



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2008

BUSINESS STUDIES: PAPER I
MARKING GUIDELINES

Time: 2 hours

200 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

SECTION A

QUESTION 1

- 1.1 A ✓✓
- 1.2 D ✓✓
- 1.3 D ✓✓
- 1.4 B ✓✓
- 1.5 B ✓✓
- 1.6 C ✓✓
- 1.7 B ✓✓
- 1.8 C ✓✓
- 1.9 D ✓✓
- 1.10 D ✓✓

[10 × 2 =20 marks]

20 marks

QUESTION 2

- 2.1 True ✓
- 2.2 True ✓
- 2.3 False ✓
- 2.4 False ✓
- 2.5 False ✓
- 2.6 True ✓
- 2.7 True ✓
- 2.8 True ✓

In resolving labour disputes **an arbitrator** makes a binding decision on both parties. ✓✓ OR a conciliator attempts to get both parties to reach an agreement. No decision is made.

A business **trend** is a useful indicator in planning and making business decisions although, to some extent, the impact and rate of change is difficult to predict. ✓✓

Tax **evasion** is an unethical practice whereby entrepreneurs make unauthorised tax deductions in their tax returns ✓✓ or Tax **avoidance** is an ethical practice whereby entrepreneurs make authorised tax deductions in their tax returns.

14 marks

QUESTION 3

- 3.1 Stakeholders ✓✓
- 3.2 Endowment ✓✓
- 3.3 Inflation ✓✓
- 3.4 South African Qualifications Authority or SAQA ✓✓
- 3.5 Lockout ✓✓
- 3.6 Intrapreneur ✓✓
- 3.7 Cession ✓✓
- 3.8 Strategy ✓✓

[8 × 2 = 16 marks]

16 marks

Total for Section A: 50 marks

SECTION B**QUESTION 4**

4.1 *'MTN also assists emerging black entrepreneurs in the IT sector with entrepreneurial training ...'*

4.1.1 Name **FOUR** entrepreneurial qualities that these entrepreneurs should possess and illustrate each by means of a practical example. (12)

- They are passionate **visionaries**✓✓ think about the future of the business; see where the business can diversify and amalgamate, e.g. with suppliers of raw materials in the cellular business. ✓
- They are **creative thinkers**✓✓ who challenged the conventional ways of doing things, innovating different aspects of traditional businesses such as products, methods and marketing campaigns, e.g. incorporating credit cards in the cellular business; access to the internet via cellular technologies. ✓ etc.
- They are **risk takers**✓✓ with a positive attitude, who take chances by devoting their time, money and other resources to something they believed would work and invest in other business opportunities that might be risky. ✓
- They are good **leaders**, ✓✓ because they persuade others to buy into their dreams and help them to realise it; managers are able to listen to their workforce; they lead their organisations into the 21 century. ✓
- They are **independent spirits**, who like to be in control and are internally motivated, rather than working for a boss who tells them what to do.
- They have **perseverance and commitment**. They do not change the world in one day, but work hard until eventually they change the part of the world they live in significantly.
- They are **opportunists** who happen to be in the right place at the right time – people who see an opening and take it – moving cellular technologies into Africa.
- They are individuals who either have the necessary **expertise, knowledge and skills** to make the business a success, or the ability to recognise their shortcomings and then hire the right people to fill the gaps. They have an understanding of cellular technologies.

Characteristic (Any 4 × 2 = 8)

Practical Example (Any 4 × 1 = 4)

4.1.2 Describe the impact of **liability for debts** on the success or failure of:

(a) a **sole proprietorship**

- In a sole proprietorship the owner has the increased risk of **unlimited liability**, i.e. if there is not sufficient money in the business to repay debt, the sole trader could lose his/ her possessions. ✓✓
- This increases the possibility of **failure** in a sole proprietorship. ✓✓

(4)

(b) a **public company**

- A company is a legal entity and the owners have **limited liability**, which implies that the business can be sued and therefore the owners do not stand the chance of losing their personal possessions. ✓✓
- Thus limited liability increases the **success** of the business. ✓✓ (4)

4.2 The following is adapted from a recruitment advertisement that was posted on the MTN website by the Human Resources (HR) Department. Study its contents and then answer the questions that follow.

4.2.1 This advert was placed on the website because of manpower planning undertaken by MTN's Human Resource Manager.
Describe the purpose of proper **manpower planning**.

- To determine how many employees the business needs; ✓✓
- To determine what skills these employees must have, ✓✓ and
- To determine when these employees will be needed. ✓✓ (6)

4.2.2 One of the skills required for the advertised vacancy is '**conflict resolution and crisis management**'.

Consider the following scenario:

Several employees from the MTN call centre have requested to go on a SETA approved training course to learn to repair cell phones. The newly appointed senior manager has rejected this request without due consideration, citing financial reasons. This has caused dysfunctional conflict.

- Evaluate the new senior manager's response to the original request; and
- discuss **ONE** suggestion on how the new manager could diffuse this conflict situation; and
- discuss the way forward in the short- and long-term. (10)

Evaluate the new senior manager's response to the original request

- Inappropriate response ✓✓ from the senior manager with justification, e.g. inappropriate channels of communication used; lack of consultation with affected parties, et. ✓✓ OR could argue that
- Response was appropriate, ✓✓ i.e. financial reason is a satisfactory reason; senior manager may be following company protocol and has limited power/ influence over decisions made at head office, etc. ✓✓

2 marks for agreeing/ disagreeing with senior manager's response
2 marks for justification of choice

Possible suggestions to dealing with conflict/ crisis in the workplace

- Stimulating functional conflict – Devil's advocate ✓✓
- Negotiation and integration
- Smoothing – A temporary method of solving a conflict situation as differences are ignored and the focus is placed on what people have in common
- Forcing – In a situation of forcing, a person in a position of authority forces his solution to the problem on the subordinate (autocratic style)
- Avoidance – the problem is avoided by pretending it is not there or ignoring it
- Compromise – This democratic style of handling conflict is found in a situation where there are opposing opinions on an issue, but both parties have equal power. (Any 1 × 2 = 2)

Possible suggestions to the way forward:

In the short-term

- Encourage communication between the parties that are in conflict. ✓✓
- Allow another senior manager to diplomatically take charge of the situation.
- Use the conflict scenario as a starting point for discussion in weekly staff meetings so that solutions can be generated from the employees. They will feel they have contributed to the solution and diffuse more of the conflict. (Any 1 × 2 = 2)

In the long-term

- Make it a pre-requisite that all managers attend conflict management courses. ✓✓
- Put conflict management skills development in the policy of the business. (Any 1 × 2 = 2)

Consider any relevant suggestions put forward

4.2.3 Briefly explain each of the following HR activities:

(a) job selection

- The screening of potential applicants and choosing the most suitable candidate. ✓✓
- The selection process is completed by measuring the potential applicants against a set of pre-determined criteria. ✓

(b) job placement

The abilities of the new recruits are compared with the requirements of the vacant posts and each individual is then placed in a position where the best match ✓✓ is achieved between the individual's ability and the requirements of the job. ✓

(6)

4.2.4 Other than internet recruitment, list TWO sources that MTN could use to fill a vacant post.

Advertising agencies, tertiary institutions, recruitment adverts in the newspaper, industry journals/ periodicals, internal recruitment, i.e. current employees of MTN. ✓✓

NB: Mark internet as incorrect

(Any 2 × 1 = 2)

4.2.5 As part of the **management and organizational skills** required, the new senior manager must understand the process of collective bargaining.

(a) Define what is understood by the term '**collective bargaining**'.

- The process where trade unions negotiate on behalf of their members, ✓✓ OR
- the agreement they reach which the trade union management apply to all their members. (2)

(b) Discuss **ONE** role that the new senior manager would play during a process of collective bargaining. (4)

- As a negotiator (spokesperson) ✓✓ he/ she will sit down with the other party and thrash out the differences, usually involving some form of compromise between the parties. ✓✓ OR
- As a mediator ✓✓ where he becomes the impartial neutral person, i.e. is not involved with either party, is not affected by the outcome, to intervene on behalf of both parties. ✓✓ OR
- As an arbitrator ✓✓ which is similar to mediation except that the final decision is legally binding on both parties. ✓✓ OR
- The manager could also be an organiser ✓✓ to the proceedings; ensuring that all the necessary paperwork/ admin requirements are met, e.g. access to previous labour agreements, taking notes of agreement reached. ✓✓

(Any relevant role that relates to negotiation/ collective bargaining in a labour context)

(Any 1 × 4 = 4)

50 marks

QUESTION 5

5.1 *'MTN supports Black Economic Empowerment (BEE) and continues to make significant contributions to the economic empowerment of disadvantaged communities'.*

On the table provided on the Answer Booklet, tabulate, using full sentences, **THREE** differences between the Employment Equity Act and the Black Economic Empowerment Act. (9)

Employment Equity Act	BEE
1. The emphasis of this act is on job creation. ✓	1. The emphasis is on empowering blacks to get into management and become shareholders. ✓
2. This act includes previously disadvantaged groups: blacks, females and the disabled. ✓	2. This act only includes blacks. ✓
3. The act is enforced by the employment equity committee within business, based on labour guidelines. ✓	3. Judged on BSC (Balanced Score Card) for each particular industry and the type of business. ✓

Content under each heading in the table (3 × 2 = 6)
Linking each row in the table (3 × 1 = 3)

5.2 *'MTN together with Guardrisk offer a value added service in the form of Cell Phone handset and SIM Card insurance to the wider MTN customer base.'*

Outline how the following terms will relate to a cell phone insurance contract with Guardrisk:

5.2.1 **indemnification** (3)

- This term implies that Guardrisk will place the insured in the same financial position he/ she was before the loss. ✓✓
- The insured cannot claim more than what has been lost, i.e. if there is no loss after any event, there is no compensation/ indemnification. ✓

5.2.2 **excess clause** (3)

- This is the amount on each claim that is not covered by the policy. ✓✓
- The excess amount is specified in the insurance policy and it is the insured that has to pay whatever amount that has been specified in the contract. ✓

5.3 You have sold your MTN shares and made a healthy profit of R1 million. You therefore have made more than adequate provision for your retirement in two years time.

Suggest and justify an investment to maximise your returns in the short-term.

- **Possible suggestions for investment**
 Invest in the stock market; managed portfolio; unit trusts; property if you are prepared to sell in the short term when property prices are booming ✓

- **Justification for choice**

Must show the link between high risk high reward ✓✓

Must be able to maximise investment in the short-term ✓✓

Can give a worked calculation to prove the maximisation of returns

(Any relevant justification to choice)

Possible suggestion (1 mark)

Justification (2 × 2 marks = 4)

5.4 MTN operates in a dynamic ever changing macro-environment. Suggest and explain a separate strategy that management could implement for each of the following challenges from the macro-environment:

5.4.1 The broad variety of new cell phones being constantly introduced into the market.

1. **Growth strategy** ✓

- A strategy to increase the target market. ✓✓
- This could be done through new product development or penetrating a new market. ✓✓
- Diversification of the product mix or growth through integration with other businesses. OR

2. **Decline strategy** ✓

- A strategy followed where the business may decide to cut its losses by selling its assets. ✓✓
- To limit its exposure in a market by withdrawing large amounts of cash or assets from the industry where demand is declining. ✓✓
- A liquidation strategy where the business is sold/ terminated. OR

3. **Market strategy** ✓

- Due to the short span of the product life-cycle, the company must put into place appropriate promotional strategies that keep pace with the introduction of new phones into the market. ✓✓
- This also implies that the marketing department must be geared up to deal with new products in terms of pricing, distribution and product policies. This must be done more aggressively than with other product ranges. ✓✓ OR

4. **Environmental strategy** ✓

- There could be a concern over the disposal of old cell phones as new products are entering the market. ✓✓
- Have a strategy where consumers are encouraged to bring their old phones into the stores before a new upgrade is issued. ✓✓
- The business would then in an environmentally safe manner dispose of the cell phone. OR

5. Credit must also be given if the candidate **suggests practical strategies** for dealing with the challenge from the macro environment.

Mention of strategy (Any 1 × 1 = 1)
Explanation of strategy (Ay 2 × 2 = 4)

5.4.2 International restrictions in the importing of raw materials needed in the production of cellular telecommunication products.

Possible strategies that could be implemented:

1. **Corporate combination strategies**✓
 - Maybe decide on a joint venture – joining resources with another stakeholder to achieve synergy. ✓✓
 - Merge – consensual combination of businesses that will be to the advantage of both businesses – thus resolving the problem of resources restrictions due to international restrictions. ✓✓
 - Hostile take-over of another business that has access/ technology to alternative raw materials, by buying up the majority of shares in the company. OR

2. **Differentiation**✓
 - It may be a good idea to decide to differentiate/ diversify their core product and in so doing reduce the impact of the restriction on their production activities. ✓✓
 - Decide on a new product range that is not dependent on the imported raw material – this could be a short term strategy as international restrictions are not usually long-term. OR

3. **Technological/ Innovative strategy**✓
 - Being faced with this challenge allows the company to invest in its research and development department to find alternative sources of raw materials that can be effectively used in the production of cellular telecommunication products. ✓✓
 - The business could find products that are environmentally safe and be pioneers in this field. They will then become less dependent on imports from other countries. ✓✓ OR

4. **Negotiation strategy**✓
 - The company could negotiate with the international community to reduce the level of restriction and show willingness to work together to find alternative solutions, other than import restrictions. ✓✓
 - The could develop a trade agreement that benefits both parties, e.g. raw materials for the exchange of technological expertise. ✓✓ OR

5. Credit must also be given if the candidate **suggests practical strategies** for dealing with the challenge from the macro environment.

Mention of strategy (Any 1 × 1 = 1)
Explanation of strategy (Any 2 × 2 = 4)

[5 × 2 = 10]

5.5 Study the following graph and then answer the questions that follow:

5.5.1 What does the abbreviation CCMA stand for?

The Commission for Conciliation, Mediation and Arbitration ✓✓ (2)

5.5.2 List any **TWO** unethical labour practices that the CCMA had to deal with and recommend **TWO** ways, in which MTN could monitor or avoid unethical labour practices. (8)

Unethical labour practices:

Forced labour, ✓ Child labour, ✓ Harassment or Abuse (2)

Recommendations for monitoring or avoiding unethical labour practices:

- Have regular inspections ✓✓ of MTN outlets to ensure ethical labour practices are being followed. ✓
- Investigate any reports ✓✓ of unethical labour practices as a matter of urgency by experts in labour law. ✓
- Have regular educational programmes of awareness on unethical labour practices.
- Encourage whistleblowers/ informants to come forward with details of the practice and ensure that their identity is kept as a secret.
- Have clearly set out procedures to deal with unethical labour practices that have been explained to personnel in the organisation.

(Recommendation $2 \times 3 = 6$)

5.5.3 The CCMA was developed from the provisions of the Labour Relations Act. Outline **THREE** of the main objectives of the Labour Relations Act.

- To enforce the fundamental rights granted by section 23 of the Constitution; ✓✓
- To enforce South Africa's international obligations as a member of the International Labour Organisation; ✓✓
- To provide a framework for collective bargaining between trade unions and employers ✓✓
- To promote effective resolution of labour disputes through employee participation in decision-making in the workplace.

(Any $3 \times 2 = 6$)

5.6 An employee at MTN says that performance appraisals are a waste of company resources. Give **TWO** reasons why you agree or disagree with the statement.

AGREE – Performance appraisals can be a waste of company resources because:

- The appraisals could lead to nepotism, especially when they are linked to increases in remuneration. ✓✓
- Employees may be given inflated scores that are not linked to actual performance in the company. ✓✓
- The appraisal process may not be properly outlined to the employees so the employees may give a wrong perception of their abilities and the end result may not be objective.
- There could be delays in productivity as employees and employers are involved in the appraisal process which could be time consuming. (Any $2 \times 2 = 4$)

DISAGREE – Performance appraisals are not a waste of company resources because:

- Performance appraisals are a method whereby the HR department can give feedback to employees and employers. ✓✓
- It provides an opportunity for the organisation to monitor its quality control mechanisms in terms of its human resources. ✓✓
- It encourages the business to take the necessary corrective action to implement improvements in areas that have fallen short of the agreed quality standard.
- It gives function managers the opportunity to create an atmosphere conducive to continuous quality improvement.

(Any 2 × 2 = 4)

50 marks

QUESTION 6

6.1 An international group of investors would like to open an MTN kiosk at each of the 2010 soccer stadiums. As part of their environmental analysis, the investors will need to complete a SWOT analysis.

6.1.1 Mention **TWO** threats from the macro-environment, identified by performing a SWOT analysis, the group of investors could face. In each case, propose/ recommend a strategy the investors could use to change the threat into an opportunity.

Answer this question in the format of a table with the following headings:

Threat from macro-environment	Strategy used to change threat into an opportunity
* Must comply with regulation imposed by the management of the soccer stadium for design of kiosk. ✓✓	* Investors could ask to become involved with design decisions and give their input to the project. ✓✓
* There may be problems with the availability of skilled labour to man the kiosk. ✓✓	* Institute a skills development programme with the aid of funding from MTN head office. ✓✓
* Competition.	* Join forces and form a partnership.
* Economic restrictions, e.g. capital funding, interest rate restrictions, inflation.	* Negotiate with financial institutions for a competitive rate, using the 2010 festival as a kickback.
* Meet BEE requirements, e.g. employ black females	* Engage with local employees

(Threat – 2 marks)
 (Strategy – 2 marks)
 (2 × 4 = 8 marks)

6.1.2 One of the managers at MTN suggests that the group of investors use a Balanced Scorecard (BSC) in their environmental analysis. List **FOUR** possible components of the Balanced Scorecard (BSC) analysis.

- Financial perspective ✓
- Customer perspective ✓
- Internal (business) process perspective ✓
- The learning and growth perspective ✓ (4)

6.1.3 Discuss any **TWO** of the elements of Porter's Five Forces Model, explaining how each element would be of benefit to the group of investors, when analysing the market environment. (10)

- **Level of rivalry in the market** ✓
 - The business will be able to find out as much as possible about its competitors, i.e. ownership structures, location(s), financial performance, patents, quality, brand loyalty. ✓✓
 - It will have a good idea of its competitors profile as you may pre-empt any actions and adapt your strategies to be more successful. ✓✓
 - Consideration will be given to future competitive threats in order to establish what the threats and opportunities are in the market.

- **The availability of substitute products**✓
 - Consideration will be given to alternative products to the one your business is engaged in. ✓✓
 - Can your business compete with alternative products on the market? ✓✓
 - Does the business have an appropriate strategy to consider the effect of substitute products on the success of their own brand?

- **The threat of new entrants that may join the market**
 - The greater the opportunity for profits in the market, the more likely it is that there will be new entrants in the market.
 - The same is true if there is currently little competition or if there is currently not enough suppliers of the product or service to meet consumer demands.
 - The threat of new entrants is diminished when there are certain barriers to enter the market, e.g. Limited distribution channels, huge capital outlays, BEE requirements that have preference to obtain the contract.

- **The power of suppliers**
 - Consideration of the suppliers of raw materials as you need the material at the right time and at a reasonable price.
 - Consideration of the costs involved if the business has a stock-out and the supplier cannot deliver. E.g. loss of production, resources cannot be used to full potential, inability to negotiate discounts with suppliers, loss of customer goodwill etc.
 - Consideration of the power by supplier of financial resources, labour resources and trade unions.

- **The power of buyers**
 - Consideration of not only the power of the final consumer, but the role of intermediaries in the distribution process.
 - Consideration of some of the techniques that could be used when intermediaries are utilised in the distribution process, e.g. the sole agency system (the manufacturer gives the wholesaler the sole right to sell the product in a specific area OR
 - The contract system where the manufacturer offers a discount to the wholesaler/ retailer but these role players have to sell the product at a price prescribed by the manufacturer.

Naming the element (Any 1 × 1 = 1)

Discussion of element (Any 2 × 2 = 4)

(Any 2 elements 2 × 5 = 10)

6.1.4 The opening of the MTN kiosk is seen by the investors as an off-shore investment. Describe **TWO** benefits of having off-shore investments. (4)

- Diversification provides peace of mind, i.e. a one–country–one currency investment portfolio holds a fairly high risk. ✓✓
- Foreign financial markets may offer better value than the country of origin. ✓✓

- Returns on a foreign investment are determined by two factors – price movements and exchange rate fluctuations. If one expects our currency to depreciate then it would be wise to invest in a foreign country.
- International markets offer investment opportunities that may not currently exist locally.
- Emigration: If you are planning to emigrate, you can start investing in the country you chose to emigrate to. You will start building up your capital reserves for when you eventually settle in. (Any 2 × 2 = 4)

6.2 'As a result MTN is listed on the JSE Social Responsible Investment (SRI) Index. This measures the triple bottom line performance of those companies on the JSE who choose to be listed.'

In order to remain listed on the SRI index, MTN uses the 'DRIVE' technique to solve problems creatively.

Identify the missing elements from the table given below and explain how each of these elements is crucial to the 'DRIVE' technique.

D	R	I	V	E
Define	6.2.1?	Identify	6.2.2?	Execute

6.2.1 **Review**✓

- Review the background to the problem, and the context within which the problem occurred, i.e. ability to satisfy the requirements to remain listed on the SRI index. ✓✓
- Review the crucial areas, which may be linked to the crux of the problem, i.e. the indicators that make up the triple bottom line performance. ✓✓ (5)

6.2.2 **Verify**✓

- Verify that solving the real problem will in fact achieve the desired aim. ✓✓
- Verify that the possible solutions will in fact solve the problem. ✓✓ (5)

6.3 **Human rights and inclusivity** are entrenched in our Constitution.

Outline how the **Occupational Health and Safety Act** forces MTN to consider these two issues. (8)

- The purpose of the Act is to provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery. ✓✓
- It also provides protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work. ✓✓
- Human rights are those basic and fundamental things that you are entitled to because you belong to the human race and these rights have been protected in the provisions of the OHSA. Contravention of the OHSA will mean that MTN is not protecting human rights. ✓✓

- Inclusivity is one of the basic rights of the constitution – the right to have equal opportunities and inclusion in all aspects of life within South Africa, and not to be discriminated against. The Act is broad in its scope and inclusive of all South Africans. ✓✓

**(Any relevant fact that links human rights and inclusivity to the provisions of the Occupational Health and Safety Act)
(4 facts × 2 marks = 8)**

- 6.4 *"MTN's learnership programme includes training for unemployed grade 12's and university students as well as employees. Learnerships are a work-based qualification that combines practical work experience with an academic component."*

How successfully has the Skills Development Act been implemented in industry? Motivate your answer.

Candidates can argue that the Skills Development Act has been implemented successfully/ unsuccessfully in industry.

Possible motivations for the successful implementation of the Act.

- Workplace has become a place of learning ✓✓
- Improved levels of investment in education and training ✓✓
- Improved employment opportunities for disadvantaged people ✓✓
- Quality training (accredited programmes) are being offered
- Workers want to get involved in training programmes

(Any relevant point) (Any 3 × 2 = 6)

OR

Possible motivations for the unsuccessful implementation of the Act.

- There is still a skills shortage in South Africa. ✓✓
- Levels of unemployment are still rising. ✓✓
- Money/ investments geared towards learnership programmes are being wasted by bureaucratic barriers. ✓✓
- Monitoring of accredited programmes/ accreditation process is corrupted and participants do not trust the people that run the programmes.
- Qualifications from skills programmes are not creditworthy.

(Any relevant point) (Any 3 × 2 = 6)

50 marks

Total for Section B: 150 marks

Total: 200 marks