FEEDBACK TUTORIAL LETTER

1st SEMESTER 2017

ASSIGNMENT 1

INTRODUCTION TO BUSINESS MANAGEMENT

BMI511S
Question 1

Multiple choice questions

1. The description of business emphasises these elements, except:
   a. Human activities
   b. Production
   c. Quantitative business analysis
   d. Profit

2. Abraham Maslow identified multiple human needs, except:
   a. Protection needs
   b. Psychological needs
   c. Needs for belongingness
   d. Self-realisation needs

3. Entrepreneurs are people who...............? Choose the incorrect option.
   a. Task managers to identify opportunities
   b. Bring about change in the economy
   c. Start new businesses
   d. Creative and innovative

4. Many factors are to be considered when deciding on a form of business ownership. Which of the following is not an example of such factors?
   a. Financing
   b. Complexity of business procedures
   c. Controlling interest of the business
   d. The extent of financial and legal risk

5. A micro-environment consists of several elements, except: Should have been macro-environment. mark was
awarded for not answering the question or answered wrongly.

a. Technological
b. Suppliers
c. Institutional
d. International

6. Companies can reduce cost through corporate social responsibility by..................? Choose the one incorrect answer.

a. Avoiding legal costs
b. Avoiding fines
c. Reducing staff
d. Reducing recruitment cost

7. Which one of the following statements is not true?

a. Stakeholders can potentially affect the business activities of a company.
b. The term is ‘stakeholders’ are synonymous to the term ‘shareholders’.
c. Primary stakeholders can also become secondary stakeholders.
d. The environment can be classified as a stakeholder.

8. Which are the main management activities?

a. Planning, organising, leading and control.
b. Research and development, and organising.
c. Purchasing, supply, planning and control.
d. Auditing, planning, activation and re-organising

9. Planning can result in cost for the organisation. Which of the following options are correct?

a. Planning causes employee confusion
b. It consumes management time
c. The planning process costs more than its execution
d. Planning is short-term not providing long-term direction

10. The components of leadership entail the following?

a. Power
b. Authority

c. Accountability

d. All of the above

Question 2  [10marks]

Indicate whether each statement given is True or False in your answer booklet provided.

2.1. Managers, not entrepreneurs, assume the risk for business success or failure. **False**

2.2. A franchise is a new business start-up of which the business concept is to be proven. **False**

2.3. A close corporation has the disadvantage of a legal entity which is not separate of its members. **False**

2.4. A business environment offers new opportunities and threats. **True**

2.5. Corporate social responsibility recognises that companies have a responsibility for their impact on society and the natural environment. **True**

2.6. Political skills are related to the ability to enhance one’s position, build a power base, and establish the right connections. **True**

2.7. An organisation utilises human, financial, physical and information resources in conducting business. **True**

2.8. Planning gives structure to the business. It forces management to have a short-term focus to implement projects. **False**

2.9. A benefit of specialisation is the more narrowly defined a job is, the easier it is to develop specialised technology to assist with that job. **True**

2.10. Influencing is a process managers follow to control employee productivity. **False**

SECTION B

Question 1  [30 Marks]

1.1. Explain in your own words why government organisations are also need-satisfying organisations.  [4marks]

**ANSWER**

Even though government organisations are run by the state, they still provide goods and services to the citizens of their countries. These goods and services most often fulfill very important needs such as clean water, waste disposal and medical care to those members of society that are unable to afford private medical aid. Often such goods and services are exchanged for rates and taxes that are used to provide these goods and services. It is important to distinguish that most government organisations do not strive to make a profit out of the fulfilment of society’s needs, unlike private enterprises where profit generation is the main objective.
1.2. Provide your own example of a situation in Namibia where both the government and private businesses seek to address society's needs. [6marks]

Answer
There are many examples of such situations in Namibia. These include:
- Private medical aid schemes that provide an alternative to public health services offered by the government (e.g. NMC)
- Waste removal companies (such as Rent a Drum) that collect waste that is not removed by governments department
- Solar panel companies that provide an alternative to electricity provided by government (e.g. Solahart, Solar King CC)

Question 2

Williams & Company

Williams & Company (known as WC) is a South African based management consulting firm. WC is a medium sized business in existence for 20 years.

The firm provides consulting services to corporations including business optimisation consulting, project management, productivity improvement training, and improvement measurement systems.

In the last decade the business environment, locally and internationally, shifted drastically. WC had to contend with the following changes:

- A world-wide economic down-turn which resulted in large businesses going down. The financial services industry took serious strain as lending practices were confronted by governments and regulatory bodies. This lead to the institution of new compliance, governance and risk management policies.
- Certain countries headed towards bankruptcy which required international intervention and assistance provided by the world-bank.
- The market generally, across industry-sectors, became much more cost sensitive. A trend emerged where the start-up rate of new small and medium-sized enterprises (SME businesses) diminished. Liquidation in SME sector increased at an alarming rate.
- Due to corporate restructurings and down-sizing, and greater risks for entrepreneurs in the SME sector, retrenchments became the order of the day, and new employment creation stagnated.
- The management consulting industry was not unaffected.

Business models changed, and consultancies merged and formed joint ventures to achieve greater market share and drive competition out. Consultancies also expanded into new markets particularly in Africa and Asia in response to limited growth opportunities in existing markets.

Utilisation of new technologies particularly in information management became a priority in order to create more cost-effective structures, and to gain advantage in greater access to market intelligence.

- In the South African context, government initiated a more aggressive push towards Broad-Based Black Economic Empowerment (BBBEE). This changed the ownership profile of businesses, as well as procurement and supply policies and practices. The drive towards employment equity became sharper, and labour legislation became much stricter concerning resourcing and employee relations. Furthermore,
employee development became regulated in terms of skills development legislation. The financial services industry became more regulated as far as credit supply was concerned.

- Moreover, substantial increases in fuel prices in South Africa, driven by the oil price, and energy supply capacity challenges and the consequent increase in costing of electricity, had a major inflationary impact across the economy.
- Instability in commodity prices and worsening industrial relations strained the resource sector, a major contributor to the South African economy.

WC launched several initiatives to respond to the changes in the business environment. A major strategic movement was to form a business partnership with a global consultancy to ensure access into Africa and to achieve market consolidation. The cost of royalties paid to their international partner became an issue because of exchange rate volatility and a weakening Rand. This affected WC's cost of sales significantly.

The following provides perspective on the financial impact of changes in the business environment and the effectiveness of WC's response thereto:

<table>
<thead>
<tr>
<th>Impact</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>R18 mil</td>
<td>R16.5 mil</td>
<td>R12 mil</td>
<td>R11.5 mil</td>
<td>R9.8 mil</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>38%</td>
<td>36.5%</td>
<td>24%</td>
<td>22%</td>
<td>16%</td>
</tr>
</tbody>
</table>

The partners of WC had to intervene urgently. They realised that it was necessary to become much more aware and conscious of their external environment.

2.1. What macro-economic factors drove change in WC and explain? [12marks]

**ANSWER**

- **International environment:** The economic down-turn and the severe impact on the global market. Governments assumed a more active role in the economy which shifted market dynamics.
- **Economic environment:** Inflation, exchange rate volatility, deep recession, and monetary and fiscal policies, affected the sustainability of businesses significantly.
- **Technological environment:** The pursuit by corporations and SME firms alike to adopt new technologies to improve the effectiveness and efficiencies of operations.
- **Social environment:** Inflation, unemployment and high levels of debt changed consumer behaviour substantially, placing new demands on businesses across industry-sectors.
- **Institutional environment:** The South African government played an active role though the institution of more economic regulations.
- **Physical environment:** Instabilities in the mining and industrial environment hampered further
exploration of mineral and resource wealth. Students focused and elaborated more on the Economic environment and marks were awarded accordingly. All other variables/factors under the macro-/general environment should have been discussed and applied to the case study.

2.2. The partners of WC realised that a greater macro-economic awareness was necessary to reposition the firm. List at least four potential sources of obtaining this valuable information?

[8marks]

ANSWER

Scans of the business environment on an on-going basis are vital in current conditions. Such business intelligence could lead to competitive advantage if acted upon. These are potential sources of valuable information include:

- Surveys and questionnaires to establish changes in for instance the client environment.
- Participation in business leadership forums where macro shifts are debated.
- Close following of relevant media and social networks.
- Regular formal and informal interviews with key stakeholders on changes in the business environment.
- Partnership with strategic planning experts to jointly analyse political, social, and economic trends.
- Assessment of competitor behaviour.
- Close collaboration with research institutions such as universities and private business intelligence firms.

Students should have focused on environmental scanning and discussed the potential sources of obtaining valuable information.