THE CPAP STUDY GUIDE TO VCE BUSINESS MANAGEMENT

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John Mitchell

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ABOUT THE AUTHOR

John Mitchell is an experienced VCE Business Management teacher at St. Joseph's College in Geelong. He holds a Bachelor's Degree in Management and Applied Science from the University of Ballarat and a Diploma of Education from the University of Melbourne. Before 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 became 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 annually 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 in 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.

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COMMERCE PRESENTATIONS AND PUBLICATIONS
206/1 Queens Rd
St Kilda Rd Towers
Melbourne Vic 3001
TEL: (03) 9866 2289
Fax: (03) 9005 2717
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The Unit 3 Outline: Managing a Business

This unit focuses on the key processes and considerations for managing a business efficiently and effectively to achieve business objectives. Students will examine different types of businesses and their respective objectives and stakeholders. Students will also investigate different strategies to manage staff and operations to meet objectives, and develop understanding of the complexities and challenges of managing a business. Students will need to compare theoretical perspectives with current practice through the use of contemporary Australian and global business case studies from the past four years.

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 investigate potential conflicts between different business stakeholders. They will examine corporate culture and a range of management styles and management skills that may be used when managing a business and apply these to contemporary business case studies from the past four years.

Outcome 1

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

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 improve efficiency, to improve effectiveness, to fulfil a market, to fulfil a social need and to meet shareholder expectations
- stakeholders of businesses including owners, managers, employees, customers, suppliers and the general community
- characteristics of stakeholders of businesses including their interests and potential conflicts between stakeholders
- management styles including autocratic, persuasive, consultative, participative and laissez-faire
- the appropriateness of management styles in relation to the nature of the task, time, experience of employees and manager preference
- management skills including communication, delegation, planning, leadership, decision-making and interpersonal
- the relationship between management styles and management skills
- corporate culture both official and real

AREA OF STUDY 2: Human resource management

In this area of study, students will investigate considerations for the effective management of employees to ensure that business objectives are 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 and motivation strategies to propose and justify possible strategies for employee management in contemporary business case studies from the past four years. Students will also study an overview of workplace relations, including the main participants and their roles in the dispute resolution process.

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 human resource management 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 strategies and sanction strategies
- 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 considerations and transition considerations

- 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 mediation and arbitration

AREA OF STUDY 3: Operations Management

Students will look at the effective management of the process of transforming inputs into outputs as being vital to the success of a business, both in terms of maximising the efficiency and effectiveness of the production process and meeting the needs of stakeholders. Students examine operations management and consider the best and most responsible use of available resources to produce quality goods or services in a competitive, 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 both the efficiency and effectiveness of operations related to technological developments, including the use of automated production lines, robotics, computer-aided design, computer-aided manufacturing techniques, artificial intelligence and online services
- strategies to improve both the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just In Time
- strategies to improve both 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 reduce, reuse, recycle
- the pull, one-piece flow, takt, zero defects strategy to improve the efficiency and effectiveness of operations related to 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 for operations management including global sourcing of inputs, overseas manufacture and global outsourcing

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 owner/employee all the way to large businesses such as Wesfarmers, which is one of Australia's largest employers with over 110,000 employees. Businesses play a major role in the economy and help to improve our standard of living. There are currently over 2.5 million businesses registered in Australia with many of them having a significant contribution to employment and income generation.

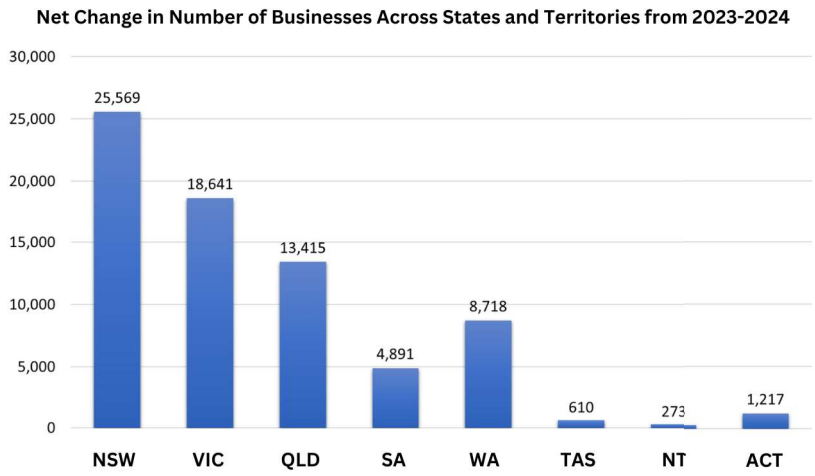
Exam Tip: The VCE Business Management study design does not require students to distinguish between small, medium and large businesses and therefore this concept cannot be assessed. However, it is likely that students will study a variety of businesses throughout the year and these businesses may come in a variety of sizes, from small one person businesses to large multinational corporations.

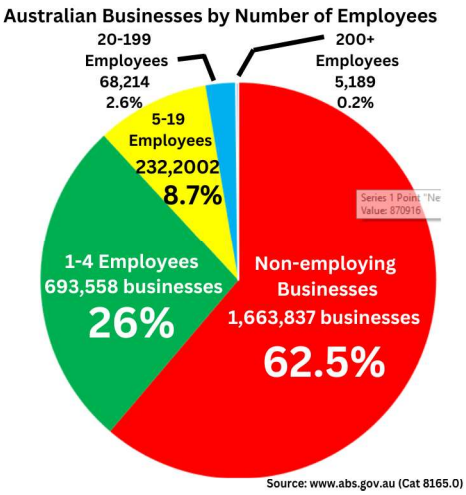
Small businesses in Australia are typically defined as those that have fewer than 20 employees and are often privately owned. These types of businesses are an important part of the Australian economy, as they provide jobs and contribute to the community through the production of their goods and services.

Medium-sized businesses in Australia are those that have between 20 and 199 employees. These types of businesses typically operate on a larger scale than small businesses, but still small enough to be agile and responsive to market changes. They may operate on a regional or national scale and may have more resources and infrastructure in place than small businesses.

Large businesses in Australia are those that have 200 or more employees. Some may operate solely in Australian, however, many operate on a global scale. These businesses are typically well-established and have significant resources and infrastructure in place, including research and development departments, marketing and advertising teams, and large production facilities. Examples of large businesses in Australia include major multinational brands such as Wesfarmers, Telstra and the Commonwealth Bank.

According to the Australian Bureau of Statistics, as of June 2024, there were approximately 2.66 million businesses operating in Australia. This is an increase of approximately 73,000 from the previous year (25,569 of these in NSW). Of all businesses, around 97.2% were small businesses, 2.6% were medium-sized businesses, and 0.2% were large businesses. Interestingly, transport, postal and warehousing saw the largest amount of growth in 2024.





Businesses operate in one of two key sectors. The private sector includes businesses that are owned and operated for 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). Australia also has a public sector, which are organisations that are owned by the government, such as public schools and public hospitals. It also includes government business enterprises (GBEs) that provide services such as postal (e.g. Australia Post), telecommunications (e.g. NBN Co Limited) and transport (e.g. Australian Rail Track Corporation).

Managing a business is important in order to achieve success and generate profits. This involves carefully managing resources such as finances, personnel, and production processes, as well as being responsive to the needs and preferences of customers and the competitive landscape in which the business operates. By effectively managing a business, an entrepreneur or business entity can create value for stakeholders, including employees, customers, and shareholders. Throughout this course you will learn different strategies to manage a business to achieve its desired objectives.

Types of Businesses

Sole Trader

A **sole trader** (also known as a **sole proprietor**) is an unincorporated business that is owned by one person. It may have more than one employee working in the business, 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. A sole trader has the same legal entity as its 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 their personal assets such as properties or motor vehicles to raise enough money to pay off the liability.

SOLE TRADER	
Advantages	**Disadvantages**
Inexpensive to set up	Unlimited liability (personal assets at risk)
Owner has complete control over decisions and direction of the business	Business often relies heavily on the owner, resulting in long hours
Owner can keep all the profits themselves	Work/life balance may be affected (less holidays etc.)
No partner conflict	Owner usually puts up capital (financial risk)
Business can be sold without consent from partners	Capacity to raise capital can be difficult

Exam Tip: In the 2017 exam, students where asked to define a sole trader. While many students wrote about unlimited liability and many other factors relating to a sole trader, some did not mention that a sole trader is a business that is owned by one person. In order to obtain full marks, students needed to address the concept of ownership.

Partnership

A **partnership** is a business that is owned by between 2 and 20 people. Just like a sole trader, a partnership has the same legal entity to the owners and therefore has unlimited liability. There are some businesses that are permitted to have more than the typical 20 partners (e.g. accountants and solicitors are able to have more than the maximum 20 partners). However, the majority of partnerships have between 2 and 20 owners.

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.

While a sole trader often needs to carry the burden of most of the work in a business, a partnership can allow the partners to share the workload. This can relieve some of the daily pressure that the owners face, as each partner can be responsible for their own area of the business.

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 (also known as a limited 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	
Advantages	**Disadvantages**
Inexpensive to set up	Unlimited liability (personal assets at risk)
Workload is shared among partners	Profits are shared among partners
Debts and obligations are shared among partners	Potential for disagreements over key decisions (resulting in slow decision making). It can also be difficult to find suitable partners
Easier to raise more capital compared to a sole trader (pooled funds from the partners)	Can be difficult to remove a partner
Different skills and experience brought to the business	All partners are liable for the actions of each individual partner
If a partner leaves the business, it can continue to operate	
Often easier to take time off sick or for holidays	

Exam Tip: When describing a sole trader or a partnership, it is important that you refrain from writing about shareholders. The owners of a partnership are simply owners, not shareholders. Shareholders are the owners of companies.

Exam Tip: In the 2018 exam, students were asked to define a partnership. It is important to state the amount of owners that a partnership has. While there are some situations where a partnership can have more than 20 partners (such as solicitors and accountants), the best responses will be those that state a partnership is typically a business that is owned by between **2 and 20 owners**.

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 (through dividends). Shareholders elect company directors to manage and run the company. The directors can (and often are) also be shareholders of the company.

The process of establishing a company is known as **incorporation**. The company will be registered with the Australian Investments and Securities Commission (ASIC) and will establish its own legal identity, with similar rights to that of a natural 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 provide the owners with **limited liability**, meaning the shareholders' legal liability is limited to the extent of the value of their shareholding. This is very different to the sole trader and partnership businesses given that the limited liability protects the personal assets of the shareholders in the event that the company is unable to pay off its debts. 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 the ASIC. There are two types of companies: private limited companies and public listed companies.

Private Limited Company

A **private limited company** (also known as proprietary limited company) is an incorporated business that is owned by between 1 and 50 non-employee shareholders. Shares in a private limited company are sold privately and are not open to being freely traded to the public. Only the other directors of the company can approve a new shareholder. A private limited company must have at least one shareholder, one director and one secretary. These roles can be carried out by the same person, hence the requirement for only one owner. At least one director and one secretary in a private limited company must ordinarily reside in Australia.

While private limited companies are often small or medium sized businesses, some large businesses use this structure. For example, Visy, which employs over 7,000 people, is one of Australia's largest private limited companies. A private limited company will have the letters 'Pty Ltd' after its name, meaning 'Proprietary Limited'.

PRIVATE LIMITED COMPANY	
Advantages	**Disadvantages**
Limited liability – separate legal entity	More expensive to set up
May be easier to raise capital by offering shares to investors	More reporting requirements to shareholders and ASIC
Legacy of the company can carry on long after owners or directors are gone (perpetuity)	Restricted number of shareholders
Pay company tax rate rather than income tax rate on profits	Shares cannot be traded freely, which may make it more difficult to raise capital compared to a Public Listed Company

Public Listed Company

The other form of company structure is a **public listed company**. A public listed company is an incorporated business that is owned by a minimum of 1 public shareholder and is listed on a public exchange such, as the Australian Securities Exchanges (ASX). There is no limit to the amount of shareholders a public listed company can have and its shares are freely traded (bought and sold) on a public exchange such as the ASX. 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 business and aims to make a return for the shareholders. 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.

Creating a public listed company is far more complex than any other structure. The process of listing on an exchange is both time consuming and costly and should be considered carefully. Because the public can purchase shares, the business's performance is open for public scrutiny and all audited financial reports must be available for the public to view. Unlike a private limited company, the directors have no say in who owns shares in a public listed company.

Public companies are legally obliged to report on their activities so the market is aware of anything that may affect the company's performance 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.

While other business types are able to raise capital through investors, public listed companies often have a greater ability to do this, and they can then use this capital to maintain or improve the business. For example, in October 2023, Australia's largest oil and gas company, Woodside Energy Group raised $18.295 billion in a capital by issuing new shares to shareholders. This was the largest capital raise in Australia's history and the company is looking to use the funds to finance their growth plans and acquisition of other businesses.

PUBLIC LISTED COMPANY	
Advantages	**Disadvantages**
Greater ability to raise large amounts of capital through share offers	Complex and expensive to establish
Limited liability – separate legal entity	No longer have full control over who is on the board of directors as shareholder vote in the directors
Legacy of the company can carry on long after owners or directors are gone	Large reporting requirements to shareholders and the wider market
Pay company tax rate rather than income tax rate on profits	Loss of control over who owns shares in the company
	Financial performance is open for public scrutiny

Exam Tip: In the 2023 exam, students were asked to justify a decision of a business to change from a partnership to a public listed company. Many students addressed this question by writing about features of a private limited company (e.g. having up to 50 shareholders). This made it challenging to receive full marks. It demonstrates the importance of knowing each of the business types, their features, as well as their advantages and disadvantages.

Social Enterprise

A **social enterprise** is a business that exists primarily to fulfil a vision that benefits the public or community rather than shareholders. Like other businesses, they sell goods and/or services, however they primarily trade to have a positive social impact on the community or the environment.

Many businesses consider themselves to have social objectives and work to benefit the community, however these objectives are ultimately designed to improve the business' bottom line. Therefore, while a business can behave in a socially responsible manner, this alone does not make it a social enterprise. To be deemed a social enterprise, the business must be selling goods and/or services to the marketplace with the primary purpose to fulfil a vision that benefits the community. While a social enterprise will often have an objective to make a profit, this is not their *primary* aim.

According to the Victorian Government, there are more than 3,500 social enterprises in operation throughout Victoria. These businesses employ approximately 60,000 people. There is no specific business structure that a social enterprise must take (e.g. sole trader or private limited company). Social enterprises often make use of donations or government funding, however, they differ from charities in that the majority of their funds come from commercial operations, rather than from these types of donations.

Exam Tip: It is useful to 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. While a portion of their income may come from donations, the Victorian government states that a social enterprise derives most of its funds from commercial operations (sale of goods/services). A social enterprise aims to make a profit through the selling of its goods and/or services. What sets it apart from other businesses is that the primary aim of the business is to benefit it's social cause. This often means a large percentage of these profits go towards helping the chosen social cause.

Some examples of the types of causes that social enterprises may look to impact positively:

- Businesses that operate to benefit the community or social cause
- Businesses developed to employ people with disabilities that are 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

Good Cycles: Pedaling Positive Change

Good Cycles is a social enterprise with a mission to harness the potential of bicycles to drive social and environmental impact. Their model revolves around promoting sustainable urban mobility while empowering young people facing barriers to employment.

Youth Employment Program (YEP)

A cornerstone of Good Cycles' social mission is the Youth Employment Program (YEP), which adopts a work-first approach. The program offers real jobs and income to young people aged 18-29, coupled with tailored coaching and support. This unique 'learn by doing' method ensures the development of both technical and transferable skills, enhancing job-readiness and reducing those facing employment barriers. In 2022, the program benefited 29 participants, demonstrating Good Cycles' commitment to inclusive employment opportunities.

Building Resilience and Confidence

Good Cycles believes in long-term employment as a key to building confidence, stability, and networks. This approach helps young people overcome barriers and realise their full potential. Maintaining employment for more than six months is considered a crucial milestone for participants who have previously faced challenges in securing stable work.

Innovative City Services

Good Cycles' City Services exemplify the blend of social and environmental impact. They utilise e-bikes, which have prevented approximately 20,000kg of CO_2 emissions and reduced road congestion by replacing about 50 light commercial vehicle movements weekly. Additionally, their car services team has adopted a waterless cleaning methodology, saving over 350,000 liters of water.

Source: www.goodcycles.org.au/impact/

SOCIAL ENTERPRISE	
Advantages	**Disadvantages**
Being a social enterprise may enable the business to attract government funding or community donations	May be difficult to attract investors due to the lack of profits distributed to owners
Having a primary aim to benefit a social cause may attract customers to purchase goods/services from the business	May be difficult to use funds to grow the business due to money being used on the social cause

Government Business Enterprise

A **Government Business Enterprise** (GBE) is a business that is owned by the Government and operates commercially with the aim of making a profit. 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. Examples of GBEs include the Australian Postal Corporation, NBN Co Limited and Australian Rail Track Corporation. Like other businesses, GBEs have a board of directors, a CEO and also aim to make a profit. Being owned by the government, GBEs will also have the objective to help satisfy the broader and/or social objectives of the government. For example, Australia Post has a 'community service obligation' to provide letter services to all parts of Australia at a single uniform rate, which helps to ensure that remote communities are not disadvantaged.

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 the 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, including the privatisation of Telstra. This means the government has sold the GBE to shareholders in the private sector. Because the objectives are often set by the minister who is a member of the government, the direction of a GBE can sometimes change if a new political party is elected into government or if the political objectives of the government change.

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: When defining or describing these business types, it is important to address the concept of ownership and where relevant, the number of owners. As mentioned earlier, in the 2017 exam, students needed to address that a sole trader had **one owner**. Similarly, in the 2018 exam, it was expected that students addressed that a partnership has between **2 and 20 owners**.

Exam Tip: It is important that students are prepared for 'higher order' questions. You could be asked to evaluate, discuss, or compare these types of businesses. It is important that you are comfortable with any of these instructions in the examination, therefore know your advantages and disadvantages of each business type.

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 study 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. In the 2018 exam, the larger case study in Section B was on a social enterprise. This altered student responses slightly and many students did not cope with this well. A similar thing occurred in the 2022 exam where the opening case study was about a government business enterprise. While knowing each business type is important, it is also advisable that you think about each of these business types throughout the remainder of the course.

Business Objectives

Business objectives are the stated goals a business is aiming to achieve in a specified period of time. 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 a business'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.

Below are some common business objectives. Each of these are listed in the study design.

To Make a Profit

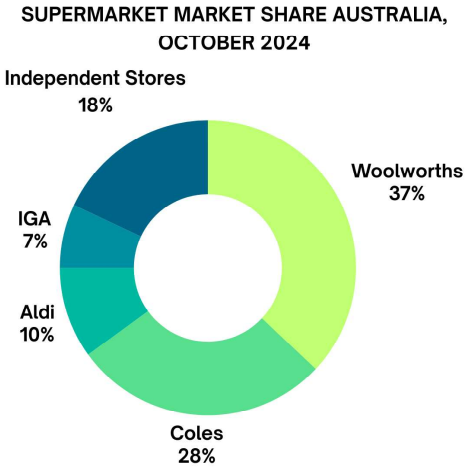
Profit is the amount of money left over once expenses have been deducted from the revenue earned (revenue – expenses = profit). It is important for a business to remain profitable if it is going to survive long term. Businesses can boost profitability by:

- increasing revenue (the money they bring into the business through sales of goods and/or services); and
- minimising their expenses (the money spent to operate the business such as employee wages, materials, energy and other resources).

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

Increase Market Share

Market share is the portion of the total sales the business has compared to the total sales for that industry, expressed as a percentage. For example, the pie chart to the right highlights that Woolworths has 37% share of grocery sales within Australia, with Coles having 28% of the market, while Aldi (10%) and IGA (7%) hold a smaller share of the market. This means that of all the money spent at supermarkets, 37% is spent at Woolworths, 28% at Coles, and so on.



Businesses often have the objective to increase their market share. Businesses will compete against each other to increase their market share as it means a larger portion of the sales in the market is being earned by the business (or more simply, it means that consumers are spending relatively more money on the goods and/or services provided by the business). How businesses are able to boost market share will vary greatly. Some strategies include, aggressive marketing, opening up more stores or even implementing newer or more advanced technology.

Of course, if a business is able to increase its market share it means that other businesses must be losing market share. For example, in 2022, according to statcounter.com, Woolworths and Coles had a combined market share of over 66%, while Aldi had approximately 9%. However, since then, Aldi has increased its market share to 10%, potentially as a consequence of the rise in the cost of living as some Australians sought cheaper grocery alternatives. All competitors will typically work hard to introduce new and improved customer offerings with the aim of attracting more customers and increasing market share.

To Improve Efficiency

Efficiency is a measurement of how well a business is using its resources. These resources can include raw materials, time, human labour, machinery and other technologies. The more efficient the business is, the greater its ability to make use of the resources it has. To improve efficiency, managers can look to reduce the amount of resources (also known as 'inputs') used to produce the final good or service (also known as 'outputs'). Alternatively, managers can look to increase the amount of outputs they produce with the same amount of inputs they use.

Each resource used in a business costs money and money is a finite resource for all businesses. Therefore, improving the efficiency of the business allows them to reduce their costs and helps them gain a competitive advantage.

Some examples of how businesses can improve efficiency include:

- Reducing the amount of waste generated when producing the final product
- Increasing the speed in which products are produced allowing more products to be produced in the same time
- Implementing technologies that can reduce the amount of resources used
- Using energy efficient equipment
- Recycling materials that are not used
- Having highly skilled employees who can perform their work quickly and with fewer errors.

To Improve Effectiveness

Effectiveness is the extent to which a business is achieving its set objectives. If a business has set a specific objective such as to be carbon neutral by the year 2027 and it is able to achieve this objective, then it would be deemed to be effective in this area. However, if it has not achieved this objective then it has not been as effective as it would have desired and corrective action would need to be taken to ensure it is more effective in the future.

Businesses have many different objectives they are aiming to achieve and the ability of the business to achieve the objectives, determines how effective it has been. Once an objective has been set, the managers will implement specific strategies to help them achieve the objective and they will use key performance indicators to determine if the business has been effective and achieved the objective.

Exam Tip: Question 2b of the 2024 exam asked students to 'Compare the concepts of effectiveness and efficiency.' Many students found this question challenging as they had not considered the similarities between the two concepts. This demonstrates the importance of knowing the key skills in the study design. One of these skills for each outcome is to "interpret, discuss, **compare**, and evaluate business information and ideas." While the key knowledge in the study design is incredibly important, so too are the key skills.

To Fulfil a Market

Within society there are groups of people that will share similar interests and have similar needs and/or wants. If enough people have these similar wants and needs it creates a market that a business can try to satisfy or fulfil. If these needs and wants are not being satisfied, a business can look to satisfy the needs of that market.

For example, before the pandemic, video conferencing software was mostly used by businesses with remote teams, or for international meetings. However, the onset of the pandemic created an unprecedented need for reliable, user-friendly video conferencing software that could be used by a much broader audience. This audience included businesses, schools, universities, healthcare providers, and general consumers needing to stay connected with family and friends. Zoom was able to capitalise on this need by offering a platform that was significantly more user-friendly and accessible than many of its competitors. It invested in its infrastructure so it could scale its operations to meet the needs of the market during that time. This was beneficial to both the market and Zoom as it increased its revenues significantly as a result of fulfilling this need in the market.

To Fulfil a Social Need

Businesses can also look to fulfil social needs to improve the wellbeing of the community, which is typically the primary aim of a social enterprise. There may be a need within society where a business can work towards improving, and although businesses aim to generate income, many have a primary focus to improve the conditions of the world in which we live. Some businesses may look to improve the state of the environment, improve the living conditions of those less fortunate or provide employment to those in the local community that are unemployed. For example, the enterprise Thankyou was founded in 2008 in Melbourne

with the primary mission of ending global poverty. It was born out of a desire to create a more equitable world where the wealth generated from consumer goods could be used to fund life-changing projects. Thankyou operates by selling consumer products, such as bottled water, personal care products, and baby care items. The unique aspect of its business model is that 100% of its profits are donated to fund projects that provide access to clean water, health and hygiene services, and basic human needs in impoverished communities, helping them fulfil a social need.

Meet Shareholder Expectations

Shareholders are the people who own a company, which means 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 business is able to achieve this objective and meet the expectations of shareholders, it may attract investment from other potential shareholders. The money generated from new investments can then be used to help grow the business. However, if the business does not meet the expectations of shareholders, they can sometimes sell their investment and invest their money elsewhere. This is often the case with public listed companies.

Achieving Business Objectives

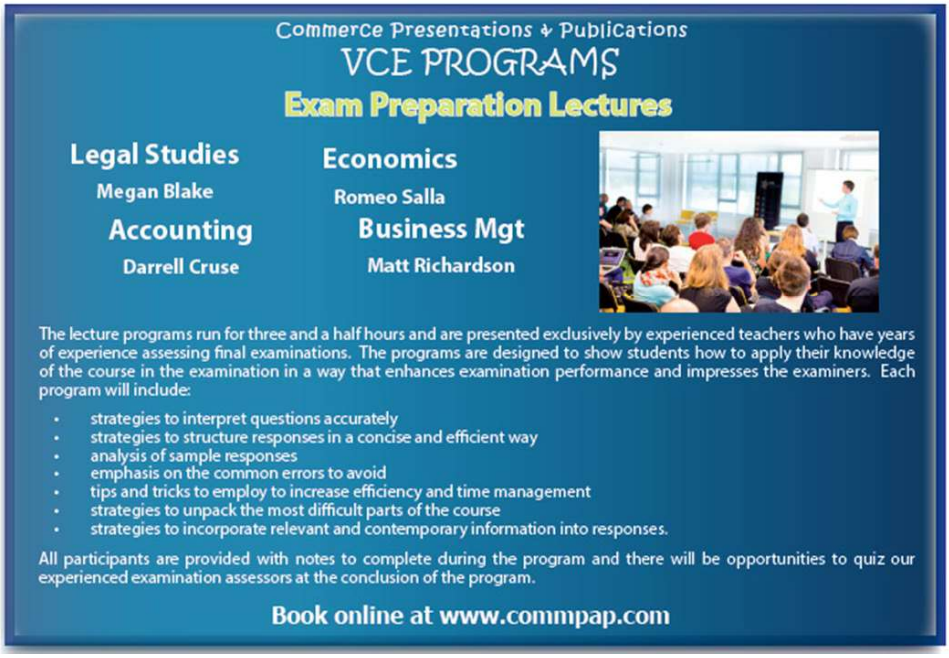
Once a business objective has been set, managers will decide on the best strategies to implement so the business objective can be achieved. A strategy is a specific action that a business implements to achieve business objectives. For example, a business that sets the objective to increase market share may decide to implement the strategy of a new national advertising campaign.

Once the strategy has been implemented, the manager needs to determine if the set objective has been achieved. It was mentioned earlier that an objective should be measurable so that it can be determined if it has been achieved or not. Businesses will often use key performance indicators to assess if a business objective has been achieved. A key performance indicator (KPI) is a specific criterion or tool that a manager can use to measure if the business has achieved its set objectives. For example, if we look at a business that has set the objective to increase market share, the manager could use the KPI of 'percentage of market share' to determine if the objective has been achieved. Alternatively, a business that is aiming to improve its customer satisfaction levels, may look at the 'number of customer complaints' KPI to determine if the set objective has been achieved.

Note: Key performance indicators are not part of this area of study. However, hopefully, you can see their relationship to business objectives. We will address KPIs in more depth in Unit 4.

Exam Tip: The business objectives listed in the study design are to make a profit, increase market share, to improve efficiency, to improve effectiveness, to fulfil a market need, to fulfil a social need, and meet shareholder expectations. This means that they can be directly assessed and specifically included in a question. The study design does allow students to use other business objectives in their responses however. If you are looking to use an objective other than those lised in the study design, ensure it is an objective that is **measureable**. Objectives that are not measureable are less likely to be accepted.

Exam Tip: Be prepared to link these objectives to other sections of the course. For example, in Question 2b of the 2023 exam, students were asked to 'Explain how Blue Berry Juice could use Porter's Differentiation strategy to meet shareholder expecations.' We learn about Porter's differentiation strategy in Unit 4. This shows that these objectives can be applied to any of the strategies we cover throughout the Business Management course.



Case Study

Telstra: Adapting Strategies for Business Growth and Efficiency

Telstra is a leading Australian telecommunications and technology company. It has been working on transforming its business model to adapt to the rapidly changing telecommunications landscape.

Implementing Strategy to Achieve Objectives

To Increase Market Share:

5G Network Expansion: Telstra has been aggressively expanding its 5G network across Australia. This expansion is not just about having the latest technology; it's about capturing a significant share of the market that demands high-speed internet and better connectivity.

To Fulfil a Market Need:

Enhanced Customer Service: Recognising the need for better customer service in the telecom sector, Telstra has invested in improving its customer service channels, including digital platforms, to enhance user experience and satisfaction.

To Improve Efficiency:

Cost Reduction Initiatives: Telstra has launched a cost reduction program, aiming to streamline operations and reduce costs. This includes automating certain processes and rationalising its property portfolio.

To Meet Shareholder Expectations:

Sustainable Dividends: By maintaining a balance between reinvesting in the business and returning value to shareholders, Telstra has managed to keep its shareholders' interests aligned with the company's long-term growth plans. The dividends for Telstra has remained relatively consistent over the past 5 years and it continues to pay out approximately 70-90% of its underlying earnings to shareholders.

Outcomes and Achievements

The expansion of the 5G network has positioned Telstra as a leader in this space in Australia, allowing it to maintain the highest market share for 5G in Australia with approximately 53%. Telstra's strategic efforts in expanding its 5G network, enhancing customer service, implementing cost reduction measures, and maintaining shareholder returns reflect its commitment to adapting to market changes and technological advancements. These strategies demonstrate how a company can evolve to meet market needs, improve operational efficiency, and satisfy shareholder expectations in a competitive and fast-changing industry.

Sources: Telstra's Annual Reports and Press Releases available at https://www.telstra.com.au/aboutus/investors

Characteristics of Stakeholders

Stakeholders are those that have a vested interest in a particular business. This means that the performance of the business has a direct impact on the person or group. All businesses have stakeholders and the decisions made by managers can affect stakeholders in different ways. Stakeholders have differing interests in the business and a manager needs to consider these interests when making decisions. Business stakeholders can come from the internal environment (from within the business) or from the external environment (outside of the business). For the VCE Business Management course, students need to know:

- specific stakeholders listed in the study design
- the interests that each stakeholder has in the business
- the potential conflicts between the interests of differing stakeholders.

Below are the stakeholders listed in the current VCE Business Management study design.

Owners

Owners are the individuals or groups that control the assets of a business and profits from them. Depending on the size of the business, a business owner may or may not be involved in the day-to-day operations of the business. For example, a

sole trader will likely be heavily involved in the daily activities of the business as well as setting the long-term direction of the business. However, in larger businesses, some owners may not be involved in the daily operations of a business and might act as advisors when required. Many owners of public listed companies are not involved in the business at all, except for owning a small portion of the business and therefore sharing in profits through dividends.

Owners have typically invested financially in the business. This could be to establish the business themselves (or with partners), or they may have purchased shares in an existing business. Because of their financial investment, the overall performance of the business can have a significant impact on the owner. Business owners are mostly seeking a return on their financial investment. As they are whole or partial owners of the business, owners are entitled to share in the business's profits (e.g. through dividends). They also look to gain a return on their investment through capital gains. This means that the value of the business has increased, therefore the value of their ownership has increased (e.g. the share price has increased in the case of a company).

As outlined earlier, owners of companies are known as shareholders. Private limited companies can have between 1 and 50 shareholders, whereas a public listed company has no limit to the number of shareholders it can have. If the business makes a profit, the directors of the business decide how much of this profit is retained to operate and grow the business and how much is distributed to shareholders. The shareholders share in this profit through dividends. The dividends they receive will reflect the portion of the business they own. For example, for the financial year ending June 2024, retail giant Harvey Norman made a net profit of approximately $352 million. This was down from over $500 million in 2023. The directors decided to deliver approximately 77% of these profits to shareholders and retained the remaining profits to help grow the business. The dividends paid to shareholders was $0.24 per share of ownership in the company. If a shareholder owns 1000 shares in the company, they will have received $240 in dividends. While this may not appear to be a significant amount of money, many shareholders will own far more than 1000 shares.

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.

Managers

Managers are those that are responsible for overseeing different areas of the business and for making decisions to ensure the business is achieving its set 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. The interest of a manager is to be involved in the decision making of the business and to receive fair remuneration and benefits.

Managers need to consider the impact of their decisions 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 into their processes. 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 on society and the environment.

Smaller businesses may only have one manager that is responsible for making decisions in all areas of the business. As the size of the business grows, there may be many managers. In these businesses, a manager will be responsible for a particular area of the business and will likely be leading a team of people to achieve specific objectives related to this area. For example, there may be a marketing manager that is responsible for all promotional activities of the business. Underneath this marketing manager could be other managers that lead smaller teams in different marketing areas such as social media, branding, product packaging or radio advertising.

Employees

Employees are those that complete work within the business in exchange for a wage or salary. They are the stakeholder that carry out tasks for the achievement of business objectives and are primarily interested in 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. For example, the implementation of new technology to improve productivity may cause concern or anxiety amongst employees. Employees may fear they don't have the skills to use the new technology or even question their job security. The managers can be open and honest about the impact the new technology will have on the employees. This could include support in the form of training to ensure they have the skills to use the technology. Other considerations include working hard to help the employees feel a sense of job security by offering ongoing training or even promotion opportunities.

Customers

Customers are those that purchase goods or services from a business. The interest of the customers is they expect good quality products at fair prices. It is important that the business meets or exceeds the expectations of customers so that it can gain a customer for life – ones that will come back again and again. Generating repeat customers through customer satisfaction is often cheaper than attracting new customers.

Customers are becoming more aware of businesses' impact on the community and the environment. Research shows that many customers factor this into their purchasing decisions. This is just one customer trend, and therefore, it is important that businesses keep up to date with any changes in customer tastes or preferences. This helps to ensure that the business is staying current or even driving consumer preferences, which helps to maintain a competitive advantage for the business. Businesses can also go above and beyond their legal obligations in delivering value for money to their customers. For example, a business can check the quality of its products regularly to ensure that only the products that meet a high quality standard make it to the end consumer.

Suppliers

Suppliers are the organisations that provide resources to a business. These resources will be used to run the business and many will be required for the production of the 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. Suppliers have a vested interest to have a strong relationship with the business, to receive ongoing business and to be paid on time. 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 engine parts 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 its suppliers. Suppliers expect to be paid on time and have fair dealings with the business. The supplier will want the business to thrive and increase sales so they can increase their own sales by supplying more to the business. Businesses can decide to support the local economy by using local suppliers or they can look to use global suppliers. Whichever supplier a business uses, it is important that the supplier is able to deliver high quality resources at the right cost and in a timely manner. Many businesses will also review the ethical and social responsibility practices of suppliers to ensure they meet standards around the treatment of employees and the environment.

General Community

The general community is the group of people that live in the same areas in which the business operates. Members of the community typically expect the business to treat its location with respect and give back to the community in some way. 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. The business should consider the local community when it makes decisions.

Many businesses get involved in the community to help build a thriving local area. For example, a business may offer its goods or services at a cheaper rate to help support a local school or community event. Some businesses may provide their products to marginalised groups. Others may sponsor local sporting teams. All of these acts, along with others, help build a thriving community. This has benefits for those who live in the local area as it helps build a caring community, but it also benefits the business as a thriving community is one that is more likely to spend money at local businesses.

Canva is a large business that offers online design and publishing tools. It looks to give back to the community with its 'Canva Represents Fund'. This fund provides opportunities for talented artists from underrepresented communities around the world to provide content to Canva's platform. With a commitment to improving diversity in the community, Canva aims to inspire artists and creators to produce authentic content that represents the diverse communities we live in. All images and designs are provided free on the Canva platform to help promote these diverse communities.

The table below is a summary of the key stakeholders and their interests

Stakeholder	Definition	Interest
Owners	Owners are individuals or groups that control the assets of a business and profit from them.	Owners aim to make a return on their investment by sharing in the profits of the business. Owners are often interested in the value of their ownership increasing in value (capital gains) by increasing the value of the overall business.
Managers	Managers are those who are responsible for overseeing different areas of the business and for making decisions to ensure the business is achieving its set objectives.	To be involved in setting objectives and ensuring the business is achieving these objectives. Managers also want to be remunerated fairly for their level of responsibility within the business.
Employees	Employees are those who complete work within the business in exchange for a wage or salary.	To earn fair pay, have good working conditions and ongoing employment. Employees may wish to be included in the decision-making process within the business.
Customers	Customers are those who purchase goods and/or services from a business.	Expect to receive good quality products at fair prices. They expect to receive good value for the money they have spent at the business. Customers expect to receive a high-quality service (during purchase and potentially post purchase)
Suppliers	Suppliers are the organisations that provide resources to a business.	They want to see the business they are supplying increase sales so they can sell more supplies to that business. Suppliers want to have a long-term relationship with the business they are supplying and want to be paid on time.
General community	The general community is the group of people who live in the same areas in which the business operates	They wish to see local businesses thrive in order to provide employment opportunities for the local community members. The general community expect that businesses will contribute in some way to the community rather than simply taking profits. Many in the community will expect that businesses look to improve or at least minimise their impact on the local environment.

Potential conflicts between stakeholders

Although all stakeholders have a vested interest in the business, their interests often differ. 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 increases the expenses of the business. This may result in the manager needing to increase prices to offset the increase in wages, which conflicts with the interests of customers (who are after lower prices). Instead of upsetting customers, the manager may decide not to increase prices and simply allow the higher expenses to reduce profits. However, this will tend to create a conflict with the owners (e.g. shareholders) who are focused on maximising profits.

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 decide which stakeholders will be the major beneficiaries, and then aim to minimise the impact on those that are dissatisfied with the decision.

Exam Tip: In examinations and assessment tasks, students often describe particular stakeholders well, yet fail to explain their interest in the business. For example, the 2018 exam asked students to 'Outline the interests of two stakeholders at Ocean Skate Hub...' Many students could identify and describe the stakeholder e.g. "One stakeholder is customers. Customers are those that purchase goods and/or services from the business." However, this type of response does not fully answer the question. The response needed to be supplemented with something like: "The interest of customers is that they want to purchase good quality products at fair prices."

Exam Tip: Students should be prepared to demonstrate an understanding of the conflicts that can exist between stakeholders. For example, in the 2018 exam, students were asked the following question, "Outline the interests of two relevant stakeholders of Ocean Skate Hub. Explain how these interests may be in conflict". Many students found it difficult to clearly explain the conflicts between two stakeholders. It is important that students are prepared for a range of stakeholder conflict examples. While this section looked at an example between shareholders and employees, are you able to explain the conflict between customers and employees for example?

Exam Tip: When responding to a case study referring to stakeholders, it is important to think about the relevant stakeholders for that scenario. If you are given a case study of a sole trader or a partnership, it would not be acceptable to write about shareholders, because these business types are not owned by shareholders. In this situation, it would be more appropriate to write about owners.

Management Styles

A management style is the way in which a manager makes decisions as well as how they lead and communicate with employees. Managers will differ in how they lead their teams. The 5 main management styles are autocratic, persuasive, consultative, participative and laissez-faire. The style a manager uses may come down to several factors such as:

- The personality of the manager
- The skills and experience of the employees
- The nature of the tasks that need to be performed
- The time available to make decisions.

Many leaders will use a variety of styles depending on the situation they are faced with. For example, a manager who 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 and include the employees more. 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 are more empowered within the business). The further to the left you go on the continuum, the more control the manager has. If you move more to the right of the continuum, the less control the manager has and the more involved the employees are in decision-making.

Exam Tip: The study design specifies that students must know when each management style is appropriate in relations to: the nature of the task, time, experience of employees, and manager preference. The 2022 exam asked students to propose and justify an appropriate management style to use in relation to the nature of the task (where employees were losing their jobs). This demonstrates the importance of students being able to justify each of the styles in relation to the above 4 areas.

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 uses one-way communication to tell the employees what tasks they need to complete and when they need to be completed, without input from employees. The manager may even monitor the work of the employees closely while it is being performed. The directions provided to the employees 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 to as ***'centralised decision making'***. Centralised decision-making allows decisions to be made quickly as no time is spent consulting employees or discussing ideas with others. However, because the manager does not seek feedback from others, it may prevent new ideas from being explored.

The 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 business
- Manager places importance on completing tasks.

Autocratic Management Style	
Advantages	**Disadvantages**
Decisions are made quickly	No opportunity for input from employees
Clear communication to employees, providing direction	This may result in lower employee morale or poor motivation
Employees know exactly what their tasks are, often leading to improved task completion and/or improved productivity	Smaller pool of ideas
Decisions are made by an experienced manager	Very task focused with a 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.

Nature of the task: The autocratic management style is often appropriate when the tasks are simple or lack complexity. This allows the manager to simply tell the employees what to do without the need for other considerations.
Time: Due to the speed of the decision-making, the autocratic management style can be appropriate when there is a lack of time available to make decisions. For example, during a crisis.
Employee experience: The autocratic style is often appropriate when the employees are inexperienced. In these cases, it can be best to direct the employees as they lack the experience to put forward ideas.

Manager preference: Some managers prefer to have complete control over the decision making so would use an autocratic style.

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 aiming to convince employees as to its appropriateness. 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 need to be performed and why. Using the persuasive management style can help make the employee feel more valued because the manager is providing more information. It can also help gain support for decisions if the employee is told why decisions are being made. The persuasive style may also help develop the knowledge of employees as they learn why certain decisions are made. However, the employees are still not involved in decision making which can result in poor job satisfaction. The key characteristics of a persuasive management style are:

- Manager makes decisions 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 employees being valued yet employees are not involved in decisions.

Persuasive Management Style	
Advantages	**Disadvantages**
Decisions are made quickly	No opportunity for input from employees
Clear communication to employees	Workers can still have low morale/motivation due to lack of input
Decisions may be supported by employees as they are more informed	Small pool of ideas due to no consultation
Employees are clear about what it is they need to achieve	Task focused with lack of employee development (yet possibility for more employee development than the autocratic style)

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 a business 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.

Nature of the task: Similar to the autocratic style, the persuasive style is often appropriate when the tasks are simple or lack complexity.
Time: While the persuasive style may take slightly more time than an autocratic style due to more information being provided to the employees, decision-making is still fast and can therefore be appropriate when time is lacking.
Employee experience: The persuasive style is often appropriate when the employees are inexperienced.
Manager preference: Some managers prefer to have complete control over the decision making but feel the best way to gain employee support is to convince them of their decisions.

Consultative Management Style

The consultative management style is where the manager seeks the ideas and opinions of employees before making a final decision themselves. 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 more positive 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.

Consultative Management Style	
Advantages	**Disadvantages**
Larger pool of ideas to choose from, helping make stronger decisions	More time consuming to make decisions
Increased motivation as employees are more involved in the decision-making process	Some employees may feel undervalued if their ideas are overlooked
Employees are more likely to take ownership due to their involvement in decision-making	Some employees may not want to be consulted regularly
Seeking feedback from employees, helps the manager make a more informed decision	

When is it best used?

The consultative management style is best used when the employees have a degree of skill 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 a business 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.

Nature of the task: The consultative style may be appropriate where the tasks are more complex. This will allow more ideas to be generated from employees so that the most appropriate decision can be made.

Time: Because of the increased time of consulting employees, the consultative style can be appropriate when there is more time available.

Employee experience: The consultative style is often best when the employees have a higher level of experience which allows them to put forward strong ideas based on knowledge and experience.

Manager preference: A consultative manager is one who prefers to include the employees in the process of making decisions. Although the manager makes the final decision, this type of manager is one that values the input of employees.

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 be involved in decision-making. This is known as ***'decentralised decision making'***. The manager understands that the employees are often in contact 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 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 of 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 teamwork 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 the idea that employees contribute significantly to the success of the business.

Participative Management Style	
Advantages	**Disadvantages**
Employees feel trusted and valued	It can be very time consuming as decisions are often discussed and debated
Improved morale and motivation due to employee involvement	Conflict may arise between workers if there are disagreements about the best decision to make
Often there are better decisions made as more experience is pooled together	Some employees may not want to be involved in decision making
Employees gain experience in decision making which can help with career development	

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 make highly effective decisions. 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 employees to be involved in the change. If the employees are involved in the decisions regarding the change, they are more likely to accept it.

Nature of the task: The participative style may again be appropriate where the tasks are more complex. Including the employees in decision-making can allow decisions to be discussed and debated before the most appropriate decision is made.
Time: Decisions can often take a long period of time due to the level of discussion and debates that can occur. Because of this, it is often appropriate when ample time is available.
Employee experience: The participative style is often appropriate when the employees have a high level of experience. This experience can be used to help make the most appropriate decision.
Manager preference: A participative manager is one who prefers to include employees in the decision-making. They often prefer to create an environment of collaboration and they value the skills and ideas of their employees.

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 leave 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. Using this style can enable these employees to utilise their skills and knowledge to work independently or collaboratively towards business objectives. This provides the employees with autonomy in their work which can increase their motivation. The key characteristics of the laissez-faire management style include:

- Employees being left alone to make their own decisions
- Authority and decision-making are 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.

Laissez-faire Management Style	
Advantages	**Disadvantages**
Employees have a great deal of control which can help improve morale and motivation to achieve outcomes	Employees are not monitored regularly which can lead to a loss of management control
Encourages teamwork and creativity	There may be misuse of company resources
Communication is improved due to a team setting where ideas are constantly discussed	Increased freedom may lead to some employees being less productive

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. Creative freedom can lead to outstanding outcomes if employees are highly skilled and experienced.

Nature of the task: The nature of the tasks can vary from simple tasks where the employees do not need supervision to more complex tasks where the employees have the skills and experience to perform their work and make decisions without input from management.
Time: While the time can vary, the laissez-faire style is often more appropriate when there is more time available.
Employee experience: Because employees are empowered to make their own decisions, it is often more appropriate if they have a high level of experience.
Manager preference: Some managers may prefer to empower their employees completely and allow them to solve their own problems.

Exam Tip: The 2022 exam asked students to propose and justify an appropriate management style in relation to the 'nature of the task' when employees are being made redundant. This demonstrates the importance of not only knowing each of thes styles, but also when they are appropriate in relation to the four areas in the study design: Nature of the task, Time, Experience of employees and Manager preference. This question also showed the importance of being able to apply the management styles to case material. The case study provided for this question referred to employees being made redundant (losing their job beause their job no longer exists). It was therefore difficult to justify a participative or laissez-faire management style as the employees likely aren't going to make decision themselves to lose their jobs. Those that achieved high marks, were able to justify the autocratic, persuasive or consultative styles.

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 identifed, 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 managment style uses decentalised 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.

Exam Tip: Section B of the 2024 exam provided students with a case study where the manager (Mia) eld a meeting and told staff about certain decisions that had been made. The decisions where about based around what was going to happen in the near future e.g. all staff must attend training, the existing staffroom will be replaced by a first-aid room etc.

Students were then asked to evaluate the appropriateness of the management style used by Mia. Because the decisions had been made and employees were told of the decisions, it was clear that an autocratic management style had been used. However, many students evaluated a different management style and therefore could not receive full marks. This shows the importance of understanding the characteristics of each of the styles so you are able to identify which is being 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, leadership, decision-making and interpersonal. Each of these will be examined below.

Communication

Communication is the transfer of information from a sender to receiver. Communication can be used both internally and externally. Internally, communication helps a manager to inform employees of the business's 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 send a message to the receiver as well as receive and listen 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 to be 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 objectives. 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.

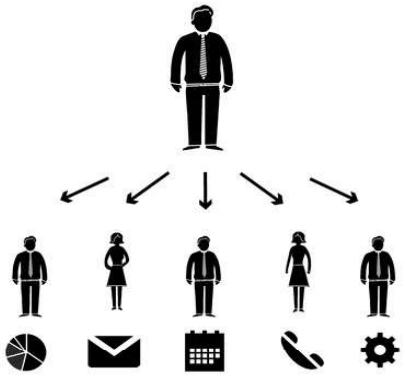
Some benefits of delegation include:

- 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 determine the strategies to achieve them. Planning is an important skill for all managers, whether it be a manager at a large multinational corporation or a small business about to launch a new product. Planning helps provide guidance to the business and its employees. Planning ensures that employees understand what the business is aiming to achieve and the steps that will be carried out to achieve it.

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 outweighs 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. 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. 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.

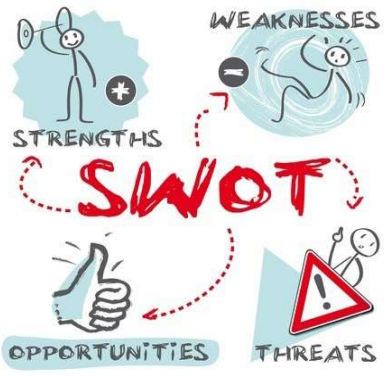
***Operational planning*:** is short-term planning such as day-to-day or monthly planning. Operational plans should be in place to help the business achieve its medium-term plans. A common example of a short-term plan is the setting of a daily, weekly or monthly sales budget and the tasks that need to be performed to achieve the goal.

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 some smaller goals may be 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 stands for Strengths, Weaknesses, Opportunities and Threats. Here, the manager may consider the strengths and weaknesses of the business. 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. A common acronym to remember the above process is SADIM.

Leadership

Leadership is the ability of a manager to influence and motivate 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, then effective leadership works at getting employees working towards this direction. 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 the 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.

Effective leaders are able to communicate well to a team and show support for those who are struggling to work towards the objectives. They are able to listen to the concerns of employees and other stakeholders and make challenging decisions when required. 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 shows that transformational leaders can be highly effective. Transformational leaders are those who 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. Managers need to make informed decisions so that the impact on the business is positive. Many decisions can have 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 would 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 relate to the ability of a manager to communicate with a range of people while building strong relationships. Building strong relationships within a business helps to create a positive work environment, contributing to the achievement of business objectives. Interpersonal skills are often referred to as 'people skills' or 'social intelligence'. Utilising interpersonal skills shows a level of social 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.

While using interpersonal skills to build positive relationships within the business is beneficial, it is important that the relationships remain professional. For example, if a strong relationship between a manager and employee has been established through effective use of interpersonal skills, it may make it difficult to challenge an employee for not meeting standards if the relationship has become too friendly, informal or social, which potentially blurs the lines between a personal and professional relationship.

Exam Tip: The skills listed above are the ones students must know and are directly examinable. However you are able to learn other management skills if you feel necessary. Negotiation and time management (listed below) are other examples. You are welcome to ignore these if you desire, however ensure you know all of the skills listed in the study design (communication, delegation, planning, leadership, decision-making and interpersonal).

Exam Tip: When asked to apply how a manager will use certain skills, it is important you can differentiate between the skills. For example, in the 2019 exam, students were asked to explain two skills that the Human Resource Manager would require in the given situation. Many students used communication and interpersonal skills. Both skills were fantastic skills to use in the scenario as the HRM was involved in the process of closing down multiple retail stores. However, using both of these skills together created some problems for some students. They found it difficult to differentiate between the two skills and ended up writing about communication for both skills. This is common between communication and interpersonal, as they are both very reliant on effective communication. Be sure you can differentiate the skills you use in your responses.

Exam Tip: Students often find it difficult to explain how a manager will utilise the management skills. For example, when asked to explain how a human resource manager would use communication when a retail business is closing down some of its stores, you should think about what needs to be communicated and why. In this instance, the HRM would need to communicate which stores are closing down, when this is going to occur, how many staff will lose their jobs and the supports available for these employees. This allows your response to be specific to the situation rather than simply writing about communciation in general. This can help you provide a much stronger response when application is required.

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 when 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 about 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 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 shared values and beliefs of the people in the business to be. This can be seen in the business's official documents such as the mission statement, stated values, written policies, slogans and objectives of the business.

The real corporate culture: this refers to the underlying values and beliefs and behaviours of the people within the business. 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. Just because a business makes official statements about what its values are, does not mean the people within the business put them into practice. 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 as follows:

- 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 a business 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.
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 team work are more likely to have a more open space, where teams could easily meet and interact with each other.

Envato – Our Values

Envato is a leading marketplace for creative assets and creative people to sell their digital assets such as templates for websites, presentations and many other digital products. With its headquarters based in Melbourne, Envato has developed 7 core values it aims to live by to help drive its creative mission. These core values form part of the official corporate culture and aim to make Envato a positive place to work. Envato's core values are:

1. **When the community succeeds, we succeed**: This ensures Envato always puts the interests of the community first
2. **Not just the bottom line**: Envato has a commitment to building a sustainable business for the long-term
3. **Focus on results**: Setting clear goals and doing things well to ensure they do their best work
4. **Diverse and inclusive**: Envato believes that everyone thrives if they champion diversity and inclusions across all levels of the business
5. **Tell it like it is**: placing high value on integrity, transparency and openness
6. **The right people, the right environment**: Empowers staff to trust their peers, supporting each other as they hone existing abilities and develop new skills
7. **Fair go**: All of Envato striving to be fair and consistent in everything they do

These 7 core values provide guidance on how all managers and employees should behave and what they should strive for. This is how they do things each day which helps to create the environment within the workplace they truly desire.

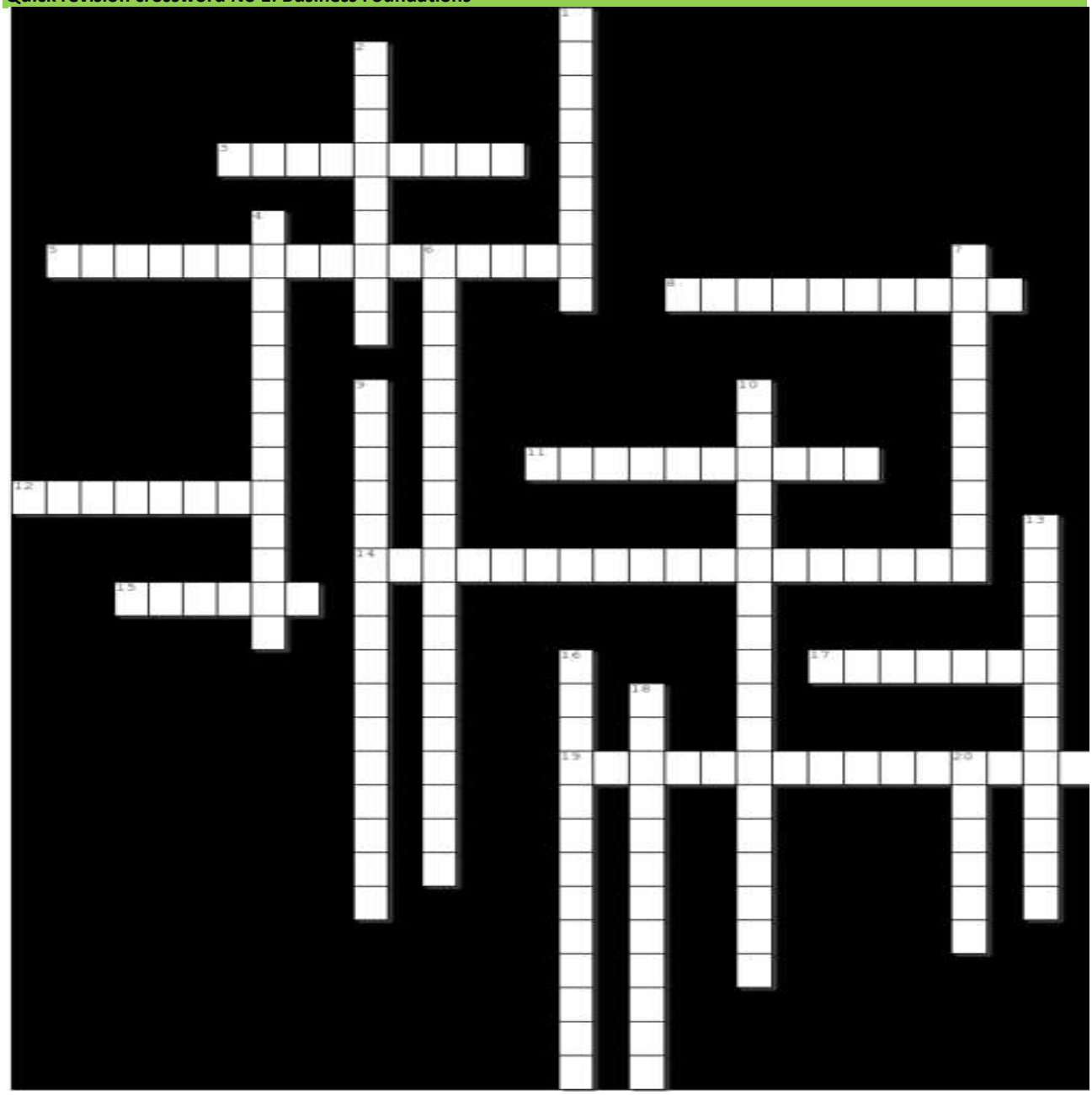
Source: https://www.envato.com/about/purpose/

Exam Tip: It is important that students are able to distinguish or explain the differences between the real corporate culture and the official corporate culture. The 2021 exam asked students to explain the differences and many responded by simply describing the two types of culture. To receive full marks, the differences between the types of culture need to be made clear to the examiners.

REVIEW QUESTIONS 1 – Business Foundations

1. **Outline three types of businesses**
2. **Describe the primary objective of a social enterprise**
3. **Outline how the primary objective of a social enterprise differs with the primary objective of a public listed company**
4. **Distinguish between a partnership and a private limited company**
5. **Outline one reason why a business owner would implement a private limited company over a sole trader**
6. ***Michael is a sole trader who runs a small bakery. He wants to implement some new equipment that will increase the speed at which he can produce bread and rolls.*** **Discuss the most appropriate business type for Michael's bakery.**
7. **List 3 advantages of a business becoming a publicly listed company**
8. **Distinguish between a private company and a sole trader**
9. **Define 'business objectives'**
10. **Identify three common business objectives**
11. **Define a 'mission statement' and explain the role it has in a business**
12. **Explain how a business can increase its sales but still have a reduced percentage of market share**
13. **Describe one similarity and one difference between efficiency and effectiveness**
14. **Outline what it means to fulfil a market need**
15. **Define stakeholders**
16. **Describe the interests of three stakeholders**
17. **Erica is the owner of Bricks & Mortar Pty Ltd, a building company specialising in building homes. Explain the potential conflict between the interest of two of Bricks & Mortar's stakeholders.**
18. ***'Get Your Sparkle On' is a car detailing business. Recently, there has been a sharp rise in the number of customer complaints.*** **Discuss an appropriate management style to overcome the rise in customer complaints.**
19. **Compare the autocratic management style with one other management style**
20. **Define 'laissez-faire management style' and outline when it would be most effective**
21. **Define leadership**
22. **Distinguish between communication and interpersonal skills**
23. **Describe 3 management skills and explain their importance in assisting managers to achieve business objectives**
24. ***Shyam is the manager of a clothing retail business. Shyam is looking to move the location of the store into a busy shopping centre.*** **Justify two management skills Shyam would need to use in this situation**
25. **Outline a decision-making process a manager can use to make effective decisions**
26. **Explain how delegation can help a business achieve the objective of improving efficiency**
27. **Distinguish between communication skills and interpersonal skills**
28. **Explain the relationship between communication and the autocratic management style**
29. **Define corporate culture**
30. **Outline 3 elements of corporate culture**
31. **Distinguish between 'official corporate culture' and 'real corporate culture'**
32. **"The real corporate culture does not always reflect the official corporate culture." Analyse this statement**

Quick revision crossword No 1: Business Foundations



Across

3. Those that provide resources to a business
5. A business with the primary aim of fulfilling a community or social cause (2 words)
8. Transferring authority of a task from manager to employee

11. The ability to influence and motivate employees
12. Type of culture seen in a mission statement and policies
14. An expectation of shareholders is for this to increase (3 words)
15. Stakeholders have a _____ interest in a business

17. Step 2 in a planning process is to _____ the environment
19. The way in which a manager makes decisions and communicates with employees (2 words)

Down

1. Sole traders have this type of liability
2. Those whose interest is fair pay and good working conditions

4. Type of decision-making used in a participative management style
6. Type of business listed on the ASX (3 words)
7. _____ Business Enterprise
9. The shared values and beliefs of the people in the business (2 words)
10. Specific goal the business wants to achieve in a specified period of time (2 words)
13. Owners of companies are known as_____

16. Transfer of information from sender to receiver

18. Management style with two-way communication and centralised decision-making
20. A partnership has between two and _____owners

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

STRUCTURED QUESTIONS

1. **Define the following terms** **(4 marks)**
   a. **Social Enterprise**
   b. **Management styles**

2. **Gadget Repair is a growing business owned by Sydney that specialises in fixing mobile devices and laptops. In recent months, the business has seen a rise in the number of customer complaints as a result of repairs taking much longer than normal. Sydney is keen to resolve these issues quickly.**
   a. **Evaluate the most appropriate management style for Sydney to use to overcome the rise in customer complaints** **(6 Marks)**
   b. **Explain the impact the management style used in Question 2a can have on the real corporate culture at Gadget Repair.** **(4 marks)**
   c. **Justify the most appropriate business type for Gadget Repair.** **(4 marks)**

3. **Compare the official corporate culture with the real corporate culture. In your response, refer to a contemporary business you have studied this year.** **(4 marks)**

4. **Outline one way a private limited company differs from a sole trader.** **(1 mark)**

5. **Harmony Foods, a family-owned organic food manufacturer, is expanding its product line to include prepackaged vegan meals. This expansion involves hiring new staff, purchasing equipment, and setting up a new production line.**
   a. **Justify how planning and delegation can help the new product line be implemented successfully.** **(6 marks)**
   b. **Explain how expanding its product line could help Harmony Foods achieve the objective of increasing market share.** **(3 marks)**
   c. **Outline the interest of one of Harmony Foods' stakeholders. Explain how the interest of this stakeholder may conflict with the interests of one other stakeholder.** **(3 marks)**

6. **Describe the relationship between the management skill of communication and the consultative management style** **(3 marks)**

7. **Outline what it means to fulfil a social need.** **(2 marks)**

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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].

Question 1

Bella's Boutique, a successful fashion retailer known for its unique and trendy clothing lines, has been operating as a sole trader under the ownership of Bella Johnson for five years. The boutique, which began as a small local store, has seen substantial growth, with a significant increase in customer base and revenue. Bella now plans to expand her business by opening additional stores in neighbouring cities and is considering converting her business into a private limited company.

Discuss the use of a private limited company for Bella's business. **4 marks**

Sample answer 1

Transitioning Bella's Boutique into a private limited company offers significant benefits, such as providing Bella with limited liability, protecting Bella's personal assets from business risks. This is crucial as the boutique grows and faces increased liabilities. Additionally, as a private limited company, Bella can attract investors by issuing shares, providing a vital source of capital for opening new stores. This structure also enhances credibility with suppliers and customers, aiding business growth.

However, shifting to a private limited company involves more complex legal and financial compliance, increasing administrative burdens. Regular financial reporting and audits are required, which will consume Bella's time and increase costs. Also, decision-making might become more complex if external investors are involved, potentially reducing Bella's direct control over her business.

Score out of 4 _____

Justification_____

_____

Sample answer 2

Converting Bella's Boutique to a private limited company is an ideal move for Bella's expansion plans. The most significant advantage is limited liability, which protects Bella's personal assets from any business debts or legal issues. This change is especially important as the boutique grows and takes on more financial risks. Additionally, being a private limited company can attract additional investment through the sale of shares, providing essential funds for expanding to new locations. This corporate structure also tends to enhance the boutique's credibility among suppliers and customers, potentially leading to more business opportunities and growth. This transition seems to offer Bella a clear path to scaling her business effectively, with limited liability as a key benefit.

Score out of 4 _____

Justification_____

_____

Question 2

Sleep Well Doggy is a partnership between Jane, Alex and Miriam. The business offers overnight accommodation for dogs when their owners are away and unable to look after them for a period of time. Sleep Well Doggy employs 20 staff and works hard to ensure they feel valued in the business.

Explain the interests of two stakeholders at Sleep Well Doggy and outline how these interests may conflict

5 marks

Sample answer 1

A stakeholder is a person with a vested interest in the business. One stakeholder of Sleep Well Doggy are the shareholders (Jane, Alex & Martin). Shareholders are those that own the shares in a business for which they have paid. They have unlimited liability which means they are personally responsible for any debts incurred by the business which can place their personal assets at risk if the business is unable to pay its liabilities.

Another stakeholder is the customers. Customers are those that purchase goods and services from the business. In the scenario of Sleep Well Doggy, the customers are those that bring their dogs into the business to look after. These two stakeholders can conflict because the customers want to bring the prices down for the service, but the shareholders want to force the price up.

Score out of 5 _____

Justification_____

_____

Sample answer 2

One stakeholder is the owners (Jane, Alex and Miriam). The owners are the ones that have invested their money into the business and expect to make a return on their investment. They expect the business to make profits so they can share in these profits.

Another stakeholder is the twenty employees that work for Sleep Well Doggy. Employees are those that work for the business in exchange for a wage. The employees are interested in receiving fair pay, good working conditions and ongoing employment.

These two stakeholders can conflict because if the employees demand higher wages or improved working conditions, it can increase the costs of the business. This may result in less profits for the business which conflicts with the interest of the owners who want higher profits.

Score out of 5 _____

Justification_____

_____

Question 3

Mrs T is a cereal manufacturer with factories in Victoria, Queensland and Perth. The company produces 12 different varieties of cereals and sells in the major supermarkets. Due to increased competition for supermarket shelf space, Mrs T has just been informed that one major supermarket will be dropping 5 of their cereal varieties. As a result, CEO, Jenny Harvard has decided to close down the Perth manufacturing facility and produce all of the cereals in the Victoria and Queensland factories.

Explain two skills that Jenny will require during the closure of the Perth facility **4 marks**

Sample answer 1

One skill is communication which is the transfer of information from a sender to receiver with the ability to listen to feedback. Communication can be one-way or two-way. Jenny will need to use communication with the employees in the Perth factory. These employees will be losing their jobs and therefore need to be notified.

Jenny will also need to use planning, which is the ability of a manager to set objectives and detail the ways to achieve them. In terms of the closure of the Perth factory, Jenny would be involved in both short-term and medium-term planning. Jenny could set deadlines and allocate tasks to others to close the factories. Planning will help everyone understand what needs to be achieved.

Score out of 4 _____

Justification_____

_____

_____

Sample answer 2

Jenny could use two-way communication with her employees from the Perth factory. This will allow Jenny to not only provide the information about the closure of the Perth factory to employees, but it will also allow Jenny to listen to the concerns of the employees. This will help demonstrate that Jenny values the employees despite the closure of the factory.

Jenny will also need to use delegation. Delegation is where the manager hands over authority of tasks to an employee. Jenny can delegate many of her normal daily tasks to another senior manager to allow her to focus on the closure. This will give Jenny the time she needs to support staff and manage the closure of the factory without being interrupted with her normal tasks. This will help the factory close successfully.

Score out of 4 _____

Justification_____

_____

_____

Question 4

Fresh Flavours is a catering business that has recently faced a decline in customer satisfaction due to delayed deliveries and inconsistent food quality. To address this, the manager, Liam, has decided to outsource deliveries to a professional logistics company as well as introduce new quality procedures.

In a staff meeting, Liam explained these decisions, emphasising how outsourcing will ensure timely deliveries and the new processes to improve quality will restore customer trust. He outlined why these changes are necessary to meet the company's goal of becoming a top catering provider and encouraged employees to adapt to the new processes.

Justify the appropriateness of the management style used by Liam as the business looks to overcome the current issues. **4 marks**

Sample answer 1

Liam is using the persuasive style which is appropriate in this scenario as he retains decision-making authority while explaining the reasons behind his decisions to employees. As these are important decisions that will have an influence on the success of the business moving forward, it is important that Liam takes control of the decisions to outsource the logistics and implement the changes in quality processes.

The persuasive style allows Liam to sell the decisions to employees by informing them of the rationale behind the decisions. This can help get the employees on board with the changes and they can feel more valued than if they were simply told of the decision. Understanding the reasons why the decisions have been made can get the employees to have more buy-in regarding the decisions, helping them embrace the new quality processes. By having the employees on board, it will give the changes a greater chance of being implemented successfully and should improve the issues around customer satisfaction.

Score out of 4 _____

Justification_____

_____

_____

Sample answer 2

Liam is making use of the autocratic management style. The autocratic management style is appropriate as it allows Liam to take full control of the decision-making process to address Fresh Flavours' challenges. By deciding to outsource deliveries and implement quality control measures, Liam ensures immediate and decisive action is taken to resolve the issues of delayed deliveries and inconsistent food quality.

This style allows Liam to act quickly, which is essential in a business facing declining customer satisfaction. By clearly outlining the decisions during the staff meeting, Liam sets clear expectations for employees to follow the new procedures without delay. While this approach does not involve employee input, it minimises confusion and ensures consistent implementation of the changes. The autocratic style is effective here as it prioritises quick action and clarity, helping Fresh Flavours restore its reputation and achieve its operational goals.

Score out of 4 _____

Justification_____

_____

_____

Question 5

Compare the autocratic management style with one other management style. **4 marks**

Sample answer 1

The autocratic management style is where the manager makes their own decisions and tells the employees what the final decision is. It uses one-way communication, from the manager to the employee. The employees do not get to put their ideas forward and have no direct involvement in decision-making. The autocratic management style is beneficial when decisions need to be made quickly. It is also beneficial when the employees lack experience. In these situations, the manager can make use of their own knowledge and experience to make an effective decision.

The consultative style is where the manager seeks feedback from the employees before making a decision themselves. It uses two-way communication by seeking this information from employees and it uses centralised decision-making. The consultative style can be beneficial when the employees have knowledge or vast experience in the area. This allows the manager to seek quality feedback so they are able to make more informed decisions

Score out of 4 _____

Justification_____

_____

Sample answer 2
Both the autocratic style and the consultative style are ways in which a manager can lead their staff in the workplace. Both of these styles make use of centralised decision-making. This is where the manager makes the final decision themselves. However, a manager that utilises the consultative management style uses two-way communication with employees before making the final decision. They do this to seek feedback from employees before making the final decision. Whereas, the autocratic management style only uses one-way communication and does not seek feedback from employees before making a final decision. This can sometimes lead to lower morale in the employees as they have no involvement in the decisions that are made within the business. However, using the consultative style can sometimes lead to increased employee morale as they feel valued as a result of the manager seeking their feedback before making a final decision.
.

Score out of 4 _____

Justification_____

_____

_____

Question 6
Many business owners understand the importance of having a positive corporate culture.

Explain the difference between a business's official corporate culture and its real corporate culture. In your response, refer to a contemporary business you have studied this year. 3 marks

Sample answer 1
Official corporate culture is the desired values and believes the senior leaders of a business want the people within the business to share. This can be seen in official documents such as the business's mission statement, stated core values or even in official policies. An example of the official corporate culture can be seen with Envato where they have set out the values they wish all employees to display in their work. Values such as Not Just The Bottom Line and Diverse and Inclusive are both examples of the official corporate culture at Envato. Whereas the real corporate culture is what the actual shared values and beliefs of the people within the business actually are. This can be seen in how the employees actually behave in the workplace, how they dress and how managers and employees interact.

Score out of 3 _____

Justification_____

_____

_____

Sample answer 2
The official corporate culture is what the business wants the culture to be. Whereas the real corporate culture is what the culture of the business actually is. While it would be idea if they were both be the same, this is not always the case and managers need to implement strategies to ensure the real culture matches the official culture. This can be seen at Google. Google creates an environment where the employees are valued at their work by providing benefits to employees. This helps build a positive culture within the business so that the employees are happy, resulting in them working hard towards business objectives. This shows the difference between the official corporate culture and the real corporate culture.

Score out of 3 _____

Justification_____

_____

_____

CHAPTER 2: HUMAN RESOURCE MANAGEMENT

What is Human Resource Management?

Human resource management is the process of managing the relationship between the employees and the business. It involves the effective use of people within the business to achieve its strategic objectives. Human resource management involves functions such as recruiting employees, training them, implementing strategies to motivate and retain them, managing their performance and their development as well as managing the end of the relationship when an employee leaves the business.

Early employee specialists were often more focused on administration and were responsible for the employee payroll and maintaining employee information. However, the competitive nature of the global labour market has seen many businesses use human resource management in a more strategic manner to try and attract and retain high quality employees.

A business can have the same products, the same amount of money, the same type of equipment and raw materials but it can't have the same employees. Therefore, the employees and how they are managed becomes part of the competitive advantage for a business. While not all businesses have employees, those that do need to ensure they are managing their employees well so that the business is achieving its objectives. Medium- and large-sized businesses may have a dedicated human resource manager or team that leads the human resources department. However, many small businesses will not have this luxury, and it will be left up to a manager or owner to take on this responsibility.

Relationship between Human Resource Management and Business Objectives

Some businesses rely on heavy machinery and equipment to produce products or mine resources. Others are more dependent on sophisticated technology to deliver their goods or services. While others are more reliant on employees to provide the service or perform the work within the business. No matter which resources a business relies most on on; it is the human resources that enable the business to achieve its objectives. Employees are the ones who carry out the tasks that result in business objectives being achieved. Therefore, there is a strong relationship between human resource management and the achievement of business objectives.

The effective use of human resource management will ensure that the best employees are brought into the business, that the employees are in the correct roles, and that they are well-trained and motivated. This ensures that the employee can work to a high level, helping the business achieve its set objectives.

For example, a retail chain may have the objective to increase the net profits of the business. While other business functions such as the sales and marketing team may play a pivotal role in the achievement of this objective. So too can human resource management. The human resource manager may decide to implement ongoing training for the retail employees. Employees may receive product training so they understand the features of each of the products being sold as well as customer service training to improve the level of customer service being delivered. This can ensure each employee is able to service every customer more effectively which can lead to increased sales, improving the overall profits of the business.

"If you're trying to sneak out of work, you should at least get your coordinates right."

Because there are employees involved in all the aspects of a business, effective human resource management is vital to the achievement of the set objectives. The human resource manager implements strategies that enable the employees to achieve the objectives that have been set. Human resource management aims to have employees working to a high level so there is a greater chance of the objectives being achieved.

Exam Tip: 'Relationship' questions are often handled poorly by students in assessments. Students often simply describe the two terms. This can be good practice, however you must also express the relationship between them. Ask yourself, 'How do employees help businesses achieve objectives and how can human resource management assist in this occurring?' When we think of human resource management, it refers to concepts such as ensuring the correct employees are recruited, that the employees are motivated, well trained or provided with effective feedback. These concepts can improve the performance of employees. Having employees working at a high level can help them to work towards the achievement of business objectives.