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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.

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Low Merit

TOTAL

5

ASSESSOR'S USE ONLY

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 may cause brand loyalty to decrease as customer satisfaction decreases. This has caused new customers to avoid the company as the products quality is not up to par, therefore leading more customers to switch loyalty with their competitors. Ineffective quality management may also tarnish the company's reputation, causing more customers to avoid the company.

As customers begin to shift loyalty, this leads to less sales for Moa Campers. Therefore leading to less profit in the long run. Lower quality may also cause more faulty products to return, leading to higher cost as faulty products need to be replaced. Thus making Moa Campers less profitable, in the long run. As the company becomes less profitable, this leads to less investors in the company, causing Moa Campers to have trouble expanding into other markets.

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 couches

Air New Zealand recently implemented their new Sky Couches in their airplanes. This is an improved seating for their customers in a more comfortable seating than before. Since it's only improved the seating and not the entire journey to their location, it could be considered a process innovation as it improves the experience of flying rather than the trip itself.

Using sky Couches allows Air New Zealand to target their market better as a premium economy airline. Improving the seatings of the plane will allow more customers to be more satisfied thus creating brand loyalty. As more customers seek better experience, this allows Air New Zealand to capture more market share through promoting the Sky Couches. In the long run, Air New Zealand would be more profitable as they offer a better service, causing more brand loyalty. This leads to higher sales and profit which could be used to reward shareholders.

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: Kaizen

Kaizen is the incremental change in production until a goal is reached. This is done by improving parts of manufacturing one at a time in the medium term.

Kaizen may see Moa Campers to improve on the quality of vehicles by slowing and making changes to production. This leads to higher morale in the long run, as changes are not sudden and drastic, therefore making productivity higher which could improve the company's quality. Higher quality will allow Moa Campers to acquire brand loyalty and more customers overtime.

A negative side of kaizen is that the change would be slow. This creates a situation where competitors could

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gain market share from Moca Campers by promoting better quality products. This then leads to Moca Campers being less profitable as competitors gain more customers from Moca Campers.

Although in the short term Moca Campers may see less / lower sales and profit, in the long run, customers may return to the company as the quality starts improving. Kaizen also allows Moca Campers to be less risky, as changes only happen on a small scale. Therefore if the change fails, then Moca Campers wouldn't take a big financial cost, thus making Moca Campers more likely to be more sustainable as they are more adaptable than their competitors. This leads to investors investing in the company as it is seen as a safer option. Therefore causing more capital for Moca Campers to fund future projects.

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*.

Retraining could be used to overcome resistance to change. Retraining would see all staff members learning the change while asking questions about the change.

Retraining staff would see all staff members to be exposed to change. This could see any misconception of change to be corrected through the process. Therefore retraining could boost employees' morale as more staff members are more confident in the change. Higher morale would see higher productivity in the long run. This causes sales and profit to increase, making Moa Campers more profitable, which the newer profit could be used to reward staff through bonuses leading to again higher morale.

Retraining staff would bear high initial financial cost. This causes the company to be less profitable as it leads to cost being higher than sales. This could lead to less investors investing in the company; which could

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

cause the financial department to bear more stress leading to low morale which leads to lower productivity in the company. Although in the initial stage retraining may cause low morale and high cost in the long run, the benefits could outweigh the cost, therefore in the long run, profit should be higher which allows Maa Campers to expand into other markets. This could cause Maa Campers to be more sustainable as their profits are spread out to different markets.

M5

Low Merit exemplar for 91379, 2015		Overall score: M5
Q part	Annotation	
(a)	The candidate fully explained the impact on brand loyalty /profit. Ineffective Quality Management may cause brand loyalty to decrease as customer satisfaction decreases, leading more customers to switch loyalty to the competitors (explained); the impact on the business is reduced sales, leading to lower profitability in the long run (fully explained).	
(b)	The candidate has explained a valid example of innovation (Sky Couches) for the chosen business. The candidate has fully explained how the innovation will make the firm (Air New Zealand) more competitive by targeting premium economy passengers, hence expanding market share and making the firm more profitable in the long run.	
(c)	The candidate was unable to provide an explanation of what Kaizen is, and consequently failed to explain the positive and the negative effect of the strategy. The stated answer provided only partial explanations.	
(d)	The candidate explained the cost and benefit of the change management strategy (retraining), but not necessarily the one that might overcome resistance to change.	

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High Merit

TOTAL

6

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.

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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 done by using Moa Campers Quality control policies. Moa campers will set benchmarks that the campervans need to meet.

Because of these controls Moa Campers are able to consistently create a quality product that they can sell to consumers. By consistently creating a high quality product customers of Moa campers will choose Moa Campers over other Campervan companies. This creates a good brand image for Moa Campers, as being a high quality product, and therefore will create brand loyalty from their customers.

Once Moa Campers have lost their high quality image, customers of Moa Campers will choose other campervan companies over Moa Campers, as the other businesses will have a better quality product. This will destroy Moa's brand loyalty as their customers will look elsewhere for campervans. With the loss of loyal customers and the damage done to Moa's brand image of being high quality.

Moa will lose customers and therefore sales revenue.

This will decrease Moa Campers profitability as expenses will stay the same while income falls.

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	Blokart
Innovation	A family friendly land yacht .

Blokart have shown product innovation as they have improved the previous invention of a land yacht, by making it easier to carry, assemble, and use. Blokart have used their brilliant product innovation as their unique selling point. Because land yachts can be hard to control, and are usually large and tricky to assemble. Blokart saw a gap in the market, and improved the land yacht to become more family friendly. This meant they were looking to a larger target market as their product, and could be used by any adventurous 12-70 yr old. By having a larger target market and a unique selling point, Blokart are able to remain competitive in a domestic market and into foreign markets. With the unique selling point, they are able to "steal" customers from other land yacht companies, while being able to reach untouched potential customers with their larger target market. All these things increase Blokart's customer base, and therefore increase sales, which helps Blokart become a more profitable business and allow them to continue to innovate and remain 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 circles

Quality circles are a group of chosen workers who meet on a regular basis and work/discuss how improvements could be made to the production process, to improve quality and efficiency.

A positive of quality circles is the increased motivation for employees. A Quality circle gives power to employees to make the work space better. This can motivate employees, as they feel that they are improving the business and helping with their new responsibility. These motivated employees not only work harder, but also set good examples for other employees, and will send good vibes through the company. This will increase productivity while also making work enjoyable. The increased productivity will allow Moa to pump out high quality vans using feedback from the employees, and the better work atmosphere will

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

help to retain skilled workers, meaning less time will need to be spent training new employees brought in to replace ex-employees. //

A negative of Quality circles is that they disrupt the flow of the production process, and this can decrease efficiency. //

By taking employees out of the workforce to have a meeting about the improvement of production and quality can slow the production process, as there are gaps in the workforce, where employees are no longer there so other employees may need to fill in. This will slow down productivity for Moa Campers as their production process will be less efficient for a period of time every few weeks. The lack of efficiency could cost Moa as they are paying the same expenses for less output, which will hurt Moa's profitability. //

A Quality would be an effective Quality management idea as employees will work harder to create a better product because their peers have sorted out any faults in the system. There will be an increase in motivation as employees will be given new opportunities of Rongatiritanga (leadership). Although there is the negative of shortterm productivity issues, the overall longterm increase in motivation will cause the short-term productivity to be outweighed by the longterm productivity and Quality benefits. Moa Campers will be well off for including Quality circles into their Quality management policies. //

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*.

Consultation is a pull change management strategy where employees are consulted in a democratic manner, allowing feelings and concerns to be expressed so Moa Campers can address any concerns or issues to help employees come to terms with the new quality management strategies.

This change management strategy will cost Moa campers a lot of time and may slow productivity while the changes are implemented. Consultation requires talking between senior management and floor level employees. This can take time as most concerns from the employees will need to be expressed and then addressed by the managers and employees in leadership roles. As previously mentioned, Quality circles can cause short-term productivity issues and these productivity issues will be increased by employees not understanding the changes being made. The consultation process is slow and that will decrease productivity of Moa Campers while the changes are implemented, meaning

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

there will be short-term costs for Moa by consulting their employees on the changes. This will cause a decrease in output of campervans, which will lower Moa's sales and inturn decrease profitability.

A strong advantage of being consultive and pulling, not pushing, employees into the changes will mean there will be less staff turnover and resistance, usually when there are big changes in businesses staff, and are reluctant to change with it as the culture (way things are done) of the company will change. By consulting with concerned staff that are resisting the changes, Moa Campers will be able to explain the changes and "sell" them on the ideas that are going to improve the company. This way employees will focus on the good changes, as they can understand what will be changing. This will make staff more willing to continue on in the company as they are ready for changes. With less staff turnover, Moa will be able to maintain the majority of the skilled workforce and not need to spend time and resources training up new employees. This will keep costs of the changes lower, and keep and understanding between employees and management.

Although the changes may be slow initially, this will help to ease the staff into the changes and maintain a higher percentage of current staff, than if staff were pushed into the changes. The consultation strategy demonstrates kaitiakitanga (guardianship or protection of resources, in this case, the workers of Moa), as Moa are looking after their employees and seeking to keep them in the business for future business years.

M6

High Merit exemplar for 91379, 2015		Overall score: M6
Q part	Annotation	
(a)	The candidate has fully explained the impact on brand loyalty/profit. By losing the high quality image, <i>Moa Campers</i> will lose customers who chose other campervan companies at the expense of <i>Moa</i> because the other businesses will have better quality product (explained). The impact on the business is reduced sales/revenue, leading to a decrease in profitability (fully explained).	
(b)	The candidate has explained a valid example of product innovation (Land Yacht) for the chosen business. The candidate fully explained how the innovation will make the firm (Blokart) more competitive by expanding their target market and taking some customers from competitors, hence increasing sales and making Blokart a more profitable business.	
(c)	<p>The positive and negative effects are both fully explained. The strategy (Quality Circles) will increase motivation for selected employees as a result of increased responsibility (explained). These employees will work harder, setting a good example for other employees, hence the increase in overall productivity (fully explained).</p> <p>The negative effects are fully explained in a similar manner. The production process may slow down due to gaps in the workforce as selected employees are no longer there and other employees may need to fill in (explained). This leads to loss of efficiency, hence may hurt <i>Moa's</i> profitability (fully explained).</p> <p>This answer is not Excellence, because the conclusion repeats the same arguments; it is a summary rather than a justified conclusion. Also, the long-term cost benefit analysis of the selected strategy is too weak.</p>	
(d)	<p>The positive and negative effects are both fully explained. The consultation process may be slow, because the concerns of the employees will need to be addressed by the managers (explained). This could lead to reduced productivity, and hence potential decreases in <i>Moa's</i> output of campervans, sales, and profitability (fully explained).</p> <p>The positive effects are fully explained in a similar manner. The strategy (consultation) will reduce staff turnover and resistance, because of the increased understanding of the change (explained). This will reduce the need to spend time and resources on training new employees, hence lower cost (fully explained).</p> <p>This answer is not Excellence, because the conclusion does not provide any new and/or relevant information.</p>	