



**COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF BUSINESS MANAGEMENT
MID YEAR ASSESSMENT**

MODULE: COMMERCE
CODE: COM100
TIME ALLOWED: 120 Minutes
TOTAL MARKS: 100

EXAMINER(S): Mrs S Hughes
MODERATOR: Ms C van Tonder
NUMBER OF PAGES: 21 pages

INSTRUCTIONS:

- This is a closed-book assessment.
 - Question papers must be handed in together with your answer books.
 - Read the questions carefully and answer only what is asked.
 - Answer all the questions:
 - Answer **section A** at the back of the answer book. Indicate the correct answer as per the instructions.
 - Answer **section B** in the answer book.
 - Number your answers clearly.
 - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
 - Structure your answers by using appropriate headings and subheadings.
 - The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
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SECTION A**[40 MARKS]****QUESTION 1**

The Forest Nature Reserve is known for its employee training programs. Managers at the Reserve conduct research to determine the best candidate interviewing techniques. This involves the use of which of the following management approaches?

- A Administrative principles approach
- B Bureaucratic approach
- C Behavioural sciences approach
- D Humanistic approach

QUESTION 2

Since not-for-profit organisations do not have a conventional _____, managers may struggle with the question of what constitutes results and effectiveness.

- A hierarchy
- B bottom line
- C information system
- D decision making process

QUESTION 3

Used widely by Indian companies, _____ refers to an innovation mind-set that strives to meet customers' immediate needs quickly and inexpensively.

- A benchmarking
- B organisational development
- C kaizen
- D jugaad

QUESTION 4

Jessica was recently praised by her supervisor for displaying superior customer service during an encounter with a problem customer. This is an example of organisational:

- A information processing
- B efficiency
- C effectiveness
- D structure

QUESTION 5

When Thabo of CommuniCom, Inc. created smaller, more independent maintenance units, he was performing the management function of:

- A controlling
- B human relations skills
- C leading
- D organising

QUESTION 6

Which of the following is a characteristic of a traditional management approach?

- A Managers play the role of an enabler
- B Managers supervise team members' tasks
- C Managers constantly mobilize for change
- D Managers lead and empower teams

QUESTION 7

Terry manages a food distribution company that is highly focused on creating a strong cohesive culture, but the company does not tie organizational values directly to goals and desired business results. Terry's company most likely falls into which of the following quadrants of organizational performance and culture?

- A Quadrant A
- B Quadrant B
- C Quadrant C
- D Quadrant D

QUESTION 8

The involvement culture emphasizes a(n) _____ focus on the participation of employees to adapt rapidly to changing needs from the environment.

- A external
- B internal
- C structural
- D competitive

QUESTION 9

A _____ is a narrative based on true events that is repeated frequently and shared among organisational employees.

- A symbol
- B slogan
- C story
- D hero

QUESTION 10

"The adaptability culture emerges in an environment that requires _____ response and _____ decision making.

- A fast; high-risk
- B fast; low-risk
- C slow; high-risk
- D slow; low-risk

QUESTION 11

When the USS *Indianapolis* sank after being torpedoed, one Navy pilot disobeyed orders and risked his life to save men who were being picked off by sharks. The Navy pilot was operating from the _____ level of moral development.

- A preconventional
- B conventional
- C postconventional
- D conservative

QUESTION 12

Robbie's Robots decided to continue operations at one plant while shutting down another. The decision was justified on the basis of what was best for the total corporation. This is an example of the:

- A utilitarian approach
- B individualism approach
- C moral-justice approach
- D justice approach

QUESTION 13

Statements that define fundamental values and reference organizational responsibilities, quality of products, and treatment of employees are often called:

- A principle-based
- B policy-based
- C ethically based
- D codified

QUESTION 14

When everyone is pursuing self-direction, the greater good is ultimately served because people learn to accommodate each other in their own long-term interest. This is an example of the:

- A utilitarian approach
- B individualism approach
- C moral-justice approach
- D justice approach

QUESTION 15

_____ refers to the use of managerial and organisational tools to direct resources toward achieving strategic outcomes.

- A Strategy formulation
- B Strategy coordination
- C Strategy execution
- D Strategy control

QUESTION 16

When top executives at Edcon work with managers in major divisions or departments to develop their own goals and plans, it is known as _____ planning.

- A interdepartmental
- B crisis
- C focus
- D decentralised

QUESTION 17

Double Click, Inc. has a number of strategic business units. Its handheld computer unit has a large market share in this rapidly growing industry. Its handheld computer business would be classified as:

- A a dog
- B a star
- C a question mark
- D a cash cow

QUESTION 18

Focusing manager and employee efforts on activities that will lead to goal attainment is a benefit of what management method?

- A tactical planning
- B contingency planning
- C single-use planning
- D management-by-objectives

QUESTION 19

Sandy works in the human resource department at Turtle Shells, Inc. She believes she is seeing an increase in drinking problems among the workforce. She thinks she needs to investigate further. She is at which of the following stages of the managerial decision-making process?

- A diagnosis and analysis of causes
- B development of alternatives
- C recognition of decision requirements
- D evaluation and feedback

QUESTION 20

Finance managers at Big Bend Inc. made a financial blunder when they solely looked at the previous year's sales to estimate sales for the coming year. Of which of the following management biases is this an example?

- A being influenced by emotions
- B perpetuating the status quo
- C seeing what you want to see
- D being influenced by initial impressions

QUESTION 21

Examples of nonprogrammed decisions would include the decision to:

- A reorder supplies
- B develop a new product or service
- C perform routine maintenance on one of the machines in manufacturing
- D terminate an employee for violation of company rules

QUESTION 22

Stephanie works in one of seven research and development departments at Tara's Terrace, Inc. This would suggest that Tara's Terrace has a:

- A divisional structure
- B functional structure
- C wide span of control
- D matrix structure

QUESTION 23

Rebecca works for a company that has clearly defined lines of authority. Each employee knows that he or she has authority and responsibility for a distinct set of tasks. Employees are also aware of the company's reporting structure as well as successive management levels all the way to the top. Rebecca's company follows which of the following principles?

- A specialisation principle
- B unity of command principle
- C scalar principle
- D authority principle

QUESTION 24

Louise works in the manufacturing department at Ice Sculptures. The work in Louise's department is low in task specialization. As a result, Louise:

- A usually performs a single task
- B does a variety of tasks and activities
- C is rarely challenged
- D is often bored

QUESTION 25

Which of the following structures is most consistent with a strategy of stability?

- A team-based structure
- B organic structure
- C matrix structure
- D functional structure

QUESTION 26

"The Brain" is a permanent secret group within one of the largest auto manufacturers. Members of this elite group focus intently on developing new and innovative automobile technologies. "The Brain" can best be described as a:

- A cross-functional team
- B fast-cycle team
- C brainstorming team
- D skunkwork

QUESTION 27

After every quarterly board meeting, Bernice's Bracelets, Inc. announces big changes. It usually does not follow through on these changes. Which of the following is causing this lack of enthusiasm?

- A disagreements about benefits
- B self-interest
- C lack of understanding and trust
- D different goals and assessments

QUESTION 28

The horizontal linkage model is best applied to a(n):

- A low pressure environment
- B environment that requires speed
- C stable environment
- D customer service environment

QUESTION 29

Which of the following provides a safe harbour where ideas from employees throughout the company can be developed without interference from company bureaucracy or politics?

- A an idea champion
- B a sponsor
- C a new-venture team
- D an idea incubator

QUESTION 30

Rachel is described by her colleagues as pragmatic, super-competitive, and more likely to persuade than be persuaded. She fits which of the following personality categories most closely?

- A high Mach
- B low Mach
- C high feeling
- D low feeling

QUESTION 31

Seeking positions of power and responsibility, Cassandra has rapidly moved up the ranks within her organisation. Colleagues describe her as someone with a tremendous amount of energy and a powerful force for leadership within the organisation. Based on this description, Cassandra has which of the following types of personality?

- A Type A
- B Type B
- C Type X
- D Type Y

QUESTION 32

Frank regretfully missed an important deadline at work. His boss, George, thinks to himself, "Frank missed that deadline because he is lazy; I really need to crack down on him more." This is an example of which of the following kinds of attribution?

- A external attribution
- B internal attribution
- C horizontal attribution
- D skewed attribution

QUESTION 33

Traits of _____ seem to be particularly important in today's collaborative organisations.

- A likability
- B agreeableness
- C friendliness
- D openness

QUESTION 34

Marion is a great manager and has a number of special skills. In particular, Marion has the ability to get his subordinates to do more than would be normally expected. Which of the following best describes Marion?

- A transactional leader
- B supportive leader
- C charismatic leader
- D production-oriented leader

QUESTION 35

Beth, a middle manager at Heather's Handbags, uses threats and punishments to influence the behaviour of her subordinates. Which of the following sources of power is Beth relying on?

- A reward power
- B expert power
- C referent power
- D coercive power

QUESTION 36

Recently, Beagle Boutique was attempting to hire a middle manager. It was looking for an intelligent, confident, and honest individual. Which approach to leadership was Beagle using?

- A the contingency approach
- B the situational approach
- C the trait approach
- D the behavioural approach

QUESTION 37

Which of the following types of leader clarifies the role and task requirements of subordinates?

- A transactional
- B charismatic
- C transformational
- D supportive

QUESTION 38

Nelson is motivated by a strong need for recognition and is continually seeking credit for his contributions to the organisation. According to Maslow, Nelson is motivated by which category of needs?

- A physiological
- B safety
- C belongingness
- D esteem

QUESTION 39

Samuel, a sales associate at an electronics store, learns that his base pay is higher than any other sales associate in the store. He justifies his higher salary with the idea that he must be a top sales associate, generating more revenue than anyone else. This example demonstrates which of the following methods for reducing perceived inequity?

- A working harder, not smarter
- B changing outcomes
- C changing perceptions
- D changing work effort

QUESTION 40

Sally enjoys her job as a teacher, not because of the pay or benefits, but because she feels good about shaping the minds of tomorrow's leaders. Sally is motivated by:

- A power factors
- B leadership factors
- C hygiene factors
- D intrinsic rewards

SECTION B**[60 MARKS]**

ALTHOUGH YOU RECEIVED THE CASE STUDY IN ADVANCE IT IS INCLUDED HERE FOR YOUR CONVENIENCE. PLEASE ANSWER THE QUESTIONS BELOW WITH REFERENCE TO THE CASE:

Eskom-can they keep the lights on?

With effect from 1 July 2002, Eskom was converted into a public company as Eskom Holdings Limited. The two-tier governance structure of the Electricity Council and the Management Board was replaced by a Board of Directors. The Board is the accounting authority of Eskom in terms of the Public Finance Management Act (PFMA). The Board is responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the Executive Management Committee (EXCO). The Board meets quarterly and monitors management's compliance with policy and its achievements against objectives. Compliance, not only with the letter but also with the spirit of relevant governance codes, remains a priority for the organization. As a state owned enterprise, Eskom is guided by the principles of the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa 2002 (King II Report), as well as the Protocol on Corporate Governance in the Public Sector 2002. The Government of the Republic of South Africa is the sole shareholder of Eskom. The shareholder representative is the Minister of Public Enterprises.

The business case at Eskom

Eskom generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Additional power stations and major power lines are being built to meet rising electricity demand in South Africa. Eskom aims to continue to focus on improving and strengthening its core business of electricity generation, transmission, trading and distribution. Eskom buys electricity from and sells electricity to the countries of the Southern African Development Community (SADC). The future involvement in African markets outside South Africa (that is the SADC countries connected to the South African grid and the rest of Africa) is limited to those projects that have a direct impact on ensuring security of supply for South Africa.

Ethical Business Conduct

According to Eskom's website their statement about ethical business conduct is called 'the Way'. According to the Eskom way: Eskom commits itself to upholding its values and ethical standards and demonstrating this commitment to all its stakeholders. Therefore, Eskom's directors and employees are required to apply the Code in their day-to-day activities, especially if there are no rules governing the decisions. The Eskom Code of Ethics; 'The Way', reflects the organisation's commitment to the highest ethical standards and principles in all Eskom business. It not only describes the acceptable

behaviour and attitudes that are essential in living the Eskom values of Zero Harm, Integrity, Innovation, Sinobuntu, Customer Satisfaction and Excellence (ZIISCE), but it also establishes the foundation for the interaction of Eskom's Board of Directors and employees with colleagues, customers, suppliers, shareholders, the environment, the public and other stakeholders. Adhering to this Code is not optional; "it is The Way we do business at Eskom, the Eskom Way." Eskom is also committed to the fight against fraud, corruption, and other forms of economic crime, and irregularities and has established the Fraud Prevention and Whistle Blowing Policies. Eskom adopts a zero-tolerance approach to these activities, irrespective of whether they are committed in or outside the organisation.

The following contact details are also provided on the Eskom website: for any advice on ethical issues, please contact the Ethics office on 011 800 2725/6324 or ethics@eskom.co.za. To report fraud, corruption and irregularities to Eskom's confidential, whistle-blowing hotline: dial 0800-11-27-22. The line is managed by an independent service provider.

Organisation structure

According to the Eskom website, the organisational structure is "currently" in the process of being revised to incorporate the recent appointments and changes. It must be highlighted however that Eskom does have a new board, appointed in January 2018, with Jabu Mabuza as the chairperson. Mabuza has been credited with turning around Telkom's disastrous performance since 2012. The appointment of the new board came as Eskom faced a leadership crisis after several board members, including the chairman and chief executive, resigned in 2017 amid growing concerns about governance at the state-owned enterprise, in spite of the lofty ethical statements on the website.

2018 Wage strike

Wage talks between Eskom and the National Union of Metalworkers (NUM), alongside Numsa in 2018 had a fruitless end as members of the two unions staged a walkout as negotiations collapsed. The power utility has decided not to offer a wage increase this time around, citing its well-documented financial problems, something which has not gone down well with the unions, who are now threatening to plunge the country into darkness if an offer is not placed on the table. Following the talks, Numsa issued a statement revealing a hostile environment during the wage negotiation, as the talks were held in the presence of private security personnel. "We cannot be expected to talk with the threat of guns hovering above us," Numsa said.

According to The Citizen, the workers are demanding an increase of 15% across the board, a R2 000 increase in housing allowance, as well as an 80% contribution into medical aid from the power utility. Despite an overhaul at the power utility by President Cyril Ramaphosa, its financial woes have not shown any signs of letting up. The cash-strapped parastatal is reportedly not planning to make any new appointments or issuing out any bonuses anytime soon. Eskom spokesperson, Khulu Phasiwe was on eNCA, where he revealed that they are making an effort to rein in costs, which has led to

them holding firm to their zero percent offer.

Eskom's CFO on Bonuses and Salary increases

"With regard to staff costs, we acknowledge that we have to address this. We've started by giving no bonuses or salary increases to senior managers, while for middle-managers there was just an inflationary salary adjustment with no bonuses. In terms of the staff complement, we need to look to reduce this over the next three to five years to come in line with an efficient base. "We must not forget that finance costs are also significant, and must be in line with our proposals for the balance sheet optimisation.

Load shedding bad news for jobs, investment, food prices

The interruptions caused by load shedding will have a negative impact on the costs small businesses in various sectors have to carry, according to industry representatives and analysts. The power utility has pinned load shedding to plant breakdowns, and a connection between SA and Mozambique – the Apollo line – going down, due to cyclone Idai. Eskom's spokesperson Khulu told Fin24 that it was too early to say how long load shedding would last, but Eskom is getting feedback from power stations on the status of the units, and the department of public enterprises is engaging with Eskom's board to address the problem.

It's a 'very expensive' problem

"Load shedding is very expensive, not only to Eskom, because we cannot sell as much electricity as we want to, but also for the country. It means many of the companies using electricity – like the steel industry and others, would have to reduce operating hours because of load shedding. All these things have a negative effect on the economy," Phasiwe said.

Meanwhile Agri SA issued a statement warning that load shedding would have a negative impact on the sector and the broader value chain. Electricity costs account for 5%, or about R7bn, of the sector's expenses, Agri SA said. "Electricity is an important input cost for many farmers, especially farmers that depend on irrigation... Load shedding will have an impact on irrigation-reliant and energy-intensive industries like the horticulture, dairy, poultry, grains and agro-processing industry," said Nicol Jansen, chairman of Agri SA's centre of excellence for economics and trade. FNB senior agricultural economist Paul Makube told Fin24 that past experience shows that load shedding comes at a cost for farmers, as they have to make provision to run generators to keep operations going. "Farmers may face pressure if the costs of maintaining operations increase," he said. Makube said that if load shedding is sustained, and if there is no security of electricity supply in the long term, it will be costlier to produce food. "Obviously those costs will be passed onto the consumer," he said. "Eventually in the longer term it will have an impact on food inflation, if it is sustained."

Smelters closing down

Marique Kruger, an economist of the Steel and Engineering Industries Federation of Southern Africa

(Seifsa) said that electricity input costs amount to 2% - R9.3bn for iron and steel products, and R2.2bn for basic non-ferrous metals. Load shedding comes at a time when the metal and engineering sector has started to stabilise. Load shedding could affect the competitiveness of the sector and reverse gains which have been made, she explained. Shaun Nel - spokesperson for the Energy Intensive Users Group of South Africa, whose members include chemicals and oil company Sasol, paper manufacturer Mondi, mining companies such as Sibanye-Stillwater and Anglo American – warned that load shedding would see smelters closing down. "Load shedding, or the lack of power, is causing several businesses to reassess their smelting operations," he said.

What has caused this round of load shedding?

The country is on its knees with regards to the electricity supply, especially if Stage 4 load shedding comes into effect. It seems a failure to prepare has hurt Eskom the most, as they are running short on the essentials needed to keep the grid online. During the height of the last round of loadshedding, executives at the power giant outlined the key issues that are causing these blackouts:

- Problems with coal supply.
- Questionable quality of coal provided.
- Not enough water at the dams of the hydro-plants.
- A loss of power from imported sources in Mozambique, due to Cyclone Idai.
- A large number of tube failures and breakdowns at local coal-fired power stations.

Just one of these problems on their own is enough to constitute a crisis. Several of them piled up at the same time puts us nearer “disaster” territory. In addition to this, many of South Africa’s power stations are between 35 – 50 years old. They are effectively past their sell-by date, and cannot operate at an optimal level. Rather tellingly, Eskom has tried to shift the blame for the last round of stage 4 loadshedding onto the extreme weather north of the border. However, attempts to frame Cyclone Idai as the sole reason for this misery have fallen flat. Only a fraction of our power supply is imported from Mozambique, and the adverse conditions cannot be held responsible for the drop to Stage 4. Moving forward, Gordhan’s office assured the public that the task team charged with getting Eskom back on track will “intensify” their operations this week. According to the statement, the team will provide important information about plant unit failures and what urgent measures can be taken to ensure power stations operate at optimal levels.

Eskom’s failures

Despite the clarity conveyed on Eskom’s website regarding governance and the role of the board it has not been smooth sailing at Eskom. Public Enterprises Minister Pravin Gordhan has said that government plans to hold those responsible for Eskom's failures to account. Gordhan said there would be litigation against those responsible for the poor design of the Medupi power station and also suggested that, in terms of corruption, some people might soon "find themselves in orange uniforms". "We are going to have difficulties for a short while," he said. "The board will ensure, as will government itself that the experience of load shedding will be as short as possible and ensure it does not become a permanent feature for SA."

Gordhan highlighted Eskom's three-pronged crisis – financial, structural and operational. Speaking to Eskom's financial problem – Gordhan said Finance Minister Tito Mboweni would provide details on the kind of financial support Eskom would receive from government, given the fiscal and economic constraints the country is facing. "Eskom should not be a huge financial burden for the fiscus over the medium term," he said. As for Eskom's current structure, Gordhan said that the utility is not being managed in a way that was consistent with similar utilities in other parts of the world. "Security of supply is imperative - not just for our economy but for every household relying on electricity for basic things," he said. He also stressed that the unbundling of Eskom into three entities - generation, transmission and distribution – does not mean the utility will be privatised.

As for Eskom's operational problems, government has met with Eskom's board to determine what is happening at the power stations, why they are breaking down and if Eskom has the "technical competence" to resolve those issues. The Medupi and Kusile coal plants were meant to create a buffer - or extra energy space – so that older power stations could be taken offline and receive "deep maintenance". But this has not happened, he explained. "Eskom's current dilemma on the operational side – is that we do not have the safety margins that the Medupi and Kusile construction should have provided," he said. There has been a "distinct neglect of maintenance".

The way forward

President Cyril Ramaphosa announced in the State of the Nation Address that Eskom would be broken up into three entities - generation, transmission and distribution, in an effort to make the power utility operationally and financially sustainable. Eskom has R420bn in debt it has to service, and so far has used R255bn of government's R350bn guarantee. The president also said that government would be supporting Eskom's balance sheet. Unions however have objected to the unbundling as they believe it would lead to privatisation and ultimately job losses in the generation sector, particularly coal mines. However Eskom CEO Phakamani Hadebe has said that the president has committed to not sell key state assets.

Why South Africa's latest plan for Eskom could work

South African President Cyril Ramaphosa has unveiled a new plan for the country's beleaguered state owned power utility, Eskom. During his State of the Nation Address on 7 February 2019, Ramaphosa announced that Eskom would be unbundled into "three separate entities – generation, transmission and distribution". These would all be established "under Eskom Holdings". This announcement has been a long time coming. It was first proposed and formalised 20 years ago in the country's 1998 White Paper on Energy Policy. Among other things, the policy sought to break Eskom into distinct smaller entities. Ramaphosa's speech was the seventh State of the Nation Address in which a president committed to structural reforms in the electricity sector. But the unbundling will have far reaching consequences for South Africa's energy sector.

Unbundling explained

Unbundling is a type of structural reform. In the electricity sector, vertical unbundling refers to the

separation of a utility's generation, transmission, distribution and (sometimes) retail functions. Horizontal unbundling refers to the creation or entry of multiple players into each of these functions. Generation, transmission and distribution companies will have their own boards and executive structures. This process will take time to implement, probably in the region of five years.

The players may compete against each other to deliver the same service.

South Africa is certainly not the first country to undergo this type of reform. There are a number of benefits associated with unbundling. These include:

- more efficiency, resilience and sustainability through a tighter focus and clearer incentives within each functional area;
- More competition and diversification of players;
- Clarity in costs and functions of unbundled entities, which increases accountability for the purposes of governance and oversight; and,
- Low-cost procurement driven by effective planning, competition and transparency.

Eskom currently operates as a vertically integrated monopoly. This means it performs the generation, transmission, distribution and retail functions. This outdated structure, which is characterised by a lack of transparency and accountability, has continued to shape the utility in the years since democracy.

There is a narrow window for municipalities and the private sector to play a role in distribution and retail, and generation, respectively. Eskom exercises tremendous power in controlling access to the national grid. It has used its dominance to oppose national energy policy by, for example, refusing to sign power purchase agreements with independent power producers. Reform is a complex social and technical process. It is not without risk and costs. This time, however, failure of implementation is not something the country can afford.

What is at stake if Eskom does not “get it right”

Considering its importance to the South African economy, many people are deeply concerned about power utility Eskom's financial status as a going concern. Calib Cassim CA(SA) was appointed Eskom CFO in November 2018 after serving as acting CFO from July 2017. The costs of unbundling and restructuring Eskom are still to be determined. In November 2018, he forecast a loss of R15bn for the 2018/19 financial year. This loss was revised to R20.2bn, with a further R19.7bn loss forecast for 2019/20, even assuming Eskom gets the 17.1% increase applied for to Nersa (National Energy Regulator of South Africa), plus the 4.41% RCA (Regulatory Clearing Account) award already granted for April 1, 2019. But ultimately, what it comes down to is that if the tariffs granted by Nersa are much lower than that requested, the amount of support needed would have to increase accordingly to balance the cash flows. Here are some questions Cassim answered in an interview:

Journalist: Eskom is not generating enough cash flow annually to service debt principle and interest payments, how will it survive? What will Eskom's debt service coverage ratio be (i.e. net operating income / debt service costs) for the 2018/19 financial year?

Cassim: At the moment, based on our December 2018 projections, we are forecasting our debt service cover ratio to be 0.47, which is less than half of where it should be to meet our commitments. So as I have said, as we approach year-end Eskom is effectively using one credit card to pay back

the other credit card, which is never sustainable under any circumstances.

Journalist: If Eskom does not get the 17.1%, 15.4% and 15.5% MYPD4 tariff increases it wants for the next three years, what are the implications for Eskom? For example, if Nersa only allows 10% for three years, what will be the financial hole to be plugged through increased debt and equity, and decreased expenses?

Cassim: On average, Eskom is looking at a revenue requirement of about R200bn per annum. So every 1% of that in terms of price increase not granted would give a shortfall of about R2bn. Thus a drop from 17.1% applied for, to 10% for the first year of MYPD4, would increase the funding gap by about R15bn for that year alone. But this gets compounded over the next three years. Ultimately we can manage cash-flows in the short term by deferring some of our capital expenditure. But it would get to a point where Eskom cannot meet its debt repayments. As a significant portion of our debt is guaranteed, this would eventually lead to us going to government cap in hand for them to step into our shoes and take over those commitments. I think it's important to highlight that this doesn't mean the full R240bn of guaranteed debt will be required to be repaid immediately. Government would just service those terms and conditions going forward. It would, however, result in a potential debt restructuring event that we would have to address with all the lenders.

Journalist: What do you think needs to change, both structurally and in Eskom's business model, to shift to a more sustainable path? Is the internal functional ring-fencing that you proposed in December 2018 sufficient, or should Eskom be unbundled and restructured with greater urgency?

Cassim: President Cyril Ramaphosa has given Eskom its "marching orders" in terms of unbundling the utility into separate generation, transmission and distribution entities. I think there is definitely an element of urgency required, and together with government, we now need to come up with plans to execute this. Ultimately it will help as we see value, from a transparency perspective, in terms of what the real costs are for generation, transmission and distribution. It will also highlight the cross-subsidies that may exist between the different business units. More importantly, from the regulator's perspective, going forward much greater clarity will be required on what the prices for each of these services should be to the end-consumer. This will help everyone focus on the efficiencies to be gained from the respective elements of this value chain.

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QUESTION 1

A great deal of the challenges experienced at Eskom can be ascribed to management. Going forward it is crucial for Eskom's managers to correctly execute their tasks. Explain Mintzberg's *FOUR decisional roles* to the senior managers at Eskom.

(4 marks)

QUESTION 2

Those who don't learn from the past are doomed to repeat it. This is true, both for Eskom's past mistakes and for the lessons that can be taken from the evolution of management theory. In this vein, explain *THREE* significant elements of Total Quality Management that should be implemented at Eskom to improve its performance.

(3 marks)

QUESTION 3

While Eskom currently has a monopoly in electricity manufacturing and distribution in South Africa there is a great deal of uncertainty with regards to changes in the environment Eskom operates in, from corruption allegations to operational concerns. As environmental turbulence increases, strategic issues emerge more frequently. Explain *THREE* strategies that managers at Eskom can use to help their organisation *adapt to an uncertain or turbulent environment*.

(3 marks)

QUESTION 4

Ethics is the code of moral principles and values that governs the behaviours of a person or group with respect to what is right or wrong. Ethics sets standards as to what is good or bad in conduct and decision making.

- 4.1 Explain the *THREE domains of human action* (3 marks).
- 4.2 Considering the most recent ethical dilemmas that have come to light at Eskom, in which domain did the behaviour of managers at Eskom fall? Provide justification for your choice (2 marks).

(5 marks)

QUESTION 5

The changes that need to take place at Eskom are easier said than done. Based on the status quo presented in the case, as well as the future plans and ideas that are outlined in the case, answer the following questions;

- 5.1 Define the following key components of planning; (1) mission, (2) plans, and (3) goals. (3 marks)
- 5.2 Explain the relationship between a vision, mission, plans and goals by referring to the case and analysing how Eskom should use each of these components to direct their organisational efforts to greater success. (4 marks)

(7 marks)

QUESTION 6

There are different approaches that managers use to making decisions. The choice of model used depends on the managers' personal preference, whether the decision is programmed or non-programmed and the degree of uncertainty associated with the decision.

- 6.1 Based on your insight into the case, which decision making model is routinely employed at Eskom (1 mark), remember to justify your choice using information from the case (1 mark)
 - 6.2 Outline the assumptions that underpin the decision making model identified in 6.1 with reference to the case (4 marks)
- (6 marks)

QUESTION 7

Studies show that business performance is strongly influenced by how well the company's structure is aligned with its strategic intent and the needs of the environment, therefore managers strive to pick strategies and structures that are congruent.

- 7.1 Based on your insights into Eskom's strategic goals, identify and elaborate on the kind of *organisational structure* that is most suitable for Eskom (3 marks)
 - 7.1 Define the concept of collaboration, AND suggest to managers at Eskom *how* the management team should facilitate and enable greater collaboration between departments. (3 marks)
- (6 marks)

QUESTION 8

The culture at Eskom has contributed to poor performance and the situation is unlikely to improve without a change in the organisational culture. Eskom needs to go through an organisational development process in order to stand a chance to meaningfully improve. Describe FIVE tactics that managers at Eskom can use *to implement change*, overcome resistance and more smoothly put changes into action.

(5 marks)

QUESTION 9

Eskom presents a very stressful working environment.

- 9.1 To assist managers identify the TWO causes of *work stress* that they need to be aware of (2 marks).
 - 9.2 Explain TWO things that *managers at Eskom can do* to help their employees manage stress (2 marks).
- (4 marks)

QUESTION 10

Eskom is clearly not only facing issues with regards to leadership but also with regards to followership, consider the lack of trust between management and unionised staff.

10.1 Briefly explain the FIVE styles of followership by mentioning the TWO dimensions that they can be classified according to. (7 marks)

10.2 Identify the type of followership most prominent at Eskom and justify your choice with evidence from the case. (2 marks)

(9 marks)

QUESTION 11

Managers at Eskom probably have to take a pragmatic view of motivating their employees based on the law of effect. In this view behaviour that managers reinforce tends to be repeated and behaviour that is not reinforced tends not to be repeated. Managers at Eskom have very specific goals that need to be achieved and one of their primary tools for motivating employees is the set of techniques by which reinforcement theory is used to modify human behaviour.

11.1 Explain the FOUR reinforcement tools that managers can utilise to motivate the desired employee behaviour using examples/insights into the case.

(8 marks)

END OF ASSESSMENT