

Grade 12 Preliminary exam 2010**Memorandum for paper 1****Section A****Question 1**

Indicate the most correct answer by making a cross (X) in the column over the corresponding letter next to the appropriate question number.

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

2x10=20**Question 2****Business Studies Dictionary**

2.1.	Dividends √√
2.2.	Prejudice √√
2.3.	Go-Slow √√
2.4.	Skills Development Act √√
2.5.	Employment Equity Act √√
2.6.	Career Path √√
2.7.	Picketing √√
2.8.	Basic Conditions of Employment Act √√
2.9.	Collective Bargaining √√
2.10.	Indemnification √√

2x10=20**Question 3**

Matching Columns

3.1	I	Drill Down Analysis √√
3.2	M	Delphi Technique √√
3.3	E	Autocratic Leadership √√
3.4	B	Synergy √√
3.5	F	Groupthink √√

1x5=5

Question 4

- 4.1 Name FOUR entrepreneurial qualities that the entrepreneurs who saw the opportunity would have possessed and illustrate each by means of a practical example. (12)

(Any FOUR) NOTE: Qualities, NOT skills.

Passionate visionaries √ who believed they could do something that no-one else had succeeded doing before them. E.g. Operating a dispensary from a retail store

Risk takers √ with a positive attitude, devoting time and money. E.g. they could have been negative to believe their business idea will not be successful, yet they took the risk √√

Good leadership √ because they persuaded others to take on the task with them. E.g. All the employees (144) working for them, managers and co-shareholders Ltd. √√

Independent spirits who like to be in control, e.g. deciding whether or not it is time for a internal dispensary

Perseverance and commitment √ working hard until they change the world they live in. E.g. Clicks supply a large percentage of medicine to the local communities. √√

Opportunists √ who saw an opening and took it. E.g. took the opportunity. √√

Necessary expertise √ or recognises shortcomings and then gets the right people to fill the gaps. E.g. the innovators had the knowledge to start the idea and carry it through √√

Any other valid point

- 4.2 Contrast the difference between an entrepreneur and an intreprenuer. (4)

Entrepreneur is a passionate, innovative visionary who does not mind taking risks. √√ Intreprenuers are more cautious and/or circumstances force them to remain in a stable job. √√

- 4.3 In order to view this opportunity as a viable business opportunity, it would have been necessary to do environmental scanning. Discuss, by making use of practical examples, how the entrepreneurs of *Clicks* would have done environmental scanning. (12)

Learners could use different approaches to this:

Viability of the product ✓

The entrepreneurs should have asked themselves whether this idea could be turned into a profit making business ✓✓

Strength of Competitors ✓

It would have been a good idea to establish whether there are any competitors in the same industry, such as Discem or Private dispensaries.

Size of market to absorb a new player ✓

If there existed other traders of medicine, the entrepreneurs had to research whether the market in South Africa is big enough to absorb a new player, otherwise they will not make profit. ✓✓

Stability of resources such as suppliers, staff, financiers, fellow investors ✓

They had to also research whether the medicine supply is enough to meet a growing demand, and whether there are staff available with the necessary skills and expertise in this field. ✓✓

Analysing Micro, Market and Macro Environments (Micro should only include Vision, Mission, Objectives etc – there would be NO 8 business functions yet).

Triple Bottom Line reporting – analysing the impact the new business would have on people, planet, profit.

PESTLE factors ✓✓

SWOT factors ✓✓

- 4.4 *Clicks needs to have appropriate strategies to deal with influences from the market environment. Porter's Five Force Model is often a valuable technique to use when dealing with these challenges.*

- Identify THREE challenges that Clicks could face in the Market environment.
- Discuss by using any one (or more) of the elements from the Porter's Five Forces Model, how you would come up with an appropriate strategy to deal with the mentioned challenges. Mention the strategy/solution that you have opted for.

Challenges from the market environment (3) Any 3	Appropriate strategy using Porter's Five Forces Model (9) Any 3
<p>The challenge can come from any one of the following role players:</p> <p>Consumers ✓</p> <p>Competitors ✓</p> <p>Suppliers ✓</p> <p>Intermediaries (✓)</p>	<p>Level of rivalry in the market</p> <p>Business will find out as much as possible about its competitors. ✓</p> <p><u>Strategy:</u></p> <p>Adapt services to that of your rivalry ✓✓</p>

Substitute products (✓)
 New Entrants (✓)
 Labour Unions (✓)

The availability of substitute products

Alternative products of competitors to what business has available has to be considered, e g self medication ✓

Strategy:

Educate consumers about the easy availability of prescribed medicine. ✓✓

Threat of new entrants to the market

The greater the opportunity for profit, the greater the opportunity for new entrants to the market. ✓

Strategy:

Put business policies in place such as BBBEE and TBL compliance. Contracts will rather be given to well established suppliers ✓✓

The Power of Suppliers

Consider the best suppliers medicine
 Consider Costs involved ✓

Strategy:

Negotiate favourable terms with suppliers
 ✓✓

The Power of Buyers

Consider the role of intermediaries as well as the role of the final consumer. Consider some of the systems that can be used like sole agency, contract system. ✓

Strategy:

Investigate best possible distribution channel. Cut out intermediaries. ✓✓

- 4.5 When Clicks just burst into the market, it was not as popular as it is now. Clicks experienced problems with the in-house pharmacy business idea. This was established by performing market research. Management made use of the **DRIVE** technique.

D	Define	The problem is that sales in the pharmaceutical area are not increasing. Market research appeals that the business idea appeals to the market
R	Review	Review background of problem- Learner's choice. Background is that consumers are use to the normal products that are sold at Clicks and not informed about the new service of selling medicine √√
I	Identify	The real problem is that consumers are not aware of the pharmaceutical business section. A possible solution is: Marketing and advertising. √√
V	Verify √	Verify that the possible solutions will in fact solve the problem √√ (And costs involved etc – any other relevant)
E	Execute √	Implement the plan and then continue monitoring the progress in the situation √√

(10)

Question 5

- 5.1 This remuneration package may be structured as "basic plus benefits" or on a "cost to company" structure. Describe the differences of these two structures

Basic Plus Benefits

The employee receives a salary amount of R450 000 p. a.
Benefits are also paid to him besides this fixed amount. √√

Cost to Company

The package is larger than that of Basic Plus Benefits, but employee needs to pay for other expenses like pension funds, medical aid, car, housing etc √√ (4)

- 5.2 Inclusivity is one of the basic rights in the constitution. How do you know that Clicks are adhering to this legislation?

They are encouraging Black and disabled people to apply for the advertised position. √√ (2)

- 5.3 Explain how diversification can cause conflict in the workplace.

South Africa has many different cultures√ and it is important to accommodate√ all of these in the workplace.

Stereotyping[✓] can lead to conflict as we think all cultures are the same. (3)

- 5.4 Conflict can be resolved through third party interventions. Give three examples of such parties.

ANY THREE

CCMA[✓]

Workplace Forums[✓]

Employers organisations[✓]

Trade Unions

(3)

- 5.5 Tabulate, using full sentences, THREE differences between the Employment Equity act and the Black economic empowerment Act

EE	BEE/BBBEE
Employment Equity	Black Economic Empowerment
Emphasis on creating jobs [✓]	Emphasis on empowering blacks to <ul style="list-style-type: none"> • Get into management • Become shareholders[✓]
Includes previously disadvantaged groups: Blacks, Coloured, Indian and now Chinese, Females and disabled [✓]	Includes only blacks [✓]
Enforced by EE Committee within business, based on Labour guidelines [✓]	Judged on BSC for each industry and type of business [✓]

(6)

- 5.6.1 List THREE aims which the Skills Development act wishes to achieve in South Africa.

Any Three

- Use the workplace as a place of learning[✓]
- Improve the level of investment in education and training[✓]
- Ensure that quality training are offered[✓]
- Improve employment opportunities for disadvantaged people
- Encourage workers to get involved in training programmes

(3)

- 5.6.2 What is the responsibility of SAQA (South African Qualification Authority)

SAQA is responsible to develop the National Qualifications Framework This involves formulating policies and criteria for the registration of educational institutions and service providers. ^{✓✓}

(2)

5.6.3 SETAS is the Sector Education and Training Authority which prepare training programmes, promote learnerships and control funds in that sector

- a) How does SETA raise funds in order to complete their duties?

All Employers are required to subtract a Skills development levy from all their employees. These levies are given to SETA to contribute to their funds. ✓✓ (2)

- b) Give ONE example of a SETA body.

Any one of the following (✓)
 THETA (Tourism, Hospitality and Sport)
 ESETA (Energy sector)
 BANKSETA (Banking services) (1)

5.6.4 Training is an extremely costly operation and it is important to have a well planned training process. **BRIEFLY** explain the steps of planning a successful training program.

- 1) Business operations must be analysed to identify problems that may exist as well as what kind of skills will be needed in the future. ✓
- 2) Study the job specification as this will indicate the skills required for a particular job. ✓
- 3) Analyse the job performance of an employee to discover the areas in which employees need training. ✓
- 4) Determine training needs ✓
- 5) Develop Training objectives ✓
- 6) Develop a Training program ✓
- 7) Train the staff ✓
- 8) Evaluate the training results ✓ (8)

5.7 Explain each of the following aspects which the Clicks HR department could be involved in:

5.7.1 Induction

Also referred to as orientation To let the employee learn the ways in which the business does or does not do things, as well as the general rules that apply. ✓✓ (2)

5.7.2 Screening

To identify those applicants who obviously do not meet the minimum requirements of the job with respect to qualifications, experience, etc. ✓✓ (2)

5.7.3 Manpower planning

To determine how many employees the business needs, what skills these employees must have and when these employees will be needed. ✓✓ (2)

5.8 An Employee at Clicks says that performance appraisals are a waste of company resources. Give TWO advantages of performance appraisals.

- Employees need to receive constant feedback on their performance and this will increase their productivity. ✓
- This gives employees to correct any errors that have been made in the work environment. ✓ (2)

5.9 Explain the Transformational leadership style and describe how Clicks can benefit from this leadership style.

- The transformational leadership style is proactive ✓ by nature and have a strong sense of purpose ✓ – If the managers of Clicks apply this management style they will be prepared for any challenges that might come their way ✓
- The transformational leader is extremely creative and flexible and often forms new expectations in his people ✓ - The employees will be more innovative and motivated as the leader encourages them to be creative. ✓ (5)

5.10 List THREE functions of a leader
Any three (ONE mark each)

- Briefing
- Planning
- Controlling
- Supporting
- Informing
- Evaluating (3)

Question 6

- 6.1 Clicks would like to expand its operation as it has shown rapid growth. In order to qualify for a loan, the management of Clicks has to amend their business plan by redrafting a SWOT analysis for the current situation in S.A. and for the business.

- 6.1.1 Mention TWO weaknesses from the micro-environment company could possibly face. In each case, propose/ recommend a strategy the investors could use to overcome the weakness.

Learner's Choice

Weaknesses √√ √√ 2 x 2

Own strategies √√ √√ 2 x 2

Or use Corporate/ Generic Strategies

CORPORATE STRATEGIES

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 through integration with other businesses or through diversification (expanding the product mix)

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. A liquidation strategy is the harshest form of decline where the business is sold / terminated.

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) but both maintain their own identities.

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:

Low cost - Activities that don't 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).

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.

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.

(8)

6.1.2 Would you recommend to Clicks that they should expand their business operations taking into account the current economic situation worldwide and in South Africa? Substantiate your answer.

Educator's discretion.

mark for yes/ no 1

√

marks for motivation 2

√√

(3)

6.2 Clicks seem to take their responsibility towards stakeholders seriously.

6.2.1 Evaluate their compliance to Triple Bottom Line Reporting.

Clicks complies to TBL:

Social Responsibility √

Clicks reach out to previously disadvantaged groups and communities. They strive for good corporate citizenship through BBEE √√

Environmental √

Clicks strive awareness of the environment as well as reducing their carbon

footprint ✓✓

Economic Prosperity (Profit) ✓

Clicks makes substantial profit, contributing to the GDP of the country ✓✓ (9)

6.2.2 Evaluate whether projects undertaken by Clicks are sustainable

SR projects are sustainable as they support disadvantaged communities complying with BBEE legislation ✓✓✓

Environmental projects are sustainable as they have a continuous effect over the long term. ✓✓✓ (6)

6.2.3 Explain THREE guidelines that Clicks should be aware of when setting up Business Policies on Social Responsibility.

Any policy relating to Social Responsibility should be aligned with the organisation's Business Policy and preferably in their Mission Statement. The **Mission Statement** is a description of the overall purpose of the organisation and should therefore include a value statement that addresses, (inter alia) Social Responsibility in writing. ✓✓

Organisation culture can be defined as the "corporate personality" founded in the values and customs of the business. It is important to establish a business culture that supports and rewards ethical decision making and actions as well as a climate of taking responsibility for the consequences that actions may have on others. ✓✓

Promoting the interest of all stakeholders is also described by the African principle of **Ubuntu** which can be translated with "Humanity towards others" or "I am because we are". It is therefore important that management performs a careful analysis to determine primary and broad social responsibility areas of involvement. Train managers and employees at all levels to be sensitive towards issues that are identified as areas of social involvement and that are seen as desirable by the organisation. ✓✓

"**Buy-in**" from Top Management is essential. Top Management must actively and openly support the Social Responsibility drive of the organization.

The Social Responsibility goals should be understood by all and be **realistic** to ensure buy-in from employees.

The Social Responsibility Program should be aimed at strategies that can promote the **interest of all stakeholders** through the involvement in society as a whole. South Africa has been facing the challenge of

insufficient job creation resulting in social problems such as high crime rates, low morals and the decay of social structures. The organisation's broad social responsibility should strive to address at least some of these issues through a variety of Corporate Social Investment Strategies. (6)

6.3.1 Identify the organisational structure Clicks makes use of.

Line and staff organisation structure √√ (2)

6.3.2 Explain ONE advantage, as well as the lines of authority and responsibility inherent in this structure.

- Easily understood by everyone √√
- Only one person gives orders- unity of control √√
- The span of control is limited √√
- The advisors assist the top and middle level managers in decision making
- Greater division of labour, with all the associated advantages
- The system lends itself to quicker decision- making

AUTHORITY down lines, RESPONSIBILITY up along lines = all relating to employees. ADVISORS do not fall within these lines. (6)

6.3.3 Give ONE example of an appropriate "Advisor" in the above context.

Accountant, Lawyer, PRO. . any other appropriate√ (1)

6.4 By using examples, discuss how the following ethical issues could affect Clicks:

6.4.1 Whistle-Blowing

One employee goes to management regarding suspect behaviour by another employee(s).√√√ (3)

6.4.2 Unauthorised payments

Fraudulent invoices or payment requisitions;
 Forged signatures (a huge issue when it comes to encrypted and electronic signatures);
 Unauthorised electronic payments;
 Skimming accounts (transferring small, seemingly insignificant amounts from customers' accounts on the assumption that they will not notice) (3)

6.4.3 Employee conflict of interest may occur on many levels such as:

A conflict of interest where, for example, someone in the position to make decisions on granting tenders has a family member who is tendering ✓✓✓

(Note: NOT just conflict between two employees) (3)

TOTAL 200 Marks