



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2016

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	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	1.10	1.11	1.12	1.13	1.14	1.15
B	C	B	B	A	C	A	B	B	C	D	C	D	A	D

[30]

QUESTION 2 MATCH THE COLUMNS

2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	2.10
D	K	A	M	H	B	O	I	P	F

[20]

50 marks

SECTION B**QUESTION 3****3.1 Management and Leadership at a Mr Price Store****3.1.1 Identify any THREE entrepreneurial qualities of a successful manager.**

A successful manager should:

- be results driven;
- be a visionary;
- be a team-player;
- have a desire to achieve;
- be ambitious;
- constantly strive for achievement;
- be able to motivate the workforce;
- have the ability to instil confidence in his/her followers;
- possess a high degree of emotional intelligence;
- have good communication skills;
- include active listening in order to –
- transfer his/her ideas while –
- at the same time obtain input from others;
- be self-motivated –
- be able to follow through and –
- implement plans to reach the desired outcomes.
- planner, leader, organiser, controller, delegator, co-ordinator, delegator, creative thinker, discipliner, risk-taker, good time manager, problem-solver.

**{Consider any other relevant entrepreneurial qualities of a successful manager}
(Any 3 qualities × 1 mark each = 3 marks)**

3.1.2 Describe what it means when a Mr Price manager uses a transformational leadership style.

- A leader motivates the followers to take action based on the EXPECTATIONS THAT ARE SHARED in the group (teamwork)
- rather than purely on what each individual will get in return.
- Transformational leaders encourage transformation in their followers by being creative
- and encouraging creativity in their followers.
- There is often a change in the attitude and expectations of the followers
- because they have been empowered to achieve their full potential.
- The transformational leader must know his/her strengths
- and how to utilise them,
- but at the same time be aware of his/her own weaknesses and
- how to overcome these weaknesses.
- The transformational leader helps his followers to satisfy their higher order needs while at the same time reaching the goals of the business.
- The transformational leader is flexible
- and often forms new expectations in his people and
- sets an empowerment process in motion while goals are pursued.
- Charismatic, inspires change, allows workers to believe in themselves (feel valued), listens to others opinions, high expectations of others and allows them to strive to achieve them.

**{Consider any other relevant facts that describe the transformational leadership style}
(Any 2 facts × 1 mark each = 2 marks)**

3.1.3 **Identify TWO non-monetary factors that management can use to motivate employees.**

- Job enlargement;
- Job enrichment;
- Empowerment and advancement of the employee;
- Flexible working hours;
- Sabbaticals;
- Wellness programs
- Gift cards, delegating more responsibility, promotion, improving the work environment

{Consider any other relevant non-monetary motivational factors}

(Any 2 non-monetary factors × 1 mark each = 2 marks)

3.1.4 **Describe, with the aid of an example, the following managerial competencies:**

(a) **Organisational Awareness**

- Management should be aware of the internal
- and external factors that may have an impact on the success of the business.
- The manager should understand the strengths and
- weaknesses of the business.
- It is important to have an understanding of what happens in the entire organisation,
- because the actions of the different departments in the business have an impact on one another – there is an interdependency,
- **e.g. the recruitment process that happens in the Human Capital Department impacts on the recruitment needs of the other departments**
- **or the budgeting process that happens in the financial department has an impact on the ability of other departments to have a notion of what/where they can spend their financial resources.**
- Management needs to have an understanding of the pressures that different departments experience and
- should accommodate people where possible so that the overall success of the business is not compromised,
- **e.g. the marketing department could be under pressure during the launch of a new clothing range at Mr Price – but the HR department could have less stress during this period – a compromise could be to use some of the HR employees to assist the marketing department during this stressful time.**
- There needs to be an understanding of the organisational culture of the business.
- Have a proactive plan ready if there a change in the culture and
- this change is not in line with the mission/vision of the organisation.
- There needs to be an understanding of external influences on the organisation, e.g.
- **competition,**
- **the impact of political,**
- **social,**
- **technological,**
- **environmental factors on the organisation.**

{Consider any other relevant facts that relate to an understanding of Organisational Awareness}

**(Candidates must give one example in their explanation –
(Any 2 facts × 1 mark each for description)**

(Total: 3 marks)

(b) Customer service orientation

- Customers and their needs should be a primary focus area of any successful business.
- The business needs to have mechanisms in place where customer feedback is recorded,
- analysed and
- developed.
- This could be done through appropriate market/target group research.
- There must be an understanding of the expectations of the customer and
- how the business intends to meet these expectations,
- **e.g. drawing up a customer profile/analysis of the demographics, etc.**
- By having a good relationship with the customer base
- the business will be better equipped to deal with challenges that they face.
- Customers will be more accepting of change
- (e.g. Change in management/change in store design)
- if there is a measure of trust between them and the business.
- The business must ensure that they are ethical in their dealings with customers and
- that the rights of customers are protected,
- **e.g. effective implementation of the requirements of the Consumer Protection Act.**

**{Consider any other relevant facts that relate to an understanding of
Customer service orientation}**

**(Candidates must give one example in their explanation –
(Any 2 facts × 1 mark each for description)**

(Total: 3 marks)

(13)

3.2 Suggest, with a different strategy for each, how the Mr Price Group Ltd's management team could effectively deal with each of the following fictitious micro challenges:

3.2.1 The purchasing manager consistently fails to meet budget deadlines.

- There needs to be an inquiry/analysis for the reasons behind the inability of the purchasing manager to meet budget deadlines.
- The purchasing manager could be sent on a course
- that focuses on teaching him techniques about time management
- or appropriate organisational skills
- i.e. some form of training to assist the purchasing manager with this challenge.
- The purchasing manager could be mentored by a colleague;
- who can assist him with on the job training with regards to meeting deadlines.
- Warning, better time management skills, dismissal

{Consider any other relevant strategy to deal with this challenge}

(Any 2 facts × 1 mark each)

(2)

3.2.2 There is a lack of commitment by managers to deal with racism in the workplace.

- Allow managers to go on a workshop
- where skills are taught to effectively deal with racism in the workplace.
- Allow experts to come and discuss the issues around racism and
- the impact that it has on the morale of the staff.
- Make sure that issues around racism are dealt with ethically and
- with transparency
- so that there is not a feeling that the issue is being ignored.
- Set aside time to discuss the issue of racism in staff meetings
- or ensure that it is included in the agenda of weekly/monthly staff meetings.
- Include positive accounts of how workers in the business deal with racism
- and it could result in managers emulating this action.
- Have a zero tolerance policy towards racism and
- provide monetary incentives
- to managers who are seen to be pro-active in dealing with racism in the workplace.
- Conflict management, warnings, workshop as training, change management

{Consider any other relevant strategy to deal with this challenge}

(Any 2 facts × 1 mark each)

(2)

3.2.3 The method used in conducting performance appraisals is quoted as the main reason for staff resignation.

- Set up a task team to investigate
- what aspects of the performance appraisal are problematic.
- Do a trial run with alternative performance appraisal techniques and
- then choose the one which creates less conflict.
- Foster a culture where both employers and employees are comfortable with the appraisal system because
- they have buy-in in the design and
- implementation thereof.

{Consider any other relevant strategy to deal with this challenge}

(Any 2 facts × 1 mark each)

(2)

Note: with Question 3.2 candidates are not allowed to repeat the same strategy in the different questions. Only mark the strategy once.

Take Note:

QUESTION 3.3

- **There must be a link between the CHALLENGE being faced and the STRATEGY to deal with the challenge.**
- **Candidates are not allowed to repeat the same strategy in the different questions. In this case, mark the strategy or stakeholder once.**

3.3 Porter's Five Forces Model

Element of Porter	Challenge being faced	Strategy to deal with challenge	Stakeholder that would benefit from implementation of strategy
<p>3.3.1 Level of rivalry in the market</p>	<ul style="list-style-type: none"> • Changes in brand loyalty. • Competitors with a better location (it could be more convenient, trendier or closer), • A larger selection of products or • better service (e.g. including free deliveries/trading hours) can easily persuade customers to support them. • In a more aggressive way competitors may have the power to take your business on in a price-war (undercutting prices or adding value to their products), i.e. the pricing structure of the competitor; • or to identify and forcefully pursue a new market trend, which could simply poach your customers on a permanent basis. • Financial resources of competitors • Market share of competitor • Even if the customer is loyal to a specific dealer brand or product, think of how easily the customer is swayed by an advertisement, • special offer, • sale or new business opening from a competitor. <p>{Consider any other relevant point on the challenge being faced} (Any 2 facts × 1 mark each = 2 marks)</p>	<ul style="list-style-type: none"> • Complete a competitor profile (number of competitors, • proximity of competitor, • similarities and differences in terms of product range being offered, • level of market that is dominated by the competitor, etc.) so the business can be more prepared to deal with the challenge; • Form an alliance with the role players in the market; • Do appropriate market research to gain a competitive advantage. <p>{Consider any other relevant strategy to overcome the challenge} (Any 2 facts × 1 mark each = 2 marks)</p>	<ul style="list-style-type: none"> • Shareholder • Customer/Consumer • Supplier • Community • Employees <p>{Consider any other relevant stakeholder} (Any 1 stakeholder × 1 mark = 1 mark)</p>

(5)

Element of Porter	Challenge being faced	Strategy to deal with challenge	Stakeholder that would benefit from implementation of strategy
<p>3.3.2 The power of suppliers</p>	<ul style="list-style-type: none"> • Without the prompt delivery • of the correct products and services, a business is unable to function. • There may be a loss of customers • because suppliers were unable to deliver goods on time. • In a business, time is money and • all delays will increase the input costs – which cuts into profits. • Poor quality products and services will also result in more waste or unhappy customers. • The problem is exponentially increased if it is a major supplier. • One also has to consider the challenges faced with local vs international suppliers and • the fact that the government tries to protect/support local suppliers even if international suppliers offer more competitive prices. <p>{Consider any other relevant point on the challenge being faced} (Any 2 facts × 1 mark each = 2 marks)</p>	<ul style="list-style-type: none"> • Open communication; • Prompt payment; • Regular reviews of responsibilities (e.g. who organises transport, insurance, price adjustments); • Prioritisation, for example ensuring that supplier's delivery trucks are unpacked promptly and • the stock taken in efficiently to enable them to move on to their next customer. <p>{Consider any other relevant strategy to overcome the challenge} (Any 2 facts × 1 mark each = 2 marks)</p>	<ul style="list-style-type: none"> • Shareholder • Customer/Consumer • Community • Employees <p>{Consider any other relevant stakeholder} (Any 1 stakeholder × 1 mark = 1 mark)</p>

(5)

Possible Strategies that could apply to Questions 3.3.1 and 3.3.2.

Give credit if the candidate mentions the following strategies in their answers (where appropriate):

- Growth strategies (e.g. internal growth, such as organic growth, external growth, such as alliances, acquisitions and merges)
- Decline strategies (e.g. divesture strategy, harvest strategy, liquidation strategy)
- Corporate Combination Strategies (e.g. joint ventures, mergers, takeovers)
- Generic Strategies (e.g. low-cost strategy, differentiation strategy, focus strategy)
- Intensive Strategies (e.g. market penetration, product development, market development)

3.4 **Investment Opportunities**

Investment Options	Criteria	Discussion
3.4.1 Equities	Risk	<ul style="list-style-type: none"> Equities are seen as a moderate- to high-risk investment. Can also be low risk if the company is a blue chip company This is despite the fact that the JSE has strict rules for companies to list on the stock exchange to protect investors decrease the risk of their investment. Consider the risk factor of investors (risk averse) vs speculators (risk takers). {Consider any other relevant fact relating to the risk factor associated with equities} (Any 2 facts × 1 mark each = 2 marks)
3.4.2 Collectibles	Return on Investment (ROI)	<ul style="list-style-type: none"> If an article is truly a collectable, the value of the article will increase over time (provided there is no damage). There is no source of monthly income for the investor. Must be an expert to purchase the right collectible. {Consider any other relevant fact relating to the ROI factor associated with collectibles} (Any 2 facts × 1 mark each = 2 marks)
3.4.3 Fixed Deposit	Timeline	<ul style="list-style-type: none"> Fixed deposits can be from 3–12 months or even 10 years. The longer the time frame of the investment, the higher the return. {Consider any other relevant fact relating to the timeline factor associated with a fixed deposit} (Any 2 facts × 1 mark each = 2 marks)

(6)

3.5	<p>3.5.1 (a) Example of a tangible resource: land and buildings; machinery; vehicles; trading inventory; equipment; employees, cash (Any 1 tangible resource × 1 mark = 1 mark)</p> <p>Example of an intangible resource: customer goodwill; patent; copyright on advertising material or intellectual property, 'word of mouth', lease agreements, social media platform, licencing, organisational culture, code of conduct (Any 1 intangible resource × 1 mark = 1 mark) (Total: 2 marks)</p>
	<p>(b) A strategy that Mr Price could use to ensure tangible resources are used in an optimal manner:</p> <ul style="list-style-type: none"> Have appropriate insurance against possible risks that the resource may face. Have a maintenance policy to ensure that the tangible resource can be used optimally. Outline the disposal policy of the tangible resource so that when it reaches a stage where it is no longer feasible to keep maintaining the resource.

- Keep records of who has
- access to the resource and
- ensure that there is accountability should the resource face damages.
- TQM, benchmarking

{Consider any other relevant strategy}
(Any 2 facts × 1 mark each = 2 marks)

3.5.2 A possible strength of Mr Price:

- Mr Price has a well-established brand in the market.
- Mr Price has a strong customer base that allows it to be competitive in the market segment in which it operates.
- Mr Price offers value for money to many South Africans (i.e. good price, good quality).
- Mr Price has a good track record in terms of corporate governance compliance, which attracts many investors.
- Mr Price has successfully extended its brand into the international market.
- Mr Price offers competitive returns to its shareholders.

{Consider any other relevant strength of Mr Price}
(1 mark)

3.5.3 An advantage in management completing an environmental scan at Mr Price:

- Management has an idea of the internal ✓ and external challenges that it has to face.
- Management can put into practice appropriate strategies (short and long term) to deal with the challenge
- before they cause damage to the competitive advantage that Mr Price has in the market.
- Management will have written evidence
- that they have investigated the environment in which they operate and
- have taken a pro-active approach to challenges.
- Possible opportunities and gaps in the market can be identified.
- Keeps a finger on the pulse of your competitors.
- Can assist with benchmarking

{Consider any other relevant advantage}
(Any 2 facts × 1 mark each = 2 marks)

3.5.4 The process involved in completing a Value Chain Analysis:

- Divide the business into the different activities or business processes that happen in the business.
- Describe each process: starting with the inputs (procurement, admin, HR, etc. ...) and
- finish with the production of the products/services and after sales service to customers.
- Identify the areas that are critical to create a competitive advantage
- and decide if the business can handle this internally (get skills if needed) or alternatively outsource the activity.

(Any 3 facts × 1 mark each = 3 marks)

(10)

- 3.6 Mr Price Sport records high sales during the festive period in December, but there is a drastic drop in this figure from January to March. Sales tend to pick up again in April.

With the aid of ONE creative problem-solving technique you are required to:

- Analyse the problem faced by Mr Price Sports; and
- Propose a solution to the problem.

Possible Creative Problem-solving Techniques:

- **Pros and Cons Chart**

Management will list the advantages (positive points) and the disadvantages (negative points) of the choice.

In order to solve the problem, you weigh up the options by assigning a numeric value to each option – and if it scores a high value then the option will be viable.

- **Drill-down Analysis**

Management has the opportunity to break down the proposed strategy into manageable chunks for processing.

By 'drilling down' into the component parts you are in a position to consider information that you did not initially think had relevance to the consequences of the strategy – ultimately reaching to the root of the challenge in the macro-environment.

- **Flow charts**

This is where management places the strategy in the form of a diagram and shows the various stages where decisions have to be made.

Management is given the 'bigger picture' that the implementation of the strategy will have as all the relevant details have been represented in the flow diagram.

- **Scenario Analysis**

Management is in a position to analyse possible future events by considering alternative possible outcomes from the implementation of the strategy.

This technique is designed to allow improved decision-making by allowing more complete considerations of outcomes and their implications.

- **Delphi Technique**

In this technique, management makes use of a panel or single expert that makes forecasts based on their superior knowledge of the challenge and the proposed strategy.

The identity of the expert is kept a secret so as to prevent the halo effect and to keep the final recommendation valid and feasible.

- **Decision Tree**

Management graphically compares the different options available when making a decision. The aim is to promote rational decision-making and clarify available options. The possible options are quantified so that the probability of success can be quantified.

{Consider any other relevant problem-solving techniques – NO MARKS IF CANDIDATES HAVE USED VALUE CHAIN ANALYSIS}

Mention of Technique (1 mark)

Analysis of problem using technique (3 facts × 1 mark each = 3 marks)

Recommendation or solution to problem (1 mark)

(5)

[50]

QUESTION 4

4.1 4.1.1 **Give TWO reasons why, as part of marketing planning, Mr Price needs to do market research.**

- To have an understanding of customers' (target market) changing needs.
- To investigate/test their product before buying large quantities of merchandise.
- To detect which new products would meet the needs of consumers.
- To have feedback on the effectiveness of marketing policies (the 7 p's) in achieving marketing goals.
- To investigate the effectiveness (pros + cons) of strategic relationships with suppliers.

{Consider any other relevant reasons for the need to do market research}

(Any 2 reasons × 1 mark each = 2 marks)

4.1.2 **Explain, by means of an example, how Mr Price implemented brand stretching.**

- **Brand stretching** refers to a situation where Mr Price used the successful brand (clothes) to add a product into an unrelated market (furniture).

(Any 2 facts × 1 mark each = 2 marks)

4.1.3 **Describe THREE advantages that Mr Price will have as a result of a strong brand.**

- Inspires customer loyalty leading to repeat sales
- word-of mouth recommendation.
- Branded items can normally command higher prices
- especially if the brand is the market leader.
- Retailers and service enterprises want to stock the top selling brands,
- as this will attract consumers to the stores.
- Helps with business' appearance and image.
- Adds credibility and increases confidence in the business.

{Consider any other relevant advantage of having a strong brand}

(Any 3 advantages × 2 marks each = 6 marks)

4.1.4 **Discuss THREE factors that assist in creating brand value for Mr Price.**

- **Quality:**
 - is a vital part of a brand,
 - it represents the core benefit,
 - the things the consumer expects from the brand.
- **Positioning:**
 - is about the position in the market space that the brand occupies
 - in the minds of the consumer.
 - Strong brands have clear and
 - often unique positions in the target market.

Positioning is achieved through:

 - Brand name
 - Image
 - Service standards
 - Product guarantees
 - Packaging
 - Delivery
 - Positioning normally requires a combination of the above elements, and
 - how it fits into the greater market.
 - Whether a brand is positioned as a luxury provider or
 - an essential service is governed by, and governs, the above elements.

- **Repositioning:**
 - Occurs when a brand tries to change its market position to reflect the change in customer tastes.
 - It could be that the brand has become old and tired, and
 - perhaps no longer appeals to a particular market group
 - i.e. the original market group have matured.
 - A new approach needs to be taken to create a new position with the current or new market,
 - e.g. Mr Price deciding to sell designer jeans in their Mr Price clothing range.
- **Communication:**
 - ensures that all the elements of the marketing mix have been clearly thought through and
 - with the customers' perceptions in mind.
 - It has to build awareness and
 - help build a personality and
 - to reinforce the perceptions.
- **Long-term perspective:**
 - this speaks 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 with 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 with the brand should be consistent over a long time,
 - whether this occurs face-to-face,
 - in stores,
 - through advertisement
 - 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 (Living Standards Measure – widely used segmentation tool in SA)?
- **Intimacy with customers**
- **Distinctive voice**
 - {Consider any other relevant factor that helps build a successful brand}
 - (1 mark for mentioning factor; 1 mark for discussion)
 - (Any 3 factors × 2 marks each = 6 marks)

4.1.5 Discuss how the consumer's right to responsible marketing impacts on the marketing activities of Mr Price.

- All customers have the right to be treated the same✓,
- consumers may not be unfairly discriminated against with regard to access of goods and services.
- Suppliers are not allowed to limit the access of a consumer to goods and services,
- or a class of consumer.
- No business may unfairly discriminate by prioritising a consumer or group of consumers with regards to
- marketing, selling and the distribution of their goods and services.
- Supplies are not allowed to vary the quality of goods and services in a manner that is discriminatory.
- Consumers will thus have the right to query any form of inferior quality and service been delivered.
- Unfairly charging prices for the same goods and services to a different consumer base will be considered as grounds of discrimination.
- Customers should all be treated as equals,
- irrespective of their gender, race, socio-economic standards or their geographical location.
- Consumers will have the right to take issues to the Equality court or the Commission.
- Business practices like advertising, marketing, contracts, standard terms and conditions, product labelling, promotional competitions, pricing policies, returns policies, franchises, business names, product liability and product safety and even business language, will be strictly regulated.
- Product/service information must be in a language appropriate for the target market, and understandable to someone with average literacy skills.
- Consumers often complain about the 'fine print' in the terms and conditions of policies.
- According to Section 61 of the Consumer Protection Act, which introduces a system of strict company liability,
- consumers will be able to sue suppliers and manufacturers of goods and/or
- services for damages
- or injuries suffered by them as a result of using the goods
- or as a result of the services being rendered,
- regardless of whether or not such a supplier,
- manufacturer or service provider was negligent.

{Consider any other relevant facts that show the impact on the marketing activities of Mr Price}

(Any 4 facts × 1 mark each = 4 marks)

4.1.6 Explain, with the aid of a separate example for each, why the following marketing policies are important to Mr Price:

(a) Product

- A business has to ensure that they are delivering a product that the consumer is able and willing to buy.
- A successful business will do the correct market research to find out what the consumer needs and wants are and
- then develop the right product accordingly
- with the correct level of quality to meet the consumers' needs now and in the future.
- The correct product must be created with the view to add value to the consumer.
- We need to deliver a product/service that the consumer wants,
- not what we think they want.
- Product life cycle, branding, SABS.

Examples:

- The different categories of products, i.e. consumer goods, industrial goods and services must be understood by the marketing department.
- Mr Price will consider the design, style, the size and the colour of the product(s).
- Mr Price will need to consider the different product life cycles that the different product categories will go through.
- Consideration will be given to the packaging decisions that will have to be made.
- Decisions relating to trademarks and branding of the product.
- Product testing before buying large quantities of merchandise.

{Consider any other relevant facts on the PRODUCT POLICY}

(Candidates must give one example in their explanation)

(Any 2 facts × 1 mark each for description)

(3)

(b) People

- It is important to remember that anybody who comes into contact with your consumer
- will have an impact on them;
- this could have a profound effect on the consumer's level of satisfaction received from the business.
- The business's brand and reputation rests in the hands of people.
- Therefore, the business needs to ensure the correct levels of training
- and motivation are given to ensure these people have the correct attitude.
- The employee is the face of the business.
- It is vital for business success to ensure that all employees who have contact
- are correctly trained for the job.
- Evaluations need to take place consistently to ensure that there is no performance gap that exists.
- Research has shown that many consumers do not separate the product or service from the employee that provides it.
- This emphasises the level of importance placed on people.
- After sales services and advice provided by the business
- is a way to add value to the product or service being bought by the customer.
- Thus it is important to look at the products and services that have the highest percentage of your sales,
- and to evaluate if they have the necessary after sales support.
- Service levels and customer perceptions of employee service levels.
- Employee morale, skills, behaviour, motivation will impact on service delivery.
- E.g., making sure that the requirements of the Consumer Protection Act are met.

{Consider any other relevant facts on the PEOPLE POLICY}

(Candidates must give one example in their explanation)

(Any 2 facts × 1 mark each for description)

(3)

(c) Marketing communication

- There are four components to the marketing communication policy of Mr Price namely: advertising, personal selling, sales promotion and publicity.
- The business has to pay to advertise but can therefore choose the message.
- Sellers repeat the message a number of times and this gives the buyer the opportunity to compare messages from different suppliers.
- It can be a very expressive form of communication where colour, sound, print and movement can be used.

- It is an impersonal message aimed at a mass-audience. The audience is not obliged to respond to the message and can ignore the message without feeling guilty.
- E.g., specialist teams that travel frequently and do market research.

Personal selling:

- There is live interaction between people where the buyers are confronted by the sales person. The buyer often feels compelled to respond.
- The sales person shows a personal interest in the buyer and (should) keep the buyer's best interests at heart.
- The buyer often feels under some obligation to listen and respond and the sales person feels the same obligation towards any inquiries from the potential buyer.
- Personal selling can also be used to gather info for market research.

Sales promotion:

- The instant appeal persuades the consumer to make an instant purchase.
- Too many sales promotion tools may convey the message that the seller is very anxious to sell. The consumer may then question the quality of the product/service.
- Examples of promotions may include 'buy-one-get-one-free', discount coupons and samples.

Publicity:

- Publicity has a higher degree of credibility than advertising because the business does not pay for the message.
- The message is not 'sales talk', as it will reach consumers who avoid sales people and who do not read advertisements. This means that the business does not have any control over the message and publicity can thus be good or bad.
- Publicity can boost the image of the business. This means that sales are indirectly promoted and it does not cost the business large amounts of money.
- Internal publicity refers to the impression people get from the appearance of the buildings, display of goods and appearance of staff members. It also includes the manner in which staff speak to clients and the quality of the service. There is no point in business spending large amounts of money on advertising if these factors are not handled well.

Advertising:

- If the dealer advertises, demand could and hopefully will increase. Higher sales mean bigger profits.
- Advertising helps the manufacturer to benefit from large-scale production (advertising increases the demand). Mass production leads to a lower cost per unit.
- Advertising helps to increase the standard of living. Consumers learn about new/cheaper products that can satisfy their needs.
- Advertising makes the task of the salesman easier. Buyers know about the products and often even ask for the product.
- Recruitment of staff is easier, because the business becomes well known through advertising and builds a good reputation.
- Advertising helps the manufacturer to improve his/her product because he/she can see what other manufacturers offer.
- Advertising protects and warns the consumer against inferior substitutes and 'rip-offs'. The trade mark reminds the customer about quality products.
- Advertising can also help to improve the image/reputation of the business.
- Social media.

{Consider any other relevant facts on the MARKETING COMMUNICATION POLICY}

(Candidates must give one example in their explanation)

(Any 2 facts × 1 mark each for description)

(3)

4.2 4.2.1 **Why is it important for Mr Price's management team to set sales targets?**

- Setting of sales targets will give the management team a sense of direction;
- The team will have a benchmark to work towards;
- The team will be able to measure their actual performance against the desired performance;
- The setting of targets shows that the team is committed to strategic goal setting;
- The team is focused on the success of the business as they are planning for the future.
- Investor confidence, manage performance, motivation.

**{Consider any other relevant fact on the importance of setting sales targets}
(Any 2 facts × 1 mark each = 2 marks)**

4.2.2 **Discuss a method that Mr Price could use to evaluate the quality of performance in their purchasing department.**

Mr Price could use a variety of strategies to improve the quality of performance in the purchasing department:

- **Revise the mission and vision** of the purchasing department,
- so that it comes in line with current trends in the retail industry.
- The business could consider the 'best practice approach' to the effective running of the purchasing department, i.e. **benchmarking**.
- **Allocate resources differently**: re-think the allocation of employees, money, machine time, raw materials and skills in the purchasing department.
- Should the business outsource its purchasing department activities or alternatively re-allocate the resources to other critical areas of the organisation?
- Management could perform a variety of **financial ratios** that are linked to purchasing, e.g. rate of stock turnover, number of stock units on hand, economic order quantity, the acid test ratio, economic leverage, etc. ... and investigate reasons for under- or over-performance.
- Sampling.

**{Consider any other relevant method to evaluate quality of performance in the purchasing department}
(Any 3 facts × 1 mark each = 3 marks)**

4.2.3 **What is the link between risk management and quality of performance? Use an example to illustrate your answer.**

- Any business should have growth/increased turnover/high performance as one of its goals.
- This goal is important if the business is to succeed in a highly competitive business environment.
- It is also true that there are going to be challenges/risks that will impact on the organisations ability to achieve this goal.
- It is therefore important that the business has certain strategies in place to deal with these risks.
- These strategies could be as simple as having an insurance policy or as complex as having a strategic management team.
- The better equipped the business is to deal with the challenges the greater the chance for an improvement in the quality of the businesses performance.
- Examples:
 - Consider how minimising the risk of fire, theft and damage to the business and its resources will ensure that the business has safe guarded its assets in the organisation.
 - The business will be in a position to continue operating to make a profit.
 - Safeguarding of employees ensures that this resource can continue to work towards profit maximisation for the business.

**{Consider any other relevant point showing the link between risk management and quality of performance}
(Any 3 facts × 1 mark each = 3 marks)**

**(Candidates must give one example in their explanation)
(4)**

4.2.4 Describe the following elements of the Balanced Score Card and give an example where Mr Price's management team could use each of the elements to assess the overall performance of the group.

(a) **Financial perspective**

- Look at how the business is utilising its assets; and
- minimising its costs;
- in order to create shareholder value.
- The business could look at profits and the facts having a positive or negative impact on profits,
- dividend payouts – look at a comparison between earnings per share and dividends per share,
- cash flows – sources of cash funds and how these cash resources are being used (operating, investing and financing activities),
- solvability – compare total assets to total liabilities.
- The use of budgets.

{Consider any other relevant point on the financial perspective}

(Any 2 facts × 1 mark each = 2 marks)

(Candidates must give one example in their explanation)

(Max: 3 marks)

(b) **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) and
- community investment, i.e. corporate social investment.

{Consider any other relevant point on the financial perspective}

(Any 2 facts × 1 mark each = 2 marks)

(Candidates must give one example in their explanation)

(Max: 3 marks)

(c) **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. **OR**
- 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 entrepreneurship/intrapreneurship.
- Training.

{Consider any other relevant point on the financial perspective}

(Any 2 facts × 1 mark each = 2 marks)

(Candidates must give one example in their explanation)

(Max: 3 marks)

(d) 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 customer's perspective is,
- group discussions/feedback can be held to engage the customer on this issue.

{Consider any other relevant point on the financial perspective}

(Any 2 facts × 1 mark each = 2 marks)

(Candidates must give one example in their explanation – Max 1 mark for example)

(Max: 3 marks)

(12)

[50]

QUESTION 5**5.1 5.1.1 Name TWO non-insurable risks.**

- Price fluctuations due to time intervals;
- Trading inventory that becomes obsolete due to changes in fashion;
- Technological changes that make machinery and equipment outdated;
- Illegal acts;
- Losses covered due to war;
- The possibility of bad debts.
- Recession, exchange rate.

(Any 2 non-insurable risks × 1 mark each = 2 marks)

5.1.2 List and 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 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 debtor.
 - A married person has an insurable interest in the life of the spouse.
 - A person has insurable interest in his 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 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 that have 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.

{Consider any other relevant requirements for a valid insurance contract}

(Maximum listing 3 requirements)

(Requirements × 1 mark each = Min. 2 marks)

(Description of requirement × 1 mark for each fact)

(6)

5.1.3 Discuss TWO advantages associated with Mr Price offering insurance and life assurance.

- The insured can transfer some of the risks to the insurance company, which then provides indemnification, e.g. fraudulent transactions if the Mr Price card is lost or stolen – Lost Card Protection.
- Life assurance taken out (Customer Protection Plan) ensures that the card holder does not suffer financial losses in the case of the insured becoming disabled, is suffering from a critical illness, is hospitalised for more than 14 consecutive days or that his/her dependants do not have to suffer an additional financial obligation if he/she passes away.
- 360° Protection Plan – the insured receives R10 000 cover in the event of death, retrenchment, certain critical illnesses and hospitalisation for more than 14 consecutive days.
- Driver or passenger cover – the insured will get up to R50 000 accidental death cover and R75 000 permanent disability cover if he/she is the driver or passenger in a motor vehicle.
- Critical Illness and Hospitalisation Plan covers certain critical illnesses and hospitalisation (conditions apply).
- Family Funeral Plan assists the insured to cover expenses towards a funeral for him/her or loved ones.
- **Candidates are not required to give detail – simply that such insurance is offered and show in discussion that it is beneficial.**

{Consider any other relevant advantage of insurance}

(Any 2 advantages × 2 marks each = 4 marks)

5.1.4 Describe how the Compensation for Occupational Injuries and Diseases Act (COIDA) impacts on risk management program at Mr Price.

- The Compensation for Occupational Injuries and Diseases Act requires that employers take out Compensation on behalf of their employees
- to protect employees against injuries or death at work.
- COIDA protects the employer from claims made against him/her by the employee.
- Compensation is provided to the employee or his family
- in the case of the employee being unable to work due to an accident whilst being at work.
- Medical expenses and loss of earnings are also covered.
- Should it be a serious accident and the employee is disabled,
- he may also claim benefits and if he dies,
- his dependants will qualify for compensation.
- COIDA does not apply to military staff, the Police Force, domestic workers or casual workers.
- The fee is paid to the Compensation Commission annually and is based on the employee earnings and the risk associated to their profession.

{Consider any other relevant point on COIDA}

(Any 4 facts × 1 mark each = 4 marks)

5.1.5 Explain how each of the following terms would apply to an insurance contract.

(a) Excess clause:

- An excess is the amount on each claim that is not covered by the policy.
- The excess amount is specified in the insurance policy.
- The insured will have to pay the first (amount) that is indicated in the contract.

{Consider any other relevant facts on the excess clause}

(Any 2 facts × 1 mark each = 2 marks)

(b) Premium:

- This is the amount that the insured will pay for the insurance company to indemnify/cover the specific risk that the insured will suffer.
- The premium charged will depend on the risk that will be indemnified, e.g. the nature of the product (flammable or non-flammable in the case of fire insurance).
- Another factor that affects the premium is the value of the insured item. The insured will have to provide documentation of the current market value of the item.

{Consider any other relevant facts on the premium in an insurance contract}

(Any 2 facts × 1 mark each = 2 marks)

5.2 Mr Price Group Ltd may be facing technological challenges. Outline TWO of these challenges and in each case suggest what strategies the Mr Price Group could use to overcome them.

- The challenge of online shopping. Mr Price must have the necessary back-up to ensure that the entire buying process is done effectively (e.g. support staff/software, etc. ...)
- The challenge of doing stock-counts that are accurate. The use of bar-codes and the keeping of tabs on stock volumes. There must be a process of where physical checks correspond with electronic checks.
- Access to confidential information, e.g. customer details and employee details. There must be password controls and other security measures to prevent the unlawful acquisition (hacking) of this sensitive data.
- Keeping up to date with changes in computer hardware and software. Ensure that your IT department has the financial/manpower resources to provide an effective and efficient service to the entire organisation.

{Consider any other relevant technological challenges that Mr Price could face}
(1 mark per challenge)

(1 mark per strategy to deal with the challenge)

(Any 2 challenges × 2 marks each = 4 marks)

5.3 Discuss, using examples, how planning, delegation and communication could lead to Mr Price having a competitive advantage in the market.

(a) Planning:

- Every business needs to plan to ensure that actions are geared towards
- the desired outcome.
- The plan should be drawn up with the aim of achieving the goals and objectives of the business,
- but the plan should be flexible and adaptable according to circumstances.
- The following are possible steps to be taken during the planning process:
 - understand and define the problem,
 - get all the relevant information,
 - analyse the information and consider all possible eventualities.
 - Decide on a plan of action but consider alternative plans (contingency plans),
 - implement the plan carefully and
 - follow up to ensure the plan is successful; if not, implement corrective action.
- Planning in the business takes place on different management levels:
- Top management is responsible for the overall, long-term strategic business plan,
- including the vision, mission, objectives and strategies for the overall business.

- Middle management formulates tactical plans,
- which involve the acquisition of resources needed by the departments that they control namely, the Financial department, Marketing department, Production department, Human Capital department, etc.
- Middle management is responsible for medium-term planning and
- has to ensure that lower levels of management are guided to align their daily planning with that of Middle management.
- Lower management is in charge of planning work schedules and programs on a daily basis.

{Consider any other relevant facts on PLANNING}
(Candidates must give at least one example in their explanation)
(Any 3 facts × 1 mark each for description)
(4)

(b) Delegation:

- Delegation is necessary in order to reduce the work load of senior employees and
- to achieve a more meaningful distribution of tasks and responsibilities.
- The manager will delegate duties,
- authority and
- responsibilities to subordinates.
- The person to whom the tasks were delegated must be able to perform the new tasks and
- may need additional training to empower him/her.
- It is also important to remember that when responsibility is delegated, the worker should also be authorised to handle situations that arise from the added responsibility.
- Both the employee and the manager who delegated the responsibility will be held accountable for the quality of the work done.

{Consider any other relevant facts on DELEGATION}
(Candidates must give at least one example in their explanation)
(Any 3 facts × 1 mark each for description)
(4)

(c) Communication:

- Communication refers to the transfer and
- receiving of ideas and attitudes
- between management and workers,
- but also between the business and external groups
- such as the media, suppliers, customers and the government.
- Without good, clear communication, it is not possible to build relationships with these different stakeholders.
- Communication ensures coordination of activities within the business
- by letting workers know exactly what is expected from them.
- On the other hand, clear communication channels enable workers (or external stakeholders)
- to inform management about problems and ideas.
- Proper communication may help to improve the overall performance of the business,
- because the relevant people are informed about certain facts if and
- when (or before) they need the information.

{Consider any other relevant facts on COMMUNICATION}
(Candidates must give at least one example in their explanation)
(Any 3 facts × 1 mark each for description)
(4)

5.4 5.4.1 **List THREE cases from the extract which indicate that manpower management benefits Mr Price.**

- Developing and retaining 'home grown' talent or development of internal recruitment.
- Having a low staff turnover at senior management level.
- Pre-employment assessments that are stringent.
- Recruitment, Selection, sifting, develop personnel, mentors, time management, training programs, trade tests (numeracy and literacy).

(Consider any other relevant case from the given extract)

(Any 3 cases × 1 mark each = 3 marks)

5.4.2 **Why is it an advantage for Mr Price to have a low staff turnover?**

- The business is assured of good staff morale.
- It is an indication that staff are happy with their working conditions.
- The business will have lower recruitment costs or costs linked to the HR department.
- Less training will be required as there will be fewer recruits joining the business.
- The business has the time and money to spend on other issues that are affecting the human resource department – and not have to concentrate on new recruits.
- It provides the business with a good image/reputation that can be used to the business's advantage.
- Improved morale, higher productivity, less conflict, more money for training as a result of fewer induction costs.

{Consider any other relevant advantage in having a low staff turnover}

(Any 2 facts × 1 mark each = 2 marks)

5.4.3 **Discuss TWO methods that Mr Price could use to evaluate the effectiveness of their Human Capital department.**

- The business could use a questionnaire and hand it over to the department head and employees. Consider the feedback given by both parties and analyse the success rate of the department in achieving objectives.
- A one-on-one interview to gather info/data on the effectiveness of the department to connect with the rest of the organisation. This will allow the interviewer to have input into what questions are asked and add credibility to the info gathering process.
- Management could attend or participate in group discussions. This will allow them to see first-hand whether the department is running effectively.
- Mr Price could measure the effectiveness of the HR department against benchmarks in the industry. Look for areas of under or over performance.
- The business could use the 360° appraisal system – focus on employee achievement in the department and the many components that could have an impact on its success.
- Measure levels of employee absenteeism, staff evaluation.

{Consider any other relevant methods}

(1 mark for mentioning the method)

(1 mark for discussion of the method)

(Any 2 methods × 2 marks each = 4 marks)

5.5

'There is a common perception that all leaders should be managers as this will enhance the competitive advantage of the business.'
 Mark Zuckerberg, founder of Facebook.

[Adapted from: <<http://www.cpiworld.com/knowledge-center/blog/are-hr-departments-becoming-obsolete-what-hr-professionals-need-to-know>>, downloaded November 2015]

Do you agree with this statement? Motivate your answer.

Consider the candidates' argument in support of their answer.

Leadership vs management – possible arguments

Much has been written about the difference between a manager and a leader and whether it is even possible to differentiate between the two.

One of the most frequent definitions used to differentiate between the two is:

- A manager is appointed in a position of authority, which enables him/her to insist on people doing as he/she instructs.
- A leader has the expertise to make people aware of the advantages of pursuing a certain course of action, thereby creating a desire in people to follow him/her to achieve a common goal.

In his book, *On Becoming a Leader*, Warren Bennis compiled a list of the differences between a Manager and a Leader. Some of these are:

Manager	Leader
The manager maintains systems	The leader develops new methods to do things
The manager focuses on systems and structure	The leader focuses on people
The manager relies on control	The leader inspires trust
The manager accepts the status quo	The leader challenges the status quo

- Ideally, for a manager to be successful, he/she has to be a leader as well.
- It is no longer appropriate to tell people 'because I say so'.
- Very few people respond well to be 'managed',
- while most employees respect someone who recognises each individuals' strengths and acknowledges the contribution each makes.
- The manager will be better equipped for his/her task if he/she develops entrepreneurial qualities.
- The same principle applies: a good manager will make sure he/she is a leader as well.

This question can be answered from a positive (YES), negative (NO) or neutral point of view (Both sides of the argument are considered)

{Consider any 5 valid points in the argument × 1 mark each = 5 marks}
[50]

150 marks

Total: 200 marks