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90843



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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.

Merit

TOTAL

M6

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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 adopted by the Prestons is considered a democratic style, and this is because the prestons ~~consult~~ take many opinions into consideration in their decision making process, such as that of the separate branch managers, the local iwis, and the local community. This could be considered a "Y" style of leadership as they believe their employees can help improve the company and therefore //

The Prestons (who are the ~~managers~~ managers in this scenario) develop strong relationships with their employees and community as they believe it will allow for growth of their ~~business~~ ~~business~~ business. The Prestons show Rangatiratanga in multiple ways. The first is through their relationship development and adaptation. Due to their vision statement, ~~they~~ they only use local produce, and most companies would struggle keeping to a commitment such as that, but due to their relationship with local iwis they are able to maintain a stable supply of local produce to all their stores. They also make sure that it is environmentally sustainable, which shows guardianship (another key aspect of ~~business~~ ^{Rangatiratanga}) as they are protecting the environment for the future.

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.

The first benefit of the Shamrock model for Preston's provisions is that they can cut costs of wages with flexible workers, ~~as it is not necessary for all of their employees to be full time, and this helps them increase their profit margins in the highly competitive industry.~~ An example of this in the Whanganui operation is the employing of high school students for jobs like restocking the shelves and / or working the check-outs. High school students are often satisfied with minimum wage, ~~as~~ compared to adults who ask for higher wages, making it beneficial to the company to hire the high school students as it increases profit margins. The second benefit of the Shamrock model for Preston's provisions is it allows them to hire specialists for certain tasks when necessary, as it is only a supermarket and does not need a wide variety of personnel that specialize in areas such as plumbing, maintenance, ~~and~~ finances, etc. This saves Preston's ~~provisions~~ provisions from many expenses such as medical or housing costs, ~~training~~ training costs, and other costs, and allows them to allocate more funds to their produce which can boost their supply and lead to increased sales and revenue. An example of this in the Whanganui operation is the employing of a local accounting firm, and a law firm in Hamilton, as there is no need for workers in these fields to be employed full-time. //

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 is when a company eliminates all time wasted in order to increase their effectiveness in the production process. They can use kaizen to continuously improve their production processes and keep wasted time and costs to a minimum, allowing them to increase total profits. An example of how this could be used in the Whanganui operation to minimise costs would be to keep all similar stock in certain areas so employees don't waste time searching for produce when restocking the store, or Preston's provisions could ~~eliminate~~ eliminate extra storage space that is not ~~needed~~ necessary and make everything more compact, eliminating extra costs. Economies of scale on the other hand focuses on specific areas, such as marketing, production, and other areas, and how costs can be reduced in those areas to suit the needs of the business. An example of how the Whanganui branch could use this to minimise costs would be to look into their marketing, and focus their marketing on their target audience or their highest selling product, therefore cutting costs on useless marketing whiffs.

still advertising Prestons Provisions. The ~~can~~ economies of Scale method would be more efficient at minimising costs for Prestons Provisions because firstly, ~~a~~ Prestons Provisions is a retailer (as they buy produce and ~~resell~~ resell it) and does not produce its own goods, therefore much more can be done to reduce costs by focusing on other areas of the business, which economies of scale allows for. Secondly, it is only focused on the Whanganui branches costs, & therefore economies of Scale will help ~~more~~ minimise costs more effectively as it is a single branch and doesn't require excess marketing and other services for sales. //

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.

Business name	The Warehouse //
Good(s) sold or service(s) provided	Retailer many goods //

A policy is a rule that all employees must follow, and is generally discussing etiquette or attitude in the workplace, whereas a procedure is a set of steps all employees must follow, such as wearing correct uniform or ~~the setting~~ handling items in a specific way as to avoid harm. When the Warehouse hires new employees they follow the same hiring procedure for every person, which involves applying online and going through the same ~~at~~ set of steps (regarding the supply of information) so that all ~~employees~~ possible employees can be viewed to the same extent before they are hired (eg. whether or not they have a criminal background). The Warehouse also supplies every new employee with a policy booklet which all employees must follow, ~~and~~ the policies included in the booklet are in //

Place so that all employees that represent the warehouse bring a good reputation to the business (such as no racism, theft, or ~~other~~ violence in the workplace, correct uniform, Politeness to all customers, etc.) and ~~that~~ these policies exist so that the warehouse maintains a friendly workplace and a good reputation amongst the community. The hiring and termination of staff is an area where strong policies and ~~procedures~~ procedures must be in place for a number of reasons. The first reason is that The Warehouse needs staff that ~~as~~ ~~that~~ they feel will represent their business well, and if ~~that~~ anyone could get a job there it could heavily affect the reputation of their company, as it is heavily based on customer to employee interaction. Secondly, if the hiring and termination policies ~~are~~ aren't strictly enforced then the employees might feel there are no ~~consequences~~ consequences for their actions which can lead to increased theft and a volatile workplace, which is in no way beneficial for the business.

Extra space if required.

Write the question number(s) if applicable.

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QUESTION
NUMBER

Part a) continued below

Another way the prestons show Rangatiratanga in their leadership style is ~~through their~~ through their management for current and future requirements. The prestons interact with each branch manager separately to discuss what is required for continued success and set goals to help motivate the branches. They show that even though the separate stores are managed individually, they still have ownership and demonstrate strong leadership skills to their employees through continuous relationship development.

Subject:		Level 2 Business Studies	Standard:	90843	Total score:	M6
Q	Grade score	Annotation				
1	M6	<p>Part (a)</p> <p>The evidence is at Merit level, because the candidate has fully explained aspects of rangatiratanga. Reasons were given throughout, with business knowledge included.</p> <p>Part (b)</p> <p>The candidate has given a full explanation, including the “what” (cut the cost of wages), the “why” (not necessary for all their employees to be full-time), and an impact (increases profit margins) for <i>Preston’s Provisions</i>. The candidate has linked the benefit of a shamrock organisational structure to the context, that being that <i>Preston’s Provisions</i> is in a highly competitive industry where profit margins are small.</p> <p>Similarly, for the second benefit the candidate explains the “what” (hiring specialists), the “why” (reduces expenses), and the impact (allocate more funds).</p> <p>Part (c)</p> <p>The candidate has correctly explained lean production, with an example in context, and has linked the outcome to minimising costs.</p> <p>The candidate is precluded from Excellence, because the explanation of economies of scale was incorrect, which followed through to their justification.</p> <p>Part (d)</p> <p>The candidate does not reach Merit level for this part, as one policy and one procedure were not fully explained. The candidate fully explained a procedure for their chosen business, but not a policy in sufficient detail.</p>				