





NEW ZEALAND QUALIFICATIONS AUTHORITY MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD KIA NOHO TAKATŪ KI TŌ ĀMUA AO! Tick this box if you have NOT written in this booklet



# Level 3 Business Studies 2021

# 91380 Demonstrate understanding of strategic response to external factors by a business that operates in a global context

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of strategic	Demonstrate in-depth understanding of	Demonstrate comprehensive
response to external factors by a	strategic response to external factors	understanding of strategic response
business that operates in a global	by a business that operates in a global	to external factors by a business that
context.	context.	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 2–11 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area ( ). This area may be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

### TASK

This task has FOUR parts, (a) to (d). Use the background information below, the supplementary information in the other boxes, and your business knowledge to complete this task. You may integrate any relevant Māori business concepts into your answer.

You should read the resource information in ALL of the boxes before beginning the task.

#### **BACKGROUND INFORMATION**

#### DEFINITION

The **European Union (EU)** is a political and economic union of 27 member states that are located in Europe.

*Pirikahu* is a New Zealand business that manufactures a wool-based housing insulation product. This innovative product is used to insulate houses from the cold. The wool used by *Pirikahu* would normally be thrown out, as it is of no use in creating knitting wool for clothing. Most aspects of the business (manufacturing and head office) are located in south Auckland.

The owners of *Pirikahu* value sustainability. They are particularly pleased that they use wool that would normally be a waste product, but are aware that they need to further develop sustainability around culture inside the business, and also further improve economic sustainability, as their profits have not been as high as expected. *Pirikahu* has sold its wool insulation product in New Zealand since 2018 and has small sales outlets in Tasmania, Australia, and in the city of Leeds in northern England. *Pirikahu* is looking to expand globally.

*Pirikahu*'s presence in the United Kingdom (UK) has been limited, because the UK was a member of the European Union (EU) from 1973 to 2020, meaning trade restrictions have prevented non-EU businesses from setting up large-scale operations in the UK.

By the end of 2020, *Pirikahu* had become increasingly positive about new opportunities to access the UK market as a result of the UK leaving the EU. The directors at *Pirikahu* are keen to grow the UK market in response to this change in conditions.

You may choose either *Pirikahu* or a New Zealand-registered business operating in a global context you have studied in depth.

(a) (i) How does the growth of an export market typically affect production?

(ii) Explain how the growth of an export market affects the economic sustainability of the business.

As a result of the UK market becoming more open to businesses based in non-EU countries, *Pirikahu* is very keen to expand further into this market, but has decided to initially limit its expansion, from February 2022, to London and Wales.

These areas are part of the existing UK market, but their characteristics are significantly different to those of Leeds, and so *Pirikahu*'s management will need to research all of the facts before they prepare to launch into these new sub-markets.

Note: A sub-market is a portion or subdivision of a market.

You may choose either *Pirikahu* or a New Zealand-registered business operating in a global context you have studied in depth.

- (b) Evaluate a strategic response that a business has, or could implement, to ensure that it has the necessary facts about a new export market/sub-market before preparing to launch.
  - (i) State the strategic response, and explain why this is a business-wide reaction at multiple levels (at least TWO of size, scope, and timeframe).

(ii) Explain ONE positive impact of the strategic response.

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(iii)	Explain C	ONE negative	impact of	the strategic	response.
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(iv) Provide a justified conclusion, including any new information, as to the likely success of the strategic response.

A large Scandinavian housing insulation firm, *Delf*, has been impressed with the success of *Pirikahu* and has decided to launch its own woollen blended insulation product in the UK market in late November 2021. This has created a difficult situation for *Pirikahu*, as *Delf* is able to produce on a very large scale, and it already exports its insulation products to many countries in Europe.

(c) In the box below, enter the details of a New Zealand-registered business you have studied that is operating in a global context and that has faced, or could face, competition from a large multinational. **Do not use** *Pirikahu*.

Name of New Zealand-registered business:

Good(s) sold or service(s) provided:

(i) Using examples, explain how competition from a large multinational company will affect market share.

7 (ii) Explain how competition from a large multinational company will affect profits.

As a result of the threat from *Delf, Pirikahu* recognised that its south Auckland factory would not be able to cope with the new scale of production required to remain competitive. Management is considering moving all production to a new factory in Shanghai, China. This will solve the volume issues, but may create new problems if the New Zealand managers of the new factory clash with the Chinese workers over cultural issues.

You may choose either *Pirikahu* or a New Zealand-registered business operating in a global context you have studied in depth.

- (d) Evaluate a strategic response that a business has implemented, or could implement, to ensure that the managers in its workplace(s) act in a culturally responsive manner when working with staff from different cultures.
  - (i) State the strategic response, and explain why this is a business-wide reaction at multiple levels (at least TWO of size, scope, and timeframe).

(ii) Explain ONE positive impact of the strategic response.

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(iii)	Explain C	ONE negative	impact of	the strategic	response.
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(iv) Provide a justified conclusion, including any new information, as to the likely success of the strategic response.

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