



NATIONAL SENIOR CERTIFICATE EXAMINATION
EXEMPLAR 2008

BUSINESS STUDIES: PAPER II
MARKING GUIDELINES

Time: 2 hours

100 marks

Higher Order Thinking Assessment Grid

CRITERIA	0	1	2	3	4	Marks
Substantiation (justification for statements made)	No attempt at justification.	Attempt at substantiation but incomplete or incoherent.	Less than half of the statements are well substantiated.	The majority of the statements are well substantiated OR Main themes thoroughly explored.	All statements are thoroughly substantiated, showing breadth and depth of understanding. The main themes are thoroughly explored.	
Application to context	No application to the case study.	Superficial reference to the case study or examples not related to the case study.	Isolated examples related to the case study are given but are not integrated into the response.	Most of the examples relate to the case study and are adequately applied.	All examples are relevant to the case study and fully integrated into the response showing understanding of the issues at hand.	
Creative Problem Solving	No understanding of the problem.	Correct identification of the problem, but irrelevant solution.	Some insight into the problem, with a partially relevant solution, which is not explored in depth.	Good understanding of the problem, with a viable solution discussed in some detail.	Superb insight into the crux of the problem, and pertinent solutions offered which are fully discussed.	
Synthesis	Isolated facts with no cohesion and no conclusion.	Attempt at arguments but loss of focus leading to waffling and unable to link facts and form a logical conclusion.	Arguments are partially developed with some focus evident in the arguments but conclusion is unclear.	Arguments are logically presented leading to a legitimate conclusion but with minor loss of focus.	Arguments logically presented in a thoroughly cohesive manner where threads are clearly drawn together leading to a legitimate conclusion.	× 2
SUB-TOTAL						/20

LOT Content and format grid

	0	1	2					Marks
Format	Not meeting the correct standard	Partially correct format	Correct format					
	0	2	4					
Terminology	No use of business terminology	Isolated use of business terminology	Good use of business terminology					
X 4	0	1	2	3	4	5	6	
Content (number of relevant facts)	0	1 – 11	12 – 19	20 – 27	28 – 31	32 – 39	40 facts or more	
SUB – TOTAL								/30

'Facts' should include naming the concept in a full sentence, explaining (which may be more than one mark if it is a detailed explanation) and/ or examples.

QUESTION 1 LO 12.1 AND 12.4

Suggested content:

The following need to be explained in terms of **one of the mentioned Edcon retailers' environment.**

PESTLE:

P	Political Factors	<ul style="list-style-type: none"> • Possible expansion into neighbouring countries • BBBEE • Any other valid point
E	Economic Factors	<ul style="list-style-type: none"> • Inflation • Exchange rate when importing • Any other valid point
S	Social Factors	<ul style="list-style-type: none"> • Sustainable community development including water sanitation projects and Small Business Development • Employees with HIV/AIDS resulting in absenteeism and low productivity • Community Development and upliftment • Effect of load shedding on Edcon • Any other valid point
T	Technological Factors	<ul style="list-style-type: none"> • Technology development • Dated technology resulting in inability to supply the demand. • Any other valid point
L	Legal Factors	<ul style="list-style-type: none"> • Labour legislation • Tender processes for major developments • Black Economic Empowerment • Any other valid point
E	Environmental Factors	<ul style="list-style-type: none"> • Sustainability of Resources • Pollution • 'Green' issues • Any other valid point

Extension of PESTLE Analysis: Depending on the type of business, and the factors that affect it, some businesses may interpret and use PESTLE where:

P = **Physical environment**, (i.e. geographic factors such as physical location or the weather).

E = **Ethical environment**. Ethical business practice in marketing, negotiating and all other aspects of business.

Overall business environment also include market and micro environment:

Market environment: Look at suppliers, competitors, substitute products, possible new entrants to the market and customers.

Micro environment: Keep in mind the business' vision, mission, structure, culture, available resources and the different functions/ departments (purchasing, finance, marketing, administration, HR, General Management) in the business.

Possible strategies:

CORPORATE STRATEGIES:

1. **Growth strategies** refer to any strategy implemented to increase the target market of the business. This can be done through product development or penetrating a new market. Alternatively, the business can grow by expanding the product mix, for example Jet growing by opening new stores.
2. **Decline strategies** are followed when the business is experiencing difficult times. The business may decide to cut its losses (divestiture – selling assets, part of the business) or to limit its exposure in a market by withdrawing (harvest strategy) large amounts of cash or assets from the industry in which demand is declining. It seems as if the Edcom retailers are doing well, so this strategy is probably only to be implemented in a specific area where there is no or a reduced demand.
3. **Corporate combination strategies**
 - Joint venture – joining resources with another stakeholder to achieve synergy, (e.g. one business provides the skill and another business the capital).
 - Merge – consensual combination of business that will be to the advantage of both businesses.
 - Take over may be hostile if the company that plans to take over the new business informs the Board of Directors of their plans and the Board of Directors rejects the offer to be taken over.

GENERIC STRATEGIES:

1. **Low cost** – Activities that do not offer cost benefits must be discontinued, e.g. outsourced or re-structured to save costs. Competitive advantage is based on having the lowest cost in the industry, i.e. needs low cost manufacturing (mass production, economics of scale, low input costs, etc, for example Legit that aims at the lower income target market.
2. **Differentiation** – unique product/ service. Customer loyalty – prepared to pay a premium. Uniqueness can be based on, for example, quality, fashion, image or after-sale support but must be difficult for competitors to copy.
3. **Focus** – This has a narrow competitive scope with the focus on a specific market segment – age, geographical area, hobbies, etc. Customers must have a distinct preference based on their profiles in order for this strategy to be implemented successfully, for example Red Square that aims at beauty products and services that is usually only affordable to higher income groups.

- | |
|---|
| <ul style="list-style-type: none">• Sub-maximums will be allocated per section• ANY other valid point that has not been mentioned here should be awarded credit! |
|---|

50 marks

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QUESTION 2 LO 12.2 AND 12.3

Suggested content:

Entrepreneurs:

Entrepreneurs share the **following characteristics:**

- They are passionate and have a vision of what should be achieved even though no one else might have thought of, or succeeded in doing this before them.
- They are creative thinkers who challenge the conventional ways of doing things, innovating different aspects of traditional businesses such as products, methods and marketing campaigns.
- They are risk takers with a positive attitude, who take a chance by devoting their time, money and other resources to something they believed would work.
- They are obviously good leaders, because they persuade others to buy into their dream and help them to realise it.
- 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 are opportunists who see an opening and take it.
- 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.

Intrapreneurs share the above-mentioned qualities, with two distinct differences:

- They are more cautious, and less likely to take risks that may involve personal assets.
- Circumstances often force them to remain in a stable job, unable to follow their dreams or set up their own businesses.

The above two reasons is then why we would refer to **intrapreneurship IN** a business such as Edcon rather than **entrepreneurship**.

Intrapreneurs are employees who work within a business, but use their unique talents of innovation and leadership to change and improve their department (or the overall business). Employees at all levels in the business can be intrapreneurs and the intrapreneurial manager (Joanne) will encourage change through innovation and encourage subordinates to pursue ideas despite obstacles. According to the case study, Joanne has for example offered her staff certain incentives. To achieve this ambitious goal of creating new ventures within existing organisations or at the very least rejuvenating the existing business, the intrapreneurial manager is usually a **pervasive leader** that will assist employees to reach their full potential. She will also stress to her employees how important it is to help others in Edcon to improve their performance, (i.e. financial department assisting other departments) as cooperation and being team-driven are very important to achieve success in an intrapreneurial business environment!

A business philosophy of Intrapreneurship entails that everybody in the organisation should take full responsibility and be fully accountable for all their actions and interactions in all spheres of the business. If management can instil this attitude of innovation, creativity, success and motivation to excel in all employees at all the levels in the business, it will be easier for employees to understand that their performance of recognising and managing new ideas will be directly linked to their rewards.

Transformational leadership

Joanne will emphasise a fourth wave approach to management in order to successfully introduce intrapreneurship in the department and organisation.

	Second Wave Management Approach	Third Wave Management Approach	Fourth Wave Management Approach
Management style	Structured	Flexible	Participative
Leadership	Autocratic	Transactional	Transformational
Organisation structure	Hierarchy	Network	Maximum flexibility to suit the needs of the business
Resources	Cash	Information	Life long learning and knowledge management, people are important
Organisational and management focus	Business only	Individual employees	Teams
<p>The Wave theory deals with a change in the management approach and organisational structure of the business.</p> <p>The move from the second wave to the third wave to the fourth wave is in short a movement where the emphasis shifts from me to us, from alone to together, from my interests to our interests.</p>			

Her approach will be proactive by nature. Joanne will emphasise the importance of helping staff to satisfy their higher order needs while at the same time reaching the goals of the business. In short, she will motivate others (including Chris) to do more than they originally intended and often achieve more than they thought possible.

In order to achieve this, the transformational leader (Joanne) should be extremely creative and flexible and help her employees (and manager) to form new expectations of what real success entails and how it should be achieved.

Joanne will be more successful if she can motivate the staff to take and share responsibility rather than each individual focussing exclusively on his or her own needs.

Transformational leaders are also sometimes referred to as charismatic leaders that have a strong sense of purpose. In order to communicate this vision successfully and effectively, Joanne will have to have a clear understanding of her own strengths and how to utilise them; but also be aware of her own weaknesses and must plan to overcome them. One of the non-negotiable strengths required is the ability to focus on both the task (Joanne's desire to introduce intrapreneurship) and the team (Chris as her manager and the people in her department) to match strengths to task requirements.

What skills should a Joanne as a manager have and what tools can she use to manage conflict?

Joanne should know how to adapt her own behaviour in order to handle conflict. In order to change, employees in the organisation can, irrespective of their level in the business, use skills and tools to transform a conflict situation into an opportunity through constructive conflict resolution.

1. **Ability to deal with change**

Joanne should try to convince Chris of his own ability but also the team's ability to deal with change in a positive and pro-active manner.

2. **Communication skills:**

She should use her ability to communicate information in a clear and understandable manner. It is however important that Joanne listens to Chris' reason for the unhappiness, acknowledge what is being said, then try to understand why he is feeling this way before responding. Summarising and paraphrasing before responding are good tools that may improve the communication process. Negotiation, mediation and arbitration are methods that can be used to reduce or eliminate conflict by involving a third party to improve the communication process.

3. **Emotional intelligence to deal with different personalities and emotions:**

<p>EQ (Emotional Quotient) refers to the Emotional Intelligence of the person as opposed to IQ (Intelligence Quotient) that refers to the person's intellectual capabilities.</p>

Emotional intelligence refers to the person's ability to manage relationships in a mature manner and this may include, amongst other things the ability to resolve conflict and disagreements in a positive manner. If Joanne has a high EQ it will contribute to her ability to negotiate with Chris and to convince her staff to be innovative (intrapreneurial).

A good starting point of resolving conflict due to personalities and emotional issues is to keep emotions in check. This does not imply that Joanne has to ignore her emotions or pretend they do not exist, but rather that a choice is made how to vent those emotions when entering into a conversation with Chris. Joanne should show she has the skills to steer the conflict in such a manner that Chris focuses on the problem at hand and not get abusive towards her. When emotions run high, these two issues (the problem vs. the other person) often become entangled.

It is important that the issue of intrapreneurship remains the focus of their conversation and that neither of them gets sidetracked with less important issues or allows it to become an emotional debate.

One tool that Joanne can use is to ask the question 'why' in order to understand the reason why Chris does not favour intrapreneurship and innovation in the financial department. Asking the question 'why' may also offer the opportunity to ask 'how do you propose we solve this problem in a fair manner?'. This once again focuses on the problem and prevents Joanne and Chris from attacking one another purely based on emotions.

Management of conflict (how people deal with conflict):

Negotiation and integration to solve problems

Integration is one possible method of handling dysfunctional conflict. It is a suitable approach to resolve conflict that exists due to misunderstanding. For example, Chris may not have a clear understanding of what intrapreneurship and the associated benefits are.

Forcing:

Chris may of course decide, based on his position of authority, to force his solution to the problem on Joanne (the subordinate). Fortunately, from the closing part of the dialogue it is clear that this was not the case.

Avoidance:

The problem is avoided by pretending it is not there or ignoring it, and is mostly used when the perception exists that it is simply not worth the effort to argue. Joanne might have used this approach if she thought it was not worth the effort to argue over the problem with Chris. From the outcome it is clear avoidance was not used.

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. It is a situation of mutual give-and-take but if it is not managed well it may lead to a situation where deadlines are not met because it is easier to simply withdraw or give in. Joanne and Chris could have decided to compromise over the method of implementation or the period of implementation. This should then be clear from the learners answer in the dialogue.

- **Sub-maximums will be allocated per section.**
- **ANY other valid point that has not been mentioned here should be awarded credit!**

50 marks

TOTAL FOR THIS PAPER: 100 MARKS