

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION

NOVEMBER 2017

TITLE OF PAPER : BUSINESS ENVIRONMENT

DEGREE : B.COMM

COURSE CODE : BUS 305

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS :

- 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**
- 2. THE CASE STUDY ON SECTION (A) IS COMPULSORY. TOTAL MARKS POSSIBLE: 40 MARKS**
- 3. ANSWER ANY THREE QUESTIONS FROM SECTION (B): TOTAL MARKS POSSIBLE: 60 MARKS**

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION OF WORK

DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR HAS GRANTED PERMISSION

SECTION A

Guptas Forestry International (GFI) have identified a forestry logging opportunity in Swaziland and established their business in the Highveld region. As soon as they started operations they were threatened with closure. It was alleged that they had encroached on Swazi Nation land and the chief of the area took them to court, yet they had bought the land and held title to it. On close inspection of the situation, the chief was mostly unhappy that they had failed to recognize him as their closest neighbouring chief and pay homage. As foreigners, they were not aware of the culture of *kuhlehla*. Most of their logging equipment was imported directly from India and was held up for weeks at the border due to unresolved importation documentation issues and this held up production, losing the company revenue. GFI ended up paying heavy import penalties behind the scenes to release their equipment. However, the low South African Rand gave the company a boost as they exported all the timber back to India.

Much to the surprise of GFI, employees embarked on a strike action within a year of operations. The company was located in a remote rural area of the country without any modern social amenities and most of the employees were unskilled elderly men as the majority of young men had migrated into the cities of Mbabane and Manzini. The bone of contention was that workers were required to work on Sundays as the foreign management were not of the Christian religion and did not recognize the holiday. During negotiations with the unions, a translator was needed since both management and workers did not communicate in English. This made the negotiations lengthy and tedious.

Due to a directive from the government to sell a quarter of their products locally, GFI tried to process and sell their timber in Swaziland but the market failed to absorb even that amount. Most potential buyers simply could not afford GFI timber at the prices matching those obtained from exports. Moreover, the local construction industry was not keen on using GFI timber due to the unusual specifications of their products. The Swaziland government invoked the company's operating license for failing to meet this local sales quarter. The government was also not pleased with the high number of Indians in the company's management which did not have a single local manager. The company registered a complaint in the international court and won the case and the license was restored.

A new timber processing technique was subsequently introduced by GFI which allowed the company to meet the production quota without needing labour on Sundays and the company eventually altered their processing equipment to produce the timber that could be used locally and were able to sell it to the local market. The demand for timber locally was boosted by the construction of a new airport and multibillion Emalangeni hotel and normal operations were restored at GFI. Outstanding, was the a complaint lodged by the Swaziland Environmental Authority on the smell emanating from the timber sawmill which spread as far as 20 kilometres from the mill. The SEA also had issue with the depletion of forests as logging was conducted on natural forests.

Questions

- (a) Conduct a PESTEL analysis for the company, identifying at least three variables for each factor. (20 marks)

- (b) Discuss possible mitigation strategies for the problems posed by this PESTEL environment factors. (20 marks)

SECTION B

Question 1

The corporate world consists of three different types of industries. Identify these and use examples to illustrate the importance of each type of industry in the economy. (20 marks)

Question 2

- Good corporate governance practice ensures that the business environment is fair and transparent and that companies can be held accountable for their actions. Conversely, weak Corporate Governance leads to waste, mismanagement, and corruption. The company, shareholders and the economy as a whole stands to benefit when companies adhere to good governance practices. Discuss the benefits that are derived by these stakeholders from good corporate governance. (20 marks)

Question 3

Businesses can choose the legal form of the business they wish to operate between sole proprietorship, partnership, company, co-operative, or an unregistered / informal business. Compare and contrast the advantages between a sole proprietorship and a company. (20 marks)

Question 4

Good employee- employer relationships are important in the smooth running of corporate organizations and employee representation bodies such as labour unions are designed to ensure that this occur. Discuss in detail the specific role and functions of labour unions. (20 marks)