

91379



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

## Level 3 Business Studies, 2013

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

9.30 am Monday 25 November 2013

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.

**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.**

**TOTAL**

ASSESSOR'S USE ONLY

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

### General Resource

*NZ Interiors Ltd (NZ Interiors)* was founded in 1998 by Penny and Richard Mathers. The company is a leading manufacturer of wallpaper, supplying the domestic market and exporting overseas to Australia, Europe, and more recently the USA. Located in New Plymouth, Taranaki, it currently employs 45 staff. Its facilities include a design and manufacturing plant, an office administration unit, and a showroom/retail outlet displaying and selling its latest range.

Current operations at *NZ Interiors* are at full capacity, and investing in a larger manufacturing plant would enable it to develop its international potential. *NZ Interiors* is considering either expanding its current plant and machinery, or relocating to Auckland where a much larger manufacturing facility is available.

### QUESTION ONE: PŪTAKE AND BUSINESS LOCATION

Use the information in the General Resource above, and in the boxes below and on page 4, in addition to your business knowledge, to answer the following questions.

Penny and Richard's friend, Ana, manages *Manaia Crafts*, a tribal-owned business that sources its art products locally from the Te Āti Awa community. Products are sold across New Zealand and overseas, with growing markets in speciality arts shops in Australia and Europe.

Although *Manaia Crafts* has met with overseas success, the business has had to consider how it will expand its product line beyond Taranaki without exhausting the local resources (people and materials) and without compromising the distinct Te Āti Awa identity of their product line. Ana has had a series of meetings with the Te Āti Awa community to discuss the expansion of *Manaia Crafts* in New Zealand. Some kaumātua (tribal elders) are worried that the proposed expansion would affect Te Āti Awa's relationships with other tribes.

#### The concept of "pūtake"

Every business has a reason for being. Many Māori businesses exist for the same reason as other businesses – to provide goods or services at a profit, and to enrich the business owner(s). A significant number, however, have very different reasons for being – reasons that are associated with collectively owned resources (such as land, tribal estates) and/or whakapapa-based groupings, such as whānau, hapū, and iwi. Such businesses can encounter legal, cultural, and business complexities that are not experienced by businesses that exist primarily for commercial purposes.

(a) Discuss the concepts of business goals and pūtake in relation to business location decisions for *NZ Interiors* and *Manaia Crafts*.

In your answer:

- explain why *Manaia Crafts* would source its art products locally from the Te Āti Awa community
- fully explain how *NZ Interiors*' business goals would allow it to relocate should it need to
- fully explain how the concept of pūtake as it applies to *Manaia Crafts* means that it "will always remain a Taranaki business".

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Businesses that operate in a global context may have key operations in different locations. For example, a New Zealand clothing chain may have its head office in New Zealand and its manufacturing operation in Asia.

(b) Evaluate the factors determining the location of a key operation for a New Zealand registered business, operating in a global context, that you have studied in depth.

In your answer:

- explain the importance of location for the success of the business
- fully explain TWO factors that would influence the location of the named key operation of this business
- provide a justified conclusion as to which factor is the more important when considering the best location for the business.

Name of New Zealand registered business	
Good(s) sold or service(s) provided	
Key operation discussed	
Location(s) of key operation	

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## QUESTION TWO: INVESTMENT APPRAISAL

Use the information in the General Resource on page 2 and in the box below, and your business knowledge, to answer the following questions.

*NZ Interiors* needs to consider whether a relocation to Auckland would be a better option than expansion of current production facilities in Taranaki. They are keen to make further progress in the international market, with strong interest shown from Japan, South Korea, and China in Kiwi-inspired wall coverings.

### Option 1 – Relocating to Auckland, based on a 5-year lease of the manufacturing plant:

Initial investment = \$6.0 million

Investment appraisal results for Option 1 are:

- Average Rate of Return = 10%
- Payback period = 4 years
- Net Present Value of the net cash flow is \$1.6 million at a discount rate of 5%.

### Option 2 – Expanding production facilities at existing location in Taranaki:

Initial investment = \$4.0 million

Investment appraisal results for Option 2 are:

- Average Rate of Return = 8%
- Payback period = 2.5 years
- Net Present Value of the net cash flow is \$1.1 million at a discount rate of 5%.

- (a) Investment appraisal is built around using estimates of future cash flows for a particular investment project, together with looking at non-financial factors. Discuss the usefulness of investment appraisal in the decision-making process.

In your answer:

- explain ONE difficulty in estimating future cash flows from an investment project
- fully explain ONE non-financial factor that may be used alongside the information in the box above to assist in the decision-making process
- with reference to the data for **Option 2**, fully explain how Net Present Value supports investment decision-making.

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### QUESTION THREE: CHANGE MANAGEMENT LEADERSHIP

NZ Interiors has to consider the implications of a relocation change. The **change curve** below illustrates the typical stages that people go through in response to change, and it is at the core of most approaches to managing change. Individuals will go through the cycle at different rates and at different levels.

*For copyright reasons, this resource cannot be reproduced here. See:  
<http://www.mycvandme.co.uk/blog/the-kubler-ross-change-curve.html>*

- (a) Discuss the importance of effective leadership when dealing with employees' reaction to change.

In your answer:

- fully explain, with examples, why it is important for a leader to be flexible with individuals when managing change
- fully explain an impact of the "Decision" stage on the performance of a business undergoing change.

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