

YEAR 12 ATAR UNIT 4

Chapter 19: Unit 4 Environment Activities

Topic study

1. What are the three ways we can understand culture?

Behaviour, values, community.

2. What are some aspects of cultural values?

Family values, gender roles, society values.

3. Why is understanding culture important for business success?

Understand culture will help you to build long term business relationships and more effective marketing strategies. An understanding of the management and communication styles used in different countries is important if you want to be successful at a global level. A lack of knowledge about international business practices is a cause of conflicts and misunderstanding between managers from different countries.

4. List two ethical issues in global business.

Bribery, lubrication.

5. What are four economic factors that can impact on global business?

Economic activity, interest rates, discretionary spending, currency fluctuations.

6. Explain how interest rates can influence economic activity.

High interest rates will also limit the borrowing of consumers and businesses and their spending on products and services. By making loans more affordable the hope is that consumers and businesses will borrow more, spend more and economic activity will increase.

7. What is discretionary spending?

This is the amount they have left over once they pay life's essentials such as food, rent, clothing, education and taxes (non-discretionary spending).

8. Explain what happens if the Australian dollar rises against foreign currency.

Goods exported from Australia will become more expensive, tourists will find Australia more expensive, consumers are more likely to buy cheaper imports than Australian made goods.

9. Explain what happens if the Australian dollar falls against foreign currency.

Goods imported into Australia will become more expensive in AUD, People travelling to Australia will be able to spend more, Australian made goods will be more affordable than imported goods.

10. List two examples of financial institutions a company could go to for funding.

Trading banks, credit unions, finance companies, merchant banks.

11. List two examples of external funding for a company.

Debentures, share capital, trade credit, venture capital, secured loans, financial institutions, governments, crowd funding.

12. What factors impact on global business?

Political factors, legal factors, technological factors.

13. What are three examples of political risk that must be considered when assessing global business growth?

Ownership risk, operations risk, economic risk.

14. What is the WIPO?

World Intellectual Property Organisation.

15. What are the three ways a business can be held liable for a faulty or dangerous product?

Negligence, strict liability, breach of warranty.

16. What is corporate social responsibility (CSR)?

CSR is a strategic commitment by companies to ethical conduct and to consider the quality of life of employees, the local community and society when making business decisions.

Chapter 25: Unit 4 Management Activities

Topic Study

1. List the first two elements of a strategic plan.

Situation analysis, mission statement.

2. What is PEST?

A tool to analyse the macro environment – political and legal, economic factors, social and cultural and technological.

3. List Porter's five forces.

New Entrants, Power of Suppliers, Power of Buyers, Availability of Substitutes, Level of competition.

4. What are two conditions that result in low profits?

Suppliers with high bargaining power, customers with high bargaining power, easy entry for competitors, many substitutes, high level of competition.

5. What are two conditions that result in high profits?

Suppliers with little bargaining power, customers with low bargaining power, barriers preventing competitors, few substitutes, low competition.

6. What is analysed with SWOT?

Strength, Weakness, Opportunity, Threat

7. Explain two limitations with using financial ratios.

Ratios do not explain why, they do not identify the causes of problems. Ratios present limited information and must be viewed in the context of the business and compared to previous periods or industry benchmarks to be meaningful. Comparison with other businesses may be flawed because of different accounting policies. Some figures are based on estimates eg depreciation, doubtful debts.

8. What three aspects of business performance can be analysed using ratios?

Profitability liquidity or working capital stability or gearing.

9. What does 'lowly geared' mean?

If the business is lowly geared it is because the business operates using owner's capital and retained profits more than loans from banks or creditors.

10. What are the four things a good production management system helps a business to do?

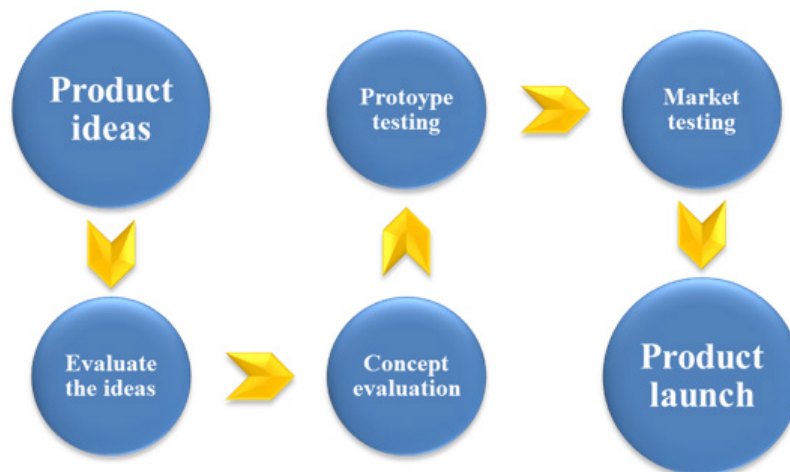
Achieve business goals, build a positive public image, support other business functions, be competitive.

11. What is the difference between incremental and disruptive innovation?

Incremental – focuses on making improvements to existing processes, products or services to prolong product life cycle or maintain competitive advantage

Disruptive – creating a new process, service or product in response to a market need or opportunity or to create a new market

12. What are the stages in product development?



13. What is quality management?

Quality management refers to ensuring that processes and systems results in a consistently high quality output.

14. What are the three aspects of quality management?

Control, assurance, improvement

15. What is the difference between Just In Time and Just In Case?

- **Just In Time (JIT)** management they do not maintain an inventory of materials or finished products.
- **Just in Case (JIC)** control is where a business stores and maintains a large amount of inventory to avoid running out of stock.

16. How can technology assist companies to distribute products globally?

Instead of having a network of retail stores or agreements with shops to stock your products, customers could buy direct from your website.

17. What one example of a key social media strategy?

- Create a strategy that integrates content marketing and social media to build relationships with your customers
- Use social media to respond quickly to questions your customers ask
- Use social media channels to promote build engagement and keep customers coming back.

18. What is the 'cloud'?

Cloud computing means storing and accessing data and programs over the internet instead of on the business' server. The cloud is just a metaphor for the internet. It is one way to increase capacity or add capabilities as you need them without investing in new infrastructure, training new staff, or licensing new software.

Chapter 27: Unit 4 People Activities

Topic Study

1. List 3 characteristics of leaders.

Leaders develop vision and strategy, Leaders inspire and motivate, Leaders explain why we are doing it, Leaders ask questions, Leaders are big-picture oriented, Leadership is doing the right things

2. List 3 characteristics of managers.

Managers develop policies and procedures, managers direct and control, managers explain what to do, managers give directions, managers are bottom-line oriented, management is doing things right.

3. Describe the autocratic management style.

The typical autocratic manager does not involve others in the decision making process. The communication style of an autocratic manager is one way. They tell staff exactly what they have to do. All decisions are made by the autocratic leader and employees are directed to implement their decisions.

4. Describe the behavioural management style.

Theory X will result in a more autocratic approach. Theory Y will result in a more participative style. McGregor recommends managers base their style on theory Y because it will lead to happier, motivated and productive staff.

5. Explain the difference between McGregor's Theory X and Theory Y.

X	Y
<ul style="list-style-type: none">• People are lazy and will avoid work whenever possible.• Managers must control, direct and punish employees to make them work.• Employees prefer to be told what to do and do not want to take on responsibility.	<ul style="list-style-type: none">• Managers must help employees realise their potential and work towards business goals.• Employees prefer having more control and responsibility over their work life.• People are creative and imaginative and can solve problems.

6. Describe the participative management style.

Employees are involved in the planning and decision making in the workplace. Although the manager may still make the final decision, decisions and plans are based on the ideas and feedback from staff.

7. Describe the situational management style.

A situational style is one where a manager uses the most appropriate behaviours and adapts their leadership style depending on the situation. Managers adapt their actions, methods of communication and decision making to the situation and are able to utilise multiple styles as conditions change.

8. List 3 leadership traits.

Skilled communicator, socially aware, skilled decision maker, future thinker, self-discipline, responsible, motivational.

9. Why does a leader need to be a future thinker?

Leaders create a vision and long term goals for a business and can see how the short term activities contribute to the long term goals. They keep people motivated by explaining how the day to day difficulties and achievements can add up to long term success.

Leaders also keep scanning the macro business environment and identify threats and opportunities and how to manage them.

10. Explain emotional intelligence.

Emotional Intelligence (EI) is about understanding that people are not always rational and logical but at times affected by emotions. Having EI means that you have empathy and can understand and manage your own emotional reactions to stress, change, events and situations. It also means that you can perceive and work with the emotions of other people and understand how emotions can impact on working relationships, team work and decisions.

Chapter 28: Unit 4 Examination Questions

Short answer questions

Question 1

i. What are three ways we can understand culture?

1 mark for 2, 2 marks for 3.

Behaviour, values, community.

ii. Explain how understanding of customs and etiquette can help with developing global business.

Different cultures have different levels of formality and place different emphasis on time constraints. In some parts of the world, more value is placed on a meeting resulting in positive outcomes than if it begins or ends on time.

iii. How can a country's education levels impact on global business?

They concluded that levels of education are a powerful predictor of the wealth that countries will produce over time. Poor education policies and practices result in countries in what may be a permanent state of economic recession.

iv. What is corporate social responsibility (CSR)? What three advantages can it offer a global company?

1 mark for definition, 3 marks for examples.

Improved financial performance, reduction in the exposure to risks in the business environment, improved public image, increased sales and customer loyalty, better staff retention, improved relations with governments, reduced costs through waste reduction and process efficiency.

Question 2

i. What is inflation? What causes inflation?

1 mark for each

Inflation is a measure of the increase in price of a bundle of typical consumer goods – the shopping basket.

Easy access to debt leading to demand for products and services exceeding the supply or because there is a rapid increase in the costs of materials and supplies. Businesses increase their prices because they know customers have the ability to keep purchasing despite the price increases.

ii. Discuss how interest rates can impact on business if they are falling and rising.

2 marks for each

Falling – if interest rates are high, debt repayments will be high. This will impact on cash flow and the ability of a business to borrow money to finance business growth. This fall in demand and sales will impact on the income and profit of businesses.

Rising – By making loans more affordable the hope is that consumers and businesses will borrow more, spend more and economic activity will increase.

iii. Explain the economic impact of a rising Australian dollar and a falling Australian dollar.

2 marks each.

Rising – goods exported from Australia will become more expensive, Tourists will find Australia more expensive, Consumers are more likely to buy cheaper imports than Australian made goods.

Falling – goods imported into Australia will become more expensive in AUD, People travelling to Australia will be able to spend more, Australian made goods will be more affordable than imported goods.

Question 3

i. Describe a source of internal funding.

1 for identifying, 1 for explanation.

Retained profits. When profits are kept in a reserve to fund future spending.

ii. Describe 3 sources of external funding a company could access to fund global expansion.

2 marks for identifying source, 2 marks for explanations

Share capital, debentures, trade credit, venture capital, secured loans, financial institutions, governments, crowd funding.

iii. List two types of financial institutions.

1 mark each

Bank, merchant bank, finance companies.

Question 4

i. Discuss how political factors can impact on global business.

1 mark for 2 factors, 3 marks for 3 factors

Lack of stability, laws and regulations, civil unrest, policies such as interest rates, foreign ownership and market entry, free trade agreements.

ii. Legal factors also impact on business. What is a patent? Discuss how patent registration can be used in global business.

1 mark for definition, 2 marks for discussion

A patent is legally enforceable and gives the owner exclusive rights to manufacture and sell any device, substance, method or process that is new, inventive, and useful.

If IP is protected no competitors can take sales and market share from you, they cannot compete directly with your products or services

iii. What is ecommerce? Identify three ways it can be used to expand into international markets?

1 mark for definition, 3 marks for examples

Ecommerce is the use of online systems and technologies to conduct business

Digital distribution, social media, mobile payments, online shopping, online payments/banking.

Question 5

i. What is the purpose of a strategic plan?

A strategic plan outlines a company's direction and priorities. The plan guides management when they are making decisions about the allocation of resources and assets.

ii. List 3 tools that can be used to conduct an environmental scan. Explain how one works.

1 mark for each example, 2 marks for good description of one (list aspects of analysis)

PEST, Porter's Five Forces, SWOT analysis.

For example – SWOT analysis of Threats and Opportunities (external) and Strengths and Weaknesses (internal).

iii. What are three examples of strategic goals that can drive business strategic.

1 mark for each example.

Growth, market development, product development, innovation, strategic alliances.

Question 6

i. Define and interpret the ratio below. How can it be improved?

$$\text{Expenses} = \frac{\text{Operating costs}}{\text{Net Income}} = \frac{160000}{720000} = 0.22$$

2 marks for definition, 1 marks for interpretation, 1 mark for improvements.

The ratio shows the costs of earning the net income of a business. The result is the cost to earn each dollar of profit.

The ratio shows that for every dollar of profit it has incurred 22c in costs.

It can be improved by reducing costs, increasing income or a combination.

ii. Define and interpret the ratio below. How can it be improved?

$$\text{Debt to Equity} = \frac{\text{Total Liabilities}}{\text{Closing Equity}} = \frac{325000}{195000} = 1.67$$

2 marks for definition, 1 marks for interpretation, 1 mark for improvements

The ratio compares internal and external funding, the result is the amount of debt for every dollar of equity, it is highly geared.

For every dollar of equity the company has \$1.67 of debt. It is more reliant on debt than equity for funding operations.

It can be improved by paying down debt or using internal funding such as retained profits.

iii. Outline 2 limitations of using ratio analysis.

1 mark for each example

Ratios do not explain why, they do not identify the causes of problems.

Ratios present limited information and must be viewed in the context of the business and compared to previous periods or industry benchmarks to be meaningful.

Comparison with other businesses may be flawed because of different accounting policies.

Some figures are based on estimates, for example depreciation, doubtful debts.

Question 7

i. Product development involves innovation. Outline the difference between incremental and disruptive innovation. Include an example of each.

1 mark for each definition, 1 mark for each example.

Incremental – Focuses on making improvements to existing processes, products or services to prolong product life cycle or maintain competitive advantage.

Longer battery life, better quality, software updates, better performance, automated production, Gorilla glass.

Disruptive – Creating a new process, service or product in response to a market need or opportunity or to create a new market.

Cloud computing, e-commerce, digital radio, 3D printing, driverless cars, wearable technology.

ii. What are three things that are considered when product ideas are evaluated?

1 mark for each example

Each idea can then be evaluated in terms of its marketing potential, whether the business is able to produce it efficiently, if there is time and money to do it and if staff are able to sell it. Look at the expected sales, costs and profit for each idea.

iii. Why is intellectual property protection important for product development? Identify two forms of protection a company could use.

1 mark for answer, 1 mark for each example.

This will prevent competitors from developing copies and taking market share.

Patent, licensing.

Question 8

i. What are the three aspects Quality Management is based on?

1 mark for each aspect.

Control, assurance, improvement.

ii. Why is feedback important for quality control?

Feedback controls occur after the production process. It can involve testing the final product, a final quality checklist before delivery or collecting customer feedback.

iii. Discuss the differences between Just in Time and Just in Case inventory management. List three factors to consider when deciding which method to use.

1 mark for each definition, 1 mark for each factor.

Just in Time (JIT) – do not maintain an inventory of materials or finished products. When a customer places an order the business then orders materials and manufactures or sources the product and delivers it to the customer.

Just in Case (JIC) – control is where a business stores and maintains a large amount of inventory to avoid running out of stock.

Question 9

i. What are three ways leaders are different to managers?

1 mark for each difference.

Leaders – long term, strategy, vision, big picture.

Managers – short term, procedures, control, direction, day to day, operations.

ii. Discuss the difference between an autocratic style and a participative style of management. Include an example of when each style is best.

2 marks for comparison, 1 mark for each example

Autocratic – the typical autocratic manager does not involve others in the decision making process. The communication style of an autocratic manager is one way. They tell staff exactly what they have to do. All decisions are made by the autocratic leader and employees are directed to implement their decisions. Inexperienced staff, urgent issue, emergency.

Participative – employees are involved in the planning and decision making in the workplace. Although the manager may still make the final decision, decisions and plans are based on the ideas and feedback from staff. Experienced staff, mix of experience and new staff, specialised project team.

iii. What is the situational management style? Discuss a situation where situational style is the best approach.

1 mark for definition, 2 marks for scenario.

A situational style is one where a manager uses the most appropriate behaviours and adapts their leadership style depending on the situation.

For example, a manager may prefer a participative style. But the manager knows that the employees in a few branches are inexperienced and will require more direction. In most branches the manager will use a participative style but in the few branches with inexperienced staff a more autocratic approach will be more effective. A manager may use an autocratic style with people working on a production line in a factory but a participative style when planning with factory managers. A manager may use an autocratic approach then more participative and situational as the employees become more experienced and increase their expertise over time. A participative manager may also make unilateral decisions now and then when a situation or problem needs urgent attention.

Extended answer questions

These answers are suggested responses and a guide for marking. Other answers and explanations are acceptable and allocation of marks is based on assessor judgements.

Question 1

A company's mission statement should have a global focus. A company must have a clear set of objectives to develop long-term plans to focus on global markets. Global strategic planning aims to develop an effective global strategy. Part of the process is to evaluate the internal and external environments and make decisions about how to achieve long-term objectives.

- i. *Discuss the purpose of strategic planning. Outline a tool a company could use to conduct an environmental scan as part of strategic planning and how it works.*
(5 marks)

2 marks for discussion of strategic planning. 3 marks for identifying and explaining a tool. A strategic plan outlines a company's direction and priorities. The plan guides management when they are making decisions about the allocation of resources and assets. The strategic planning process involves stakeholders of the company and its purpose is to build commitment to the agreed upon goals and objectives. PEST, Porter's Five Forces, SWOT analysis.

- ii. *Explain the role of the following technologies on business expansion into global markets:*
- *online payment systems*
 - *social media*
 - *digital distribution of products* (7 marks)

1 mark for explaining how each technology works, 4 marks for explaining how it could be used and/or examples.

- iii. *Discuss two of the following four factors that affect global operations. Provide examples for each factor.*
- *economic activity*
 - *cultural considerations*
 - *political*
 - *legal systems* (8 marks)

2 marks each for identifying and basic explanation, full marks for detailed explanation, for example discretionary spending, buying patterns, interest rates, civil unrest, stability.

Question 2

Asia is a collection of nations in various stages of development. Nations have different political and social structures, cultures, economic conditions, legal environments and consumer preferences.

The Asia Pacific region offers growth opportunities for Australian companies. The region has become important to growth for the Australian economy and presents some of the best opportunities for companies worldwide.

- i. *Discuss two technologies and how they could assist an Australian company to enter Asian markets.* (6 marks)

For each – 1 marks for identifying a technology, 2 marks for how it can be used to either start operations in another country or allow customer access online. Aspects include promotion, advertising, purchasing, online payments, digital distribution, market research.

ii. *Discuss four cultural considerations that could make Asian expansion challenging. (8 marks)*

1 mark for identifying an example by name or description. 1 mark for brief explanation and/or example. Religious beliefs, levels of education, communication protocols, holidays and celebrations, customs and etiquette.

iii. *Outline two strategic alliances that an Australian business could use to enter markets in Asia. Explain which one you would recommend. (6 marks)*

1 mark for identifying an alliance by name or description, 3 marks for outlining how it would work, 1 mark for recommendation and reason. Merger, takeover, franchising, joint venture.

Question 3

You are considering a takeover of a target company in the Asia Pacific region. There are government approvals to get but you are evaluating financial data to make a final decision.

Ratios	Last year	This year
Gross profit	49c	47c
Profit	31c	24c
Expenses	18c	22c
Debt to equity	\$0.70	\$1.20

i. *Discuss an ethical issue that may arise when working with foreign government officials. (3 marks)*

1 mark for identifying it, 2 marks for discussion – illegal in Australia but part of business elsewhere. Bribery, ‘lubrication’.

ii. *Interpret the ratios. What does each ratio mean and what do the results show? (12 marks)*

1 mark for definition of each ratio, 2 marks each for comparing years and outlining what the results indicate, must make sense and explanation reflect the ratios. Profit – the profit margin, compare costs to profit, show the costs involved in earning revenue, trend in profitability. Debt to equity – gearing, source of funding (internal v external), financial stability.

Results; Profit – a decrease in profitability over the 2 years, gross profit margin decreased from 49c per dollar to 47c, and profit margin 31c per dollar to 24c, it costs more to earn revenue from 18c per dollar to 22c. Gearing has increased from 70c per dollar to \$1.20, external debt is the biggest source of funding.

iii. *Discuss your analysis and make a recommendation. What could your company do to improve the ratios? (5 marks)*

2 marks for identifying trends and softening in profitability and increase in gearing, 3 marks for identifying how to improve eg cost management, increase sales (but could also increase marketing costs), increase prices (which could impact on sales), source cheaper suppliers, cheaper distribution, pay off debt, share issue, merger with another company.

Question 4

Global leaders need to understand the factors that shape international business relationships by examining cultural differences. Managers working outside their domestic environments can find their companies' norms are inconsistent with businesses in the foreign market.

'I learned early in my career that my business leadership style was to influence and build effective teams. And so I've had to try to change that a little bit – at the same time, change my teams to be more independent and responsible for decisions on their own.'

Diane Jurgens, General Motors

i. Describe the characteristics of each of the following leadership styles:

- autocratic
- participative
- situational (9 marks)

For each – 1 mark for correct definition and 2 marks for explanation and examples.

Autocratic – directing, give orders, make all decisions, don't share information.

Participative – democratic, seek input, involve in decisions, share information, joint decisions.

Situational – adapt style to people and situation and changing circumstances.

ii. How could cultural characteristics of a country influence which leadership style is more effective?
(5 marks)

3 marks for two examples, full marks for 3 examples of more. Culture – team versus individual, equal treatment or superior/subordinate, language barriers and level of education.

iii. Discuss how the following traits would help a manager successfully work with global partners:

- skilled communicator
- socially aware
- future thinker (6 marks)

1 mark for each point regarding a trait.

Skilled communicator – overcome language barriers, build relationships with a wide range of people from different backgrounds, motivate staff and communicate goals, solve problems.

Socially aware – understand cultural differences and how to handle them, awareness of differences in values and possible conflict between people from different cultures, resolve conflict.

Future thinker – motivate people with clear goals, monitor and understand global changes and trends to identify threats and opportunities.