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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.

TOTAL

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

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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/-hy8V8Jzukx8/TY5_gYizp0I/AAAAAAAAFJU/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.

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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.

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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

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.

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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.

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