

91380



NEW ZEALAND QUALIFICATIONS AUTHORITY
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SUPERVISOR'S USE ONLY

Level 3 Business Studies, 2015

91380 Demonstrate understanding of strategic response to external factors by 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 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.

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.

Check that this booklet has pages 2–10 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

Use the background information below, the supplementary information in the other boxes, and your business knowledge to complete this task.

New Zealand-owned and Ashburton-based clothing company *Urban Village* has been successfully selling trendy casualwear to the young adult market (people aged 20–30) in New Zealand since 2008. As a result of *Urban Village* having an online store, increasing interest was shown by people from Asian markets. To take advantage of this, *Urban Village* launched a new range called “Street Savvy”.

The senior managers believed that a successful release of the new range would be crucial to the long-term sustainability of *Urban Village*. There were concerns over the high cost of manufacturing in Ashburton, which would impact on the competitiveness of the product overseas. The senior managers believed that for the new range to be a success, *Urban Village* needed to move production from Ashburton to the Philippines, to take advantage of a cheaper and more skilful workforce. The board of directors supported the move, but insisted that the administration section of the business remained at its base in Ashburton. The move was made in April 2014.

As well as the cost advantage of manufacturing in the Philippines, the senior managers were hopeful that the Filipino young adult market would identify with the new range. Another advantage of manufacturing in the Philippines is its proximity to other Asian markets. As a result, the senior managers plan to expand sales staff into South Korea in 2016, followed by Thailand and Malaysia in 2017. The size of these markets is huge, but the competition is very strong. The senior managers believe that the uniquely Kiwi nature of the “Street Savvy” range will make the clothing very appealing in these markets, but *Urban Village* must be competitive on price.

After *Urban Village* moved to the Philippines in April 2014, senior managers were very disappointed with the profits reported for the company's first 12 months of operation there. Labour costs were much higher than anticipated.

It appears that the problem has been mainly caused by the Operations Manager, Phil Whiting, having a lack of understanding of Filipino culture, which has resulted in poor staff morale and a high staff turnover.

- (b) Fully explain the impact that poor cultural intelligence by *Urban Village* may have on the retention of its Filipino staff, and therefore on the business.

In your answer, refer to:

- the impact that the lack of cultural intelligence may have on staff turnover
- the impact that this would have on productivity and business performance.

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