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91379



NEW ZEALAND QUALIFICATIONS AUTHORITY
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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.

Excellence

TOTAL

7

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*.

Ineffective quality management has led to poor quality of *Moa Campers* product. This would lead to the decrease in brand loyalty for *Moa Campers*, as having campervans that do not meet the expected standard will cause customers to lose trust in the product and thus the business of Moa Campers. If consumers do not trust the business, they will no longer be loyal to them and continue purchasing therefore creating a loss of brand loyalty.

Poor Quality management will create an increase in costs for *Moa Campers*. This is because they will have to invest more capital into replacing aspects of their campervans that aren't up to standard. This increase in costs will decrease *Moa Campers* profit margin therefore decreasing their profit.

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	Sky Couch

Air New Zealand have recently displayed product innovation through creating a new form of seating called a sky couch. This is product innovation as they have created a completely new object for passengers to sit on without making any changes to the production line (aside from introducing the new design of "sky couch").

This innovation has given Air New Zealand a competitive advantage by differentiating itself from the market. By creating a product that no other airline has, Air New Zealand will stand out from the market and thus gain a better brand image, as consumers can see that they are working harder to cater to their needs. Because of this, more customers would be likely to go to Air New Zealand over other businesses, therefore giving them a competitive advantage, thus making them competitive.

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 Assurance.

Quality Assurance would involve Moa Campers making every employee responsible for quality management. It would involve Moa Campers focusing on quality as they build their campervans as opposed to inspecting it for quality after it's built.

One positive effect of Quality assurance is that it can be motivating for staff. By involving each member with the added responsibility of ensuring quality creates Job enrichment, it is showing the staff of Moa Campers that they are being trusted with extra responsibility, therefore, this motivates staff to work harder leading to an increase in production for Moa Campers.

One negative effect of quality assurance is that it can increase costs for Moa Campers. This is because staff will have to go through training to teach them how to

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

inspect for quality meaning that they will have to have time out of their Jobs to attend these sessions. Having time out of their normal Jobs could create a slow in production meaning that less campervans will be produced. Consequently this will cause an increase of costs for Moca Campers as they will have to pay extra wages to employees to work additional hours and produce the original target number of campervans. //

Although quality assurance will create an increase in costs for the short-term, I believe that this quality management strategy is still suitable for Moca Campers as the long term benefits to costs outweighs the short-term increase in costs it creates. This is because by implementing quality into the production of the product means that quality assurance results in no campervans that will be of poor quality. This means that Moca Campers will save a significant amount of cost in the long term as they will not have to put money into repairing poor quality campervans. Therefore outweighing the initial increase of costs associated with introducing quality assurance. //

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 manage strategy that Moa Campers could implement is a Democratic strategy. This would involve staff meetings informing staff of the reasonings behind the change and why it is important. //

One benefit of using a Democratic Style is motivating employees. This is because by involving them with decisions and meetings, it allows them to feel like they have a say with the new quality management strategy. By doing so the employees of Moa Campers will feel trusted and thus motivated to undergo the change. Consequently meaning that staff resistance for the change will decrease hence Moa Campers will encounter less problems when undergoing the change in quality management making it less timely. //

One negative aspect of using a democratic leadership style is that it can be costly. This is due to the fact that staff will have to take time out of their work to attend discussions, potentially causing a decrease in production. This decrease in production will. //

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

adversely affect production costs of Moca camping as they will have to invest more capital into making the targeted quota of campervans as staff will have to be paid more overtime.

Although a Democratic strategy can increase staff motivation, I feel it is not suitable for Moca Campers particularly. This is because Moca Campers is a large multinational business which sells its campervans in three countries. Because of this, it means they will have a large number of staff. This large number of staff will mean the meetings and discussions involved with a democratic strategy will take a significant amount of time to involve all employees. Furthermore, the costs associated with all the employees having to take time off their work would be too significant to be covered by the increase in workrate and the motivation of the strategy offers.

E7

Excellence exemplar for 91379, 2015		Overall score: E7
Q part	Annotation	
(a)	The candidate has fully explained the impact on brand loyalty/profit.	
(b)	The candidate has explained a valid example of innovation (Sky Couches) for the chosen business, although the explanation of why this is an example of product innovation is weak. The candidate has fully explained how the innovation will make the firm (Air New Zealand) more competitive by differentiating itself from the market (competitors), hence expanding its customer base.	
(c)	<p>The positive and negative effects are both fully explained. The strategy (Quality Assurance) will increase staff motivation as a result of job enrichment/more responsibility (explained). These employees will work harder, increasing overall production (fully explained).</p> <p>The negative effects are fully explained in a similar manner. The production cost may increase due to higher training costs from teaching workers how to inspect for quality (explained). This leads to slower production, because employees are out of their jobs to attend training sessions (fully explained).</p> <p>This answer reaches Excellence, because the conclusion provides the long-term cost benefit analysis of the selected strategy.</p>	
(d)	The positive and negative effects are both fully explained. This answer does not reach Excellence, because the conclusion repeats the same arguments – it is a summary rather than a justified conclusion.	