

**UNIVERSITY OF KWAZULU NATAL  
SCHOOL OF ENGINEERING**

Subject module and code: **ENGINEERING BUSINESS : ENEL4EB H2**

**October 2016 Examination**

**Duration: 120 minutes**

**Total marks: 120**

**Examiner: Mr D Engelbrecht**

**External Examiner: Mr B Harrison**

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**Instructions:**

- 1. This examination comprises two sections: You must attempt one essay question from a choice of three in Section A, and sixty multiple choice questions in Section B.**
  - 2. Answer Section A in the answer book provided and Section B on the MCQ answer sheet template. Use a soft pencil to mark your choices on the MCQ answer sheet.**
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## SECTION A

60 marks

**Answer ONE of the following three questions.**

### **Question One                      Answer either 1.1 or 1.2**

Edgars Consolidated Holdings Limited (Edcon) operates Edgars, Edgars Active, Boardmans, CNA, Tom Taylor and Red Square. It is southern Africa's largest non-food retailer, but the company's performance has deteriorated steadily over the past few years. On 20 September 2016, Edcon announced a so-called lock-up agreement, in terms of which the ownership of Edcon is to be restructured. Put really simply, this means that the current owners, Bain Capital, have "donated" ownership of Edcon to a consortium of the company's creditors.

#### **1.1**

Analysts argue that Edcon has performed poorly because it has neglected to interpret strategic analysis that would have demonstrated that it could not compete in South Africa with brands unknown to South African consumers. They argue that consumers find these brands expensive and unappealing.

**You are required to explain the scope and meaning of strategic management, and to discuss, with the use of illustrative examples, whether you agree with the analysts' contention that Edcon's strategic analysis, formulation and execution were inadequate.**

#### **or 1.2**

Business performance measurement is understood to mean the measurement not only of the financial performance of the enterprise, but also the factors that can be expected to give rise to profitable performance – sometimes called measurement of both "results and determinants."

**You are required to explain the scope and meaning of business performance, and to discuss what you believe could be the chief "determinants" of sound business performance for chain store retailers such as the Edcon group brands.**

### **Question Two**

Some businesses focus on selling their merchandise or services to you and I – consumers. However, retailers represent only one segment of business in the value chain from producers to consumers: businesses have to sell to other businesses, before the retailers sell to consumers.

**Explain how organisational marketing differs from consumer marketing, and discuss the criteria to be taken into consideration when selecting suppliers.**

### Question Three

Daniel Plaatjies, lead editor of *2016 State of the Nation – who is in charge?* published by the Human Sciences Research Council, asserts that state-owned enterprises (SOEs) “are considered strategic commercial and redistributive vehicles” that serve as intermediaries between financial investors and social objectives pursued by a government on behalf of a nation.

Within this contextual framework of channelling investor funds to achieve a greater human good, good governance is key. Good governance requires the best possible processes for making and implementing decisions. Plaatjies points out that “corruption creates mechanisms to bypass and smother legislative and regulatory systems. It affects political stability, discourages investment and spurs a reallocation of resources in a non-productive manner.”

You have learned that procurement undertaken by public entities (such as SOEs and other public bodies, like municipalities) is subject to strict guidelines. These guidelines are intended to ensure that resources are NOT distributed in a non-productive manner. However, the media bombard us daily with news of contracts and tenders being awarded in suspicious manner.

**Explain the objectives of public procurement – your answer should also explain the process by which these objectives are achieved. Against this background, discuss how and why it arises that tenders and contracts are awarded inappropriately, and recommend how the process of public procurement should be improved.**

## SECTION B

60 marks

Answer the following 60 multiple choice questions on the MCQ answer sheet using a soft pencil.

- 1 Those who advocate the stakeholder view of organizations have the view that:
  - a) An organization's sole purpose is to create shareholder value
  - b) An organization's sole purpose is to make profits for the owners
  - c) An organization has more than one purpose - it also needs to consider the society within which it operates
  - d) An organization's sole purpose is to increase the quality of life of its employees
- 2 Stakeholders can be defined as:
  - a) Individuals or groups that are affected by the organization
  - b) Individuals or groups that affect the organizations
  - c) Individuals or groups that affect and are affected by the organization
  - d) Individuals or groups that have invested money in the organization
- 3 Organizational performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals.
  - a) True
  - b) False
- 4 A measure of the appropriateness of goals selected by managers for the organization and the degree to which the organization achieves these goals is known as the effectiveness of the organization.
  - a) True
  - b) False
- 5 Which one of the following is NOT a good indicator of how well a company's present strategy is working?
  - a) The company's market share ranking and whether its share is trending up, down, or staying more or less the same
  - b) Whether the company is regarded as a leader in some significant area (technology, product quality, customer service, product innovation and so on) and the firm's image and reputation with customers
  - c) Whether the company's profit margins are increasing or decreasing and how large they are relative to other firms in the industry
  - d) Whether the company's resource strengths and competitive capabilities outnumber its resource weaknesses and competitive vulnerabilities
  - e) Whether the company is achieving its stated financial and strategic objectives and whether the company is an above-average or below-average industry performer
- 6 SWOT analysis:
  - a) consists of three steps: identifying a company's resource strengths and weaknesses and its opportunities and threats, drawing conclusions about the company's overall situation, and translating the conclusions into strategic action to improve the company's strategy.
  - b) provides a quick overview of where on the scale from "alarmingly weak" to "exceptionally strong" the attractiveness of the company's overall business situation ranks.
  - c) helps provide a basis for matching the company's strategy to its internal resource capabilities and its external opportunities and threats.
  - d) helps identify actions for improving the company's strategy.
  - e) All of these.

- 7 A core competence:
- holds the potential for being a cornerstone of a company's strategy because it gives a company competitive capability and qualifies as a genuine company strength and resource.
  - nearly always resides in the calibre of the company's assets on its balance sheet rather than in its people and in its intellectual capital; furthermore, balance sheet-related core competencies tend to be competitively more valuable than core competencies grounded in intellectual capital.
  - is better suited to helping a company defend against external threats than in pursuing external market opportunities.
  - is usually tied closely to the calibre of a company's manufacturing capability and/or its proprietary technology and know-how.
  - is a more valuable company resource than either a "competence" or a "distinctive competence" but it is not as good a resource strength as a "competitive capability."
- 8 A distinctive competence:
- is a more important competitive asset than a core competence.
  - represents competitive superiority in performing an activity and thus is a basis for building a competitive advantage over rivals.
  - is a competitively important value chain activity that a company performs better than its rivals.
  - is a strong candidate for being used as a cornerstone of a company's strategy.
  - All of the above.
- 9 Which of the following is NOT a measure of the competitive power of a company's resource strengths and competitive capabilities?
- How hard it is for competitors to copy a particular resource strength or competitive capability of a company
  - Whether the company has more resources/capabilities than any other key rival
  - Whether the resource or capability is really competitively superior to what rivals have or can do
  - How easily the resource or capability can be trumped by the different resources/capabilities of rivals
  - Whether the resource or capability is durable and has staying power (in the sense of not losing its value quickly because of new developments)
- 10 The industry or market opportunities that are most relevant to a company and those which its strategy should aim at capturing include
- opportunities that are well-suited to the company's competitive capabilities and resource strengths.
  - opportunities which the company has the financial resources to pursue.
  - opportunities that offer important avenues for growth.
  - opportunities where the company has the greatest potential for competitive advantage.
  - All of the above.
- 12 A company's value chain consists of:
- the activities a company performs in converting its resource weaknesses into resource strengths.
  - the collection of activities it performs in the course of designing, producing, marketing, delivering, and supporting its product or service and delivering value to customers-these activities can be grouped into (a) the primary activities that are foremost in creating value for customers and (b) the related support activities that facilitate and enhance the performance of the primary activities.
  - the activities a company performs to build a competence and turn it into a strong competitive capability.
  - identifying the primary activities and related support activities that a company performs in developing a distinctive competence.
  - identifying each and every activity that results in a cost to the company and that, therefore, has to be covered by its price.

- 13 A company's cost competitiveness is largely a function of:
- a) whether it does a good enough job of benchmarking its value chain activities against the value chains of competitors so that it knows exactly how low to drive its costs to be cost-competitive.
  - b) how efficiently it manages its overall value chain activities relative to how efficiently competitors manage theirs.
  - c) whether it does a better job of building its resource strengths more cost effectively than rivals.
  - d) whether it possesses more core competences and competitive capabilities than rivals.
  - e) how closely its internally-performed activities are linked to the activities performed by suppliers and to the activities performed by forward channel allies.
- 14 One of the most dependable ways for a company to build competitive advantage:
- a) is developing the skills, competencies, and capabilities to perform competitively crucial value chain activities better than competitors.
  - b) is using its resource strengths to insulate itself from the impact of the five competitive forces.
  - c) is improving the calibre of its product or service (because superior products or services are almost impossible to clone or improve upon).
  - d) is moving into the strategic group where profit margins are highest.
  - e) is neutralizing the external threats to a company's well-being and then focusing company resources on the company's single best market opportunity.
- 15 Identifying the strategic issues that company managers need to address:
- a) involves using the results of both industry and competitive analysis and what has been learned from evaluating the company's present strategy, SWOT analysis, and the evaluations of the company's own competitiveness
  - b) entails developing a "worry list" of "how to...", "whether to....", and "what to do about....."
  - c) is an important component of company situation analysis because a good strategy must include actions to deal with all the strategic issues that need to be addressed.
  - d) entails locking in on what challenges the company has to overcome in order to be financially and competitively successful in the years ahead.
  - e) All of the above.
- 16 "Shareholder wealth" in a firm is represented by:
- a) the number of people employed in the firm.
  - b) the book value of the firm's assets less the book value of its liabilities.
  - c) the amount of salary paid to its employees.
  - d) the market price per share of the firm's shares.
- 20 A company's \_\_\_\_\_ is (are) potentially the most effective instrument of good corporate governance.
- a) shareholders
  - b) board of directors
  - c) top executive officers
- 21 Growth means:
- a) change
  - b) stability
  - c) effectiveness
  - d) efficiency

- 22 Entrenched companies may have cost advantages not available to potential rivals. This is an example of:
- a) capital requirements
  - b) cost disadvantage independent of size
  - c) economies of scale
  - d) government policy
  - e) profitability gap
- 26 Friedman (1962) is a famous exponent of the view that:
- a) Business is business
  - b) Business is society
  - c) Business is politics
  - d) Business is power
- 27 Benchmarking is a popular tool to measure performance. Benchmarking involves the continual process of comparing organizational performance against:
- a) Industry standards
  - b) High achieving organizations
  - c) Rivals
  - d) Organizations within the same industry
- 28 The description of an organization's values, definition of its responsibilities to stakeholders, and identification of its major strategies is known as a:
- a) business-level strategy.
  - b) business model.
  - c) mission statement.
  - d) balanced scorecard.
  - e) None of the above.
- 29 The description of how different levels and employees in the organization must perform for the organization to achieve its goals is a:
- a) business-level strategy.
  - b) business model.
  - c) mission statement.
  - d) balanced scorecard.
  - e) None of the above.
- 30 What term is used to describe the continuous process of measuring a company's own products, services, and activities against competitors' performance?
- a) Balanced scorecard
  - b) Business-level strategy
  - c) Benchmarking
  - d) Internal calibration
  - e) None of the above.
- 31 Taking a bribe is:
- a) A violation of human rights
  - b) A violation of an individual's right to privacy
  - c) A violation of distributive justice
  - d) A violation of common decency

- 32 Ethical behaviour is not in the long-term interest of businesses.
- a) True
  - b) False
- 33 Distributive justice refers to:
- a) Rewards allocated to those who shout loudest
  - b) Rewards allocated by level of contribution
  - c) Rewards allocated to those who cannot help themselves
  - d) Rewards allocated regardless of contribution
- 34 Ethical business practice requires, above all else, an active awareness and consideration of the likely long-term consequence of any action.
- a) True
  - b) False
- 35 By professing ethical behaviour, organisations in the \_\_\_\_\_ hope to avoid threats of litigation, boycotts, strikes and shareholder alienation.
- a) Reactive
  - b) Compliant
  - c) Immoral
  - d) None of the above.
- 36 It is important for businesses to practice ethical behaviour to \_\_\_\_\_.
- a) Avoid conflict and promote distributive justice.
  - b) Promote conservation of resources and preserve corporate reputation.
  - c) Promote long term profitability and avoid societal conflict.
  - d) All of the above.
- 37 Which one of the following managers does not factor ethical considerations into own actions since business activity lies outside sphere of moral judgment?
- a) Immoral managers
  - b) Intentionally amoral managers
  - c) Both a) and b).
- 38 The three major criteria managers should look for when selecting employees are physical, mental and \_\_\_\_\_ capability?
- a) Intellectual
  - b) Emotional
  - c) Psychological
  - d) Physiological
- 39 A system for providing employees with regular feedback on their performance is known as \_\_\_\_\_?
- a) Empowerment
  - b) Enrichment
  - c) Appraisal
  - d) Enhancement
- 40 Which of the following is not usually associated with a highly motivated workforce?
- a) High quality work output
  - b) High staff turnover
  - c) High work satisfaction
  - d) High staff involvement



- 41 One of the major challenges in the South African labour market is to overcome barriers due to discrimination based on ethnicity, race or gender
- a) True
  - b) False
- 42 The ILO seek to achieve their Decent Work agenda by focusing on four key objectives:
- a) Creating Jobs
  - b) Guaranteeing rights at work
  - c) Extending social protection
  - d) Promoting social dialogue
  - e) all of the above
- 43 Unethical behaviour in business can be reduced if management does all of the following except
- a) establish clear policies on unethical behavior.
  - b) limit opportunities for unethical behavior.
  - c) establish formal rules and procedures.
  - d) punish unethical behavior firmly.
  - e) depend totally on employees' personal ethics.
- 44 Trust can be achieved as a corporate phenomenon, without any reliance on individual intention and belief, provided that social relationships are controlled with a code of ethical behaviour.
- a) True
  - b) False
- 45 Identify which competency a manager uses when he recognises that changes in the industry create significant threats and opportunities.
- a) Communication
  - b) Planning and administration
  - c) Teamwork
  - d) Strategic action.
- 46 Understanding the organisation, as part of the Strategic Action competency, includes the following activities, except:
- a) Balancing the concerns of stakeholders
  - b) Identifying the distinctive competencies of the organisation
  - c) Establishing tactical and operational goals that facilitate strategy implementation
  - d) Understanding the strengths and limitations of various business strategies.
- 47 Identify which dimension of a 'Global Awareness' competency a manager is practicing when they understand that they should stay informed of political, social and economic trends and events around the world.
- a) Cultural openness and sensitivity
  - b) Understanding the industry
  - c) Cultural knowledge and understanding
  - d) Understanding the organisation.
- 48 The staffing process entails only the processes of recruitment and selection to meet staffing requirements of the organisation.
- a) True
  - b) False

- 49 Which of the following is not part of the staffing process?
- a) Recruitment
  - b) Selection
  - c) Retirement
  - d) Placement
  - e) Incorporation
- 50 Which of the following cannot be regarded as a short-term financial goal?
- i. Liquidity
  - ii. Solvency
  - iii. Profitability
  - iv. Accelerating cash flows from accounts receivables
  - v. Maximising shareholders' wealth

Choose the correct combination:

- a) i, ii, iii, v
  - b) i, ii, iv, v
  - c) ii, iii, iv, v
  - d) i, iii, iv, v
  - e) i, ii, iii, iv
- 51 Examples of internal staff recruitment include:
- a) Current staff moving laterally from one position in the firm to another
  - b) Obtain staff using a recruitment agency
  - c) Obtain staff by placing advertisements in newspapers and magazines
  - d) Contacts universities and colleges to recruit students
  - e) Current staff referring family and friends
- 52 Human resource management is the function that ensures that the organisation recruits, selects and retains staff to execute the various jobs in the organisation.
- a) True
  - b) False
- 53 When assessing suppliers, which of the following issues do not play a role?
- a) financial stability of the supplier
  - b) production facilities and capacity
  - c) Number of network relations
  - d) manufacturing efficiency
  - e) Environmental compliance
- 54 Which of the following cannot be regarded as an element of the promotion mix?
- a) Advertising
  - b) Public relations
  - c) Product displays
  - d) Personal selling
  - e) Sales promotion

- 55 The following terms should be specified in a supplier agreement:
- i. Volume and frequency
  - ii. Period of the agreement
  - iii. Price of the products
  - iv. Termination period
  - v. Level of networking relationship of suppliers

Choose the correct combination:

- a) i, ii, iii, v
  - b) i, ii, iv, v
  - c) ii, iii, iv, v
  - d) i, iii, iv, v
  - e) i, ii, iii, iv
- 56 \_\_\_\_\_ covers any communication that is paid for, from cinema commercials, radio and Internet adverts through print media and billboards.
- a) Advertising
  - b) Public relations
  - c) Product displays
  - d) Personal selling
  - e) Sales promotion
- 57 \_\_\_\_\_ is when communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events.
- a) Advertising
  - b) Public relations
  - c) Product displays
  - d) Personal selling
  - e) Sales promotion
- 58 The \_\_\_\_\_ life cycle phase represents the full-scale launch of a new product into the market.
- a) introductory
  - b) growth
  - c) maturity
  - d) decline
  - e) product development
- 59 The \_\_\_\_\_ lifecycle phase occurs when the product has survived the first stage and sales usually grow at an increasing rate.
- a) introductory
  - b) growth
  - c) maturity
  - d) decline
  - e) product development
- 60 Which of the following is not a way in which manufacturers can transfer products to consumers?
- a) Direct channel
  - b) Retailer channel
  - c) Wholesale channel
  - d) Manufacturer channel
  - e) Agent/broker channel