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91380



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

Level 3 Business Studies, 2014

91380 Demonstrate understanding of strategic response to external factors by 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 strategic response to external factors by a business that operates in a global context.	Demonstrate in-depth understanding of strategic response to external factors by a business that operates in a global context.	Demonstrate comprehensive understanding of strategic response to external factors by 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.

Achievement

TOTAL



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QUESTION ONE: Multinational businesses

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

The New Zealand-owned and Hawke's Bay-based olive company, *Te Awanga Olives* has been bought by a United States-based olive grower.

California-based *Grove Ranch*, led by CEO Doug Freeman, has entered into a merger agreement with *Te Awanga Olives* to buy 100% of the shares in the olive-growing and processing company, whose products include the premium oil brands "Bay Press" and "Haumoana Extra Virgin".

Te Awanga Olives produces 150,000 litres of olive oil annually, but senior managers at *Grove Ranch* plan to introduce new processing technology within the next few years. *Grove Ranch* also has a marketing and distribution network in the United States and Europe, which would be a huge benefit to the New Zealand company in the future.

- (a) Discuss the decision by *Te Awanga Olives* to merge with a foreign-owned multinational such as California-based *Grove Ranch*.

In your answer:

- explain the possible impact on production
- fully explain a possible impact on future sales.

The decision by *Te Awanga Olives* to merge with a foreign-owned multinational company may be about the objective for the company to expand and also to be a known company that will eventually gain awareness by being bought by a United States-based olive grower. In terms of impact on production, since the decision of merging with a California-based company, *Te Awanga Olives* has been producing 150,000 l of olive oil annually. This figure shows the positive impact of the decision of merging companies. *Te Awanga Olives* can not just sell domestic but also have the potential to sell internationally. This would mean that the general net profit objective of the company would be higher than they expected. Along with the plans of introducing new processing technology and distribution network in the United States and Europe, this would have a massive impact on *Te Awanga's* future sales. By having new plans such as processing technology, this means that more and more amounts of olive oil

are able to produce which means even larger amounts of olive oil are to be sold not only within New Zealand but also potentially to the United States and Europe. Giving Te Anau Olives to expand as a NZ company. By having networks in United States and Europe, high demand of such good quality product would be sought after therefore leading to an impact on future sales. //

Question One continues on page 4▶

While many businesses, such as *Te Awanga Olives*, welcome mergers with foreign-owned multinational companies, some business leaders in New Zealand have become concerned that domestic markets could be dominated by foreign-owned businesses. They have seen a need to develop strategies to defend their domestic markets against international competition.

- (b) A "strategic response" means a business-wide reaction at multiple levels (size, scope, and timeframe). Evaluate a possible strategic response by a New Zealand-registered business operating in a global context, to the entry of a foreign multinational into the domestic New Zealand market.

In your answer:

- explain the chosen strategic response
- fully explain ONE positive impact and ONE negative impact of the strategic response
- draw a justified conclusion regarding the likely success of the strategic response to defend the domestic market of the business.

Name of New Zealand-registered company	<i>Air New Zealand</i>
Name of the foreign multinational	<i>Virgin Australia</i>

Air New Zealand is known for their great ^{cultural} awareness and customer service. However, one most known problem that customers / locals of New Zealand know is that their domestic and international flights tend to be very expensive. An obvious strategy would be to try and implement lower flight cost in order to keep loyal customers and also to have New Zealand's trust by preventing New Zealanders to choose other flight companies such as Virgin Australia. They could start by lowering flight costs within domestic flights to defend their domestic market as ~~the~~ domestic flights are often the main problem. One negative impact of this strategy is of course the effectiveness of this ~~decision~~ decision to decrease costs. If it's not effective, Air NZ would have a decrease of net profit. However the ~~likelihood~~ likelihood of this success is high as many NZers are passionate travelling to different parts of New Zealand so by achieving lower domestic

flights, the New Zealand company would definitely be able to defend their domestic market. //

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A3

QUESTION TWO: Cultural intelligence

Use the information in the boxes below and on page 8, and your business knowledge, to answer this question.

Doug Freeman and other senior managers from *Grove Ranch* travelled to New Zealand from California to take a closer look at their new purchase.

While in the Hawke's Bay, they were invited to visit a local Māori-owned olive oil business, *Hinu o Te Rākau*. The Chief Executive of *Hinu o Te Rākau* explained to Doug the distinctive nature of their business that grows all its products on tribal lands. Connections with the local Māori community help ensure a high-quality product and take into account the priorities of the local Māori. All staff feel a strong sense of belonging, and an involvement in something bigger than a company focusing purely on profit.

Local tikanga such as manaakitanga underpinned the mihi whakatau (Māori welcome) the visitors from *Grove Ranch* received. Doug was captivated by the speakers issuing welcomes in Māori, as well as the waiata (songs) that supported each speaker. Following the welcome, Doug's delegation was invited to join their hosts in a meal of locally grown produce.

Doug was impressed. The visit had highlighted that *Hinu o Te Rākau* operated out of the principles of whanaungatanga and as a result, focused employment on the local Māori community, and treating each stakeholder, such as customers and suppliers, as if they were a member of their family.

Definition of key Māori concepts

Tikanga: Tikanga is a body of practices or customs that implements tribal values and priorities.

Manaakitanga: Hospitality, generosity, care, respect, and giving. A group or organisation should be able to host and provide for people appropriately.

Whanaungatanga: An ethic of belonging or kinship. This principle acknowledges the importance of networks and relationships, and therefore of developing, managing, and sustaining relationships. It involves caring for and working harmoniously with others to achieve common goals. Whanaungatanga is expressed in a variety of ways in business settings – for example, culture, whānau-model systems and structures, support for and employment of whānau, use of whānau networks, and whānau support for the business.

- (a) *Hinu o Te Rākau* draws upon a range of tikanga in their day-to-day practices and longer-term strategies. Discuss how this is demonstrated in their initial contact with Doug Freeman and his group.

In your answer:

- explain the role of manaakitanga in the Māori welcome given to Doug and his colleagues
- fully explain ONE impact of demonstrating whanaungatanga in the initial contact with Doug and his colleagues.

Manaakitanga in the Māori welcome given to Doug and his colleagues represents *Hinu o Te Rākau* being open and accepting the presence of a foreigner. This welcoming ceremony is an opportunity for both parties to know each other, but most importantly for Doug to experience Māori culture. By being hospitable towards Doug and his colleagues, the locals are merely showing respect as one of their tikanga values and an important value to be implemented in a company. This whanaungatanga recognises how the decision to be in contact with Māori people and culture is a sign of being culturally intelligent. By being harmonious, it is a sign of a good ^{relationship in the future} and by having a good relationship with such a highly reputable local company like *Hinu o Te Rākau*, Doug's Grove Ranch would have a potential of selling high quality products, that would eventually have a positive impact on their company. //

Question Two continues on page 8 ►

Doug Freeman was so inspired by his welcome at *Hinu o Te Rākau* that he decided to commit to developing a strategy to promote greater cultural awareness by employees at *Te Awanga Olives* of local Māori customs.

- (b) A "strategic response" means a business-wide reaction at multiple levels (size, scope, timeframe). Evaluate a strategic response that senior management could implement to promote greater cultural awareness of local Māori customs by the employees at *Te Awanga Olives*.

In your answer:

- explain the strategic response
- fully explain ONE positive impact and ONE negative impact of the strategic response to promote greater cultural awareness
- draw a justified conclusion as to the likely success of the strategic response.

A strategic response is called to promote greater cultural awareness at *Te Awanga Olives* is to implement social sustainability and cultural sustainability within the company. In general, social sustainability focuses on taking care of the people in the community along with its employees. By working internally first before externally, the company could grow more knowledge on Māori cultural values. They could do this by teaching employees at *Te Awanga Olives* about *Tikanga* and how Doug Freeman has decided to promote greater cultural awareness. They could ask someone from *Hinu o Te Rākau* to provide a ^{in-house} conference in order for the employees and the senior management to know more about Māori business practices. One positive impact from this is that *Te Awanga Olives* would expand with having a passionate and great knowledge about Māori culture which would reflect on their customer service which then would lead to a good reputation. One negative impact would be the uncertainty of whether or not the employees will be willing or interested to learn about Māori concepts in a business. Not all people are fond of this but if this strategy is successful, *Te Awanga Olives* would have a strong foundation in order

to promote greater cultural awareness. Cultural sustainability
 then focuses on the brand awareness ^{and attitude} of the company and
 their willingness to treasure their company values. They
 could implement cultural sustainability by their plans of
 introducing new distribution network in the United States
 and Europe. Their brand alone could be a good way to
 generate cultural awareness towards networks in the US
 and Europe as they should focus on this. By having a NZ
 logo and name, its Maori culture would be recognised
 along its and Europe which could gain a positive impact.
 One negative impact would be if the strategy of focusing
 cultural emblem by the name would be enough to promote
 cultural awareness in other parts of the world. But either
 way, taking a New Zealand brand out the familiar shores
 of New Zealand into foreign markets would promote the
 usage of Te Ananga Oliver as a passionate social and
 cultural sustainability-sensitive company which would
 attract great views. //

QUESTION THREE: Changes in the global marketplace caused by natural disasters

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Use the information in the box below, and your business knowledge, to answer this question.

The earthquakes affecting various parts of New Zealand in the last few years have caused some concern amongst senior management at Te Awanga Olives. It was thought that strategies should be implemented to ensure the continuation of olive oil production in a highly competitive market if such a natural disaster hits their processing plant.

- (a) Discuss the impact that natural disasters such as earthquakes can have on Te Awanga Olives.

In your answer:

- explain ONE possible impact on sales
- fully explain ONE possible impact on the workforce.

Natural disasters such as earthquakes would mean that the focus of the government and the people would be restoration. This means that many people would focus on buying more essential items rather than luxury items as olive oil is considered a luxury item with its higher price tag compared to other cooking oils. This would mean that a decline/decrease of sales is at a high expectation from the company. Likewise when it comes on the workforce, there would be a high chance that the factory would be affected by the earthquake which means that equipments ^{and products} would be destroyed, which would then lead to a loss of profit. If they pay for restoration, majority of their expenses would be on new equipments, builders, plumbers, restoration and etc. To be able to use up/operate as normal, they should continually have high impact on sales but because of changed priorities from customers, this would be quite hard. //

Question Three continues on page 12▶

- (b) A "strategic response" means a business-wide reaction at multiple levels (size, scope, timeframe). Evaluate a strategic response that senior management could implement to limit the impact of a potential natural disaster, such as an earthquake, on Te Awanga Olives.

In your answer:

- explain the strategic response
- fully explain ONE positive impact and ONE negative impact of the strategic response on Te Awanga Olives
- draw a justified conclusion on the likely success of the strategic response to limit the impact of a potential natural disaster, such as an earthquake.

There is no valid solution to completely prevent natural disasters as they are unpredictable. One way to limit impact of a potential disaster and at the same time continue producing large amounts of olive oil is to either build stronger plant as the factory or have a factory somewhere where natural disasters are most unlikely to happen either in New Zealand or in United States. By having stronger building as a factory and stronger yet efficient machines, Te Awanga Olives can prevent major impact from natural disasters. This would also secure not having to spend more expenses on relocation. But one negative impact would be that this would be expensive and they may not have enough profit to increase or keep the all profit high. However, if this is a success, Te Awanga Olives would focus more on producing than saving money for potential future extensions!!

Achievement (09)

Question One – A3

Part (a) The candidate provided evidence of Achievement by explaining the possible impact on production and explaining the impact on future sales for the business.

The candidate repeated some of the stimulus material in the answer and failed to add the extra information needed to take the answer to a fully explained for the impact on future sales.

Part (b) Two competitive businesses are named.

The candidate explained a strategic response to the entry of a foreign multinational into the NZ domestic market.

The candidate failed to explain a positive impact and the negative impact answer did not make sense with regard to the strategic response.

Question Two – A3

Part (a) The candidate provided evidence of Achievement by explaining the role of manaakitanga and explaining one impact of demonstrating whanaungatanga.

The candidate failed to add the extra information needed to fully explain one impact of demonstrating whanaungatanga.

Part (b) The candidate explained a strategic response to create greater cultural awareness by employees.

The positive impact of the strategic response does not make sense and states that the business will expand through having increase cultural awareness but does not explain how this expansion will occur and how it relates to the strategic response.

The negative impact is only stated (that employees may not be willing or interested in Māori customs) but the candidate does not explain why or how this will impact on the business.

Question Three – A3

Part (a) The candidate provided evidence of Achievement by explaining one impact on sales but explained the impact on the business and not on the workforce.

Part (b) The candidate provided a strategic response to the potential natural disaster and a positive impact of this response, but the negative response does not make sense and shows a lack of understanding of the financial impact of the response.