



# **BUSINESS MANAGEMENT AND ENTERPRISE**

## **ATAR course examination 2021**

### **Marking key**

Marking keys are an explicit statement about what the examining panel expect of candidates when they respond to particular examination items. They help ensure a consistent interpretation of the criteria that guide the awarding of marks.

**Section One: Short answer**

**60% (58 Marks)**

**Question 1**

**(14 marks)**

- (a) Explain how the following factors drive global business development. (6 marks)
- World Trade Organisation (WTO) regulations and sanctions
  - Consumer purchasing and spending patterns.

Description	Marks
For <b>each</b> factor:	
Explains how the factor drives global business development	3
Describes how the factor drives global business development	2
States a fact about how the factor drives global business development	1
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <p>World Trade Organisation (WTO) regulations and sanctions:</p> <ul style="list-style-type: none"> <li>• The WTO is an organisation that sets standards for international trade and rules of Free Trade Agreements (FTAs).</li> <li>• Its role is to combat multinational corporations that exploit developing nations with regard to environment and labour.</li> <li>• The WTO sets standards of transparency of trade partners, lowers barriers for increased access to the global market and helps facilitate trade agreements.</li> <li>• It is also charged with the task of resolving conflicts if they arise, thus helping drive global business development.</li> </ul> <p>Consumer purchasing and spending patterns:</p> <ul style="list-style-type: none"> <li>• Involves human behaviour of how a consumer makes a decision to acquire or purchase a product.</li> <li>• If spending patterns increase in a country, or the availability of higher spending patterns occurs, it allows for opportunities for a business to expand globally.</li> <li>• As most people have access to the internet and smart phones, thus consumers' awareness of products and ability to purchase products globally has helped drive global business development. For example, during the pandemic, online shopping grew tremendously, making opportunities for online businesses to grow and innovate.</li> <li>• The availability of credit and the Australian dollar strengthening has increased purchasing power in Australia.</li> <li>• There is a greater choice of products, secure and reliable payment systems, and an increased level of satisfaction with online shopping among all ages groups.</li> </ul> <p>Accept any other correct, logical answer.</p>	

- (b) Analyse the impact globalisation has had on international cooperation. (4 marks)

Description	Marks
Analyses the impact globalisation has had on international cooperation	4
Explains the impact globalisation has had on international cooperation	3
Describes the impact globalisation has had on international cooperation	2
States a fact about globalisation	1
<b>Total</b>	<b>4</b>
<p>Answer(s) could include:</p> <p>Globalisation is the spread of products, technology, information and jobs across national borders and cultures, which has led to international cooperation.</p> <p>The impact of globalisation on international cooperation:</p> <ul style="list-style-type: none"> <li>• Multicultural societies show increased diversity, understanding of other cultures and norms, increased travel, migration and thus exposure to more diversity. Therefore, international cooperation is enhanced through globalisation.</li> <li>• The impact of globalisation has seen increased policy and/or practice of cooperation among societies/countries, improving relationships and cooperation internationally politically, socially and economically. Australia's engagement with the Association of Southeast Asian Nations (ASEAN) is an example of strategic partnerships across nations.</li> <li>• Globalisation has led to collaboration between nations such as the World Trade Organisation, World Health Organisation, increased FTA's, development of the United Nations (UN) and working towards projects such as the UN Sustainable Development Goals.</li> </ul> <p>Accept any other correct, logical answer.</p>	

**Question 1** (continued)

- (c) Ethics plays a role when making global business decisions. Describe **two** ethical actions a business could decide to take to improve its environmental responsibility. (4 marks)

Description	Marks
For each of the <b>two</b> actions a business could implement to improve environmental responsibility:	
Describes the action	2
Identifies the action	1
<b>Total</b>	<b>4</b>
Answer(s) could include: <ul style="list-style-type: none"> <li>• Environmental responsibility could involve the use of renewable energy or the reduction of energy consumption.</li> <li>• Reduce waste by implementing a recycling program and/or using recyclable packaging. For example, instead of using disposable cups, offer such things as travel mugs and stainless steel water bottles.</li> <li>• Conserve energy within the office by turning off lights and equipment during non-office hours.</li> <li>• Conserve resources by promoting a paperless office by creating digital and cloud computing solutions.</li> <li>• Communicate environmental practices to consumers to explain the recycling steps you are using to encourage their support and possibly follow your example.</li> </ul> Accept any other correct, logical answer.	

## Question 2

(11 marks)

- (a) Outline the purpose of production management systems. (2 marks)

Description	Marks
Outlines the purpose of production management systems	2
Identifies a purpose of production management systems	1
<b>Total</b>	<b>2</b>
Answer(s) could include: <ul style="list-style-type: none"> <li>• Production management systems deal with converting raw materials into finished goods or products.</li> <li>• This is done by deciding on the inputs, outputs, processes and controls that need to take place in order to ensure a product or service is created in line with the specifications, within the quantity and by the schedule demanded and at a minimum cost to the business.</li> </ul> Accept any other correct, logical answer.	

- (b) Identify **three** features of quality assurance. (3 marks)

Description	Marks
Identifies <b>three</b> features of quality assurance	3
Identifies <b>two</b> features of quality assurance	2
Identifies <b>one</b> feature of quality assurance	1
<b>Total</b>	<b>3</b>
Answer(s) could include: <p>Quality assurance:</p> <ul style="list-style-type: none"> <li>• is the process of guaranteeing a product's quality to the consumers</li> <li>• informs customers that products have been manufactured to a quality standard doing things 'right the first time'</li> <li>• involves checking and reviewing the production process</li> <li>• focuses on preventing poor quality products as opposed to correcting problems</li> <li>• can allow employee participation, generating new ideas for operations, processes and the quality of the end product, resulting in improved staff morale</li> <li>• can result in a reduction of production costs, less waste and reworking of products.</li> </ul> Accept any other correct, logical answer.	

**Question 2** (continued)

- (c) Identify **three** features of quality improvement. (3 marks)

Description	Marks
Identifies <b>three</b> features of quality improvement	3
Identifies <b>two</b> features of quality improvement	2
Identifies <b>one</b> feature of quality improvement	1
<b>Total</b>	<b>3</b>
Answer(s) could include:  Quality improvement: <ul style="list-style-type: none"> <li>• is the systematic approach to reduction or elimination of waste, rework, and minimisation of losses in the production process</li> <li>• refers to the continuous improvement process focused on processes and systems</li> <li>• involves to the analysis of business performance and business efforts to improve performance</li> <li>• includes features such as benchmarking or quality circles, Kaizen and Total Quality Management.</li> </ul> Accept any other correct, logical answer.	

- (d) Explain how technology is used in global markets to distribute products. (3 marks)

Description	Marks
Explains how technology is used in global markets to distribute products	3
Describes how technology is used in global markets to distribute products	2
States a fact about how technology is used to distribute products	1
<b>Total</b>	<b>3</b>
Answer(s) could include: <ul style="list-style-type: none"> <li>• Communicating directly with customers globally through email, or video conference such as Zoom or teams calls assists in global distribution.</li> <li>• Businesses can use a website for e-commerce: customers are purchasing more and more online and are receiving products delivered to home through enhanced technology in transport, tracking and delivery systems.</li> <li>• Technology can be used to help track inventory of global distribution in real time.</li> <li>• Technology aids in the transfer of equipment and delivery methods.</li> <li>• Technology can be used to reduce costs and improve accuracy in procurement and inventory.</li> <li>• Technology enables increased access to data and collaboration in supply chains.</li> <li>• Technology can be used for faster planning and decision making, hence faster problem solving.</li> <li>• Technology used in transportation, such as GPS technology, makes tracking faster and more efficient.</li> <li>• The use of apps facilitates quick, efficient procedures, including the use of credit cards with encrypted payment facilities which are safe.</li> </ul> Accept any other correct, logical answer.	

## Question 3

(10 marks)

- (a) Describe the rationale for the following global strategic alliances. (6 marks)
- Acquisitions
  - Mergers
  - Joint ventures

Description	Marks
For <b>each</b> of acquisitions, mergers and joint ventures:	
Describes its rationale as a global strategy alliance	2
States a fact about its rationale	1
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <p>Acquisitions:</p> <ul style="list-style-type: none"> <li>• This is where one business buys another to expand into new or greater markets. This is used as a growth strategy as it can create a bigger, more competitive and cost-efficient organisation.</li> <li>• Two businesses together are more valuable than they are apart, combining skills, expertise, technology, capital and market share.</li> </ul> <p>Mergers:</p> <ul style="list-style-type: none"> <li>• Merging with a foreign business can help gain access to overseas markets.</li> <li>• Asset sales may be carried out if there are double ups in equipment, buildings, vehicles and other assets.</li> <li>• This should lead to overall cost reductions and increased profits.</li> </ul> <p>Joint ventures:</p> <ul style="list-style-type: none"> <li>• This allows both businesses to develop a new project while still focusing on their core business.</li> <li>• Joint ventures allow for the sharing of business costs, target market and customer bases that are already established individually by each business.</li> </ul>	
Accept any other correct, logical answer.	

**Question 3** (continued)

(b) (i) Outline **two** benefits of franchising. (2 marks)

Description	Marks
Outlines <b>two</b> benefits of franchising	2
Outlines <b>one</b> benefit of franchising	1
<b>Total</b>	<b>2</b>
Answer(s) could include: <ul style="list-style-type: none"> <li>• A business with an established brand name may already have a loyal customer base, reputation and presence within the market.</li> <li>• Training, equipment and expertise is provided.</li> <li>• Significant economies of scale and potential global advantages in large-scale advertising are possible</li> </ul> Accept any other correct, logical answer.	

(ii) Outline **two** benefits of outsourcing. (2 marks)

Description	Marks
Outlines <b>two</b> benefits of outsourcing	2
Outlines <b>one</b> benefit of outsourcing	1
<b>Total</b>	<b>2</b>
Answer(s) could include: <ul style="list-style-type: none"> <li>• It is cost effective and more efficient by using a specialist in the nominated field to be outsourced.</li> <li>• A business can focus on its core competencies by outsourcing activities that are not core to the functions of the business.</li> <li>• Costs could be reduced, such as labour costs</li> <li>• Outsourcing might give a business access to technologies and developments in which it may not have the expertise in producing quality output.</li> </ul> Accept any other correct, logical answer.	



## Question 4

(13 marks)

- (a) One of Australia's FTAs is the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). State **three** features of the AANZFTA. (3 marks)

Description	Marks
States <b>three</b> features of the AANZFTA	3
States <b>two</b> features of the AANZFTA	2
States <b>one</b> feature of the AANZFTA	1
<b>Total</b>	<b>3</b>
Answer(s) could include:	
The AANZFTA:	
<ul style="list-style-type: none"> <li>provides a platform for ongoing economic engagement between the three parties through a range of agendas, economic cooperation projects and business outreach activities</li> <li>promotes greater certainty for Australian and New Zealand service suppliers and investors, including certain legal protection for investment in ASEAN territories</li> <li>provides new opportunities for Australian and New Zealand exporters to tap into international supply chains in the ASEAN region</li> <li>reduces or eliminates certain forms of tariffs between the three parties.</li> </ul>	
Accept any other correct, logical answer.	

- (b) Describe **two** challenges to Australian owned businesses as a result of FTAs. (4 marks)

Description	Marks
For each of the <b>two</b> challenges to Australian owned businesses as a result of FTAs:	
Describes the challenge	2
Identifies the challenge	1
<b>Total</b>	<b>4</b>
Answer(s) could include:	
<ul style="list-style-type: none"> <li>Competition: there could be increased competition in Australia from foreign-owned businesses so that Australian businesses would have more competitors to compete with locally.</li> <li>Market share: market share in Australia could be reduced due to overseas competitors, thus Australian owned businesses would suffer as a result.</li> <li>Competitiveness: Australian businesses could become less competitive due to higher labour costs in Australia.</li> <li>Regulatory complexity: small to medium businesses may find it difficult to navigate any regulatory complexity associated with exports FTAs.</li> </ul>	
Accept any other correct, logical answer.	

**Question 4** (continued)

- (c) Australian owned businesses will need to consider factors that determine the feasibility of their expansion into foreign markets. Explain **two** of these factors. (6 marks)

Description	Marks
For each of the <b>two</b> factors which determine the feasibility of expansion into foreign markets by Australian owned businesses:	
Explains the factor	3
Describes the factor	2
Identifies the factor	1
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <p>Level of demand by consumers: refers to consumers' desire and willingness to pay a price for a specific good or service.</p> <p>Feasibility of expansion will be impacted by:</p> <ul style="list-style-type: none"> <li>• the number of potential customers and frequency of purchase</li> <li>• the ability of customers to purchase products (disposable income).</li> </ul> <p>There must be sufficient potential customers or possible percentage of market share to warrant the investment of expansion.</p> <p>Consumption patterns: refers to the process by which individuals identify, purchase and consume products and services to satisfy their needs.</p> <p>Feasibility of expansion will be impacted by:</p> <ul style="list-style-type: none"> <li>• changing trends of consumers</li> <li>• consumers looking for alternative products</li> <li>• changing consumption patterns due to political motivations or wealth rise in developing nations, where consumers can now afford to purchase products which they previously could not afford</li> <li>• seasonal and holiday events that affect consumption patterns.</li> </ul> <p>Businesses need to look for changes in these patterns for an opportunity to gain market share.</p> <p>Competitor activity: refers to the number of competitors in the market and their market share of a product.</p> <p>Feasibility of expansion will be impacted by:</p> <ul style="list-style-type: none"> <li>• competitor activity that supports market entry, such as fewer competitors, products that are not easily copied or substituted, dissatisfied customers, no choice or value for money, competitors missing a market need or niche</li> <li>• competitor activity that makes market entry difficult includes: the size, market dominance and wealth of competitors; an established brand which is part of a country's culture; competitors who possess strong working relationships with suppliers and retailers.</li> </ul> <p>Businesses must be satisfied that their products/services can compete with existing suppliers and that their products/service cannot be easily copied to the same standard.</p>	
Accept any other correct, logical answer.	

## Question 5

(10 marks)

- (a) Describe the purpose of the following financial ratios. (4 marks)
- Current ratio
  - Debt to equity ratio

Description	Marks
For <b>each</b> of the current ratio and debt to equity ratio:	
Describes the purpose of the ratio	2
States a fact about the ratio	1
<b>Total</b>	<b>4</b>
Answer(s) could include:	
<p>Current ratio: The current ratio is measures the liquidity of the business. It measures how much current assets it has to meet its short-term debt. A ratio over 100% indicates that the business has enough current assets to cover the short-term debt of the business.</p> <p>Debt to equity ratio: Debt to equity measures the gearing of the business. The debt-to-equity ratio shows the percentage of company financing that comes from creditors and investors. A higher debt to equity ratio indicates that more debt (bank loans) is used than equity (shares).</p>	
Accept any other correct, logical answer.	

- (b) Use the information in the table below to interpret the profit ratio and the expense ratio for the management of Zwenda's Kitchen. (6 marks)

Description	Marks
For <b>each</b> of the profit and expense ratios:	
Interprets the ratio	3
Describes changes in the ratio	2
States a fact about a change in the ratio	1
<b>Total</b>	<b>6</b>
Answer(s) could include:	
<p>Profit ratio: The profit ratio has decreased by 6% from 2020 to 2021 and is 4% below the industry average. This reveals that the capacity for the business to make a profit has decreased. This could be due to sales reducing without an accompanying decrease in expenses.</p> <p>Expense ratio: The expense ratio has increased dramatically from 28% in 2020 to 42% in 2021 and is 9% higher than the industry average. This reveals that the business' expenses have increased greater than their income. This could be due to a large reduction in sales.</p>	
Accept any other correct, logical answer.	

**Section Two: Extended answer**

**40% (50 Marks)**

**Question 6**

**(25 marks)**

- (a) Describe **two** leadership traits that Harrison or Quinn should implement in a cross-cultural setting. (4 marks)

Description	Marks
For each of the <b>two</b> leadership traits that Harrison or Quinn should implement in a cross-cultural setting:	
Describes the traits	2
Identifies the traits	1
<b>Total</b>	<b>4</b>
<p>Answer(s) could include:</p> <p>Skilled communicator:</p> <ul style="list-style-type: none"> <li>• process or ability to exchange information accurately and timely, active listening</li> <li>• more difficult in a cross-cultural setting due to language barriers</li> <li>• Harrison will need to work on his communication and adapt to a more open style of communication.</li> </ul> <p>Socially aware:</p> <ul style="list-style-type: none"> <li>• an awareness of relationships, thus leading to the ability to understand the needs of team members</li> <li>• the ability to understand other social and cultural customs leads to the ability to establish trust and long-lasting business relationships</li> <li>• Harrison needs to be aware of the social norms in Singapore in order to not offend any employees.</li> </ul> <p>Skilled decision-maker:</p> <ul style="list-style-type: none"> <li>• knows when to make decisions quickly if required, but also able to balance the risk in decision-making to avoid damage to the business</li> <li>• needed in a new cross-cultural setting as there is no history of past actions and performance to follow or provide advice</li> <li>• Harrison is highly skilled in the production process and will be able to make decisions in a timely manner.</li> </ul> <p>Future thinker:</p> <ul style="list-style-type: none"> <li>• has a long-term vision of where the business is headed, so incremental planning can take place and the business is pro-active, rather than reactive in its responses</li> <li>• can see the larger global picture, implement the vision on a global scale</li> <li>• Quinn needs to develop a long-term vision regarding the direction of Laffitaya so he can be pro-active not reactive.</li> </ul> <p>Self-discipline:</p> <ul style="list-style-type: none"> <li>• able to control own emotions and have intelligence in dealing with a crisis or adverse situations</li> <li>• a self-disciplined leader understands the impact that their actions and decisions may have in a cross-cultural setting, as it helps to provide greater certainty for staff</li> <li>• Harrison may need to adapt his direct communication style to ensure that he controls his emotions in high pressure situations.</li> </ul>	

## Responsible:

- ability to be independent, accountable, accept authority and be more aware that actions have consequences
- needed in a new cross-cultural setting to understand pre-established ideas, to understand where adaptation or new ideas are required, to demonstrate they can think for themselves, often seeing new perspectives, real purpose and outcomes
- Harrison must have the ability to take control and be answerable in a new cross-cultural setting.

## Motivational:

- ability to use psychological forces/motivate people to strive for certain goals rather than simply act on orders
- Quinn needs to be aware in a new cross-cultural setting to provide motivation, direction and support for staff while recognising differences in intrinsic and extrinsic motivations, rewards and punishments in different cultural settings.

Accept any other correct, logical answer.

**Question 6** (continued)

- (b) Explain **two** benefits of Harrison adapting his leadership style from autocratic to situational. (6 marks)

Description	Marks
For each of <b>two</b> benefits of Harrison adapting his leadership style from autocratic to situational:	
Explains the benefit	3
Describes the benefit	2
States the benefit	1
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <ul style="list-style-type: none"> <li>• Autocratic leaders are typically bossy and dictatorship-like style may put new workers offside and cause resentment. Changing to situational leadership, Harrison can be more democratic which could develop positive relationships with employees, recognising their success and adding to their motivation.</li> <li>• Autocratic style limits creativity and 'out-of-the-box' thinking – a highly structured, rigid leadership style might not fit the culture of the global workplace, hence changing the leadership style to suit the situation can help improve creativity and innovation.</li> <li>• Harrison normally makes all the decisions – this may not be wise when not understanding the culture or new business landscape and does not allow for skilled workers to contribute ideas. Harrison can adapt his style by listening to team members and taking on feedback which can be beneficial for the business.</li> <li>• Harrison currently uses one-way communication – this may upset new team members and does not foster good teamwork and relationships, and this can limit performance. He can adapt this to an open communication style, encouraging feedback from employees.</li> </ul>	
Accept any other correct, logical answer.	

- (c) Explain how managerial inertia and financial costs could cause resistance to the change within Laffitaya. (6 marks)

Description	Marks
<b>Managerial inertia:</b>	
Explains how managerial inertia may cause resistance to change within Laffitaya	3
Describes how managerial inertia may cause resistance to change within Laffitaya	2
Identifies how managerial inertia causes resistance to change	1
<b>Subtotal</b>	<b>3</b>
<b>Financial costs:</b>	
Explains how financial costs may cause resistance to change within Laffitaya	3
Describes how financial costs may cause resistance to change within Laffitaya	2
Identifies how financial costs causes resistance to change	1
<b>Subtotal</b>	<b>3</b>
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <p>Managerial inertia:</p> <ul style="list-style-type: none"> <li>• This may occur due to the pressure from staff being reluctant due to factors such as unfamiliarity, lack of understanding, dislike of disruptions or uncertainty, lack of security, costs or the process of change itself.</li> <li>• Adapting to technology can be a factor of managerial inertia. Laffitaya may be forced to change the way it operates the business. This could be in the way they communicate, use technology to transfer data or finance, or the way that they conduct their marketing and/or distribution.</li> <li>• The lack of communication from Laffitaya to management about the benefits and improvements of the merger can cause resistance to the change.</li> </ul> <p>Financial costs:</p> <ul style="list-style-type: none"> <li>• This could result in Laffitaya staff fearing job losses due to new technologies, processes or equipment being costly.</li> <li>• Employees may be concerned they will be made redundant due to outsourcing functions and/or combining jobs with ExNex Outdoors.</li> <li>• Employees at Laffitaya may have to undergo significant and costly training and development, which they may resist so that the business does not reap the reward of these costs.</li> </ul> <p>Accept any other correct, logical answer.</p>	

**Question 6** (continued)

- (d) Quinn requires guidance to implement the changes within the business:
- describe Step 4 and Step 5 of Kotter’s 8 Steps change management model
  - apply these steps to Laffitaya
- and advise Quinn on how Laffitaya could build on these changes. (9 marks)

Description	Marks
<b>For each of Steps 4 and 5 of Kotter’s 8 step change management model:</b>	
Applies the step to the source material	3
Describes the step	2
Identifies the step	1
<b>Subtotal</b>	<b>6</b>
<b>Advice to Quinn about how Laffitaya could build on these changes:</b>	
Advises Quinn, referencing detail from the case study	3
Advises Quinn, with some reference to the case study	2
States a relevant fact	1
<b>Subtotal</b>	<b>3</b>
<b>Total</b>	<b>9</b>
<p>Answer(s) could include:</p> <p>Step 4: Communicate the vision</p> <ul style="list-style-type: none"> <li>• Quinn must ensure that employees throughout the workplace understand what is happening by understanding the vision of the business.</li> <li>• Clear and regular communication is important to deal with fears and concerns about the change.</li> <li>• Quinn can hold meetings, talk to individuals, give regular updates and seek feedback about how the change is progressing.</li> </ul> <p>Step 5: Remove obstacles</p> <ul style="list-style-type: none"> <li>• Planning for change includes anticipating what could go wrong or delay success.</li> <li>• Quinn will need to identify obstacles blocking change and identify how to remove them.</li> <li>• Quinn can reward people for making change happen and identify people who are resisting change and try to convince them of its importance.</li> <li>• Quinn needs to address the staff regarding their concerns, as this obstacle could block the success of the merger.</li> </ul> <p>Advice to Quinn about how Laffitaya could build on the change:</p> <ul style="list-style-type: none"> <li>• Long term success is dependent on changing the workplace culture. Therefore, providing opportunities for employees at Laffitaya and ExNex Outdoors to learn about the new policies and procedures and leadership restructure.</li> <li>• Quinn needs to ensure the employees at both Laffitaya and ExNex Outdoors believe in the benefits of the merger and how it will assist the company be successful. If the employees believe in the change, it is more likely to be a success.</li> <li>• Quinn also needs to continue to review and improve its policies and processes to ensure the change is working.</li> <li>• Quinn and Harrison need to ensure all policies and procedures and instructions are updated and communicated to all staff clearly.</li> <li>• Quinn and Harrison also need to seek feedback from employees at both ExNex Outdoors and Laffitaya in order to build on the change and adapt as necessary.</li> <li>• Quinn and Harrison also need to identify where the new policies are not being followed and manage any new issues that arise due to the changes.</li> </ul> <p>Accept any other correct, logical answer.</p>	



## Question 7

(25 marks)

- (a) Countries have different legal systems that regulate competition. Explain how patent registrations could impact the business operations of Smoothex in Indonesia and Malaysia. (3 marks)

Description	Marks
Explains how patent registrations could impact the business operations	3
Describes how patent registrations could impact the business operations	2
States how patent registrations could impact the business operations	1
<b>Total</b>	<b>3</b>
<p>Answer(s) could include:</p> <ul style="list-style-type: none"> <li>• A patent can give Smoothex exclusive rights to manufacture and sell any device, substance, method or process that is new, inventive and useful. When Smoothex expands globally it can apply for a patent in countries individually. This might be a good option if it only sells in a few countries.</li> <li>• Alternatively, Smoothex can register a patent in multiple countries under the Patent Cooperation Treaty (PCT).</li> <li>• The PCT is administered by the World Intellectual Property Organisation (WIPO), of which there are 148 participating countries. If the WIPO approves the patent, the intellectual property (IP) is protected in the countries that are members of the treaty. A patent is maintained if annual fees are paid. Patents must also be updated if there are any changes to the device, substance, method or process. In addition, Smoothex would have to file individual patent applications in the countries that are not members of the PCT.</li> <li>• If Smoothex does not register for a patent, it is at risk of others stealing or using its idea, creating a loss of income and competitive advantage.</li> </ul>	
Accept any other correct, logical answer.	

**Question 7** (continued)

- (b) Explain how Smoothex could demonstrate ethical practices in corporate social responsibility (CSR) and environmental sustainability in Indonesia and Malaysia, giving examples. (6 marks)

Description	Marks
For <b>each</b> of CSR and environmental responsibility:	
Explains how the ethical practice could be applied if the business enters the Indonesian and Malaysian markets	3
Describes the ethical practice	2
States a fact about the ethical practice	1
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <p>Corporate social responsibility: Corporate social responsibility requires Smoothex to achieve its business goals in the context of the broader system in which it operates, thus giving due consideration to the community, society, triple bottom line and environment of a range of stakeholders. For example, Smoothex could support local charities (through donations/corporate sponsorship) in Indonesia and Malaysia. This could build positive relationships with the local communities and also help develop a positive business image in these countries.</p> <p>Environmental sustainability: Environmental sustainability requires Smoothex to adopt environmentally responsible operations such as use of dyes, recyclable packaging, waste of materials and recycling of supplies where possible. Smoothex could apply these to its operations to develop a positive public image and engender staff loyalty due to the respect demonstrated for their local country and its environment.</p> <p>Accept any other correct, logical answer.</p>	

- (c) Analyse **two** cultural considerations that could affect the success of Smoothex in the Indonesian and/or Malaysian markets. (8 marks)

Description	Marks
For each of the <b>two</b> cultural considerations that could affect the success of Smoothex in the Indonesian and/or Malaysian markets:	
Analyses the consideration	4
Explains the consideration	3
Describes the consideration	2
Identifies the consideration	1
<b>Total</b>	<b>8</b>
<p>Answer(s) could include:</p> <p>Levels of education:</p> <ul style="list-style-type: none"> <li>This can affect each country's economic environment. Levels of education differ depending on whether the country is more developed or industrialised, less developed, or a newly industrialising or emerging economy.</li> <li>Smoothex will need to consider the level of education in the countries to which it intends to export.</li> <li>if there is a skills shortage in a country, Smoothex will need to base employees overseas and use financial packages to attract staff. There may be issues in using technology, inability to fill positions or an understanding of how to store or sell Smoothex skincare and cosmetics.</li> </ul> <p>Customs:</p> <ul style="list-style-type: none"> <li>When doing business in another country, Smoothex will need to consider cultural differences that may be presented.</li> <li>Cultural differences could include basic customs, mannerisms and gestures. For example, if a salesperson approaches a meeting with knowledge of a custom's cultural background, then his/her words, body language and actions can all be adapted to better suit those of the customers.</li> <li>Understanding cultural differences and adapting to these differences will allow Smoothex to be better liked by customers in Indonesia and Malaysia.</li> </ul> <p>Holidays and celebrations:</p> <ul style="list-style-type: none"> <li>Smoothex can use this to provide content to put on their social media pages for marketing purposes, such as Christmas holiday sales or using a celebration as a background to sell products or services for Chinese New Year or Halloween.</li> <li>Indonesia and Malaysia have a multi-cultural background and people celebrate a wide variety of holidays.</li> <li>Smoothex will need to be aware of the holidays and celebrations in the countries in which it is hoping to do business to ensure its success.</li> </ul> <p>Religious beliefs:</p> <ul style="list-style-type: none"> <li>The main religion of a country can influence the way Smoothex conducts its business.</li> <li>Although very few religions influence business activities directly, the impact of religion on human value systems and decision-making is significant. Thus, religion exerts a considerable influence on people's actions and outlook on life, as well as on the products they buy.</li> <li>Smoothex will need to be aware of the religious beliefs of Indonesia and Malaysia to ensure that it does not offend its customers.</li> </ul>	

**Question 7** (continued)

Business etiquette:

- The formality of address is an important consideration when dealing with colleagues and business partners from different countries.
- Consider if they prefer titles and surnames or being on a first name basis.
- While it can vary across organisations, Asian countries such as Indonesia and Malaysia tend to use formal 'Mr/Ms Surname', while Australians and Americans tend to use first names.
- Smoothex will need to be aware of business etiquette in the countries in which they choose to operate.

Communication protocols:

- It will be important for Smoothex to understand the importance of subtle non-verbal communication between cultures as this can be equally crucial in international business.
- What might be commonplace in one culture – be it a firm handshake, making direct eye contact, or kiss on the cheek – could be unusual or even offensive to a foreign colleague or client.
- Where possible, Smoothex will need to research in advance the professional protocols required with individuals from the Indonesian and Malaysian cultures.
- Staff will need to be perceptive to body language, and when in doubt, to ask. While navigating cross-cultural communication can be a challenge, approaching cultural differences with sensitivity, openness, and curiosity can help to put everyone at ease.

Accept any other correct, logical answer.

- (d) Explain how the following economic factors impact the business operations of Smoothex in the global market:
- economic activity
  - discretionary spending
- and describe how these could affect the likelihood of Smoothex expanding into Indonesia and Malaysia. (8 marks)

Description	Marks
For <b>each</b> of the economic factors (economic activity and discretionary spending):	
Explains how the economic factor impacts the business operations of Smoothex in the global market	3
Describes the impact of the economic factor	2
Outlines the economic factor	1
<b>Subtotal</b>	<b>6</b>
Describes how economic activity <b>and</b> discretionary spending could affect the likelihood of Smoothex expanding into Indonesia and Malaysia	2
Describes how economic activity <b>or</b> discretionary spending could affect the likelihood of Smoothex expanding into Indonesia and Malaysia	1
<b>Subtotal</b>	<b>2</b>
<b>Total</b>	<b>8</b>
Answer(s) could include:	
<p>Economic activity:</p> <ul style="list-style-type: none"> <li>• Both Indonesia and Malaysia are countries in the Association of South East Asian Nations (ASEAN) thus having a positive impact on business operations.</li> <li>• Australia has free trade agreements in force currently with both Indonesia and Malaysia, which promotes economic activity between Australia and both of these countries.</li> <li>• Low inflation in Australia means interest rates are likely to be kept low, which will allow local consumers to continue to purchase products from Smoothex. This will help maintain or increase revenue from Smoothex to support its investments overseas.</li> <li>• Consumption patterns and income levels will influence pricing and distribution strategies for Smoothex.</li> <li>• Indonesia and Malaysia have a growing number of women in the workforce who earn enough disposable income to buy cosmetics from Smoothex, thus improving opportunity for successful business operations in these countries.</li> <li>• Fluctuations in exchange rates between the three countries have been low, thus, providing attractive pricing of products and making them more attractive to potential customers.</li> </ul> <p>Discretionary spending:</p> <ul style="list-style-type: none"> <li>• As the economies of countries develop there are people earning acceptable wages in stable employment. Therefore, consumers may have more discretionary income.</li> <li>• The stimulus material states there is 'growing number of females who are becoming a part of the workforce in those countries'. So 'there is likely to be a high demand for Smoothex skin care and make-up products'. This is due to the increased discretionary income.</li> <li>• An increased discretionary income in Indonesia and Malaysia could impact Smoothex in a positive way, as it could lead to increased sales.</li> <li>• If the discretionary income is reduced, then customers are less likely to buy products from Rani and they are more likely to spend their income on essentials such as food rent, clothing or education. The current global economy could cause customers in Malaysia and Indonesia to have reduced discretionary income. This would impact Smoothex in a negative way.</li> </ul>	
Accept any other correct, logical answer.	

**Question 8**

**(25 marks)**

(a) Describe **three** benefits of innovation for Matilda’s business.

**(6 marks)**

Description	Marks
For each of the <b>three</b> benefits of innovation for Matilda’s business:	
Describes the benefit	2
Identifies the benefit	1
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <p>Financial gain:</p> <ul style="list-style-type: none"> <li>• An increase in satisfied customers can lead to an increased market share, sales and repeat customers. Innovation can also lead to creating a delay in the decline stage of the product lifecycle resulting in greater profit for Matilda.</li> <li>• Product innovation occurs if Matilda sources new and/or more products to sell. This may increase interest, sales and, in turn, profit.</li> <li>• Process innovation occurs if Matilda is able to improve her processes through new technology. She could see productivity gains and better customer satisfaction, resulting in increased financial gain.</li> </ul> <p>Expansion of global market presence:</p> <ul style="list-style-type: none"> <li>• Innovation can be a driver of business growth. Therefore, Matilda expanding into the European market will enhance her global market presence.</li> <li>• Innovation can give Matilda a competitive edge over her foreign competitors.</li> <li>• Matilda’s innovation can lead to her successful expansion into Europe and ensure that she is competitive in global markets through her business being new and different.</li> </ul> <p>Increased market share:</p> <ul style="list-style-type: none"> <li>• Innovation can assist with producing more appealing/innovative products and, therefore, increase market share for Matilda when she expands into the European market.</li> <li>• Innovation can create a competitive advantage. A new product can create a consumer demand for the product, resulting in more products being sold and Matilda’s business’ market share increasing in the European market.</li> </ul>	
Accept any other correct, logical answer.	

- (b) Explain to Matilda how timing and cost may have an impact on the success of innovation in her business. (6 marks)

Description	Marks
For <b>each</b> factor (timing and cost):	
Explains how the factor may have an impact on the success of innovation in Matilda's business	3
Describes how the factor may have an impact on the success of innovation in Matilda's business	2
Outlines the factor	1
<b>Total</b>	<b>6</b>
<p>Answer(s) could include:</p> <p>Timing:</p> <ul style="list-style-type: none"> <li>• Timing can have an impact the success of innovation in terms of how it relates to customer purchasing cycles.</li> <li>• Matilda has just read an ecommerce report in 2020 stating that European shoppers are spending more time shopping online. This means the timing is right for her to expand to Europe.</li> <li>• It would be a good idea for Matilda to innovate her product, process and service while online marketplaces in Europe are attracting significant online traffic and high visitor engagement. This should lead to increased sales, thus success at this time is likely to be high and worth her investment in the innovation.</li> </ul> <p>Cost:</p> <ul style="list-style-type: none"> <li>• Investment in innovation, whether it is product, process or service, is costly.</li> <li>• Money needs to be spent on research and development and can be significant. Therefore, it requires appropriate financial resources.</li> <li>• Matilda has stated that she is willing to invest money into her business operations, so she has the best opportunity to be profitable.</li> <li>• Matilda has seen a surge in online sales in 2020 and 2021. Therefore, she has income available to spend on innovation.</li> <li>• If Matilda spends too much money on research and development, and innovation, and does not receive increased sales through the European market, she may be at risk of business failure.</li> <li>• Matilda's financial investment in innovation may be important to her standing out from competitors in the European market, and be an important contributor to her success.</li> </ul>	
Accept any other correct, logical answer.	

**Question 8** (continued)

- (c) Assess the way in which technology can assist Matilda to expand into the European market. (4 marks)

Description	Marks
Assesses the way in which technology can assist Matilda to expand into the European market	4
Explains technologies that can assist Matilda to expand into the European market	3
Outlines technologies that can assist Matilda to expand into the European market	2
Identifies a technology that can assist Matilda to expand into the European market	1
<b>Total</b>	<b>4</b>
<p>Answer(s) could include:</p> <ul style="list-style-type: none"> <li>• Marketing through social media campaigns – researching and creating social networking sites used in Europe. This will be an easy and cost-effective way for Matilda to expand into the European Market.</li> <li>• Adopting faster shipping technology. This will be positive for Matilda’s business as it will improve customer satisfaction due to timely delivery of orders.</li> <li>• Implementing safe payment methods – around the world customers are happy and confident utilising payment methods such as PayPal. This will assist Matilda expanding into the European market.</li> <li>• Applying GPS delivery tracking systems – for both the business and the customer. This ensures the customer is updated via email or SMS, making them confident regarding the delivery of their order.</li> <li>• Adopting e-commerce procedures. This will enable transfer of monies between currencies and countries instantly.</li> <li>• Matilda can purchase relevant and reliable hardware and software for the business’ needs. She can improve her website capabilities to change the language and/or apply different currencies. This will increase the business’ reach to different countries where customers can make purchasing decisions using their own currency.</li> </ul>	
Accept any other correct, logical answer.	



- (d) Discuss what Matilda needs to consider if she were to expand to Europe, applying the following forces from Porter's Five Forces:
- availability of substitutes
  - bargaining power of buyers
- and advise whether she should expand her online business into Europe. (9 marks)

Description	Marks
For each of the <b>two</b> forces:	
Discusses what Matilda needs to consider if she were to expand into Europe	3
Outlines what Matilda needs to consider if she were to expand into Europe	2
States a fact about the force	1
<b>Subtotal</b>	<b>6</b>
Advises whether Matilda should expand her online business into Europe, providing significant evidence	3
Advises whether Matilda should expand her online business into Europe, providing some evidence	2
States if Matilda should expand her online business into Europe	1
<b>Subtotal</b>	<b>3</b>
<b>Total</b>	<b>9</b>
<p>Answer(s) could include:</p> <p>Availability of substitutes: Matilda needs to consider: likelihood that customers will easily switch or use a competitor's product over hers.</p> <ul style="list-style-type: none"> <li>• Are there similar products being sold online at a similar price or lower?</li> <li>• Do the competitors pose a threat to her business' success?</li> <li>• Are her products new, innovative and of high quality, compared to others on the market?</li> <li>• Are there better-quality products available?</li> <li>• Are there products of better value?</li> <li>• Can she create buyer loyalty in Europe, or will consumers easily change brands?</li> </ul> <p>Bargaining power of buyers: Matilda needs to consider the bargaining power of the buyers in Europe.</p> <ul style="list-style-type: none"> <li>• What is the bargaining position of the buyers? Can the customers drive down the price?</li> <li>• What is the level of quality and service demanded by buyers in Europe?</li> <li>• What are the buyer numbers in Europe? Europe has a large population, therefore a large number of potential buyers.</li> <li>• Which countries in Europe will have more buying power? Many parts of Europe have a large middle class, hence the disposable income to purchase Matilda's products.</li> </ul> <p>Advice:</p> <p>Due to the fact that Matilda is going to be investing in innovation of her product, process and service, the huge population of Europe and the fact that more European shoppers are spending significant time shopping online, there is no reason why she should not trial an entry into the European market. Her product is unique, luxurious and of high quality, thus should negate the issue of availability of substitutes.</p> <p>The e-commerce report also affirms 'online marketplaces in Europe have attracted significant traffic and seen high visitor engagement that has translated into sales'. Due to the fact that more Europeans are spending time at home and shopping online, it is worth Matilda expanding her business into the European market.</p> <p>Accept any other correct, logical answer.</p>	

## ACKNOWLEDGEMENTS

- Question 1** Adapted from: Kopp, C. M. (2020). *Globalization* [Definition]. Retrieved August, 2021, from <https://www.investopedia.com/terms/g/globalization.asp>
- Question 4(a)** Adapted from: Department of Foreign Affairs and Trade. (n.d.). *ASEAN-Australia-New Zealand free trade agreement AANZFTA: Creating business opportunities*. Retrieved August, 2021, from <https://www.dfat.gov.au/sites/default/files/AANZFTA-Creating-business-opportunities.pdf>  
Used under a Creative Commons Attribution 3.0 Australia licence.
- Question 8(b) & (d)** Dot points 2 & 3 (b) & last paragraph(d) adapted from: Perry, J. (2020). *European ecommerce report shows marketplace growth, key trends*. Retrieved August, 2021, from <https://pattern.com/blog/europe-ecommerce-report-shows-marketplace-growth-key-trends/>

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