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91379



Level 3 Business Studies, 2014

91379 Demonstrate understanding of how internal factors interact within a business that operates in a global context

2.00 pm Wednesday 19 November 2014 Credits: Four

| Achievement | Achievement with Merit | Achievement with Excellence |
|---|--|---|
| Demonstrate understanding of how internal factors interact within a business that operates in a global context. | Demonstrate in-depth understanding of how internal factors interact within a business that operates in a global context. | Demonstrate comprehensive understanding of how internal factors interact within a business that operates in a global context. |

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.

Refer to relevant business knowledge and/or Māori business concepts in your answers.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–15 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

General Resource

Genstar Software is a payroll software firm operating out of South Auckland. It has a team of software developers, and also an administration/marketing team; all staff work at the same premises.

Genstar Software targets firms in the domestic and Australian markets. Over the last 10 years it has increased sales to the stage where it is now the market leader in both New Zealand and Australia. It is now looking to expand further.

QUESTION ONE: Innovation

Use the information in the General Resource above, and in the boxes below and on page 4, in addition to your business knowledge, to answer this question.

Genstar Software has recently developed a strong interest in the North American market. The software development team has been working on a product, and has made significant progress in meeting the requirements of that market. A new feature that links into the government tax department in the United States has proved very popular with users in the USA. But recently they have begun to experience setbacks, particularly in regard to a function within the payroll package that gives police access to employee information. This function has not been popular with users.

| (a) | Discuss the role of innovation in modern business. In your answer: use an example from <i>Genstar Software</i> to explain the term "product innovation" fully explain ONE reason why being innovative is important for <i>Genstar Software</i> 's long-term growth. |
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The CEO of *Genstar Software* recently attended a conference on innovation. The speaker at the conference suggested that three strategies are essential if a culture of innovation is to be sustained in an organisation:

- 1. Rewarding risk-taking.
- 2. Tolerating mistakes.
- 3. Insisting on open communication.
- (b) Select ONE strategy from the box above, or any other strategy suitable for a New Zealand business operating in global markets. Evaluate whether the implementation of the selected strategy is likely to result in *Genstar Software* achieving a culture that supports innovation. In your answer:
 - fully explain ONE positive and ONE negative impact that the implementation of the selected strategy may have on the culture of *Genstar Software*
 - provide a justified conclusion as to whether the implementation of the selected strategy is likely to result in *Genstar Software* achieving a culture that supports innovation.

| Selected strategy: |
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QUESTION TWO: Intellectual property

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Use the information in the General Resource on page 2 and in the box below, and your business knowledge, to answer this question.

Genstar Software is keen to release its new, enhanced payroll software, but is aware that intellectual property theft is very common. The marketing director has consulted an intellectual property lawyer, who is currently investigating the appropriate intellectual property protection for Genstar Software's payroll product.

The lawyer has suggested that *Genstar Software* will also need intellectual property protection over some of its other intangible assets, such as its branding. The lawyer is particularly interested in investigating protection for the *Genstar Software* logo to prevent unauthorised copying.

(a) Discuss the importance of *Genstar Software* using trademarks as a form of intellectual property protection.

In your answer:

| oxpiani tro torri interioctaar property | • | explain | the | term | "intellectual | property" |
|---|---|---------|-----|------|---------------|-----------|
|---|---|---------|-----|------|---------------|-----------|

| use an ex to protec | xample to fully explain how <i>Genstar So</i> t its intellectual property. | ftware would benefit from a tradem |
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Question Two continues on page 8≻

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(b) Evaluate the likely outcomes for a New Zealand firm operating in a global context that you have studied in depth, of an investment in international intellectual property protection, **other than a trademark**. This could be an investment in international intellectual property protection that has happened previously, or may happen in the future.

In your answer:

- select the type of intellectual property protection the company has used, or may use
- fully explain ONE positive and ONE negative outcome of the company obtaining the selected intellectual property protection on a global level
- draw a justified conclusion as to whether the purchase of the intellectual property protection by the firm would be likely to lead to improved long-term performance.

| Name of New Zealand- | |
|----------------------|--|
| | |
| registered business | |
| Good(s) sold or | |
| Good(s) sold of | |
| service(s) provided | |
| | |
| Type of intellectual | |
| property protection | |
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QUESTION THREE: Investment appraisal

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Use the information in the General Resource on page 2, the box below, and the table on page 12, in addition to your business knowledge, to answer this question.

The board of *Genstar Software* has a difficult decision to make. To grow their business further, the company needs to expand into North America. This means they will need to set up an office in an appropriate location.

Genstar Software has found two possible locations. Their initial market research suggests that Los Angeles is the largest market, and it is currently lacking specialist online payroll software providers for small to medium businesses. This is the market to which Genstar Software's products are ideally suited.

The second option, Santa Clara Valley (Silicon Valley), is a smaller potential market, but it is the technology capital of North America. *Genstar Software* is likely to be able to source low-cost funding there.

The management has to carry out an investment appraisal comparing the two locations.

- (a) Discuss the use of average/accounting rate of return for investment appraisal. In your answer:
 - explain the purpose of investment appraisal

| • | fully explain ONE benefit of using average/accounting rate of return as an investment appraisal tool. |
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Question Three continues on page 12≻

Essential information from the investment appraisal is summarised in the table below.

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| Location | Payback period | Net Present Value (NZ\$) |
|--------------------|----------------|--------------------------|
| Los Angeles | 5 years | \$3.4 million |
| Santa Clara Valley | 4 years | \$2.2 million |

(b) The CEO believes that the Santa Clara Valley is the better location for *Genstar Software*'s expansion into North America. Evaluate this decision.

In your answer:

 use the information in the table above to fully explain ONE advantage and ONE disadvantage to Genstar Software of setting up their new North American office in Santa Clara Valley

| | Santa Clara Valley | | | | |
|---|--|--|--|--|--|
| • | draw a justified conclusion as to whether the choice of Santa Clara Valley is the right option for <i>Genstar Software</i> 's new North American office. | | | | |
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