



UNIT 3 BUSINESS  
MANAGEMENT

# SUMMER

SCHOOL

# **VCE SUMMER SCHOOL**

## **Unit 3 Business Management**

### **Area of Study 1**

Business Foundations

### **Area of Study 2**

Human Resource Management

### **Area of Study 3**

Operations Management

**VCE Accreditation Period**  
**2023 – 2027**



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# VCE SUMMER SCHOOL HEAD START LECTURES

## STUDY DESIGN (2023 – 2027) – EDITION 1

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#### *THE POWER OF ART*

Engaging with art is essential to the human experience. Almost as soon as motor skills are developed, children communicate through artistic expression. Throughout each stage of our lives, art plays different and important roles. The arts have the power to bring joy, stir up emotions and influence our behaviour. Art crosses all divides. It breaks down cultural, social and economic barriers and plays a big role in how humans see and interact with others, and the world in general.

Art decreases stress levels and improves mental health and well-being, particularly in patients suffering chronic or terminal illness. It has the power to educate people and convey meaning in a way that can be appreciated by every person. Furthermore, it gives us the opportunity to travel through time and learn from the beliefs, dreams, habits, thoughts, culture and lives of people in different places and times.

The arts also challenge us with different points of view, encourages communication, promotes stronger critical thinking and problem-solving skills and unlocks the potential of the human mind. It is also closely linked to academic achievement, civic engagement and social and emotional development.

The benefits of art are significant and undeniable. Use it to benefit both your mental and physical health as you journey through your VCE.



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# CONTENTS

## UNIT 3 BUSINESS MANAGEMENT

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### SECTION 1: UNIT 3 BUSINESS MANAGEMENT COURSE OUTLINE & ASSESSMENT

---

<b>Section 1: Unit 3 Business Management Course Outline &amp; Assessment</b>	<b>Page 1</b>
Unit 3 VCE Study Design Accreditation Period: 2023 – 2027	Page 2
Assessment: Unit 3	Page 7
Definitions – Past Exams	Page 8
Task Words and Mark Allocation	Page 9
VCAA Exam Task Word Frequency	Page 10

### SECTION 2: AREA OF STUDY 1 – BUSINESS FOUNDATIONS

---

<b>Section 2: Area of Study 1: Business Foundations</b>	<b>Page 12</b>
Area of Study 1: Business Foundations – Key Skills	Page 13
<b>Key Knowledge 1: Types of Businesses</b>	<b>Page 14</b>
What is a Business?	Page 14
Types of Business	Page 15
Examples of Different Businesses	Page 20
<b>Key Knowledge 2: Business Objectives</b>	<b>Page 21</b>
Objectives	Page 21
Communicating Business Objectives	Page 23
Vision, Mission & Values Statements	Page 24
Business Strategies	Page 28
<b>Key Knowledge 3: Stakeholders of Businesses</b>	<b>Page 28</b>
<b>Key Knowledge 4: Characteristics of Stakeholders of Businesses</b>	<b>Page 31</b>
Stakeholders of Businesses Including their Interests	Page 31
Stakeholders of Businesses Including Potential Conflicts Between Stakeholders	Page 31
Scenarios	Page 32
<b>Key Knowledge 5: Management Styles</b>	<b>Page 33</b>
Management Styles	Page 33
Autocratic (Telling)	Page 34
Persuasive (Selling)	Page 35
Consultative (Feedback Sought)	Page 36
Participative (Staff Involvement)	Page 37
Laissez-Faire (Leave Alone)	Page 38
Situational or Contingency	Page 39
Leadership and Management Style at Nike	Page 40

<b>Key Knowledge 6: The Appropriateness of Management Styles</b>	<b>Page 44</b>
Appropriateness of Management Styles	Page 44
<b>Key Knowledge 7: Management Skills</b>	<b>Page 45</b>
Management Skills	Page 45
Communication	Page 46
Delegation	Page 47
Planning	Page 48
Leading	Page 56
Decision-Making	Page 58
Interpersonal Skills	Page 61
<b>Key Knowledge 8: The Relationship Between Management Styles &amp; Skills</b>	<b>Page 65</b>
<b>Key Knowledge 9: Corporate Culture Both Official &amp; Real</b>	<b>Page 66</b>
Corporate Culture	Page 66
Official Corporate Culture	Page 66
Real Corporate Culture	Page 66
Southwest Airlines: Preserving the Culture	Page 69

### **SECTION 3: AREA OF STUDY 2 – MANAGING EMPLOYEES**

---

<b>Section 3: Area of Study 2 – Managing Employees</b>	<b>Page 71</b>
Key Skills	Page 72
<b>Key Knowledge 1: The Relationship Between Managing Employees &amp; Business Objectives</b>	<b>Page 73</b>
The Human Resource Area of Management Responsibility	Page 73
The Relationship Between HR & Business Objectives & Strategies	Page 74
<b>Key Knowledge 2: Key Principles of Theories of Motivation</b>	<b>Page 76</b>
Motivation Theories	Page 76
Maslow’s Hierarchy of Needs	Page 77
Locke and Latham’s Goal Setting Theory	Page 78
Lawrence and Nohria’s Four Drive Theory	Page 81
Comparison of Motivation Theories	Page 83
<b>Key Knowledge 3: Motivation Strategies</b>	<b>Page 87</b>
Performance-Related Pay	Page 87
Career Advancement	Page 88
Investment in Training	Page 88
Support Strategy	Page 88
Sanction Strategy	Page 88
<b>Key Knowledge 4: Advantages &amp; Disadvantages of Motivation Strategies &amp; their Effect on Short- &amp; Long-Term Employee Motivation</b>	<b>Page 89</b>
Advantages and Disadvantages of Motivation Strategies	Page 89
Long-Term and Short-Term Effects on Employee Motivation	Page 90

<b>Key Knowledge 5: Training Options</b>	<b>Page 91</b>
<b>Key Knowledge 6: Performance Management Strategies to Achieve Both Business &amp; Employee Objectives</b>	<b>Page 94</b>
Performance Management	Page 94
Performance Appraisal	Page 94
Management by Objectives	Page 95
Employee Self-Evaluation	Page 95
Employee Observation	Page 96
<b>Key Knowledge 7: Termination Management</b>	<b>Page 99</b>
Termination	Page 99
Entitlement and Transition Issues	Page 100
<b>Key Knowledge 8: The Roles of Participants in the Workplace</b>	<b>Page 103</b>
<b>Key Knowledge 9: Awards &amp; Agreements as Methods of Determining Wages &amp; Conditions of Work</b>	<b>Page 106</b>
Awards, Agreements and Individual Contracts Within a Specific Business	Page 106
<b>Key Knowledge 10: An Overview of the Dispute Resolution Process</b>	<b>Page 109</b>

## **SECTION 4: AREA OF STUDY 3 – OPERATIONS MANAGEMENT**

---

<b>Section 4: Area of Study 3 – Operations Management</b>	<b>Page 113</b>
Key Skills	Page 114
<b>Key Knowledge 1: The Relationship Between Operations Management &amp; Business Objectives</b>	<b>Page 114</b>
<b>Key Knowledge 2: Key Elements of an Operations System: Inputs, Processes &amp; Outputs</b>	<b>Page 115</b>
<b>Key Knowledge 3: Characteristics of Operations Management Within Both Manufacturing &amp; Service Businesses</b>	<b>Page 116</b>
Characteristics of Operations Management	Page 116
The Differences Between a Service Business and a Manufacturing Business	Page 117
Strategies Adopted to Optimise Operations	Page 118
<b>Key Knowledge 4: Strategies to Improve Both the Efficiency &amp; Effectiveness of Operations Related to Technological Developments</b>	<b>Page 119</b>
Technology	Page 119
Benefits	Page 119
Costs	Page 120

**Key Knowledge 5: Strategies to Improve Both the Efficiency & Effectiveness of Operations Related to Materials** **Page 122**

Materials Management	Page 122
Just-in-Time Stock Management	Page 122
Master Production Schedule	Page 122
Material Requirements Plan (MRP)	Page 123
Forecasting	Page 123
Materials Management	Page 123

**Key Knowledge 6: Strategies to Improve Both the Efficiency & Effectiveness of Operations Related to Quality** **Page 125**

Management of Quality	Page 125
Total Quality Management	Page 125
Quality Assurance	Page 126
Quality Control	Page 126
Quality Management Programs	Page 127
Comparing the Quality Management Systems	Page 128

**Key Knowledge 7: Strategies to Improve Both the Efficiency & Effectiveness of Operations Through Waste Minimisation in the Production Process** **Page 133**

**Key Knowledge 8: The Pull, One-Piece Flow, Takt, Zero Defects Strategy to Improve the Efficiency & Effectiveness of Operations Related to Lean Management** **Page 134**

**Key Knowledge 9: Corporate Social Responsibility Considerations in an Operations System** **Page 135**

**Key Knowledge 10: Global Considerations in Operations Management** **Page 137**

**SAMPLE ASSESSMENT TASKS**

**VCE Business Management – Sample Assessment Tasks** **Page 144**

Outcome 1	Page 144
Outcome 2	Page 149
Outcome 3	Page 156

**SECTION 5: SOLUTIONS**

**Solutions** **Page 164**

**SECTION 1: UNIT 3 BUSINESS MANAGEMENT  
COURSE OUTLINE & ASSESSMENT  
(2023 – 2027)**





## **UNIT 3 BUSINESS MANAGEMENT VCE STUDY DESIGN**

**ACCREDITATION PERIOD: 2023 – 2027**

### **UNIT 3: MANAGING A BUSINESS**

In this unit students explore the key processes and issues concerned with managing a business efficiently and effectively to achieve the business objectives. Students examine the different types of businesses and their respective objectives. They consider corporate culture, management styles, management skills and the relationship between each of these.

Students investigate strategies to manage both staff and business operations to meet objectives. Students develop an understanding of the complexity and challenge of managing businesses and through the use of contemporary business case studies from the past four years have the opportunity to compare theoretical perspectives with current practice.

#### **AREA OF STUDY 1 BUSINESS FOUNDATIONS**

This area of study introduces students to the key characteristics of businesses and their stakeholders. Students investigate potential conflicts between and the different demands of stakeholders on a business. They examine a range of management styles and management skills that may be used when managing a business and apply these to contemporary business case studies.

##### **OUTCOME 1**

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

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 1.

#### **AREA OF STUDY 2 MANAGING EMPLOYEES**

In this area of study students investigate essential factors such as motivation and training involved in effectively managing employees during their time at a business to ensure the business objectives are achieved. They consider Maslow's Hierarchy of Needs, Locke and Latham's Goal Setting Theory and Lawrence and Nohria's Four Drive Theory of motivation. Using the theories and motivation strategies, students propose and justify possible solutions to employee management in contemporary business case studies. Students gain 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.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 2.

## **AREA OF STUDY 3 OPERATIONS MANAGEMENT**

The production of goods and services is the core objective of businesses. Effective management of the process of transforming inputs into outputs is 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. In this area of study students examine operations management and consider the best and most responsible use of available resources for the production of a quality final good or service 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.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 3.

## AREA OF STUDY 1: BUSINESS FOUNDATIONS

<b>KEY KNOWLEDGE</b>	Level of understanding: 1 = needs attention 5 = excellent				
	1	2	3	4	5
<ul style="list-style-type: none"> <li>Types of businesses including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises.</li> </ul>					
<ul style="list-style-type: none"> <li>Business objectives including to make a profit, to increase market share, to improve efficiency, to improve effectiveness, to fulfil a market need, to fulfil a social need and to meet shareholder expectations.</li> </ul>					
<ul style="list-style-type: none"> <li>Stakeholders of businesses including owners, managers, employees, customers, suppliers and the general community.</li> </ul>					
<ul style="list-style-type: none"> <li>Characteristics of stakeholders of businesses including their interests, potential conflicts between stakeholders.</li> </ul>					
<ul style="list-style-type: none"> <li>Management styles including autocratic, persuasive, consultative, participative and laissez-faire.</li> </ul>					
<ul style="list-style-type: none"> <li>The appropriateness of management styles in relation to the nature of task, time, experience of employees and manager preference.</li> </ul>					
<ul style="list-style-type: none"> <li>Management skills including communicating, delegating, planning, leading, decision-making and interpersonal.</li> </ul>					
<ul style="list-style-type: none"> <li>The relationship between management styles and management skills</li> </ul>					
<ul style="list-style-type: none"> <li>Corporate culture both official and real.</li> </ul>					

## AREA OF STUDY 2: MANAGING EMPLOYEES

<b>KEY KNOWLEDGE</b>	Level of understanding: 1 = needs attention 5 = excellent				
	1	2	3	4	5
<ul style="list-style-type: none"> <li>The relationship between managing employees and business objectives.</li> </ul>					
<ul style="list-style-type: none"> <li>Key principles of the following theories of motivation:               <ul style="list-style-type: none"> <li>Hierarchy of Needs (Maslow)</li> <li>Goal Setting Theory (Locke and Latham)</li> <li>Four Drive Theory (Lawrence and Nohria)</li> </ul> </li> </ul>					
<ul style="list-style-type: none"> <li>Motivation strategies including performance related pay, career advancement, investment in training, support strategies and sanction strategies.</li> </ul>					
<ul style="list-style-type: none"> <li>Advantages and disadvantages of motivation strategies and their effect on short- and long-term employee motivation.</li> </ul>					
<ul style="list-style-type: none"> <li>Training options including on-the-job and off-the-job training, and the advantages and disadvantages of each.</li> </ul>					
<ul style="list-style-type: none"> <li>Performance management strategies to achieve both business and employee objectives, including management by objectives, appraisals, self-evaluation and employee observation.</li> </ul>					
<ul style="list-style-type: none"> <li>Termination management including retirement, redundancy, resignation and dismissal, entitlement considerations and transition considerations.</li> </ul>					
<ul style="list-style-type: none"> <li>The roles of participants in the workplace including human resource managers, employees, employer associations, unions, and the Fair Work Commission.</li> </ul>					
<ul style="list-style-type: none"> <li>Awards and agreements as methods of determining wages and conditions of work.</li> </ul>					
<ul style="list-style-type: none"> <li>An overview of the dispute resolution process including mediation and arbitration.</li> </ul>					



## AREA OF STUDY 3: OPERATIONS MANAGEMENT

<b>KEY KNOWLEDGE</b>	Level of understanding: 1 = needs attention 5 = excellent				
	1	2	3	4	5
<ul style="list-style-type: none"> <li>The relationship between operations management and business objectives.</li> </ul>					
<ul style="list-style-type: none"> <li>Key elements of an operations system: inputs, processes and outputs.</li> </ul>					
<ul style="list-style-type: none"> <li>Characteristics of operations management with both manufacturing and service businesses.</li> </ul>					
<ul style="list-style-type: none"> <li>Strategies to improve 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.</li> </ul>					
<ul style="list-style-type: none"> <li>Strategies to improve the efficiency and effectiveness of operations related to materials, including forecasting, master production schedule, materials requirement planning and Just In Time.</li> </ul>					
<ul style="list-style-type: none"> <li>Strategies to improve the efficiency and effectiveness of operations related to quality, including quality control, quality assurance and Total Quality Management.</li> </ul>					
<ul style="list-style-type: none"> <li>Strategies to improve the efficiency and effectiveness of operations through waste minimisation in the production process, including reduce, reuse, recycle.</li> </ul>					
<ul style="list-style-type: none"> <li>The pull, one-piece flow, takt, zero defects strategy to improve the efficiency and effectiveness of operations related to lean management.</li> </ul>					
<ul style="list-style-type: none"> <li>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.</li> </ul>					
<ul style="list-style-type: none"> <li>Global considerations in operations management, including global sourcing of inputs, overseas manufacture, global outsourcing.</li> </ul>					

### ASSESSMENT: UNIT 3

	Marks Allocated	% of Study Score
<b>Outcome 1</b>  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.	20	5%
<b>Outcome 2</b>  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.	40	10%
<b>Outcome 3</b>  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.	40	10%
<b>Total Marks</b>	<b>100</b>	<b>25%</b>

Units 3 & 4 are both worth 100 marks (25% each of the Study Score) and the exam is worth 50% of the Study Score.

## DEFINITIONS – PAST EXAMS

Typically, now a 2- mark question for a specific and detailed definition or explanation of the key business term.

**A sample of the terms that have been included in previous exams is provided below:**

<b>2010</b>	Performance Indicator
<b>2011</b>	Corporate Culture
<b>2012</b>	Market Share
<b>2013</b>	Leadership
<b>2014</b>	Staff Turnover Percentage of Market Share Number of Customer Complaints
<b>2015</b>	No 'Define' Type Question
<b>2016</b>	Corporate Culture
<b>2017</b> ( <i>Latest Study Design</i> )	Sole Trader
<b>2018</b>	Partnership Key Performance Indicator
<b>2019</b>	Corporate Social Responsibility Level of Staff Turnover
<b>2020</b>	Business Objective
<b>2021</b>	Stakeholder, Motivation, Rate of staff absenteeism
<b>2022</b>	Government Business Enterprise

**Remember – Avoid using the term to be defined in your answer.**

## TASK WORDS AND MARK ALLOCATION

- In Business Management as in other VCE subjects you need to understand the task word in the question – or the driving word for the answer required. This along with the mark allocation helps you to understand the detail and depth of answers required.
- Each task word has a different emphasis for the answer and needs to be clearly understood to help you maximise your marks and success.
- The task word tells you what to do in your answer.
- **REMEMBER TO READ EACH QUESTION CAREFULLY.**

Key Word	Meaning
<b>Analyse</b>	Consider and examine an issue in detail.
<b>Apply</b>	Use the information provided to make links and connections.
<b>Compare</b>	Note the similarities and differences.
<b>Define</b>	Give the meaning.
<b>Describe</b>	Provide an account of an event or process. Characteristics and features.
<b>Discuss</b>	Considerations of issues for and against. Examine by argument.
<b>Distinguish</b>	Indicate or show a difference.
<b>Evaluate</b>	Ascertain the value by discussing the advantages and disadvantages.
<b>Examine</b>	To look at something in detail, to study and analyse.
<b>Explain</b>	Make plain or clear the reasons.
<b>Identify</b>	To recognise or establish.
<b>Interpret</b>	Give the meaning of something; make sense of it.
<b>Justify</b>	Show to be right or reasonable based on the evidence.
<b>Outline</b>	Indicating the main features.
<b>Propose</b>	To put forward a suggestion for consideration by others.
<b>Recommend</b>	To present as worthy or useful. Provide reasons in favour.
<b>Select</b>	Choose a preferred option.
<b>Refer</b>	Make specific reference to an aspect of the subject such as: significant change issue studied or an organisation studied.



## VCAA EXAM TASK WORD FREQUENCY

Key Task Words in Questions	2020 Exam		2019 Exam	
	Times Used	Marks	Times Used	Marks
Outline	2	6 (2+4)	1	2
Compare	2	8 (4+4)	1	4
Explain	6	25 (3+3+3+6+6+4)	3	15 (6+3+6)
Describe			3	11 (4+3 +4)
Propose & Justify	1	3	1	5
Analyse	2	10 (4+6)	2	14 (10+4)
Define	1	2	2	4 (2+2)
Apply			1	4
Explain & Apply			1	6
Interpret			1	5
Evaluate	2	15 (5+10)	1	5
Discuss	1	6		
<b>Total Marks</b>		<b>75</b>		<b>75</b>

### REMEMBER:

- The exam now has two parts and a 10 mark extended response question.
- Interpret, Justify, Compare, Apply, Evaluate, and Analyse are higher order thinking questions that require students to relate their knowledge to specific business situations.
- The task words used in the exam each year vary.
- It is important to read the Chief Assessor's report.

	2021 Exam		2022 Exam	
Key Task Words in Questions	Times Used	Marks	Times Used	Marks
Outline			2	4 (2+2)
Outline & apply	1	4		
Compare	1	4		
Explain	4	16 (4+3+3+6)	6	25 (3+3+6+3+4+6)
Describe	3	13 (3+4+6)	3	10 (4+2+4)
Propose & Justify	1	3	2	10 (6+4)
Analyse	1	6	1	4
Define	3	6 (2+2+2)	1	2
Identify & Describe	1	4		
Explain & Justify	1	5		
Justify			1	4
Identify & Explain	1	4		
Evaluate			1	10
Discuss			1	6
Explain, Propose & Justify	1	10		
<b>Total Marks</b>		<b>75</b>		<b>75</b>

- In 2022 there was only one definition compared to three in 2021. This may indicate less focus on the definitions of terms.
- In 2022 there was also an evaluate and discuss question which wasn't present in 2021.
- The key word in the 10-mark question in 2022 was to "evaluate" compared with 2021, which asked students to explain, propose and justify.

**SECTION 2: AREA OF STUDY 1**  
**BUSINESS FOUNDATIONS**

## **AREA OF STUDY 1: BUSINESS FOUNDATIONS**

This area of study introduces students to the key characteristics of businesses and their stakeholders. Students investigate potential conflicts between the different demands of stakeholders on a business. They 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.

### **KEY SKILLS**

- Identify, define, describe and apply business management concepts and terms.
- Interpret, discuss, compare and evaluate business information and ideas.
- Analyse case studies and contemporary examples of business management.
- Apply business management knowledge to practical and/or simulated business situations.
- Analyse and discuss management styles and management skills necessary for successful business management.
- Evaluate management styles and management skills and their appropriateness for a range of business situations.
- Propose and justify management strategies for developing corporate culture.



# KEY KNOWLEDGE 1

## TYPES OF BUSINESSES

Including sole traders, partnerships, private limited companies, public listed companies, social enterprises and government business enterprises

### WHAT IS A BUSINESS?

A business is where a group of people come together to achieve goals and objectives. It is an entity that produces goods or provides services with the aim of achieving a range of objectives.

**Businesses can be classified in a number of ways:**

- **By size** (small, medium, large).
- **By industry level** (primary, secondary, tertiary).
- **By industry division** (mining, manufacturing, retail trade, health, education are some examples).

**Identify** any business that you have come into contact with recently:

1	
2	
3	
4	

**Outline** what you think the purpose of each business is.

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# TYPES OF BUSINESSES

The six types of businesses are:

- Sole Trader
- Partnership
- Private Limited Company
- Public Listed Company
- Social Enterprise
- Government Business Enterprise

## 1. SOLE TRADER

A sole trader is a legal business structure where one person **owns** the business and is the individual legally responsible for all aspects of the business. This includes any debts and losses, which can't be shared with others.

Sole Trader	
Advantages	Disadvantages
Simplest form of ownership structure.	Personal (unlimited) liability for business debts.
Low cost of establishment.	Needs to cover all business losses.
No partner disputes.	Business ends when owner dies.
Owner makes all decisions, sets culture and direction of business, keeps all profits of the business.	Owner needs to do all tasks, carry all responsibilities, make all decisions and contribute all capital.

## 2. PARTNERSHIP

**A partnership** is a legal business structure that involves a number of people jointly running a business together. It can be at least one other person or a number of people (up to 20). There are exceptions to this number, including medical practitioners and stockbrokers (allowed up to 50 partners); veterinarians, architects and chemists (allowed up to 100 partners); and solicitors and accountants (allowed up to 400 partners). A partnership is similar to a sole trader in that the owner and the business are regarded as the same; that is, there is no separate legal entity. Consequently, partnerships also have unlimited liability.

A partnership can be made verbally or in writing or by implication; that is, if two people set up a business together *without* a legally binding partnership agreement. A written partnership agreement is not compulsory, but it is certainly worthwhile in case disputes arise. Each partner to the agreement does not have to be equal in terms of capital contribution or share of profits.

**Limited partnerships** were introduced to allow one or more partners to contribute financially to the business but take no part in the running of the partnership. The main reason for their investment is to add more capital or finance to an existing partnership.

Partnership	
Advantages	Disadvantages
Minimal government regulation in establishment.	Personal (unlimited) liability for business debts.
Low cost of establishment.	Liability for debts of partners.
No taxes on business profits, just on partners' income.	Shared decision-making can lead to disputes.
Shared workload and decision-making, increased start-up capital.	Difficult to add partners to expand the business.

## COMPANIES

A company is different from a sole trader or a partnership in that it is a separate legal entity – it is a legal person and has the same rights and obligations as a person. A company can be sued, incur debts or it can sue another person or legal entity.

As such, the owners of a company, referred to as shareholders, are generally not liable for the debts of a company.

**There are two types of companies:**

- Private Limited Company
- Public Listed Company

### 3. PRIVATE LIMITED COMPANY

A proprietary (private) company is the most common type of company structure in Australia, and usually has between one and 50 private shareholders. Private companies often tend to be small to medium-sized, family-owned businesses.

Shares in a proprietary company are only offered to those people the business wishes to have as part-owners. Shareholders can only sell their shares to people approved of by the other directors. This is why such a company is called a 'private' company. It is not listed and its shares are not sold through a stock exchange.

A private company must have the words 'proprietary limited', abbreviated to 'Pty Ltd', after its name.



Private Limited Company	
Advantages	Disadvantages
Limited liability.	High cost of formation.
Access to greater start-up capital by having more owners.	Double taxation incurred – company tax and income tax for shareholders.
Ongoing life – can be continued by selling of shares to approved parties.	Shared decision-making can lead to disputes.
Shared workload, decision-making, skills.	Can result in unlimited liability if business acts unethically and shareholders knew.

#### 4. PUBLIC LISTED COMPANY

The shares for public companies are listed on the Australian Securities Exchange (ASX), and the general public may buy and sell shares in these companies.

Where private companies tend to be small or medium-sized businesses, most public companies are large in size and market an extensive range of products — for example, Woolworths, Telstra, BHP Billiton and Westfield.

**A public company has:**

- At least one shareholder, with no maximum number.
- No restrictions on the transfer of shares or raising money from the public by offering shares.
- To issue a prospectus when selling its shares for the first time.
- A minimum requirement of three directors (two must live in Australia).
- The word 'Limited' or 'Ltd' in its name.
- To publish its audited financial accounts each year in an annual report.



Public Listed Company	
Advantages	Disadvantages
Limited liability.	Too many owners and so needs to be managed by a Board who may not share culture.
Access to greater start-up capital by having more owners.	Value subject to market fluctuations.
Can be started by just one person.	Double taxation incurred – company tax and income tax for shareholders.
Growth potential.	Can result in unlimited liability if business acts unethically and shareholders knew.

## 5. SOCIAL ENTERPRISES

Social enterprises are businesses that use a business model of buying and selling goods or services, but their main objective is to fund or support social causes such as reducing poverty, providing employment for various societal groups or tackling environmental problems.

The business may make a profit, or surplus, but will concentrate on some sort of community or environmental need. Any surplus that the social enterprise makes will be reinvested back into the business so that it can continue to fulfil the social need. Currently there are an estimated 20,000 social enterprises in Australia.

In Australia, despite the lack of a legal structure called social enterprise, these businesses can operate in many ways – they can take the form of a charity, a cooperative (a business that is owned and operated by a group of members), or a privately owned business.

They will often run just like a commercial business and, unlike charities, they do not rely on donations as their main source of income.

**thankyou.**  
**water**

<b>Social Enterprise</b>	
<b>Advantages</b>	<b>Disadvantages</b>
Can open up new markets — the social enterprise may meet a need that commercial businesses choose not to.	Difficulty in obtaining capital to start the business – it can be hard to find finance.
Meeting a social need can have a positive effect on profit and market share.	Difficulty focusing on two objectives – financial and social.
Provides competition for other businesses.	Significant operating costs — social enterprises will often take on costs that conventional businesses would not.

## **6. GOVERNMENT BUSINESS ENTERPRISES (GBE)**

Government Business Enterprises (GBE's) are businesses that are owned by a level of government, but they have been corporatised. This means they run as businesses and are expected to make a profit.

However, GBE's carry out government policies while they deliver community services. They operate at both the federal and state levels of government. GBE's also aim to increase the value of their assets and returns to their shareholder (the government). A board of management or board of directors usually controls a GBE, with government input into the board. The government maintains a strong interest in the performance and financial returns of the GBE.

<b>Government Business Enterprise</b>	
<b>Advantages</b>	<b>Disadvantages</b>
A GBE is able to carry out government policies delivering community services in areas where private sector businesses might hesitate to invest.	Political interference in the day-to-day operation of the GBE.
Provision of healthy competition to businesses operating in the private sector — this can lead to lower prices in the markets where GBE's are competing.	Management of GBEs can be less effective than that of the private sector.
Some independence from government scrutiny.	There can be less accountability within a GBE, resulting in less productivity and negative attitudes amongst staff.



## EXAMPLES OF DIFFERENT BUSINESSES

Sole Traders	Partnerships	Public Listed Companies	Private Limited Companies	Social Enterprises	Government Business Enterprises
Jim's Mowing	Ernst & Young	Wesfarmers	Lin Fox	World Vision	Australia Post
G's Home Services	PWC	NAB	RACV	Thank You Movement	Snowy Hydro
Eagle's Newsagency	Slater & Gordon	BHP Billiton	Visy	Oxfam	Australian Rail

### QUESTION 1

Distinguish between:

- a. A sole trader and a partnership.

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- b. A public listed company and a private limited company.

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## KEY KNOWLEDGE 2

### BUSINESS OBJECTIVES

Including to make a profit, to increase market share, to improve efficiency, to improve effectiveness, to fulfil a market need, to fulfil a social need and to meet shareholder expectations

### OBJECTIVES

Every business aims to achieve an **objective**, or goal. An objective gives a business direction; that is, it provides the business with a path to follow, increasing its chances of being successful.

**Objectives can be:**

- Strategic – Long term
- Tactical – Middle term
- Operational – Short term

**There are seven main business objectives listed in the VCE Study Design:**

- To Make a Profit
- To Increase Market Share
- To improve efficiency
- To improve effectiveness
- To Fulfil a Market Need
- To Fulfil a Social Need
- To Meet Shareholder Expectations

Each business will have different objectives as each business was established for different reasons. While making a profit is a key objective, customer service, community involvement, the environment and concern for employees are also important objectives for a business.

Social enterprises exist to achieve objectives other than making a profit. If there is a profit motive, that profit is used to further help those in need.

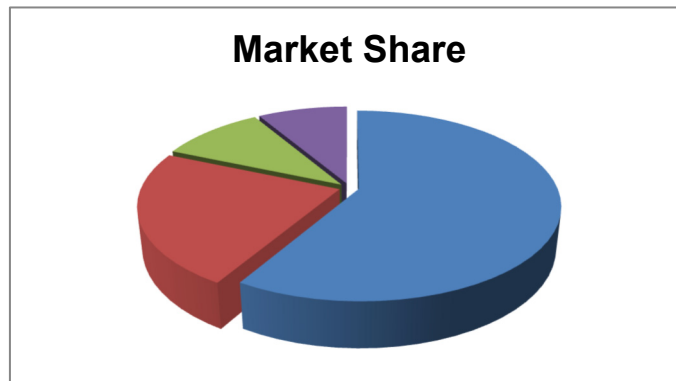
Businesses must focus on all objectives as chasing profit at the expense of customer service, staff retention rates or damage to the environment or to the business reputation are some likely consequences when a business is focused solely on making profits.

### OBJECTIVE 1 – TO MAKE A PROFIT

Profit is what is left after business expenses have been deducted from money earned from sales (revenue). A loss occurs when the expenses exceed the revenue. A major indicator of a business's success is the size of its profit, so many businesses not only want to make a profit, they want to maximise their profit. A business may have other objectives that will support it in achieving its main objective of making profit, such as increasing sales, expanding the business, or increasing market share.

## **OBJECTIVE 2 – TO INCREASE MARKET SHARE**

Market share describes a business's proportion of total sales in a market or an industry.



Market share is usually associated with large businesses as they have the capacity to expand and drive out smaller businesses. Such businesses often develop an extensive product range, using many different brand names, to gain an extra few percentage points of market share. Increased market share gains often translate into large profits for these businesses.

## **OBJECTIVE 3 – TO IMPROVE EFFICIENCY**

Efficiency is about how well a business uses its resources (time, raw materials, labour, machinery, technology etc.) in producing a good or service. Therefore, it is a broad aim or objective. For example, to become more efficient so as to reduce waste of time or raw materials. All businesses want to get the most out of their resources, aiming to maximise the use of their time, money, effort, employees, and materials. Businesses constantly try to improve efficiency which is how productively a business uses its resources when producing a good or service.

## **OBJECTIVE 4 – TO IMPROVE EFFECTIVENESS**

Effectiveness is the extent to which a business achieves its stated objectives. Unit 3 Outcome 1 expresses these stated business objectives as including: to make a profit, to increase market share, to improve efficiency, to fulfil a market need, to fulfil a social need and to meet shareholder expectations; therefore, this would include an assessment of whether these objectives have been achieved. For a business to be competitive, it must continuously set targets to achieve. Whether or not a business achieves its goals relates to its effectiveness. To achieve its stated objectives, the business must ensure that it has in place strategies related directly to those specific objectives, and measurement tools to assess whether the outcome meets the stated objective.

## **OBJECTIVE 5 – TO FULFIL A MARKET NEED**

At times, the market doesn't cater for every person or taste. This may happen because the market need is small, and a business may not see any profit in meeting that need. It is often a small business that may be able to meet specific market needs more efficiently than larger businesses.

## OBJECTIVE 6 – TO FULFILL A SOCIAL NEED

This objective involves the production and/or selling of goods and services for the purpose of making the world a better place. A business with such a focus may generate an income, but its primary purpose is the common good. Objectives related to fulfilling social needs might include improving human wellbeing, such as providing opportunities for local unemployed people or assisting disadvantaged people in the community, or focusing on the environment, such as minimising waste and recycling.

## OBJECTIVE 7 – TO MEET SHAREHOLDER EXPECTATIONS

Any owner or shareholder in a business expects some return on their investment. They expect the business that they have invested in to make a profit as they receive a proportion of the profits (called dividends).

## COMMUNICATING BUSINESS OBJECTIVES

Businesses like to communicate their objectives – it is good for employees, customers, shareholders and potential shareholders to know the type of business they are becoming involved with.



**Business objectives can be found in a variety of formal documents:**

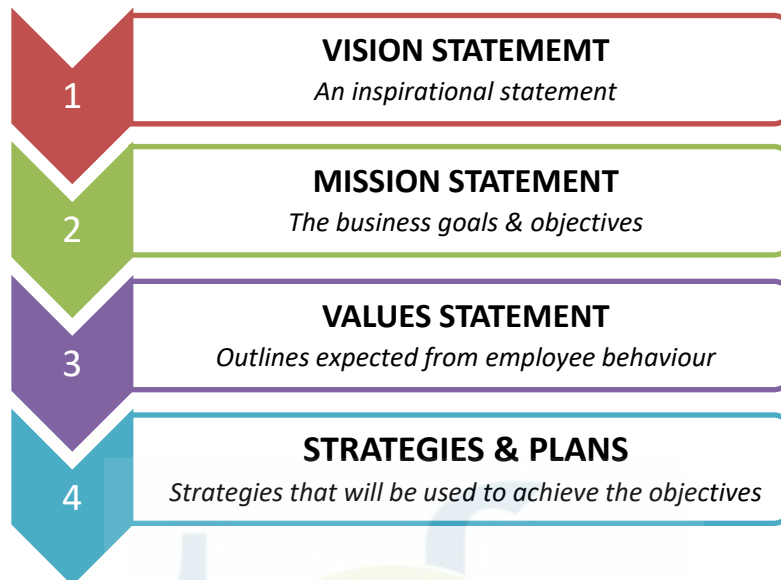
- The objectives of a small business are often found in the business plan.
- The objectives of larger businesses are often stated in a vision statement or a mission statement.

**Business objectives may be expressed as a 'purpose' or as 'strategic priorities'.**

# VISION, MISSION & VALUES STATEMENTS

Most businesses have a mission statement that addresses the following four areas:

1. Economic (Profit and shareholder returns)
2. Employee (enjoyment, safety and career opportunities)
3. Customers (product or service satisfaction)
4. Corporate social responsibility (environmental and ethical)



## EXAMPLE 1: FOSTER'S GROUP



### VISION

*Whether through beer, wine, spirits, leisure or property, Foster's premium products inspire enjoyment around the world.*

### MISSION

**Foster's mission is to work together, respecting each other, our heritage, diversity, skills and knowledge to:**

- Build premium quality, first-choice brands.
- Deliver service excellence to customers and consumers.
- Generate superior returns for shareholders.
- Create an inspiring workplace.
- Be welcomed in the communities in which we operate.

## EXAMPLE 2: COLES GROUP



### VISION

Our aim is to be Australia's number one retailer in all our brands by delighting our customers, growing our shareholder value and being the best team.

### MISSION

- Meeting customer needs through dynamic, innovative, retail businesses which are leaders in value and service.
- Recruiting, training and promoting outstanding people who are selected and rewarded solely on merit.
- Building long term, mutually beneficial supplier relationships.
- Providing consistently superior returns to shareholders.
- Being a responsible and caring corporate citizen.

### VALUES

As one of Australia's leading retail and largest employers, Coles Group Limited is committed to the communities in which we live and operate, and to ensuring we integrate good corporate behaviour into every aspect of our operations.

We have established a set of group-wide values and behaviours which provide a framework for how we do business. Our values are Integrity, Respect and Recognition, Passion for Excellence and Working Together.

**QUESTION 2**

Define "business objective".

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**QUESTION 3**

Outline the purpose(s) of a business objective.

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**QUESTION 4**

Identify two examples of business documents that would contain the objectives of a business.

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