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91379



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
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Level 3 Business Studies, 2016

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

9.30 a.m. Friday 25 November 2016

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.

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 2–11 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.

Excellence

TOTAL

E8

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

Strat Y is a digital design company that has been listed on the New Zealand Stock Exchange since 2007. The company specialises in designing logos for corporate clients. The market for digital design is growing in Australasia and South East Asia, and *Strat Y* now has offices in Auckland, Sydney, Kuala Lumpur, and Shanghai. The company has a strong team of designers who have won many awards.

While *Strat Y* currently has a strong market share, this is now under threat from online "do-it-yourself" (DIY) digital design services. The DIY service provides customers with the opportunity to create their own brand, using a template prepared by the design firm. This innovation is significantly cheaper, and is beginning to impact on *Strat Y*'s revenue. *Strat Y* is looking at making changes to its business to counter this threat.

- (a) Fully explain why a change management strategy is necessary for *Strat Y*.

As technology develops worldwide, a business such as "Strat Y" must follow the changing wants, needs, and trends in order to keep their business successful. By implementing change management throughout "Strat Y" the design company will create a smooth movement from A-B and ensure that all employees are on-board and comfortable with the new adjustments, in turn allowing "Strat Y" to make the most of all employees as workers will be willing to input creative ideas if they are managed correctly. In the case that "Strat Y" does not input change management strategies when making changes to the business, employees may feel less willing to accept the change as paranoia about job loss and uncertainty can form. When these kind of thoughts are in a business environment, "Strat Y"'s designers & employees may feel demotivated to work, consequently decreasing productivity, and in turn having a negative effect on "Strat Y"'s incoming profits - thus decreasing the success of the change.

Senior management at *Strat Y* have decided to respond to the competition by being more innovative, developing their own range of new and improved products.

The CEO has consulted with a business analyst, who has suggested the following two strategies to create a culture of innovation at *Strat Y*:

- Inclusive or Task culture – this strategy involves consultation across the business, inviting all staff to be involved in developing innovative new products.
- Top-down or Power culture – this strategy involves management exercising authority over staff involved in developing innovative ideas, on the assumption that only they as managers know what is required.

(b) Evaluate ONE of the above strategies to encourage an innovative culture at *Strat Y*.

In your answer:

- select one of the change management strategies from the box above
- fully explain ONE positive and ONE negative impact of this strategy on the business or its employees
- provide a justified conclusion, including any new information, as to the suitability of this strategy for *Strat Y* to create a culture of innovation.

Selected strategy: Inclusive / Task Culture.

Inclusive / task culture defines a change management that involves all employees being consulted and having input on any changes made throughout 'Strat Y'.

By "Strat Y" implementing this change management strategy they will increase the chances of receiving quality innovative and/or creative ideas. This is because as employees feel involved in business decisions, discussion and communication throughout the business is able to flow, allowing workers to feel comfortable (and even inspired) to communicate their own visions and ideas - and as "Strat Y" is a creative service this will work particularly well in regards

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to "Strat Y" receiving the best possible innovative design service. By allowing employees to partake in these discussions, "Strat Y" thus welcomes employees to feel like they are in a business that is their own, this can therefore lead to an increase in motivation throughout the workplace. As motivation increases, "Strat Y" will find that productivity levels are parallel and increasing. From this "Strat Y" will ~~also~~ in turn find an increase in the profit margin as the business will be generating innovative, quality products and will not have to lose capital in regards to training new staff, as the turn over levels will be low.

One negative impact of implementing this inclusive change management strategy is that the time taken to make decisions will take ~~a~~ much longer ~~time~~ - thus slowing down the implementation of "Strat Y's" innovative culture. This is because as more and more individuals become involved in the decision making process, a high level of ideas are supplied, thus more ideas must be ruled out than that of the ideas taken from just one person. In this, individuals may feel negative if their idea is not chosen, ~~and~~ thus creating a possible negative/competitive environment for "Strat Y". Concurrently it is possible that as the time taken to come to a final decision is extended, "Strat Y" and its employees may feel distracted from the overall aim of the business. In this "Strat Y" may lose profitability as production levels at this time are low (due to distraction) - thus diminishing the overall success of implementing an innovative culture for "Strat Y".

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* Question B - Conclusion.

In conclusion, "Strat Y" will find that this is a successful and sustainable change management strategy for the implementation of an innovation culture. This is because the positive aspects to creating an inclusive environment outweigh the negatives; "Strat Y" will find that long term, ~~employees~~ the business will succeed as employees have a strong sense of job satisfaction, in turn leading to not only low turnover numbers for "Strat Y" (allowing an increase in profit as "Strat Y" does not have to train new employees), but also high productivity levels and a positive work environment- leading to a resulting increase in the profit margin. While in contrast, for "Strat Y", the negative aspects will only last short term, as once the innovative decisions are made 'Strat Y' ^{employees} will learn to work together, at a faster pace overtime. Thus meaning that while the costs are high for the short term (as it takes a longer amount of time), long term the positive aspects will become apparent and create a more successful and innovative business for "Strat Y".

Any new innovation that *Strat Y* develops needs protection from theft by competing firms across the world. The CEO has investigated international protection of *Strat Y*'s new product ideas by consulting with a specialist intellectual property lawyer.

- (c) Select a New Zealand-registered business you have studied that is operating in a global context. Identify an item of intellectual property this company has, or may have in the future, and evaluate whether investing in international intellectual property protection of this item is worthwhile.

In your answer:

- fully explain ONE positive and ONE negative impact on the business of the company obtaining international protection for the intellectual property you have chosen
- provide a justified conclusion, including any new information, on the suitability of the intellectual property protection for the company.

Name of New Zealand-registered business	Air New Zealand.
Intellectual property requiring protection	Sky Couch
Type of intellectual property protection	Patent.

One positive aspect for Air New Zealand from protecting their Sky-Couch invention with a patent is that it allows for competitive advantage. As a patent is placed on the Sky Couch this thus prevents competing companies from taking this idea of Air New Zealand's and using it on their own airlines. In doing this, Air New Zealand allows for their airline to have a unique point of sale that stands them out from other airlines and gives customers a reason to fly with Air NZ. As sales revenue increases with this Sky Couch, Air NZ may experience an incline in repeat-purchases as customers feel satisfied. Concurrently, with this competitive

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advantage, Air NZ will gain a positive reputation and brand image as customers spread positive feedback about the business, and with this patent allowing Air NZ with such benefits Air NZ will experience an increase in profitability, and thus increase the success of the business overall.

One negative impact of Air NZ obtaining international protection on their Sky Couch using a patent is the financial costs associated and time taken to fill out legal paper work. This is because as a cost is associated with a legal patent, this may take away from Air New Zealand's overall profitability. Concurrently as management takes time to fill out paper work it will thus decrease productivity in other important areas of the business. As productivity is decreased, this may also take a toll on Air New Zealand financially, thus decreasing the overall success of the Sky Couch if the innovation is not popular within the customers (as if no profit is made from the sky couch Air NZ may lose capital).

In conclusion however, Air New Zealand will mostly benefit from the use of intellectual property such as a patent. This is because ~~however~~ the positive impacts such as profit and customer satisfaction / competitive advantage will last long term, while negative impacts such as a one off payment and time consuming process will only effect Air NZ short term. Concurrently, while Air NZ protects their sky couch with a patent they are able to sell this invention off to other airlines, thus being another way to receive incoming profit and help bring success to Air NZ as a business.

The CEO at *Strat Y* is concerned about maintaining high-quality products. She is looking at changing the quality management system away from traditional quality control. The potential new quality management systems she is considering are:

- Total Quality Management
- Kaizen.

(d) Select ONE of the quality management systems from the box above.

Fully explain why *Strat Y* should consider using the system you have selected.

In your answer, refer to:

- how the selected quality management system would affect how staff do their job
- the impact on competitiveness.

Quality management system: Total Quality Management

'Strat Y' should consider using a total quality management system as this is a system that requires involvement of all staff members and develops quality throughout all areas of the business. Total quality management will affect the way that staff within 'Strat Y' do their job as it requires staff to double check, and ensure that the service they are providing (eg when designing a logo) is that of quality (a service/good that is of value for which customers will pay). Concurrently, staff may also take an extended amount of time to complete their jobs as ensuring that each product is of high quality therefore means staff must be focused and double check to ensure that no faults or errors have been made in the process of production. However, in using

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total quality management, not only will employees of "Strat Y" need to focus on quality in production processes, but throughout every area of the business, including communication (with staff and customers) and delivery of the product to the customer. When using total quality management ~~many~~ staff will now have to pay closer attention to detail to provide quality through all aspects of the business for "Strat Y".

When using total quality management, the impact on competitiveness for "Strat Y" may increase ~~as~~ externally as the business creates competitive advantage for itself. This is because not only will 'Strat Y' now be supplying customers with a quality design and end product, but will now also be providing customers with a quality experience and service as 'Strat Y' has now allowed quality to become a business value overall. As 'Strat Y' becomes increasingly competitive, this can form empowerment within workers as they now feel proud of the business they work with - thus ~~now~~ as job satisfaction increases, so does worker motivation and productivity in the business. With productivity at a quicker rate, 'Strat Y' will be able to serve an increased number of customers, thus allowing for a parallel increase in sales revenue and in turn, profitability. Therefore, by implementing a system such as 'total quality management, 'Strat Y' will face increased overall competitiveness in the external market, thus allowing

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for increased overall success for "Strat y!"

Excellence exemplar for 91379 – 2016		Grade Score: E8
Question part	Annotation	
(b)	One positive and negative impact of an inclusive strategy have been fully explained. In the conclusion, there is evidence for Excellence because the candidate has written about the long-term benefit of the strategy, with employees having a strong sense of job satisfaction, leading to low turnover numbers.	
(c)	The candidate stated a valid example of intellectual property (Sky Couches) requiring protection for the chosen business, and has fully explained one positive and one negative impact of a patent as the chosen type of intellectual property. In the conclusion, there is evidence for Excellence, because the candidate has written about cost-benefit analysis of the patent in the long term versus short term.	