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2

90843



NEW ZEALAND QUALIFICATIONS AUTHORITY
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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.

Achievement

TOTAL

A4

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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.

ASSESSOR'S
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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.

Prestons Provisions use a ~~community~~ ^{Hierarchy} based leadership style to lead their employees, they use this to better manage multiple chains, the Prestons are the overall managers of Prestons Provisions which gives them full control over the decisions being made within the business although they have appointed a manager to each chain to handle the day to day care //

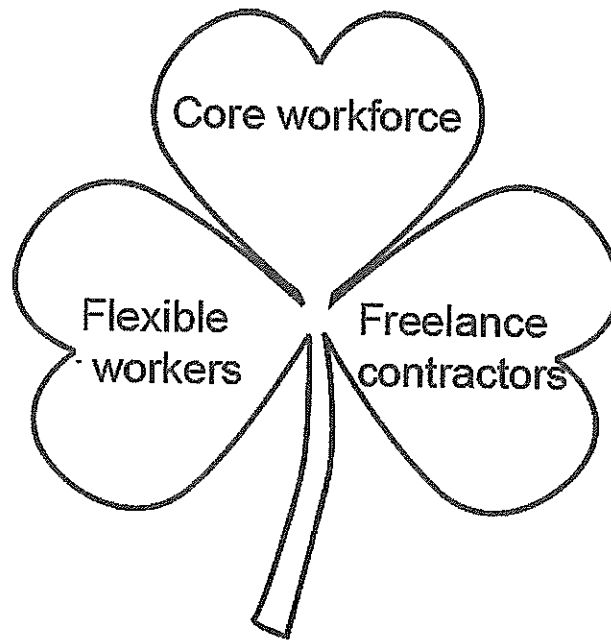
of each chain //

- The Prestons demonstrate aspects of Rangatiratanga by incorporating the community in to all aspects of their business such as the production^{and} supply of local produce in an environmentally friendly environment. By doing this the Prestons are taking guardianship and authority over the land they are resourcing their goods from to ensure that those same resources are there for many years to come, this also ensures that their supermarkets have a reliable source for all of their fresh produce. //

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 will not be wasting their small profit margins by having all employees be in the 'core workforce' section (full time employees) instead of being in 'flexible workers' section as Preston's Provisions does not need a large amount of employees to run day to day business but there may be times such as stock takes where they need extra hands which they would source from their 'flexible workers' section; this section is also good for supporting the community by hiring part time high school students."

• Another benefit of Preston's Provisions using a shamrock organisational structure is that they get the opportunity to work with freelance contractors who specialise in specific tasks such as finance, this ~~benefits~~ the Whanganui operation by creating less pressure ~~on~~ the manager to complete these tasks which ^{they} may not be equipped for and also giving them more time to use on other tasks that are better suited to them to grow their chain."

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.

ASSESSOR'S
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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 is where a product is made in quantities that is sure to sell, for example Prestons Provisions Whanganui Supermarket may notice that there are multiple packets of strawberries left on the shelf at the end of each day meaning that a huge amount of stock is being wasted each day. So by applying 'Lean production' the manager of Whanganui Prestons Provision will work out the average sellings of strawberries and continue to only order that ~~many~~ ^{many} keeping costs to a minimum.

If Economies of scale was applied to Prestons Provisions Whanganui, Rawhiti, and Leanne would manage their stock loads in terms of the economy, for example if the economy was low theoretically customers would be spending less money so the shop would not need as much stock as they would if economy was high. By knowing the levels of product that would be sold.

based off of the economy Rawhiti and Leanne would be able to minimise their expenses by decreasing their stock levels according to the economy.

- ~~the~~ lean production would be more effective in keeping costs low as it is easy to track customers needs and it will also boost customer satisfaction by having product they actually want while also keeping Preston's Provision's whanganui to a minimum. "

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.

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- (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.

| | |
|-------------------------------------|----------------------|
| Business name | Countdown Kaiapoi // |
| Good(s) sold or service(s) provided | Supermarket // |

- A policy is a moral within a business whereas a procedure is the actions that are taken after the policy has been broken. //
- - Countdown Kaiapoi has a policy to allow their employees to have one verbal and two written warnings before they are dismissed, by doing this they are giving the employee the opportunity to fix what they did wrong and avoid it from happening again. This is a good policy to have as it keeps the employees job theirs while also being helpful to Countdown by potentially keeping their costs low in terms of employing and training a new person to fill the job.
- Countdown has a two week notice procedure //

when terminating staff as this gives them the opportunity to find new work while still earning income to suffice their expenses. This is also good for Countdown Kaipoi as it gives them time to hire and train a new employee to take over their roles (s). //

- ~~Hiring and~~ Termination of staff is an area where strong policies and procedures need to be in place as ~~mis~~termination of an employee without notice ~~or~~ or sufficient reasoning is a serious misconduct and the business liable could face strong charges in the eyes of the law, it is also important to make sure that the employee is treated fairly and not discriminated against because that ~~is~~ would be a huge disadvantage in terms of reputation especially in the community. Hiring of staff also requires strong policies and procedures as there could be again unfair discrimination and some people might be taken out of the running for a job for a superficial reason, it is also important to conduct background searches on all possible employees as that could be harmful to the business as well as its reputation. //

| Subject: | | Level 2 Business Studies | Standard: | 90843 | Total score: | A4 |
|-----------------|--------------------|---|------------------|--------------|---------------------|-----------|
| Q | Grade score | Annotation | | | | |
| 1 | A4 | <p>Part (a)</p> <p>The candidate has not identified a correct leadership style. Demonstrating aspects of rangatiratanga has been sufficiently explained to Achievement level. Ideas have been taken from the stimulus, but have been re-written in the candidate's own words with an explanation and concepts linked.</p> <p>Part (b)</p> <p>The candidate has given two correct benefits of a shamrock organisational structure. The first benefit explains a reason in context, with an example. The candidate is precluded from Merit, as no impact on <i>Preston's Provisions</i> has been given.</p> <p>The second benefit has been correctly identified, with an impact on <i>Preston's Provisions</i>, but no reason has been given. Overall, this is a strong Achievement response.</p> <p>Part (c)</p> <p>The candidate has correctly explained lean production, with an example in context, and links the outcome to minimising costs. The candidate's grade could have been improved with a more precise definition of lean production. The candidate's explanation of economies of scale was incorrect.</p> <p>Part (d)</p> <p>The difference between a policy and a procedure was not clearly explained. One policy and one procedure have been identified for a large business. A clear reason for both the policy and the procedure was provided, and the impacts on the large business (Countdown, Kaiapoi) have been included. Therefore, the response to this part of the task reached Merit level.</p> <p>Throughout the script, the candidate has generally used the words "as" and "by" to provide explanations, and therefore gain Achievement overall for this standard.</p> | | | | |