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3

91380



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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Level 3 Business Studies, 2014

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

2.00 pm Wednesday 19 November 2014

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.

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.

Merit

TOTAL

15

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QUESTION ONE: Multinational businesses

Use the information in the boxes below and on page 4, and your business knowledge, to answer this question.

The New Zealand-owned and Hawke's Bay-based olive company, *Te Awanga Olives* has been bought by a United States-based olive grower.

California-based *Grove Ranch*, led by CEO Doug Freeman, has entered into a merger agreement with *Te Awanga Olives* to buy 100% of the shares in the olive-growing and processing company, whose products include the premium oil brands "Bay Press" and "Haumoana Extra Virgin".

Te Awanga Olives produces 150,000 litres of olive oil annually, but senior managers at *Grove Ranch* plan to introduce new processing technology within the next few years. *Grove Ranch* also has a marketing and distribution network in the United States and Europe, which would be a huge benefit to the New Zealand company in the future.

- (a) Discuss the decision by *Te Awanga Olives* to merge with a foreign-owned multinational such as California-based *Grove Ranch*.

In your answer:

- explain the possible impact on production
- fully explain a possible impact on future sales.

A multi-national company is a company which has sales, production and head offices in more than one country.

A possible impact on production ~~with~~^{by} merging with *Grove Ranch* is an increase of olive oil production due to the increased size & increased resources that *Grove Ranch* provides. Production will highly likely reach maximum efficiency in order to reach an increased production after the merger.

Reasoning behind the possible impact of increased production may be to keep up with the demand that the now larger market of USA and Europe provide. This larger market will mean that

~~that~~ Te Awanga Olives will have to increase production levels through better efficiency, ~~or~~ having longer labour hours, or expanding the amount of trees they have. In order to produce more olives //

A possible impact on future sales may be ~~the~~ an increase number due to having access to the NAFTA & EU trading blocs, which means there will be no trade barriers present. Being merged with an ^{larger} American company also means that ~~a shorter supply~~ less marketing for this smaller business in the Hawkes Bay will be needed as Grove Ranch will carry this out and as they are established within US & Europe, demand will be larger and therefore sales will be larger also. Due to this market being competitive means that ~~the~~ being multi-national will be beneficial as the businesses risks ^{are} spread but due to the locations of production, it will allow a high quality to be maintained. //

Question One continues on page 4 ►

While many businesses, such as *Te Awanga Olives*, welcome mergers with foreign-owned multinational companies, some business leaders in New Zealand have become concerned that domestic markets could be dominated by foreign-owned businesses. They have seen a need to develop strategies to defend their domestic markets against international competition.

- (b) A "strategic response" means a business-wide reaction at multiple levels (size, scope, and timeframe). Evaluate a possible strategic response by a New Zealand-registered business operating in a global context, to the entry of a foreign multinational into the domestic New Zealand market.

In your answer:

- explain the chosen strategic response
- fully explain ONE positive impact and ONE negative impact of the strategic response
- draw a justified conclusion regarding the likely success of the strategic response to defend the domestic market of the business.

Name of New Zealand-registered company	
Name of the foreign multinational	

MS

QUESTION TWO: Cultural intelligence

Use the information in the boxes below and on page 8, and your business knowledge, to answer this question.

Doug Freeman and other senior managers from *Grove Ranch* travelled to New Zealand from California to take a closer look at their new purchase.

While in the Hawke's Bay, they were invited to visit a local Māori-owned olive oil business, *Hinu o Te Rākau*. The Chief Executive of *Hinu o Te Rākau* explained to Doug the distinctive nature of their business that grows all its products on tribal lands. Connections with the local Māori community help ensure a high-quality product and take into account the priorities of the local Māori. All staff feel a strong sense of belonging, and an involvement in something bigger than a company focusing purely on profit.

Local tikanga such as manaakitanga underpinned the mihi whakatau (Māori welcome) the visitors from *Grove Ranch* received. Doug was captivated by the speakers issuing welcomes in Māori, as well as the waiata (songs) that supported each speaker. Following the welcome, Doug's delegation was invited to join their hosts in a meal of locally grown produce.

Doug was impressed. The visit had highlighted that *Hinu o Te Rākau* operated out of the principles of whanaungatanga and as a result, focused employment on the local Māori community, and treating each stakeholder, such as customers and suppliers, as if they were a member of their family.

Definition of key Māori concepts

Tikanga: Tikanga is a body of practices or customs that implements tribal values and priorities.

Manaakitanga: Hospitality, generosity, care, respect, and giving. A group or organisation should be able to host and provide for people appropriately.

Whanaungatanga: An ethic of belonging or kinship. This principle acknowledges the importance of networks and relationships, and therefore of developing, managing, and sustaining relationships. It involves caring for and working harmoniously with others to achieve common goals. Whanaungatanga is expressed in a variety of ways in business settings – for example, culture, whānau-model systems and structures, support for and employment of whānau, use of whānau networks, and whānau support for the business.

- (a) *Hinu o Te Rākau* draws upon a range of tikanga in their day-to-day practices and longer-term strategies. Discuss how this is demonstrated in their initial contact with Doug Freeman and his group.

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In your answer:

- explain the role of manaakitanga in the Māori welcome given to Doug and his colleagues
- fully explain ONE impact of demonstrating whanaungatanga in the initial contact with Doug and his colleagues.

Manaakitanga is about providing for everyone to make everybody feel welcome. ~~This role that manaakitanga provides is that it made Doug & his colleagues feel welcome amongst the business and feel cared for as they provided him with Māori traditions.~~

This demonstration of Manaakitanga showed Doug that the business, Hinu Te Rākau, that people are important, not just profit - showing Doug the aspect of a quadruple bottom line. It gave Doug a positive and lasting impression on the business.

Demonstrating whanaungatanga towards Doug made him & his colleagues feel apart of their business and provided them with a sense of belonging. Providing this made Doug want to be apart of the businesses moral & values as it makes the stakeholders feel wanted, which is a strong value any business can hold as it helps give a competitive advantage and maintain good relationships with those involved in the business. This experience has helped Doug have a CA drive.

Question Two continues on page 8 ➤

Doug Freeman was so inspired by his welcome at *Hinu o Te Rākau* that he decided to commit to developing a strategy to promote greater cultural awareness by employees at *Te Awanga Olives* of local Māori customs.

- (b) A "strategic response" means a business-wide reaction at multiple levels (size, scope, timeframe). Evaluate a strategic response that senior management could implement to promote greater cultural awareness of local Māori customs by the employees at *Te Awanga Olives*.

In your answer:

- explain the strategic response
- fully explain ONE positive impact and ONE negative impact of the strategic response to promote greater cultural awareness
- draw a justified conclusion as to the likely success of the strategic response.

Initially Senior Management would carry out a cultural Audit to highlight the main areas where cultural intelligence and awareness could be implemented.

A strategic response that could be implemented by *Te Awanga Olives* is introducing a quad-ruple bottom line. A quad-ruple bottom line bases the businesses success on not only profit but also cultural, social and environmental goals.

A quad-ruple bottom line provides any business with a competitive advantage as it helps give a positive brand image & reputation as they are showing ~~kaitiaki~~ ^{kaitiaki} ~~tangata~~ ^{tangata} ~~tangata~~ ^{tangata}, whanaungatanga & pūtake.

This strategic response could be implemented by ensuring little waste is created and re-cycling occurs to help with the environment & ~~kaitiaki~~ ^{kaitiaki} ~~tangata~~ ^{tangata} ~~tangata~~ ^{tangata}, done by providing ^{for stakeholders} ~~hāngi~~ ^{hāngi} which implement cultural tikanga, fundraising/ giving fraction of profit towards local Māori projects giving a social aspect, which are carried out by leaders & managers.

By implementing there, may provide Te Awanga Olives with a good reputation and help the awareness of tikanga, which is the main goal of Dougs. Maintaining a good reputation helps to ensure customers are satisfied and that they return to the business. By implementing a quadruple bottom line will make potential stakeholders interested in the work they provide to the community and the whanaungatanga they provided, making it an appealing business to be apart of, giving a competitive advantage.

A negative impact of this strategic response may be that some employers may not be interested and show inertia towards the change, and may not want to be apart of the strategic response.

They may chose to exclude themselves from the business and promote a bad reputation due to their negative experience. A way to overcome this is make it gradualized. The positives outweigh ^{inertia} the negatives of this strategic response.

The likely success of this strategic response is great as a quadruple bottom line covers many aspects of cultural awareness to the business. With the inclusive leadership approach from Doug, this strategic response can help provide tikanga along with a positive reputation & competitive advantage for Te Awanga Olives.

M5

QUESTION THREE: Changes in the global marketplace caused by natural disasters

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Use the information in the box below, and your business knowledge, to answer this question.

The earthquakes affecting various parts of New Zealand in the last few years have caused some concern amongst senior management at *Te Awanga Olives*. It was thought that strategies should be implemented to ensure the continuation of olive oil production in a highly competitive market if such a natural disaster hits their processing plant.

- (a) Discuss the impact that natural disasters such as earthquakes can have on *Te Awanga Olives*.

In your answer:

- explain ONE possible impact on sales
- fully explain ONE possible impact on the workforce.

A possible impact on sales if natural disasters were to occur is that they may drop as olive oil is not a necessity within a natural disaster. Sales may not be able to occur due to the employees being unable to get to their workplace due to the disaster in which occurred and the workplace being destroyed.

Consequences of both of these possible impacts are negative. This is because they result in a loss of revenue for the company. Without cash-flow, production may be unable to occur due to having no income to support the operational costs involved. meaning continuation with the highly competitive market may be difficult. The workforce may be traumatized after the disaster, depending on the size of the natural disaster as they may have lost family or friends such as in the Christchurch

earthquake. //

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This would mean that people may feel they do not want to go to Te Awanga Olives as they may be scared of another disaster occurring such as after shocks after a large earthquake. This leads to again, loss of revenue making production near impossible to continue, especially with a smaller number of people wanting to work to work the production line. //

Question Three continues on page 12>

- (b) A "strategic response" means a business-wide reaction at multiple levels (size, scope, timeframe). Evaluate a strategic response that senior management could implement to limit the impact of a potential natural disaster, such as an earthquake, on *Te Awanga Olives*.

In your answer:

- explain the strategic response
- fully explain ONE positive impact and ONE negative impact of the strategic response on *Te Awanga Olives*
- draw a justified conclusion on the likely success of the strategic response to limit the impact of a potential natural disaster, such as an earthquake.

115

Extra space if required.

Write the question number(s) if applicable.

ASSESSOR'S
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NUMBER

1a. ~~Future~~ A consequence that this merger may have on future sales is that little sales are likely to occur within NZ due to the small market present. Previous stakeholders within Te Awanga Olives may disagree with this change & it may give the business a bad reputation. Another consequence on future sales may be due to the likelihood of increased sales, expansion of the business can be possible ~~helping~~ which may provide more jobs within the community.

2a. The role of Manaakitanga in this welcoming also includes respecting the tribal land that the business is located on. Inviting Doug & his colleagues for a meal shows hospitality that Hinu o Te Rakan can provide to its stakeholders giving stakeholders a sense of belonging and a positive reputation.

2b. Becoming more culturally aware will also expand the market as local Māori will be enticed & wanting to participate as a stakeholder as they share similar tikanga.

Extra space if required.

Write the question number(s) if applicable.

ASSESSOR'S
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QUESTION
NUMBER

26. Due to this market being highly competitive, this extra cultural element will help to maintain the businesses reputation that it needs to uphold within it's market. //

Merit (15)**Question One — M5**

Part (a) The candidate provided evidence of Merit by fully explaining the impact on future sales for the business and demonstrated business knowledge with the use of relevant business terms to support the answer (trade barriers, trading blocks, business risks, and competition).

Part (b) The candidate made no attempt of this part of the question so therefore was unable to score an M6.

Question Two — M5

Part (a) The candidate provided some evidence of Achievement by explaining the role of manaakitanga and explaining one impact of demonstrating whanaungatanga. The candidate failed to add the extra information needed to fully explain one impact of demonstrating whanaungatanga.

Part (b) The candidate explained a strategic response to create greater cultural awareness by employees.

The candidate fully explained a positive impact of the strategic response (explained the impact the reason for the impact, and how this impact will affect the business). The candidate demonstrated business knowledge with the use of relevant business terms to support the answer (kaitiakitanga, quadruple bottom line, stakeholders, competitive advantage)

The negative impact is explained only and does not add the extra information needed to take the answer to a fully explain (how the negative impact will affect the business).

The candidate failed to add new information into the justified conclusion and just repeated the information already given in the positive and negative impact so was unable to score E7.

Question Three — M5

Part (a) The candidate provided evidence of Merit by explaining one impact on sales and fully explaining the impact on the workforce.

Part (b) The candidate made no attempt of this part of the question so therefore was unable to gain another fully explain which would have taken the mark to an M6.