

Assessment Schedule – 2016

Business Studies: Demonstrate understanding of the internal operations of a large business (90843)

Assessment Criteria

Notes to Markers: guidance for awarding Achievement, Merit, or Excellence

Explaining states **what** the answer is to the question asked, then expands by giving the reason(s) **why** the “what” occurs or links ideas to provide a coherent rationale.

Fully explaining develops the explanation with further expansion of **how** the situation/action could impact on potential business or stakeholder goals, or a particular outcome. This will generally relate to effects, advantages, disadvantages, and/or consequences.

Justifying: Uses relevant evidence to justify the significance of the decision or the likelihood of success. This should include reference to alternative courses of action, or new information to further support the decision that has not already been established in earlier parts of the question.

Q 1	Sample answers / Evidence
(a)	<p><u>Fully explain ONE benefit and ONE cost to RAD of giving a percentage of its profits to charities and local causes.</u></p> <p>The benefit to RAD from demonstrating corporate social responsibility is that they can use this as a competitive tool against other coffee producers. Sales volumes will increase (Described). This is important, because RAD coffee bean prices are higher than those of rivals (Explained). The donations to local causes will also boost goodwill among its supply chains, leading to improved motivation and productivity at all four roasting and distribution centres (Fully explained). Profits at RAD are likely to grow, despite their higher prices.</p> <p>OR</p> <p>The benefit to RAD from demonstrating corporate social responsibility is improved brand image. This is because cafes and restaurants are more likely to purchase their coffee beans from RAD than another coffee competitor, as their values match RAD’s values (Explained). This positive brand image will lead to increased sales and revenue for RAD (Fully explained).</p> <p>The cost to RAD from showing corporate social responsibility is reduced levels of profitability (Described) if revenue from coffee sales begins to fall due to higher prices (Explained). Once RAD becomes committed to these good causes, it may be difficult to reduce donations later (Fully explained). Other businesses may also begin to undertake corporate social responsibility, reducing RAD’s competitive advantage. Profits may fall, given that there is evidence from the stimulus that the cost of donations by RAD are spiralling out of control, as managers in the four centres can set their own level of donations. Some are clearly being too generous (Fully explained).</p> <p>OR</p> <p>The cost to RAD from showing corporate social responsibility is reduced levels of profitability. This is because the charity donations increase expenses for RAD (Explained). The higher prices charged by RAD for their coffee may not be enough to offset the donations, in which case profitability will fall (Fully explained).</p>
(b)	<p><u>Fully explain ONE way in which the large business undertakes corporate social responsibility, other than making donations to local causes.</u></p> <p>EITHER:</p> <p>Business X is a national bank that has undertaken an educational scheme to support financial literacy in secondary schools (Described). The bank provides advice and guidance to teenagers, and has provided resources such as bank managers and guide books to help students prepare for the challenges of handling their own money once they leave school or transfer to further study as an adult (Explained). The bank also argues that providing this scheme will allow students to become responsible members of the community, and/or stakeholders of the bank. By providing this educational scheme, the bank is</p>

<p>positioning itself in the minds of young consumers as the bank with which they may wish to open their first adult bank account (Fully explained).</p> <p>OR:</p> <p>Bank X undertakes corporate social responsibility by allowing all staff at least one fully paid day off each year to work on a community project of their choice. Some staff have offered to help volunteer during charity fun runs such as “Round the Bays”, held annually in Auckland (Explained). The staff will write to families offering their help on the day, and then will follow up with the families after the event to check that everything went smoothly. This form of community service has built very strong ties between the business and household sectors, together with greater brand awareness and loyalty (Fully explained).</p> <p><u>Justify, with TWO reasons, whether undertaking corporate social responsibility in this way improves long-term sustainability for your chosen business.</u></p> <p>Bank X will have committed significant funds and staff time to these initiatives. Customers may choose to bank with a certain institution for a whole range of reasons. The bank could use these initiatives as a competitive tool to differentiate itself from rival banks (although other banks could subsequently decide to offer similar schemes to their communities). The positive message of the bank trying to offer guidance on financial literacy or providing community support may attract media attention and please stakeholders. Shareholders will hope to see an improvement in the bank’s share price, but may be concerned with the cost of maintaining these commitments. Overall, it is difficult to say whether corporate social responsibility improves long-term financial sustainability, but the bank has certainly been viewed favourably in the short term, as the “Round the Bays” programme was created in 2011 and the financial literacy scheme was launched only in 2015.</p>

Grade-score descriptors

Achievement		Achievement with Merit			Achievement with Excellence		
<ul style="list-style-type: none"> Explains ONE benefit and ONE cost to <i>RAD</i> of giving a percentage of its profits to charities and local causes. Explains ONE way in which the named large business undertakes corporate social responsibility, other than making donations to local causes. <p>(Answers will typically state relevant examples, business knowledge, and/or Māori business concepts.)</p>		<ul style="list-style-type: none"> Fully explains ONE benefit and ONE cost to <i>RAD</i> of giving a percentage of its profits to charities and local causes. Fully explains ONE way in which the named large business undertakes corporate social responsibility, other than making donations to local causes. <p>(Answers will typically include relevant examples, business knowledge, and/or Māori business concepts.)</p>			<ul style="list-style-type: none"> Fully explains ONE way in which the named large business undertakes corporate social responsibility, other than making donations to local causes. <p><i>AND</i></p> <ul style="list-style-type: none"> Justifies, with TWO reasons, whether undertaking corporate social responsibility in this way improves long-term economic sustainability for the chosen business. <p>(Answers will typically integrate relevant examples, business knowledge, and/or Māori business concepts.)</p>		
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. Most points covered, including some justification.	All points covered. One part may be weaker.

N0 = No response; no relevant evidence.

Q 2	Sample answers / Evidence
(a)	<p><u>Fully explain how monthly revenue and cost reports, instead of quarterly reporting, may improve decision-making for Sally.</u></p> <p>Purpose: Revenue and cost reports provide a full breakdown of exactly what was received in income and what was spent over the period. This gives <i>RAD</i> timely data; for example, which products are most profitable and which costs have been increasing or decreasing. This information can be used by <i>RAD</i> to make better decisions.</p> <p>By producing monthly revenue and cost reports instead of quarterly reports, Sally will be able to monitor revenue and cost streams more effectively, enabling her to identify problems or areas of concern more quickly (Explained). Decision-making at the Dunedin head office would be more timely, and probably more effective, as it would be easier to identify where the profit variances are occurring. Sally could then take any corrective action sooner. If she were to wait for three months, the variances may become so large that they begin to threaten <i>RAD</i>'s economic sustainability. Also, because <i>RAD</i> is growing quickly, monitoring performance frequently is vital to prevent decision-making becoming too difficult (Fully explained).</p>
(b)	<p><u>Fully explain ONE benefit and ONE cost to the managers of the three other centres of preparing cost and revenue reports monthly instead of quarterly.</u></p> <p>The key benefit to managers is that monthly reporting imposes a discipline on them to be more effective in their data collection, and to be accountable for their actions in a more timely manner (Explained). They have been given discretion by Sally to set their own levels of donations, but these donations may vary widely. Monthly reporting will allow greater financial transparency. Sally may be able to trust these managers with more important decisions in the future, and give them more responsibility as <i>RAD</i> continues to grow (Fully explained).</p> <p>The costs to managers involve opportunity costs. The centre managers will now need to plan for producing these reports more frequently, and allow sufficient time to prepare them accurately (Explained). As <i>RAD</i> is growing rapidly, their current roles will already be demanding; now they are being asked to add to their workloads, which could further raise their stress levels (Fully explained). This may impact on their ability to manage the centres effectively, and could be demotivating (Fully explained).</p> <p><u>Justify, with TWO reasons, whether monthly reporting will ensure that centre managers remain motivated, despite the rapid growth of <i>RAD</i>.</u></p> <p>Monthly reporting may act as a motivating force to “do the right thing” in the regional centres in a sustainable manner. If the monthly reports are seen to improve decision-making, the managers are more likely to be motivated, as they will feel that they have an input into the success of <i>RAD</i>.</p> <p>The change to monthly variance reports may act as a stimulus for managers to think of other ways to improve decision-making at <i>RAD</i> that would improve motivation and lead to greater responsibility for managers in the future. Recognition of success and responsibility are seen as two important motivators, according to motivation theorists such as Maslow and Herzberg.</p> <p>Note: Candidates may answer in the negative, so long as the justification is reasonable. Reference to specific motivational theorists is not required.</p>

Grade-score descriptors

Achievement		Achievement with Merit			Achievement with Excellence		
<ul style="list-style-type: none"> Explains the purpose of revenue and cost reports. Explains how monthly revenue and cost reports instead of quarterly reporting may improve decision-making for Sally. Explains ONE benefit and ONE cost to the managers of preparing these monthly revenue and cost reports. <p>(Answers will typically state relevant examples, business knowledge, and/or Māori business concepts.)</p>		<ul style="list-style-type: none"> Fully explains how monthly revenue and cost reports instead of quarterly reporting may improve decision-making for Sally. Fully explains ONE benefit and ONE cost to the managers of preparing these monthly revenue and cost reports. <p>(Answers will typically include relevant examples, business knowledge, and/or Māori business concepts.)</p>			<ul style="list-style-type: none"> Fully explains ONE benefit and ONE cost to the managers of preparing these monthly revenue and cost reports. <p><i>AND</i></p> <ul style="list-style-type: none"> Justifies, with TWO reasons, whether these monthly reports will ensure that centre managers remain motivated, despite the rapid growth of <i>RAD</i>. <p>(Answers will typically integrate relevant examples, business knowledge, and/or Māori business concepts.)</p>		
N1	N2	A3	A4	M5	M6	E7	E8
Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. Most points covered, including some justification.	All points covered. One part may be weaker.

N0 = No response; no relevant evidence.

Q 3	Sample answers / Evidence
(a)	<p><u>Explain the current organisational structure that is likely to operate at RAD.</u></p> <p>If Sally is in control of all four centres, then we could argue that the current structure is flat, with one level. Sally makes all the decisions in Dunedin, though local managers have control over the level of donations in the three other centres.</p> <p>OR</p> <p>We could also make the case that because Sally is in control of decision-making, RAD could be a tall structure with many layers of hierarchy. There is evidence from the stimulus that RAD's decision-making is centralised in Dunedin, and we could assume that allocation of funds for donations has been placed on a lower level of decision-making, to be exercised by the managers in the other centres.</p> <p><u>Fully explain why the current organisational structure may make RAD's operations too difficult to control.</u></p> <p>A flat hierarchy in a rapidly growing business may allow more flexibility in decision-making, but unless there are careful checks and balances, individual centre objectives may override Sally's overall objectives for RAD (Explained). As the business is growing rapidly, this will become increasingly difficult for Sally, as the level of donations across all centres affects the overall profit (Fully explained).</p> <p>OR</p> <p>An organisation growing rapidly needs to make decisions quickly to maintain supply chains (customer and supplier relationships) and ensure the smooth running of all four centres (Explained). A tall hierarchy may be too inflexible, and lacks speed for real time decision-making in a fast-moving business, as the chain of command is longer.</p> <p>This growth is expected to last for at least two years. RAD will become increasingly difficult to control if Sally makes all the decisions (Fully explained).</p>
(b)	<p><u>Identify ONE new organisational structure, and explain how it works.</u></p> <p>Sally could create a matrix structure, with flexible project teams drawn from each of the centres to allow sharing of the decision-making and ideas on how to take advantage of RAD's rapid growth (Explained).</p> <p>Sally could create a shamrock structure, with managers and Sally acting as the core workers, and employing temporary or peripheral staff as required to cope with the rapid growth in RAD's operations (Explained).</p> <p>Note: Candidates may choose to recommend a change from tall to flat, or flat to tall organisational structure – as long as the explanation is reasonable and applied to RAD.</p> <p><u>Fully explain ONE disadvantage to Sally of using this new organisational structure to improve decision-making.</u></p> <p><i>Matrix</i></p> <p>One disadvantage of matrix is that it creates temporary or flexible project teams to work on specific problems for Sally. Sally will need to create these groups, and this will take her time to do, and will also use up resources (Explained). The creation of a matrix structure may require a change in leadership style and culture at RAD. Sally will have to change the way she approaches decision-making. If the project group members feel that their ideas are not being listened to or acted upon, the current problems at RAD will not be solved (Fully explained).</p> <p><i>Shamrock</i></p> <p>One disadvantage for the adoption of a shamrock structure at RAD is that complexity and coordination pressures for Sally will intensify at a time when RAD is already growing rapidly. Consequently, RAD will become more difficult to manage (Explained). The introduction of new core or peripheral workers at RAD will lead to Sally having to train new employees – and possibly managers – even if they are hired on short-term contracts. New job descriptions will need to be drawn up, and clear lines of reporting established. Sally may find herself swamped in new bureaucracy at a time when she needs to focus on the direction RAD should be taking, the amount of donations given by the centre managers, and the profitability of RAD in general (Fully explained).</p>

<p><i>Flat</i></p> <p>A flat organisational structure has a wider span of control. This means the centre managers must oversee more subordinates (Explained). Centre managers may have less time, as they are already overworked, and will be less able to cope with the rapid growth of <i>RAD</i>. This could lead to less effective decision-making (Fully explained).</p> <p><i>Tall</i></p> <p>A tall organisational structure has more layers of hierarchy. As there is a longer chain of command, decisions could take more time (Explained). This means decision-making is less timely and flexible, meaning <i>RAD</i> may not be able to respond quickly enough in a rapidly growing market (Fully explained).</p> <p><u>Justify, with TWO reasons, why one organisational structure is more appropriate for Sally to improve decision-making at <i>RAD</i>, given that rapid growth is expected to continue.</u></p> <p>Note: For excellence, candidates must give explanations that link to the context of rapid growth.</p> <p><i>Matrix</i></p> <p>Flexible project teams would bring a much wider pool of experience together, and create motivational opportunities for those involved in the teams. They would allow opportunities for personal growth and idea-sharing across the centres. Issues of rapid growth could be discussed and solutions reached that would benefit all centres. Economies of scale in decision-making would occur, and the issue of profit variances could be addressed.</p> <p><i>Shamrock</i></p> <p>This form of organisational structure may be more flexible, as peripheral workers can be let go when times are lean. Experts or consultants on short-term contracts could be hired to manage the issue of rapid growth, and then let go once this has been fully addressed. <i>RAD</i> could then remain sustainable even if sales begin to slow.</p>
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Grade-score descriptors

Achievement	Achievement with Merit	Achievement with Excellence
<ul style="list-style-type: none"> • Explains the current organisational structure that is likely to operate at <i>RAD</i>. • Explains why this may make <i>RAD</i>'s operations too difficult to control. • Explains how the new organisational structure works. • Explains ONE disadvantage to Sally of using the new organisational structure to improve decision-making. <p>(Answers will typically state relevant examples, business knowledge, and/or Māori business concepts.)</p>	<ul style="list-style-type: none"> • Fully explains why the current organisational structure may make <i>RAD</i>'s operations too difficult to control. • Fully explains ONE disadvantage to Sally of using the new organisational structure to improve decision-making. <p>(Answers will typically include relevant examples, business knowledge, and/or Māori business concepts.)</p>	<ul style="list-style-type: none"> • Fully explains ONE disadvantage to Sally of using the new organisational structure to improve decision-making. <p><i>AND</i></p> <ul style="list-style-type: none"> • Justifies, with TWO reasons, why the new organisational structure is more appropriate for Sally to improve decision-making at <i>RAD</i>, given that rapid growth is expected to continue. <p>(Answers will typically integrate relevant examples, business knowledge, and/or Māori business concepts.)</p>

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Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 6	7 – 12	13 – 18	19 – 24