



**BUSINESS STUDIES: PAPER II**

**MARKING GUIDELINES**

Time: 2 hours

100 marks

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**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.**

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- The following aspects may be considered when marks are allocated in this paper:
- Format:
  - The **CORRECT** format for each question must be used, i.e. Business report.
  - Where applicable, include an introduction and conclusion.
  - Use headings and sub-headings where appropriate.
- Terminology: Correct Business terminology should be used.
- Content: Must be sufficient to cover all aspects of the question.
- Substantiation: Justification for statements made.
- Application to case study/context.
- Creative problem solving rather than just giving theoretical facts.
- Synthesis and sequencing.

**QUESTION 1      LO 1 and LO 4**

**SUGGESTED CONTENT: for mark out of 24 on LOT**

**Macro Environment**

**(max 25 marks)**

**PESTLE Analysis for Windmaster College (max 25 marks will include suggested strategies to overcome challenges identified)**

<b>External Environmental Factors</b>		<b>Possible Challenges</b>
<b>P</b>	<b>Political Factors</b>	Political situation in SA (this cannot be described in detail at this stage as there are daily developments in this area. Current political developments will be discussed at the standardisation meeting at marking)
<b>E</b>	<b>Economic Factors</b>	Inflation Exchange rates for foreign students Cost of labour (teachers, grounds people, drivers) Interest rates when a parent borrows funds to pay school fees Availability and cost of resources such as textbooks, smartboards, computers
<b>S</b>	<b>Social Factors</b>	Sustainable community development, possible CSR programs the school may consider Employees/learners with HIV/AIDS resulting in absenteeism and low productivity Community development and upliftment
<b>T</b>	<b>Technological Factors</b>	Technology development (electronics in a school environment may include iPads, laptops, computers, smartboards)
<b>L</b>	<b>Legal Factors</b>	Labour legislation Black Economic Empowerment School laws IEB issues vs DBE as examining bodies
<b>E</b>	<b>Environmental Factors</b>	Sustainability of resources Pollution 'Green' issues

**Extension of PESTLE Analysis:**

**P = Physical environment:** Availability of housing, transport for learners/employees.

**E = Ethical environment:** Windmaster College strives to maintain ethical business practice in marketing, negotiating and all other aspects of business.

**Market Environment****(max 10 marks)****Power of competitors**

Competitors may be more than the businesses selling the same product. Windmaster does not only compete with all other independent schools (other brands), but also with other government schools and FET colleges.

It is in the best interest of businesses to find out as much as possible about competitors. These issues may include ownership structures, location(s); any information about financial performance that may be available, their products/service including quality, brand loyalty, new products, market share, promotion strategies, employees, organisation culture and morale as well as any other information that may be relevant.

Doing a competitor profile is not illegal (no 'spying'); it is merely getting to know your 'enemy' so the business can pre-empt any actions and adapt its own strategies to be more successful.

**The Threat of New Entrants to 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 are currently not enough suppliers of this product or service to meet consumer demand.

It is, however, not only the current competitors that should receive some attention. One should also look at future competitive threats in order to establish what the threats and opportunities are in the market environment.

The threat of new entrants is, however, diminished if there are certain barriers to entering the market, e.g. if it costs more to establish a new school. Some of these barriers may include brand loyalty from existing consumers or Government policies (e.g. BEE requirements to get contracts).

**The Power of the Customer**

The 'buyers' in the case of Windmaster are the learners and their parents. If the individual customer is not happy with the service delivery received from the school, the brand will be harmed and therefore damage will be done to the school. The final consumer's satisfaction must be ensured by providing good quality products and by associating this with a good quality service (a school is a hybrid product selling both goods and service).

**Micro Environment****(max 35 marks)****Improving quality**

To ensure good performance of the overall system (Windmaster College) the components (business function) must operate efficiently and effectively.

- A culture of continuous quality monitoring and improvement should be encouraged in the school. Quality control should be a priority in every aspect of school life and all activities – academic, sport and cultural activities. The aim should be for everybody to do it right the first time, every time. This ties up with the concept of TQM (Total Quality Management).

Quality improvement is too often only the focus of the principal (general manager) and ignored by other departments/functions. The parent's and learner's first impression of the quality of the school is often based in the responsiveness or willingness of the staff to assist. Parents and learners expect reliability, which refers to the ability of the teaching and admin staff to make good on promises.

Customer service should embrace an attitude of empathy (care and attention when keeping the learner's needs in mind) to ensure that a positive quality perception is created in the mind of the customer (parent and learner). In a service organisation such as a school, there should be value-driven leadership to ensure that the quality of the service offered will **exceed** the expectations of the customers. To deliver outstanding quality service, the core values of the business should include excellence through innovation, teamwork, respect and integrity. If these values are incorporated in the organisational culture of Windmaster College and form a part of employee behaviour, the school will outperform other schools where these values do not underpin strategy.

- Kaplan and Norton developed the concept of the Balanced Scorecard (BSC) in the early 1990s as a tool that management can use to get a quick but comprehensive understanding of the overall performance of the business by looking at the inter-relationship between different variables. These variables have to be measurable because as the saying goes in management: *'One cannot manage something if it can't be measured, but you cannot measure something that can't be described.'* The BSC forces management to look at a variety of important issues that impact on the business performance and not just financial performance indicators. The BSC traditionally had four focus points:

**Financial perspective:** Profit, profitability, liquidity and other financial ratios are important indicators of financial performance that shareholders, management and employees are interested in.

**Customer perspective:** This focuses on issues relating to 'How do customers (parents and learners) see the business (school) and what are their expectations from the business?'

**Internal (business) process perspective:** This describes the internal business processes that are critical to success and include questions relating to operations and social processes.

**The learning and growth perspective:** describes intangible assets such as information and human capital in an organisation

One very interesting development that followed from the 'traditional BSC' of Kaplan and Norton is the design of an Employee Balanced Scorecard where the inter-relationship between employee performance and organisational or departmental objectives are investigated.

- **Human Resources:** Although a lot of responsibility rests on the shoulders of academic, sport and cultural heads to implement strategic plans aimed at improving the performance of the school, the role played by Human Capital (often the principal) should not be underestimated. The HR-function can also, through training and coaching, assist all other school employees to create an atmosphere conducive to continuous quality improvement.

The first step in doing so is to organise training programs to help all employees understand that improving quality is not the sole responsibility of the Headmaster and Board of Trustees, but something that should be a priority of every employee in the business. The time spent on developing an understanding of the importance of continuous quality improvement and reminding staff about this, is time well spent.

One of the tasks of the Human Resources function is to develop and implement an organisation structure that will promote the goals of the business. People must understand the relationship that exists between different departments (e.g. Maths, Accounting, Business Departments, etc.) in the school and how their actions will impact on other's efforts to improve the quality and the overall performance of the school.

Human Resources must ensure that there is an efficient feedback mechanism such as (but not limited to) performance appraisals in place in the business. Heads of Departments (line managers) must be reminded of the importance of giving feedback to teachers. But it is not only the line manager or immediate supervisor that is in a position to give valuable feedback. A relatively new concept of '360° feedback' allows additional information on performance to be collected from colleagues, learners, parents and also through self-evaluation on how performance can be improved. Feedback provides people with information on how well goals were achieved and therefore allows for the opportunity to correct errors and to make progress towards the attainment of objectives.

Employees need to be motivated to achieve the goals of the business. Generally, if staff have the ability (skills developed through training) to perform a task, improved motivation should lead to improved performance. It is more difficult for the HR function to develop intrinsic motivators such as job satisfaction, but additional extrinsic motivational factors such as incentive bonuses can also help to improve performance levels. Social rewards such as praise, recognition and appreciation may also help to improve individual employees (teachers and admin staff) and thereby also the overall performance of the school.

Reward systems should be aligned with the values and performance that are promoted in the organisation.

- **Finance:** The owners invest capital in a business and expect a certain return on their investment. Therefore, the financial department must, through prudent financial management, ensure that these expectations are met. In assessing the performance of the school, the financial function has a number of tools available to do so. Some of these financial tools include drafting the financial statements (Income Statement, Balance Sheet and Cash Flow Statement) of the business as well as budgeting and looking at certain ratios (performing ratio analysis) to see how well the school is performing.

There are a large number of ratios that can be used. Some of them are: Current capital ratio, acid test ratio, average debtors collection period, average creditors payment period, rate of inventory turnover, net profit % (profit margin), Return on Investment (ROI or profitability), solvency ratio.

- **Purchasing function:** The purchasing function buys goods and services needed by **all** departments in the school. These goods and services are bought from different suppliers and the purchasing department has to negotiate with suppliers to get the best possible prices whilst still keeping the quality required in mind.

Keeping purchasing costs low will help to ensure the best possible return on investment (ROI). ROI or profitability refers to the profits which are generated with a specific amount of capital invested in the business. Reducing costs would increase ROI.

- **Marketing function:** The question is often asked 'Can one justify funds spent on certain marketing activities?' In other words, how do we measure the return on investment obtained from a specific marketing drive or how has spending this money improved the performance of the business? There are four basic marketing policies, i.e. the product, price, place or distribution and marketing communication (promotion) policies. One should therefore be careful not to fall in the trap of just thinking about advertising when discussing the impact of the marketing function on the overall performance of the business. But additional Ps added to marketing of a school, could include processes (teaching and coaching), physical evidence (teaching equipment) and quality of people (teachers, management, admin staff, sports coaches, etc.).

Some of the results from a successful marketing campaign may include:

- Protecting revenue streams or increasing revenue
- Creating or improving brand value
- Maintaining or expanding the customer base
- Building goodwill (customer loyalty)

From this, it is clear that the performance of the marketing department will impact on the overall performance of the business.

- **Macro environment: PESTLE (including strategies)** **max 25 marks**
- **Market environment: Porter's five forces model (including strategies)** **max 10 marks**
- **Micro environment: Tools and strategies to promote better performance** **max 35 marks**

**NB:** Award marks for relevant types of strategies that are used in the context of Windmaster College.

**LOWER ORDER THINKING RUBRIC (60% WEIGHTING)**

CRITERIA	0	1	2			MARKS
<b>Format</b>	Not meeting the correct standard	Partially correct format	Correct format			
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>Terminology</b>	No use of business terminology	Isolated use of business terminology	Limited use of business terminology	Good use of business terminology	Outstanding use of business terminology	
<b>Content (number of relevant facts)</b>	Maximum 48 facts. Divide by 2 to get mark out of 24. Marks are inter alia given for mentioning the fact, explanations of facts or statements, relevant examples; expansion of acronyms NOTE: Listed facts that are <b>not explained</b> = max 4 marks.					
<b>Sub-Total</b>						<b>/30</b>

**HIGHER ORDER THINKING RUBRIC (40% WEIGHTING)**

CRITERIA	0	1	2	3	4	MARK
<b>Substantiation (justification for statements made)</b>	No attempt at substantiation.	Very limited substantiation.	Less than half of the statements are substantiated.	The majority of the statements are substantiated.	The majority of the statements are thoroughly substantiated showing breadth and/or depth of understanding – this may include personal opinion.	
			If all SECTIONS have not been completed, the judgement is based on <b>the amount of expected</b> information. For example: A candidate substantiating one section well, but not answering the other cannot qualify for a 'majority of statements' mark.			
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>Application to context</b>	Case study not mentioned and no application to the given context.	Superficial reference based on the case study/context given. (Just keep mentioning the name of the business repeatedly without relevant examples)	<b>Some</b> reference made to the case study/context given with <b>some</b> applicable examples given.	<b>Continuous</b> reference made to the case study/context given and with <b>several</b> examples given and these are adequately applied to the case study/context.	Examples are relevant to the case study/context given and fully integrated into the response showing understanding of the issues at hand. Reference is made to current affairs in the particular industry.	

	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	
<b>Creative Problem Solving</b>	No understanding of the problem and no solution given.	Partial identification of the problem and irrelevant solution given.	Partial identification of problem with a poor solution suggested.	Correct identification of problem with a solution which is not explored in depth.	Understanding of the problem, with a viable solution discussed in limited detail.	Understanding of the problem, with a viable solution discussed in detail.	Good insight and understanding of the problem with solutions offered which are fully discussed, showing breadth and/or depth of understanding.	
<b>Synthesis</b>	None of the FIVE criteria as listed below are met.	At least one of the criteria fulfilled.	Any two of the criteria fulfilled.	Any three of the criteria fulfilled.	Any four of the criteria fulfilled.	All five of the criteria fulfilled.	All five of the criteria are met AND the argument is built from start to finish in an <b>excellent manner</b> .	
<p><b>1. Introduction and conclusion – not just re-writing the question, but shows an understanding of the 'link' between the topics.</b></p> <p><b>2. Flow of thought, i.e. paragraphs leading into one another.</b></p> <p><b>3. Integration of topics given in the question.</b></p> <p><b>4. Integration of question with other business related topics to enhance the quality of the answer.</b></p> <p><b>5. Arguments are developed.</b></p>								
<b>Sub-Total</b>								<b>/20</b>

<p><b>TOTAL</b></p> <p style="text-align: right;">_____ /30 + _____ /20 = _____ <b>50</b></p>
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**QUESTION 2      LO 2 AND LO 3****SUGGESTED CONTENT: for mark out of 24 on LOT****Teamwork****(max 18)**

It is important in allocating team roles, to look at the **workload** (amount each person is expected to do) to prevent some of the following problems that may occur:

- **Role overload** occurs when one member of the team (often willingly) takes on more than he/she can cope with.
- **Role conflict** occurs when more than one member wants to play a certain role, and in instances like that of the leader, it can lead to conflict.
- **Role ambiguity** occurs when there is a lack of clarity between the roles that members are expected to play.

**Team size** is also important. In teams of four or less, there often has to be a sharing of roles. Each team needs to adapt to the restrictions imposed by its resources.

Whenever there are two or more people working together, the task becomes complex due to the different personalities, beliefs, experiences and ideas that each person brings to the table. In order to work together effectively, it is important to take note of these issues, and address them if necessary, before they escalate into a crisis.

**Organisational culture**

Like people, organisations tend to have 'personalities', which are often linked to the type of industry in which they operate. For example, Windmaster College may have a formal or more informal atmosphere in the management team and work systems and operating procedures will reflect this. A team member that recently came from another school may not be familiar with the organisational culture within Windmaster College and will have to adapt to the new way of doing things to get the task (deciding on an investment option) done.

**Prejudice**

One of the disadvantages of formal teams, where the members are allocated to the team by management, is that members often end up not knowing each other, or having pre-conceived ideas about other members. The Head of Sport may think that Head of Cultural Activities is boring, or that the Director of Academics is far too pedantic. This prejudice could, of course, also extend to religion, race, culture or any other issues that differentiate people from others and prevent effective decision making in the management team of the school.

**Beliefs**

These are issues which are brought into the group by each member, but they will influence the way in which that group member will react to issues, and work within the group. For example, a current issue that is affecting schools is the issue of how discipline should be handled. If a member of the management team is opposed to detention and this causes conflict between this member of the management team and the Head of Discipline, it may impact negatively on their relationship as members of the management team and therefore other decision making processes (especially if one has a low EQ). This will then lead to stress and conflict.

**Values**

Again, conflict will arise in teams if the individual's values are not in line with the organisational values. The question also often arises in schools – where learners may come from homes where the values of hard work, honesty and integrity are not upheld and there may be different opinions on the management team as to how this should be dealt with.

**Diversity**

Embracing diversity is probably one of the most crucial factors in why we, as a 'Rainbow nation', have been able to transform into a workable democracy without civil war. However, managing diversity is not about eradicating differences, it is about celebrating them, and using them to stimulate creativity. A diverse group will bring far more ideas to a brainstorm, have more contacts in their network and ultimately come up with better solutions to problems than a uniform group with similar backgrounds and ideas.

**Past Experience**

One of the greatest time wasters in business is people who keep 're-inventing the wheel'. During the 'storming' stage of the group process, astute members will inform the team of any previous experience they have had in similar or related tasks, so that the group can note it as a potential future resource that they can draw on. It could be very useful in the allocation of group roles too.

One way to manage the above mentioned issues is to allow the team sufficient time during the forming and storming stages to get to know each other's strengths and weaknesses.

**Conflict management****(max 17)****Definition of conflict**

Wherever there is a clash of interest or potential for disagreement relating to facts or assumptions, there may be conflict. Unless this conflict is managed and resolved it could cause harm to the business.

**Types of conflict: Functional vs. Dysfunctional conflict**

Conflict is not always bad, but could in fact spark creativity, allow people to develop and grow. It may even lead to change and improve the productivity in the enterprise. Whether conflict is good or bad will, however, be determined by how the emotions surrounding the conflict is handled.

However, if the conflict is not managed to the benefit of all, it may distract from critical issues and lead to poor quality decision making.

Managers and employees alike can, and should, be coached to change behaviour in order to handle conflict better. 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.

**Ability to deal with change**

Change is often one of the key contributors to conflict. Managers at all levels should be able to cope with change and help their employees deal with change.

This can be done by understanding how people deal with change and helping them to overcome anxieties related to change.

People's first reaction to change is usually resistance. Communication to motivate the change and training can be used to overcome or reduce resistance to change.

**Tolerance regarding inclusivity and cultural diversity: Beware of stereotyping!**

People should be exposed to and educated regarding cultural diversity to create tolerance for differences. Keep background information in mind when dealing with different people. For example, there are huge cultural differences regarding time and interpersonal space to name but two potential sources for conflict.

**Communication skills**

A manager should have the ability to communicate information in a clear and understandable manner. The success of the communication is however often dependent on the degree of trust invested in the relationship. Without rapport the chances of successful communication diminishes radically.

Regular meetings to get feedback and get suggestions from employees can be useful communication tools. As an alternative to meetings to get input from employees, a suggestion box can be implemented. Meetings can also be used to communicate new initiatives and motivate changes that will be implemented. Notice boards, newsletters and memos are also forms of written communication in an organisation.

Regular written reports regarding proposed plans, the status of current activities and accomplishments can help management to pre-empt conflict situations that may cause problems.

An important element of communication is listening to the reason for the unhappiness, acknowledging what is being said, then trying to understand why the person 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.

**The ability to think and act strategically**

The starting point of strategic planning is to develop a shared vision and mission to help employees to understand the purpose and direction of the organisation. The systems approach to strategic planning helps the organisation to link its internal and external environments and improving performance by reconciling available resources with changes in the external environment.

Linking the internal resources with the external environment requires an environmental scan using tools such as a SWOT analysis or a value chain analysis in order to identify the key success factors and competitive advantage of the undertaking. The business can then formulate a strategy that will assist all employees to understand the long term goals of the business.

Although strategic planning takes place at top management level it is important to get input and feedback from lower levels as well to ensure buy-in and understanding of the process. If this can be achieved, a huge obstacle would have been overcome in managing potential conflict in the organisation due to inefficient resource allocation.

**Emotional intelligence to deal with different personalities and emotions**

Emotional intelligence refers to the person's ability to manage relationships in a mature manner and this may include, amongst other things, to resolve conflict and disagreements in a positive manner.

A good starting point of resolving conflict due to personalities and emotional issues is to keep emotions in check. This does not imply a person has to ignore their emotions or pretend they do not exist, but rather that a choice is made on how to vent those emotions.

The manager should acquire the skill to steer the conflict in such a manner that people focus on the problem at hand and not get abusive towards the other party. When emotions run high these two issues (the problem vs the other person) often become entangled.

It is important that the origin of the conflict situation remains the focus and that the conflicting parties do not get side tracked with non-pertinent issues in this emotional debate.

One tool that can be applied to separate the person and the problem is to ask the question 'why' in order to understand the reason for the underlying problem. Asking the conflicting party to explain the problem will help understanding the root rather than allowing people to get carried away justifying their emotions.

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 people attacking one another purely based on emotions.

### **Values and ethics – perceived or real**

Training and open communication can help to overcome conflict due to a lack of understanding and help to encourage flexibility and create empathy that can help people to accommodate and even celebrate differences.

### **Management of conflict (how people deal with conflict):**

#### **Stimulating functional conflict – Devil's advocate**

Conflict can stimulate creativity and prevent 'group think' in teams. Group think occurs when team members do not want to criticise one another because of their desire to get along. This then hampers critical thinking.

When a person assumes the role of Devil's Advocate, he/she criticises the proposed plan of action in order to encourage analytical thinking and to test the proposed plan of action. This deliberate introduction of criticism is known as programmed conflict and is used in order to elicit debate and different opinions.

#### **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, but is not suitable when the root of the conflict lies with differences in value systems. People are usually just not prepared to re-negotiate their value systems!

In a situation where negotiation fails, it usually calls for the dispute to be resolved through anything from facilitation to arbitration.

#### **Conflict Management through Third Party Interventions**

Conflict that is not handled appropriately may become destructive. Sometimes it is possible for the dispute to be settled between the parties involved, but if the issue cannot be resolved, there are easier and more cost effective ways than to battle it out in court. An alternative method to resolve the conflict may be to involve a third party to assist in this process, but it is important that both the conflicting parties feel they can trust the integrity of the third party.

Although it is possible to use an internal person (part of the organisation) as a third party if the conflict situation exists in the business, it is often more productive and viewed as more fair to use an outsider.

**Facilitation** involves a third party helping the conflicting parties to address their conflict directly and constructively.

**Conciliation** takes place when the disputing parties are not prepared to meet and the involvement of the third party is to help them to establish a direct communication channel to address issues of conflict.

The **mediator** will attempt to help the conflicting parties to reach a mutually acceptable decision by fulfilling an advisory role, but may not, unlike an **arbitrator** solve the problem by coming to a decision on behalf of the conflicting parties. Once the arbitrator has made his decision, it is binding on both parties and it is therefore critical that the arbitrator is fair and impartial in his judgment.

The CCMA (Commission for Conciliation, Mediation and Arbitration) is an independent organisation that acts as a dispute resolution body that promotes cooperation between employers and employees. Any dispute that can be settled at this level prevents labour unrests such as strikes and lockout and promotes productivity in the economy.

The **CCMA** will help to settle **labour related disputes** in the workplace through a process of conciliation, mediation and ultimately if necessarily, through arbitration. In this process of trying to regulate the smooth functioning of a workplace the CCMA can also get involved in workplace restructuring and provide training and advice on certain issues such as termination of employment, when requested to do so.

### **Workplace Forums (WPF)**

According to the Labour Relations Act (LRA) a Trade Union may apply to the CCMA that a Workplace Forum be established. The WPF will not take over the role of the Trade Union, but enables workers at all levels to participate in consensus decision making with senior management. One of the primary functions of the WPF is thus to increase efficiency in the workplace.

The LRA states that there are certain issues on which management has to **consult** with the WPF while other issues require more than consultation but also **consensus and joint decision making** between the WPF and management.

Some issues on which management must consult with the WPF:

- Criteria for merit increases
- Restructuring of the workplace and worker retrenchments
- Training related issues

Management and the WPF must take joint decisions on issues such as Disciplinary Procedures and Affirmative Action. If no consensus decision making can be achieved, the issue may be referred to the CCMA.

### **Smoothing**

This is mostly a temporary method of solving a conflict situation as differences are ignored and the focus is placed on what people have in common. The conflict situation is 'smoothed over' but if it is a serious problem, it may actually make the situation worse. The short term solution to the problem may lead to the conflict surfacing again in the future.

### **Forcing**

In a situation of forcing, a person in a position of authority forces his solution to the problem on the subordinate. This autocratic style does not encourage participation in the problem solving process and often leads to resentment.

### **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. This approach is suitable for trivial issues, but with a serious situation, it may worsen the conflict over time.

Another form of conflict avoidance is if someone else is sent to deliver a message rather than to confront the situation. The issue is not resolved but just (often temporarily) postponed.

**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. If one person is constantly expected to yield or compromise he/she may decide it is better to (at least psychologically) withdraw from the situation. This approach may even worsen the conflict over time as it may cause conflict within the person that constantly has to compromise and accommodate others.

**Investment options****(max 35)****Property – moderate to high risk (often depending on the economic climate)**

Property is often the biggest asset in an investment portfolio. Property can keep up with inflation and can be a very effective way of gearing (borrowed to own capital) your investment. This means that by using external financing investors can increase the return on their investment (make a profit out of the borrowed money which is referred to as a positive leverage effect). Debt in the form of a mortgage bond can help investors acquire an asset – and a return on this asset – they would not otherwise be able to afford. This risk of property, however, is moderate to high (depending on the economic climate).

Much also depends on the location of the property, the economic and political environment. Contrary to the traditional theory on returns, the South African economic environment in recent years has been such that the property market has achieved greater returns than equities due to the property boom. One big drawback of this asset class is its lack of liquidity, i.e. the fact that investors cannot sell property as quickly as investments in other asset classes. For that reason, the safest option is to own a home, but to leave property speculation to the experts.

**Bonds – moderate risk**

Bonds or gilts can be defined as interest-bearing securities issued by government or companies in order to borrow money. In essence, it is an *IOU* in which they promise to pay the lender interest and to back your capital sum on a specific date. This asset class offers a moderate risk. The capital sum that you invest can fluctuate, while the interest payment can be higher than on cash.

**Equities – high risk**

An investment in equities (shares or stocks) means that investors have obtained part-ownership in the company whose shares they have bought. Some companies are listed on a stock exchange, which means that shares can be traded freely on that stock exchange, e.g. JSE Ltd in South Africa.

Although equities are a high-risk asset class, they have the best chance of beating inflation over the longer term if investors have invested in blue chip shares (major, stable companies).

Investors with high risk profiles should keep a significant proportion of their portfolio in equities. Basically, the longer the time before retirement the more you should invest in equities.

**Diversification**

Most investment plans should include a combination of the four major asset classes because of the benefits of diversification. Diversification means spreading the investment risk between the various asset classes. In other words, not putting all your eggs in one basket.

Investors who are prepared to hold a combination of equities, bonds and money market instruments stand a greater chance of higher returns over the long term than those who invest only in conservative investments such as cash. By combining the growth potential of equities with the higher income of bonds and the stability of money market funds, investors are employing a sound strategy to control the balance of risk and reward in their portfolio.

**Unit trust**

A unit trust is a group of investors who 'pool their capital' to invest in financial markets. Instead of buying and owning shares or bonds yourself, you buy units in a portfolio of shares or bonds, hence the word unit trust.

One investment strategy that can be applied is known as 'Rand cost averaging'. This means that a fixed amount of money is invested in the same investment at regular intervals, regardless of market conditions. In effect, this will mean that when the price of the financial instrument is low, the fixed amount can buy more units while a higher price will result in less units being purchased with the fixed monthly investment.

Unit trusts are divided into three broad categories, namely:

- Domestic funds, which invest a maximum of 15% of their assets outside South Africa
- Worldwide funds, which invest between 15% and 85% of their assets outside South Africa and
- Foreign funds, which invest more than 85% of their assets outside South Africa.

**The option of cash – low risk**

Cash has always been seen as a fairly safe investment. Today we realise that you cannot just put your money away and forget about it, because inflation will erode its value.

If you want a stable, low risk income, a bank deposit is still a valuable investment option. However, money market funds have become a very popular alternative since they were introduced in South Africa in 1997.

A **money market** fund is a type of unit trust that invests in interest-bearing instruments issued by banks, the government and companies when they want to borrow money. These short-term instruments are traded on the money market, and have a maturity of less than 12 months. *Money market funds* have major advantages in comparison with some other investments. For example:

- You gain access to money market instruments even though you invest only a small amount.
- The interest rate is higher than for a bank deposit, as you are part of group that can bargain for the best wholesale rates.
- You can withdraw your money at any time, like a call deposit at a bank.
- Interest rate risk is largely eliminated because money market funds are allowed to invest only in instruments with an average term of not more than 90 days.

**Kruger Rands**

Kruger Rands are very popular in South Africa and have been known to deliver good returns at times. The rand value of a Kruger Rand is determined by the combination of the US dollar gold price and the rand/US dollar exchange rate. The value is therefore highly volatile and you should realise that Kruger Rands are high-risk investments. Here are some of their advantages and disadvantages:

**Advantages**

- Substantial capital gains can be made over the medium to long term.
- There is an active, broad market, so it is a fairly liquid investment.
- It is homogeneous product and therefore no real investment expertise is required.

**Disadvantages**

- Values are volatile and can fall substantially in a short period of time.
- No regular income can be earned.
- Kruger Rands can be costly to store.

**Collectibles**

An investment in collectibles such as coins, diamonds, stamps, art and antiques has the potential of capital gains over the medium to long term. Another attraction is the large and active international market for collectibles. Unfortunately, there are also disadvantages associated with some of these investments:

- The most important disadvantage is the fact that investors earn no monthly income from collectables.
- A high level of expertise is required before you can trade in collectibles for profit.
- Collectibles are often expensive and have volatile capital values, and the South African market is rather limited for some of these items.
- Art and antiques are difficult to value and to transport safely. While stamps can easily be transported, they are also very fragile and can equally easily be damaged. They are easier to value, as information on stamps is readily available.

**Off shore investments**

There is no doubt that the level of risk increases if all your investments are in one country. As a prudent investor you should probably have a foreign component in your portfolio.

However, this is not as simple as it seems. A foreign investment is not necessarily a guaranteed winner. You still have to choose which asset classes to invest in – whether these are equities, fixed-interest investments, property or something else.

South Africa's status as an emerging market makes its currency and financial markets more volatile than those of First World countries. This is, however, not the only reason why prudent investors should include a foreign component in their investment portfolios.

Other reasons are:

- Diversification provides peace of mind: A 'one country – one currency' investment portfolio holds a fairly high risk, similar to an investment in only one share on the JSE.
- Foreign financial markets may offer better value than the South African markets.
- Returns on a foreign investment are determined by two factors – price movements and exchange rate fluctuations. If the investor expects the South African Rand to depreciate, it will be wise to invest in a foreign country.
- International markets offer investment opportunities that may not currently exist locally, for example bio-technology companies and a wider selection of information technology companies.
- Emigration: If you are planning to emigrate, you can start investing, especially in property, in the country where you would like to end up living.

**Investing funds in the school property**

This may mean expanding various school facilities. The learner needs to motivate why this is suggested in terms of his or her experience at the school he/she attends. In order to earn marks, a variety of suggestions must be made. It cannot simply be suggestions such as build tennis court, build hockey astro, build netball courts.

Credit will however be given if the learner has suggested expansion of academic facilities, sports facilities and cultural facilities as this will show different thought processes or investment types.

- |                             |                     |
|-----------------------------|---------------------|
| • <b>Teamwork</b>           | <b>max 18 marks</b> |
| • <b>Conflict</b>           | <b>max 17 marks</b> |
| • <b>Investment options</b> | <b>max 35 marks</b> |



**LOWER ORDER THINKING RUBRIC (60% WEIGHTING)**

CRITERIA	0	1	2			MARKS
<b>Format</b>	Not meeting the correct standard	Partially correct format	Correct format			
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>Terminology</b>	No use of business terminology	Isolated use of business terminology	Limited use of business terminology	Good use of business terminology	Outstanding use of business terminology	
<b>Content (number of relevant facts)</b>	Maximum 48 facts. Divide by 2 to get mark out of 24. Marks are inter alia given for mentioning the fact, explanations of facts or statements, relevant examples; expansion of acronyms NOTE: Listed facts that are <b>not explained</b> = max 4 marks.					
<b>Sub-Total</b>						<b>/30</b>

**HIGHER ORDER THINKING RUBRIC (40% WEIGHTING)**

CRITERIA	0	1	2	3	4	MARK
<b>Substantiation (justification for statements made)</b>	No attempt at substantiation.	Very limited substantiation.	Less than half of the statements are substantiated.	The majority of the statements are substantiated.	The majority of the statements are thoroughly substantiated showing breadth and/or depth of understanding – this may include personal opinion.	
			If all SECTIONS have not been completed, the judgement is based on <b>the amount of expected</b> information. For example: A candidate substantiating one section well, but not answering the other cannot qualify for a 'majority of statements' mark.			
	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
<b>Application to context</b>	Case study not mentioned and no application to the given context.	Superficial reference based on the case study/context given. (Just keep mentioning the name of the business repeatedly without relevant examples)	<b>Some</b> reference made to the case study/context given with <b>some</b> applicable examples given.	<b>Continuous</b> reference made to the case study/context given and with <b>several</b> examples given and these are adequately applied to the case study/context.	Examples are relevant to the case study/context given and fully integrated into the response showing understanding of the issues at hand. Reference is made to current affairs in the particular industry.	

	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	
<b>Creative Problem Solving</b>	No understanding of the problem and no solution given.	Partial identification of the problem and irrelevant solution given.	Partial identification of problem with a poor solution suggested.	Correct identification of problem with a solution which is not explored in depth.	Understanding of the problem, with a viable solution discussed in limited detail.	Understanding of the problem, with a viable solution discussed in detail.	Good insight and understanding of the problem with solutions offered which are fully discussed, showing breadth and/or depth of understanding.	
<b>Synthesis</b>	None of the FIVE criteria as listed below are met.	At least one of the criteria fulfilled.	Any two of the criteria fulfilled.	Any three of the criteria fulfilled.	Any four of the criteria fulfilled.	All five of the criteria fulfilled.	All five of the criteria are met AND the argument is built from start to finish in an <b>excellent manner</b> .	
<p><b>1. Introduction and conclusion – not just re-writing the question, but shows an understanding of the 'link' between the topics.</b></p> <p><b>2. Flow of thought, i.e. paragraphs leading into one another.</b></p> <p><b>3. Integration of topics given in the question.</b></p> <p><b>4. Integration of question with other Business related topics to enhance the quality of the answer.</b></p> <p><b>5. Arguments are developed.</b></p>								
<b>Sub-Total</b>								<b>/20</b>

<b>TOTAL</b>
_____ /30 + _____ /20 = _____ <b>50</b>