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90844



Level 2 Business Studies, 2011

90844 Demonstrate understanding of how a large business responds to external factors

2.00 pm Wednesday 30 November 2011 Credits: Four

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 2–11 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.

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Achievement	Achievement with Merit	Achievement with Excellence			
Demonstrate understanding of how a large business responds to external factors.	Demonstrate in-depth understanding of how a large business responds to external factors.	Demonstrate comprehensive understanding of how a large business responds to external factors.			
Overall level of performance (all criteria within a column are met)					

You are advised to spend 60 minutes answering the guestions in this booklet.

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QUESTION ONE: ECONOMIC SUSTAINABILITY

Use the information in the boxes and your business knowledge to complete the following tasks.

Parakore Oils is a large skincare company started by a husband and wife team, Kahu and Kiri Maihi, ten years ago. The company's products are based on natural ingredients (parakore means "pure" in te reo Maori). Within five years the original range of ten products grew to over 30 and the company was employing 15 full-time staff and 8 part-timers.

Parakore Oils' production process involves workers gathering the raukawa leaves (a New Zealand native plant) from their plantation next door, and taking it directly to the on-site lab where the oils are extracted, processed into skincare products, bottled and labelled. This decision to have a close connection between the raw materials and processing stages gives the company a unique advantage, as does Kahu and Kiri's philosophy to have employees trained in all aspects of the business, from production to distribution. Distribution is done via a nationwide courier with local branches throughout New Zealand.

a)	Explain the term economic sustainability.
o)	Fully explain how <i>Parakore Oils</i> is economically sustainable. In your answer, you should refer to:
	productiondistribution.

	y explain and justify why <i>Parakore Oils</i> should operate in an economically sustainable nner.	ASSI
In y	our answer, you should include:	
•	the effect of operating in an economically sustainable manner on the relationship between <i>Parakore Oils</i> and its suppliers	
•	the effect on consumers of <i>Parakore Oils</i> operating in an economically sustainable manner	
•	consequences for the recruitment, retention, and motivation of Parakore Oils' staff.	
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QUESTION TWO: SUPPLY CHAIN

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The story of *Parakore Oils* is a good example of adding value by taking a basic commodity in plant oils and turning it into skincare products. Spotting an emerging market for sustainable natural products, Kahu and Kiri came up with a range of affordable quality products using plant extracts such as raukawa oil. Their products are stocked in pharmacies and department stores throughout New Zealand.

plain the term supply chain .	
Ily explain how value may be added at different stages of the supply chain. your answer, you should refer to: production processes	
 distribution channels.	

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Kahu and Kiri are concerned about the upcoming winter season. Two years ago they nearly lost their crop of raukawa plants, due to a flood in the area. Reports suggest that this year's winter could bring the same weather patterns.

•	our answer, you should: explain ONE effect on <i>Parakore Oils</i> ' supply chain
•	fully explain the impact on <i>Parakore Oils</i> ' sales revenue
•	fully explain ONE flow-on effect for <i>Parakore Oils</i> ' customers.

QUESTION THREE: ENTERPRISE CULTURE

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Kahu and Kiri have been successful because they saw an opening in the market for skincare products based on natural ingredients. The company also involves its staff in every aspect of the business, from production to distribution. They encourage and reward staff for introducing innovative and creative ideas.

Explain the term enterprise culture .				
	ain the importance of have swer, you should refer to		se culture in New 2	Zealand.
	taking			
• inno	vation.			

•	how this culture could affect decision-making in the business	
•	the benefits for Parakore Oils of a strong enterprise culture.	
		-

QUESTION FOUR: SOCIAL FACTORS

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Parakore Oils produces high-value products targeted at discerning, health-conscious consumers looking for alternatives to products that contain chemical preservatives.

	towards health.			
	ain the difference bet		rend and a belief.	
	nswer, you should ref	er to:		
	udes			
• cul	ure.			

(c) Fully explain and justify why it is important for a large business (more than 20 employees and/or with a regional or national significance) to consider social trends and consumer attitudes when making decisions.

In your answer, you should include:

- ONE way in which the named business you have studied has increased sales by responding to changing social trends and consumer attitudes
- ONE impact on the business, other than increasing sales
- the consequences of not responding to social trends and consumer attitudes when making business decisions.

Business name:		

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