



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2018

BUSINESS STUDIES: PAPER I

MARKING GUIDELINES

Time: 2 hours

200 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

SECTION A**QUESTION 1 MULTIPLE CHOICE**

| | |
|------|------|
| 1.1 | A ✓✓ |
| 1.2 | C ✓✓ |
| 1.3 | C ✓✓ |
| 1.4 | B ✓✓ |
| 1.5 | D ✓✓ |
| 1.6 | D ✓✓ |
| 1.7 | B ✓✓ |
| 1.8 | A ✓✓ |
| 1.9 | D ✓✓ |
| 1.10 | B ✓✓ |

[20]**QUESTION 2 MATCH THE COLUMNS**

| | |
|------|------|
| 2.1 | P ✓✓ |
| 2.2 | B ✓✓ |
| 2.3 | G ✓✓ |
| 2.4 | N ✓✓ |
| 2.5 | A ✓✓ |
| 2.6 | M ✓✓ |
| 2.7 | D ✓✓ |
| 2.8 | Q ✓✓ |
| 2.9 | L ✓✓ |
| 2.10 | E ✓✓ |

[20]**QUESTION 3**

| | |
|-----|--|
| 3.1 | Secondary/sympathy strike ✓✓ |
| 3.2 | Consumer Protection Act ✓✓ |
| 3.3 | proximate ✓✓ |
| 3.4 | Porter's Six Forces Model/SWOT/Environmental Scanning ✓✓ |
| 3.5 | Benchmarking ✓✓ |

[10]**50 marks**

SECTION B**QUESTION 4****4.1 Human capital function at Taste Holdings Ltd****4.1.1 State the purpose of manpower planning.**

- To determine how many employees ✓ the business needs;
- To determine what skills ✓ these employees must have; and
- To determine when ✓ these employees will be needed.

(Consider any other relevant fact on the purpose of manpower planning)

(3 facts × 1 mark each = 3 marks)

4.1.2 Why would a fast-food franchise use internal recruitment?

- The recruit is already familiar with the routine ✓/code of conduct ✓ of the organisation and will require less training/induction. ✓
- Internal recruitment is less costly ✓ than external recruitment as costs associated with external recruitment, e.g. extensive advertising of job, training, etc. are reduced. ✓
- With internal recruitment there is usually an upliftment in worker morale/motivation ✓ as workers see that management prefers them to outsiders and that there is progress in the recruit's career. ✓

(Consider any other reason for a fast-food franchise using internal recruitment)

(3 facts × 1 mark per fact = 3 marks)

4.1.3 Mention FOUR topics that could be covered in an induction programme.

- Most relevant and immediate kinds of information, e.g. company policies, dress code, codes of conduct, etc. ✓
- Knowledge of what supervisors expect, ✓ how long it takes to meet expected work standards ✓ and where to seek help and advice. ✓
- Introduction to fellow workers and people with whom they work. ✓
- How the department fits into the global organisation. ✓
- Knowledge of products and services. ✓
- The role of a mentor in the organisation. ✓
- The performance appraisal system. ✓
- The contents of the code of ethics ✓
- Details of the organisational structure ✓
- An orientation tour ✓

(Consider any other relevant topic to be covered in an induction programme)

(Any 4 topics × 1 mark per topic = 4 marks)

(Mark first 4 topics only)

4.1.4 Explain the concept "fringe benefit" and give an example to support your answer.

A fringe benefit is an additional ✓ benefit (e.g. clothing, travel, housing allowances, ✓ etc.) that a worker can receive over and above the basic salary or any other requirement stipulated in the Basic Conditions of Employment Act. ✓

(Consider any other relevant example of a fringe benefit)

(Any 2 facts × 1 mark each = 2 marks for explanation)

(1 mark for relevant example)

Total: 3 marks

4.2 Investment opportunities and insurance used by Famous Brands Ltd**4.2.1 Explain the possible reasons why a business may decide to invest offshore.**

- The risk is spread over different countries. ✓
- i.e. international ✓ diversification ✓
- Some countries are considered to have more stable markets (developed countries ✓) than others (emerging markets ✓).
- Changes in exchange rates ✓ may make it more attractive to invest in another country.
- The rand has shown a tendency to depreciate ✓ against other major currencies of the world. If the currency depreciates it is favourable for someone with an investment in a foreign country. ✓
- There may be investment opportunities in other countries that do not exist in South Africa. ✓ E.g. South Africa does not have oil and if an investor feels that oil is a good investment, he/she will have to buy shares in an oil company listed in another country. ✓
- Someone may consider the option of emigration to a different country. ✓ Because of the exchange control regulations in South Africa, ✓ it is only possible to take a limited amount of money out of the country each year. ✓ It may then be a good idea to begin an investment portfolio in the foreign country.

(Consider any other relevant reason why a business decides to invest offshore)

(Any 4 facts × 1 mark each = 4 marks)

4.2.2 Discuss the link between risk and return when investing in fixed property.

- High risk = high reward ✓ or vice versa. ✓
- There are many factors that impact the risk associated with fixed property, e.g. the location of the property ✓ – it is better to buy a smaller property in a good neighbourhood, ✓ than a large property in a lesser neighbourhood. ✓
- The state of the economy ✓ also impacts on the risk of the property investment. If interest rates ✓ are increased, ✓ it becomes more difficult for the owner of the property with a mortgage bond to repay the loan ✓ and the risk is increased ✓ and your return is lowered. ✓
- High inflation rates ✓ decrease the disposable income of consumers ✓ and makes it more difficult to maintain mortgage instalments. ✓
- The owner of the property can charge rent ✓ and earn a good return. ✓
- Property prices tend to increase over time ✓ (provided the area in which the property is situated does not deteriorate (risk) ✓)

(Consider any other relevant reason for the link between risk and return when investing in fixed property)

(Max 3 facts × 1 mark each for description of property as an investment)

(Min 1 mark to illustrate the link between risk and reward)

Total: 4 marks

4.2.3 Describe the requirements for a valid insurance contract.**(a) Insurable interest ✓**

- Insurable interest means that the insured must be able to prove that he/she will lose financially ✓ if the object that has been insured, is destroyed or damaged. ✓ The person or object at risk forms the basis of the contract.
- The following are examples of insurable interest:
 - A person has an insurable interest in his/her own life and health. ✓
 - Partners have an insurable interest in the lives of co-partners. ✓
 - A creditor has an insurable interest in the life of his/her debtor. ✓
 - A married person has an insurable interest in the life of the spouse. ✓
 - A person has an insurable interest in his/her own property. ✓

(b) Good faith/Absolute honesty ✓

- The insured must disclose to the insurer all relevant information that may affect the risk. ✓
- All questions asked by the insurer must be answered honestly and accurately, ✓ otherwise the policy will be declared null and void. ✓

(c) Contractual capacity ✓

The person entering into the insurance contract ✓ is of legal age ✓ (18✓) and sound mind. ✓

(d) Intention to bind ✓

The parties to the contract must be serious ✓ in what they are agreeing to in the contract. ✓

- (e) **Executable** ✓
Reasonable conditions ✓ to be complied with must be included in the contract. ✓
 - (f) **Obligation** ✓
Both parties must be clear ✓ about what is expected of them in the contract. ✓
 - (g) **Legally binding** ✓
The contract must have a legal purpose. ✓ You cannot contract on something that is illegal. ✓
 - (h) **Contract requirements** ✓
The contract must have a date ✓ and valid signatures of the parties to the contract. ✓
- (Consider any other relevant requirements for a valid insurance contract)**
(Any 6 facts × 1 mark each = 6 marks)
(Consider the breadth/depth of answer when allocating marks)

4.2.4 List TWO compulsory insurances.

- Unemployment Insurance Fund (UIF) ✓
- Compensation for Occupational Injuries and Diseases Act (COIDA) ✓
- Road Accident Fund (RAF) ✓

(Any 2 × 1 mark each = 2 marks)
(Mark first 2 compulsory insurance only)

4.3 Professional, responsible, ethical and effective business practice in a fast-food franchise

4.3.1 A conflict of interest could be an ethical challenge to a fast-food business. Give an example of such a situation and suggest how it should be dealt with.

- If a person who is awarding a tender ✓ knows the person who is submitting the tender, ✓ he/she should not make the final decision about who will get the tender. ✓ This is unethical.

Suggestion on how to deal with unethical challenge:

There needs to be transparency with regards to who is on the tender committee. ✓

Full disclosure of any personal relationships should be made. ✓

- If someone is part of the recruitment and selection panel ✓ and he/she fails to disclose ✓ that one of the applicants is a friend or family member. ✓

Suggestion on how to deal with unethical challenge:

The person on the panel should exclude himself/herself from the committee. ✓

There should be disciplinary action ✓ against anyone who fails to disclose the fact that they are a friend/family member.

- It will create conflict of interest if a person that serves on the Board of Directors ✓ is approached by a supplier ✓ to be part of the Board of Directors. ✓

Suggestion on how to deal with unethical challenge:

There must be an independent committee who selects people to the Board of Directors. ✓

There could be monetary compensation ✓ to anyone who brings this kind of unethical situation to the attention of management.

(Consider any other relevant example that shows how conflict of interest is an ethical challenge to the business)

(Any 2 facts × 1 mark each for example = 2 marks)

(1 mark allocated for suggesting how the ethical challenge should be dealt with)

OR

(Allow the option where the example is worth 1 mark, and the suggested strategy is worth 2 marks)

(Mark the first example only)

Total: 3 marks

4.3.2 Explain how a franchisee could deal with the ethical challenge of a cashier taking funds for personal use without authorisation.

- The cashier is given a written ✓ warning, ✓ or the franchisor follows the disciplinary procedures as set out by the Labour Relations Act. ✓
- The cashier is made an example ✓ of and is required to pay back the funds or some other form of retribution so that the franchisor is being pro-active in dealing with the ethical issue. ✓
- The franchisor could see this as an opportunity to open a discussion on what is acceptable business practice, ✓ especially for staff that deal with money. ✓
- The franchisor could rotate the cashiers, ✓ thus eliminate the opportunities for them to embezzle the business. ✓
- The franchisee could take out fidelity insurance ✓ - individual ✓ policy that covers a specific person ✓ for the risk of theft or a blanket policy ✓. that generally covers all employees in the franchise ✓

(Consider any other relevant strategy on how the franchisor could deal with the ethical challenge)

(Any 4 facts × 1 mark each = 4 marks)

4.3.3 A fast-food franchise that decides to expand to another country, will have to consider how ethics on an international level could impact on the activities of the business.

Explain this statement and use an example to illustrate your answer.

- Ethical standards between different countries ✓ differ drastically. ✓
- The franchise could have opened in a country ✓ where there are gross violations ✓ of human rights. ✓
- The franchise will then need to decide how it is to handle this delicate situation ✓ as there may be the perception ✓ that the franchise supports the unethical practice ✓ and customers may boycott the franchise. ✓
- There may be difference of opinion ✓ on the suitability of applying economic sanctions ✓ to the country in which the franchise operates. ✓
E.g. Zimbabwe and Iraq.

(Consider any other relevant facts that show an understanding of how ethics on an international level could impact on the activities of a franchise)

(Candidates must give at least one example in their explanation) OR

(Full marks could be earned if the example illustrates full understanding of how ethics on an international level could impact on the activities of a franchise)

(Any 3 facts × 1 mark each = 3 marks)

(Maximum of 1 mark for the example)

4.4 The marketing department

4.4.1 List THREE components of the promotion policy (marketing communication) of a fast-food franchise.

- Advertising ✓
- Sales promotion ✓
- Personal sales ✓
- Publicity ✓
- Word of mouth ✓
- Public relations ✓
- Events and experiences ✓
- Direct marketing ✓
- Social media / Interactive marketing ✓

(Any 3 components × 1 mark each = 3)

(Mark first 3 components)

4.4.2 Justify why marketing is of strategic importance to a business.

- Marketing can be defined as the on-going activities ✓ of the business to reach the target market (LSM). ✓
- The methods the business utilises to connect ✓ and engage ✓ with its target market. ✓
- The purpose of this engagement is to convince the market of the value of the product and/or service ✓ with the aim of selling these products or services ✓ and making a profit. ✓
- Strategically, marketing needs to create ✓ and support ✓ a strong and positive brand identity ✓ in the market;
- through a well-planned ✓ and well-implemented ✓ marketing strategy. ✓
- Strategic planning consists of the business
 - developing a vision (long-term aspiration or dream); ✓ and
 - translating the vision ✓ into a mission statement; ✓
 - defining the core values (a value statement) ✓ that will be upheld while aiming to achieve the vision and mission; ✓
 - formulating long-term plans ✓ and putting strategies in place ✓ to achieve shorter-term objectives ✓ that will lead to the achievement of long-term goals. ✓
- Any business that has a profit motive ✓ needs to generate income ✓ – with this in mind the strategic importance of marketing becomes clear, i.e.
 - Without a product and or service ✓ there will be no sales. ✓
 - The product/service has to be sold at a price ✓ that the consumer in the target market is prepared to pay. ✓
 - In order to make the sale, the product/service has to be offered in a place ✓ that is convenient and accessible to the consumer. ✓
 - There has to be communication (promotion) ✓ between the business and the customer to ensure the customer is aware of the product/service offering. ✓
 - All processes in the business has to be geared towards making the sale. This includes people (employees) and the physical evidence (look) of the shop (or online sales platform).

(Consider any 4 relevant facts on the strategic importance of marketing)
(Any 4 facts × 1 mark each = 4 marks)

4.4.3 Explain how physical evidence, as one of the elements of the marketing mix, can allow a fast-food franchise to gain a competitive advantage.

- Consideration must be given to the presentation of the franchise ✓ and the appearance of the staff members ✓ as this gives customers a sense of quality. ✓
- Maintaining an environment ✓ that is clean, ✓ tidy, ✓ friendly ✓ and well decorated ✓ will help reassure the consumer of what they are buying. ✓
- Physical evidence helps to demonstrate and confirm the assumptions ✓ of the customer. ✓
- Also included are other tangible elements such as letterheads, ✓ signage used on the premises, ✓ menus ✓ and even the appearance of the website on the internet. ✓
- The way in which the above mentioned is used to market the business ✓ will impact on its competitive advantage.

(Consider any other relevant factors that explain how physical evidence can allow a fast-food franchise to gain a competitive advantage)
(Min of 1 mark must be allocated for showing a link to a fast-food franchise)
(Any 4 facts × 1 mark each = 4 marks)

[50]

QUESTION 5**5.1 5.1.1 Explain what is meant by the term "total quality management".**

- This refers to an effort implemented throughout the entire business ✓ to be aware of ✓
- (i.e. to plan ✓ and control ✓) how all actions impact ✓
- the standards of all operations ✓ in order
- to deliver the best product ✓ or service to the customer. ✓

(Any 3 facts × 1 mark each = 3 marks)**5.1.2 Describe the advantages for a fast-food franchise when it undertakes efficient quality control.**

- Improved profitability, ✓ because less time and money ✓ are wasted on correcting something that should have been done better in the first place. ✓
- Quality control will encourage workers to deliver good-quality products and services ✓ that may serve as a basis for remuneration decisions. ✓
- Distributors such as wholesalers, will have fewer complaints and comebacks, ✓ which may translate into higher turnover for them. ✓

(Consider any other advantages when a fast-food franchise undertakes efficient quality control)**(Any 4 facts × 1 mark each = 4 marks)****5.1.3 Evaluate how the financial department of Famous Brands Ltd can assist to improve the quality of performance.**

- The financial department can analyse the Statement of Comprehensive Income ✓ and Statement of Financial Position ✓ with various ratios. ✓
- Then the financial department can measure how successfully Famous Brands has met the following objectives:
- **Maximising of profits** ✓
 - This can be achieved by negotiating with suppliers for better prices ✓ or finding a cheaper supplier, ✓ without sacrificing quality. ✓ See the impact on cost of sales. ✓
- **Increase in profitability** ✓
 - By measuring and increasing ✓ the return on investment ✓ through the maximisation of profits. ✓
- **Ensuring liquidity** ✓
 - The current ratio measures ✓ the liquidity of the company, ✓ i.e. the ability of the company to meet current obligations ✓ in the short term. ✓
 - It is appropriate for businesses to have a current ratio where the current assets are greater ✓ than the current liabilities. ✓
 - Any deviations ✓ from this will require strategies put into place to improve the performance gap. ✓
 - If a business wants to eliminate ✓ the effect of inventories ✓ on the liquidity calculation ✓ they would use the acid-test ratio. ✓
- **Remaining solvent** ✓
 - Looking at the ratio between total assets ✓ and total liabilities. ✓
 - For a business to be solvent, ✓ assets ✓ must be greater ✓ than liabilities. ✓

(Consider any other relevant factors that the financial department could use as a measure of quality of performance)**(Any 5 facts × 1 mark each = 5 marks)****(Maximum of 2 marks for just naming the ratio)**

5.1.4 Discuss how the purchasing manager could help to improve the quality of performance of a fast-food franchise.

- The purchasing manager should complete the necessary research ✓ when searching for the best supplier who can offer good deals. ✓
- The purchasing manager needs to negotiate ✓ the best possible prices ✓ from the different suppliers while keeping the quality required in mind, ✓ e.g. take bulk discounts if they are offered by the supplier. ✓ Reducing costs ✓ should increase the return on investment. ✓
- The purchasing manager should complete a thorough supply chain analysis, ✓ i.e.
consider the quantity of raw resources needed to produce the product; ✓
manage the inventory of finished goods ✓ to ensure their safe-keeping ✓
through appropriate stock control mechanisms; ✓
regularly monitor the transportation ✓ and distribution ✓ of resources throughout the franchise. ✓

(Consider any other relevant facts that the purchasing manager could use to help improve the quality of performance of a fast-food franchise)

(Any 5 facts × 1 mark each = 5 marks)

5.1.5 The financial perspective is one of the elements of the balanced scorecard. List and describe other elements of the balanced scorecard the management team of a fast-food franchise could use to assess the overall performance of the business.

NB: Do not allocate marks for the financial perspective of the BSC.

- **Internal business perspective** ✓
 - Look at what can be done to create a competitive advantage in the market ✓ by focusing on:
 - Opportunities for new products and services. ✓
 - Development of these new products through research and development. ✓
 - Developing ✓ and maintaining ✓ supplier relationships. ✓
 - Improving on distribution ✓ and delivery of products and services to customers. ✓
 - Look at environmental issues ✓ (energy and resource consumption and emissions into the air, water and soil).
 - Safety and health issues ✓ (safety hazards to employees), employment practices (diversity of employees).
- **Learning and growth perspective** ✓
 - Look at how employees in the business can continue to improve ✓ and create ✓ value. ✓
 - This can be achieved through intangible assets of the business ✓ such as information capital ✓ (i.e. the creation of intellectual property). ✓
 - Other ways could be through the creation of a culture of life-long learning. ✓
 - Fostering leadership ✓ (having a mentoring program ✓ where managers guide employees in the role of management ✓).
 - Accountability ✓ (encouraging employees to take responsibility for their decision making/actions).
 - Teamwork ✓ and
 - Fostering intrapreneurship. ✓

- **Customer perspective ✓**
 - Focuses on how the customer sees the business, ✓ and what their expectations might be. ✓
 - The business will conduct research/surveys ✓ to find out ✓ what their customers' perspective is.
 - Group discussions/feedback ✓ can be held to engage the customer on this issue.

Mark allocation per perspective:

(Consider any other relevant point under each of the perspectives)

(1 mark allocated for mentioning the element)

(Max 3 marks allocated for naming elements)

(Allow for breadth and depth when allocating marks)

(Allow any relevant facts to a total of 8 marks)

5.1.6 Explain how integration strategies can be used to create a competitive advantage for a fast-food business. Use an example to illustrate your answer.

- Forward integration ✓
 - The business takes over one of the suppliers down the supply chain ✓ to eliminate the middleman in the distribution process ✓ and thereby reduce the ultimate selling price to the consumer. ✓
 - The selling price could be reduced, because there is no longer a middleman that adds profit. ✓
 - Example: when a fast-food franchise does the delivery of the food using its own delivery scooters and has not outsourced this activity. ✓
- Backward integration ✓
 - The business decides to eliminate the power of suppliers ✓ up the supply chain by either buying out a supplier ✓ or creating its own manufacturing plant. ✓
 - Example: Famous Brands Limited has done this and now supplies its own cheese, ice cream, sauces and a variety of other products used to create fast-food items in its franchises. ✓
 - Through backward integration the business is assured that there will always be a supply ✓ (and cheaper, because no other business has to make profit ✓) of the products required.
- Vertical integration ✓
(Combination ✓ of both forward and backward integration)
- Horizontal integration ✓
 - This is where the business has taken over one of its competitors. ✓
 - Example: Where Famous Brands takes over KFC. ✓

(Consider any other relevant fact that explains how integration strategies can be used to create a competitive advantage for a fast-food business)

(Any 8 facts × 1 mark each = 8 marks)

(Candidates can be given full credit if the example given explains the integration strategy)

5.2 **Identify TWO corporate governance principles mentioned in the extract. Explain each principle and how a business like Taste Holdings Ltd can use these principles to meet the expectations of stakeholders. Use examples to illustrate your answer.**

• **Transparency ✓**

- Principles that allow those affected by a decision or business transaction ✓ to not only have the facts ✓ and figures ✓ but also, to understand the mechanisms and processes involved. ✓
- Companies that are more transparent in real time, ✓ have stakeholders who are more confident in management. ✓
- These stakeholders are more willing to invest in the company, ✓ thereby reducing costs of capital acquisition. ✓
- Transparency also ensures that fraud ✓ is avoided and measures are put in place to prevent fraud. ✓

Possible examples of where a company can be seen to be **transparent**:

- Disclosing the fees of directors and their fringe benefits;
- Giving full disclosure of negotiations with trade unions over wage/salary increases;
- Voting procedures and tally of votes at AGM's.

(Consider any other relevant facts that show an understanding of how the principle of Transparency ensures that Taste Holdings Ltd performs at optimum levels)

(Candidates must give at least one example in their explanation) OR

(Full marks could be earned if the example illustrates full understanding of how the principle of Transparency ensures that Taste Holdings Ltd performs at optimum levels)
(Any 4 facts × 1 mark each = 4 marks)

• **Discipline ✓**

- Personal discipline, ✓ i.e. top-level management ✓ sets the tone for the rest of the organisation. ✓
- They need to set an example and be disciplined in their business decisions ✓ – the business must prevent itself from following strategies ✓ without understanding all aspects ✓ and consequences of a decision. ✓
- Market discipline ✓ – this requires the directors to exercise discipline in terms of where the companies' funds are invested. ✓
- Investors will pay a premium ✓ for companies that are perceived as being well disciplined in terms of their finances. ✓
- Regulatory discipline, ✓ i.e. the company must follow the requirements of the law. ✓
- It reduces irrational, ✓ high risk ✓ business decisions and fraud. ✓

Possible examples of where a company can be seen to be **disciplined**:

- Following the legal requirements of the various laws that influence the running of companies, e.g. The Companies Act, The Labour Relations Act, etc.
- The listing requirements on the JSE.
- Having internal budgets.
- A system monitoring quality of performance in the different departments.

(Consider any other relevant facts that show an understanding of how the principle of Discipline ensures that Taste Holdings Ltd performs at optimum levels)

(Candidates must give at least one example in their explanation) OR

(Full marks could be earned if the example illustrates full understanding of how the principle of Discipline ensures that Taste Holdings Ltd performs at optimum levels)
(Any 4 facts × 1 mark each = 4 marks)

- **Integrity ✓**

- Integrity refers to the ability of managers, workers and stakeholders ✓ to act ethically and honestly. ✓
- To add value to one's character by doing the right thing ✓ even if it means facing negative consequences. ✓

Possible example of where a company can be seen to show **integrity**:

- A director shows integrity when he withdraws from a selection committee where a family member is one of the candidates being selected. ✓

(Consider any other relevant facts that show an understanding of how the principle of Integrity ensures that Taste Holdings Ltd performs at optimum levels)

(Candidates must give at least one example in their explanation) OR

(Full marks could be earned if the example illustrates full understanding of how the principle of Integrity ensures that Taste Holdings Ltd performs at optimum levels)
(Any 4 facts × 1 mark each = 4 marks)

- **Risk ✓**

- Risk involves the identification, ✓ analysis, ✓ assessment, ✓ control ✓ and hence avoidance, ✓ minimisation ✓ or elimination ✓ of tasks/events that pose a threat to capital ✓ or income ✓ of a business.
- Businesses may use risk reduction by adjusting processes, ✓ risk avoidance by detecting threats, ✓ risk retention ✓ as the profit motive outweighs the risk, ✓ risk transfer ✓ by taking out insurance ✓ or a combination of these in managing risk. ✓

Possible example of where a company may face **risks**:

- Financial uncertainty, ✓ legal liabilities, ✓ information technology threats, ✓ strategic management mistakes, ✓ natural disasters, ✓ political uncertainties. ✓ The business must have a risk management plan. ✓

(Consider any other relevant facts that show an understanding of how the principle of Risk ensures that Taste Holdings Ltd performs at optimum levels)

(Candidates must give at least one example in their explanation) OR

(Full marks could be earned if the example illustrates full understanding of how the principle of Risk ensures that Taste Holdings Ltd performs at optimum levels)

(Any 4 facts × 1 mark each = 4 marks)

(Marks first TWO corporate governance principles only)

Total: 8 marks

5.3 List the elements of triple bottom line/integrated reporting and discuss how Taste Holdings Ltd could comply with the requirements of triple bottom line reporting. Use examples to illustrate your answer.

- **The earning of profit (bottom line) ✓**
 - The financial statements of Taste Holdings Ltd are externally audited, ✓ thus ensuring that the requirements of the Companies Act are met. ✓
 - The auditors comment on the fact that the profits and facts contained in the annual report ✓ are a true reflection of the financial performance of the business. ✓
 - The company has also complied with the relevant risk assessment ✓ and ethical requirements ✓ of the Companies Act.
 - Examples: profits are necessary to cover the operating expenses of the company. ✓
 - Profits are necessary to give shareholders a return on their investments. ✓
- **Management of the people/stakeholders of the organisation ✓**
 - The company has a commitment to its franchisees and provides training programs ✓ to them on issues of recruitment, ✓ development of management competencies, ✓ marketing ✓ and branding, ✓ health issues, etc. ✓
 - Taste Holdings Limited is of the belief that the communities ✓ they serve should be better off because of their presence. ✓
 - Example: the franchisees invest in locality projects, e.g. KIDS an employee driven initiative resulting in employees making donations of gifts to children in need during the Christmas season ✓ or being involved in other CSR projects in the community. ✓
- **The sustainability of the environment in which the company operates ✓**
 - Taste Holdings Ltd has taken upon itself the revamping of its logistics ✓ and manufacturing operations ✓ to increase productivity and efficiency. ✓
 - Example: in striving for this efficiency there is a movement towards environmental sustainability, i.e. recycling and the use of renewable resources/solar power energy/organic farming. ✓

(Consider any other relevant example for each element of the Triple Bottom Line/Integrated Reporting)

(Minimum 3 marks for identification of the elements)

(Any 6 other marks for breadth and/or depth of answer)

Total: 9 marks

[50]

QUESTION 6**6.1 6.1.1 List and describe factors that could help build a successful brand like KFC.**

- **Quality:** ✓
 - Is a vital part of a brand. ✓
 - Represents the core benefit, ✓
 - the thing the consumer expects from the brand. ✓
- **Repositioning:** ✓
 - occurs when a brand tries to change its market position ✓ to reflect the change in customer tastes. ✓
 - Could be that the brand has become old and tired, ✓ and
 - perhaps no longer appeals to a market group, ✓
 - i.e. the original market group has matured. ✓
 - A new approach ✓ needs to be taken to create a new position in the current or new market. ✓
- **Communication:** ✓
 - Ensures that all the elements of the marketing mix ✓ have been clearly thought through ✓ and
 - with the customers' perceptions ✓ in mind.
 - It must build awareness ✓ and
 - help build a personality ✓ and
 - to reinforce the perceptions. ✓
- **Long-term perspective:** ✓
 - This refers to developing and investing ✓ in a brand over time, ✓ and
 - looking particularly at how customer loyalty ✓ is to be created and maintained. ✓
- **Internal marketing:** ✓
 - Looking at how the brand is developed internally ✓
 - as well as externally, ✓
 - by focusing on the whole business's understanding of the brand values ✓ and
 - positioning ✓ in relation to the business ✓
 - mission ✓ and vision. ✓
 - Getting the employees ✓ to live the brand, ✓ and
 - essentially become the brand ambassadors. ✓
- **Credibility/trust:** ✓
 - This is the business's promise to deliver ✓ what it has said it would, ✓
 - by delivering at the right quality, ✓
 - time, ✓
 - price ✓ and
 - place, ✓
 - the business builds a positive reputation ✓ with consumers. ✓
- **Consistency:** ✓
 - The customer experience ✓ of the brand should be consistent ✓ over a long time, ✓
 - whether this occurs face-to-face, ✓
 - in stores, ✓
 - through advertising ✓
 - or interaction with employees. ✓
 - The brand projects and reminds ✓ consumers what the business represents ✓
 - in every possible opportunity. ✓

- **Clear identity:** ✓
 - The brand represents something unique to the customer. ✓
 - What is more important, quality or value for money? ✓
 - Does the brand represent the right message ✓ to the correct LSM? ✓
- (Consider any other relevant factor that helps build a successful brand)**
(1 mark for mentioning factor)
(Consider the breadth and depth of the answer when allocating marks)
(Any 5 other facts × 1 mark each = 5 marks)
(Max 4 marks if candidate only lists the factors)
Total: 6 marks

6.1.2 Describe how psychological factors could influence a buyer's decision to purchase a KFC product.

- Motivation, ✓ i.e. how is a consumer motivated by the adverts ✓ that they see?
 - Perception, ✓ e.g. the belief that fast foods are unhealthy. ✓
 - Attitudes, ✓ i.e. this refers to your attitude regarding past experiences ✓ either positive or negative. ✓
- (Consider any other relevant fact on how psychological factors may influence a buyer's decision to purchase a KFC product)**
(Any 4 facts × 1 mark each = 4 marks)

6.1.3 Discuss potential disadvantages of franchising for the franchisee.

- The cost to establish the franchise is usually very high ✓ and the franchisee still needs to pay the monthly royalty fee. ✓
 - The franchisee could find it frustrating and limiting ✓ to stick to the strict prescriptions of the franchisor ✓ (especially if the franchisee is very creative and innovative). ✓
 - Some franchisors may fail to give the continued support that was initially promised ✓ and this could hamper the franchisee's ability to have a competitive edge. ✓
 - A franchisee who wants a challenge, ✓ may get bored with the prescriptive nature of the franchise. ✓
- (Consider any other relevant disadvantage that franchising could offer the franchisee)**
(Any 4 facts × 1 mark each = 4 marks)

6.1.4 Social media could either improve or hamper the performance of the business. Discuss this statement. Use examples to illustrate your answer.

- The reactive nature of social media may have a negative impact on the image ✓ of the business.
- The marketing department must react to negative social media within the shortest possible time ✓ to limit the damage. ✓
- The business must be proactive ✓ in dealing with the challenge. Send out a press statement ✓ on social media.
- Current service delivery issues may be displayed on social media in real time. ✓
- The business should use the issues raised in social media as a feedback mechanism ✓ and bring them to the attention of the business. ✓
- Use incentives ✓ to encourage customers to comment on the positives/negatives ✓ of the service delivery issues.
- The problem of fake news being posted on social-media sites. ✓

- The business should have a designated person, ✓ e.g. social-media officer, which monitors ✓ what is posted on social-media sites.
- This person should be able to pursue legal cases, ✓ where possible, against individuals or organisations responsible for posting the fake news. ✓
- Access to social-media platforms is easy and convenient. ✓
- The business should not see this as a challenge, ✓ but as an opportunity for growth. ✓
- Market research ✓ can be done and used as a tool for quality of performance ✓ or identifying other untapped market segments. ✓

(Consider any other relevant factors and examples that could either improve or hamper the performance of the business)

(Any 6 facts × 1 mark each = 6 marks)

6.2 Explain, with the use of examples, the interdependence between the marketing department and other business functions.

- All the business functions are required to work together as a homogeneous unit, ✓
- keeping the common goals of the business ✓ in mind if the business is to succeed and reach its full potential. ✓
- None of the business functions should operate independently ✓ of the other functions and
- all are required to cooperate with each other ✓ on a decision-making ✓ and operational level. ✓
- If this does not happen, the business is bound to experience operational difficulties ✓ and will not reach operational efficiency. ✓

(Allocate a maximum of 1 mark for any of the above points)

- Examples: the marketing department cannot plan ✓ a marketing campaign ✓ without adequate funding ✓ (from the finance department ✓), provides funding to employ staff, ✓ or buy inventory ✓ OR
- The production department will liaise with the marketing department to find out how much to produce ✓ as the marketing department will have this data from market research. ✓
- The human capital/human resources department ✓ provides the labour (to work in the marketing department) ✓ to achieve the operational goals ✓ as well as the training ✓ to provide the correct skills ✓ in the business to perform all tasks and they pay fair salaries. ✓
- and the management function ✓ is needed to co-ordinate ✓ all the activities.
- The purchasing department ✓ buys inventory, ✓ ensures the availability of the correct quality ✓ and quantity ✓ at the time ✓ that the production department needs material ✓ and the marketing campaign is committed to deliver. ✓

(Consider any other relevant point and examples on the interdependence of the marketing department with other business functions)

(Candidates must give at least one example in their explanation) OR (Full marks could be earned if the example illustrates full understanding on the interdependence of the marketing department with other business functions)

(Any 5 facts × 1 mark each = 5 marks)

6.3 Describe the purpose of the Skills Development Act and the impact of this act on employers and employees of a fast-food franchise.

- The SDA assists workers to improve their skills levels ✓ and qualifications ✓ whilst earning an income ✓ and thus raises the average standard of living of the working class. ✓
- The workplace is used as a place of training. ✓
- There is an improvement in the level of investment ✓ in education and training. ✓
- Quality training through accredited programmes ✓ is assured.
- The employment opportunities ✓ for disadvantaged individuals are improved. ✓
- Workers are encouraged to get involved in training programmes and learnerships. ✓
- Entrepreneurship is encouraged by providing training where necessary. ✓
- The workforce is motivated and well trained. ✓
- Businesses are contributing to reversing ✓ the educational imbalances ✓ of the apartheid regime. ✓

(Consider any other relevant impact of the Skills Development Act on employers and employees of a fast-food franchise)

(Mark the description and impact as follows:

2 marks for description + 4 marks for impact OR

3 marks for description + 3 marks for impact OR

4 marks for description + 2 marks for impact)

Total: 6 marks

6.4 6.4.1 Explain each of the following leadership styles. Give an example to show a disadvantage of this leadership style.

(a) Autocratic

- An autocratic leader seldom allows for input from subordinates ✓ and makes all the decisions. ✓

Example: a manager/management may decide to keep a fast-food franchise open 24 hour a day ✓ without offering their staff transport to their homes/residencies ✓ in the late hours of the night.

- Staff may have a low morale and feel undervalued by the manager. ✓

Example: management decides on the dress code to be implemented in the workplace. ✓

- The manager will implement a strategy ✓ that is not popular with all staff members. ✓

Example: part of the annual bonus ✓ going to workers will be used for first-aid training. ✓

(Consider any other relevant description and example to show the disadvantage of the autocratic leadership style)

(Mark the description and disadvantage as follows:

3 marks for description + 1 mark for disadvantage OR

2 marks for description + 2 marks for disadvantage OR

1 mark for description + 3 marks for disadvantage)

Total: 4 marks

(b) Transactional

- This leadership style is based on the premise that the leader offers something of value to the followers. ✓ There is the disadvantage that the leader does not follow through on the promise. ✓

Example: a franchisee may offer his workers more leave if they support him on a certain issue, but the franchisor does not approve the leave. ✓

- This leadership has offered a win–lose situation ✓ between the leaders and followers. ✓

Example: some of the workers may not agree with what the leadership is offering and may offer resistance, e.g. striking, picketing to show their unhappiness. This could damage the image of the franchise. ✓

- The leaders may mislead their followers. ✓ They may act in a certain way to gain the confidence of the followers, but not be true to the qualities of a good leader, i.e. they could be corrupt/unethical, etc. ✓

Example: leaders may seem to support the causes of workers who are unhappy, e.g. the annual rate of wage increases, but once in power this cause does not even appear on the agenda. ✓

(Consider any other relevant description and example to show the disadvantage of the transactional leadership style)

(Mark the description and disadvantage as follows:

3 marks for description + 1 mark for disadvantage OR

2 marks for description + 2 marks for disadvantage OR

1 mark for description + 3 marks for disadvantage)

Total: 4 marks

6.4.2 Describe how poor communication can prevent a fast-food franchise from achieving a competitive advantage and make suggestions to solve the problem.

- There may be barriers ✓ to effective communication, e.g. lack of understanding of the language of instruction (may not be mother tongue). ✓
- The method used to deliver the communication may be misleading ✓ (oral vs written communication ✓).
- There could be a breakdown ✓ in communication, especially if the message needs to go through different levels of management, i.e. the broken telephone syndrome. ✓
- The message could be manipulated ✓ to achieve unethical objectives. ✓
- Communication has a top-down; bottom-up impact in the organisation. ✓ What management communicates to lower levels ✓ in the organisation needs to be recommunicated to top level management ✓ in the form of performance reports. ✓ Any break ✓ in this level of communication could lead to the business not achieving a competitive advantage. ✓

Suggestions to solve the problem:

- Ensure that the organisation has a clearly worded ✓ communication policy.
- Train workers ✓ on the effective use of communication from etiquette when answering e-mails ✓ to how to speak to customers in an appropriate manner. ✓
- Have interpreters on hand when important information is being communicated (especially to lower-level workers). ✓

(Consider any other relevant description and suggestions as to why poor communication will prevent a fast-food franchise from achieving a competitive advantage)

(Any 4 facts × 1 mark each = 4 marks)

(Max of 2 marks for giving suggestions to solve the problem)

Total: 6 marks

6.4.3 'The business will only be successful if the owner uses initiative as a management competency.'

Discuss the validity of this statement by using examples related to a fast-food business.

- **The statement is valid**
- **Initiative**
 - Allowing the manager to be able to think on his feet ✓ and when needed come up with creative ideas ✓ to solve problems. ✓
 - **Examples:**
 - The manager will know when to use which leadership style. ✓
 - The manager must know how to use different strategies ✓ when dealing with challenges. ✓
 - In some cases, old solutions ✓ no longer work, ✓ so the manager needs to come up with new innovative ideas ✓ to solve old problems.
 - The competitive rivalry ✓ in the fast-food industry requires new ideas, e.g. using cell phone apps to order meals, ✓ comment on service delivery, ✓ pay the bill with Q-cards; ✓ provide entertainment in fast-food franchises, ✓ etc.
- **The statement is invalid**
- The business needs to consider not only initiative but how together with other management competencies ✓ (organisational awareness, global awareness, analysis, strategic action, team work, empowerment and talent development, judgement, customer service orientation and negotiation) ✓✓ the business can be successful.

(Max 2 marks for listing the other management competencies)

(Consider any other relevant points and examples in support of the validity or invalidity of the statement)

**Complete instruction on the allocation of marks
(5 points × 1 mark each = 5 marks)**

[50]

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| 150 marks |
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Total: 200 marks