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90843



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SUPERVISOR'S USE ONLY

Level 2 Business Studies, 2017

90843 Demonstrate understanding of the internal operations of a large business

2.00 p.m. Monday 13 November 2017
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of the internal operations of a large business.	Demonstrate in-depth understanding of the internal operations of a large business.	Demonstrate comprehensive understanding of the internal operations of a large business.

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 parts of the task 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 2–12 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.

Excellence

TOTAL

E8

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This task has FOUR parts, (a) to (d). Use the background information below, the supplementary information in the other boxes, and your business knowledge, to complete each part.

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Background information

Rawhiti and Leanne Preston own *Preston's Provisions*, a chain of eight supermarkets located in small towns throughout the North Island. Their vision statement is "Local produce for local people", and their key point of difference to the larger supermarkets is that they only source fresh produce from suppliers they have exclusively contracted in the surrounding region. *Preston's Provisions* has strong community links, and regularly consults with local iwi on the production and supply of local produce in an environmentally sustainable manner.

The Prestons have appointed a manager to each supermarket to oversee the day-to-day running, but continue to maintain overall control of the chain and regularly visit each supermarket manager to discuss strategy. Together with the manager, they formulate objectives for the *Preston's Provisions* supermarket, and develop a shared understanding of what business plan they will use to reach these goals at the local level.

Rangatiratanga

This is defined as the exercise of leadership, authority, guardianship, and ownership rights; it is 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, and risk analysis.

- (a) Fully explain how the leadership style adopted by the Prestons when working with local iwi or their local supermarket managers, displays aspects of rangatiratanga.

In your answer:

- ✓ identify and explain the leadership style
- ✓ fully explain how the Prestons demonstrate aspects of rangatiratanga.

• The leadership style used by the Prestons is democratic. A democratic leadership style is characterised by the top manager discussing problems and strategies with the employees. Therefore the Prestons have a democratic leadership style ^{because} as they consult their local managers and discuss solutions and strategies e.g. business plan in a democratic process, where the employees ^{opinion} opinion is valued and essential in the decision making. //

- The Prestons demonstrate aspects of Rangatiritanga as they demonstrate guardianship in the forms of strategic development and oversight, as well as maintenance. This is because they regularly formulate objectives to reach the goals at local level, making a strategic development and by regularly visiting the supermarkets maintain oversight. This ~~or~~ regular visits leads to their oversight, as they observe and check in person what is happening in each supermarket and can make adaptations for single supermarkets, as ^{e.g.} not all customers demand exactly the same in each supermarket. Therefore they demonstrate Rangatiritanga as they show guardianship by regularly visiting each chain, giving the employees a feeling of value and importance and by the visits they are able to make adaptations, maintain and develop strategically each chain. By giving the employees a feeling of being valued, they may be more motivated, leading to a greater customer satisfaction, more sales and therefore more profits. //

Each *Preston's Provisions* supermarket employs up to 40 people on either a permanent, part-time, or casual basis. The Prestons operate their supermarkets using a shamrock organisational structure, as shown in the diagram below.

Handy's shamrock organisational structure

The Irish management analyst and philosopher Charles Handy originally described the concept of the shamrock organisational structure:



Core workforce – Full-time employees. A small, but vital group.

Flexible workers – Part-time, casual, temporary, and portfolio workers.

Freelance contractors – Personnel not employed by the organisation, but paid to complete specialist tasks.

Text source (adapted): Bandyopadhyay and Mann, *Level 2 Business Studies Learning Workbook* (Auckland: ESA Publications, 2015), p 3.

Image source (adapted): <https://clipartfest.com/categories/view/9548405ad6089d2762a7daba85d5b5860ad8d46f/shamrock-clipart-outline.html>

The *Preston's Provisions* supermarket in Whanganui is located near a high school, whose students are able to get part-time check-out jobs, or casual jobs re-stocking shelves. During the summer holidays, the school students are often hired on one-off contracts for stock-taking as needs arise.

Managers of the different departments such as bakery, butchery, and fresh produce are employed on a permanent basis, and are experienced and qualified in their areas.

A Whanganui accounting firm takes care of the finances, and Rawhiti and Leanne engage a Hamilton law firm to take care of employment contracts and supplier agreements for all supermarkets in the chain.

Preston's Provisions operates in a highly competitive industry where profit margins are small.

- (b) Fully explain TWO benefits to Preston's Provisions of having a shamrock organisational structure. In your answer, provide examples from Preston's Provisions' Whanganui operation.

One benefit of Preston's Provisions having a shamrock organisational structure is, that they save money on wages. This is because not during all time of the week or year they need the same amount of workers. By having the shamrock organisational structure they only pay the permanent workers full time and if they see that they need more workers they can hire them e.g. the students on one-off contracts. This leads to them saving money as they do not have to pay people for "doing nothing" during the not very busy times. Therefore ~~they save money that they can then for example~~ have an improved efficiency as they have less inputs (labour) per output and can then either way have an improved ^{bigger} profit margin or since the industry is very competitive, offer products at lower prices than the competition, still with a good profit margin, maybe attracting new customers.

Another benefit of Preston Provisions having a shamrock organisational structure is that the core staff is highly trained to do the important tasks. ~~The tasks they hire the students for do not need training~~ ^{The} core staff ~~always has work to do and is highly~~ ^{and} ~~motiv~~ so they just need to pay the students the minimum wage and this leads to them saving money. Therefore they save money on labour that they can then invest in e.g. further growth and gaining a bigger market share, leading to more profits. //

Rawhiti and Leanne know it is essential to keep costs to a minimum to ensure the *Preston's Provisions* chain remains profitable. They are strong advocates for using lean production and economies of scale in their supermarkets.

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- (c) Discuss how *Preston's Provisions* can effectively minimise costs in their Whanganui supermarket.

In your answer:

- ✓ fully explain the terms "lean production" and "economies of scale", providing examples of how these might be applied in the Whanganui supermarket to minimise costs
- ✓ justify, with TWO reasons, which method is likely to be more effective in helping *Preston's Provisions* keep costs to a minimum.

• Lean production was first introduced by the car manufacturer Toyota and focusses on having a maximum efficiency and a minimum of waste. This could for example be a special section for food that does not look perfect or is going bad soon and is offered at a reduced price, so that it will be sold and will not need to be thrown away. By not having to throw them away they save money, because they get people to pay for something they would have otherwise thrown away, leading to increased profits.

• Economies of scale is the reduction in costs as the business grows. A financial economy of scale could for example be that by having a few chains in the same area, they can buy goods in bulk, making them cheaper. This leads to minimised costs and an bigger profit margin ^{and} which therefore more profits.

• One reason why *Preston's Provisions* should use Economies of scales to minimise costs is that by having it they save money in all over the business.

This is because they ^{can separate} ~~could fore~~ the costs over a greater number of single shops, which decreases the cost per output and therefore increases the profits. Another reason is that lean production tries to improve the efficiency, but by having the shamrock organisational structure Preston's Provisions already operates pretty efficient, so the costs could not be minimised to the extend Economies of Scales could minimise the costs, as it applies to all parts of the business, while lean production only improves the production process. Therefore they should use Economies of Scales, as it minimises the costs to an larger extend and will therefore increase the profits more, resulting in improved/greater profits for Preston's Provision, which will keep the chain profitable. By economy of scale they will also have a bigger market share and build a brand, which will lead to more sales, which is highly important in a competitive industry like theirs. //

This examination continues
on the following page.

Because Rawhiti and Leanne cannot be at every supermarket all the time, they rely on a set of policies and procedures that they expect the supermarket managers and staff to adhere to. Because *Preston's Provisions* staff can be employed full-time, part-time, or on a casual basis, an area of particular concern is the hiring and termination of staff.

- (d) Discuss the importance of policies and procedures for a large business (more than 20 employees and/or with a national or regional significance) you have studied, in hiring and terminating staff.

In your answer:

- ✓ explain the difference between a policy and a procedure
- ✓ fully explain ONE policy and ONE procedure that your chosen business may, or should, have in place when hiring and/or terminating staff
- ✓ justify, with TWO reasons, why the hiring and termination of staff is an area where strong policies and procedures need to be in place for your chosen business.

treated fair / law suits

Business name	<i>Spur //</i>
Good(s) sold or service(s) provided	<i>Catering industry (Food) //</i>

- Policies determine the overall functioning of the business and are the basis for important decisions, while procedures determine how daily tasks like opening and closing of the shop should be carried out. An example for a policy is a refund policy, which ensures everything is done (legally) right. //
- One policy Spur has in place is an equality policy. When people are hired the decision is only based on the persons skills and not on religion, skin colour, gender, social standing etc. This is because they want to ensure that everybody has the same opportunity and leads to them hiring only the best qualified candidate. Therefore they can not be object to law suits based on e.g. racism. //
- One procedure Spur has in place is an interview. Before hiring staff they invite them to an ~~interview~~ try out //

where they get ^{to do some of the tasks the future job has} ~~asked some pre-determined questions~~.

This is because they want to make sure that the people are truly skilled and suitable for the position and have been accurate about their level of experience. This is important, so they do not hire people that have lied about their experience and then can not carry out the job as expected, leading to a decrease in efficiency and maybe unhappy customers. This could lead to a decrease in profit margins and sales and therefore decreased profits for spur. //

- The area of hiring and termination of staff is an area where strong policies and procedures need to be in place. One reason for this is because if they do not have policies in place that ensure equality they can easily be subject to law suits that can cause a really bad reputation and cost a lot of money, leading to ^{sales} ~~decreased profits~~ and a loss in profits. Another reason is that it ensures that there are no mistakes made and the employees know what to do and e.g. do not accidentally forget the future employee to sign the contract or offer to less than under the minimum wage, which could lead to the whole business being closed due to illegal, unjust and unethical behaviour. //

Subject:		Level 2 Business Studies	Standard:	90843	Total score:	E8
Q	Grade score	Annotation				
1	E8	<p>Overall, this response is at Excellence level, because the candidate has fully explained business concepts with clear structure, using “what”, “why”, and “how”. The candidate has consistently used connectives like “as”, “because”, “leads to”, and “therefore” to give full explanations, with business knowledge integrated.</p> <p>Part (a)</p> <p>The candidate has given a full explanation of democratic leadership. Aspects of rangatiratanga were fully explained. The candidate has selected relevant concepts from the definition of rangatiratanga and explained how <i>Preston Provisions</i> shows rangatiratanga, linking these reasons to impacts.</p> <p>Part (b)</p> <p>The candidate gave a full explanation using the “what”, the reason, and an impact on <i>Preston’s Provisions</i>. The candidate linked the benefit to the current situation of the business (context), that being that <i>Preston’s Provisions</i> is in a highly competitive industry where profit margins are small.</p> <p>Part (c)</p> <p>The candidate’s explanation of lean production was weaker, and did not explicitly link to minimising costs, which this part of the task required.</p> <p>The candidate’s explanation of economies of scale was sufficient for Merit. A correct definition was given, with an example integrated in context and linked to minimising costs.</p> <p>The candidate successfully justified the action by explaining that economies of scale minimise costs to a greater extent than lean production. Several reasons were given. The response was not memorised, as the candidate has included evidence from the stimulus – namely, that <i>Preston’s Provisions</i> has a chain of several supermarkets – to help justify their decision to use economies of scale as their preferred method.</p> <p>Part (d)</p> <p>One policy and one procedure were correctly identified for a large business. A clear reason was given for both the policy and the procedure, and the impacts on the large business (Countdown, Kaiapoi) have been included. Therefore, this part of the task has been answered at Merit level.</p> <p>A justification for strong policies and procedures was given, with reasons. The same clear structure of “what”, “why”, and “how” has been used.</p>				