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3

91379



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
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SUPERVISOR'S USE ONLY

Level 3 Business Studies, 2015

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

2.00 p.m. Tuesday 24 November 2015
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.

There is ONE task in this booklet. You should attempt ALL parts of the task.

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 2–10 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.

Low Achieved

TOTAL

3

ASSESSOR'S USE ONLY

Use the background information below, the supplementary information in the other boxes, and your business knowledge to complete this task.

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Moa Campers is a New Zealand-based company that has been listed on the New Zealand Stock Exchange since 1994. It has grown in size to be the largest manufacturer of holiday vehicles in New Zealand, Australia, and South Africa. It intends to move its campervans into the South East Asian market in the near future. There is a growing market for travel in this region, and there are rumours that a French firm will soon be selling campervans there.

The production department is generally made up of highly skilled staff who have worked in the business for a long time.

Image source: <http://www.campervan.co.nz/images/MICRO-Alpha/Campervan%20Fleet/2Berth-Cutaway.jpg>

The Production Manager prides herself on the quality control policies that *Moa Campers* has used for a number of years. However, recently the sales team has been receiving a number of complaints about the quality of the campervans. There has also been a growing number of negative consumer reviews online. It has become obvious to senior managers in the business that there is an issue with quality management in the production department, and that something has to be done.

- (a) Fully explain how ineffective quality management at *Moa Campers* might impact on profitability in the New Zealand and Australian markets.

In your answer, refer to:

- the impact that ineffective quality management would have on brand loyalty in the New Zealand and Australian markets
- the consequences for profitability of *Moa Campers*.

Producing and selling poor quality products; such as campervans can have major impacts to New Zealand and Australian Markets. This is because it can negatively effect the consumer base aswell as other companies producing similar products. This can also affect the profitability in the Australian and New Zealand markets, this is because due to ~~to~~ the company having so many negative complaints their income is going to decrease effecting the countries economy. These quality issues could also have an impact on the company itself, due to so many complaints and unhappy clients, Moa Campers sales could reduce significantly causing the business to also have monetary problems. Also Moa Campers could lose it's close link with the Australian campervan Market.

The CEO and Production Manager recently attended a conference which focused on improving New Zealand business competitiveness. The CEO spent a lot of time hearing about case studies of innovative New Zealand businesses.

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- (b) Fully explain ONE example of successful innovation by a New Zealand firm operating in a global context that you have studied in depth.

In your answer:

- discuss whether it is an example of product or process innovation
- fully explain how the innovation has enabled the firm to be competitive.

Name of New Zealand-based business	Gallagher
Innovation	Farming Products

Gallagher's is a unique business which was formed in New Zealand, but now has become a global sensation. Gallagher's is an example of product innovation as they continuously develop farming products such as electric fences, smart standards, to improve farming in New Zealand and aid farmers' needs. Gallagher's products have all been placed under IP laws such as trademarks, copyrights and patents to ensure their products are unique on a global market, having these IP laws also allows them to be competitive but also their innovation has as well, it has allowed them to source new ideas to keep customers happy and coming back. An example of this is that in New Zealand we use the electric fence to contain animals in a particular area, however in South Africa they use it around prisons to stop inmates from escaping.

While the CEO looked at innovation, the Production Manager spent much of her time at the conference looking at quality management. She was very interested in the following quality management strategies:

Quality Assurance

Kaizen

Quality Circles

- (c) Select ONE of the quality management strategies from the box above, and evaluate this strategy for its potential to improve quality management at *Moa Campers*.

In your answer:

- explain the chosen strategy in the context of *Moa Campers*
- fully explain ONE positive and ONE negative effect of this strategy for production
- provide a justified conclusion, including any new information, as to the suitability of this strategy for *Moa Campers*.

Selected strategy: Quality Circles.

Quality Circles is a management strategy that involves small groups of people (6-10) coming together to discuss the quality of the product and what can be done to improve it. This strategy is an inclusive style and could positively benefit Moa Campers, this is because it will involve an opinion from a bunch of people not just one and may give the production manager some new ideas on how to improve the quality of the campervans.

A positive attribute this quality management strategy will have on Moa Campers as well as the staff there, is that it gives the group a chance to communicate and participate in the decision of new ideas and reducing the

More space for this answer is available on the next page.

risk of having angry staff members, it also gives staff from different areas of the company to have an opinion in the production of their campervans - the collection of collaborative ideas may help the production ^{manager} come up with her final solution, to improve the quality of the campervans. However a negative attribute ^{the} quality management strategy could have on Moa Campers and staff is that the selected group of people may not get along very well, therefore disagree with each others opinions which makes the meetings very unuseful and time consuming. It also could impact the production of the campervans ~~as~~ ~~it would~~ as no progress ~~it~~ would have been made meaning the campers are still been produced the same. Staff may also resist to change.

However despite the potential negative impacts quality circles is a beneficial strategy ~~is~~ to Moa Campers as it will help them provide a justified answer and solution that can help improve the production of their campervans, to ensure their quality is restored. Thus will also help them in the competitive Global markets and increase any potential income.

The potential change in quality management strategies has created some concern amongst workers, some of whom have been outwardly resistant. Senior managers recognise they will need to implement a change management strategy.

- (d) Evaluate a change management strategy that the leadership team at *Moa Campers* could implement to overcome the resistance to change.

In your answer:

- describe the change management strategy
- fully explain ONE benefit and ONE cost of the change management strategy
- provide a justified conclusion, including any new information, as to the suitability of this strategy for *Moa Campers*.

Change Management is the process in which a business implements change to improve and/or differentiate the company from other competitors in the same market. However change can often cause ~~the~~ resistance ~~to change~~ (inertia) amongst staff. In order for Moa Campers to avoid staff been resistant to change in order to improve quality within production, they will need to ~~partly~~ prepare effective strategies to avoid this obstacle. An appropriate change management strategy for Moa Campers is communication, this reduces the risk of inertia as well as informs staff of the changes that may take place.

A benefit of using communication as a change management strategy is that it means that all staff members are informed about the change before it takes place, making them feel more relaxed and as if they are

More space for this answer is available on the next page.

are apart of the change process, this also means that the CEO and production manager are ~~offering~~ using a democratic leadership style and ~~and~~ by this are offering their staff support and guidance through the period of change. Thus reducing the risk of inertia. However a cost of using communication as a change management strategy is that it can be very time consuming due to different circumstances such as absences. This may mean some staff may not be at the meeting or recieve the email, leaving confused and stressed on their return.

Using communication as a change management strategy is ultimately ideal as it allows ~~the~~ the company to discuss the potential change that may occur. This also gives the CEO and production manager the opportunity to support their staff and reduce the risk of inertia. This strategy allows all staff to be involved and prepared, before change takes place.

Low Achieved exemplar for 91379, 2015		Overall score: A3
Q part	Annotation	
(a)	The candidate did not explain the impact on brand loyalty/profit. The stated answer provided only partial explanation.	
(b)	The candidate provided a number of examples of innovation for the chosen business (Gallagher), rather than discussing one specific example.	
(c)	The candidate only explained the Quality Circles as a chosen quality management strategy, and explained the positive and the negative effect of the strategy.	
(d)	The candidate described the chosen change management strategy and the negative effect. However, the candidate got off topic when explaining the positive effect by providing explanation that was not required. The answer was not structured well.	

91379



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High Achieved

TOTAL

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Moa Campers is a New Zealand-based company that has been listed on the New Zealand Stock Exchange since 1994. It has grown in size to be the largest manufacturer of holiday vehicles in New Zealand, Australia, and South Africa. It intends to move its campervans into the South East Asian market in the near future. There is a growing market for travel in this region, and there are rumours that a French firm will soon be selling campervans there.

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The Production Manager prides herself on the quality control policies that Moa Campers has used for a number of years. However, recently the sales team has been receiving a number of complaints about the quality of the campervans. There has also been a growing number of negative consumer reviews online. It has become obvious to senior managers in the business that there is an issue with quality management in the production department, and that something has to be done.

- (a) Fully explain how ineffective quality management at Moa Campers might impact on profitability in the New Zealand and Australian markets.

In your answer, refer to:

- the impact that ineffective quality management would have on brand loyalty in the New Zealand and Australian markets
- the consequences for profitability of Moa Campers.

Quality management is key in a business' success in markets. When quality management fails, it causes many issues for business' as customers become unsatisfied. Moa Campers have gained brand loyalty over the years as they've had success in NZ and Australia, however this brand loyalty is going to decline and mean little to customers who are given products that are of bad quality. Trying to ensure that products leave and are given to customers at a high quality - means brand loyalty is going to decrease because customers are given faulty, low-quality products and a bad word of mouth spreads. The NZ and Australian markets will purchase elsewhere and there is no guarantee they will regain loyalty with Moa Campers - therefore profitability is going to decrease. Moa Campers are going to become less profitable as bad quality has negatively affected brand loyalty and has resulted in a loss of customers, which means they will become less profitable and are likely to lose money until their quality management has been improved.

The CEO and Production Manager recently attended a conference which focused on improving New Zealand business competitiveness. The CEO spent a lot of time hearing about case studies of innovative New Zealand businesses.

- (b) Fully explain ONE example of successful innovation by a New Zealand firm operating in a global context that you have studied in depth.

In your answer:

- discuss whether it is an example of product or process innovation
- fully explain how the innovation has enabled the firm to be competitive.

Name of New Zealand-based business	Air New Zealand
Innovation	Self - check - in kiosks

An example of successful innovation is Air New Zealand's new check in process that is a result of innovation. The process of innovation involves people being able to quickly gain their flight details and such through quickly working with technology to gain info, rather than queuing to talk to a person behind a desk. Although it is not a new product - it is an innovative new process that is much faster and efficient. This use of innovation has allowed Air NZ to be competitive as they have gained new technology that is easy and fast to use and therefore more people will be swayed to use this new process because it is more advanced and people are often in a rush at airports. It gives competitive advantage over airlines that force consumers to line up and wait for someone to use a computer with your details - when with Air NZ - you can do it yourself.

While the CEO looked at innovation, the Production Manager spent much of her time at the conference looking at quality management. She was very interested in the following quality management strategies:

Quality Assurance

Kaizen

Quality Circles

- (c) Select ONE of the quality management strategies from the box above, and evaluate this strategy for its potential to improve quality management at Moa Campers.

In your answer:

- explain the chosen strategy in the context of Moa Campers
- fully explain ONE positive and ONE negative effect of this strategy for production
- provide a justified conclusion, including any new information, as to the suitability of this strategy for Moa Campers.

Selected strategy: A possible strategy for Moa Campers improve quality management would be for the Production manager to use quality assurance in the business. This would mean that Moa Campers has strategies set in place throughout the business - in every stage of the production process to ensure that no product is sent to the next stage without quality being maintained. ~~It also means less~~ This means quality will be a priority for the whole business so focus on as they produce the items for Moa Campers - every employee will be maintaining quality while also looking for any faults that creep into the next part of the production process. A positive effect of this strategy for production will be that there will be much less wastage throughout the production process and therefore - less money will need to be spent fixing any issues that were made during the process. Less wastage means less time wasted and less money.

More space for this answer is available on the next page.

needs to be used to make new products or wasting stock to make new products. This is positive as the business will not lose money (and) will regain brand loyalty as they begin to produce quality products once more → increasing profitability.

A negative impact of this strategy for production will be that it may take a long time to make employees comply with a new business culture in which quality is a priority and embedded into the minds of each employee. A lot of time may be used up trying to teach employees how to sustain quality at each level of the production process and therefore lots of time may be used for each employee to understand this new concept and quality issues may take a long time to weed out in Moe Campers. This strategy, however, would seem to be most suitable for Moe Campers, as although it may take some time to set in place - it will mean quality is guaranteed through each stage of production as it is unlikely quality issues will arise again with this new technique and they can gain back lost customers. This overrules strategies such as quality control, Kaizen and quality circles - as it involves a culture where quality is constantly assured in every stage and teaches employees to learn quality is not an option but is what keeps customers coming and helps Moe Campers survive -

The potential change in quality management strategies has created some concern amongst workers, some of whom have been outwardly resistant. Senior managers recognise they will need to implement a change management strategy.

- (d) Evaluate a change management strategy that the leadership team at Moa Campers could implement to overcome the resistance to change.

In your answer:

- describe the change management strategy
- fully explain ONE benefit and ONE cost of the change management strategy
- provide a justified conclusion, including any new information, as to the suitability of this strategy for Moa Campers.

A change management strategy that senior managers could take would be a democratic management strategy. This would also involve management using a very supportive approach in which they transition employees easily from their current state to their desired state. Taking a democratic approach, relates to managers allowing open suggestions from employees and negotiating to come to an agreed change that employees can understand. This will mean the manager needs to be open to accepting some of the employees' wants also, in order to help them make the change without scaring employees. A benefit of using this approach will be that the employees feel that they have had a say in how their jobs will be once they change and they will have had a fair amount of influence. Being included in the decision making is going to show they are being heard and they will be supported - allowing them to more easily adapt ~~to~~ and enjoy that they've made crucial decisions that have been accepted. A cost of this strategy however, will be that managers will have to agree to some

More space for this answer is available on the next page.

the ways that the employees want change - in order for the democratic strategy to work and for employees to hold trust that their employer is taking their emotions into account also and cares about the job they are doing. This may mean managers have to agree to some ideas to help people accept the change in an easier way. If they reject all ideas - employees will lose trust and perhaps become even more resistant. This strategy is suitable for Maa Campers as it needs many employees to remain with their jobs at high quality and allows them to have a say on how drastically their job is being changed. This will show a good use of democratic leadership as the senior managers demonstrate ranginatalanga by exercising leadership and guardianship to sustain the business. This strategy allows all members to have a degree of control and will not mean that employees need to have concerns or fears.

A4

High Achieved exemplar for 91379, 2015		Overall score: A4
Q part	Annotation	
(a)	The candidate has only explained the impact on brand loyalty/profit. The stated answer provided a very weak link between brand loyalty and the profitability of <i>Moa campers</i> .	
(b)	The candidate explained a valid example of innovation for the chosen business. However, the stated answer provided only a partial explanation of how the innovation will make the firm (Air New Zealand) more competitive.	
(c)	The candidate only explained the Quality Assurance as a chosen QM strategy and explained the positive and the negative effect of the strategy. A full explanation would have used more formal business language (rather than the commonly used statement "less money"), and would have structured the answer more effectively. In the conclusion the candidate failed to fully explain the comparison with any of the other strategies listed in the answer.	
(d)	The candidate described the chosen change management strategy and the positive effect. However, the candidate got off topic when explaining the negative effect by providing explanation that was not required. The conclusion did not have any new or relevant information.	