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91379



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## Level 3 Business Studies, 2017

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

9.30 a.m. Friday 10 November 2017  
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 FOUR** 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 2–12 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.**

Merit

TOTAL

M6

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Read the background information below and in the other boxes about *Kemu*. This is the business that you may use to answer parts (a), (b), and (c) of the task.



*Kemu* was formed in 2010 and specialises in the development of games to play on platforms such as PlayStation and Xbox. *Kemu* has a small niche market, however it can charge a premium price due to the consistent quality and innovation shown in its gaming software.

The head office is located in Lower Hutt and there is a design team in Silicon Valley, California. The designers have proved to be most effective when working together as a team.

*Kemu's* CEO convinced the shareholders that to remain competitive, the company needed to start developing games for virtual reality (VR) technology. The CEO's decision to convert to VR games was influenced by attending a technology conference in San Francisco, where VR games featured. This conference was attended by many of the market leaders in the gaming industry.

Image source: <http://www.wearable.com/project-morpheus/sony-project-morpheus-release-date-price-games>

You may choose to answer parts (a), (b), and (c) using *Kemu*, or a New Zealand-registered business(es) operating in a global context that you have studied in depth.

In part (d) you must use a New Zealand-registered business operating in a global context that you have studied in depth.

Name of New Zealand-registered business(es)	
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## TASK

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- (a) Fully explain ONE benefit the business may gain by introducing product innovation, such as the new VR games.

In your answer, refer to:

- staff motivation
- productivity.

Staff from 'Kemu'

'Kemu' will benefit from introducing product innovation because their staff will feel more motivated to be apart of a company that is being successful against competitors and are producing a premium quality product. Staff will be learning about the new product and be motivated to sell it in the market, as it is bringing variety to their jobs.

Productivity<sup>in 'Kemu'</sup> will benefit from introducing the new VR games as staff will have to all be involved in maximising the outcome for the VR games in the market. For example, with the designers, they have to make sure they are keeping 'consistent quality' from the reputation of the business, and by being innovative and introducing new products, this allows them to work together ~~it~~ and be productive due to the variety and the change that the company gives them. ~~this~~ the impact of this is that staff will stay around in the long term, and 'Kemu' will stay competitive and have good market share.



For the move to VR games to be successful, the CEO needed the Silicon Valley designers to be fully supportive. The designers are a highly experienced and influential team. The CEO believed that an inclusive strategy for change, where the designers are consulted about how they believe the change should take place, would be the most effective strategy to transition Kemu to VR technology games.

- (b) Evaluate the likely success of an inclusive change management approach to convince employees to use innovative new technology.

In your answer:

- fully explain ONE positive and ONE negative effect of the inclusive change management approach for the business
- provide a justified conclusion, including any new information, as to the suitability of the inclusive change management approach for this business.

One positive: By using an inclusive strategy for change, changes will be made quickly and to the CEO's standards. This is because there will be less time spent having meetings and going through different designing concepts and processes because the CEO already knows what would be the most effective. This allows for 'Silicon Valley' designers to transition fast and effectively, ~~also~~ therefore making the move to 'VR games' to be successful and in the market sooner.

One negative: An inclusive strategy approach could lead to the 'Silicon Valley' designers to be less productive, as they will not feel as valued to the business. Being a highly experienced and influential team, they may have ideas or input ~~that~~ that could potentially help ~~the~~ 'Kemu' in the move to 'VR games'. So by using the inclusive strategy, the designers are not using their full potential of their skills and experience, which could have ~~the~~ a long term impact.



on them leaving the business for somewhere that they can share their ideas and feel more apart of the team. //

Conclusion: The inclusive change strategy may allow for quick change, but it would not be very ~~beneficial~~<sup>suitable</sup> for 'Kemv' in the long term for the business. As the designers have been proven to be most effective when working together as a team, it is important for them to be able to use their full potential and experience into the change in innovation. So by ~~having~~ being told exactly how the change is to be made, the new 'VR games' would possibly not be able to reach its full potential in the market because designers ideas could not be used. ~~This~~ The impact of this in the long term is that the product may not be as successful as it could be, and highly experienced designers may not stay working for 'Kemv' in the long term. //



*Kemu* is known in the industry for its consistent high quality and innovation. *Kemu* embraced the change and developed new VR games. However, since the introduction of the new VR games, there has been negative online feedback from unhappy customers finding faults and other problems with the quality of the new games.

- (c) Fully explain, with ONE reason, how negative online feedback may affect a business like *Kemu*, which is known for its consistent high quality and innovation.

In your answer, refer to:

- the effect on the use of a premium pricing strategy
- the impact on long-term revenue and profitability.

Negative online feedback may affect a business like 'Kemu' because of their reputation and brand awareness in the market and to competitors. The effect of using a premium pricing strategy on a business like 'Kemu's' reputation is that they have to ensure that they have high quality products to match their price. Customers pay more money expecting that their product is essentially worth that amount by being high quality with no faults. So by customers discovering faults and being unhappy with the quality of the product, they will feel like they are being over-priced and will be disappointed due to the past reputation of the businesses products being much better and up to standard.

The impact on long-term revenue and profitability of negative feedback on a business like 'Kemu' is that they will lose sales in the market, and have to lower their pricing to match their quality. This will mean that they will

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The examination continues on the following page.**



Kemu is currently investigating three possible quality management (QM) strategies to improve the quality of their games:

- Quality Control
- Total Quality Management
- Quality Circles.

(d) For a New Zealand-registered business you have studied that is operating in a global context, choose a strategy from the above list, and evaluate its suitability to improve the quality of the products of the business.

In your answer:

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

Name of New Zealand-registered business	Air New Zealand. (ANZ)
Quality management strategy	Quality circles

Quality circles is when staff are all included in the quality management of the business, by regularly coming together for meetings and discussions etc.

Positive: A positive <sup>effect</sup> for Air New Zealand using quality circles in their business is that staff will feel valued ~~as~~ as a part of the team by being involved ~~in~~ in meetings and discussions. This will increase staff morale and motivation into and towards the business, having the long term impact of the staff staying with 'ANZ' and constantly wanting to come up with and share ~~there~~ their ideas.

Negative: The negative effect of the quality circles strategy is that it ~~can increase costs for the business~~. Staff productivity may lower.



because they are more focussed on other quality management issues rather than their own specific allocated jobs. This means that the output into certain areas within 'ANZ' may lower and it can be difficult for the business to have a sustained level of productivity throughout all areas of the business. The impact of this ~~too~~ may be that customers could choose another airline for the way certain things are done compared to 'Air New Zealand'.

Conclusion: The travel industry is very competitive, with many other plane companies flying the same routes as Air New Zealand. 'ANZ' need ~~to~~ to ensure they have constant quality management control in their business and that it is above the standard of their competitors. The quality circles strategy is suitable for Air New Zealand, because it creates a positive work ~~an~~ environment for staff, and it also attracts talent and experience in aspects of the business, and will maintain and keep current ~~members~~ staff who are helping to improve the quality of the business in the long term as they will feel valued and have an impact on decisions ~~and~~ within the business.

M6



Extra space if required.

Write the question number(s) if applicable.

ASSESSOR'S  
USE ONLYQUESTION  
NUMBER

C) ~~lose~~ lower their position in the market against competitors, and lose profit from having to lower their costs. The impact of this is that in the future, customers will not be looking to a business like 'Kemu' because of the feed back, so they will go to competitors that are being more successful in the market. Therefore their long-term revenue will drop and the profitability will be lowered.



<b>Subject:</b>		<b>Level 3 Business Studies</b>	<b>Standard:</b>	<b>91379</b>	<b>Total score:</b>	<b>M6</b>
<b>Q</b>	<b>Grade score</b>	<b>Annotation</b>				
1	M6	<p><b>Part (a)</b> The candidate has fully explained one benefit that the business (<i>Kemu</i>) may gain from product innovation, referring to staff motivation and productivity. The candidate provided additional explanation as to why motivation will increase, and fully explained how the higher productivity will impact the business.</p> <p><b>Part (b)</b> The candidate's response to this part of the task was sufficient for Merit, but did not meet Excellence.</p> <p><b>Part (c)</b> The candidate has fully explained one reason how negative online feedback may affect the business (<i>Kemu</i>). The candidate explained that customers would not be happy with the product quality and would feel that the product is overpriced, leading to decreasing sales. The candidate fully explained that <i>Kemu</i> would have to lower their prices, decreasing revenue and profitability in the long term.</p> <p><b>Part (d)</b> The candidate has fully explained one positive and one negative impact of Quality Circles, in the context of <i>Air New Zealand</i>. There is evidence in this part of the task for Excellence, i.e. the new idea of attracting talented and experienced staff into the business, arising from the Quality Circles quality management strategy.</p>				