. If not, it may make questionable decisions that have negative impacts on others (employees, community, customers or environment) which ultimately has the potential to reduce profitability in the long term. Research shows that many customers now consider CSR when making purchasing decisions. It is therefore important that businesses consider these issues when dealing with different stakeholders. We will examine some of the key business stakeholders.

**Shareholders**

Shareholders are those that have invested money into the business and own a share of the business. Depending on the size of the business, they may or may not be involved in the day to day operations of the business. Because of their financial investment, they are looking for a return on their investment. As they are partial owners of the business, shareholders are entitled to share in the businesses profits through dividends. They also look to gain a return on their investment through capital gains. This means the value of the shareholders ownership has increased. Shareholders often place pressure on the managers of a business to continually improve profits and make decisions that will benefit the return for shareholders. With their ownership comes voting rights. This is where the shareholder is able to vote on important business matters at the annual general meeting.

Shareholders rely heavily on the information they are provided by senior managers about the future outlook of the business. It is important that honest information about the future of the company is reported to current and potential shareholders. It is also important that decisions made by management demonstrate corporate social responsibility so that no harm comes to the business's image as this could harm profits.

**Managers**

Managers are those that are responsible for managing different areas of the business and ensuring the business is achieving its set objectives. Managers are put in place to make decisions and lead employees towards the achievement of business goals and objectives. Once objectives have been set, the managers will implement the best strategies to achieve them and measure their success with the use of key performance indicators.
When making decisions, managers need to consider the impact on all stakeholders which can be a difficult task as often a decision will affect differing stakeholders in unique ways. Many managers understand the importance of implementing corporate social responsibility practices. Although one of their main aims is to improve profits of the business, they often aim to do so while also considering the impact each decision has socially and environmentally. Many managers understand that corporate social responsibility practices can lead to improved image and increased sales. For example, by implementing processes that aim to reduce waste and/or minimise impact on the environment, it can ultimately lead to lower production costs, which improves profitability.

**Lenders**

Lenders are those parties who have ‘invested’ money into the business via the provision of loans (or debt). They are typically financial institutions, such as banks, but can include family members or friends who may have provided loans to a sole trader or partnership during the start-up (or other) phase of the business.

Like shareholders, lenders have a vested interest in ensuring that the business remains viable and is able to meet its commitment to both repay the debt (the principal amount of the loan) as well as the interest on the loan. In this respect, lenders (like shareholders) are interested in the rate of return on their ‘investment’. While lenders can and do influence the decision making of businesses, particularly when the business’ debt levels are relatively high, they do not own a share of the business (unlike shareholders) and therefore have no ‘voting rights’ at annual general meetings.

Lenders will exert pressure on the managers of a business to make financially prudent decisions that do not expose the lender to excessive risk. Like shareholders, the lenders will tend to rely heavily on the information they are provided by senior managers about the future outlook of the business.

**Employees**

Employees are those that complete work within the business in exchange for a wage or salary. They are the ones that carry out tasks for the achievement of business objectives. Employees are mostly concerned about fair pay, good working conditions and ongoing employment. It is important that the business values the employees because happy and motivated employees are likely to work hard and be productive. The business needs to consider the impact that decisions will have on the employees and aim to be socially responsible when dealing with employees. For example, the implementation of new technology that will improve productivity may cause concern or anxiety amongst employees. They may fear they don’t have the skills to use the new technology or even fear their job security. The managers need to be open and honest about the impact the new technology will have on the employees. This might include support in the form of training to ensure they have the skills to use the technology.

**Competitors**

Competitors are rival businesses that sell similar products in the same market. Competitors are constantly fighting to increase market share and become more competitive. It is important that the managers of the business are able to gain a competitive advantage to ensure the long term success and viability of the business. Keeping a close eye on what competitors are doing is important, as well as continuing to build on the business’ strengths in the market. Competitors may bring out new products, open up a new location, improve their customer service, offer discounts or promotions, or even find a way to reduce production costs. It is important that a business is able to react quickly to competitors so that they can maintain their market share.

Smaller businesses will face tough competition from larger businesses. The larger businesses are often able to produce their goods and services cheaper than smaller organisations because they can produce on a large scale. This is known as reaping the benefits of ‘economies of large scale production’ (or ‘economies of scale’). Smaller businesses will therefore need to find a unique way to compete, such as offering superior customer experience for their clients. Most businesses expect fair competition within the market. Dealings with competitors should be fierce yet ethical, which can inspire innovation in both new products and improved production methods.
Suppliers

Suppliers provide resources to a business which are then used in the production of a good or service. The quality of the resources provided to the business can have a significant impact on the quality of the final product delivered to the end consumer. Although quality resources can be costly, poorer quality resources may result in higher costs due to increased wastage or faulty products. It is important that a business has a strong relationship with its suppliers so that supplies are delivered on time, in the right quantities and at the right cost. Resources that do not arrive on time can slow or halt production, which can greatly affect productivity and ultimately the satisfaction of customers. For example: a car manufacturer will need to stop production if their supplier has not delivered enough nuts and bolts in time for production. Also, a local book retailer will upset customers if they are sold out of the latest best seller due to their supplier not delivering on time. To avoid issues with delayed deliveries, businesses often have a variety of suppliers they can use where possible.

It is important that a business has fair dealings with their suppliers. Suppliers expect to be paid on time and have fair dealings with the business. Businesses also expect their suppliers to use corporate social responsibility practices as any that are deemed to be unethical will reflect poorly on both the supplier and the business. Many larger businesses will conduct audits of their suppliers to ensure they are meeting corporate social responsibility standards.

Customers

Customers are those that purchase goods or services from a business. They expect good quality products at fair prices. It is important that the business meets or exceeds the expectations of customers so that they are able to gain a customer for life where they will come back again and again. It is important to generate this 'goodwill', as it is usually cheaper to get a satisfied customer to purchase again than it is to attract new customers.

Customers are becoming more aware of businesses that implement corporate social responsibility practices and research shows that many customers factor this into their purchasing decisions. This is just one customer trend and it is important that businesses are keeping up to date with changing customer trends. This helps to ensure that the business is staying up to date or even driving consumer preferences, which then helps to maintain a competitive advantage for the business.

Trade Unions

A trade union is a group that represents and protects the rights of workers in Australia. Employees can become a union member by paying a membership fee. This membership allows them to call on the union if needed in a situation, such as a dispute regarding pay or working conditions. The union expects that their members are treated fairly within the workplace. They also expect that during times of negotiation with the employer about wages and conditions, that there is bargaining in good faith, meaning that the employer will listen to the union’s concerns and seriously consider their point of view. They also expect to be informed if there are issues that are affecting the quality of the employee’s work environment or job security.

Community

The community is the group of people that live in the same areas in which the business operates in. The member of the community expect the business treats the location with respect and understands their impact on the environment. Many members of the community may be happy that a business is located near them as it not only allows them access to the goods and services they provide but also provides employment for the local area. However the business should also understand that any business operations can have negative effects on the area such as pollution. The business should be considering the local community when it makes decisions. For example: how it removes wastage, whether it gives back to the community or understanding the impact if it considers moving location.
The table below is a summary of the key stakeholders, their interest and example of corporate social responsibility considerations

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Definition</th>
<th>Interest</th>
<th>CSR Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>Those responsible for different functions of the business and make decisions and give direction to help a business to achieve its objectives</td>
<td>To be involved in setting objectives and ensuring the business is achieving these objectives</td>
<td>Managers need to make decisions that both demonstrate CSR and help the organisation achieve its long term objectives</td>
</tr>
<tr>
<td>Shareholders</td>
<td>People that have invested money into the business and own a share in that business</td>
<td>To get a return on their investment through dividends and capital gains</td>
<td>The business should demonstrate CSR to ensure the shareholder’s investment is safe. The business needs to keep all shareholders informed about business operations and prospects, whether they be positive or negative</td>
</tr>
<tr>
<td>Employees</td>
<td>People that work in the business in exchange for remuneration (e.g. wages)</td>
<td>To earn fair pay, have good working conditions and ongoing employment</td>
<td>Ensure that workers are paid fairly. Ensure employee’s safety (beyond legal obligations). Being open and honest regarding job security</td>
</tr>
<tr>
<td>Lenders</td>
<td>Parties (typically banks or other financial institutions) who provide funds (via loans) to allow the business to operate or expand</td>
<td>To get a return on their investment through the payment of interest on the loans</td>
<td>As for shareholders, the business should demonstrate CSR to ensure the lender’s investment is safe. The business needs to keep lenders informed about business operations and prospects, whether they be positive or negative</td>
</tr>
<tr>
<td>Competitors</td>
<td>Rival businesses that sell similar products in the same market</td>
<td>Competitors want to gain a competitive advantage and have healthy competition</td>
<td>Fair and honest competition that doesn’t undermine ethical practices</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Businesses that provide goods and/or services to another business</td>
<td>They want to see the business they are supplying increase sales so they can sell more supplies to that business</td>
<td>Procurement: ensuring that suppliers implement CSR into their practices</td>
</tr>
<tr>
<td>Customers</td>
<td>Those that purchase goods and/or services from a business</td>
<td>To receive good quality products at fair prices</td>
<td>Ensure products are of the highest quality, fit for purpose. This may mean slowing production to ensure product meets high quality standards</td>
</tr>
<tr>
<td>Trade Unions</td>
<td>Group that represents and protects the rights of workers in a particular industry</td>
<td>To see workers are treated fairly within a business and see them receive fair wages and good working conditions</td>
<td>Bargain in good faith and keep the union informed of anything that could affect the job security of employees</td>
</tr>
<tr>
<td>Community</td>
<td>A group of people that live in the same place in which the businesses operates in</td>
<td>To see a business thrive to ensure it continues to employ local residents and sell good products at fair prices</td>
<td>Give back to the community by supporting local programs. Minimise waste and ensure it is disposed in a way that has minimal impact on the environment</td>
</tr>
</tbody>
</table>

Conflicts between stakeholders

Although all stakeholders have a vested interest in the business, their interests are often quite distinct. These varying interests can be conflicting and it is important that managers take this into consideration when making decisions. An example of this could be a local retail store, where the employees have been asking for improved working conditions and higher wages. The manager may want to reward the employees for their hard work and offer a combination of higher wages and reduced hours. However, by deciding to do this, it may cause prices to increase and profits to fall, which conflicts with the interests of both customers (who are after lower prices) and shareholders (who are after higher profits). In this situation, the manager needs to make a decision that considers all stakeholders. The manager may be able to implement the higher wages while keeping prices the same, resulting in both stakeholders being satisfied. However, now that wage costs have increased the shareholders of the business may be dissatisfied as their dividends may be reduced.

Managers are faced with these types of situations regularly and it is important they are able to make decisions that take all stakeholders into consideration. This doesn't mean that they will be able to keep all stakeholders happy with every decision. In these situations, the manager will need to make a decision about which stakeholders will be
the major beneficiaries of the decision, and then aim to minimise the impact on those that are dissatisfied with the decision.

In contrast, managers may be faced with the owners of the business that place pressure on them to make decisions that maximise the profits of the business, which can sometimes be to the detriment of other stakeholders. A manager may need to consider corporate social responsibility when making decisions, with a focus on the triple bottom line, rather than simply the economic impact of decisions. Trying to manage the conflicts between the interests of stakeholders can also be done while taking into consideration corporate social responsibility. For example, a manager might decide to improve the working conditions of employees to allow them a better work-life balance, which might negatively impact on the short term profits of the business. However, the hope would be that by providing better conditions, employees will be more satisfied with the workplace, work harder and be more productive. This will then help to maintain downward pressure on costs and improve profitability.

Areas of Management Responsibility

A manager is a person who is responsible for a particular area of an organisation. They will be involved in setting the objectives for their particular area, organising resources, motivating and inspiring employees to achieve the set objectives and monitoring the processes and results. Each area within a business contributes positively or negatively to the overall achievement of a business’s objectives. It is therefore important that the manager responsible for each area makes good decisions to ensure their area of responsibility is achieving its set objectives in the most efficient manner possible. Depending on the size of the business, these areas may be the responsibility of the owner or there could be specific managers that undertake each role specifically.

The following section describes the key areas of responsibility and the roles they play in helping a business achieve its overall objectives.

Operations

Operations is the area of the business that produces the goods and services. The manager responsible for operations overlooks the operations system. The operations system has three main parts:

1. **Inputs**: these are the resources used to create a good or service. Resources include raw materials, facilities & equipment, human resources, time, and information.
2. **Processes**: these are the activities that convert or transform the inputs into the final product.
3. **Outputs**: these are the final goods or services produced, ready to be sold to consumers.

Managers need to ensure the operations system (inputs, processes & outputs) are running effectively and efficiently. This can help an organisation achieve its objectives. For example: an organisation that has an objective to deliver a high quality product to its consumers needs the operations area to be able to do this. The manager overseeing the operations system needs to ensure there are high quality inputs such as raw materials and human resources. The manager then needs to ensure it has the correct processes in place, such as checking for defects at regular intervals and fixing them where required. Finally, the manager needs to ensure that the outputs consistently meet the standards expected by customers. All of this helps the business achieve its objectives of delivering a high quality product to consumers. We go into more depth in this area in Chapter 3.
Finance

The area of finance is one that encompasses a range of activities revolving around the management of money and other assets. Keeping financial records is a key to the success of a business no matter what the size. The manager responsible for a business's finances aims to provide information to senior managers to help them make informed decisions, reduce costs and budget effectively for the future. Finance is a key for any business so they can buy stock, pay their employees, advertise, develop products and grow. This area of responsibility can help an organisation achieve all of these objectives by ensuring the business has money available to do all of the things mentioned. Some of the key tasks in this area of responsibility include:

- **Budgeting and Forecasting**: This is where the manager responsible uses all available financial information to set a budget for other departments and forecasts future revenues and expenses. This information can help a business foresee any future opportunities or threats they may face.
- **Bookkeeping**: Keeping records of a business's financial affairs in order. This can help during times of tax or when a manager wants to create or assess the financial reports of the business.
- **Reporting**: Creating both internal and external reports that show the financial situation of the business.
- **Payables and Receivables**: The area of finance also keeps track of cash flow (money flowing in and out of the business) to ensure all expenses are paid on time and to chase any money that is owed to the business.

Human Resources

Human resources is the area of the business that manages the relationship between the employees and the business. Here are some of the responsibilities involved in the area of human resources:

- **Recruitment & selection**: attracting and hiring the best employees for the business.
- **Training & development**: working on improving the skills and abilities of the employees within the business.
- **Motivation**: attempting to help motivate employees so they perform at their best on a consistent basis.
- **Rewards & recognition**: positively reinforcing the desirable behaviours in the business.
- **Employee relations**: Maintaining positive relationships with employees when issues or conflicts arise. This area is also involved in the development of agreements that outline the wages and working conditions (such as holiday leave, sick leave etc).

Human resources plays a major part in a business achieving objectives. Being able to employ and retain the best employees ensures that the business is able to achieve its set objectives. The manager responsible for human resources needs to make certain the business has the right people, in the right jobs, at the right time so that objectives are being achieved in the most cost efficient manner.

Sales and Marketing

Marketing refers to the actions taken to promote a business and/or its products with the aim to increase sales. The sales and marketing manager will decide on the best course of action for promotion. This could include advertising, social media campaigns, promotional offers, direct selling and many more strategies.

We have stated earlier that some common objectives for businesses are to make a profit, increase sales and to increase market share. Marketing plays a vital role in achieving these objectives. A business can have a wonderful product to provide consumers, but if the consumer is unaware of the product or its benefits, it will then be difficult to attract sales. Marketing alerts and attracts consumers to purchase the goods or services, which assists the business in achieving its set objectives.
Technological Support

Businesses rely on technology for fast communications, market intelligence and storing and processing data. This kind of support is vital for a business to be able to improve processes and reduce costs. We often take technology for granted, but the way it enables employees to communicate with each other has helped improve productivity in most businesses. Due to technology support, employees are able to be out of the office and still complete their work.

Technology has helped businesses to expand across borders due to the development of web technologies and e-commerce. These advances help businesses achieve their objectives by improving processes, improving products and reducing costs.

For example: banks have been able to improve the service they provide to their customers by making online banking available. No longer does a person need to conduct their banking between the hours of 9am-4pm. They are able to conveniently use the banks’ technology at any time of the day. This helps banks to serve more customers per day while reducing their costs.

Management Styles

A management style is the way in which a manager makes decisions and communicates with employees. Managers will differ in how they do this. The 5 main management styles are autocratic, persuasive, consultative, participative and laissez-faire. The style a manager uses may come down to a number of factors such as:

- The personality of the manager
- The skills and experience of the employees
- The nature of the situation in which decisions have to be made

Many leaders will use a variety of styles depending on the situation they are faced with. For example a manager that has been informed that one of the business’s products is faulty and has the potential to harm customers may use a very direct autocratic style where decisions can be made quickly. However, if the same leader is faced with a situation where they have more time and feel employee input would be beneficial, they may use a more participative management style. The 5 management styles can be placed on a continuum from styles that are more task-centred (the manager focuses on the tasks that need to be performed) to styles that are more employee-centred (employees take an active role in the business which helps develop them for the future).
Autocratic Management Style

The autocratic management style is where the manager makes the decisions and tells the employees what tasks to perform. The manager prefers to have full control of their area of responsibility, without any employee input into the tasks that need to be performed. The autocratic management style is very task-oriented, where the manager tells the employees what tasks need to be performed and when they need to be completed, without the input from employees. The manager may even monitor the work closely while it is being performed by the employees. The directions provided to the employee are clear, which ensures they understand exactly what needs to be done. The making of decisions in isolation, without input from other parties, is often referred as ‘centralised decision making’. Centralised decision making allows decision to be made quickly as there is no time spent consulting employees.

Its key characteristics of this management style are:
- Manager makes the decisions alone without input from employees (also known as centralised decision making)
- One-way communication (top-down)
- Managers place little importance on employee involvement in the direction of the organisation
- Manager places importance on completing tasks

### Advantages

- Decisions are made quickly
- Clear communication to employees
- Employees know exactly what their tasks are
- Decisions are made by an experienced manager

### Disadvantages

- No opportunity for input from employees
- May result in lower morale or poor motivation
- Smaller pool of ideas
- Very task focused with lack of employee development

When is it best used?

The autocratic management style is often best used when time is a significant factor because decisions are made quickly without consultation. It can also be an effective style to use when the employees lack skill and experience. In this situation the manager may rely on their own experience to make good decisions.

Persuasive Management Style

The persuasive management style is where the manager makes the decisions and then explains to employees why the decision has been made. This style is very similar to the autocratic management style in that the decisions are centralised (made by the manager). However the key difference is that when a decision is made the manager tries to convince the employees as to why it is the best decision in the circumstances. Therefore, more information is provided to the employees about why the decision has been made. The persuasive management style uses one-way communication (top-down), however more information about the decision is provided to the employee. It is again a task orientated style, where the employees are told what tasks they need to be performed and why. The key characteristics of a persuasive management style are:
- Manager makes decision alone, but gives explanations as to why a decision has been made
- One-way communication (top-down)
- Manager places importance on completing tasks
- There is some importance on employee involvement yet employees still have no involvement in decisions

### Advantages

- Decisions are made quickly
- Clear communication to employees
- Decisions may be supported by employees as they are more informed
- Employees are clear about what it is they need to achieve

### Disadvantages

- No opportunity for input from employees
- Workers can still have low morale/motivation due to lack of input
- Small pool of ideas due to no consultation
- Task focused with lack of employee development
When is it best used? Like the autocratic style, the persuasive style is best used when time is a significant factor. It can suit situations where decisions need to be made by senior management. For example: if an organisation is going to close down a particular department, senior management would make the decision, inform employees the reasons for the decision but not involve employees in the decision making. It can also be an effective style to use when employees lack skills, knowledge and experience.

Consultative Management Style

The consultative management style is where the manager seeks the ideas and opinions of employees before they make a final decision. This management style understands that employees and other stakeholders have important ideas and uses two-way communication to allow them to share their ideas. This can improve the relationships between employees and management, which may improve the morale and culture of the workplace. While the employees are more involved in the decisions that are made, the decision-making is still centralised. After consulting with employees, the manager will consider all options and then make a final decision. The employees will then be informed about the decision that has been made.

This style of management may cause some employees to become upset or angry if the ideas they put forward have not been included in the final decision. Despite this, the consultative management style is seen to be a more positive and productive as it is more employee centred rather than simply task orientated. The autocratic and persuasive management styles demonstrated fast decision making, as the manager did not need to consult with employees before making a decision. However, with the consultative management style, the manager is spending time seeking out the opinions of employees before making a decision. This will increase the time it takes to come to a final decision.

The key characteristics of a consultative style include:
- Manager consults with employees before making decisions
- Two-way communication
- Centralised decision making
- Importance is placed on employee involvement yet management still maintains control

<table>
<thead>
<tr>
<th>Consultative Management Style</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larger pool of ideas to choose from</td>
<td>More time consuming to make decisions</td>
<td></td>
</tr>
<tr>
<td>Increased motivation as employees are more involved</td>
<td>Some employees may feel undervalued if their ideas are overlooked</td>
<td></td>
</tr>
<tr>
<td>Employees more likely to take ownership due to involvement in decision making</td>
<td>Some employees may not want to be consulted regularly</td>
<td></td>
</tr>
</tbody>
</table>

When is it best used?
The consultative management style is best used when the employees have a degree of skills and experience that a manager can use to gain knowledge before decisions are made. The extra information and ideas may help the manager get a better perspective on the elements of the issue. It can also be a positive style to use when there is enough time to consult with employees. When an organisation is going through change, the consultative style can help the business manage the change. Asking employees for their ideas regarding changes can help them take ownership of the change rather than resisting it.

Participative Management Style

The participative management style is where the manager and employees join together to make decisions as a team. This style is highly employee centred and the manager empowers employees to make decisions. We call this ‘decentralised decision making’. The manager understands that the employees are often in contact more often with customers so their ideas and decisions are an important element of a business’ success. There is also an understanding that employee motivation can be increased if the employees have more of a say in what happens within the business. The participative management style uses two-way communication and encourages employees to give feedback and share ideas. This can help the employees to take ownership over decisions because of their heavy involvement in decision-making. Like the consultative management style, this style can be time consuming
as ideas are discussed before a final decision is made. However, the benefits of team work and sharing ideas can help improve the morale and culture of the business. The key characteristics of the participative management style include:

- Decision making and authority being decentralised because managers and employees work in a team to make decisions together
- Two-way communication
- Employee-centred which can help develop employee skills, knowledge and experience
- Importance is placed on idea that employees contribute significantly to the success of the business

<table>
<thead>
<tr>
<th>Participative Management Style</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees feel trusted and valued</td>
<td>It can be very time consuming as decisions are often discussed and debated</td>
</tr>
<tr>
<td>Improved morale and motivation due to involvement</td>
<td>Conflict may arise between workers if there are disagreements about decisions</td>
</tr>
<tr>
<td>Often there are better decisions made as more experience is pooled together</td>
<td>Some employees may not want to be involved in decision making</td>
</tr>
<tr>
<td>Employees gain experience in decision making which can help with career development</td>
<td></td>
</tr>
</tbody>
</table>

**When is it best used?**

The participative management style is often best used when there is an issue that will directly impact the employees. Allowing them to be involved in the decision being made can help reduce conflict or resistance to the final decision. It can also be a good style to use when the employees are highly skilled and experienced. Being able to draw on that experience can help the team to make a highly effective decision. It is important that there is ample time for ideas to be discussed and debated before the final decision is made. The participative style is also effective during times of change as it allows them to have involvement in the change. If the employees have had involvement in the decisions regarding the change, they are more likely to accept it.

**Laissez-faire Management Style**

The laissez-faire management style is where the manager leaves the majority of the decision making and authority with employees. The manager may provide some initial boundaries such as budget and timelines, and then leaves employees alone for them to achieve the objectives. This means that the day-to-day running of the business is left largely to the employees. This is the most employee-centred style meaning it is very decentralised. To use this management style, it is likely that the employees are highly skilled and knowledgeable. Examples of businesses that may use this style could be advertising agencies or website development companies. The web designer or advertising expert would work with the client and make decisions on the best way to move forward. The key characteristics of the laissez-faire management style include:

- Employees being left alone to make their own decisions
- Authority and decision making is decentralised
- Communication is more often two-way as the initial objectives and constraints are set, however then there is normally only horizontal communication between employees in the team

<table>
<thead>
<tr>
<th>Laissez-faire Management Style</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees have a great deal of control which can help improve morale and motivation to achieve outcomes</td>
<td>Employees are not monitored regularly which can lead to a loss of management control</td>
</tr>
<tr>
<td>Encourages team work and creativity</td>
<td>There may be misuse of company resources</td>
</tr>
<tr>
<td>Communication is improved due to a team setting where ideas are constantly discussed</td>
<td>Increased freedom may lead to some employees being less productive</td>
</tr>
</tbody>
</table>
When is it best used?

The laissez-faire management style is often best used where a high level of creativity is important to the business. If employees are highly skilled and experienced, the creative freedom can lead to outstanding outcomes.

Exam Tip: In examinations, it is common to ask students to discuss an appropriate management style given the specific scenario provided in the stimulus material at the beginning of a question. In past exams, students have been given some flexibility with the style that could be selected. However, often not all styles are accepted for a given scenario. Be sure you know all the styles well so you can select the most appropriate and be prepared to justify your selection where necessary.

Exam Tip: Students often mix up the name of the style and characteristics. For example, they may identify a persuasive style yet describe a participative style. In most instances, whichever style is identified, it will be assumed that this is the one you are talking about. Ensure you have studied hard and know the correct characteristics for each style.

Exam Tip: It is very common for students to say that the consultative management style uses decentralised decision-making. Although the manager consults with employees, the manager still makes the final decision (centralised decision-making).

Exam Tip: When asked to 'discuss' the use of a management style, ensure you look at both sides (benefits & limitations). It is very common for students to talk about the benefits of the style in the given situation. However, to maximise your chances of achieving full marks, it is necessary to mention the limitations.

Situational approach

A situational approach is where the manager alters their management style depending on the situation they are faced with. While managers will have a more dominant style they prefer to use, effective managers are able to alter their approach in different scenarios. This is known as the situational approach or contingency theory of management. The management style used will greatly depend on areas such as:

- **Manager preference:** many managers have a style they prefer to use. Some like to have full control over situations and would prefer the more task-orientated styles of autocratic or persuasive. Other managers prefer to use the experience of employees by embracing the more employee-centred consultative, participative or laissez-faire styles of management.

- **Time:** how much time is available is an important factor when deciding on which management style to use. If a decision needs to be made quickly, the autocratic and persuasive style could be justified. If there is more time for discussion with employees and other stakeholders, the employee-centred style could be more appropriate.

- **Experience of employees:** the experience level of staff will also be considered by the manager. If employees have vast experience and knowledge regarding a situation, the manager may rely on that experience and use the employee-centred styles. However, if the employees lack experience and knowledge they may not be able to offer any meaningful suggestions. In this instance, the manager may decide to use the more task-orientated styles.

- **Nature of the task:** The manager will also consider the type of task that needs to be performed. If the tasks are relatively simple in nature, the manager might quickly communicate what needs to be completed. However, if tasks require more thought and perhaps discussion about how to approach them, it may be more valuable to include employees in the decision making process.

Exam Tip: The situational approach is NOT a management style. It is an approach to different situations. The study design states that students must know the appropriate of management styles in relation to the above criteria. This can help you when selecting a management style for a given case study in the exam. However, do not select or justify a contingency approach or situational approach as a management style that can be used.
Management Skills

An effective leader will have a wide array of skills to draw upon in varying situations. While businesses are able to create vision/mission statements, little can be achieved unless the manager is able to get things done with the assistance of employees. The type of skills a manager possesses will heavily influence the extent to which they are able to get things done. Managers of all levels (senior, middle or front-line) will use a series of skills to try and achieve business objectives. Management skills include communication, delegation, planning, leading, decision making and interpersonal. Each of these will be examined below.

Communication

Communication is the transfer of information from a sender to receiver and the ability to listen to feedback. Communication can be used both internally and externally. Internally, communication helps a manager to inform employees of the business’ objectives, which then helps to provide employees with greater direction. The manager can encourage two-way communication to gather information from employees to help make more informed decisions.

External communication can be used to inform other key stakeholders about important information. For example, a senior manager in a company will need to communicate with shareholders about the performance of the business and its ability to deliver a return on investment in the future.

Managers who are able to communicate well with stakeholders increase their chances of successfully achieving business objectives. Effective communication is typically two-way communication where the manager is able to listen and respond to feedback. Two-way communication can improve morale within a business because employees feel valued as they are able to put their ideas forward. Managers need to be able to give concise directions and clearly articulate expectations and policies.

Communication can be verbal (written or spoken) or non-verbal (body language, visual). It is important that the correct method of communication is chosen for the scenario that faces the manager. For example, if a business has made the decision to downsize in order to cut costs, an email is not the most appropriate form of communication as the employees will likely have many fears and questions they need answered. Instead, a face to face meeting would be more appropriate so that the employees are able to have these concerns addressed directly.

Delegation

Delegation is the passing of authority and responsibility from a manager to employee to achieve tasks. Delegation can help free up a manager’s time so they can focus on their own (higher order) tasks. It helps to spread the load of work so that more can be achieved in the same period of time.

Some benefits of delegation include:

- The manager has more time to focus on longer term planning
- More can be achieved in less time by spreading the workload
- Employees are able to gain more experience and develop their skills by tasks being delegated to them
- Improved job satisfaction as the employees are trusted and relied upon to perform tasks

Managers need to be aware of the tasks they are delegating to employees. High risk decisions, confidential matters and strategic planning are not well suited to delegation as they can heavily impact the business if not done well. Tasks where delegation works well include interesting tasks, time-consuming tasks, routine tasks and tasks that will enhance the employee’s skills and experience.
Tasks can be delegated to employees in three main ways:

1. To an employee that has the skills and experience to complete the task successfully. This will ensure the task is completed well.
2. To a group of employees. This allows the manager to set a challenge for a team where they can use each other’s varying skills to complete the set task/project.
3. To an employee without the skills or experience to complete the task and provide support and mentorship to the employee. This can help the employee to develop their skills and experience for the future. If they are ever in need of advice they will have the support around them to ensure the task is completed successfully.

Planning
Planning is the ability to set objectives and work out ways to achieve them. Planning is an important skill for all managers, whether it be a manager at a large multi-national corporation or a small business about to launch a new product. Planning helps provide guidance to the business and its employees.

Planning can be time consuming which can cause it to be neglected, especially by small businesses. However the direction it provides both the owners and the employees of the business far outweigh the time it takes to conduct. Without planning it is like setting off for a journey without a destination - you could end up in the wrong place! In the case of a business, this translates into a higher chance of making losses (or smaller profits) in the absence of planning.

There are three key levels of planning:

**Strategic Planning**: is long-term planning that is conducted by senior management. It is the ‘big picture’ planning that looks to the future about where the business wants to be in the next 2-5 years. An example of strategic planning is developing a mission statement that the business wants to achieve.

**Tactical Planning**: is medium-term planning that is often conducted by middle managers. These are medium term goals that help the business achieve its strategic plans. Tactical plans are set for a time frame of approximately 1-2 years. An example of a medium term plan is to develop and implement a new training program to improve customer service skills for all employees within the next 12 months.

**Operational planning**: is short term planning such as day-to-day or monthly planning. This type of planning is often conducted by lower level management, however in small businesses it may be conducted by the owner. Operational plans should be in place to help the business achieve its medium term plans. A common example of a short term plan is the setting of a daily, weekly or monthly sales budget.

It is important that the strategic, tactical and operational plans are aligned. This will ensure the entire business is heading in the one direction. It can also be good practice to notify all employees of the strategic plans so they understand the reasons as to why they are working on achieving short term operational goals.

Planning Process

When a manager conducts planning they will follow a logical process. Sometimes, with a strategic plan, this process may be quite formal, while at other times very informal. Yet no matter what level of planning is being conducted, the manager will go through a set of steps in order to set the plan.

The common steps in a planning process are as follows:

1. **Set the objective**: Here the manager considers the outcome or goal the business is trying to achieve.
2. **Analyse the environment**: the manager will gather information to help them make an informed decision. For longer term plans, this may involve the manager conducting a SWOT analysis. SWOT stand
for Strengths, Weaknesses, Opportunities and Threats. Here the manager may consider the strengths and weaknesses of the organisation. This information can help them make decisions that will utilise the business’ strengths and not expose their weaknesses. Then the manager can assess any opportunities the business can take advantage of that may help them achieve their set objective and any threats that they need to avoid.

3. **Develop alternatives:** Armed with information gathered in step 2, the manager is now able to develop some alternatives that will help the business achieve its objectives. Each alternative should be analysed and then the most appropriate one selected.

4. **Implement the plan:** Once the most appropriate alternative has been selected it is time to put it into place. The manager should communicate with key stakeholders to help provide direction. Resources need to be allocated to the right areas of the business so that the plan can be implemented effectively. For example, a clothing retail business that has the objective to expand and decides to open a 2nd retail store in Melbourne’s CBD, would be unsuccessful if it didn’t have employees and stock in place.

5. **Monitor and evaluate:** now that the plan has been put into action, it is important to monitor and determine if the set objective has been achieved. If the objectives are not met, the manager can look to take corrective action.

---

**Exam Tip:** The planning process listed here has been a common one used in past exams, however there is no specific planning process listed in the study design. That means it is fine to use a different planning process you have learned.

**Exam Tip:** If you need to apply a planning process it is important that you provide both theory and application. Students often give good theory with very little application, while others only apply and provide no theory. A typical question would be:

“*Explain each of the steps in a planning process that James could use to help the success of his new venture.*

In this example, it would be expected that you provide theory on each of the steps in a planning process. Because the question refers to James and the success of the new venture, it is critical that you apply each step to this also. For example:

“*The second step in the planning process is to analyse the current environment. This may involve conducting a SWOT analysis that looks at the strengths, weaknesses, opportunities & threats to the business. James would need to conduct this SWOT analysis to ensure he is well informed on where the business currently sits. He would need to gather information on the internal strengths and weaknesses of his business. He could then look for any possible opportunities he can take advantage of that will assist him to achieve his set objective. He would also look for any threats he needed to avoid. By analysing the current environment, it will provide James with information to help make a successful plan when implementing his new venture.*

---

**Leading**

Leading is the ability of a manager to motivate and inspire employees to achieve business objectives. Effective leadership is vital to a business successfully achieving its objectives. Planning provides the direction for the business and its employees, but it is leading that outlines ‘why’ the plan is important. This provides the motivation for employees to work hard towards the objective. Without strong and effective leadership it is difficult for a business to achieve its objectives as employees (and other stakeholders) may not see or accept the reasons for why they should be achieved.

Leaders are invaluable when it comes to communicating strategic direction of a business. Not only do they communicate the direction a business is heading, but they provide the motivation for accepting the importance of the direction. This helps to ensure that all employees are ‘on the same page’ - working in the same direction and towards a common cause.

An effective leader is one that makes a commitment to the mission of the business and takes responsibility for their role in achieving the mission. Leaders are able to communicate well, provide direction when the business ‘gets off track’ and make tough decisions for the greater cause of achieving the mission.

Good leaders are able to communicate well to a team and show support for those that are struggling to work towards the objectives. Leadership is an important skill in all aspects of the business. Simple things like leading by example and demonstrating the desired values can help inspire others to follow suit. Giving employees time to adapt to change and supporting them through changes is all part of being an effective leader.

Leaders aim to get the best out of their employees and research show that transformational leaders can be highly effective. Transformational leaders are those that value the abilities of employees and provide them with opportunities to demonstrate their ability to perform outstanding work. Showing this type of value to employees...
can create a positive culture where the employees are highly engaged and enjoy the challenges they face while at work. Showing trust in the employees can then lead to improved productivity and the achievement of business goals.

**Decision-making**

Decision making is the ability to make a choice on a course of action from a range of alternatives. Decision-making is an important skill for managers at all levels. It is important for managers to make informed decisions so that the impact on the business is positive. Managers will need to make decisions each day with some having a significant impact on the business's future. Managers need to be able to assess available information and make a conclusion as to the best course of action. How decisions are made will greatly reflect the management style used at the time. Some managers will like to gather data and make decisions themselves without any employee input, while others would prefer to involve the employees in the decision making process.

To make strong decisions the manager can use a 6-step decision-making process:

1. **Identify the problem:** In order to make a decision, the manager needs to understand what they are trying to solve or work towards.
2. **Gather information:** for the manager to make informed decisions they need to gather information. This would include investigating the reasons an issue has arisen or gathering information on the business’ finances so that a decision isn’t made that could jeopardise the business’ future.
3. **Develop alternatives:** now that the manager has gathered enough information they can create some alternatives that will help him or her to solve the problem or issue identified in step 1.
4. **Analyse the alternatives:** Each alternative should be analysed for its strengths and weaknesses in achieving the set objective.
5. **Choose an alternative and implement:** Once the alternatives have been analysed, the most appropriate is chosen and put into action. The decisions should be clearly communicated with key stakeholders so that relationships remain positive and they are clear on where the business is heading and the role they play in helping it get there.
6. **Evaluate:** Getting feedback on the decision to ensure it has been a successful decision and making any necessary adjustments

**Exam Tip:** The decision-making process listed here has been a common one used in past exams, however there is no specific decision-making process listed in the study design. That means it is fine to use a different decision-making process you have learned.

**Interpersonal**

Interpersonal skills are the way in which people communicate and interact with each other. Using interpersonal skills is important for a manager to use when forming relationships. It shows a level of understanding and allows managers to communicate accurately and honestly with employees without jeopardising the relationship.

Communication is about delivering a message from sender to receiver and the development of good interpersonal skills allows the relationship between the parties to be supported or even enhanced while the message is being delivered. Research has shown that businesses that have managers with good interpersonal skills and foster positive relationships benefit from higher productivity, enhanced problem solving, fewer conflicts and higher quality outputs. Interpersonal skills are not just a ‘nice-person’ attitude. The manager is still able to address any incompetency an employee is displaying. However, if there are positive relationships between the manager and employee there is likely to be a better outcome. The way the message is delivered is important, as is the accuracy of the information so that a positive or constructive relationship is maintained. If effective interpersonal skills are not used then employees can become defensive or display discomfort and resentment when problems with their performance are being addressed.

It is important that any issues that do arise need to be problem-oriented rather than person-oriented. This means that ‘the issue’ is being addressed, rather than any personality attributes. Problem-oriented communication focuses on the problems and solutions rather than on personal traits. This helps maintain or improve the relationship as the employee realises the manager is working to improve the situation.
Negotiation

Negotiation is where two or more parties come to an agreement through discussion. The outcome should be 'win/win' where all parties are satisfied with the outcome. There may be times where the parties need to compromise to come to an agreement. However, it will be more satisfying if the parties reach a solution where they all get what they want. This may require each party to think 'outside the box' so they can come up with an amicable solution.

Negotiation is an important skill in many situations. Businesses that are working on a deal with suppliers, vendors or unions use negotiation to ensure they get the best deal. For example, during a negotiation between an employer and employees in regards to a wage increase, it is important that both parties win in this instance. If the business wins by not paying the employees what they want, the employees may be resentful. However if the employees get what they want it could place the business under financial stress. This demonstrates why it is important that both parties are happy with the outcome. When negotiating it is important to:

- **Establish shared goals** so that the negotiating parties can establish what they have in common and work towards a solution that both is happy with.
- **Separate the people from the problem** so that the issue is being negotiated rather than personalities. It is common for negotiations to break down due to personality clashes which can cloud a foreseeable solution.
- **Listen actively** so that it is understood what the desires are of the other parties. It also helps if the manager is listening when something has been decided!
- **Create options for mutual gains** so that the manager is not only thinking from their own point of view. This may mean that some unusual solutions arise, however it can often result in a breakthrough.
- **Be clear on the outcome** so that there is no confusion as to what the terms of the agreement are. The final solution should be in writing and signed by all parties, with each taking a copy of the final agreement. This avoids any confusion and conflict down the track.

Time Management

Time management is the ability to organise and plan tasks to make the best use of available time. Part of time management is the ability to set deadlines and work to meet those deadlines in the most effective way possible. Managers in businesses of all sizes will have lots of tasks they need to perform. Time management allows them to achieve those tasks. Some managers will delegate tasks to other employees to help them leverage their time. Having poor time management skills can cause the manager stress and therefore negatively impact on their effectiveness.

Managing time effectively can improve the productivity of the business as more is achieved in the same amount of time. It can also improve the work-life balance of the manager as they are able to complete their tasks and still have enough personal time outside of work.

Many sole traders can have battles with time management as they often have small budgets and look to complete most tasks themselves to save on costs. Time management skills can therefore be a crucial skill that enables them to not only complete the tasks of running the day-to-day operations of the business, but also to work on expanding or growing the business.

Effective time managers are able to write down all of their tasks and make distinctions between those that are important to the business and those that are less important. They are then able to prioritise those tasks in order of importance and set time frames in which they will be completed. They are also able to use leverage to delegate those tasks to other employees, which can help to improve their management of time.
Relationship Between Management Styles & Management Skills

All managers have a particular style when making decisions and communicating with employees. In addition, all managers have a series of skills they use to get the job done. So what is the relationship?

The type of management style a manager decides to use will determine both the skills they rely upon and how these skills will be employed in any given situation. For example, all managers will make use of communication skills, however, the type of communication used will vary depending on the management style.

An autocratic manager will use one-way communication while a participative manager will use two-way communication. All management styles will use delegation to some degree also. The management styles that have centralised decision making will delegate tasks to employees while the styles that have decentralised decision making not only delegate tasks but also delegate decision making and responsibility to employees.

A manager can alter their style depending on the situation they face. However, those managers possessing strong communication and interpersonal skills will find it easier to use a consultative or participative style. In contrast, those managers with less developed communication and interpersonal skills (and/or those who like to take control of planning and decision-making) are more likely to use the autocratic or persuasive styles.

Corporate Culture

Corporate culture is the shared values and beliefs of the people within a business. All businesses have a culture no matter what their size. Each business has its own way of doing things which works towards creating its corporate culture. There are two types of culture within a business:

The official corporate culture: This is what the business wants the culture to be and can be seen in the business's written policies, slogans and objectives of the business.

The real corporate culture: despite what is written down in policies and slogans, the real corporate culture is what the actual shared values and beliefs of the people within the business are. It can be seen in how managers communicate with staff, the standard of the employee's dress and how they relate to one another at the workplace.

Successful businesses will work hard at developing their culture as they know that having a group of people with similar values will work well together in order to achieve a common goal. Some benefits of having a positive culture where the employees share similar values are:

- Reduced staff turnover
- Employer of choice which allows the business to select the best employees
- Improved productivity
- Higher morale within the workplace
Elements of Corporate Culture

Listed below are some of the elements of a business’s corporate culture. These elements could be used to indicate they type of culture an organisation has:

1. **Core Values:** These are what the business values most and will not change even when the business changes. They provide direction for the way the business operates. Core values act as guideposts that all employees should be aware of. Below is an example of the core values at Zappos (an online retailer).

   ![Zappos core values]

2. **Rituals & celebrations:** Rituals are those things that occur regularly within a business. This could include a regular social gathering to enhance camaraderie or an annual awards ceremony to celebrate high achieving employees.

3. **Communication:** How management communicate with their subordinates and how employees communicate with each other is another element of culture. Businesses that have open two-way communication with managers and employees demonstrate they value relationships.

4. **Heroes:** Heroes are those that the business ‘looks up to’ due to the way they demonstrate the business’ desired values. This could be the founder of the business or an employee of the month. These heroes act as a person to look up to for others within the business.

5. **Physical environment:** the space in which employees work is another element of the corporate culture. Businesses that value teamwork are more likely to have a more open space, where teams could easily meet and interact with each other.

Developing Corporate Culture

For a business to develop an ideal corporate culture, it must work on it continually. If this does not happen there will likely be a difference between the official corporate culture (the ideal culture of the business) and the real corporate culture (the actual culture within the business). Businesses that have a positive culture, where the employees share the same values and work towards a common goal, are more likely to succeed. Some means by which a business can develop its culture include the following points.

- **Communicate:** communicating the desired values and behaviours plays an important role in developing culture. The employees need to be aware of the expectations placed upon them. This helps to give them direction so they can embrace the desired values and beliefs of the business.

- **Leading by example:** it is important for managers to demonstrate the desired values within the business. A business that values teamwork and open communication should have managers that are using two-way communication and working in teams. Leading by example encourages others to follow in the same manner.

- **Recruitment & Selection:** recruitment & selection is where the business brings new employees into the business. In order to develop a desired culture, the business can ensure new employees share the same values and beliefs as the business. This can be done during the interview process where questions are asked to determine the candidate’s values.

- **Training:** training is where employees learn new skills and knowledge to help them perform more effectively in their job. Businesses should ensure that desired values of the business are implemented into the training program. For example, a business that values a high level of customer service should conduct ongoing customer service training.

- **Reward & Recognition:** providing employees with recognition or rewards for demonstrating the correct behaviours in the business can help provide positive reinforcement for the employees. This not only increases the likelihood of the employee continuing to demonstrate the correct behaviours, but also encourages other employees to embrace the values.
REVIEW QUESTIONS 1 – Business Foundations

1. Outline 3 types of businesses
2. Explain the role of a Government Business Enterprise
3. Discuss the use of a partnership for a local fish and chip shop
4. List 3 advantages of a business becoming a publicly listed company
5. Distinguish between a private company and a sole trader
6. Outline 3 common business objectives
7. Define a ‘mission statement’ and explain the role it has in a business
8. Explain the interest of 2 stakeholders
9. Describe the conflicts of interest between two key stakeholders
10. Identify 2 stakeholders and explain one corporate social responsibility issue a business needs to consider for each
11. Outline 3 areas of responsibility for business managers
12. Explain the role Finance and Operations play in a business achieving its set objectives
14. An advertising agency has a 2 week deadline to come up with a new advertising campaign for an important client. Evaluate 2 management styles the team leader could use to ensure a successful campaign is produced by the deadline.
15. A toy company has recently discovered that one of its products is faulty and needs to be recalled to avoid harming children. Discuss an appropriate management style to use in this situation.
16. Define leading
17. Distinguish between communication and interpersonal skills
18. Describe 3 management skills and explain their importance in assisting managers to achieve business objectives.
19. A local newsagency wishes to open all day on Sunday yet the employees feel this may take them away from precious family time. Identify 2 management skills and explain how the manager could use them in this situation.
20. Outline a decision-making process a manager can use to make effective decisions
21. Explain the relationship between communication and a participative management style
22. Define corporate culture
23. Distinguish between ‘official’ and ‘real’ corporate culture
24. A clothing retailer that employs 50 people across 4 stores in Victoria wants to be known for having the best customer service in the retail industry. Explain 3 ways the managers can develop a culture that values customer service.
25. Outline 3 elements of corporate culture

Quick revision crossword No 1: Business Fundamentals
Across
2. a business that aims to make a profit and use the money to primarily assist a community cause
8. management style where the manager tells the employees about the decision
10. a business owned by one person
11. setting objectives and working out ways to achieve them
12. corporate social
14. management style that has two-way communication and decentralised decision-making
15. managers may alter their management style based on the experience of
16. the area of responsibility that sets budgets for the business
17. the shared values and beliefs of the people within the business
18. meeting shareholder expectation is an example of

Down
1. a company that is listed on the ASX is known as a _______ listed company
3. those that purchase products from a business
4. form of culture that is written down
5. a type of business that has limited liability
6. a common business objective is to increase _______
7. often used as an employee representative
9. making choices from a range of alternatives
13. handing over tasks and authority to subordinates

MINI EXAM NO 1: UNIT 3 AREA OF STUDY 1 (40 MARKS)

CASE MATERIAL: Heart Property
Amelda Hart was a real estate agent in the surf coast area for 8 years. Two years ago she decided to leave her employer and start up her own real estate business in Torquay, named Heart Property. Due to the booming property market in the surf coast area, Amelda now has 15 full time and 8 part-time employees. She set the business up as a private company where she is the major shareholder with 70% ownership. There are two other shareholders with 15% equity each, but they have no active role in the company. Recently, Amelda noticed both a drop in profits and a 30% decrease in the number of houses listed for sale over the past 3 months. She feels that the experienced real estate agents working for Heart Property have become complacent and are not working hard enough to attract new business.

STRUCTURED QUESTIONS
1. Describe two stakeholders and explain a conflict of interest they may have in relation to Heart Property. (4 marks)
2. Discuss an appropriate management style Amelda could use to improve the profits of the business. (4 marks)
3. Outline the relationship between an employee's experience and the autocratic management style. (3 marks)
4. Amelda is looking to expand and open up a new office in the fast growing town of Ocean Grove. Describe and justify two management skills Amelda would need to use when establishing this new office. (4 marks)
5. Amelda understands the importance of a positive culture. In the new Ocean Grove office, she wants to develop a positive culture where employees value their clients and strive to deliver exceptional customer service. Distinguish between real and official corporate culture. (2 marks)
6. Identify and explain two strategies that Amelda could use to develop a positive culture at the Ocean Grove office. (4 marks)
7. Define the following terms (3 marks)
   a) Sole trader
   b) Decision-making
   c) Corporate Culture
8. Outline the relationship between the management skill of communication and the consultative management style. (3 marks)
9. Explain the relationship between finance and a business such as Heart Property achieving the business objective of meeting shareholder expectations. (3 marks)
10. Amelda is looking to appoint a new manager at the Ocean Grove office. She has gone through a tough selection process and narrowed it down to two possible candidates, Steve and Helen. Steve uses a persuasive management style while Helen uses a participative management style. Evaluate the key aspects of each of these styles, recommend which candidate she should appoint and justify your choice. Analyse the impact this management style will have on the culture at Heart Property. (10 marks)
YOU BE THE ASSESSOR: UNIT 3 AOS 1

In this section, you are required to assess the responses presented for each of the questions. You should award the responses a score and justify your decision. Once complete, compare your assessment to that of the author [provided at the rear of the Study Guide on page 135].

**Question 1**
In response to an increased customer demand for air conditioners, AusClean Air’s CEO, Hilary Lopez, has announced that ‘environmentally friendly and noiseless units’ will be produced in the company’s manufacturing plant to gain a substantial competitive advantage and increase AusClean Air’s market share. Employees have heard rumours that AusClean Air will be introducing new technologies and many of them do not welcome the change. The Human Resource Manager has been called in to help the employees cope with the transition. The Operations Manager welcomes the change.

Identify two stakeholders of AusClean Air. Explain their interest in the organisation and how this should be taken into account by AusClean Air when considering its corporate social responsibilities.

**6 marks**

Sample answer 1
One stakeholder of AusClean Air is customers. Customers are those that purchase goods from the business. AusClean Air can be socially responsible by ensuring their products are fit for purpose and of a high quality. Performing extra quality checks during production will ensure there are no defects and customers are safe for consumers which is deemed to be ethical.

Another stakeholder is employees. Employees are those that work in the business. AusClean Air can be socially responsible by ensuring that employees are safe in the workplace. Implementing all occupational health and safety laws ensure that employees remain safe at work and are free from harm.

Score out of 6 ______

Justification__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________

Sample answer 2
One stakeholder is customers. Customers’ interest in AusClean Air is that they want good quality products at fair prices. To ensure they demonstrate corporate social responsibility, AusClean Air needs to consider the end product that the customers receive. The air conditioners that are produced need to be of high quality and fit for purpose. AusClean Air may implement a quality control strategy that will ensure the air conditioners are defect free and free from harm to the consumer. These quality checks may slow down production, however increasing the quality for consumers can lead to increased profits in the long term.

Another stakeholder at AusClean Air are the employees. The employees’ interest is they want fair pay, good working conditions and ongoing employment. AusClean Air can ensure the safety of employees by going above and beyond their legal obligations. For example, they may implement machinery in the operations process to help reduce the bending and lifting the employees need to perform throughout the day.

Score out of 6 ______

Justification__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
Question 2
Swanston Airlines is a large-scale organisation providing flights to all capital cities in Australia. Swanston Airlines recently suffered a technology breakdown in its computerised ticketing system that led to customers not being able to book tickets, get seat allocations or board flights for 24 hours. This resulted in very unhappy customers who missed flights, were angry and argued with staff, and demanded refunds. The CEO of Swanston Airlines has called a meeting of senior management to review current policies and procedures in order to develop a new policy to better deal with customer relations in the future.

Justify a management style that would be appropriate for the management of Swanston Airlines to use when implementing its new policy. 4 marks

Sample answer 1
One management style that Swanston Airlines could use is an autocratic style. This is where the manager makes the decisions on their own and then notifies the employees. This management style involves one-way communication (top-down) and centralised decision making, where the manager makes the decisions. The autocratic management style would be best when implementing the new policy at Swanston Airlines as the employees would be clear about what is expected of them. The autocratic management style is time efficient which is important in this situation as the customers would want immediate action. By making quick decisions on how the policy should be implemented will demonstrate to employees and customers that the breakdown is being taken seriously.

Score out of 4 ______

Justification__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________

Sample answer 2
The best management style for Swanston Airlines would be the consultative style. This would be good for Swanston Airlines because it helps improve the morale of staff as they are consulted before decisions are made. This makes them feel a part of the workplace and helps build a good culture where employee ideas are valued. Getting ideas from employees helps the manager gain a larger pool of ideas to select from which may assist them in making a better decision in the scenario. Because the employees feel valued, they are more likely to work harder which improves productivity in the business.

Score out of 4 ______

Justification__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________

Question 3
Shackleton Pty Ltd is a large-scale business producing and installing state-of-the-art security systems. Its headquarters is in Melbourne and it has numerous offices across Australia. The organisation employs 1000 people. Shackleton has grown into a leader in its field. Shackleton believes in using products of the highest possible quality to ensure that the customer has many years of problem-free use. Shackleton’s CEO, Zac Shackleton, believes that if he employs capable staff, they will motivate themselves to do a good job. However, last month Zac noticed a drop in productivity and a rise in the number of customer complaints. Zac knows he must act swiftly or face competitors gaining a larger market share.

Discuss a management style that would best suit Zac in overcoming the drop in productivity that he has identified. 4 marks

Sample answer 1
One management style that Zac could use is an autocratic style. The autocratic style is where the manager tells the employees of the decision and the tasks they need to perform. It is characterised by one-way, top-down communication and centralised decision making. Due to the centralised decision-making, decisions are made quickly as there is no time lost by consulting with others. An autocratic style has clear communication which ensures the employees clearly understand the tasks they need to perform.

Score out of 4 ______

Justification__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
Sample answer 2
One management style that Zac could use is an autocratic style. The autocratic style is where the manager tells the employees of the decision and the tasks they need to perform without any feedback from the employees. The autocratic style is makes use of one-way communication and centralised decision making. This is an effective management style to improve the productivity as decisions are made quickly by the manager and then communicated clearly to the employees. This will ensure there is less time spent making decisions which helps improve the productivity. The clear communication that is provided to the employees ensure they understand exactly what they need to do which also assist Zac in improving productivity levels. One limitation of Zac implementing the autocratic style is that employees may feel undervalued as they are not involved in the decision making process. This can result in a poor culture where positive relationships and team work are not highly valued.

Score out of 4 ______

Justification
__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________

Question 4
Identify and explain two management skills that Zac could use to address the issue of customer complaints.

4 marks

Sample answer 1
One management skill is communication. Communication is the transfer of information from a sender to receiver. Communication can be formal or informal and it would be important for Zac to use formal communication when dealing with the customer complaints. Zac would need to formally communicate with customers to hear their feedback on the issues to help him understand how he can solve the issue with customers. He would then need to communicate with the customers to work out the best deal to compensate them for the poor service they have delivered.

Another management skill is negotiation. Zac would need to use negotiation to understand what the complaints of the customers are about and then work out the best solution. For example, Zac may negotiate with customers and decide to offer them free checks on their security systems. This can help improve the customer relations and the image of the business.

Score out of 4 ______

Justification
__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________

Sample answer 2
One management skill is communication. Communication is the transfer of information from a sender to receiver. Communication can be formal or informal and it would be important for Zac to use formal communication when dealing with the customer complaints. Zac would need to formally communicate with customers to hear their feedback on the issues to help him understand how he can solve the issue with customers. He would then need to communicate with the customers to work out the best deal to compensate them for the poor service they have delivered.

Another management skill is problem-solving. Problem solving is the process of finding solutions to difficult or complex issues. When conducting problem-solving, managers will need to assess a range of alternatives they feel will help them resolve the identified issue. The rise in customer complaints is a problem that has arisen at Shackleton. Zac needs to gather information about what the complaints are about and why they are occurring. He can then analyse a range of alternatives and implement one to ensure these types of complaints don't occur again. This will help reduce the number of customer complaints in the future.

Score out of 4 ______

Justification
__________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
Question 5
Freda Campbell is setting up a new business in Melbourne that will manufacture and sell furniture.
Describe and justify two management skills, other than communication, that Freda could use while establishing her business. 4 marks

Sample answer 1
One management skill that Freda could use is negotiation. Negotiation is the process of coming to an agreement through discussion and compromise. Freda would need to negotiate with suppliers about the costs of supplies to try and get the best deal for her furniture business. Being able to negotiate good deals will allow Freda to lower her costs and improve her profit margins.

Another skill that Freda would need is time management. Time management involves setting deadlines and prioritising tasks in order to meet those deadlines. When establishing her business, Freda would need to set herself deadlines and work to meet those deadlines. For example, she will set a date for when she will begin operating and need to manage her time to complete all relevant tasks that will allow her to begin operating her business.

Score out of 4 ______

Justification
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________

Sample answer 2
One management skill that Freda could use is negotiation. Freda would need to negotiate with suppliers about the costs of supplies to try and get the best deal for her furniture business. Being able to negotiate good deals will allow Freda to lower her costs and improve her profit margins.

Another skill that Freda would need is time management. When establishing her business, Freda would need to set herself deadlines and work to meet those deadlines. For example, she will set a date for when she will begin operating and need to manage her time to complete all relevant tasks that will allow her to begin operating her business.

Score out of 4 ______

Justification
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________
_____________________________________________________________________________________________________________________