



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY PAPER 2014

**BUSINESS STUDIES: PAPER I**  
**MARKING GUIDELINES**

Time: 2 hours

200 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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**SECTION A**

**QUESTION 1**

<b>1.1</b>	<b>1.2</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>1.10</b>
LO 1 AS 4	LO 3 AS 7	LO 1 AS 4	LO 4 AS 4	LO 3 AS 3	LO 2 AS 5	LO 4 AS 2	LO 3 AS 5	LO 1 AS 2	LO 2 AS 4
<b>D</b>	<b>D</b>	<b>B</b>	<b>D</b>	<b>B</b>	<b>B</b>	<b>C</b>	<b>C</b>	<b>A</b>	<b>B</b>

[20]

**QUESTION 2**

- 2.1 LO 3; AS 1 **Value Chain Analysis**
- 2.2 LO 1; AS 4 **Span of control**
- 2.3 LO 3; AS 4 **Autocratic**
- 2.4 LO 2; AS 5 **Unlimited continuity**
- 2.5 LO 4; AS 1 **Staff induction**
- 2.6 LO 4; AS 3 **Lock-out**

[12]

**QUESTION 3**

3.1	LO 2: AS 4	<b>TRUE</b>	
3.2	LO 4: AS 4	<b>FALSE</b>	<b>Benchmarking</b> refers to a process where a bank uses its own methodologies to perform a task and then compares it to methods used elsewhere. <b>OR</b> Collective bargaining refers to a process of <b>contract negotiations between employers and trade unions and the handling of grievances.</b>
3.3	LO 2: AS 4	<b>FALSE</b>	An equity based investment receives <b>dividends</b> as part of the return on the investment. <b>OR</b> A <b>fixed deposit/money market investment</b> receives interest as part of the return on the investment.
3.4	LO 1: AS 3	<b>TRUE</b>	
3.5	LO 4: AS 3	<b>TRUE</b>	
3.6	LO 2: AS 4	<b>FALSE</b>	<b>Diversification</b> refers to spreading your investment risk between various asset classes. <b>OR Reinsurance</b> refers to the portion of the risk, on a large insurance policy that the insurance house cannot cover, that is placed with a professional re-insurance company.
3.7	LO 2: AS 4	<b>FALSE</b>	A company's shares acquires the status of being <b>green-chip shares</b> if the prescribed requirements on environmental issues are met. <b>OR</b> A company's shares acquires the status of being blue-chip shares if the company <b>has a large market capitalisation and a steady growth pattern in its share value.</b>

[18]

<b>50 marks</b>
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**SECTION B**

**QUESTION 4**

4.1 [LO 4: AS 1]

4.1.1	<ul style="list-style-type: none"> <li>• How many employees the business needs;</li> <li>• What skills these employees must have; and</li> <li>• When these employees will be needed.</li> </ul> <p><b>(Consider any other relevant answer)</b> <span style="float: right;"><b>(3 marks)</b></span></p>
4.1.2	<p>A work-load analysis is done in order to determine how many people are required in terms of the amount of work that must be done.</p> <p><b>(Consider any other relevant answer)</b> <span style="float: right;"><b>(1 mark)</b></span></p>
4.1.3	<p>Job description; Job specification; interviewing the worker and his supervisor; observing the worker at work (work study); through questionnaires.</p> <p><b>(Consider any TWO methods × 1 mark each = 2 marks)</b></p>
4.1.4	<p>Manning table or Recruitment Planning table</p> <p style="text-align: right;"><b>(1 mark)</b></p>

4.2 [LO 3: AS 7]

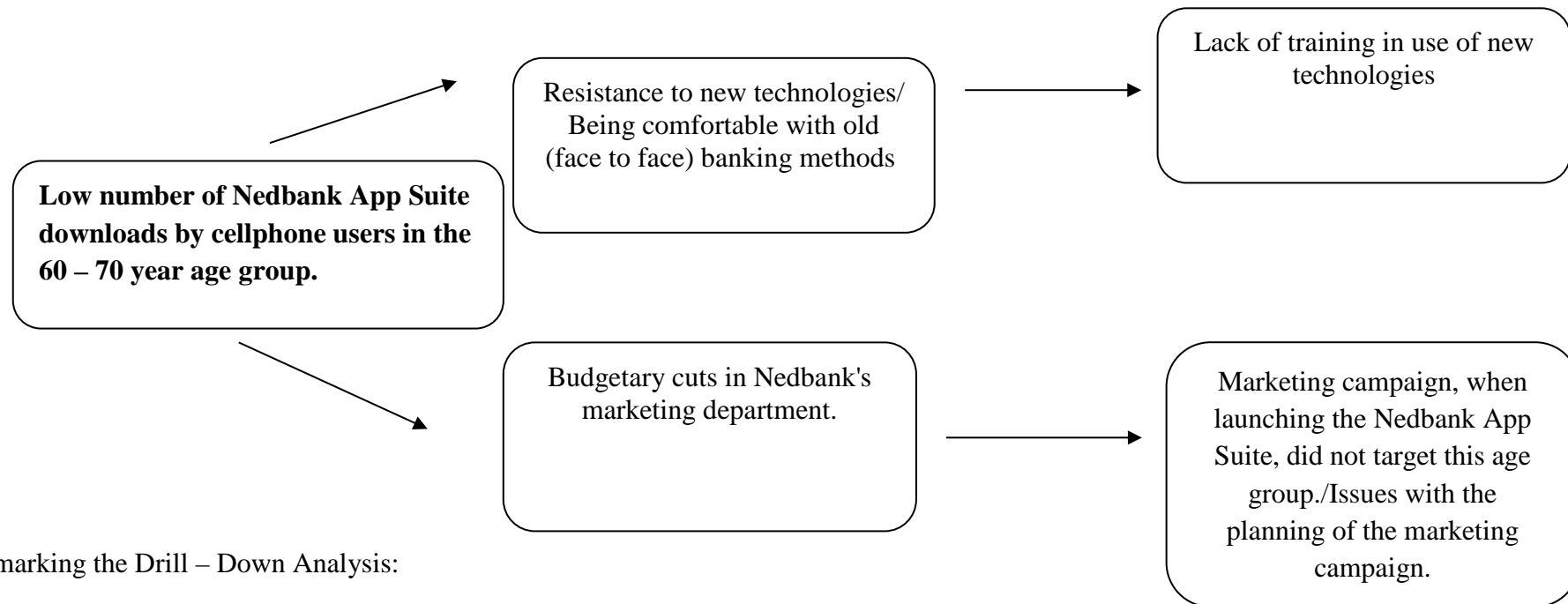
<p>* <b>The organisational culture of Nedbank:</b> Like people, organisations tend to have 'personalities', which are often linked to the type of industry in which they operate. For example, the advertising industry is often informal and the dress code, atmosphere and work systems reflect this in all kinds of creative ways. A creative team may decide a game of basketball is just what they need to get ideas flowing, and management will have no problem with this. Accounting or Legal firms, on the other hand, tend to be more formal, with meetings around boardroom tables, formal dress codes and a far more subdued atmosphere. Teams will have to adapt to this, as it will affect the amount of freedom they have in which to get the task done.</p> <p>Organisation culture is defined as a reflection of the norms, values and traditions in a business. People's attitudes and behaviour will also be guided by the culture in the organisation. If the culture is positive, cooperation and achievement will be the mutual goal, while a negative culture could lead to conflict and employees undermining one another and the business as an enterprise.</p> <p style="text-align: right;"><b>(Consider any 2 relevant facts × 1 mark each = 2 marks)</b></p>
<p>* <b>The diversity of the management team:</b> 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 brainstorming session, have more contacts in their network and ultimately come up with better solutions to problems than a uniform group with similar backgrounds and ideas.</p> <p style="text-align: right;"><b>(Consider any 2 relevant facts × 1 mark each = 2 marks)</b></p>
<p>* <b>The past experiences of the team:</b> 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.</p> <p>One way to manage the abovementioned issues is to allow the team sufficient time during the forming and storming stages to get to know each other's strengths and weaknesses. A good manager would even plan for some specific bonding activity – called 'ice breakers' – where the team does a fun activity to achieve this before settling down to the serious side of the work.</p> <p style="text-align: right;"><b>(Consider any 2 relevant facts × 1 mark each = 2 marks)</b></p>

4.3	<p>* <b>A bank teller makes unauthorised electronic fund transfers (EFTs) into her private bank account:</b> Possible strategies:</p> <ul style="list-style-type: none"> <li>• There needs to be some kind of accounting internal control to prevent the bank teller's access to funds;</li> <li>• The bank needs to have a transparent open policy with regards to bank tellers having access to accounts;</li> <li>• There needs to be a rotation procedure where the employer does not always work as a teller, but sometimes might assist with customer queries at reception;</li> <li>• Segregation of duties and methods implemented where there is a double check on the work done by the teller;</li> <li>• Access codes, e.g. passwords that restricts access to accounts.</li> <li>• There will be disciplinary action if the employee is found to have acted unethically.</li> </ul> <p style="text-align: right;"><b>(Consider any other relevant answers)</b> <b>(Any 1 point × 2 = 2 marks)</b></p>
	<p>* <b>The branch manager receives a gift from a company that is one of three companies bidding to take over the computer support contract for Nedbank:</b> Possible strategies:</p> <ul style="list-style-type: none"> <li>• There needs to be clear guidelines so that all bank employees know when it is ethical or unethical to accept gifts from clients;</li> <li>• As this issue is often seen as a 'grey' issue with many areas open for misinterpretation, the bank could be autocratic and say that acceptance of gifts from clients will not be allowed;</li> <li>• The bank could have workshops (training programmes) that guide bank employees on the correct protocol to follow when dealing with a bidding process;</li> <li>• There will be disciplinary action if the employee is found to have acted unethically.</li> </ul> <p style="text-align: right;"><b>(Consider any other relevant answers)</b> <b>(Any 1 point × 2 = 2 marks)</b></p>
	<p>* <b>A senior manager has access to confidential information which he uses in recruitment interviews:</b></p> <ul style="list-style-type: none"> <li>• Have proper authorisation codes when accessing confidential information;</li> <li>• Have clearly communicated guidelines on the protocol to be followed when doing recruitment interviews;</li> <li>• There will be disciplinary action if the employee is found to have acted unethically;</li> <li>• Have a well communicated policy as to who may have access to internal company records.</li> </ul> <p style="text-align: right;"><b>(Consider any other relevant answers)</b> <b>(Any 1 point × 2 = 2 marks)</b></p>

4.4 [LO 3: AS 1]

**Drill – Down Analysis**

Consider the following possible analysis:



When marking the Drill – Down Analysis:

- Consider any other relevant answers in the analysis.
- Each fact in the analysis is worth 2 marks, i.e. 4 facts × 2 marks each = 8 marks.
- For the candidate to get the full 2 marks there must be a visible link as the problem is broken down into the various levels

(8)

4.5 [LO 1: AS 4]

	<b>Challenge being faced</b>	<b>Applicable environment</b>	<b>Reason for choice of environment</b>	<b>Strategy in response to challenge</b>
4.5.1	<b>The South African Reserve Bank increases the rate at which banks may borrow money.</b>	Macro          <b>(1 mark)</b>	Nedbank has no control over this challenge. The challenge is prescribed by the SARB and in order to operate effectively as a bank, Nedbank must respond to the challenge. It can be seen as an economic non-controllable challenge.          <b>(Consider any other relevant reason)</b> <b>(1 fact × 2 = 2 marks)</b>	<ul style="list-style-type: none"> <li>• Nedbank could dampen the impact of changes in the rate, by using reserve funds before passing the rate changes onto its customers.</li> <li>• Nedbank could reach a compromise e.g. increase the borrowing rate on mortgage loans, but cut down on bank charges in certain categories of banking transactions.</li> <li>• Nedbank could restructure its organisation and find savings that could be used to fund the increase in the repo rate, without necessarily passing on the increase onto its client base.</li> </ul> <b>(Consider any other relevant strategy)</b> <b>(1 strategy × 2 = 2 marks)</b>
4.5.2	<b>The Centre for Excellence Model (paragraph 4 of the case study) is facing a funding crisis.</b>	Micro          <b>(1 mark)</b>	Nedbank has full control over the impact of this challenge.          <b>(Consider any other relevant reason)</b> <b>(1 fact × 2 = 2 marks)</b>	<ul style="list-style-type: none"> <li>• Nedbank needs to find alternative sources of funding for the programme, e.g. reserve funds, client donations, restricting the payment of dividends.</li> <li>• Nedbank needs to set up a task team and investigate the causes of the funding crisis.</li> <li>• Nedbank might decide to close down the programme.</li> </ul> <b>(Consider any other relevant strategy)</b> <b>(1 strategy × 2 = 2 marks)</b>

<p>4.5.3</p>	<p><b>A number of Nedbank clients have used their fixed deposit funds to buy shares in offshore companies.</b></p>	<p>Market Environment</p> <p>(1 mark)</p>	<p>Nedbank can to a certain extent control the impact of this challenge. It may be seen as a semi-controllable challenge. You could state that this challenge could be part of Porter's Five Forces where he identified the availability of substitute products as a component of the market environment.</p> <p><b>(Consider any other relevant reason)</b>  <b>(1 fact × 2 = 2 marks)</b></p>	<ul style="list-style-type: none"> <li>• Nedbank could do market research to investigate why clients have moved funds to offshore companies.</li> <li>• Nedbank could join the bandwagon and see this as an opportunity for a new venture.</li> <li>• Nedbank could maybe offer clients brokerage services in acquiring the offshore funds, while still retaining the customer as a Nedbank client.</li> </ul> <p><b>(Consider any other relevant strategy)</b>  <b>(1 strategy × 2 = 2 marks)</b></p>
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4.6 [LO 2: AS 4]

<p>• <b>Premium charged:</b> The premium charged will depend on the risk and the value of the item to be insured. Risk refers to the nature of the product (e.g. flammable or not), the availability of fire extinguishers, the nature of adjacent buildings as well as the construction of the building (e.g. thatch roof).</p> <p style="text-align: right;"><b>(Consider any other relevant answers)</b> <b>(Any 1 point × 2 = 2 marks)</b></p>
<p>• <b>The 'iron-safe' clause:</b> Most insurance contracts contain an 'iron safe clause' which forces the insured to keep a full set of stock/asset records in a fireproof safe. This will then serve as proof of the value of the stock/assets on hand (in the business) at the time of the fire. However, the need for this is diminishing with electronic records that have back-ups in cyberspace and that can be updated daily.</p> <p style="text-align: right;"><b>(Consider any other relevant answers)</b> <b>(Any 1 point × 2 = 2 marks)</b></p>
<p>• <b>Insurable interest:</b> Insurable interest means that the insured must be able to prove that he/she will lose financially if the object that has been insured, is destroyed or damaged. The person or object at risk forms the basis of the contract. The following are examples of insurable interest:</p> <ul style="list-style-type: none"><li>– A person has an insurable interest in his own life and health.</li><li>– Partners have an insurable interest in the lives of co-partners.</li><li>– A creditor has an insurable interest in the life of his debtor.</li><li>– A married person has an insurable interest in the life of the spouse.</li><li>– A person has insurable interest in his own property.</li></ul> <p style="text-align: right;"><b>(Consider any other relevant answers)</b> <b>(Any 1 point × 2 = 2 marks)</b></p>
<p>• <b>Average clause:</b> The average clause stipulates that if the property is not insured for the full value, the full value of the loss will not be paid out.</p> <p style="text-align: right;"><b>(Consider any other relevant answers)</b> <b>(Any 1 point × 2 = 2 marks)</b></p>

[50]



**Take note: Question 5 and 6**

**If the candidate writes more than the stipulated facts, only mark the required number, e.g. state five facts – only the first FIVE are marked.**

**QUESTION 5**

5.1 [LO 2: AS 5]

5.1.1 (a) **Capital requirements**

- As there are many more owners than in other forms of ownership, more capital can be raised.
- As the business is a public company; capital is not limited as the investing public has an opportunity to buy shares through the JSE Ltd.
- The stability or profitability of Nedbank can also impact positively or negatively on share prices.

**Conclusion:** Thus capital acquisition in a public company can lead to the success of the business, however, in times of recession/poor economic activity this is not a consolation as the public is cash strapped and investing in shares is not a priority and this could lead to failure of the company. Can argue that investing in the stock market can lead to success or failure as the stock market is influenced by macro factors. Consider the negative impact of hostile takeovers or company front running.

(b) **Management/Control aspects**

- The ownership (shareholders) and management (board of directors) is seen as separate.
- The company is not impacted by the personal lives of the owners.
- The board of directors are entrusted with the day to day running of the company and can concentrate on this management issue.
- The Company's Act specifically stipulates the roles and duties of the directors and the consequences of unethical decisions of directors.
- A company can have top; middle and lower level managers that assist with the decision making processes of the company.

**Conclusion:** In a company situation one can argue that the separation of ownership and management can lead to the success of the company.

**Mark Allocation for Question 5.1.1**

- Candidate must show an understanding of the factor (Any 1 fact × 2 = 2 marks)
- Candidate must show how the factor leads to success or failure (2 marks)  
{4 × 2 = 8 marks}

- 5.1.2
- The partners have unlimited liability which means that the private possessions of the partners can be used to settle partnership debts.
  - The unlimited liability further extends to the fact that the partners are jointly and severally liable for the debts, i.e. illegal/unethical acts of one partner binds the other partners to the fact they are linked to the consequences of the partner.

**Conclusion:**

- This results in partners having unlimited liability and this may motivate partners to work harder to make the business successful.
- On the other hand, it could mean that partners are scared that if one makes a mistake, all have to pay because partners are jointly and severally responsible (i.e. unlimited liability) for the debts of the business. This could make partners over-cautious and opportunities could be lost.

**Mark Allocation for Question 5.1.2**

- Candidate must show an understanding of the factor  
(Any 1 fact × 2 = 2 marks)
- Candidate must show how the factor leads to success or failure  
(2 marks)

5.2 [LO 3: AS 7]

- 5.2.1
- The interaction of two or more agents or forces so that their combined effect is greater than the sum of their individual effects.
  - 'A chain is only as strong as its weakest link', but the synergy that is created when teams work together results in it often being referred to as '1 + 1 = 3'.  
(Consider any other relevant fact)  
(1 fact × 2 = 2 marks)

- 5.2.2 Groups within Nedbank, for example tellers, may embark on CSR projects, e.g. build a house or departments encourage the 'Go Green' idea.  
(Consider any other relevant fact)  
(2 marks)

5.3 [(LO 4: AS 1) , (LO 4: AS 4) , (LO 1: AS 4)]

5.3.1 **The candidate can argue that the recruitment is effective based on the following points:**

- All the information is in writing – there can be no disagreement as the requirements serve as evidence.
- The design of the recruitment advertisement can be of such a manner that all the pros of the job can be categorised and highlighted in an effective manner, e.g. duties, skills, remuneration.
- It is easy to duplicate a written advertisement and thus it facilitates distribution.
- The HR department can use the advertisement as a form of public relations and it showcases the organisational culture of the bank.

**The candidate can argue that the recruitment is ineffective based on the following points:**

- The information could be misleading.
- There is no opportunity to ask questions in case you are not clear of what is expected.
- There is an opportunity for competitors to glean information from your business – maybe see a weakness they can exploit, e.g. a shortage of skills in one department.

**(Consider any other relevant fact)  
(Any 3 facts × 1 = 3 marks)**

5.3.2 The candidate may argue Internal vs External methods.

- This will show that the candidate has appropriate technical skills, i.e. is familiar/comfortable working with technology;
- It shows that the candidate has some knowledge of what Nedbank's technological/electronic requirements are as opposed to other banks;
- This shows that the candidate will have to come prepared (i.e. would have to do some research) prior to starting the job;
- Having this prior knowledge will cut down on the time taken to train the potential applicant in using the online systems.

**(Consider any other relevant fact)  
(Any 1 fact × 2 = 2 marks)**

5.3.3 Selection

**(1 mark)**

5.3.4 A cost to company or total cost package is a method used by an employer to remunerate an employee based on a package, being the guaranteed sum of money the employer will spend on that position.

The guaranteed sum is allocated by the employee to earnings, benefits, allowances and company contributions, subject to various regulations.

The package will include: Travel allowance; Company contribution to medical aid; Company contribution to provident fund and Cash component. There are no added benefits. Everything is included in the total cost amount.

When joining a company or accepting a conversion to total cost packages, don't automatically expect these benefits: Tax compliance and efficiency; Internal pay equity; Lower economic risk; Flexibility and choice; Higher Net Take Home Pay.

**(Consider any TWO relevant points that show an understanding of 'cost to company' salary package)**

**(2 marks)**

- 5.3.5
- If the educational institution is accredited then it means that it has gone through a rigorous quality control process;
  - And this implies one has confidence in the outcomes that the institution is offering. Nedbank can be rest assured that its training needs/objectives are being adequately met.
  - The qualification will be a recognised qualification.

**(Consider any other relevant fact)  
(Any 2 facts × 1 = 2 marks)**

- 5.3.6
- Performance appraisals – An interview with the person who did the training to assess the level of competency based on the objectives of the training programme;
  - 360° feedback – Investigation/Assessment of the performance of not only the worker/person who went on the training, but his peers, subordinates, customers and even self-evaluation.
  - Written assessments – Assessment of competencies through a traditional pen and paper method.
  - Portfolio assessment – Assessment of the competencies through a variety of tools that are then gathered together to show a range of competencies with physical evidence.

**(Consider any other relevant method)**

**(Any 1 fact × 2 = 2 marks)**

5.3.7 **Description of the level of rivalry in the banking sector:**

- It is in the banks best interests to find out as much as possible about competitors.
- These issues may include location(s), any information about financial performance that may be available, their products including patents, quality, brand loyalty, new products, market share, promotion strategies, branch distribution, employees, organisation culture and morale as well as any other information that may be relevant.
- Nedbank needs to have an understanding of where in the market it is positioned in terms of its competition.
- There needs to be an analysis of the factors that impact on the level of rivalry in the market.
- One could argue that the level of rivalry is intensified because banks are essentially in an oligopolistic market environment. Big 4 banks.

**(Consider any other relevant facts)**

**(Any 3 facts × 2 = 6 marks)**

**Appropriate strategy to overcome this challenge:**

Complete a competitor profile so the business can be more prepared to deal with the challenge; Form an alliance with the role players in the market; Complete appropriate market research to gain a competitive advantage.

**(Consider any other relevant strategy)**

**(Any strategy = 2 marks)**

5.4 [(LO 1: AS 4) , (LO 3: AS 4)]

- 5.4.1
- Nedbank has taken a pro-active approach to the skills shortage in our country (training of Chartered Accountants);
  - Nedbank has an in-house programme where it is fostering its own objectives and culture – this is not being outsourced;
  - The Model is comprehensive as it covers the main areas of concern (i.e. organisational development, Labour law compliance, Rewards Management, Industrial Relations and development of appropriate leadership styles in traditional training programmes);
  - There is a balanced approach to developing new recruits into the bank so they can become effective professionals.

**(Consider any other relevant advantage)**

**(1 advantage × 2 = 2 marks)**

5.4.2 In this organisational structure use is made of **advisors**.

**(2 marks)**

5.4.3 (a) **Autocratic**

The manager is the only person making decisions. This approach is strongly associated with the so-called second wave management approach. If implemented in different circumstances, however, it may be due to a turn-around strategy being required or when it is necessary to restore discipline in an organisation.

**Disadvantage:** On a long term basis it is demotivating for employees, and self-destructive for the organisation. No room for employee initiative.

(b) **Democratic/Participative**

Naturally the transition from authoritative management to a fully democratic and participative style cannot be made as a one-step transformation. This would result in complete chaos in the workplace. A more participative leadership style will allow for more involvement by the workers in the decision-making process, which in return will improve their 'buy-in' to the decision. There are varying degrees of participation that can be implemented. This may range from the leader allowing the followers to give some feedback, to the followers being allowed to make suggestions while the leader still maintains control by making the final decision. In a fully democratic environment the leader and followers will have equal decision-making powers while in a fully participative setup, the team members or followers will be in full control and be able to make the final decision.

**Disadvantage:** There could be a lack of decision-making, because you are allowing everyone the opportunity to participate. This could be a very time-consuming process.

(c) **Laissez faire**

Laissez faire is a French word that means no interference. Managers inform workers WHAT must be achieved, but do not get involved in telling workers HOW these objectives should be achieved.

**Disadvantage:** Workers may feel that they lack guidance and are hesitant to make decisions in case they fail. This leadership style requires training and back-up systems in case of failure.

(d) **Transactional**

The transactional approach to leadership was implemented during the 1970s to the mid-80s. The followers' perceptions of leaders and their behaviour were seen as very important and the emphasis was on the social exchange occurring between leaders and followers.

Transactional leadership is based on a give-and-take transaction where the leader offers something of value (e.g. remuneration) to his followers in return for their services and following. The result of transactional leadership is therefore often a win-lose situation of negotiation between leaders and followers.

**Disadvantage:** Leaders can mislead their followers. The reward must be substantial for the followers to take value in the leader. This could be costly. As there is a compromise to be taken – sometimes the compromise is too high a price to pay.

(e) **Transformational**

It is well known that South Africa is a country that has engaged on a path of social, political and economic transformation. In order to achieve these ambitious goals in the workplace, challenging demands are placed on management and people in leadership positions.

It is of paramount importance that there is a shift in the focus of the leadership approach from a transactional approach where people are motivated through what they can get, to motivation through an approach of what we can achieve together to improve our organisations and our economy. This paradigm shift will require a new approach to management. The move will have to be made from second wave to third wave and fourth wave management, but equally important will be the development of leaders that are able to motivate their staff through the process of transformation by being creative and encouraging creativity in followers. It is only through creativity and innovation that organisations will be able to embark on a journey of social transformation and economic prosperity.

**Disadvantage:**

Transformational leadership is proactive by nature. This is difficult to achieve and requires a great deal of experience and good inter-personal skills. The transformational leader helps his followers to satisfy their higher order needs while at the same time reaching the goals of the business. In short, transformational leaders motivate others to do more than they originally intended and often achieve more than they thought possible.

In order to achieve this, the transformational leader is extremely creative and flexible and often forms new expectations in his people and sets an empowerment process in motion while goals are pursued. The leader needs to have a broad range of skills.

Transformational leadership will be most successful where followers are motivated to take action based on the expectations that are shared in the group rather than purely on what each individual will get in return. In reality one does not always achieve this goal and the leader will have to re-think his approach.

(f) **Situational**

This approach states that effective leader behaviour varies from situation to situation and it is believed that different leadership styles would be appropriate in different situations. The leadership style applied in a specific situation may be influenced by:

- The organisational culture, which in turn will be a reflection of the leader's as well as the followers' value systems and beliefs.
- The abilities of the leader as well as those of the followers will also impact on the chosen leadership style.
- A third factor may be the relationship between the leader and the followers. The leader will, for example, consider the likelihood of the follower accepting the instruction. When it appears unlikely that the follower will willingly accept the instruction, the leader may resort to an autocratic style while highly motivated followers with the required skills may allow for a different approach.

**Disadvantage:**

This leadership style requires a vast amount of experience to be able to adequately read a situation and then react to it. This style also has a high degree of failure and consequences.

**Marking of Question 5.4.3**

**1 mark for mentioning the leadership style;**

**Any 3 facts × 1 mark each to describe the leadership style = 3 marks;**

**1 mark for stating a disadvantage associated with the leadership style.**

**Consider any other alternative answers**

**(5 × 2 = 10 marks)**

**[50]**

## QUESTION 6

6.1 [(LO 1: AS 1) , (LO 1: AS 3)]

- 6.1.1
- A successful entrepreneur/leader will be **results driven**. These desired results may differ widely, but unless the manager has clarity in his own mind about what the outcome should be, the desired result will not be achieved.
  - A **vision** of what should be achieved must be formulated, while at the same time being aware that in a world where we experience fast and ever-changing influences, the vision may have to be adapted to stay relevant and realistic. **Flexibility** is therefore crucial.
  - An entrepreneur has to realise that he will never achieve long-term success unless he builds his success on **teamwork**. This does not imply that he exploits his followers, but rather that he 'energises' them through his own creativity but also by encouraging them to be creative.
  - The **desire (drive) to achieve**, ambition and a constant strive for improvement.
  - Influencing followers will be determined by the leader's **ability to inspire**, to gain trust and to motivate without striving for popularity but rather through gaining respect.
  - In order to achieve this, the entrepreneur will have to display **honesty and integrity** by leading through example, sharing both risks and rewards with followers and ensuring he practises what he preaches.
  - **Instilling confidence** in followers is very important. This is not possible, however, unless the leader has the self-confidence to make decisions in uncertain circumstances and to overcome unavoidable obstacles. Unless the leader has confidence in his own abilities, he/she may be reluctant to allow and encourage followers to grow and develop their own potential. This will in the long-term lead to low morale and dissatisfaction.
  - Entrepreneurs possess what is called '**emotional intelligence**'/'EQ'. This refers to the person's ability to control their emotions and deal with problems in a mature manner.
  - **Communication skills**, including active listening, are of the utmost importance if the leader wants to transfer his ideas but also obtain input from other employees/managers/colleagues.
  - All of the above mentioned will still be utterly useless unless the entrepreneur has the ability and self-motivation to **follow through and implement** plans to reach the desired outcomes.
  - Without 'follow-through' the best leader will fall flat on his face, but more than this, a lack of implementation may make followers cynical and lower their morale.
  - Also give credit if candidates mention having the necessary management skills i.e. planning, organising, leading, controlling, coordinating, communicating, delegating, disciplining, motivating and decision-making.

(Candidates can max on these management skills)

**(Consider any other relevant attitude/characteristic that ensures the success of the accredited BEE suppliers)**

**(1 mark for mentioning attitude/characteristic) + (1 mark for discussion)**

**(Any 5 qualities × 2 = 10)**

**6.1.2 Broad Based Black Economic Empowerment:**

- The aim of BBEE is to address the shortcomings of the Employment Equity Act, BEE and Affirmative Action as a whole.
- It has not been enough for businesses to satisfy the Employment Equity Act as this has not resulted in black (African, Indian, Coloured and Chinese) people being introduced into managerial posts or meaningful ownership.
- The government's policy goes further than just ownership and is about encouraging black involvement in the development of the economy, black management, promoting employment equity and skills training.

**There are three aspects to the BBEE Act:**

- **Direct empowerment** through share of ownership in business enterprises. This may include introducing black partners or selling shares to blacks only (or at a substantial discount), e.g. Nedbank.
- **Skills development** resulting in possible promotion and higher salaries for Black people.
- **Indirect empowerment** through preferential treatment in the granting of government contracts and licenses to business enterprises with a certain BBEE status.

**(Consider any other relevant facts that show the need for BBEE)**  
**(Any 4 facts × 2 = 8 marks)**

- 6.1.3
- Contribution to the Skills Development Levy is a legal requirement of the Skills Development Levy Act.
  - Nedbank is not only showing a commitment to compliance to labour law, but a commitment to addressing the skills shortage in our country.
  - South Africa's skills profile also compares poorly with the USA or similar countries
  - The skills shortage which exists in our country is reflected in the fact that only 20% of our Economically Active Population (EAP) is skilled or highly skilled, while about 80% is semi-skilled, unskilled or unemployed. This low skill base is one of the reasons for the low levels of investment in our economy.
  - General schooling and the good efforts of individual businesses are insufficient to really impact positively on this bleak situation. In order to strengthen the link between education, training, economic growth and employment opportunities, national intervention is needed. Nedbank has a positive role to play in this intervention – funding is critical.

**(Consider any other relevant explanation)**  
**(Any 3 facts × 1 = 3 marks)**

6.2 [LO 2: AS 4]

- The Compensation for Occupational Injuries and Diseases Act requires that employers take out Compensation on behalf of their employees to protect employees against injuries or death at work.
- COIDA protects the employer from claims made against him by the employee.
- Compensation is provided to the employee or his family in the case of the employee being unable to work due to an accident whilst being at work.
- Medical expenses and loss of earnings are also covered.
- Should it be a serious accident and the employee is disabled, he may also claim benefits and if he dies, his dependants will qualify for compensation.

**(Consider any other relevant facts)**  
**(Any 3 facts × 1 = 3)**



6.3 [(LO 4: AS 2, 3) , (LO 3: AS 5)]

A Nedbank branch manager has received several complaints from clients that one of its employees (a personal banker) has been rude and inappropriate with clients. A trade union representative has been asked to assist the personal banker in a disciplinary hearing.

6.3.1 **Dismissal for misconduct is SUBSTANTIVELY fair if:**

- The employee broke a rule of conduct in the workplace;
- The rule was valid or reasonable;
- The employee knew of the rule or should have known of the rule; (Note the language issue if the employee's home language is different to the one the business operates in.)
- The employer applied the rule consistently; and
- Dismissal is the appropriate step to take against the employee for breaking the rule instead of less serious action like a final written warning or a suspension.

(Consider any other relevant point)

(Any 5 facts × 1 = 5)

6.3.2 **The benefits of having a trade union representative in a disciplinary hearing:**

- The union representative has expert knowledge on labour law and other related legal issues;
- The representative has the best negotiation and collective bargaining skills which can be used to your advantage;
- It is your right to have a trade union representative in a disciplinary hearing;
- The trade union rep may act as a neutral third party and bring clarity/different perspective to the conflict at hand. (To be seen as a conciliator or arbitrator);
- In many cases having a trade union rep present means you don't have to pay extra costs – your affiliation fee to the trade union covers this services (or at least a portion thereof.
- It is a statutory right

(Consider any other relevant points)

(Any 2 facts × 2 = 4)

6.3.3 • **Negotiation**

Negotiation is the process of two people trying to sort out their own differences. It 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 renegotiate their value systems.

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

• **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.
- **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 not managed well it may lead to a situation where deadlines are not met because it is easier simply to withdraw or give in. If one person is constantly expected to yield or compromise, he may decide it is better (at least psychologically) to withdraw from the situation. This approach may even worsen the conflict over time as it may cause conflict within the person who has constantly to compromise and accommodate others.
- **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 to try and resolve conflict than to battle it out in court. An alternative method of resolving 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.  
**Conciliation** involves a third party helping the conflicting parties to address their conflict directly and constructively, but only in the role of a facilitator.  
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.

**Marking of Question 6.3.3**

**1 mark for mentioning the conflict resolution method**

**3 marks for discussion of the conflict resolution technique (Any 3 facts × 1 = 3)**

**2 methods = Total 8 marks**

**6.3.4 Advantages:**

- A go-slow is not a radical labour action (i.e. they are often non-violent), but it can still have the desired effects.
- This industrial action can be done subtly but allows the grievances of the workers to be felt in an unobtrusive manner.
- Workers do not suffer financially – they are still paid their salaries (There might be some issues if your remuneration is performance/output based).

**Disadvantages:**

- Like any other labour action it still creates animosity between the worker and the employer.
- The employer may harbour resentment towards the worker and this could cloud judgements when it comes to performance appraisals.
- The effort gone into the planning and execution of the go-slow may outweigh the desired benefits.
- There could be a financial cost associated with the go-slow.
- There may be resistance from other workers to the go-slow.

**(Consider any other advantages and disadvantages of a go-slow)**

**(1 advantage × 2 = 2 marks)**

**(1 disadvantage × 2 = 2 marks)**

6.4 [LO 3: AS 2]

**The candidate can bring a wide range of arguments in agreement/disagreement with the proposed argument.**

**They can support their arguments with issues from the various ethical theories:**

- **Ethical Theory:**

There are many different theoretical approaches to ethics. Some of them are briefly discussed in this section.

- **Consequence-based theory** states that it is the consequence of an action that determines whether the action is right or wrong. The only way to judge whether behaviour is 'right', is to look at the consequence of the action. If the consequence is positive, then there cannot be anything wrong with the action.
- **According to Principle-based theory** (predetermined rules), one's principles or values will determine whether the action is right or wrong. The consequences have no influence and there are no exceptions to the rule, e.g. it is always unethical to cheat regardless of the consequence. This implies having very strong personal moral boundaries.
- **Narrative-based theory:** Different narratives/stories are used to complement each other in order to lead to an understanding of the difference between right and wrong.
- **Utilitarian theory** states that what is right is that which is right for the greatest number of people. This is, for example, often the guiding principle in medicine – such as when deciding on allocating limited resources.

Regardless of the ethical theory that we support (and there are many others not discussed here), we have to think about Moral Absolutism vs. Moral Relativism.

- **Moral Absolutism** states that there is only one ethical solution to any problem.
- **Moral Relativism** on the other hand believes the solution to the problem at hand will depend on the situation and who is involved. This means that there can be more than one 'moral' solution to a problem, depending on different cultures, for example. Obviously from this it will follow that because values differ from person to person and from society to society, it would be difficult to set up a universal code of ethics.

**The candidate can also argue from a good governance point of view, for example**

This country has not been immune to cases of poor business ethics, and in order to promote the highest standards of good corporate governance, the South African government commissioned former High Court judge Mervyn King to investigate the current situation and make recommendations.

This report introduced a Code of Corporate Practices and Conduct, referred to as the King Code.

The seven primary characteristics of good governance are:

- Discipline (a commitment to governance)
- Transparency
- Independence (not being susceptible to undue influence)
- Accountability
- Responsible management
- Fairness in dealing with stakeholders
- Social issues (in relating to the macro environment and the wider community)

**The candidate could also argue the need for ethics from the following viewpoints:**

According to literature on business ethics, some of the reasons why companies may wish to implement ethical programmes could include the following:

- Adam Smith (a well-known economist) was of the opinion that the only responsibility of a business is to maximise profits based on the principles of demand and supply, albeit obviously within the constraints of the law. If this is the only responsibility of the business, however, there are obvious negative implications and businesses should incorporate mechanisms to regulate the impact of their actions on society.
- There is a growing awareness that employees are more productive and creative if they find their work meaningful and if they are able to maintain a healthy balance between a professional and personal life. This may provide an incentive to the business to implement programmes that will help employees to achieve this. As a result, the business acts more ethically by looking after the well-being of their employees. This therefore relates to the popular argument that the best way to serve one's own interests is to take the interests of others seriously. Following the logic of 'putting the customer first', serving the interests of all stakeholders will ultimately have the most beneficial effects on the business.
- Enabling conditions are created when the business does more than merely stay within the letter of the law, which is not always sufficient. Businesses have to take into account the needs and requirements of all their stakeholders. For example, bad publicity can have a negative impact on the business, and harming the environment may affect the long-term sustainability of the business. In short, the business has to play according to the written and unwritten rules, which will result in conditions enabling the business to perform better.
- Most South Africans would classify themselves as religious. It is clear that the actions of those who are really committed to a particular religion will have an impact on role players outside of the religious institution, including those in the business environment. This might provide an incentive to the manager/owner to act in an ethical manner or to embark on ethical programmes.
- In the context of deregulation (removing restricting laws), businesses need to demonstrate that they can act as responsible citizens without being forced to do so. It is therefore in the interest of businesses to introduce ethical programmes to ensure that they can continue to operate without external interference. In this regard we also have to keep in mind that in today's environment, businesses are becoming increasingly powerful, in many cases more powerful than governments. The business should therefore act in a responsible manner by contributing to the creation of a 'good' society. For example, before introducing the Skills Development Act, the South African Government tried to get businesses to voluntarily share the (moral) responsibility of training and upskilling both employees and others in the community. The rate of change did not impact significantly on unemployment, however, as businesses were loath to spend money without an identifiable benefit for themselves. It has now become law and is slowly getting buy-in from businesses and affecting change.
- Increased globalisation leads to businesses operating across national boundaries. In these global transactions, it may often become difficult to fall back on shared cultural or religious values to ensure acceptable behaviour. There is a growing need for a global set of moral values that can be shared by all businesses, regardless of where they operate.

**(Consider any other relevant point)**  
**(Any 5 points × 1 mark each = 5 marks)**

**[50]**

**150 marks**

**Total: 200 marks**