



# education

---

Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 11**

**BUSINESS STUDIES**

**EXEMPLAR 2007**

**MEMORANDUM**

**This memorandum consists of 22 pages.**

**SECTION A****QUESTION 1**

- 1.1.1 C
- 1.1.2 B
- 1.1.3 A
- 1.1.4 C
- 1.1.5 B

( 5 x 3 = 15 )

- 1.2.1 D ( Affirmative action)
- 1.2.2 F ( Brand)
- 1.2.3 A ( Economic empowerment)
- 1.2.4 B (Franchise)
- 1.2.5 C (Productivity)

( 5 x 2 = 10 )

- 1.3.1 True
- 1.3.2 False ( greater)
- 1.3.3 True
- 1.3.4 False ( indirect)
- 1.3.5 False (Mass)

( 5 x 3 = 15 )  
[40]

**SECTION B****QUESTION 2****2.1 CONTROL OVER MACRO – ENVIRONMENT**

Marking instructions:

Heading = 2

Fact = 2  
4

**A. THE TECHNOLOGICAL ENVIRONMENT**

- 1 Businesses have the least influence over this environment.
- 2 Businesses are affected by technology in many different ways and cannot ignore the influences.
- 3 It is impossible for a single business to control or influence the technological environment.
- 4 This environment develops too fast for any business to do that.  
( 2 x 2 = 4)

**B THE ECONOMIC ENVIRONMENT**

- 1 Parties who are involved in using the scarce resources to satisfy the unlimited needs of consumers.
- 2 In a economic system, e.g. free market system, economic factors like incomes, prices, savings and investments play a role as they influence the amount of money consumers will have available for spending on goods and services.
- 3 Businesses have the least influence over this environment .  
( 2 x 2 = 4)

**C SOCIAL ENVIRONMENT**

- 1 The social environment include religion, population, nationality, family structure geographical distribution, per capita income, economically active people, etc.
- 2 A business cannot control the social environment nationwide.
- 3 As far as characteristics like per capita income, unemployment, literacy and level of education are concerned, a single business may control it via its social responsibility and skills development programmes.  
( 2 x 2 = 4)

**D POLITICAL ENVIRONMENT**

- 1 It consists of the government, all national government departments, provincial and local authorities.
- 2 The government can influence the entire business environment by means of the annual budget, taxation, promotion of exports, etc.
- 3 The government regulate businesses by passing and enforcing laws.
- 4 In the free – market economic system, businesses are free to operate within these laws, but government will intervene in case the free –Market system is undermined.
- 5 An individual business can not control the central, provincial and local government.
- 6 When businesses combine forces and form institutes to lobby for their interests, they may influence the political environment.

( 2 x 2 = 4 )

**E PHYSICAL ENVIRONMENT**

- 1 It is made up of the infrastructure, e.g. roads, railroads, dams, bridges, etc.
- 2 It is also made up of scarce natural resources eg. raw materials, water, energy etc.
- 3 A business may control part of the physical environment if it owns the resources and a small fraction of their own infrastructure.
- 4 Most of the natural resources and infrastructure are not owned by individual businesses and therefore are not controlled by individual businesses.

( 2 x 2 = 4 )

(Any 4 x 4 = 16)

**2.2 ADAPT TO THE CHALLENGES OF MARKET ENVIRONMENT**

Marking instructions:

Heading = 2

Fact =  $\frac{2}{4}$

**2.2.1 SUPPLIERS**

- 1 Availability of raw materials, trading stock and services.
- 2 Availability of capital to the business.
- 3 Businesses have to obtain products of the right quantity, required quality, at the right price and place to achieve their objectives.
- 5 Availability of specialized labour to the business.

(Any 2 x 2 = 4)

## 2.2.2 CONSUMERS

- 1 The challenge for the business is to understand the general behaviour patterns of its consumers.
- 2 Change in incomes.
- 3 Change in tastes and habits.
- 4 Change in roles e.g. females as income earners leads to increasing demand for fast food.

( Any 2 x2 = 4)

## 2.2.3 INTERMEDIARIES

- 1 Expansion of spaza shops and other kinds of retailers increase competition.
- 2 Large retailers use – no name – brands, affecting the established brands.
- 3 Extended shopping hours leading a change in consumption patterns.
- 4 New trends at big shopping centre.

( Any 2 x 2 = 4)

## 2.2.4 COMPETITORS

- 1 Reputation of competitors.
- 2 Competition keeps excessive profits in check.
- 3 New entrants into the market.
- 4 The result of competition is that it stimulates higher productivity.
- 5 Additional services of competitors e.g. free deliveries etc.

( any 2 x 2 = 4)

( any 4 x4 = 16)

**A GANTT CHART FOR KRTM DOMESTIC SERVICES.  
VALUE OF USING A GANTT CHART:**

**A. Gantt Chart for KRTM Domestic Services**

ACTIVITY	MARCH	APRIL	MAY	JUNE	PERSON RESPONSIBLE
FINANCING					Matty
PURCHASING					KHUZWAYO
ADVERTISING					ROBIN
STAFFING					Thandi
TRAINING					Matty

**B** A GANTT CHART gives a picture of what needs to be done and includes detail such as duration of tasks, due dates for tasks to be completed and the persons responsible for the different tasks.( Criteria 2 )

**THE FOLLOWING RUBIC CAN BE USED**

CRITERIA	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	TOTAL
1. Show an understanding of drawing a Gantt Chart.	No understanding. X 2	Demonstrate a limited understanding. X 2	Demonstrate understanding of only the headings. X 2	Show complete understanding of all concepts. X 2	8
2. Show an understanding of the value of using a Gantt Chart.	No understanding.	Shows a limited understanding of the value.	Show some understanding of the value.	Show complete understanding of the value.	4
3. Illustrate activities correctly according to timelines.	No illustrations of timelines.	Only 1 - 2 timelines are correctly illustrated.	Only 3 – 4 timelines are correctly illustrated.	All timelines are correct illustrated.	4
4. Allocated activities correctly to responsible persons.	No activity is correctly allocated.	Only 1 – 2 activities are correctly allocated.	Only 3 – 4 activities are correctly allocated.	All activities are correctly allocated.	4

$$(1 \times 8 + 3 \times 4 = 20)$$

**2.4 IDENTIFY ANY FOUR ENTREPRENEURIAL QUALITIES FOR A GOOD BUSINESS PRACTICE.**

- 2.4.1 Evaluate the strengths and weaknesses of all employees.
- 2.4.2 Provide training for employees.
- 2.4.3 Provide opportunities for employees to develop their skills.
- 2.4.4 Skills, expertise and aptitude.
- 2.4.5 Analyses changes in markets and converts them into opportunities.
- 2.4.6 Be able to work with people.
- 2.4.7 Be able to meet challenges that may be encountered.
- 2.4.8 Must have a positive attitude.
- 2.4.9 They should be creative thinkers to solve problems.
- 2.4.10 Be prepared to take risks.
- 2.4.11 Conservative attitude to financing.
- 2.4.12 Have a flair for innovation.
- 2.4.13 Have a high level of achievement. (Any 4 x 2 = 8)

[60]

**QUESTION 3****3.1 GIVE THREE ADVANTAGES OF LEASE AGREEMENTS.**

- 3.1.1 There are substantial tax concessions, e.g. depreciation of assets.
- 3.1.2 Businesses can lease out their own equipment to create funds.
- 3.1.3 All leases come with a full maintenance and repair contract.
- 3.1.4 Leasing contracts are flexible and can be structured to meet the cash flow needs.
- 3.1.5 Cash can be kept for projects instead of buying equipment.
- 3.1.6 The very latest in technology is available to the lessee.
- 3.1.7 It is popular where the asset is subject to technological changes.
- 3.1.8 Simple contract documentation keeps transaction costs down.
- 3.1.9 Cost - effective way of acquiring equipment because expensive equipment can be leased . ( Any 3 x 2 = 6)

**3.2 TWO DISADVANTAGES OF LEASE AGREEMENTS.**

- 3.2.1 Goods never become assets.
- 3.2.2 Interest is mostly more than the prime interest rates.
- 3.2.3 Lease agreements cannot be cancelled.
- 3.2.4 The cost of leasing is higher than the cash purchase price.
- 3.2.5 Businesses have to paid insurance and maintenance. ( Any 2 x 2 = 4 )

**3.3.1 WHO WITHIN THE BUSINESS VENTURE REQUIRES THE INFORMATION**

Market manager and/or financial manager.

(2)

3.3.2 FOR WHAT PURPOSE DO YOU THINK THAT THEY MAY NEED THIS INFORMATION

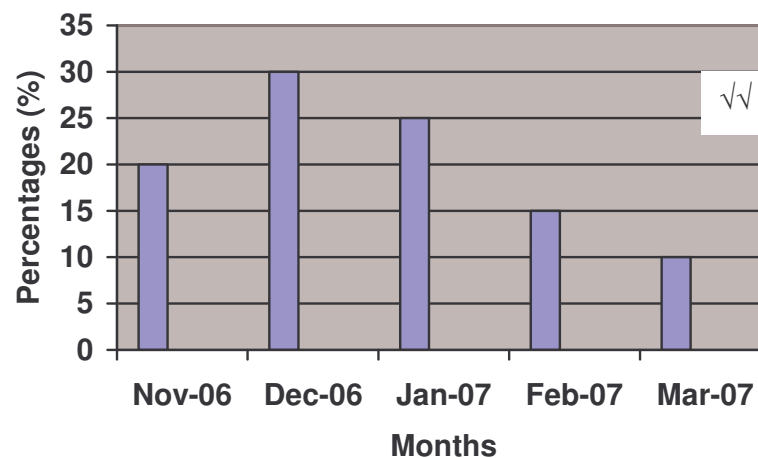
To compile the budget for the new financial year. (2)

3.3.3 WHICH MONTH RECORDED THE HIGHEST NUMBER OF VISITORS TO MADIKWE GUEST HOUSE ?  
MOTIVATE YOUR ANSWER.

- December 2006.
- It is the school holiday for all provinces
- Most companies, professional people and factories closing down and go on leave. ( Any 1 x 2 = 2 )

3.3.4 PRESENTING THE INFORMATION ON A HISTOGRAM: (2)

**Percentages of visitors**





### 3.4 FORMS OF OWNERSHIP

DETAILS	SOLE TRADER	CLOSE CORPORATION
1. Name	No restrictions	Ends with CC
2. Membership	One	One - Ten
3. Liability	Unlimited	Limited
4. Legality	Not a separate legal entity	Separate legal entity
5. Taxation	Owner pays in personal capacity.	The business pays.

( 10 x 1 = 10)

### 3.5 FIVE ADVANTAGES OF A PRIVATE COMPANY.

- 1 Legal entity apart from its members.
- 2 A larger sum of capital can be raised.
- 3 Minimum subscription requirement for public companies does not apply.
- 4 Has not subjected to as many restrictions as a public company.
- 5 Has limited liability according debts.
- 6 Ideal form of ownership to combined capital, skills and management.
- 7 Have unlimited continuity.

( any 5 x2 = 10)

#### 3.6.1 APPLY CREATIVE THINKING SKILLS TO SOLVE PROBLEMS. STEPS IN PROBLEM SOLVING

1. Defining the problem ( collect facts that will help you understand the problem.)
2. Ask why the problem occurred.
3. Developing possible solutions for the problem at hand.(complex problem solving techniques can be used, e.g. brainstorming, Delphi technique, etc.
4. Evaluating possible alternatives.( separate facts into manageable portions)
5. Selecting a specific alternative.

Rubric to be used for assessing the open – ended question:

CRITERIA	LEVEL 1 (1 mark)	LEVEL 2 (2 marks)	LEVEL 3 (3 marks)	LEVEL 4 (4 marks)
1. Describe the problem : 1.1 Constraints regarding the cash flow problems.	No description of the problem.  (1)	Mention some general things  (2)	Demonstrates understanding of the problem.  (3)	Demonstrates significant understanding of the real problem.  (4)
2. Generate different solutions 2.1 Appoint a financial officer. 2.2 Downsizing the excess personnel. 2.3 No need for new premises. 2.4 No need for designer coffee cups. 2.5 Cindy must be involved in decision-making.	No possible solutions provided.	Only one fake solution is provided.	Only a few possible solutions are provided.	Very good, applicable and practical solutions are provided.  (4)
3. The solution(s) is creative and innovative.	No creativity	Little creativity.	Demonstrates the ability to be creative.	Demonstrates a significant ability to be creative. (4)
4. The specific alternative is relevant and applicable : Cindy must be involved in the decision-making.	No solution is provided.	The provided solution is not relevant or applicable.	The provided solution may be relevant.	Demonstrates a significant ability to provide a relevant and applicable solution. (4)
5. More complex problem solving techniques is used.	Draws no conclusion on when to use complex problem solving techniques.	Mention is been made of possible complex problem solving techniques.	Demonstrates the ability to apply complex problem solving techniques. Draws a conclusion on when to use these techniques.	Demonstrates a significant ability to apply problem solving techniques.  (4)

( 5 x 4 = 20 )

[60]

**QUESTION 4****4.1 FIVE STRATEGIES THAT CAN BE APPLIED IN ORDER TO MANAGE STRESS.**

- 4.1.1 Making quick, but effective decisions under conditions that demand immediate solutions.
- 4.1.2 Perform proactive crisis management e.g. forecasting a potential crisis and planning how to deal with it.
- 4.1.3 Developing a well – informed and trained crisis management team.
- 4.1.4 Effective communication procedure.
- 4.1.5 Organising resources to support the management team in a crisis.
- 4.1.6 Developing of the correct and legal emergency procedures guide and distribute it to all employees and managers.
- 4.1.7 Developing a policy for communicating information to the families and other institutions e.g. media.
- 4.1.8 When a crisis occurs, bring the situation under control as fast as possible.
- 4.1.9 Gather the facts of who, why, what and how.
- 4.1.10 Analyse the situation according to what it is.
- 4.1.11 Put a plan of action in place to bring the crisis under control.
- 4.1.12 Provide post – event services to employees and community to reduce stress after the crisis happened. ( Any 5 x 2 = 10)

**4.2 FOUR FACTORS THAT MAKES FOREIGN MARKETING MORE CHALLENGING THAN MARKETING WITHIN SOUTH AFRICA.**

- 4.2.1 International trade agreements to regulated imports and exports, e.g. World Trade Organisation (W T O).
- 4.2.2 Foreign cultures.
- 4.2.3 Preferences and needs of customers in foreign countries.
- 4.2.4 Foreign laws.
- 4.2.5 Foreign languages.
- 4.2.6 Customs tariffs that must be paid on imports and exports.
- 4.2.7 Logistical arrangements, e.g. transport and delivery.
- 4.2.8 Foreign currencies and fluctuations in the exchange rate.
- 4.2.9 Fluctuations in the exchange rate of the Rand.
- 4.2.10 Strict quality and safety requirements in some foreign countries.
- 4.2.11 Expenses of establishing an export division or the use of a foreign agent. ( Any 4 x 2 = 8)

#### 4.3 FOUR DIFFERENT FORMS OR TYPES OF PACKAGING.

- 4.3.1 Kaleidoscopic packaging – certain aspects of the packaging are changed regularly, e.g. changing of packaging of breakfast cereals or collector photos or other images are printed on the packaging.
- 4.3.2 Speciality packaging. Creates an image of exclusiveness for the product e.g. Unique perfumes, jewelery, etc.
- 4.3.3 Combination (multiple) packaging. Several products that are closely related are packed in one container. For example, pencils, ruler and eraser in one container.
- 4.3.4 Reusable packaging. Containers can be used for other purposes. For example Plastic bottles can be reused to contain water.
- 4.3.5 Packaging for immediate use (unit packaging or packaging for resale).  
Concentrate on convenience of use. For example, cold drinks.  
( Any 4 x 3 = 12)

#### 4.4 FOUR ADVANTAGES OF ADVERTISING FOR CONSUMERS AND MARKETERS. Example: helps consumers to attain the highest needs satisfaction at the best possible price.

- 4.4.1 Consumers are able to make informed buying decisions.
- 4.4.2 Ethical advertisements serve as a protection of consumer rights.
- 4.4.3 It highlights the products of competitors and therefore leads to improvement on the product.
- 4.4.4 It educates consumers about the usage of the products.
- 4.4.5 The consumer is already informed about the product, and therefore decreases the burden of the sales person.
- 4.4.6 It leads to lower prices because of the increasing in production.  
( Any 4 x 2 = 8)

#### 4.5 EXPLAIN THE SAFETY PRECAUTIONS OR A SAFETY PLAN.

- 4.5.1 Document the health and safety procedures and train the employees to follow it.
- 4.5.2 Taking steps to eliminate any hazard or potential hazard.
- 4.5.3 Enforcing any measures that may be necessary in the interests of health and safety of employees.
- 4.5.4 Ensuring that all work is performed under the general supervision of a trained person.
- 4.5.5 Erection of strong floors, walls and roofs.
- 4.5.6 Firefighting equipment must be efficient and maintained on a regular basis.  
( Any 4 x 2 = 8)

## 4.6 PRODUCTION COSTS.

## 4.6.1 PRIMARY COSTS.

Raw materials	R 40 000 ✓	
Direct labour	<u>60 000</u> ✓	
Primary cost	R <u>100 000</u> ✓	(3)

## 4.6.2 FIXED OVERHEAD COSTS

Insurance	R 8 000 ✓	
Rent	10 000 ✓	
Depreciation	<u>4 000</u> ✓	
Fixed overhead cost	R <u>22 000</u> ✓	(4)

## 4.6.3 TOTAL PRODUCTION COSTS

Primary cost	R 100 000 ✓	
Fixed overhead cost	22 000 ✓	
Cleaning & Packing material (R9 000 + R 13 000)	<u>22 000</u> ✓	
	<u>144 000</u> ✓	(4)

## 4.6.4 COST OF ONE PRODUCT / UNIT COST

Total production cost	<u>R 144 000</u> ✓
Number of tins of canned food	36 000 ✓

= 4 ✓

[60]

TOTAL SECTION B = 180

**SECTION C****QUESTION 5**

‘Currently HIV/AIDS in South Africa is an extremely serious illness not only for the infected but also in terms of the effect it has on the economy. Business operations are further affected by unemployment, poverty and crime.’

You are required to provide a detailed evaluation of the impact and challenges of the abovementioned socio-economic issues on business operations.

**5.1 INTRODUCTION :**

1. Key socio - economic issues have a major impact on large number of people in South Africa and therefore also affect the economy, businesses and productivity.
2. Both businesses and government are concerned about the socio - economic issues of HIV/AIDS, crime, poverty etc.
3. These issues affect businesses in different ways for example the costs created because of these issues to the company, increased labour turnover, training and retraining costs, clinic costs etc. ( Any 2 x 2 = 4 )

**5.2 THE KEY SOCIO-ECONOMIC ISSUES.****5.2.1 HIV/AIDS:**

1. The costs of treatment of HIV infected workers adds to the total costs of businesses and thereby reducing their competitiveness
2. The death of breadwinners in households leads to lower consumer spending
3. The death of key personnel and workers cause disruptions in business activities with the added cost of finding key personnel and workers.
4. The business must also provide training of newly appointed personnel which is an additional cost which is not budgeted for.
5. The high number of deaths due to HIV/AIDS results in a shrinking consumer market with negative effects on the profitability of the business.
6. The death of key personnel and workers cause trauma in the workplace, and low morale and a high labor turnover.
7. Absenteeism and lower productivity reduces the overall competitiveness of the business.
8. The large number of HIV/AIDS orphans that businesses have to deal with i.e. social, economic and health problems and can lead to an increase in the costs of the business because it has to provide financial aid to the dependants of the employees.
9. Employee benefits will cost more as payouts for provident funds, funeral assistance, life insurance and pension funds increase. ( Any 5 x 2 =10)

**5.2.2 UNEMPLOYMENT :**

1. High levels of unemployment are attributed to low levels of education and skills training.
2. Unemployment is a mentally and emotionally traumatic experience for the unemployed person and his family.
3. Many businesses are downsizing their staff compliment, outsourcing, privatizing and this contributes to the high levels of unemployment.
4. Because of unemployed breadwinners who are not able to provide food for their family needs and this may affect their health due to malnutrition.
5. Unemployment is a social dilemma so much so that these people resort to extreme measures such as crime i.e. theft of food, money and other valuables that can be sold to earn money.
6. Unemployed people may also fall into poverty because of their inability to provide for their daily needs. ( Any 4 x 2 = 8 )

**5.2.3 POVERTY:**

1. Many families are entirely dependant on Government social grants and this places a huge burden on the taxpayers in this country.
2. Poor people have very limited and low incomes and form a very small part of the consumer market as potential customers because they only have basic needs to satisfy.
3. Poor people live in appalling conditions; have low levels of literacy and little access to medical facilities.
4. Social problems such HIV/AIDS are common amongst the poor.
5. Poverty and crime often compliment each other.
6. Many lives are lost in South Africa because of starvation, malnutrition and ill health.
7. Poor people cannot fully participate in the activities of the country due to the lack of adequate education and training.
8. The infant mortality rate of the poor people is higher and the life expectancy is also lower. ( Any 4 x 2 = 8 )

**Copyright reserved**  
Business Studies

15  
NSC

**Please turn over**  
DoE/Exemplar 2007

**5.2.4 CRIME:**

1. Businesses suffer a huge amount of losses due to crime and fraud.
2. The losses affect the profitability of the business negatively and also make them less competitive on the market.
3. The high levels of crime in South Africa affects the Tourism potential because for every five to seven tourists that visit our country one job is created but crime is driving tourists away from South Africa.
4. Theft of business stock by staff creates huge losses for the business.
5. Losses due to crime, theft and hi-jacking impact heavily on Insurance Companies in that they have to settle claims thereby contributing to increased premiums.
6. Businesses have to spend huge sums of money on safety and security.
7. Businesses and staff run a high risk of being injured or killed during armed robberies.
8. Copying and piracy of video, audio tapes and CDs causes huge losses for Musicians, Entertainment and the IT industry. ( Any 4 x 2 = 8 )

**5.3 CONCLUSION:**

1. Every business has a social responsibility to the community.
2. Enterprises should constantly consider the consequences of their decisions and actions on employees, clients and society.
3. The business must foster an active partnership with the community by assisting in social responsibility programmes e.g. sponsoring an AIDS Clinic which indirectly forces the community to buy the business's products thereby increasing sales and profitability. ( Any 1 x 2 = 2 )

[40]

**QUESTION 6**

A well-known insurance company handles a huge amount of diverse information which has to be placed on a data basis. The company found they lack technology, training and the capacity to handle the increased load of information.

An information technology company IT-Techno contract to companies and handles data according to specific needs.

You are required to advise the insurance company on the option of using IT-Techno to handle the data for them. Explain this concept and elaborate on the advantages and disadvantages of such a contract.



## 6.1 INTRODUCTION

1. It may be that a company cannot perform a specific function due to lack of knowledge and expertise in the field.
2. The insurance company realizes they cannot handle the increased data and the advice would be that they outsource it to IT-Techno. (  $2 \times 2 = 4$  )

## 6.2 OUTSOURCING.

1. *Means: That when a company prefer not to perform a certain function/process because of different reasons it contracts the function out to another company who specializes in that specific function according to the needs of the customer.*
2. *Outsourcing is a managerial activity aimed at reducing the size of a business's workforce, but still having access to the right skills when needed.*
3. *Where some functions or processes are not regarded as core to the business of the enterprise it can outsource its functions/process to an enterprises who specialises in that function.*
4. *In a changing world such as information technology (IT) where businesses have to keep up with e-business, the Internet and data systems, many companies choose to outsource IT services.*
5. *In this case the core business in the case studies is insurance. The capturing of data is important but due to the changing nature of technology new systems need to be put in place to enhance the processing of data. The company can now focus on service delivery.* (  $5 \times 2 = 10$  )

## 6.3 ADVANTAGES OF OUTSOURCING.

1. Minimise capital outlay for computers and continuous upgrading if the Information Technology (IT).
2. Saving on license fees of software used in the IT- department.
3. Saving on short-term insurance/security for assets and employees.
4. Saving on employees to run/maintain those departments that are outsourced.
5. By obtaining specialised inputs from experts in the field, the business can improve in terms of cost effectiveness, quality, service and speed.
6. The company can now focus on their main business functions which having access to new technology and techniques.
7. There are no training or development costs for the business.
8. The business does not have to employ these skills itself and thus saves on salary bills.
9. Outsourcing is a highly competitive market, and numerous skilled people are available for all sorts of business problems, from consulting to audits to human resource management.
10. Eventually the business can learn enough from the consulting company employed to affect these functions/processes itself. (  $6 \times 2 = 12$  )

**6.4 DISADVANTAGES OF OUTSOURCING.**

1. The business does not have much control over the outsourced functions.
2. The business pays a price for the privilege of the service.
3. The outsourced company has access to privileged information about the client's accounts of the business and their business methods, which could compromise the privacy of the business and its trade secrets.
4. Certain requirements have to be met by the outsourcing businesses within the SLA (Service Level Agreement).
5. Outsourced consultants are not employed directly by the business, and therefore do not have to conform to the business culture or ethos of the company they are serving.
6. Outsiders on the premises could be disruptive to both staff and business practices.
7. Outsourcing is an impersonal way of getting jobs done.
8. The business has limited quality control.
9. Outside contractors do not always share the same goals and values as the business.

( 6 x 2 = 12)

**6.5 CONCLUSION**

1. An legal contract has to be signed by both the company and the contracted consultant.
2. Certain grounds to cover will be: a secrecy clause to protect the information of the business, the right /option of termination of an agreements either on grounds of non delivery (breach of contract), or against a penalty.
3. The choice of outsourcing or not will be a weighing between the disadvantages and advantages to the business.

(2)

**[40]**

**QUESTION 7.****YOU MUST BUILD A ROBUST COMPANY.**

“Imagine your entire sales team, spurred on by the sales manager, decided to resign on the same day. Or imagine a scenario where an international competitor, selling the same product as you, suddenly appears on the scene and is able to undercut your price by half. Would your organisation be strong enough to survive?

According to Tony Manning a strong company is one that is robust enough to withstand bad times and, most importantly, ride the waves of change. Change is inevitable and it can and does happen in any quarter, be political, economical or technological.

Change is the single most crippling factor to many organisations.”  
(*Succeed p. 12 June 2006*)

Read the above case study and discuss the concept of change management. Explain the areas of change in a business enterprise and refer to the methods and strategies used for implementing change. Suggest in your answer reasons for resistance to change and how resistance to change can be overcome

## 7.1 INTRODUCTION

1. Changes happen continuously and at many levels in an organisation. Whether political, economical or technological warrants change management.
2. Managing change is not easy, there is no quick solution to sustain change. Real change requires from people to change their behaviour which cannot always be controlled by management. ( 2 x 2 = 4 )

## 7.2 TYPES/AREAS OF CHANGE MANAGEMENT

### 7.2.1 PLANNED/STRATEGIC CHANGE

1. Purpose of planned or strategic change is to improve the overall ability of the organisation to adapt to changes as well to affect changes in employee's attitudes.
2. Most businesses have strategic plans that outline the future course of the business.
3. In the above case study the coming of an international competitor should be foreseen by the strategic team of the organisation.
4. Proactive plans should be in place to offer an improved or a better priced product by the time of entrance of the international competitor to the market.

### 7.2.2 Changing the organisational structure.

1. A planned change may mean the creation of an international market or expansion to the existing product.
2. This may result in the displacement of staff, the retraining of staff and the employment of new staff and even a change in the working hours of staff.
3. The management structure of the organisation will also be affected in the sense that if international or new market is entered the span of control in the local market is reduced and new structures are implemented for overseas branches.

### 7.2.3 Technological change.

1. New technological developments compel businesses to undergo changes at an enormous rate which results in increased productivity and increased competitiveness.
2. Includes the introduction of new equipment, tools or operating methods (automation).
3. New technology may lead to an increased demand for higher skilled people, training of existing staff, employment of new staff and retrenchment of staff.

**7.2.4 Physical change.**

1. Change of location may lead to relocation of staff and transport problems to staff.
2. Change in the layout of the existing offices, factory can be stressful. The moving of equipment and furniture causes disruption on the office and factory floor.

( 3 x 4 = 12 )

**7.3 Techniques of implementing change.****7.3.1 Change should improve the success of the performance of the company.**

1. Consider the basics of good change management. People who understand the need for change will work harder at making it work.
2. People will change when they know how to. To allay fears and anxiety, the manager must fully explain the logic of the change and emphasise both the benefits and risks involved.
3. Change will happen easier when people are actively involved in the change process. Employees that participate in the change process will take ownership of it.
4. As a leader you should believe in the proposed change. Highlight the benefits of the change and be enthusiastic.

**7.3.2 Knowing the environment.**

1. Leaders/managers must know exactly what is happening inside and outside the organization.
2. Managers must collect all relevant information to effect changes.
3. Managers must know the strengths and weaknesses of the business to eliminate aspects that causes weaknesses.
4. Be aware of what the competition does that works as to be proactive to implement change at the right time and place.

**7.3.3 Challenge the existing knowledge within the organisation.**

1. Leaders need to find a method to identify patterns from the available information and use the data to form different patterns.
2. The assumptions managers have of the organisation of how pieces fit together like the marketplace, or the community, should be questioned.
3. Change leaders should realize that there are different solutions to a problem, and that looking at a problem from different angles a new way will be invented to solve the problem to deliver an existing product or service.

**7.3.4 Building strong teams.**

1. Change leaders need the involvement of people who have the resources, the knowledge and the networking ability to make things happen.
2. Meetings at all levels of the organisation are important so as to involve all people in the change process and to provide the opportunity for them to participate and give feedback.
3. Team meetings can target people from a particular departmental team or a variety of people across departments and management levels.
4. Leaders must be willing to reveal an idea or proposal for change before it's ready. Secrecy denies people the opportunity to get feedback, and if an idea is then implemented without warning management will be met with resistance.

**7.3.5 Transferring ownership to a working team.**

1. A leader must remain involved – the leader's job is to support the team.
2. A leader must coach, mentor and provide resources for change and check the boundaries within which the team can operate.
3. A broad outline should be developed by a team leader, based on thorough research in collaboration with management to enable the group to develop further.
4. This approach ensures team ownership, and allows people to explore new possibilities.

**7.3.6 Training development and support.**

1. Some changes require specialised training, for example in new technology and skills, while other change requires training people in core skills such as teamwork, communication etc.
2. Management of organisations must determine what new knowledge, skills, attitudes and values people require and arrange training accordingly.
3. Regular workshops for upgrading of skills are important.
4. The Skills Development Act provides that skills per sector can be upgraded and credited according to the South African Qualification Authorities. This will enable training to be recognised by other organisations as well.

**7.3.7 Perseverance**

1. Ongoing leadership is important. Change takes time and half way to change a plan may seem like a failure.
2. It is a mistake of leaders to launch a change process and leave the process.
3. A change initiative can be derailed in many ways of which one is if it is stopped.
4. A too long change process will have to restart from the beginning, to revisit the environment, recheck the assumptions, and reconsider whether the proposed change is still the right one.  
( Any 5 x 3 = 15)

**7.4 REASONS FOR RESISTANCE TO CHANGE**

1. *Threatened self-interest and uncertainty. (to lose something of value – if I lose my job I will lose my house)*
2. Lack of trust and misunderstanding (purpose of change is not clear).
3. *Low tolerance to change. (fear of not being able to develop new competencies required).*
4. Change will remove people out of their “comfort zone”. (Any 3 x 1 = 3 )

**7.5 COPING WITH RESISTANCE TO CHANGE**

1. Education and communication
2. Be prepared to deviate from the plan.
3. Expect the unexpected.
4. Stick to the mission.
5. Deal with the critics.
6. Participation and involvement.
7. Negotiation and rewards.
8. Facilitation and support. ( Any 4 x 1 = 4 )

**7.6 CONCLUSION**

1. Changes takes place constantly – people change their clothing, cars, rearrange their furniture.
2. *Governments change, new models of computers and cell phones come onto the market, cities change their names, etc.*

*Copyright reserved*

*Please turn over*

3. *To satisfy the consumer market, products has to change designs, management has to change management styles and introduce new methods.*  
( Any 1 x 2 = 2 )

[40]

**QUESTION 8**

You are appointed as the production manager of a newly established factory that is going to manufacture flags to be used by all supporters of the South African soccer team (Bafana Bafana) in the World Cup soccer in 2010.

You are been asked by the general manager, to prepare a motivation presentation, of the most suitable production system for the production of the flags that you recommend to a director's meeting.

**8.1 INTRODUCTION**

1. Mass production/Uninterrupted production – also known as line-flow production, used in an operation where a limited variety of goods are produced.
2. *The production of flags that will be produced consists of limited actions and therefore adheres to the requirements for mass production.*

( Any 2 x 2 = 4 )

**8.2 CHARACTERISTICS OF MASS PRODUCTION/UNINTERRUPTED PRODUCTION**

1. Large volumes or quantities of identical products are manufactured.
2. The process of production lines is used. Layout of machinery is placed in a logical order of production sequence.
3. Single purpose machines are used to produce products at a fast rate.
4. The arrangement of machinery is relatively fixed, which results in more efficient planning and utilisation of expensive floor space.
5. To ensure a continuous flow between machinery, they are set and paced at the capacity that suits each process.
6. Operators can specialise, because the work is of a routine nature. This makes the job suitable for workers with disabilities.
7. To ensure effectiveness and quality products the machinery needs to be maintained by skilled people on a regular basis.
8. As production rates can be determined accurately, raw material requirements and the stock of raw materials can consequently be determined accurately – resulting in lower stock levels. ( 7x 2 = 14 )

**8.3 ADVANTAGES OF A MASS PRODUCTION SYSTEM.**

1. Production at a lower cost per unit.
2. Equipment and labour can be fully utilised.
3. Because of lower stock levels, less money tied up in stock, therefore less money is tied up in stock which improves the cash-flow position and reducing financial costs, and results in lower cost per unit.
4. Division of labour causes workers to become more skilled in their specific tasks resulting in higher productivity.
5. The continuous nature of the production process helps to improve production control and simplify quality control.
6. Mechanisation and automation of the production process lead to an improvement in product quality and a reduction in labour costs.
7. Conveyer belts limit the handling of stock and products and consequently, damage to products is limited. ( 5 x 2 = 10 )



**8.4 DISADVANTAGES OF A MASS PRODUCTION SYSTEM**

1. Specialized single used machines are expensive and require more capital.
2. Defects and breakages in machines and delay the production process, leading to a loss of production and difficulties in reaching production targets.
3. Rigid, permanently installed machines make the introduction of new technology in the production line very difficult if not impossible.
4. Routine activities lead to dissatisfaction amongst workers, because it seems as if individual people can only do one specific job. This lead to boredom, loss of motivation and lower productivity.
5. Low quality of products - due to loss of interest in the job defects slips through production system.  
( 5 x 2 = 10 )

**8.5 CONCLUSION**

1. A good knowledge of the product is important therefore a study has to be made in the processes the entrepreneur will require to produce the flags for the World Soccer Cup in 2010.
2. The order size and demand for the flags by supporters for the Bafana Bafana soccer team will be huge which warrants the use of the mass production system.  
( 1 x 2 = 2 )

[40]

**TOTAL : 300**