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91380



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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## 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.**

Not Achieved

TOTAL

2

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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.

- (a) Fully explain the decision by *Urban Village* to become a multinational company and relocate production of the "Street Savvy" range to the Philippines.

In your answer, refer to:

- ONE reason for shifting production to the Philippines, other than lower labour costs
- the impact this may have on the shareholders of *Urban Village*.

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USE ONLY

~~efficiency~~: productivity/output, by shifting to the Philippines, *Urban Village* would be widening its selling range, hiring more workers to produce more clothes to fuel the need for customers. The stores over in the Philippines will be producing a lot more than the one in Ashburton because of the more people working for the company. The majority of the workers will be Philippino so with their cloth making skills they hope to increase production and quality.

Impact: This will benefit the shareholders because it is ~~inter~~ potentially increasing the popularity of "Street Savvy" which could lead to bigger profit margins and make the company more successful.



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.

The lack of cultural intelligence, the lack of the consideration of the Philippines culture could have a massive impact on a business causing tension between the staff making the workplace a unpleasant place. If the workplace is unpleasant the production can fall, expecting low wage work because of ethnicity could have played a major part in the unsuccessfulness of the operation. Racism could have taken place as well making the philippino workers not like the management team. Resulting in poor moral and less production.

The senior managers have instructed Phil to develop a strategy that will ensure a more appropriate response by *Urban Village* to the culture of its Filipino workers.

(c) Evaluate a possible strategic cultural response by *Urban Village*.

In your answer:

- state the strategic response and explain why it is a business-wide reaction at multiple levels (at least TWO of size, scope, and timeframe)
- fully explain ONE positive impact and ONE negative impact of the cultural response
- provide a justified conclusion, including any new information, as to the likely success of the cultural response in resolving the staff turnover issue.

Integrate a welcoming cultural atmosphere to the workplace making the philippino workers welcome and warm, eg. Integrating cultural expressions/object to the workplace making the locals feel like they are at home and belong instead of outcasts or aliens.

positive impact: increase of production and a positive happy workplace enjoyable for everybody.

negative impact: some workers might see the gesture as extremely offensive and quit the job or even worse.

More space for this answer is available on the next page.



In conclusion I think the change the business made will benefit the company greatly, maybe not get up to the profit margins they intended for but definitely improved from the first year.

The change could also increase the popularity of the shop so that I could expand even more.

Many multinational businesses take sustainability actions to meet societal expectations and make their presence more acceptable. Some actions are successful and others are not; for example, *Urban Village* decided to spend time and money on cleaning up the pollution in a stream near their production plant, to the benefit of local farmers downstream.

- (d) Evaluate a strategic response, by a New Zealand-registered business operating in a global context, to a sustainability issue (any ONE of social, cultural, environmental, or economic). The response may have already happened, or it may be a possible future response.

In your answer:

- state the strategic response and explain why this is a business-wide reaction at multiple levels (at least TWO of size, scope, and timeframe)
- fully explain ONE positive impact and ONE negative impact of the strategic response
- provide a justified conclusion, including any new information, as to the likely success of the strategic response in addressing the sustainability issue faced by the business you have chosen.

Name of New Zealand-registered business	Paramount mining LTD
Sustainability issue	water pollution (sediment) in Canadian Rivers

Paramount mining LTD were mining in the Yukon Canada and had complaints about dirty water in the River which could be harmful to the wildlife. If the company didn't come up with ways to make the water that they were releasing into the River clean the company would be shut down.  
(Environmental)

More space for this answer is available on the next page.



Strategy one: create a water system that goes through stages of (water settling) to make the water clean before it flows into the River. One possible strategy could be that they dig settling pond and let the dirty water settle (let all the sediment sink to the bottom) so when the water is released it is nice and clean.

Strategy two: divert the water so that the water seeps into the loose rocks (tailings) and goes under ground. This could possibly cause different problems but it would keep the green activist or government happy by not dumping the dirty water in the River.

positive impacts: would be the the mining operation would still commence and productivity could carry on and since the clean water will benefit the wildlife everyone is happy.



Extra space if required.

Write the question number(s) if applicable.

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NUMBER

negative impacts: takes time to set up the ponds so that time spent doing that could be time spent working or the owners of the company decide to let the dirty water seep into the tailings (already mined & loose gravel) and the dirty water somehow is making its way over (under ground) to the neighbouring mining operation and making their water supply dirty that could cause more issues.

The company decides to make settling ponds and sacrifice two days to the cause. The system was a success and the clean water would be released every 3 days after it had settled so everyone's happy. The government approved of the plan and the company could continue mining.

Not Achieved exemplar for 91380, 2015		Overall score: N2
Q part	Annotation	
(a)	The candidate has provided some evidence of Achievement by explaining one reason for shifting production to the Philippines, but the impact on the shareholders has not been explained.	
(b)	The candidate has provided some evidence of Achievement by explaining the impact of a lack of cultural intelligence, but has not explained how this will impact on staff turnover, nor have they explained the impact that this will have on productivity and business performance.	
(c)	A strategic response has been stated, but why it is a business-wide reaction has not been explained (no mention of size, scope, or timeframe). The positive and negative impacts of the response have been stated, but not explained. The conclusion is poor and does not justify why the strategic response will be successful. There is no new information.	
(d)	<p>An environmental strategic response has been stated, but why it is a business-wide reaction has not been explained (no mention of size, scope, or timeframe). The positive impact has not been explained. The negative impact is partly explained. The conclusion is poor and does not justify why the strategic response will be successful, nor does it provide any new information.</p> <p>Overall, the response shows poor business knowledge and uses only basic business terms.</p>	