

Assessment Schedule – 2013

Business Studies: Demonstrate understanding of how a large business responds to external factors (90844)

Evidence Statement

Q 1	Sample answers
	<p><u>Fully explain why an efficient supply chain is essential for the success of <i>Emok's</i> product</u></p> <p><i>Sample answer:</i></p> <p>An efficient supply chain can better meet the needs of customers. For example meeting customer orders on time. This is particularly important for <i>Emok</i>, as it offers custom-made children's furniture in a premium niche market (Explained). This will improve customer satisfaction and loyalty. For example, <i>Emok</i> can quickly respond to a specific request from a customer, such as a special design for a child's bed (Fully explained).</p> <p>Efficiency involves <i>Emok</i> using fewer resources. By having an efficient supply chain, <i>Emok</i> can operate in a more cost-effective way (Explained). For example, an efficient supply chain allows for inventory (children's furniture) to be kept to a minimum, therefore reducing high storage costs (Fully explained).</p>
(b)	<p><u>ONE flow-on effect for <i>Emok's</i> customers</u></p> <p><i>Sample answer:</i></p> <p>Some <i>Emok</i> customers may then decide to purchase their children's furniture elsewhere, as their orders have not been met on time (Explained).</p> <p><u>Fully explain (with an example how <i>Emok</i> could gain greater control over its supply chain)</u></p> <p><i>Sample answer:</i></p> <p><i>Emok</i> could find a new additional supplier. This would minimise the risk (and hence improve control) for <i>Emok</i> of one supplier being unable to supply, due to their own internal issues, eg forest fire destroying all trees or machinery, or resource issues causing delays in delivery of timber (Explained). With two suppliers, there would be less likelihood of a disruption in supply, as they have an alternative. It also means that <i>Emok</i> may be able to negotiate better supply contracts and pricing, due to increased competition (Fully explained).</p> <p><i>Other ways to increase control of supply chain:</i></p> <ul style="list-style-type: none"> • <i>Emok</i> could choose not to outsource the distribution of children's furniture to <i>NZ Freight Limited</i>. Instead, it could invest in its own trucks and transport. • <i>Emok</i> could merge with / take over <i>Central North Island Plantations</i>. This would guarantee the supply of raw materials (wood) to <i>Emok</i>. • <i>Emok</i> could develop new distribution channels. For example, it could develop its own webpage and sell its children's furniture online. This would create a more direct supply chain, with customers by-passing the upmarket retail outlets. <p><u>Justify, with reasons, why this decision will improve <i>Emok's</i> supply chain</u></p> <p><i>Sample answers:</i></p> <p>A new additional supplier will help <i>Emok</i> overcome production problems that had previously delayed the delivery of its children's furniture. Having two firms competing to supply <i>Emok</i> will also help reduce raw material costs (improving the supply chain), as they will undercut each other to encourage <i>Emok</i> to buy from them.</p> <p>By choosing not to outsource to <i>NZ Freight Ltd</i>, <i>Emok</i> may be able to meet customer orders more efficiently, as it will have its own transport/trucks. Operational costs may be lower.</p> <p>Taking over / merging with <i>Central North Island Plantations</i> will improve the supply chain, because it will help <i>Emok</i> overcome production problems that had previously delayed the delivery of its children's furniture. The key benefit is that <i>Emok</i> will have security (control) over its raw materials, and thus reliability in</p>

sourcing them. Cost of raw materials will decrease. This could improve the quality of its furniture, and the speed at which *Emok* could meet customer requests. *Emok* could have greater flexibility with product development and innovation. Absorbing *Central North Island Plantations'* profit margins may help *Emok* to cut supply costs and increase profit.

Emok could develop new distribution channels. It could invest in an online presence and have a web page that sells direct to its customers. This could enable it to by-pass the up-market retail outlets. The supply chain may then become more efficient, and this could increase profit margins for *Emok*.

Achievement				Achievement with Merit		Achievement with Excellence	
<ul style="list-style-type: none"> Explains why having an efficient supply chain is essential for the success of <i>Emok's</i> product. Explains a flow-on effect for <i>Emok's</i> customers, if the current situation continues. Explains how <i>Emok</i> could gain greater control over its supply chain. Explains with one reason why the decision will improve <i>Emok's</i> supply chain. <p>(Answers will typically state relevant examples, business knowledge, and / or Māori business concepts.)</p>				<ul style="list-style-type: none"> Fully explains why having an efficient supply chain is essential for the success of <i>Emok's</i> product. Fully explains, with an example, how <i>Emok</i> could gain greater control over its supply chain. <p>(Answers will typically include relevant examples, business knowledge, and / or Māori business concepts.)</p>		<p>How <i>Emok</i> could improve its control over the supply chain is discussed by:</p> <ul style="list-style-type: none"> fully explaining, with an example, how <i>Emok</i> could gain greater control over its supply chain justifying with reason(s) why this decision will improve <i>Emok's</i> supply chain. <p>(Answers will typically integrate relevant examples, business knowledge, and / or Māori business concepts into explanations.)</p>	
N1	N2	A3	A4	M5	M6	E7	E8
Very little achievement evidence	Some achievement evidence	Most achievement evidence	Nearly all achievement evidence	Some merit evidence.	All merit evidence.	Most points covered (from b)	All points covered (from b)

N0 = No response; no relevant evidence.

Q 2	Sample answers
(a)	<p><u>Fully explain why <i>Emok</i> encourages an enterprise culture</u></p> <p><i>Sample answer:</i></p> <p>An enterprising culture at <i>Emok</i> is one where its staff are innovative and creative (ie think “outside the box”) rather than being reluctant to take risks. <i>Emok</i> encourages an enterprise culture as it helps it to retain and attract (innovative) staff. This occurs because such employees are more likely to be attracted to a business that offers challenging work. (Explained). For example workers will be keen to work for <i>Emok</i> if they are part of developing innovative furniture designs. <i>Emok</i> needs this enterprising culture if it is to keep ahead of its (overseas) competition. For example innovative designs create a point of difference and so enable it to maintain or expand its market share. (Fully explained).</p>
(b)	<p><u>Discuss how having an enterprise culture is a way to differentiate <i>Emok</i> from cheaper overseas competitors</u></p> <p><i>Examples of differentiation for Emok:</i></p> <p>Quality, custom-made furniture to individual customers; new styles of furniture; using the latest technology to design and manufacture furniture in New Zealand.</p> <p><u>Explain the benefits of differentiation for customers</u></p> <p><i>Sample answers:</i></p> <p>Differentiation involves creating an actual or perceived difference between <i>Emok</i> and its competitors.</p> <p>Customers will benefit from greater variety of children’s bedroom furniture through differentiation. Customers will be able to choose from a variety of styles and designs. Individual tastes and preferences will more likely be satisfied through <i>Emok</i> using differentiation techniques.</p> <p><u>Fully explain the impact of each example of differentiation on <i>Emok</i>’s sales</u></p> <p><i>Sample answers:</i></p> <p><i>Emok</i>’s furniture is produced using the highest quality wood which should help it to increase its sales / market share because parents are likely to want to buy good quality so their children are safe (Explained). This gives it a point of difference from overseas competition, who are focusing on lower prices (Fully explained).</p> <p>The use of new (leading) technology could be beneficial for <i>Emok</i> as it looks for ways to increase efficiency, reduce costs, and increase sales (Explained). The use of new technology allows <i>Emok</i> to be more flexible in its production methods, thus it is better able to meet individual customer needs. Customers would see a better product range. Customers could be attracted to <i>Emok</i> because of this point of difference, thus increasing sales (Fully explained).</p> <p><i>Emok</i> could encourage its customers to have input into the design process. For example, <i>Emok</i> could make custom-made furniture (Explained). Customers will gain increased satisfaction, as they are part of the design process. They would feel their individual needs are being catered for. This could lead to an increase in sales for <i>Emok</i> (Fully explained).</p> <p><u>Justify, with reasons, which example of differentiation would be better for the long-term success of <i>Emok</i></u></p> <p><i>Sample answer:</i></p> <p>Quality: <i>Emok</i> should focus its differentiation on quality. Its biggest competitors are cheaper overseas suppliers. By focussing on quality, it can differentiate itself from its biggest competitors (who generally compete on price). It could link its higher-quality furniture to a marketing strategy that incorporates premium pricing to maximise profits in the long term.</p>

Emok could develop greater customer loyalty through manufacturing and selling high-quality furniture, as some customers will continually buy from *Emok* if its products are high quality and safe for their children. In the longer term, *Emok's* reputation for producing quality (child-safe) furniture will lead to an improvement in long-term brand image and sales, profits, and market share will all increase.

Achievement				Achievement with Merit		Achievement with Excellence	
<ul style="list-style-type: none"> Explains why <i>Emok</i> encourages an enterprise culture. Explains, with TWO examples, the benefits of differentiation to customers. Explains the impact of example(s) of differentiation on <i>Emok's</i> sales. (Answers will typically state relevant examples, business knowledge, and /or Māori business concepts.)				<ul style="list-style-type: none"> Fully explains why <i>Emok</i> encourages an enterprise culture. Fully explains the impact of example(s) of differentiation on <i>Emok's</i> sales. (Answers will typically include relevant examples, business knowledge, and /or Māori business concepts.)		How having an enterprising culture is a way in which <i>Emok</i> can differentiate itself from cheaper overseas competitors selling children's furniture in New Zealand is discussed by: <ul style="list-style-type: none"> fully explaining the impact of example(s) of differentiation on <i>Emok's</i> sales justifying why a chosen example of differentiation would help the long-term success of <i>Emok</i> justifying why the chosen example of differentiation is better than another one. (Answers will typically integrate relevant examples, business knowledge, and /or Māori business concepts into explanations.)	
N1	N2	A3	A4	M5	M6	E7	E8
Very little achievement evidence.	Some achievement evidence.	Most achievement evidence.	Nearly all achievement evidence.	Some merit evidence.	Most merit evidence.	Some points covered (from b).	Most points covered (from b).

N0 = No response; no relevant evidence.

Q 3	Sample answers
(a)	<p><u>Fully explain the difference between political and social factors that influence businesses</u></p> <p><i>Sample answer:</i></p> <p>Political factors are external factors affecting a business that are linked to the government, while social factors are external influences resulting from changing trends in society (Explained).</p> <p>Political factors include: a change in government following an election (resulting in a change in government or regional policy); changes in legislation or taxation that affect your business, either positively or negatively.</p> <p>For example: changes in laws, ie taxation rates (eg decrease in company tax rates to 28% or increase in GST to 15%). Other laws could include the 90-day probation period under the Employment Act, changes to the Health and Safety Act, and consumer protection laws (Fair Trading Act). The government's ability to negotiate free trade agreements, eg FTA with China in 2008, can have an impact on NZ businesses. Changes in government spending, such as research and development subsidies or the rollout of Ultra-Fast Broadband can have a positive impact on businesses.</p> <p>Social factors include: changes in population growth rate and age profile; generational shifts in attitudes that affect businesses; changes in society's levels of health, education, and social mobility; changes in employment patterns, job market trends, and attitudes toward work; changes in social attitudes and social taboos; changes in religious beliefs; and changes in lifestyle choices affecting the population.</p> <p>For example: changes in New Zealand demographics which include lower birth rates and/or aging population can alter a business' sales and have implications for their marketing strategies. Other social factors could include trends toward healthy eating, organic foods, sustainability (Fully explained).</p>
(b)	<p><i>Sample answer: political factors</i></p> <p><u>Explain how an external factor has affected the named business</u></p> <p>The amendment to the Employment Relations Act 2000, which introduced a 90-day probationary period, allows businesses to trial employees for 90 days. This means businesses can dismiss employees within the first 90 days of employment without any threat of personal grievance. This has affected the named business, as they are now more willing to hire new employees. In the past, the named business was reluctant to employ new staff, having previously spent significant sums of money recruiting and training staff, only to find the new workers unsuitable for the job.</p> <p><u>Fully explain two decisions by the named business in response to an external factor</u></p> <ul style="list-style-type: none"> • The named business would be more willing to hire new workers. They will be encouraged to take a risk and hire more staff, knowing they will not be caught up in expensive and time-consuming personal grievance processes (Explained). Compliance costs should decrease and their recruitment process will be more flexible. The named business will have the confidence to hire more workers (Fully explained). • The named business has made a decision to implement an intensive training program for all new employees after the 90-day trial period. This is because the trial period allows the business to take up to 90 days to decide whether a new employee is right for the job (Explained). The business will be more willing to spend (invest) significant amounts of money up-skilling the new employee (Fully explained). <p><u>Justify with reasons, which decision would be better for the long-run economic sustainability of your named business</u></p> <p>The better decision would be the implementation of the intensive training program for new employees after 90 days. This is because in the long-run the named business will benefit from a highly productive and efficient workforce that is well-trained in the policies and procedures of the named business (Explained). Worker productivity will be increased, as the quality of their workers and skills have increased. In the long term, the business will grow. Hiring more workers may be more of a short-term approach, which may not increase the economic sustainability of the named business (uses examples/ideas from context of named business). For example by implementing an intensive training program that invests in the skills of workers, workers may have greater</p>

<p>motivation and commitment to the firm. In the long run, the named business could benefit from staff retention or reduced staff turnover (Fully explained).</p> <p><i>Sample answer: social factors</i></p> <p><u>Explain how an external factor has affected the named business</u></p> <p>The changing demographics of New Zealand society have seen an aging of the New Zealand population. This has had an impact on the named business, because sales of their product have decreased.</p> <p><u>Fully explain two decisions by the named business in response to an external factor</u></p> <ul style="list-style-type: none"> • The named business has decided to change /innovate their existing product to increase sales. The named business has decided to increase its focus on niche markets and target older customers (Explained). This may involve some research and development (Fully explained). • The named business has decided to change its marketing mix and develop a new marketing strategy that targets older people (Explained). The named business has decided to rebrand their product and heavily promote it to this new target market (Fully explained). <p><u>Justify, with reasons, which decision would be better for the long-run economic sustainability of your named business</u></p> <p>The better decision would be to change /innovate their existing product. This is because innovating the existing product could better meet the needs of the new older demographic and lead to a more sustained increase in sales (Explained). Developing a new marketing strategy may increase sales, but the impact may be short-term (uses examples / ideas from context of named business). For example, innovating their existing product could improve the long-term reputation of the named business as consumers from the new target market may see the named business as a market leader, and thus develop some brand loyalty to the named business (Fully explained).</p>
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Achievement	Achievement with Merit	Achievement with Excellence
<ul style="list-style-type: none"> • Explains the difference between political and social factors that influence NZ businesses. • Explains how an external factor affects a named business. • Explains decision(s) taken by the named business in response to the external factor. <p>(Answers will typically state relevant examples, business knowledge, and /or Māori business concepts.)</p>	<ul style="list-style-type: none"> • Fully explains, with examples, the difference between political and social factors that influence NZ businesses. • Fully explains decision(s) taken by the named business in response to the external factor. <p>(Answers will typically include relevant examples, business knowledge, and /or Māori business concepts.)</p>	<p>Discuss how an external factor has affected the business by:</p> <ul style="list-style-type: none"> • fully explaining decision(s) taken by the named business in response to the external factor • justifying why a chosen decision would increase long-term sustainability of the named firm • justifying why the chosen decision is better than the other one. <p>(Answers will typically integrate relevant examples, business knowledge, and /or Māori business concepts into explanations.)</p>

N1	N2	A3	A4	M5	M6	E7	E8
Very little achievement evidence.	Some achievement evidence.	Most achievement evidence.	Nearly all achievement evidence.	Some merit evidence.	Most merit evidence.	Some points covered (from b).	Most points covered (from b).

N0 = No response; no relevant evidence.

Judgement Statement

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 7	8 – 12	13 – 18	19 – 24