**Business Educators of Western Australia (Inc.)**

**2022 Semester One Examination**

**BUSINESS MANAGEMENT**

**AND ENTERPRISE**

**ATAR**

**Unit 3**

**Marking Key**

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| This is a provisional marking key developed by BEWA that can be reviewed and modified by the teacher as necessary.This marking key is a guide for markers to allocate marks for differing performance levels, as indicated in the shelves above possible answers. These performance level shelves should be read in conjunction with suggested answers to discriminate between student performances.The suggested answers are not exhaustive and markers may need to exercise professional judgement in awarding marks to some answers.**This Marking Key may not be released to students until Term 2 Week 7 for the security of the examination being done by other schools up until this time.**  **However, teachers may give students their exam papers back to discuss with this marking key as soon as they wish following the examination. We ask that you then collect them back and keep them until they are finally released to students in Week 7.** |

## Section One: Short answer 60% (59 Marks)

## Question 1 (5 marks)

Outline the rationale for outsourcing, and explain the role of ethics for business in decision making related to outsourcing.

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| **Description**  | **Marks**  |
| Outlines the rationale for outsourcing. | 2 |
| States a fact about outsourcing. | 1 |
| **Subtotal** | **2** |
| Explains the role of ethics for decision making related to outsourcing. | 3 |
| Describes the role of ethics for decision making related to outsourcing. | 2 |
| States a fact about the role of ethics. | 1 |
| **Subtotal** | **3** |
| **Total** | **5** |
| Answers could include:Outsourcing:Moving non-core activities from internal operations of a business to an external party to carry out the activity. This may free up time and money and allow the business to focus on its core operations.Role of ethics in outsourcing:It is not enough for a business to make a profit. Businesses are expected to be good global citizens and use their economic and social influence to raise living standards domestically and globally.If outsourcing, a business will lose control of its own workforce. It will not be able to influence the standards and conditions of work of the organisation to which the outsourcing has been given. This may be of concern if the standards of the outsourcing business do not reflect the standards of the business. |
| Accept any other correct, logical answer.  |

**Question 2** **(10 marks)**

(a) Outline how non-payment of monies is a source of risk in export markets, and explain how documentation may minimise this risk. (5 marks)

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| **Description** | **Marks** |
| Outlines how non-payment of monies is a source of risk in export markets. | 2 |
| States a fact about non-payment of monies. | 1 |
| **Subtotal** | **2** |
| Explains how documentation may minimise the risk of non-payment of monies. | 3 |
| Describes how documentation may minimise the risk of non-payment of monies. | 2 |
| States a fact about documentation. | 1 |
| **Subtotal** | **3** |
| **Total** | **5** |
| Answers could include:Non-payment on monies:Not being paid for the goods or services supplied to the export market. This can cause difficulties in recovering the debt in an international market. There are associated costs in recouping monies from offshore including legal, time, effort and the knowledge to do this.Documentation:Using letters of credit or pre-payment options to protect against payment default by importers. Documentary letters of credit act as a guarantee from a bank that the payment will be paid in full. |
| Accept any other correct, logical answer. |

(b) Analyse the relationship between tax havens and transfer pricing. (5 marks)

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| **Description** | **Marks** |
| Analyses the relationship between tax havens and transfer pricing. | 5 |
| Explains the relationship between tax havens and transfer pricing. | 4 |
| Describes the relationship between tax havens and transfer pricing. | 3 |
| Defines tax havens **and** transfer pricing. | 2 |
| States a fact about tax havens **or** transfer pricing. | 1 |
| **Total** | **5** |
| Answers could include:Tax haven:Is a jurisdiction that has a low rate of tax or does not levy a tax. It offers some degree of secrecy. Tax havens do not share or provide information to other financial institutions or governments.Transfer pricing:Is the setting of the price for goods and services sold between controlled legal entities within an enterprise. For example, if a subsidiary company sells goods to a parent company, the cost of those goods paid by the parent to the subsidiary is the transfer price. This allows for the manipulation of profits and the consequent amount of tax paid by the enterprise as the location of the subsidiary may be in a tax haven. |
| Accept any other correct, logical answer. |

**Question 3** **(10 marks)**

(a) *In October 2021 Australia submitted its second request for the establishment of a panel to examine China's imposition of anti-dumping and countervailing duties (charges) on imported Australian wine. (WTO, 2021)*

Explain the role of the World Trade Organisation (WTO) with reference to trade in wine between Australia and China. (4 marks)

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| **Description**  | **Marks**  |
| Explains the role of the World Trade Organisation and refers to the stimulus material. | 4 |
| Describes the role of the World Trade Organisation with some reference to the stimulus material. | 3 |
| Describes the role of the World Trade Organisation. | 2 |
| States a fact about the World Trade Organisation. | 1 |
| **Total** | **4** |
| Answers could include:The WTO is an organisation that sets standards for international trade and rules of free trade agreements (FTAs). Its role is to ensure that trade flows as smoothly, freely, and predictably as possible. Its role is also to combat multinational corporations that exploit developing nations with regard to environment and labour. The WTO sets standards of transparency of trade partners, lowers barriers for increased access to the global market and helps facilitate trade agreements. It is also charged with the task of resolving conflicts if they arise as is explained in the stimulus material where China has imposed ‘anti-dumping and countervailing duties on imported Australian wine’. |
| Accept any other correct, logical answer.  |

(b) Explain how deregulation of the financial market aids global business development. (3 marks)

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| **Description**  | **Marks**  |
| Explains how deregulation of the financial market aids global business development. | 3 |
| Describes how deregulation of the financial market aids global business development.  | 2 |
| States a fact about deregulation of the financial market. | 1 |
| **Total** | **3** |
| Answers could include:Deregulation of the financial market involves governments removing legislative barriers in the finance industry, allowing for greater competition and a less restricted operating environment.Deregulation of the financial market can give Australian businesses access to markets outside of Australia, leading to a larger customer base. Deregulation allows for businesses to be cost-effective when they expand globally, to grow their market share internationally, and makes it easier to send capital overseas.  |
| Accept any other correct, logical answer.  |

(c) Explain the role of e-commerce in global business expansion (3 marks)

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| **Description**  | **Marks**  |
| Explains the role of e-commerce in global business expansion. | 3 |
| Describes the role of e-commerce in global business expansion. | 2 |
| State a fact about the role of e-commerce.  | 1 |
| **Total** | **3** |
| Answers could include:E-commerce enables businesses to access a global market, increasing brand exposure and the potential to increase sales and profits. The growth of e-commerce and the use of mobile devices such as phones and laptops has enabled better communication between staff, customers and suppliers around the world. E-commerce enables businesses to sell their products/services online over the internet, allowing them to access a global market. It enables business to consumer (B2C), consumer to consumer (C2C) sales and business to business (B2B) buying and selling. Businesses are able to use technology, such as mobile commerce, electronic funds transfers, internet marketing, inventory management systems, and data collection systems to grow their business in a global environment. Businesses have been able to take advantage of developments in transportation, communication systems, secure payment systems, 24/7 online shopping, and digital distribution of products in order to operate in a global environment.  |
| Accept any other correct, logical answer. |

**Question 4**  **(15 marks)**

(a) Explain the purpose of Kotter’s 8 step change management model. (3 marks)

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| **Description**  | **Marks**  |
| Explains the purpose of Kotter’s 8 step change management model. | 3 |
| Describes Kotter’s 8 step change management model.  | 2 |
| States a fact about Kotter’s 8 step change management model. | 1 |
| **Total** | **3** |
| Answers could include:Kotter’s chance management model is an 8-step model that provides guidelines for the successful implementation of change.* Kotter’s 8 Steps change management model allows for managers to have a clear idea/vision about how to manage, in eight steps, any change process.
* This model allows for thoughtful planning and insightful implementation.
* Kotter argues that involvement of staff breeds commitment to the change and can be used to mitigate resistance to change.
 |
| Accept any other correct, logical answer.  |

## (b) Describe stages three, five and seven of Kotter’s 8 step change management model.

##  (6 marks)

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| **Description**  | **Marks**  |
| For **each** of stages three, five, and seven (3 x 2 marks) |  |
| Describes the stage.  | 2  |
| States a fact about the stage.  | 1 |
| **Total** | **6** |
| Answers could include:Stage 3 – Create a vision for change:* have a clear vision to help everyone understand what the organisation is trying to achieve within the agreed time frame
* ideas of employees can be incorporated into the vision
* create a series of actions to give the organisation a picture of what the future looks like after the change is implemented
* collaborate with the guiding coalition.

Stage 5 – Enable action by removing barriers:* removing barriers such as inefficient processes and hierarchies provides the freedom necessary to work across silos and generate real impact
* use meetings and communication to identify barriers and solutions
* reward people for making the change happen.

Stage 7 – Build on the change (sustain acceleration):* continue to advance the changes after the first successes. Increasing credibility can improve systems, structures and policies. Be relentless with initiating change after change until the vision is a reality
* ensure all policies, procedures, and manuals are updated
* seek feedback and identify where the change is not being followed.
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| Accept any other correct, logical answer.  |

(c) Describe **one** internal and **two** external factors that drive change in a global environment. (6 marks)

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| **Description**  | **Marks**  |
| For **one** internal and **two** external factors that drive change (3 x 2 marks) |
| Describes the factor. | 2 |
| States a fact about the factor. | 1 |
| **Total** | **6** |
| Answers could include:

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| Internal factors that drive change: * management’s desire to introduce change, e.g. costs can be a factor in driving change; if the cost of production is too expensive, outsourcing may be an option to save labour costs
* employees might initiate change to improve working conditions and/or skill development
* introduction of new technology for efficiency and/or cost savings
* staff attitude and work habits may drive change in a global environment.

External factors that drive change: Political and legal: * political decisions can have a huge impact on a business by changing laws or regulatory regimes
* changing legislation and the legal requirements of individual countries can drive change in a global business environment

Economic: * interest rates
* inflation
* unemployment
* economic indicators

Social: * evolving social norms can drive change as people change expectations and consumption behaviours
* international events and issues may drive change in a global business environment
* use of technology by consumers also drives change as it forces businesses to reconsider their own use of technology and interaction with outside parties
* prevailing social issues might impact on public image or relations

Technological: * technology is rapidly changing and impacts on the way businesses are able to interact with stakeholders. This could drive change in the way a business distributes products, engages in e-commerce or uses social media to connect with customers

Environmental: * changing attitudes to climate and environmental impacts might drive change in a global environment; businesses may need to consider their own environmental impact and how that might affect their ability to penetrate new markets.
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| Accept any other correct, logical answer.  |

**Question 5 (10 marks)**

(a) Aesop Technologies has created a software solution for the medical industry. The software allows individuals to upload their COVID information directly to a secure portal, allowing easy access to vaccination information, medical history, and associated details. This will streamline booking and appointment procedures. This technology has been adopted in Europe and North America.

 Describe **two** benefits of innovation relevant to Aesop Technologies. (4 marks)

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| **Description**  | **Marks**  |
| For each of **two** benefits of innovation (2 x 2 marks) |
| Describes the benefit of innovation relevant to Aesop Technologies. | 2 |
| State a fact about a benefit of innovation. | 1 |
| **Total** | **4** |
| Answers could include:Financial gain:* may lead to increased income or new income through the creation of a new market or the capture of more market share
* by adding features or improving quality, customer demand can be maintained or increased.

Expansion of a global market presence: * the competitive advantage created by innovation can be translated into global competitiveness
* innovation could lead to expansion; the use of social media could provide global exposure
* technology such as e-commerce, groupware, cloud computing, distribution and payment systems make the business more likely to be successful in global markets (such as the use of applications [apps], Twitter, websites, social media – Facebook, Instagram).

Increased market share: * innovation may result in a new product
* a business can enhance its public image and, potentially, consumer demand and loyalty, through improved technology meeting the needs of customers, in this case particularly in an area of need related to COVID.
 |
| Accept any other correct, logical answer.  |

(b) With reference to Aesop Technologies, explain how both cost and technology could limit the success of innovation. (6 marks)

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| **Description**  | **Marks**  |
| For each of the **two** factors of cost and technology (2 x 3 marks)  |
| Explains how the factor could limit the success of innovation with reference to Aesop Technologies. | 3 |
| Describes how the factor could limit the success of innovation with reference to Aesop Technologies. | 2 |
| States a fact about how the factor could limit the success of innovation. |  |
| **Total**  | **6** |
| Answers could include:Cost: Innovation requires investment of time and money either from internal and/or external funding. * Financing innovation allocates people and money to a project and takes resources away from existing operations. This can put pressure on Aesop Technologies’ core business.
* Investment in innovation research and development can be significant; therefore, it requires appropriate financial resources. It also requires appropriate human resources in terms of skill and volume. Aesop Technologies should consider its ability to adequately provide the staff necessary to implement innovation.
* The associated costs of the innovation may impact on the pricing to consumers and make the product too expensive for customers.

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| Technology:Technological invention can provide stimulus for innovation. * New technology enables a business to do something they previously could not do and gives them a platform to change the way they do business. This is particularly relevant to the systems developed by Aesop Technologies.
* Aesop Technologies will need to ensure that its customers have the necessary technologies to be able to correctly implement its new systems.
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| Accept any other correct, logical answer. |

**Question 6 (9 marks)**

(a) Analyse the relationship between the role of ethics in relation to environmental responsibility, and financial growth and loss minimisation, as factors driving global business development. (5 marks)

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| **Description**  | **Marks**  |
| Analyses the relationship between the role of ethics in relation to environmental responsibility, and financial growth and loss minimisation. | 5 |
| Discusses the relationship between the role of ethics in relation to environmental responsibility, and financial growth and loss minimisation. | 4 |
| Describes the relationship between the role of ethics in relation to environmental responsibility, and financial growth and loss minimisation. | 3 |
| States a fact about environmental responsibility **and** financial growth and loss minimisation | 2 |
| States a fact about environmental responsibility **or** financial growth and loss minimisation | 1 |
| **Total** | **5** |
| Answers could include:Role of ethics:Environmental responsibility:The role of ethics is being environmentally responsible regarding sustainability, recycling, using solar energy, reducing carbon emissions, being conscious about their environmental impact. This involves consideration of direct business operations and also that of partners, subsidiaries, and the appropriate supply chainsFinancial growth and loss minimisation: A greater customer market can lead to greater financial growth opportunities because businesses have a greater reach of customers from different countries. Loss in profit or downturns in a market in one country have less of an impact to a global business that has spread its risk.As factors driving global business development:As business seeks to grow globally, there is often a conflict between the desire to act ethically and responsibly towards the environment and the ability to grow financially. Often, environmentally responsible initiatives can impact on business’ profits. |
| Accept any other correct, logical answer.  |

(b) Describe **two** ways that managing diversity can become a strategy for growth in global business. (4 marks)

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| **Description**  | **Marks**  |
| For each of **two** ways a business can manage diversity (2 x 2 marks) |
| Describes a way managing diversity can become a strategy for business growth. | 2 |
| States a fact about managing diversity. | 1 |
| **Sub total** | **2** |
| **Total** | **4** |
| Answers could include:

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| Managing diversity can lead to growth in global business because it: * develops strong relationships with suppliers and the workforce, therefore increasing productivity and lowering costs
* breeds innovation of ideas, products and processes
* ensures a more productive working environment as the business grows
* leads to better ideas and methods through openness in communication
* can lead to stakeholders’ willingness to do more business
* can lead to a greater understanding of needs and wants of customers, suppliers and employees
* when customers are more likely to be satisfied, this can lead to increased sales or use of the service
* employees are more likely to be motivated
* promotes creativity in the workforce and with suppliers – supports productive relationships and efficiency.
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| Accept any other correct, logical answer.  |

**Question 7 (25 marks)**

(a) Describe **one** benefit and **one** challenge which may be encountered by Vegalicious as a result of free trade agreements. (4 marks)

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| **Description**  | **Marks**  |
| For **one** benefit and **one** challenge (2 x 2 marks) |  |
| Describes the benefit/challenge encountered by Vegalicious as a result of free trade agreements. | 2 |
| States a fact about a benefit/challenge related to free trade agreements. | 1 |
| **Total**  | **4** |
| Answers could include:Benefits: * increased profits due to Vegalicious selling more products by exporting internationally, with fewer restrictions
* greater market share and access to overseas markets
* can stimulate economic growth in Australia, reducing unemployment and increasing the country’s gross domestic product, thereby stimulating domestic demand for products produced by Vegalicious
* the flow of labour can be included in free trade agreements to help a country in areas of need. This may help overcome labour shortages during COVID.

Challenges: * could lead to more competition in Australia by foreign-owned businesses so that Vegalicious would have more competitors locally
* Vegalicious market share in Australia could be reduced
* could become less competitive due to there being higher labour costs in Australia.
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| Accept any other correct, logical answer.  |

(b) With reference to the source information, explain how consumer purchasing and spending patterns drive global business development. (3 marks)

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| **Description**  | **Marks**  |
| Explains how consumer purchasing and spending patterns drive global business development, with reference to the source information. | 3 |
| Describes how consumer purchasing and spending patterns drive global business development, with little reference to the source information. | 2 |
| States a fact about consumer purchasing and spending patterns. | 1 |
| **Total** | **3** |
| Answers could include:Consumer purchasing and spending patterns (or consumption) refers to how goods and services are used for the satisfaction of the end consumer. It involves elements of human behaviour as it looks at how people make decisions in acquiring products and services. This determines the demand for products/services in different countries. The more understanding businesses have of their customers’ purchasing and spending patterns, the better they are able to meet these demands and hence improve their global sales. Vegalicious produces plant-based foods in a growing market for products of this nature. Global consumers are increasingly seeking products founded on the principles of ‘compassion and sustainability’ as consumers seek to follow diets that ‘resonate with customer values and lifestyles’. |
| Accept any other correct, logical answer.  |

(c) Describe **two** features of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), outlining how **one** of these would be relevant to Vegalicious in the proposed expansion. (5 marks)

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| **Description**  | **Marks**  |
| For each of **two** features of the AANZFTA (2 x 2 marks) |
| Describes the feature. | 2 |
| States a fact about the feature. | 1 |
| **Subtotal** | **4** |
| Outlines how one feature would be relevant to Vegalicious in the proposed expansion. | 1 |
| **Subtotal** | **1** |
| **Total** | **5** |
| Answers could include:Features of the AANZFTA:* tariffs will be progressively reduced from entry into force of the Agreement, and eliminated for at least 90% of all tariff lines within specified timelines
* movement of goods will be facilitated via a more modern and flexible rules of origin, simplified customs procedures, and more transparent mechanisms
* movement of business persons, those engaged in trade and investment activities, will be facilitated.

Relevance to Vegalicious:* a reduction in tariffs will make the products produced by Vegalisious more competitive in the Singapore market
* simplified customs procedures will reduce costs and ensure the products are available to customers sooner
* freer movement of business persons may enable company CEO William Harris to travel freely to promote Vegalicious products and develop relationships with potential customers.

*Note to Markers: Korea is not included in the AANZFTA.*

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| Accept any other correct, logical answer.  |

(d) Describe how Vegalicious could use **two** host country or home government incentives to aid its expansion into Korea and Singapore. (4 marks)

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| **Description**  | **Marks**  |
| For each of **two** host country or home government incentives (2 x 2 marks) |
| Describes how Vegalicious could use the incentive to aid its expansion into Singapore and Korea. | 2 |
| States a fact about a host country or home government incentive. | 1 |
| **Total** | **4** |
| Answers could include:Export Markets Development Grant:A home government incentive for international trade is the Export Market Development Grant (EMDG) which is a key Australian Government financial assistance program for aspiring and current exporters. The EMDG scheme encourages small and medium-sized Australian businesses to develop export markets, reimburses up to 50 per cent of eligible export promotion expenses above $5,000, provided that the total expenses are at least $15,000, and provides up to eight grants to each eligible applicant. This could include relevant marketing activities for Vegalicious, including advertising campaigns, the cost of sample products or market research.The Duty Drawback Scheme:The Duty Drawback Scheme enables exporters to obtain a refund of customs duty paid on imported goods where those goods will be treated, processed, or incorporated in other goods for export. This may aid Vegalicious in obtaining cheaper packaging for its export products.Tradex Scheme: An alternative to Duty Drawbacks, this is a cash flow benefit for importers who intend to export goods. They do not have to pay the relevant customs duty or GST at the time of import. It provides Vegalicious with an up-front exemption from customs duty and GST for goods imported into Australia and then exported within one year. Other incentives include:Export Finance Australia:Provides financial expertise and guidance to companies like Vegalicious. This may include loans and guarantees.Research and Development Tax Incentive:The Research and Development Tax Incentive helps companies innovate and grow by offsetting some of the costs of eligible research and development. This will help the business continue to provide innovative plant-based products. |
| Accept any other correct, logical answer. |

(e) Discuss **three** factors that determine the feasibility of Vegalicious expanding into foreign markets. (9 marks)

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| **Description**  | **Marks**  |
| For each of **three** factors that determine the feasibility of Vegalicious expanding into foreign markets (3 x 3 marks) |
| Discusses the factor in relation to relation to the feasibility of Vegalicious expanding into foreign markets.  | 3 |
| Describes the factor in relation to the feasibility of expansion into foreign markets. | 2 |
| States a fact in relation to the feasibility of expansion into foreign markets. | 1 |
| **Total** | **9** |
| Answers could include:Level of demand by consumers: * Ability and number of potential customers, including frequency of purchase.
* Potential customers must be able to afford ‘niche’ ‘luxury’ imported products.
* For Vegalicious the ‘market for these products is growing in countries like Singapore and Korea’. Singapore and Korea also have ‘relatively low unemployment and high levels of per capita income’, making it feasible to expand.

Consumption patterns: * Consumption patterns within a country are important. Consumption patterns represent the

 changing trends of consumers and can be influenced by culture, religion and other factors. * For Vegalicious, consumers are seeking ‘to follow diets that resonate with customer values and lifestyles’. This includes plant-based and vegan products.
* Vegalicious should also pay attention to ‘colours and designs used in marketing products in Asia’ to ensure they are favourable to the new market.

Competitor activity: * Competitor analysis is an important part of assessing the feasibility of a global venture. Competitor activity refers to the number of competitors in the market and their market share. These competitors can be local, international and online.
* Vegalicious should recognise this as a niche market with ‘significant competition’.
 |
| Accept any other correct, logical answer. |

**Question 8 (25 marks)**

(a) Explain the role of innovation in improving products and process for this business. (3 marks)

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| **Description**  | **Marks**  |
| Explains the role of innovation in improving products and processes for Sun Solutions. | 3 |
| Describes the role of innovation in improving products and processes for Sun Solutions.  | 2 |
| States a fact about the role of innovation. | 1 |
| **Total** | **3** |
| Answers could include:Product innovation refers to changing and improving the features, materials or functions of a product. Process innovation is about changing and improving how a business operates, distributes and markets its product The role of innovation applied to products can create and maintain a competitive advantage for Sun Solutions. Process innovation can reduce waste, time and costs leading to sustained profits. |
| Accept any other correct, logical answer. |

(b) Distinguish the differences between acquisitions, mergers, and joint ventures as forms of strategic alliances. (6 marks)

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| **Description**  | **Marks**  |
| For each of **three** types of strategic alliances (3 x 2 marks)  |
| Distinguishes how the alliance is different to the other forms of alliances. | 2 |
| Outlines the alliance.  | 1 |
| **Total** | **6** |
| Answers could include:Acquisitions:When one business buys another to expand into new or greater markets. Can be a hostile acquisition – without the consent of the board of directors or friendly. Can combine knowledge skills and equipment. An acquisition may not mean a change in the corporate leadership.Mergers:A merger takes place with the view to gain an operational or financial advantage. Mergers can also gain access to overseas markets. Mergers can be described as horizontal – to remove competitors and create a larger market share, vertical – to reduce production costs through synergies in the supply chain or conglomerate – often to spread risks. Mergers generally result in the formation of a new corporate entity.Joint Venture:A joint venture is an arrangement where two or more businesses join forces to become one entity for a particular purpose or project. Unlike acquisitions and mergers, joint ventures are for specific periods of time and partners remain separate legal entities.Joint ventures allow both businesses to develop a new project whilst still focusing on their core business. Joint ventures allow for the sharing of business costs, target market and customer bases that are already established individually by each business.  |
| Accept any other correct, logical answer.  |

(c) Describe how both the financial costs and cultural incompatibility of mergers and takeovers can lead to resistance to change, with reference to Sun Solutions.

 (4 marks)

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| **Description**  | **Marks**  |
| Financial costs  |
| Describes how financial costs of mergers and takeovers can lead to resistance to change. | 2 |
| States a fact about how financial costs of mergers and takeovers can lead to resistance to change. | 1 |
| **Subtotal** | **2** |
| Cultural incompatibility |
| Describes how cultural incompatibility of mergers and takeovers can lead to resistance to change. | 2 |
| States a fact about how cultural incompatibility of mergers and takeovers can lead to resistance to change. | 1 |
| **Subtotal** | **2** |
| **Total** | **4** |
| Answers could include:Financial costs:* resistance might be based on the real or perceived costs of expansion
* the benefits of the change may be unclear or uncertain for employees
* new technologies, processes or equipment might be costly to transport and operate in a less developed country
* there may be significant staffing costs associated with moving into Myanmar.

Cultural incompatibility:* there could be communication issues and culturally different values and perceptions between organisations
* Sun Solution’s employees may not be prepared to deal with cultural incompatibility, and it would be advisable to implement training for their staff prior to the change taking place.
 |
| Accept any other correct, logical answer.  |

(d) Explain the impact of globalisation on employment levels in developing countries, with

 reference to the role of ethics in using offshore labour for Sun Solutions. (4 marks)

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| **Description**  | **Marks**  |
| Explains the impact of globalisation on employment levels in developing countries, with reference to the role of ethics in using offshore labour for Sun Solutions.  | 4 |
| Explains the impact of globalisation on employment levels in developing countries, with some reference to the role of ethics. | 3 |
| Describes the impact of globalisation on employment levels in developing countries, with little reference to the role of ethics. | 2 |
| States a fact about the impact of globalisation or the role of ethics. | 1 |
| **Total** | **4** |
| Answers could include:Employment levels:* Employment levels in developing countries are increasing as business seeks the most cost-effective methods of production around the globe.
* The higher the unemployment level, the greater are the opportunities businesses have of paying lower wages and having more applicants to choose from when they advertise jobs.
* Sun Solutions would have the opportunity to employ many local people should it expand into Myanmar.

Role of ethics in using offshore labour:* When considering using offshore labour Sun Solutions should
	+ not force employees to work unpaid overtime with no breaks or punishment for slow work/mistakes
	+ work with local unions to ensure good working conditions are met
	+ ensure its proposed alliance with PV Power follows the same principles in relation to the treatment of workers.

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| Accept any other correct, logical answer.  |

(e) Draw and apply Lewin’s Forcefield Analysis model to Sun Solutions, justifying if it should form an alliance and expand into Myanmar. (8 marks)

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| **Description**  | **Marks**  |
| Draws and applies Lewin’s Forcefield Model |
| Draws the model. | 1 |
| Applies reasons for change including weightings. | 1–2 |
| Applies reasons against change including weightings. | 1–2 |
| **Subtotal** | **5** |
| Recommendation |
| Makes a logical recommendation supported by relevant evidence from the model and the stimulus material. | 3 |
| Makes a logical recommendation and uses some evidence from the source material. | 2 |
| Makes a logical recommendation. | 1 |
| **Subtotal** | **3** |
| **Total** | **8** |
| Answers could include:

|  |  |  |
| --- | --- | --- |
| **Forces for change** | **Sun Solutions** | **Forces against change** |
| 5 – Increased profits and new market access in Myanmar4 – Possibility of expansion into mainland China3 – Synergy of skills and technology due to alliance with PV Power2 – Economies of scale due to alliance with PV Power | ***Forming an alliance and expanding to Myanmar*** | 4 – Impact on corporate image through operating in Myanmar4 – Concerns about the pay and conditions of workers2 – Cultural compatibility of alliance leading to resistance to change2 – Staff attitude to alliance |
| Total = 14 |  | Total = 12 |

Note: 1 (weak) to 5 (strong)Recommendation for change:Marks should be awarded for a recommendation based on the outcome of the analysis of the source material, which is supported by reasoning.  |
| Accept any other correct, logical answer.  |

**Question 9 (25 marks)**

1. Describe **three** benefits to Milky Way Coffee of becoming a global brand. (6 marks)

|  |  |
| --- | --- |
| **Description**  | **Marks**  |
| For each of **three** benefits of becoming a global brand (3 x 2 marks) |
| Describes the benefit. | 2 |
| Identifies the benefit. | 1 |
| **Total** | **6** |
| Answers could include:* Consistency – communicates a consistent message to all customers in all markets resulting in stronger brand awareness and positioning.
* Low risk – can use marketing strategies that have worked in domestic markets when expanding overseas.
* Lower cost – businesses can achieve economies of scale by using the same advertising/packaging around the world. A centralised team can develop marketing strategies for all markets.
* Easier to manage – standardised approach to global branding will be less complex to manage.
* Better differentiation – a consistent global brand can stand out from the competition. The same logo, colours, product names and advertising can be seen all over the world.
 |
| Accept any other correct, logical answer.  |

(b) Describe to Milky Way Coffee the financial risk involved in currency fluctuations and explain a strategy for minimising that risk in export markets. (5 marks)

|  |  |
| --- | --- |
| **Description**  | **Marks**  |
| Financial risk |
| Describes the financial risk involved in currency fluctuations. | 2 |
| States a fact about the risk involved in currency fluctuations. | 1 |
| **Subtotal** | **2** |
| Strategy to minimise risk |
| Explains a strategy to minimise financial risk of currency fluctuations.  | 3 |
| Describes a strategy to minimise financial risk of currency fluctuations. | 2 |
| States a fact about minimising the risk of currency fluctuations. | 1 |
| **Subtotal** | **3** |
| **Total** | **5** |
| Answers could include:Currency fluctuations:* Refers to the change that occurs in the dollar value of one country’s currency relative to another country’s currency.
* Currency fluctuations can result in Milky Way Coffee losing money as there has been a ‘recent appreciation in the value of the Australian dollar against both the British Pound and the US Dollar’.

Strategy to minimise risk:* Hedging is a method used to reduce losses from exchange rate variations.
* There are two forms of hedging – forwards and options:
	+ Forwards are when Milky Way Coffee and the customer sign a contract that sets an exchange rate for the transaction. When a payment is made the agreed exchange rate will apply.
	+ Options are when an exchange rate is set which can be used instead of the current exchange rate at the time of payment. If the exchange rate is better for Milky Way Coffee, it can be used in the transaction instead of the agreed rate.
 |
| Accept any other correct, logical answer. |

1. Describe how both the global spread of skills and technology, and international cooperation, may impact on the expansion of Milky Way Coffee. (4 marks)

|  |  |
| --- | --- |
| **Description**  | **Marks**  |
| Global spread of skills and technology |
| Describes how the global spread of skills and technology may impact on the expansion of Milky Way Coffee. | 2 |
| States a fact about how the global spread of skills and technology may impact on the expansion of Milky Way Coffee. | 1 |
| **Subtotal** | **2** |
| International cooperation |
| Describes how international cooperation may impact on the expansion of Milky Way Coffee. | 2 |
| States a fact about how the global spread of skills and technology may impact on the expansion of Milky Way Coffee. | 1 |
| **Subtotal** | **2** |
| **Total** | **4** |
| Answers could include: Global spread of skills and technology:* Technology – communication technology is developing at a rapid rate, including in developing countries. Ease of communication allows businesses in different countries to work together to achieve goals. This would aid Milky Way Coffee as it will enable franchisees to easily communicate with the franchisor.
* Skills – leads to greater sharing of ideas and education. If the required skill sets are not available in a country, the ability to globalise may be hindered. The spread of skills will aid Milky Way Coffee as there will be many suitably qualified baristas in new markets to aid expansion.

International cooperation:* + Free trade agreements (FTAs), co-productions and strategic alliances allow for the growth of globalisation. The signing of a bilateral FTA between Australia and Great Britain will aid Milky Way Coffee.
	+ This allows for the establishment of positive global working relationships.
	+ Greater access to international labour/skills, technology, capital and distribution channels in other countries will also aid Milky Way’s expansion.

  |
| Accept any other correct, logical answer.  |

(d) Justify standardisation or adaptation when applying elements of the marketing mix for Milky Way Coffee in relation to both product features and positioning. (6 marks)

|  |  |
| --- | --- |
| **Description**  | **Marks**  |
| Product features |
| Makes a logical justification for standardisation or adaptation, using supporting evidence from the source material.  | 3 |
| Makes a justification, outlining a reason for standardisation or adaptation. | 2 |
| Makes a relevant statement about standardisation or adaptation. | 1 |
| **Subtotal** | **3** |
| Positioning  |
| Makes a logical justification for standardisation or adaptation, using supporting evidence from the source material. | 3 |
| Makes a justification, outlining a reason for standardisation or adaptation. | 2 |
| Makes a relevant statement about standardisation or adaptation. | 1 |
| **Subtotal** | **3** |
| **Total** | **6** |
| Answers could include:Product features:Standardise* Unique Australian product using Australian ingredients – “There has been an explosion of Australian-style coffees around the world”. Desserts like “lemon myrtle lamingtons and pavlova”.
* “Outlets provide a uniquely Australian experience with décor and art in theme with the Australian outback”.
* These elements distinguish the product from the other competitors.

Positioning:Adaptation* Due to “the recent appreciation in the value of the Australian dollar against both the British Pound and the US Dollar” it may be difficult to offer customers products at the same pricing levels.
* The business should take advantage of its unique products to market to a wider demographic.

***Note to markers: Answers should be contextualised in relation to the source material.***  |
| Accept any other correct, logical answer.  |

(e) Recommend to Richard Jardine if the business should continue to expand the franchise model as it expands internationally. (4 marks)

|  |  |
| --- | --- |
| **Description**  | **Marks**  |
| Makes a logical recommendation supported by comprehensive, relevant evidence from the source material. | 4 |
| Makes a recommendation and uses relevant evidence from the source material. | 3 |
| Describes the franchise model. | 2 |
| States a fact about the franchise model. | 1 |
| **Total** | **4** |
| Answers could include:Franchising:This is when a business allows other businesses to trade under its name in return for a fee and a share of the revenue generated. Recommending the business continue the franchise model may include:* allows for expanded global market presence
* training, equipment, and expertise provided to franchisees
* economies of scale and global advantage in advertising
* franchise fee payable to the franchisor.

Recommending the business does not continue the franchise model may include:* not establish brand identity in the new markets may hinder the growth of the business
* “We are proud of our start as a family business”, “It means we approach the business differently to a huge multinational” – there is a risk to the brand image with franchising ensuring the same high standards are met globally.
 |
| Accept any other correct, logical answer.  |