Business Management Units 3 & 4

Chapter 5 — Training, performance and termination management

Aboriginal and Torres Strait Islander content has been excluded as accuracy cannot be guaranteed, and it is better to be respectful than cover the entire curriculum inaccurately.

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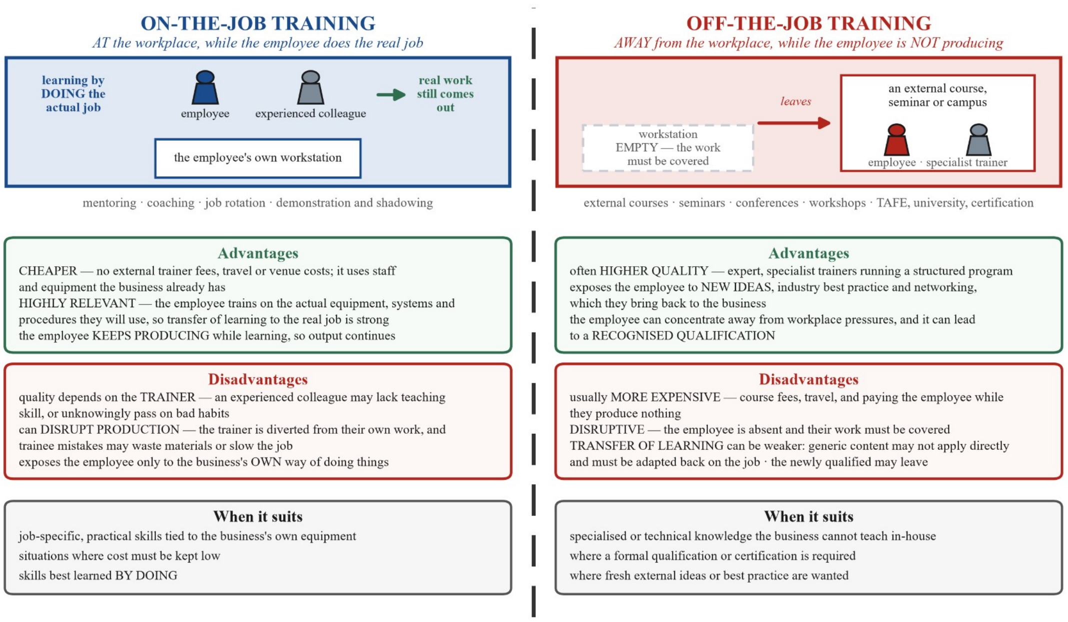
Contents

Theory

Training is the process of teaching employees the knowledge and skills they need to perform their job effectively. By developing employee capability, training can raise **productivity, quality and safety**, and it can also **motivate** staff by showing that the business is investing in them and by supporting their advancement — which is why human resource managers treat it as a key tool for meeting business objectives. The study design prescribes **two training options**, distinguished mainly by **where** the training takes place and whether the employee is doing their actual job while learning.

- **On-the-job training.** Training conducted **at the workplace while the employee is actually doing the job**. The employee learns by performing real tasks, usually under the guidance of a more experienced colleague, supervisor or mentor. Common forms include **mentoring, coaching, job rotation and demonstration/shadowing**. Because real work is done while learning occurs, the employee stays **productive** during training.
- **Off-the-job training.** Training conducted **away from the immediate workplace and the employee's normal job**, often delivered externally by specialists. The employee **stops doing their usual work** to attend. Common forms include **external courses, seminars, conferences, workshops and formal study** (for example TAFE, university or industry certification).

On-the-job and off-the-job training — the dividing line is LOCATION and ACTIVITY



Mentoring at a workstation is on-the-job; attending a seminar at a conference centre is off-the-job. Note that "on-the-job is always cheaper" is an oversimplification: it avoids external fees but carries HIDDEN costs — a diverted senior staff member, trainee errors and slower work — so the true gap is narrower than it first appears. Training builds the capability to do the job; performance management (5B) measures and directs it.

On-the-job training — advantages and disadvantages.

- *Advantages.* It is usually **cheaper** — there are no external trainer fees, travel or venue costs, and it uses existing staff and equipment; it is **highly relevant**, because employees train on the **actual equipment, systems and procedures** they will use, giving strong **transfer of learning** to the real job; and the employee **keeps producing** during training, so output continues.
- *Disadvantages.* Training **quality depends on the trainer** — an experienced colleague may lack teaching skill or unknowingly pass on **bad habits**; it can **disrupt production**, because the trainer is diverted from their own work and trainee mistakes may waste materials or slow the job; and it exposes employees only to the **business's own way** of doing things, with **few fresh ideas** from outside.

Off-the-job training — advantages and disadvantages.

- *Advantages.* It is often **higher quality**, delivered by **expert, specialist trainers** in a structured program; it exposes employees to **new ideas, industry best practice and networking**, which they can bring back to the business; employees can **concentrate away from workplace pressures**; and it can lead to **recognised qualifications**.
- *Disadvantages.* It is usually **more expensive** — course fees, travel, and paying the employee while they produce nothing; it is **disruptive**, because the employee is **absent** and their work must be covered; its **transfer of learning can be weaker**, since generic content may not apply directly to the specific workplace and must be adapted back on the job; and there is a risk the newly qualified employee **leaves** to work elsewhere.

When each is appropriate.

- **On-the-job** suits **job-specific, practical skills** tied to the business's own equipment and procedures, situations where **cost must be kept low**, and skills that are best learned **by doing**.
- **Off-the-job** suits **specialised or technical knowledge the business cannot teach in-house**, situations that require a **formal qualification or certification**, and cases where **fresh external ideas or best practice** are wanted.

Key ideas to keep straight.

- **On-the-job is not off-the-job.** The dividing line is **location and activity**: on-the-job training happens **at the workplace while the employee does the real job**; off-the-job training happens **away from the job**, where the employee is **not producing**. Mentoring at a workstation is on-the-job; attending a seminar at a conference centre is off-the-job.
- **"On-the-job is always cheaper" is an oversimplification.** On-the-job training avoids external fees, but it carries **hidden costs** — a diverted senior staff member, trainee errors and slower work — so the true cost gap is smaller than it first appears.
- **Training is not performance management. Training (5A)** builds the **skills and knowledge** an employee needs to *do* the job; **performance management (5B)** — management by objectives, appraisals, self-evaluation and observation — **assesses how well** the employee is *doing* the job and sets goals. Training develops capability; performance management measures and directs it.

Contemporary example — Linfox, January 2025

Linfox is an Australian transport and logistics business providing warehousing and freight services around Australia. In January 2025 it held a graduation ceremony at Hazelmere, Western Australia, for the latest cohort of its Linfox Driver Academy — an in-house program through which employees obtained a heavy vehicle licence, either a Heavy Rigid (HR) licence or an upgrade to a higher class such as Heavy Combination (HC) or Multi-Combination (MC). Participants were employed by Linfox on a full-time or part-time basis while they trained, and many of the graduates had come from warehouse roles within the business.

The Academy combined **both training options**. The licence itself was taught through **accredited instruction delivered by a registered trainer — off-the-job training**, because it was structured, specialist-delivered and led to a **recognised qualification** the business could not confer itself, and because participants stepped away from their normal duties to complete it. Each participant was also paired with an experienced driver who mentored them on the road — **on-the-job training**, because the learning happened **at the workplace while the employee did the real job**, so the trainee **kept producing**. Combining the two offset the weakness of each: the accredited course supplied **expert quality** and certification, while the on-road **mentoring** restored the **transfer of learning** to Linfox's own vehicles, routes and procedures. The program also created an internal pathway from warehouse work into driving roles.

Source: Big Rigs, "Linfox celebrates latest Driver Academy graduates", 24 January 2025 — https://bigrigs.com.au/2025/01/24/linfox-celebrates-latest-driver-academy-graduates/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Bounce & Brew is a new café. The owner must train five newly hired baristas to operate the café's own espresso machines and follow its service routine, quickly and at low cost. Recommend a training option and justify it.

Working	Comment
The skill is **job-specific** — operating the café's own machines and following its service routine — and it must be learned **quickly and cheaply**.	Read the scenario for the type of skill and the constraints.
Practical, workplace-specific skills like these are learned best **by doing the real job** under an experienced barista's guidance → **on-the-job training**.	Match the type of skill to a training option.
On-the-job training uses the café's **own equipment** (high relevance and transfer), avoids **external fees** (low cost), and lets the new baristas **help serve** while they learn.	Justify by linking the option's advantages to the café's needs.
∴ **on-the-job training** is most appropriate for Bounce & Brew.	State the conclusion.

Example 2 — scaffolded

Ledgerline Accounting must upskill its accountants on complex new tax legislation that **no current employee understands**. Recommend a training option and justify it.

Working	Comment
The knowledge is **specialised and new**, and **no one in-house** is able to teach it.	Check whether the business already holds the required expertise.
When the required expertise does not exist internally, employees need **expert external instruction → off-the-job training** (for example, a professional seminar on the new law).	Match the situation to a training option.
Off-the-job training gives access to **specialist trainers** and up-to-date **best practice**, even though it **costs more** and takes staff **off the job** for the day.	Justify, acknowledging the trade-off.
∴ **off-the-job training** is most appropriate for Ledgerline Accounting.	State the conclusion.

Example 3 — unscaffolded

Distinguish between on-the-job and off-the-job training.

On-the-job training takes place **at the workplace while the employee is actually doing their job**, learning real tasks under the guidance of an experienced colleague (for example, through coaching or job rotation); the employee **keeps producing** while training. **Off-the-job training** takes place **away from the immediate workplace and the employee's normal job**, often delivered by external specialists (for example, an external course, seminar or conference); the employee **stops doing their usual work** to attend. The key difference is **where the training occurs and whether the employee is doing the real job** — on-the-job is at the workplace and productive, whereas off-the-job is external and takes the employee away from production. ∴ the two options differ in location and in whether normal work continues during training.

Example 4 — unscaffolded

"On-the-job training is always the better option because it is cheaper." Evaluate this statement.

The claim has some merit but is **too absolute**. On-the-job training **is often cheaper** — it avoids external trainer fees, travel and venue costs, uses the business's own equipment, and keeps the employee producing while they learn — so for **job-specific, practical skills** it is frequently the better choice. **However**, cost is not the only consideration, and on-the-job training is not always better: its **quality depends on the trainer**, who may lack teaching skill or pass on **bad habits**; it exposes staff only to the **business's own methods**; and it carries **hidden costs** such as a diverted senior worker and trainee mistakes. For **specialised knowledge the business cannot teach in-house**, or where a **recognised qualification** or fresh **industry best practice** is needed, **off-the-job training** is more effective despite its higher cost. ∴ while on-the-job training is often cheaper and well suited to practical, workplace-specific skills, it is not universally best; the appropriate option depends on the **type of skill, the expertise available and the quality required**, so a business should match the training option to the situation.

Practice questions

Scaffolded

Q1. Define the term *on-the-job training*.

Q2. Define the term *off-the-job training*.

Q3. For each of the following, state whether it is **on-the-job** or **off-the-job** training: (a) an experienced supervisor coaches an employee at their workstation while they do the job; (b) staff attend a two-day seminar at an external conference centre; (c) an employee is moved through several roles in the business to build their skills (job rotation).

Q4. Identify **two** factors a manager should weigh when choosing between on-the-job and off-the-job training.

Q5. A manufacturer needs new workers to learn to operate its **specific** assembly machinery. (a) Identify the most appropriate training option. (b) Explain why this option suits the situation.

Q6. Explain the difference between **on-the-job** and **off-the-job** training.

Unscaffolded

Q7. Describe on-the-job training. *(2 marks)*

Q8. Distinguish between on-the-job and off-the-job training. *(4 marks)*

Q9. Explain **one** advantage and **one** disadvantage of on-the-job training. *(4 marks)*

Q10. Outline **one** advantage and **one** disadvantage of off-the-job training. *(4 marks)*

Q11. A small technology start-up needs its developers to become **certified** in a new cloud platform that none of them has used. Recommend an appropriate training option and justify your choice. *(4 marks)*

Q12. Discuss the use of **on-the-job training** to improve employees' skills. *(6 marks)*

Q13. Explain how investing in employee training can help a business achieve its objectives. *(3 marks)*

Q14. Compare on-the-job and off-the-job training. *(4 marks)*

Q15. *Case study.* **Craftline Joinery** is a growing furniture maker. Its owner, Deniz, trains every new cabinet-maker himself on the workshop floor, showing them how to use the business's machines while orders are being filled. Lately, delays have grown because Deniz spends so much time training that his own work stalls, and two new staff have picked up an unsafe shortcut he did not realise he was teaching. Deniz now needs his whole team certified in a new timber-treatment standard that he has never used. (a) Identify the training option Deniz currently relies on. *(1 mark)* (b) Analyse **one** problem this approach is creating for Craftline Joinery. *(3 marks)* (c) Propose a **more appropriate** training option for the new timber-treatment standard, and justify your recommendation. *(4 marks)*

Q16. Analyse the relationship between the **type of skill** being taught and a business's choice between on-the-job and off-the-job training. *(4 marks)*

Q17. Evaluate the use of **off-the-job training**. *(6 marks)*

Q18. A retail chain sends its store managers to a **generic external leadership course**, but finds that little of what they learn is actually applied back in the stores. Explain why the chosen training option may be causing this, and recommend how the business could improve the outcome. *(4 marks)*

Q19. *Extended response.* Businesses must choose training options that suit their circumstances. Analyse how the characteristics of on-the-job and off-the-job training — including cost, relevance, quality and disruption — influence which option a business should choose, and evaluate the view that no single training option is best in every situation. *(10 marks)*

Q20. In January 2025, **Linfox** celebrated a cohort graduating from its Driver Academy at Hazelmere, Western Australia, where employees gained a heavy vehicle licence through accredited instruction from a registered trainer while also being mentored on the road by an experienced driver. Analyse how combining **on-the-job** and **off-the-job** training in this way addresses the limitations of each option. *(6 marks)*

Answers

Q1. Training conducted at the workplace while the employee is doing their actual job, under the guidance of an experienced colleague (e.g. coaching, mentoring, job rotation). **Q2.** Training conducted away from the immediate workplace and the employee's normal job, often delivered externally (e.g. external courses, seminars, conferences). **Q3.** (a) on-the-job; (b) off-the-job; (c) on-the-job. **Q4.** Any two of: cost; disruption to production; relevance / transfer of learning to the job; quality of the training; whether the expertise exists in-house; the type of skill; the need for a recognised qualification. **Q5.** (a) On-the-job training. (b) The skill is specific to the manufacturer's own machinery, so it is best learned by doing the real job on that equipment; on-the-job training is directly relevant, transfers straight to the job and keeps costs low. **Q6.** On-the-job = at the workplace, doing the real job (productive while learning); off-the-job = away from the job, often external (not producing while learning). **Q7.** Model response in solutions. **Q8.** On-the-job = at the workplace doing the real job; off-the-job = away from the job, external. They differ in location and in whether work continues. See solutions. **Q9.** Advantage: relevant / cheap / keeps producing. Disadvantage: trainer quality / bad habits / disrupts the trainer's own work. See solutions. **Q10.** Advantage: expert quality / new ideas / qualifications. Disadvantage: costly / disruptive (employee absent) / weaker transfer. See solutions. **Q11.** Off-the-job training (external certification course); the expertise is not in-house and certification is required. See solutions. **Q12.** Discuss — advantages (relevance, low cost, keeps producing) vs disadvantages (trainer quality, disruption, narrow exposure). See solutions. **Q13.** Training raises skills → higher productivity, quality and motivation → helps meet objectives. See solutions. **Q14.** Both develop employee skills/knowledge; they differ in location, cost, relevance and the source of quality. See solutions. **Q15.** (a) On-the-job. (b) e.g. lost productivity / delays as the owner trains, or an unsafe habit being passed on. (c) Off-the-job (external certification) for the new standard. See solutions. **Q16.** Job-specific practical skills → on-the-job; specialised / certified knowledge not held in-house → off-the-job. See solutions. **Q17.** Evaluate — strengths (expert quality, best practice, qualifications) vs weaknesses (cost, disruption, weaker transfer), reaching a judgement. See solutions. **Q18.** Generic off-the-job content transfers poorly to the specific workplace; add on-the-job follow-up / tailor the training. See solutions. **Q19.** Model response in solutions. **Q20.** Off-the-job accredited instruction supplies expert quality and the recognised licence the business cannot confer itself, but transfers weakly; on-the-job mentoring restores relevance/transfer, keeps the trainee producing, and the registered trainer guards against bad habits. Each option covers the other's weakness. See solutions.

Fully-worked solutions

Q7. Under **on-the-job training**, employees are trained **at the workplace while performing their actual job**, learning real tasks under the guidance of an experienced colleague, supervisor or mentor — for example through **coaching, mentoring or job rotation**. Because the employee continues to do real work, they remain **productive** while they learn.

Q8. On-the-job training takes place **at the workplace while the employee does their normal job**, learning by doing under the guidance of an experienced colleague, so the employee **keeps producing** during training. **Off-the-job training** takes place **away from the immediate workplace and the employee's usual job**, often delivered by **external specialists** (such as a course, seminar or conference), so the employee **stops producing** to attend. The two therefore differ in **where the training occurs** (at the job versus away from it) and in **whether normal work continues** during training (productive versus absent), and typically in **cost** (on-the-job cheaper versus off-the-job dearer).

Q9. *Advantage:* on-the-job training is **highly relevant**, because the employee trains on the **actual equipment, systems and procedures** they will use, so learning **transfers directly** to the real job, and the employee also **keeps producing** while they learn. *Disadvantage:* its **quality depends on the trainer** — an experienced colleague may not be a skilled teacher and may unknowingly pass on **bad habits or unsafe shortcuts** — and diverting that colleague to train, together with trainee mistakes, can **slow production**.

Q10. *Advantage:* off-the-job training is often **higher quality**, because it is delivered by **specialist external trainers** in a structured program and exposes employees to **new ideas and industry best practice** that they can bring back to the business. *Disadvantage:* it is usually **more expensive and disruptive** — the business pays **course fees** and continues to pay the employee while they **produce nothing and are absent** from the workplace, so their work must be covered.

Q11. Off-the-job training — an external certification course run by the platform provider or an industry body — is most appropriate. The developers need a **recognised certification** in a platform that **none of them currently knows**, so the **expertise does not exist in-house** and cannot be taught on the job. An external course provides **expert, structured instruction** and the **formal qualification** the start-up needs, and exposes the developers to **best-practice use** of the platform. Although it costs more and takes the developers away from their work while they attend, this is justified because on-the-job training is impossible when no one in the business is able to teach the skill.

Q12. On-the-job training has clear **advantages**. It is **highly relevant**: employees learn on the **actual equipment and procedures** of the business, so skills **transfer directly** to the job. It is usually **cheaper**, avoiding external fees, travel and venue costs, and the employee **keeps producing** while learning, so output continues. It can also strengthen **workplace relationships**, as learning happens alongside colleagues and mentors. However, on-the-job training also has **disadvantages**. The **quality of training depends on the trainer**, who may lack teaching skill or unknowingly pass on **bad habits**; diverting an experienced staff member to train, together with **trainee mistakes**, can **disrupt production**; and employees are exposed only to the **business's own methods**, with **little fresh thinking** from outside. On-the-job training is therefore well suited to **practical, job-specific skills** where cost matters, but less suited to specialised knowledge the business cannot teach itself.

Q13. Investing in **training** develops employees' **skills and knowledge**, which raises their **productivity** and the **quality** of the goods or services they produce — helping the business meet objectives such as improving **efficiency and effectiveness**. Better-trained staff also make **fewer errors** and work more **safely**. Training can additionally **motivate** employees, because it shows the business is **investing in them** and supports their **career advancement**, which can improve effort and retention. In these ways, training links directly to the achievement of business objectives.

Q14. A similarity is that both on-the-job and off-the-job training aim to **develop employees' skills and knowledge** so they can perform their work more effectively, and both are used by human resource managers to improve performance. **A difference** is **where they occur**: on-the-job training happens **at the workplace while the employee does the real job**, whereas off-the-job training happens **away from the job**, often externally. **A further difference** is **cost and relevance**: on-the-job training is usually **cheaper** and directly **relevant** to the business's own equipment, whereas off-the-job training is usually **dearer** but can provide **higher-quality, specialist instruction** and exposure to new ideas. The two options are therefore similar in purpose but differ in location, cost and the type of learning provided.

Q15. (a) **On-the-job training.** (b) Deniz personally trains every new cabinet-maker on the workshop floor while orders are being filled, so he must **stop his own work** to train, and the business is now suffering **lost productivity and growing delays** — the training is **disrupting production**, a recognised weakness of on-the-job training. As the single experienced trainer, Deniz becomes a **bottleneck**: the more staff he trains, the further his own output falls behind, which **delays orders** and could damage customer satisfaction and the reputation of a business that is trying to grow. (c) For the **new timber-treatment standard**, Deniz should use **off-the-job training** — an external course or certification run by an industry body. This is more appropriate because Deniz has **never used the new standard**, so the **expertise does not exist in-house** and cannot be taught on the job. An external course provides **expert instruction** and a **recognised qualification** in the standard, ensures it is learned **correctly** (avoiding the kind of unsafe shortcut that on-the-job training has already produced), and **frees Deniz** from training so his own work can continue. Although it costs more and takes staff off the floor, off-the-job training is justified here because the knowledge is specialised, safety-critical and unavailable internally.

Q16. The **type of skill** being taught strongly **shapes** the choice of training option. When the skill is **practical and specific to the business's own equipment and procedures**, on-the-job training is favoured, **because** such skills are learned best **by doing the real job**, and training on the actual equipment gives strong **transfer of learning** — so the nature of the skill causes the business to keep training in-house. When the skill involves **specialised or technical knowledge the business does not already hold**, or requires a **formal qualification**, off-the-job training becomes necessary, **because** no internal colleague can teach it and expert external instruction is required. Thus the more job-specific and practical the skill, the more on-the-job training is appropriate; the more specialised, technical or certified the skill, the more off-the-job training is required. The characteristics of the skill therefore drive the decision.

Q17. Off-the-job training has genuine **strengths**. Delivered by **specialist external trainers** in a structured program, it can be **higher quality** than in-house training; it exposes employees to **new ideas, industry best practice and networking**, which they bring back to the business; it lets employees **concentrate away from workplace pressures**;

and it can deliver **recognised qualifications**. However, it also has real **weaknesses**: it is **expensive** (course fees plus paying absent employees who produce nothing); it is **disruptive**, because the employee's work must be covered while they are away; its **transfer of learning can be weaker**, because generic content may not apply directly to the specific workplace; and a newly qualified employee may **leave** for another employer. **On balance**, off-the-job training is **most valuable when a business needs specialised knowledge, a formal qualification, or fresh expertise it cannot generate internally**, and can bear the cost and disruption; where the skill is job-specific and best learned by doing, on-the-job training is the better choice. Its worth therefore **depends on the situation**, but for building specialised capability that does not exist in-house, off-the-job training is justified despite its cost.

Q18. The problem arises because the managers were sent to a **generic, off-the-job course** held away from the stores. Off-the-job training can suffer from **weak transfer of learning**: skills taught in a **general setting** may not match the **specific systems, staff and situations** of each store, so managers struggle to apply what they learned once they return — exactly the outcome described. To improve the outcome, the business could **combine off-the-job with on-the-job training** — for example, following the course with **coaching and practice in the store**, or **tailoring** the training to the chain's own procedures — so that the general leadership ideas are **adapted and embedded** in the real workplace. Blending the two options keeps the expert content of off-the-job training while restoring the **relevance and transfer** that on-the-job training provides.

Q19. *Model response (10 marks).* Training develops the skills and knowledge employees need to perform their jobs, and a business can deliver it **on the job** or **off the job**; the choice depends on the **characteristics** of each option. **On-the-job training** — conducted at the workplace while the employee does the real job — is usually **cheaper** (there are no external fees and the employee keeps producing) and **highly relevant**, because staff learn on the **actual equipment and procedures**, giving strong **transfer of learning**; its weaknesses are that **quality depends on the trainer** (who may pass on bad habits), it can **disrupt production**, and it exposes staff only to the business's **own methods**. **Off-the-job training** — conducted away from the job, often by external specialists — offers **higher-quality, expert instruction**, **new ideas and best practice**, and **recognised qualifications**; but it is **more expensive and disruptive** (the employee is absent and producing nothing), and its **transfer of learning can be weaker** because generic content must be adapted to the workplace. These characteristics **drive the choice**: the more **job-specific and practical** the skill and the tighter the **budget**, the more on-the-job training is favoured; the more **specialised or technical** the knowledge, the greater the need for a **qualification**, or the more the business wants **fresh external expertise**, the more off-the-job training is required — especially when the expertise does not exist in-house.

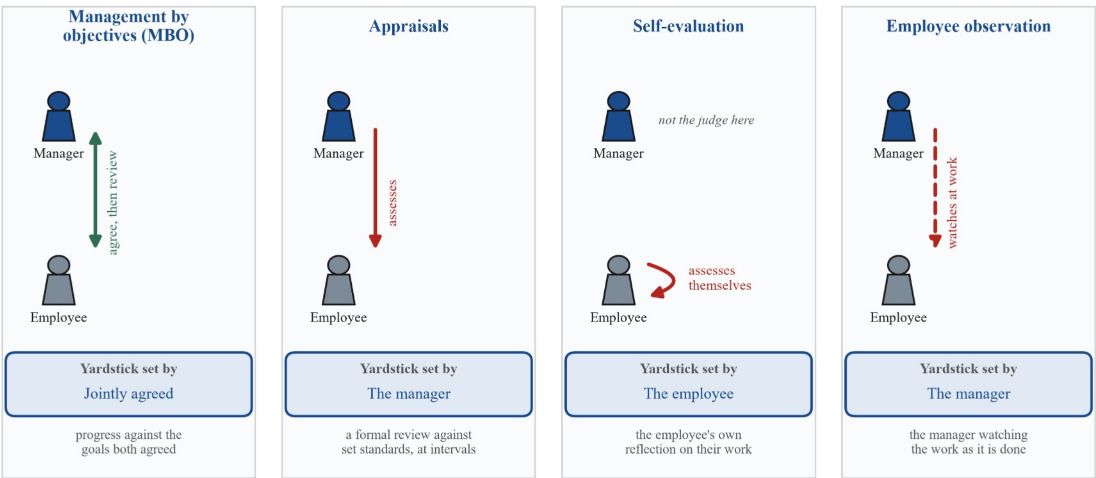
The view that **no single training option is best in every situation** is well supported. Each option is effective only in the **right circumstances**: on-the-job training that efficiently teaches a practical, workplace-specific skill would be **useless** for a qualification the business cannot teach itself, while off-the-job training that delivers specialised certification would be an **expensive, disruptive** way to teach a simple in-house task. Because the type of skill, the available expertise, the budget and the required quality **vary from case to case**, an option that is ideal in one situation is wasteful in another; indeed, many businesses **combine** the two — using off-the-job training for specialised knowledge and on-the-job practice to embed it. On balance, the evidence strongly supports the view that **no single training option suits every situation**; effective human resource managers **match the option to the skill, the cost and the expertise available**, and often blend both. *(Full marks require: accurate treatment of both options across their advantages and disadvantages; genuine analysis of how those characteristics influence the choice; and a sustained, two-sided evaluation reaching a justified conclusion.)*

Q20. Each training option has a **weakness that the other covers**, and Linfox's Driver Academy combined them. **Off-the-job training** — the accredited licence instruction delivered by a **registered trainer** — provided the **expert, structured instruction** and the **recognised qualification** (the heavy vehicle licence) that the business **could not teach or confer in-house**, since a licence must be gained through accredited training. Its usual weaknesses are **cost, disruption and weak transfer of learning**, because generic instruction does not automatically match an employer's own vehicles, routes and procedures. **On-the-job training** — pairing each trainee with an experienced driver who mentored them on the road — **corrected that weak transfer**, because the learning occurred **at the workplace while the employee did the real job**, on the **actual equipment and procedures** they would use. It also reduced the **disruption** of absence, since trainees were **employed while they trained** and so **kept producing**. In turn, the accredited component **offset on-the-job training's main weakness** — that **quality depends on the trainer**, who may pass on **bad habits or unsafe shortcuts** — because a registered trainer assessed each driver against a **licensing standard** rather than simply against workplace custom. Combining the options therefore allowed the business to obtain **certified, high-quality training** without sacrificing **relevance or productivity**, and it built an internal pathway from warehouse roles into driving roles.

Theory

Performance management is the ongoing process by which a manager sets performance expectations, monitors and assesses how well employees are meeting them, and provides feedback and development so that employee performance improves over time. The study design frames performance management around a **dual purpose**: it is used to achieve **both business objectives** (such as productivity, efficiency, effectiveness, quality and ultimately profit) **and employee objectives** (such as skill development, recognition, fair feedback, job satisfaction and career progression). A well-run system aligns the two — employees who are developed, fairly assessed and given clear feedback tend to perform better, which in turn helps the business meet its goals. The study design prescribes **four** performance management strategies: **management by objectives (MBO), appraisals, self-evaluation and employee observation.** These are largely *assessment and development* tools: unlike motivation strategies, their primary role is to **measure and improve** performance rather than to reward it directly, although the information they produce often feeds into decisions about pay, training and promotion.

Performance management: who sets the yardstick, and where the evidence comes from



MBO is not an appraisal: in MBO the employee helps set what they are measured on, and an appraisal may be the very meeting where those goals are reviewed. Self-evaluation is not observation: one is the employee's own inward judgement, the other is the manager's firsthand judgement from watching.

- **Management by objectives (MBO).** A process in which a manager and employee **jointly set specific, measurable individual goals** that are aligned with the business's overall objectives, agree a timeframe, and then **review the employee's performance against those agreed goals**. Because the employee helps set the very targets they will be judged on, MBO combines collaborative goal-setting with regular review.
  - *Serves business objectives:* by cascading the business's objectives down into agreed individual goals, MBO ensures every employee's effort **pulls in the same direction** as the business, lifting productivity, efficiency and effectiveness; because progress is measurable, managers can track and correct performance against clear targets.
  - *Serves employee objectives:* because goals are **agreed, not imposed**, employees gain clarity about what is expected, a sense of **ownership and involvement**, and the recognition (and often reward) that follows achieving them — supporting their development and job satisfaction. (Clear, agreed goals are also strongly motivating, consistent with Locke and Latham's Goal Setting Theory.)
  - *Advantages:* aligns individual effort with business goals; makes expectations clear and measurable; involvement builds commitment; and it provides an objective basis for feedback, reward and promotion.
  - *Disadvantages:* setting and reviewing goals for every employee is **time-consuming**; it can focus effort narrowly on **measurable** targets while neglecting quality, teamwork or ethics; if goals are effectively imposed or set unrealistically it demotivates; and factors outside the employee's control can prevent achievement, making the assessment feel unfair.

- **Appraisals.** A **formal, structured assessment** of an employee's performance, usually conducted by their manager at set intervals (for example, every six or twelve months), in which performance is measured against agreed standards or criteria, feedback is given, and future goals and development needs are discussed and documented.
    - *Serves business objectives:* appraisals identify **strong and weak performers**, so the business can reward and retain its best people, address underperformance, and make informed decisions about **training, promotion, redeployment and pay** — all of which support productivity and quality.
    - *Serves employee objectives:* a structured appraisal gives employees **clear feedback and recognition**, tells them where they stand, and identifies the **training and career opportunities** that support their progression and job satisfaction.
    - *Advantages:* provides structured, documented feedback; gives a sound basis for pay, promotion and training decisions; identifies development needs; and recognition of good work can motivate.
    - *Disadvantages:* can be **stressful or confrontational**; is vulnerable to **manager bias or subjectivity**; if conducted only once a year, feedback is too **infrequent** to guide day-to-day improvement; and a poorly handled appraisal can feel unfair and **demotivate** rather than develop.
- **Self-evaluation.** A process in which the **employee assesses their own performance** against agreed goals or criteria — reflecting on their achievements, strengths, weaknesses and areas to develop — often in preparation for, or as part of, an appraisal.
    - *Serves business objectives:* it encourages employees to take **responsibility for their own performance and improvement**, surfacing problems and development needs without the manager having to monitor everything; a more self-aware, self-managing workforce is more productive.
    - *Serves employee objectives:* self-evaluation is **empowering and respectful** — it treats employees as capable adults, builds **self-awareness and ownership** of their own development, and is generally **less confrontational** than a purely top-down review, which improves engagement.
    - *Advantages:* empowering and builds ownership; develops self-awareness; is less confrontational; and it brings a second perspective into the appraisal so the review is more balanced.
    - *Disadvantages:* it relies on employees being **honest and accurate —** some **over-rate** themselves while others are unduly harsh; individuals may **lack the objectivity or insight** to judge themselves well; and it is rarely reliable **on its own**, so it usually has to be combined with a manager's assessment.
- **Employee observation.** A process in which a manager or supervisor **directly watches an employee as they carry out their work**, gathering firsthand evidence of how they perform — their methods, behaviour, interactions with customers and colleagues, and output — in order to assess performance and give feedback.
    - *Serves business objectives:* observation provides **real, firsthand evidence** of actual on-the-job performance rather than relying on self-reports, and enables **immediate, specific feedback** and quick correction of errors or unsafe practices — protecting quality, efficiency and safety.
    - *Serves employee objectives:* the **timely, specific feedback and on-the-spot coaching** that observation allows help employees **improve and develop practical skills**, and good work can be **recognised as it happens**.
    - *Advantages:* gives authentic, firsthand evidence; allows immediate feedback and coaching; and pinpoints practical skill gaps and safety issues.
    - *Disadvantages:* employees may feel **watched or distrusted** ("micromanaged"), causing stress and resentment; being observed can change behaviour, so a session may **not reflect normal performance**; it is **time-consuming** for the manager; and a brief snapshot may be **unrepresentative**.

Key ideas to keep straight.

- **MBO is not an appraisal.** Management by objectives is a whole cycle built around **jointly agreed goals**: the employee helps set the targets and is later reviewed against them. An **appraisal** is the **formal, manager-led review event** itself, in which performance is assessed against standards and feedback is given. The dividing line is *who sets the yardstick and how the two connect*: in MBO the employee helps set what they are measured on, whereas in a standard appraisal the manager sets the criteria and judges — and an appraisal may in fact be the meeting where MBO goals are reviewed.

- **Self-evaluation is not employee observation.** In **self-evaluation** the **employee** assesses their **own** performance (an inward, self-reported judgement); in **employee observation** the **manager** assesses by **watching the employee work** (an external, firsthand judgement). They differ in *who does the assessing* and *where the evidence comes from* — the employee's own reflection versus the manager's direct observation.
- **Performance management is not termination management.** Performance management is the **ongoing, developmental** process of assessing and **improving** performance so that both the business and the employee benefit — its aim is to develop and retain staff. **Termination** management is about managing the **end** of the employment relationship (retirement, redundancy, resignation and dismissal). Although sustained poor performance identified through performance management can eventually lead to dismissal, the two are distinct: one seeks to *develop* the employee, the other *ends* the employment.

Contemporary example — Ingham's Group, August 2025

Ingham's Group produces and sells chicken and turkey products, with operations in the feed and poultry industry in Australia and New Zealand. In its FY25 financial report, lodged with the ASX on 22 August 2025, it disclosed the outcome of the balanced scorecard used in its short-term incentive plan for senior executives. The scorecard's measures and weightings were **set in advance**: 70% on a single group financial measure (underlying EBITDA) and 30% shared equally between three non-financial measures — water consumption, workplace safety (a total recordable injury frequency rate) and food safety. Each measure carried a stated target and a stated maximum, and performance was scored measure by measure: the financial measure returned 51% of target while the three non-financial measures averaged 113%, producing a scorecard outcome of **69.5% against a maximum possible 120%**. An **individual multiplier**, itself scored out of a maximum of 125%, was then applied to that result. Even so, the outcome remained **subject to the board's discretion**, and in FY25 the board exercised that discretion downwards, cutting one executive's short-term incentive outcome by a further 35%.

Ingham's does not use the terms **management by objectives** or **appraisal**; that reading is this workbook's. Applied to the documented facts, though, the scorecard is a **formal, structured assessment of performance against criteria set in advance**, conducted at a set interval and documented — an **appraisal** in substance, with the measures cascaded from the business's own objectives so that individual reward follows business performance. What the report does not record is whether the executives **helped set** those targets; that joint goal-setting is the feature that would make it **management by objectives** rather than an appraisal.

Source: Inghams Group Limited, Appendix 4E and FY2025 Full Year Financial Report (remuneration report), 22 August 2025 — https://announcements.asx.com.au/asxpdf/20250822/pdf/06n5vk3ckmdtf0.pdf. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Peak Digital, a web-design agency, introduces MBO: each designer and their manager jointly set individual monthly targets — such as completed projects and client-satisfaction scores — that are linked to the agency's objective of growing its client base. Explain how MBO helps Peak Digital achieve **both** its business objectives **and** its employees' objectives.

Working	Comment
The manager and each designer **jointly set measurable goals** aligned to the agency's growth objective.	Identify the mechanism: agreed, aligned individual goals.
Because every designer's targets support the **same growth objective**, individual effort is aligned with the business, lifting productivity and helping meet the objective.	Link the strategy to *business* objectives.
Because the goals are **agreed, not imposed**, designers gain clarity, ownership and recognition when they achieve them, supporting their development and satisfaction.	Link the strategy to *employee* objectives.

Working	Comment
∴ MBO serves Peak Digital by aligning effort with business goals while giving employees ownership and recognition.	State the dual-purpose conclusion.

Example 2 — scaffolded

Harbourline Café has received complaints about inconsistent service at its counter. The owner wants to assess how staff actually perform with customers and give them targeted feedback. Recommend a performance management strategy and explain **one** benefit and **one** drawback of using it here.

Working	Comment
The owner needs **firsthand evidence of actual behaviour** with customers, not self-reports.	Diagnose what the situation requires.
Recommend **employee observation** — watching staff serve customers during shifts.	Match the strategy to the need.
Benefit: it gives **real, immediate evidence**, letting the owner coach staff on the spot and directly improve service quality.	Give one advantage, applied to the café.
Drawback: staff may feel **watched and distrusted** and may behave differently while observed, so the snapshot may not reflect normal service.	Give one disadvantage, applied to the café.

Example 3 — unscaffolded

Distinguish between self-evaluation and employee observation as performance management strategies.

Under **self-evaluation** the **employee assesses their own performance** — reflecting on their achievements, strengths and weaknesses against agreed criteria — so the judgement is **inward and self-reported**, and its value lies in building the employee's ownership and self-awareness. Under **employee observation** the **manager directly watches the employee working** and assesses performance from what they see, so the judgement is **external and firsthand**, and its value lies in providing authentic evidence and immediate feedback. The two therefore differ in **who carries out the assessment** (the employee versus the manager) and in the **source of evidence** (the employee's own reflection versus the manager's direct observation). ∴ self-evaluation is an inward, employee-driven assessment, whereas observation is an external, manager-driven one.

Example 4 — unscaffolded

Explain how appraisals can be used to achieve **both** business and employee objectives.

An **appraisal** is a formal, structured review in which a manager assesses an employee's performance against agreed standards, gives feedback and discusses future goals. It serves **business objectives** because it identifies **strong and weak performers**, allowing the business to reward its best people, correct underperformance, and make informed decisions about training, promotion and pay — decisions that lift productivity, quality and, ultimately, profit. It serves **employee objectives** because it gives the employee **clear feedback and recognition**, tells them exactly where they stand, and identifies the **training and career opportunities** that support their development and job satisfaction. The same conversation therefore advances the business's need to improve performance and the employee's need to grow and be recognised. ∴ a well-run appraisal aligns the interests of the business and the employee rather than serving only one of them.

Practice questions

Scaffolded

Q1. List the **four** performance management strategies prescribed in the study design.

Q2. For each of the following, name the performance management strategy being described: (a) a manager watches an employee serving customers during a shift to assess their performance; (b) a manager and employee jointly set agreed individual goals and later review performance against them; (c) an employee completes a form rating their own achievements and areas to improve before their review.

Q3. Identify whether each strategy relies mainly on the **employee's own judgement** or the **manager's judgement** of performance: (a) self-evaluation; (b) appraisal; (c) employee observation.

Q4. Management by objectives. (a) Explain **how** it works. (b) Outline **one** advantage of using it.

Q5. Appraisals. (a) Identify **one** advantage of using appraisals. (b) Identify **one** disadvantage.

Q6. Explain the difference between **management by objectives** and a **performance appraisal**.

Unscaffolded

Q7. Define the term *performance management*. *(2 marks)*

Q8. Describe how self-evaluation can be used as a performance management strategy. *(3 marks)*

Q9. Distinguish between self-evaluation and employee observation. *(4 marks)*

Q10. Outline **one** advantage and **one** disadvantage of using employee observation. *(4 marks)*

Q11. Explain how management by objectives can help a business achieve **both** its business objectives **and** its employees' objectives. *(4 marks)*

Q12. Compare appraisals and self-evaluation as performance management strategies. *(4 marks)*

Q13. Discuss the use of employee observation to manage employee performance. *(6 marks)*

Q14. Analyse the relationship between effective performance management and the achievement of business objectives. *(6 marks)*

Q15. *Case study.* **Craterline Ceramics** is a growing homewares manufacturer. Its production manager, Devi, currently assesses her 30 factory staff only through a brief **annual appraisal** that she completes alone. Staff say the once-a-year feedback comes "too late to be useful", and that Devi "doesn't really see what we do day to day". Product-defect rates are rising and two skilled potters have resigned. (a) Identify the performance management strategy Craterline Ceramics currently relies on. *(1 mark)* (b) Analyse **one** problem this approach may be creating for Craterline Ceramics. *(3 marks)* (c) Propose **two** other performance management strategies Devi could introduce, and justify each. *(4 marks)*

Q16. Vaultline Security, a security-guard firm, wants to set clear individual targets for its guards and reward those who meet them with a $1500 annual bonus. Propose and justify **one** performance management strategy the business could use to set and review those targets. *(4 marks)*

Q17. Evaluate the use of management by objectives as a performance management strategy. *(6 marks)*

Q18. Explain why a business might combine **self-evaluation** with a manager's **appraisal**. *(4 marks)*

Q19. *Extended response.* **Lumen Fitness** operates a chain of gyms. Its area manager assesses staff only by occasionally dropping in unannounced to watch them work (employee observation) and gives blunt feedback on the spot. Staff report feeling "constantly watched" and "never consulted", morale is low and several personal trainers have resigned. Evaluate Lumen Fitness's current use of employee observation, and recommend how a broader mix of performance management strategies could better achieve **both** business and employee objectives. *(10 marks)*

Q20. In its FY25 financial report (22 August 2025), **Ingham's Group** reported a short-term incentive balanced scorecard outcome of **69.5% against a maximum possible 120%**, built from one financial measure weighted at 70% and three non-financial measures weighted at 30%, each with a target set in advance. Analyse this scorecard as a performance management strategy, identifying **one** feature it shares with a **performance appraisal** and **one** feature that would be required before it could properly be called **management by objectives**. *(6 marks)*

Answers

Q1. Management by objectives (MBO); appraisals; self-evaluation; employee observation. **Q2.** (a) employee observation; (b) management by objectives; (c) self-evaluation. **Q3.** (a) employee's own judgement; (b) manager's judgement; (c) manager's judgement. **Q4.** (a) Manager and employee jointly set agreed, measurable individual goals aligned to business objectives, then review performance against them. (b) e.g. aligns individual and business goals / clear expectations / involvement builds commitment. **Q5.** (a) e.g. structured, documented feedback; sound basis for pay/promotion/training decisions. (b) e.g. can be stressful/subjective; annual feedback too infrequent. **Q6.** MBO is a cycle of jointly agreed goals — the employee helps set the measurable targets and is later reviewed against them; an appraisal is the formal, manager-led review event itself, in which the manager sets the criteria and assesses performance against them and gives feedback. **Q7.** Model response in solutions. **Q8.** The employee assesses their own performance against agreed criteria, reflecting on strengths and areas to improve, usually before an appraisal. See solutions. **Q9.** Self-evaluation = employee assesses themselves (inward/self-reported); observation = manager watches and assesses (external/firsthand). See solutions. **Q10.** Advantage: firsthand evidence + immediate feedback. Disadvantage: staff feel watched / behaviour changes while observed. See solutions. **Q11.** MBO aligns agreed individual goals with business goals (business objectives) while giving employees ownership and recognition (employee objectives). See solutions. **Q12.** Both assess performance and inform development; appraisal is manager-led, self-evaluation is employee-led. See solutions. **Q13.** Advantages (firsthand evidence, immediate coaching) vs disadvantages (feeling watched, unrepresentative snapshot, time). See solutions. **Q14.** Causal chain: good performance management → clearer goals, feedback, development, motivation → higher productivity/quality/retention → objectives met. See solutions. **Q15.** (a) Appraisals (an annual appraisal). (b) e.g. infrequent, manager-only feedback leaves defects uncorrected and staff feeling unseen → demotivation and turnover. (c) e.g. employee observation + self-evaluation or MBO, each justified. See solutions. **Q16.** MBO — jointly set measurable targets linked to the bonus and review against them; justified. See solutions. **Q17.** Evaluation — strengths (alignment, clarity, involvement) vs weaknesses (time, narrow measurable focus, unfair if goals imposed/outside control); judgement. See solutions. **Q18.** Self-evaluation adds the employee's perspective and ownership; the manager's appraisal adds objectivity — together the review is more balanced and accurate. See solutions. **Q19.** Model response in solutions. **Q20.** Shares with an appraisal: a formal, structured assessment against criteria set in advance, conducted at a set interval, documented and used to decide reward. Required before it is MBO: evidence that the employees **jointly set** the targets they were measured against. See solutions.

Fully-worked solutions

Q7. Performance management is the **ongoing process** by which a manager **sets performance expectations, assesses how well employees are meeting them, and provides feedback and development** to improve performance over time — used to achieve **both business objectives and employee objectives**.

Q8. Self-evaluation is used by having the **employee assess their own performance** against agreed goals or criteria — typically by completing a self-assessment before an appraisal. The employee **reflects on their achievements, strengths, weaknesses and areas to develop** and records their own judgement of how well they have performed. This is then usually **discussed with the manager**, so that the employee's view is compared with the manager's. Used this way, self-evaluation encourages the employee to take **responsibility for their own improvement** and brings their perspective into the review.

Q9. Under **self-evaluation** the **employee assesses their own performance**, reflecting inwardly on their achievements and weaknesses against agreed criteria; the judgement is **self-reported** and its value is building the employee's self-awareness and ownership. Under **employee observation** the **manager directly watches the employee at work** and assesses performance from what they see; the judgement is **external and firsthand** and its value is providing authentic evidence and immediate feedback. The two therefore differ in **who carries out the assessment** — the employee themselves versus the manager — and in the **source of the evidence** — personal reflection versus direct observation of the work.

Q10. *Advantage:* employee observation provides **real, firsthand evidence** of how an employee actually performs on the job, and allows the manager to give **immediate, specific feedback** and coach the employee on the spot, so errors or unsafe practices can be corrected quickly. *Disadvantage:* employees may feel **watched and distrusted** ("micromanaged"), which can cause stress and resentment; and because people often **change their behaviour while**

being observed, a single observation session may not reflect the employee's normal performance, making it an unreliable snapshot.

Q11. Management by objectives helps a business achieve its **business objectives** because the manager and employee jointly set **measurable individual goals that are aligned with the business's overall objectives**; every employee's effort is therefore directed towards the same organisational goals, which lifts productivity, efficiency and effectiveness and allows progress to be tracked. It helps achieve **employee objectives** because the goals are **agreed rather than imposed**, so employees gain **clarity, a sense of ownership and involvement**, and the **recognition** that comes from achieving targets they helped to set — supporting their development and job satisfaction. Because the same agreed goals advance the business's targets and the employee's need for clarity and recognition, MBO serves both sets of objectives at once.

Q12. Both appraisals and self-evaluation are performance management strategies that **assess an employee's performance against agreed criteria and feed into their feedback and development**, and both commonly form part of the same review process. They differ in **who conducts the assessment**: an **appraisal is manager-led** — the manager formally evaluates the employee against standards, giving an external and relatively objective judgement — whereas **self-evaluation is employee-led** — the employee assesses their own performance, giving an inward judgement that builds ownership but may be less objective. A further difference is their strength: appraisals provide managerial objectivity and a basis for pay or promotion decisions, while self-evaluation is more empowering and less confrontational. In short, they share the purpose of assessing and developing performance but differ in whether the employee or the manager makes the assessment.

Q13. Employee observation has clear **advantages** and **disadvantages**. *Advantages:* by watching employees as they actually work, the manager gathers **real, firsthand evidence** of performance rather than relying on self-reports, and can give **immediate, specific feedback** and on-the-spot coaching that corrects errors and unsafe practices quickly; this makes it especially useful for assessing practical, customer-facing or safety-critical work. *Disadvantages:* because employees know they are being watched, observation can make them feel **distrusted or "micromanaged"**, causing stress, resentment and a poorer manager–employee relationship; people also tend to **change their behaviour while observed**, so a session may **not reflect normal performance**; and observing staff is **time-consuming** for the manager, who cannot watch everyone continuously, so a brief snapshot may be unrepresentative. Employee observation is therefore most effective when used **regularly, transparently and alongside other strategies** rather than as a manager's only, or occasional and unannounced, method of assessment.

Q14. There is a **positive causal relationship** between effective performance management and the achievement of business objectives. When a business manages performance well — setting clear expectations through MBO, giving structured feedback through appraisals, encouraging self-evaluation and observing work firsthand — employees gain a **clear understanding of what is expected**, receive **feedback that corrects weaknesses and reinforces strengths**, and have their **development needs identified and met**. As a result, employees become **more skilled, more focused and more motivated**, and their effort is **aligned with the business's goals**. This flows through to the business's objectives: a more capable, focused and motivated workforce **raises productivity and quality, reduces defects and errors, and lowers absenteeism and turnover**, which in turn supports objectives such as **improving efficiency and effectiveness, increasing output and sales, and ultimately making a profit**. In other words, performance management works *through* employee capability, focus and motivation to drive the outcomes the business is trying to achieve. The relationship is not instantaneous — assessing, giving feedback and developing staff take time before the gains appear — but sustained, effective performance management directly strengthens the achievement of business objectives.

Q15. (a) **Appraisals** (a brief annual appraisal). (b) Relying on a **once-a-year, manager-only appraisal** is creating a chain of problems for Craterline Ceramics. Because feedback is given **only annually**, performance issues on the factory floor go **uncorrected for long periods** — which helps explain the **rising product-defect rates**, since staff do not learn about problems in time to fix them. Because Devi completes the appraisal **alone and "doesn't really see" the day-to-day work**, her assessment lacks firsthand evidence and the staff feel **unseen and undervalued**; this demotivation helps explain why **two skilled potters have resigned**. The infrequent, one-sided approach therefore links directly to both the quality problem and the loss of experienced staff. (c) Devi could add **employee observation** — regularly watching staff at their workstations — which would give her **firsthand evidence of how defects arise** and let her provide **immediate coaching** to correct them, directly targeting the rising defect rate. She could also introduce **self-evaluation** (or **MBO**): having staff assess their own performance, or jointly setting agreed quality and output goals reviewed more frequently, would **involve staff, give them ownership and provide feedback far more often than once a year**, addressing the "too late to be useful" and "never seen" complaints and helping retain skilled potters. Both strategies supply the frequent, firsthand feedback the current approach lacks.

Q16. Management by objectives (MBO) would be an effective and justified strategy. Vaultline Security's managers and each guard could **jointly set specific, measurable individual targets** — for example, incident-response times, patrol-completion rates and client-satisfaction scores — that are aligned with the firm's objectives, and then **review each guard's performance against those agreed goals** at the end of the year, with the $1500 bonus paid to those who meet them. MBO is well suited here because it provides the **clear, measurable targets** the firm needs to decide fairly and objectively who earns the bonus, and because involving guards in setting their own goals gives them **ownership and a clear line of sight** to the reward, motivating them to meet the standards. It therefore both drives the performance the business wants and gives employees clarity and recognition.

Q17. Management by objectives has genuine **strengths** and **weaknesses**. *Strengths:* MBO **aligns each employee's individual goals with the business's overall objectives**, so effort across the business pulls in the same direction; it makes expectations **clear and measurable**, providing an objective basis for feedback and reward; and because employees **help set their own goals**, it builds **ownership, involvement and motivation**. *Weaknesses:* setting and reviewing goals for every employee is **time-consuming and administratively heavy**; it can push employees to chase only the **measurable targets** while neglecting quality, teamwork or ethical conduct; if goals are in practice **imposed** or set **unrealistically**, it demotivates rather than motivates; and where **factors outside the employee's control** prevent achievement, the assessment can feel unfair. *Judgement:* on balance, MBO is **most effective where work can be captured in clear, measurable goals and where managers genuinely involve employees in setting them** — in those conditions it aligns effort and motivates strongly. However, it is **not sufficient on its own** and works best **combined with other strategies** (such as observation or self-evaluation) that capture the quality and behavioural dimensions of performance that numeric goals miss. Its value therefore depends on how genuinely collaborative and well-designed the goals are. *(Full marks require weighing advantages against disadvantages and reaching an evidence-based judgement, not simply listing pros and cons.)*

Q18. A business might **combine self-evaluation with a manager's appraisal** because the two bring **different and complementary perspectives** to the review. **Self-evaluation** adds the **employee's own view** of their performance, which builds **ownership, self-awareness and engagement** and is less confrontational, but on its own it can be **inaccurate** because employees may over- or under-rate themselves. The **manager's appraisal** adds an **external, more objective assessment** against agreed standards and a basis for decisions on pay or promotion, but on its own it can feel **one-sided** and may miss context the employee could provide. By using **both**, the manager can **compare the two views**, discuss any gaps between them, and reach a **more balanced and accurate** assessment — one the employee is more likely to accept and act on because they helped shape it. Combining them therefore improves both the **fairness** and the **developmental value** of the review.

Q19. *Model response (10 marks).* Lumen Fitness currently relies on a single, narrowly used performance management strategy — **employee observation** conducted through **occasional, unannounced drop-ins with blunt on-the-spot feedback** — and, used this way, it is doing more harm than good. Employee observation does have real strengths: it gives the area manager **firsthand evidence** of how trainers actually perform with clients and allows **immediate, specific feedback** that can correct poor technique or service quickly, which can protect the business's objectives of quality and customer satisfaction. However, the **way Lumen Fitness applies it** magnifies observation's weaknesses. Because the visits are **unannounced and occasional**, staff feel **"constantly watched" and distrusted**, which is damaging morale; because the feedback is **blunt and the manager never consults staff**, employees have **no ownership and no voice** in how they are assessed; and because the drop-ins are infrequent snapshots, they may **not reflect normal performance**. The result — low morale and the resignation of several personal trainers — shows that the current use of observation is **failing the employee objectives** of recognition, development and job satisfaction, and is therefore also **undermining the business objectives** of retaining skilled staff and maintaining service quality.

To achieve **both** sets of objectives more effectively, Lumen Fitness should keep observation but use it **transparently and regularly**, and combine it with **other strategies**. **Appraisals** — structured, scheduled reviews rather than blunt corrections — would give trainers **clear, documented feedback and recognition** and identify their **training and career opportunities**, meeting employee objectives while helping the business make sound decisions about development and promotion. **Self-evaluation** would give trainers a **voice and ownership** of their own performance, directly addressing the "never consulted" complaint and making the review less confrontational. **Management by**

objectives — jointly setting measurable goals such as client-retention and session-quality targets aligned to the gym's objectives — would **align staff effort with the business's goals** while giving trainers clarity and involvement. *On balance*, Lumen Fitness's current approach relies too heavily, and too harshly, on a single strategy, so it serves neither the business nor its employees well; by **broadening to a transparent mix of observation, appraisals, self-evaluation and MBO**, the business could obtain the firsthand evidence and performance it needs **while** giving employees the fairness, voice and development they want — better achieving both business and employee objectives. *(Full marks require: a two-sided evaluation of the current use of observation applied to Lumen Fitness; a justified recommendation drawing on other performance management strategies; and an overall judgement, supported by evidence, that addresses both business and employee objectives.)*

Q20. Ingham's Group's balanced scorecard is, in substance, a **performance appraisal**. Like an appraisal, it is a **formal, structured assessment of performance against criteria set in advance** — measures, weightings and targets fixed before the performance was delivered — carried out at a **set interval** (once each financial year), **documented**, and used to inform a **reward decision**: the scorecard outcome of **69.5% against a maximum possible 120%**, adjusted by an individual multiplier and, for one executive, by a further downward exercise of the board's discretion, determined what was awarded and what was forfeited. It also shows performance management serving **business objectives**, because 70% of the scorecard rested on a group financial measure and the remainder on safety, food-safety and environmental measures, so the individual assessment was **cascaded from the business's own objectives** and directed effort at the outcomes the business was pursuing.

Before it could properly be called **management by objectives**, one further feature would be required: evidence that the executives **jointly set the goals they were measured against**. MBO's defining feature is that the employee **helps agree** the targets, and it is that involvement which generates the **ownership and commitment** MBO relies on. A scorecard **set for** an employee — however measurable, and however well aligned to business objectives — remains a **manager-set yardstick**, and is therefore an appraisal. The report documents the measures, the weightings and the outcome, but not who agreed them, so the evidence supports the appraisal reading only. *(Full marks require analysis rather than description: a shared feature explained with reference to Ingham's, the joint goal-setting that MBO would additionally require, and a link to the objectives the scorecard served.)*

Chapter 5 Training, performance and termination management — 5C Termination management

Theory

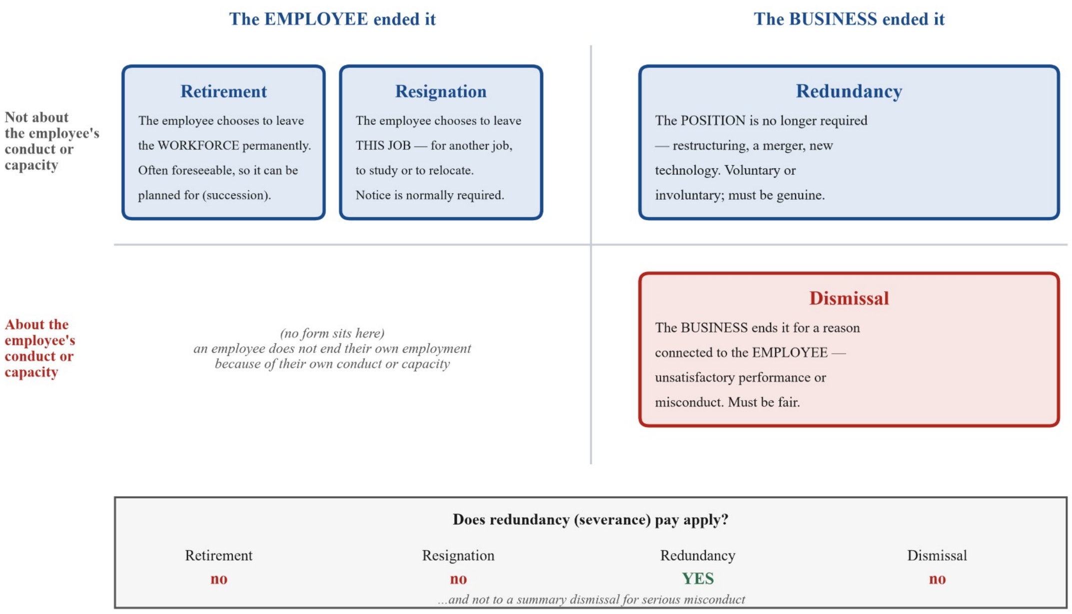
Termination is the ending of the employment relationship between a business and an employee, and **termination management** is the way a business plans for and carries out that ending. Terminations happen for very different reasons — some are chosen by the employee, some are decided by the business, and some occur because a role is simply no longer needed. How well a business manages the process matters, because it affects the departing employee's wellbeing and finances, the business's legal compliance and reputation, and the morale of the employees who remain and watch how their colleagues are treated. The study design prescribes **four forms of termination** and two sets of considerations a business must handle whenever an employee leaves.

The four forms of termination.

- **Retirement.** The employee **voluntarily chooses to permanently leave the workforce**, usually towards the end of their working life. Retirement is **employee-initiated** and is unrelated to the employee's performance. Because retirements can often be anticipated, a business can plan ahead for them — for example, through succession planning and by transferring the retiring person's knowledge to others before they go.
- **Redundancy.** A redundancy occurs when a **position is no longer required** by the business — for example, because of restructuring, downsizing, a merger, relocation, or new technology that automates work previously done by people. The key point is that it is the **job, not the employee's performance**, that is no longer needed; the employee has done nothing wrong. Redundancy takes two forms:
    - **Voluntary redundancy** — the business **invites** employees to nominate to have their position made redundant, often by offering an incentive such as an enhanced payout, and the employee **chooses** whether to accept.
    - **Involuntary redundancy** — the business **selects** which positions will be made redundant, and the affected employees have **no choice** in the matter.

  For a redundancy to be lawful it must be **genuine** — the role must truly no longer be needed, rather than being used as a disguised way of removing a particular person.
- **Resignation.** The employee **voluntarily chooses to leave** the business, typically to take another job, to study, to relocate, or for family or personal reasons. Resignation is **employee-initiated**, and the employee is normally required to give a set period of **notice** so the business has time to find a replacement.
- **Dismissal.** The **business ends** the employment for a reason connected to the employee — most commonly **unsatisfactory performance** that has not improved despite support, or **misconduct** (breaching the business's rules or standards). Dismissal is **employer-initiated and for cause**. Two important ideas sit inside dismissal:
    - **Summary dismissal — instant dismissal without notice**, reserved for **serious misconduct** (such as theft, fraud, violence or a serious safety breach) so grave that it would be unreasonable for the business to continue the employment even for the notice period.
    - **Unfair dismissal** — a dismissal that is **harsh, unjust or unreasonable**, for example where the business had **no valid reason** or failed to follow a **fair process**. A dismissed employee may lodge an **unfair dismissal claim with the Fair Work Commission**, which can order remedies such as compensation or reinstatement. To avoid this, a business must have a valid reason and follow fair procedures before dismissing.

The four forms of termination, sorted by the two questions that actually separate them



Retirement and resignation answer both questions the same way; what separates them is whether the person is leaving the WORKFORCE or only this JOB.

Entitlement considerations — what the employee is legally owed. Whatever the form of termination, a business must correctly pay out the employee's **legal entitlements**, which are set by the **National Employment Standards**, any applicable **award or agreement**, and the **employment contract**. Entitlements commonly include:

- **final pay** for all wages and hours worked up to the last day of employment;
- payment for **accrued (untaken) annual leave**, and **long-service leave** where the employee has worked long enough to qualify;
- the required period of **notice** (or **pay in lieu of notice**);
- **redundancy (severance) pay** where the termination is a genuine redundancy, usually calculated on the employee's **length of service**;
- any **outstanding superannuation** contributions.

Which entitlements apply depends on the form of termination — for example, **redundancy pay** applies to a genuine redundancy but generally **not** to a resignation or to a **summary dismissal** for serious misconduct.

Transition considerations — support to help the person move on. Separately from what is owed, a business may provide **support to help a departing employee move on** to the next stage of their working (or post-work) life. Transition support is not legally required in the way entitlements are, but it protects the departing person's wellbeing and the business's reputation and culture. It may include:

- **counselling** or an employee assistance program to help the person cope with the change;
- **redeployment** to another suitable role within the business — often considered as an alternative before a position is made redundant;
- **outplacement services** — practical help finding new work, such as assistance with job applications, interview coaching and job-search advice;
- providing **references** to help the person gain new employment;
- **financial and retirement-planning advice**, which is especially valuable for employees who are retiring or being made redundant.

Key ideas to keep straight.

- **Entitlement is not transition.** *Entitlement* considerations are what the business **legally owes** the employee (money, leave, notice, redundancy pay, super); *transition* considerations are the **support services** offered to help the person **move on**. A business can owe entitlements without offering transition support, and can offer transition support beyond what it must pay. Keep the two separate: **owed** versus **support to move on**.

- **Redundancy is not dismissal.** In a **redundancy** the **job** is no longer needed and the departure is **no fault** of the employee; in a **dismissal** the **employee** is let go for a reason connected to their **conduct or capacity**. Treating a redundancy as a dismissal (or the reverse) is a common error.
- **Resignation is not redundancy.** Both may end with the employee leaving, but a **resignation** is initiated by the **employee's own choice**, whereas a **redundancy** is initiated by the **business** because the role has gone — even a *voluntary* redundancy is **offered by the business**, not sought by the employee.
- **Retirement is not resignation.** Both are employee-initiated and voluntary, but **retirement** means **permanently leaving the workforce** (usually near the end of a working life), while a **resignation** usually means **leaving one job to move to another**.
- **Dismissal must be fair.** A business needs a **valid reason** and a **fair process**, or the employee may bring an **unfair dismissal** claim to the Fair Work Commission. **Summary dismissal** (instant, no notice) is only justified by **serious misconduct**.

Contemporary example — Qenos, June 2024

Qenos manufactured polyethylene in Australia from plants at Altona in Victoria and Botany in New South Wales. On 17 April 2024, partners of the restructuring firm McGrathNicol were appointed **voluntary administrators** of the Qenos group. The following day the Australian Workers' Union stated that a **deed of company arrangement** would be proposed to fund employees' pre-appointment entitlements, **including redundancy**. In proceedings reported in May 2024, a court noted a strong prospect of such a deed being proposed, providing funding for accrued employee entitlements then put at about $190 million, together with an orderly shutdown and remediation of the two sites. Creditors resolved in May 2024 that the Qenos companies execute deeds, and the deeds were executed on 13 June 2024, the administrators continuing as deed administrators.

Where a business winds down its operations the **positions are no longer required**, so employees leave by **redundancy** — the job disappears, and the departure is no fault of theirs. The business still owes its **entitlement considerations**: final pay, **accrued annual and long-service leave**, **notice** (or pay in lieu), **redundancy pay** based on **length of service**, and outstanding **superannuation**. What an insolvency makes visible is a step usually hidden from view — entitlements must not only be **calculated** but **funded**, and here a deed was the mechanism arranged to do that. **Transition considerations** such as outplacement or counselling are different in kind: support offered to help people move on, not a legal debt that must be met.

Source: Mills Oakley, "Qenos, funding solutions in voluntary administrations", 9 May 2024 — https://www.millsoakley.com.au/insights/qenos-funding-solutions-in-voluntary-administrations/. Source: Australian Workers' Union, "Workers must come first in Qenos process, government must shore up sovereign capability", 18 April 2024 — https://awu.net.au/national/news/2024/04/20904/workers-must-come-first-in-qenos-process-government-must-shore-up-sovereign-capability/. Source: Botany Industrial Park, "Tenants" (Qenos administration update; records the 17 April 2024 appointment and the deeds executed 13 June 2024) — https://botanyindustrialpark.com.au/tenants/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Marloo Textiles installs an automated fabric-cutting machine that performs the work previously done by three fabric cutters, whose positions are therefore no longer required. Identify the form of termination affecting the cutters and explain one entitlement they would be owed.

Working	Comment
The **positions**, not the cutters' performance, are no longer needed because technology now does the work.	Identify *why* the roles are ending — the reason points to the form.
A role that is no longer required is a **redundancy** (here involuntary, as the business chose which roles to cut).	Match the reason to the correct form of termination.
One entitlement is **redundancy (severance) pay**, calculated on each cutter's **length of service**, which the business must pay because the termination is a genuine	Name a legally owed entitlement and link it to this form of termination.

Working	Comment
redundancy.	
∴ the cutters are being made **redundant** and are owed **redundancy pay** (among other entitlements).	State the conclusion.

Example 2 — scaffolded

After 30 years at Kanyini Engineering, Deborah decides to retire. Outline one entitlement consideration and one transition consideration the business should manage for her.

Working	Comment
Deborah is **choosing to permanently leave the workforce**, so this is a **retirement** (employee-initiated).	Establish the form of termination first.
Entitlement: she must be paid out her **accrued (untaken) annual and long-service leave**, which she has earned over 30 years.	Entitlement = something legally **owed**.
Transition: the business could offer **financial and retirement-planning advice** to help her manage her income after leaving work.	Transition = **support** to help her move on.
Keeping the two separate shows the leave payout is *owed*, while the retirement advice is *support offered*.	Reinforce the entitlement-versus-transition distinction.

Example 3 — unscaffolded

Distinguish between resignation and dismissal as forms of termination.

A **resignation** is **employee-initiated**: the employee **voluntarily chooses to leave** the business, usually giving the required notice, for example to take another job or for personal reasons. A **dismissal** is **employer-initiated and for cause**: the **business ends** the employment because of a reason connected to the employee, such as **unsatisfactory performance** or **misconduct**. The essential difference is **who initiates the ending and why** — in a resignation the **employee decides** to go of their own accord, whereas in a dismissal the **business decides** to remove the employee for a valid reason. ∴ resignation is a voluntary departure chosen by the employee, while dismissal is an involuntary removal decided by the business.

Example 4 — unscaffolded

A café owner instantly dismisses a waiter, without notice, after discovering the waiter has been stealing cash from the till. Explain whether summary dismissal is appropriate in this situation.

Summary dismissal is instant dismissal **without notice** and is only justified by **serious misconduct** — behaviour so grave that it would be unreasonable to continue the employment even for the notice period. **Stealing cash** is a clear example of serious misconduct: it is dishonest, breaches the trust essential to the role, and may be unlawful. Because there is a **valid reason** of this seriousness, the owner is entitled to end the employment **immediately and without notice** rather than giving the usual notice period. The owner should still act on **genuine evidence** and follow a **fair process** (for example, giving the waiter a chance to respond) so the decision could not later be judged an **unfair dismissal**. ∴ summary dismissal is appropriate here because the theft is serious misconduct, provided the owner has genuine evidence and dismisses fairly.

Practice questions

Scaffolded

Q1. Define the term *termination* as it applies to employment.

Q2. List the **four forms of termination** prescribed in the study design.

Q3. Identify the form of termination described in each case: (a) an employee chooses to leave in order to take a job at another business; (b) an employee permanently leaves the workforce at the end of their career; (c) a business ends an employee's employment because of repeated serious misconduct.

Q4. Distinguish between **voluntary** and **involuntary** redundancy.

Q5. A manufacturer permanently closes one of its production lines, and the roles on that line are no longer needed. (a) Identify the form of termination affecting those employees. (b) Explain **one** entitlement they would be owed.

Q6. Explain the difference between **entitlement considerations** and **transition considerations**.

Unscaffolded

Q7. Define the term *redundancy*. *(2 marks)*

Q8. Distinguish between **resignation** and **redundancy** as forms of termination. *(4 marks)*

Q9. Describe the circumstances in which **summary dismissal** may be justified. *(3 marks)*

Q10. Explain the concept of **unfair dismissal**. *(3 marks)*

Q11. Outline **two** entitlement considerations a business must manage when an employee is made redundant. *(4 marks)*

Q12. Distinguish between **entitlement considerations** and **transition considerations**. *(4 marks)*

Q13. Explain **two** transition considerations a business could offer an employee whose role has been made redundant. *(4 marks)*

Q14. Compare **retirement** and **redundancy** as forms of termination. *(4 marks)*

Q15. *Case study.* **Brightwater Books** is a chain of eight suburban bookshops. After two years of falling in-store sales, its owner Priyanka decides to close three stores and move more of the business online, so twelve retail positions are no longer required. She first asks staff across the whole chain whether anyone would like to nominate to leave with an enhanced payout, and then selects the remaining positions to be cut. Priyanka wants to treat the departing staff well, partly because the employees who stay are watching closely. (a) Identify the form of termination affecting the twelve employees. *(1 mark)* (b) Distinguish between the **voluntary** and **involuntary** redundancy Priyanka is using at Brightwater Books. *(4 marks)* (c) Explain **one** transition consideration Brightwater Books could offer the departing employees, and **one** reason offering it may benefit the business. *(4 marks)*

Q16. Analyse the relationship between how a business manages the termination of employees and the motivation of the employees who remain. *(6 marks)*

Q17. Evaluate the use of **voluntary redundancy** as a way for a business to reduce the size of its workforce. *(6 marks)*

Q18. Propose and justify **one** transition consideration a business could provide to employees it is making redundant. *(4 marks)*

Q19. *Extended response.* When a business ends the employment of its staff, the way it manages the process can matter as much as the decision to terminate. Analyse how a business's handling of the different forms of termination, together with entitlement and transition considerations, can affect both the departing employees and the business itself. *(10 marks)*

Q20. *Contemporary example.* On 17 April 2024, partners of **McGrathNicol** were appointed voluntary administrators of **Qenos**, a polyethylene manufacturer with plants at Altona in Victoria and Botany in New South Wales. On 18 April 2024 the Australian Workers' Union stated that a deed of company arrangement would be proposed to fund employees' pre-appointment entitlements, including redundancy, and the deeds were executed on 13 June 2024. Analyse the **entitlement considerations** a business must manage when positions are no longer required, using the Qenos situation. *(6 marks)*

Answers

Q1. Termination is the ending of the employment relationship between a business and an employee. **Q2.** Retirement, redundancy, resignation, dismissal. **Q3.** (a) resignation; (b) retirement; (c) dismissal. **Q4.** Voluntary redundancy: the business invites employees to nominate to leave (often with an incentive) and the employee chooses to accept. Involuntary redundancy: the business selects which positions are cut and the employee has no choice. **Q5.** (a) Redundancy. (b) e.g. redundancy (severance) pay based on length of service, owed because the positions are genuinely no longer required; or payment of accrued annual leave / notice (or pay in lieu). **Q6.** Entitlement considerations are what the employee is legally **owed** (final pay, accrued leave, notice, redundancy pay, super); transition considerations are the **support** offered to help the person move on (counselling, redeployment, outplacement, references, financial/retirement advice). **Q7.** A redundancy is a termination that occurs when a position is no longer required by the business (not because of the employee's performance). See solutions. **Q8.** Resignation = employee-initiated voluntary departure; redundancy = business-initiated because the role is no longer needed. See solutions. **Q9.** Only for serious misconduct (e.g. theft, fraud, violence) so grave that continuing the employment would be unreasonable; allows instant dismissal without notice. See solutions. **Q10.** A dismissal that is harsh, unjust or unreasonable (no valid reason and/or unfair process); employee may claim to the Fair Work Commission. See solutions. **Q11.** Any two of: final pay; accrued annual/long-service leave; notice (or pay in lieu); redundancy pay based on service; outstanding superannuation. See solutions. **Q12.** Entitlement = what is legally owed; transition = support to move on. See solutions. **Q13.** Any two of: counselling/EAP; redeployment; outplacement; references; financial/retirement advice — each explained. See solutions. **Q14.** Similarity: both end employment and are not caused by the employee's poor performance. Difference: retirement is employee-initiated (leaving the workforce), redundancy is business-initiated (role no longer needed). See solutions. **Q15.** (a) Redundancy. (b) Voluntary = staff invited to nominate for the enhanced payout; involuntary = Priyanka selects the remaining positions to cut. (c) e.g. outplacement / references / counselling, plus a benefit such as protecting reputation and the morale of remaining staff. See solutions. **Q16.** Model response in solutions (causal relationships, not pros/cons). **Q17.** Evaluation — strengths (staff choose, less resentment, morale) weighed against weaknesses (cost of incentives, best staff may leave, wrong roles may go), with a judgement. See solutions. **Q18.** One transition consideration proposed and justified (why it helps the employee and the business). See solutions. **Q19.** Model response in solutions. **Q20.** Positions no longer required = **redundancy** (no fault of the employee), so the business still owes final pay, accrued annual and long-service leave, notice (or pay in lieu), redundancy pay based on length of service and superannuation; the deeds executed on 13 June 2024 were the mechanism arranged to fund those entitlements, showing entitlements must be funded as well as owed. See solutions.

Fully-worked solutions

Q7. A **redundancy** is a form of termination that occurs when an employee's **position is no longer required** by the business — for example, because of restructuring, downsizing, a merger or the introduction of technology that automates the role. It is the **job, not the employee's performance**, that is no longer needed, so the employee is not at fault.

Q8. A **resignation** is **employee-initiated**: the employee **voluntarily chooses to leave** the business (usually giving notice), for example to take another job. A **redundancy** is **business-initiated**: the business ends the employment because the **position is no longer required**, not because the employee wishes to go. The two forms therefore differ in **who initiates the departure** (the employee in a resignation, the business in a redundancy) and in the **reason** (the employee's own choice versus the role no longer being needed).

Q9. Summary dismissal — instant dismissal **without notice** — may be justified only where an employee has engaged in **serious misconduct**: behaviour so grave that it would be **unreasonable to continue the employment** even for the usual notice period. Examples include **theft or fraud, violence, or a serious breach of safety or of the business's core rules**. In these circumstances the business may end the employment **immediately and without notice**, although it should still act on **genuine evidence** and follow a **fair process** so the decision could not be judged an unfair dismissal.

Q10. Unfair dismissal occurs when a dismissal is **harsh, unjust or unreasonable** — for example, where the business had **no valid reason** to dismiss the employee, or **failed to follow a fair procedure** (such as not giving the employee a chance to respond). An employee who believes they have been unfairly dismissed may lodge an **unfair dismissal**

claim with the Fair Work Commission, which can order remedies such as **compensation or reinstatement**. To avoid this, a business must ensure it has a **valid reason** and follows a **fair process** before dismissing.

Q11. When an employee is made redundant, the business must manage the entitlements the employee is legally owed. **First**, it must pay **redundancy (severance) pay**, usually calculated on the employee's **length of service**, which is owed specifically because the termination is a genuine redundancy. **Second**, it must pay out the employee's **accrued (untaken) annual leave** (and long-service leave if the employee qualifies), which the employee has earned during their employment. *(Other acceptable entitlements: final pay for hours worked; notice or pay in lieu of notice; outstanding superannuation.)*

Q12. Entitlement considerations and **transition considerations** are both part of managing a termination, but they are different in nature. **Entitlement considerations** are what the business **legally owes** the departing employee — final pay, accrued annual and long-service leave, notice (or pay in lieu), redundancy pay and superannuation — as set by the National Employment Standards, awards or agreements and the contract. **Transition considerations** are the **support** the business offers to help the person **move on** to their next stage of life — such as counselling, redeployment, outplacement, references and financial or retirement advice. The key difference is that entitlements are a **legal obligation about money and leave**, whereas transition support is **assistance to help the person move on** and is generally offered rather than legally required.

Q13. When a role is made redundant, a business could offer transition support to help the affected employee move on. **First**, it could provide **outplacement services** — practical help finding new work, such as assistance with job applications, interview coaching and job-search advice — which improves the employee's chances of quickly gaining new employment. **Second**, it could offer **counselling or an employee assistance program**, giving the employee support to cope with the stress and uncertainty of losing their job. Both forms of support help the departing employee move forward and show remaining staff that the business treats people with care.

Q14. In **both** retirement and redundancy the employee leaves the business and the departure is **not caused by the employee's poor performance**. However, they differ in **who initiates the termination and why**. **Retirement** is **employee-initiated and voluntary** — the employee chooses to permanently leave the workforce, usually towards the end of their working life. **Redundancy** is **business-initiated** — the business ends the employment because the **position is no longer required** (for example after restructuring or automation), and in an involuntary redundancy the employee has no choice. So while neither reflects poor performance, retirement is a **voluntary exit chosen by the employee**, whereas redundancy is a **removal decided by the business** because a role has gone.

Q15. (a) **Redundancy.** (b) Priyanka is using **both** types of redundancy. The **voluntary redundancy** is where she **invites staff across the chain to nominate** to leave in exchange for an **enhanced payout** — those employees **choose** to accept. The **involuntary redundancy** is where she then **selects the remaining positions to be cut**, and the affected employees have **no choice** in whether their role ends. The difference is therefore **who decides** that a particular employee leaves — the employee volunteers in the first case, while Brightwater Books decides in the second. (c) Brightwater Books could offer **outplacement services** — practical help with job applications and interview preparation — to help the departing staff find new retail work. This may **benefit the business** because it protects Brightwater's **reputation** as a fair employer and reassures the employees who **remain** (who are "watching closely") that they would be treated well, helping to **maintain their morale and loyalty** during the restructure. *(Also acceptable: references; counselling/EAP; financial advice — each with a business benefit such as reputation, culture or retention of remaining staff.)*

Q16. The way a business manages termination has a strong **causal effect** on the motivation of the employees who remain. When a business manages termination **well** — paying full entitlements promptly, offering transition support such as outplacement, and dismissing only for valid reasons through a fair process — remaining employees **see that people are treated fairly**, which **increases their sense of job security and trust in management** and, in turn, **sustains or lifts their motivation and commitment**. Conversely, when termination is managed **poorly** — for example, abrupt or seemingly unfair dismissals, underpaid entitlements or no support for departing staff — remaining employees may **fear they could be treated the same way**, causing **anxiety, reduced trust and lower motivation**, and possibly prompting capable staff to resign. In this way the treatment of *departing* employees feeds directly into the attitudes and effort of *remaining* employees: fair, well-managed termination **builds** the security and trust that underpin motivation, while poorly managed termination **erodes** them. The relationship is therefore a causal chain running from how leavers are treated, through remaining employees' perceptions of fairness and security, to their level of motivation.

Q17. Voluntary redundancy — inviting employees to nominate to leave, usually with an incentive — has clear strengths and weaknesses as a way to reduce a workforce. *Strengths:* because employees **choose** to go, the process generates **less resentment and conflict** than forced job cuts, which helps **protect the morale of remaining staff** and the business's **reputation**; it also reduces the risk of **unfair dismissal claims**, since no one is being forced out. *Weaknesses:* the **incentives are costly**, so voluntary redundancy can be an **expensive** way to cut roles; the business **cannot fully control who leaves**, so its **most skilled and experienced employees** — who are most confident of finding other work — may be the ones who take the offer, causing a **loss of valuable knowledge**; and the **wrong positions** may end up vacant relative to where the cuts are actually needed. *Judgement:* voluntary redundancy is an **appropriate first step** where a business wants to reduce staff numbers while preserving morale and minimising legal risk, but it works best when **combined with clear limits on which roles may go** so the business does not lose the very people it needs; where deeper or more targeted cuts are required, it may have to be followed by involuntary redundancy. On balance, its value depends on the business managing **who** is allowed to volunteer, not simply on offering the incentive.

Q18. One transition consideration a business could provide is **outplacement services** — practical help for departing employees in finding new work, such as assistance preparing job applications, interview coaching and job-search advice. This is a **worthwhile choice** because it **directly improves the departing employees' chances of quickly securing new employment**, reducing the financial and personal stress of losing their job. It also **benefits the business**: by showing that it treats departing staff with care, the business **protects its reputation** as an employer and **reassures the employees who remain** that they too would be supported, which helps **maintain their morale and loyalty**. Because it helps both the leavers and the business's ongoing culture, outplacement is a justified form of transition support.

Q19. *Model response (10 marks).* Termination is the ending of the employment relationship, and it can take four forms: **retirement** (the employee voluntarily leaves the workforce), **resignation** (the employee voluntarily leaves for another opportunity), **redundancy** (the business ends the role because it is no longer required, either voluntarily or involuntarily), and **dismissal** (the business ends the employment for cause, including summary dismissal for serious misconduct). Alongside the form of termination, a business must manage **entitlement considerations** — what the employee is legally owed, such as final pay, accrued annual and long-service leave, notice, redundancy pay and superannuation — and **transition considerations** — the support offered to help the person move on, such as counselling, redeployment, outplacement, references and financial or retirement advice. How a business handles these elements has causal effects on both the departing employees and the business itself.

For the **departing employee**, the effects flow directly from how the termination is handled. Paying **entitlements** correctly and promptly protects the person's **financial security** as they move between jobs or into retirement, while **transition support** such as outplacement or retirement advice affects **how quickly and confidently** they can rebuild their working life. The **manner** of termination matters too: a redundancy handled with honesty and support preserves the employee's dignity, whereas a dismissal carried out without a valid reason or fair process is experienced as **harsh and unjust** and may lead to an **unfair dismissal claim** with the Fair Work Commission.

For the **business**, the effects run through **reputation, legal exposure and the remaining workforce**. Managing termination well — genuine redundancies, valid and fair dismissals, full entitlements and meaningful transition support — reduces the risk of **costly unfair dismissal claims**, protects the business's **reputation** as a fair employer, and signals to the employees who **remain** that they would be treated fairly, which **sustains their trust, motivation and loyalty**. Managing it poorly produces the opposite chain: **legal disputes and penalties**, **reputational damage** that can affect the ability to attract staff and customers, and **anxious, demotivated remaining employees**, some of whom may resign. In this way the four forms of termination and the two sets of considerations are linked through a causal chain: the **decisions and processes** a business chooses shape the **experience of the departing employee**, which in turn shapes the **legal, reputational and cultural outcomes** for the business. Because these relationships run in both directions and affect people well beyond the individual leaving, **how** a business manages termination is indeed as consequential as the decision to terminate itself. *(Full marks require: accurate coverage of the four forms of termination plus entitlement and transition considerations; sustained analysis of causal relationships — not a list of pros and cons — showing effects on both the departing employees and the business; and a coherent, well-structured response.)*

Q20. When a business winds down its operations the **positions are no longer required**, so the affected employees are **made redundant**: the termination is caused by the **job disappearing**, not by anything the employees have done, which is what separates redundancy from dismissal. That form of termination determines what must then be managed. **Entitlement considerations** are what the employee is **legally owed** under the **National Employment Standards**, any applicable award or agreement and the **employment contract — final pay** for hours worked, **accrued (untaken) annual leave** and **long-service leave** where the employee qualifies, the required **notice** (or pay in lieu), **redundancy (severance) pay** calculated on **length of service**, and outstanding **superannuation**. Redundancy pay is owed here precisely *because* the terminations are genuine redundancies; it would not be owed on a resignation or a summary dismissal for serious misconduct.

The Qenos situation shows why these obligations dominate a termination carried out at scale. Once administrators were appointed on **17 April 2024**, the treatment of employees' accrued entitlements became a central issue, and the mechanism proposed to resolve it — a **deed of company arrangement**, executed on **13 June 2024** — was designed to provide the funding for those pre-appointment entitlements, including redundancy. The scale reported in court proceedings, about $190 million across the group, indicates how large accrued entitlements can become in a business with long-serving employees. The relationship is therefore causal: the **form** of termination fixes **which** entitlements are owed, **length of service** fixes **how much**, and an insolvency makes plain that an entitlement is only actually met if the money to **fund** it exists. **Transition considerations** — outplacement, counselling, references — remain a separate matter: support offered to help people move on, rather than a legal debt. *(Full marks require: the form of termination identified as redundancy with the reason given; at least three entitlements named and linked to their legal source and to length of service; and causal analysis connecting the form of termination to what is owed and to how it is funded.)*