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91380



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 3 Business Studies, 2016

91380 Demonstrate understanding of strategic response to external factors by 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 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 2–12 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.

Achievement

TOTAL

A3

ASSESSOR'S USE ONLY

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

ASSESSOR'S
USE ONLY

Toroa Air is a "no-frills" (budget) domestic airline which has rapidly expanded from local tourist flights to scheduled services between the larger cities in New Zealand. It has increased its share of the New Zealand domestic flight market, as customers like its strong New Zealand cultural values. Financial institutions have been willing to

invest to fund the recent growth of *Toroa Air*, due to its strong leadership.

However, *Flying Koala Airways*, an Australian airline, has just announced that it will look to expand into the New Zealand market and apply for routes that will put it into direct competition with *Toroa Air*.

Image source: https://lh3.googleusercontent.com/-hy8V8Jzux8/TY5_gYizp0I/AAAAAAAAAFJU/UxmUFOd-zSk/s1600/a319.jpg

- (a) Evaluate a strategic response that *Toroa Air* could take to respond to the entry of *Flying Koala Airways* into its domestic market.

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 on *Toroa Air* of the strategic response
- provide a justified conclusion, including any new information, as to the likely success of the strategic response.

Toroa Air must utilize its strong New Zealand cultural values, that customers have shown they like, to keep ahead of *Flying Koala Airways* (FKA). This is a business wide reaction at almost every level. From advertisement to the pilots themselves. The size of this reaction ~~is~~ ^{is not} small, there will not be a lot of changes within the business but rather a change of focus towards

NZ cultural based advertisement and theme. The time frame of this change is as soon as possible, but it must be before FKA begins NZ flights.

This response will potentially increase sales and brand reputation as customers have shown to like NZ culture within the airline, they are proud to have their country represented in their airlines.

It may also have a negative effect. as change management may need to be implemented to help the business cope with a change in focus.

This strategy is likely to be successful because of the rivalry between New Zealand & Australia. New Zealanders are much more likely to fly with an airline focused on their own culture than a ~~new~~ new Australian airline.

Toroa Air has gained in financial strength from its rapid domestic growth, and is now looking to expand globally. Market research has shown that people of Indian descent represent one of the fastest-growing ethnic groups in New Zealand. It is predicted that demand for flights to and from India will increase as these people travel to visit family. The New Zealand Government is negotiating a free trade agreement with India. In addition, there are currently no direct flights from New Zealand to India. *Toroa Air* has seen an opportunity to become an international airline by providing flights to New Delhi, the capital city of India. It is now seeking business support for its expansion plans.

Image source (adapted): https://en.wikipedia.org/wiki/File:New_Zealand_India_Locator.svg

- (b) Fully explain ONE example of business support provided by a government or non-government agency that might benefit *Toroa Air* with its plans to expand by introducing flights to India.

In your answer:

- identify an agency and explain the type of support it provides
- fully explain the impact this may have on *Toroa Air's* expansion plans.

The NZ Agency of Transport helps fund businesses in developing better transport options for New Zealand. This means if the agency views *Toroa Air's* plans as viable the could receive government funding for their project.

This funding will be helpful for research and developments costs and coming to agreement with India to allow them to use their airport.

Because Tonga Air up until now was a national airline, they will not have any planes capable of flying such a large distance in a single flight. This funding will help them obtain the necessary plane, and trained pilot, to make this journey possible. //

The funding will have a hugely positive impact on Tonga Air's plans, and may even be essential for it to be successful.

Environmentally conscious consumers expect airlines to operate in a more sustainable manner. According to a recent report, airlines around the world produce more than 3.15 million tonnes of cabin waste (used paper cups, plates, and packaging) each year. Senior managers at *Toroa Air* have decided they will demonstrate rangatiratanga in this area, and will work with specific stakeholders – suppliers, customers, and employees – to reduce their environmental impact.

Image source: www.shutterstock.com

Māori concept definition

Rangatiratanga: Exercise of leadership, authority, guardianship, and ownership rights; particularly focused on resource production, utilisation, and management for current and future requirements. This includes strategic development and oversight, relationship development and maintenance, problem-solving, conflict resolution and peace-making, adaptation, risk analysis, and management.

Source: <http://seniorsecondary.tki.org.nz/Social-sciences/Business-studies/Maori-business/Culture-and-values#Rangatiratanga>

- (c) Fully explain why it is important for senior managers to demonstrate rangatiratanga in tackling the issue of aircraft cabin waste.

In your answer, refer to:

- how management at *Toroa Air* could demonstrate rangatiratanga in tackling the waste issue
- the consequences for *Toroa Air*'s relationships with its stakeholders of demonstrating rangatiratanga.

Toroa Air can demonstrate rangatiratanga through exercising their leadership. They can do this by recycling their waste and even using reusable plates and cutlery that can be washed between flights. The customers will play a role in this and Toroa Air must encourage them to recycle their waste.

Tonga Air's relationship with its stakeholders will grow in a positive way as the exercise of leadership will cause customers and other airlines to look up to them.

Rangtiratonga will cause the airline to be ~~viewed~~ viewed in a positive way, and potentially increase sales.

Like all airlines, *Toroa Air* is quickly affected by changes in the price of fuel, as this cost takes up to 30% of operating revenue.

Currently, the leadership team is very worried about political unrest in the Middle East, especially the large oil producers like Iraq and Syria. This may push up the price of oil across the world, and therefore increase fuel costs for the airline, which would seriously undermine the company's low-cost strategy.

- (d) Evaluate a strategic response that *Toroa Air* could take to respond to rising fuel prices worldwide, caused by political unrest in the Middle East.

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 on *Toroa Air* of the strategic response
- provide a justified conclusion, including any new information, as to the likely success of the strategic response.

Toroa air may have to cut costs in other areas such as in flight food, or even staff. This is a large scale business wide reaction that will need to be implemented before fuel prices increase too much.//

This will have a positive impact on business costs, and therefore costs for customers. This could cause a increase in ~~in~~ ticket sales as prices go down.

However lowering staff count and on flight quality may potentially lower brand reputation.//

as customers may find alternative airlines, however other airlines will also have to accommodate for increased ~~for~~ fuel prices either by also cutting costs, or increasing ticket prices. Both of which will negatively affect that ~~airline~~ airline, meaning the overall effect on Toron air should not be too significant.

The success of this response is likely as every other airline must also make changes to accommodate for increased fuel prices. Toron air will still maintain its competitive prices and stay relevant in the changing market.

A3

Achievement exemplar for 91380 – 2016		Grade Score: A3
Question part	Annotation	
(a)	<p>The candidate has offered a strategy of developing its strong New Zealand cultural values as a promotional tool.</p> <ul style="list-style-type: none"> • The strategy is only stated, and not explained in terms of time, scope, and size. • The positive impact is explained – increased sales and brand reputation (the “what”), because Kiwis are proud of the airline (the “why”). • The negative impact is explained – a change management strategy is required (the “what”) to help the business cope (the “why”). <p>The conclusion generally repeats the meaning of the positive impact.</p>	
(b)	<p>The “NZ Agency of Transport” is not an authentic agency, as this organisation does not have jurisdiction over airlines.</p>	
(c)	<p>This item was fully explained – the airline should recycle, etc (the “what”) because this would show leadership (the “why”). This will positively impact the relationship with customers and increase sales (the “how”).</p>	
(d)	<p>The candidate has suggested the airline cuts other costs across the business.</p> <ul style="list-style-type: none"> • The strategy is only stated, and not explained in terms of time, scope, and size. • The positive impact is explained – ticket prices may fall (the “what”) because costs have fallen. • The negative impact was also explained – brand reputation may fall (the “what”) because of falling quality (the “why”). • The conclusion hinted at new information, however this is not developed sufficiently (plus the strategy is not explained, and neither of the impacts are fully explained). Therefore, Excellence cannot be awarded. 	