



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2013

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

| | | | | | | | | | |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| 1.1 | 1.2 | 1.3 | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 | 1.10 |
| LO3 AS7 | LO1 AS1 | LO3 AS7 | LO2 AS3 | LO1 AS4 | LO4 AS1 | LO2 AS4 | LO4 AS4 | LO2 AS4 | LO4 AS1 |
| D | A | C | D | B | D | A | B | B | C |
| | | | | | | | | | |

[20]

QUESTION 2

- 2.1 LO 1; AS 4 **Line and staff**
- 2.2 LO 4; AS 4 **Benchmarking**
- 2.3 LO 2; AS 4 **Stop-loss**
- 2.4 LO 3; AS 1 **Value Chain Analysis [Candidates do not have to give the term “Analysis”] or Low Cost Strategy**
- 2.5 LO 4; AS 3 **Lock-out**
- 2.6 LO 4; AS 1 **Retention or retaining or internal recruitment**
- 2.7 LO 1; AS 4 **Market**
- 2.8 LO 2; AS 4 **JSE Limited or JSE or Securities / stock market or any valid worldwide stock exchange e.g. New York Stock Exchange**

[16]

QUESTION 3

- 3.1 LO 3; AS 7 **D**
- 3.2 LO 3; AS 5 **G**
- 3.3 LO 1; AS 2 **E**
- 3.4 LO 3; AS 4 **A**
- 3.5 LO 4; AS 1 **H**
- 3.6 LO 2; AS 4 **B**
- 3.7 LO 2; AS 4 **F**

[14]

| |
|-----------------|
| 50 marks |
|-----------------|

SECTION B

QUESTION 4

4.1 [LO1; AS4]

| Technique/tool used to gather information from the environment | Environment to which the technique/tool best lends itself to be used |
|---|---|
| Value Chain Analysis | 4.1 (a) Micro |
| Balanced Scorecard | 4.1 (b) Micro |

(4 marks)

Take note:

For both Questions 4.2.1 and 4.2.2 take note of the possible alternative strategies mentioned at the end of question.

4.2 [LO1; AS4]

General guidelines to be followed when marking Question 4.2

- **The challenge and strategy are marked holistically.**
- **There needs to be a link between the challenge and the strategy.**
- **Candidates can score 1 → 4 marks depending on how much depth they have given in their answers.**
- **Candidates can lose a maximum of 1 mark if the answer is not Absa / banking related.**
- **Candidates could have also given:**
 - **Two challenges with each of Porter’s element.**
 - **In these cases each challenge with the linked strategy is marked with a maximum of 2 marks**

| Two of Porter's Five Forces Model | Discussion of challenge being faced | Strategy to overcome challenge |
|---|--|---|
| 4.2.1 Level of rivalry in the Market | <ul style="list-style-type: none"> • It is in the bank's best interest to find out as much as possible about competitors. • These issues may include location(s), any information about financial performance that may be available, their products including patents, quality, brand loyalty, new products, market share, promotion strategies, branch distribution, employees, organisation culture and morale as well as any other information that may be relevant. • Absa needs to have an understanding of where in the market it is positioned in terms of its competition. • There needs to be an analysis of the factors that impact on the level of rivalry in the market. <p>{Consider any other relevant point in the discussion} (Any 2 facts x 1 mark each = 2 marks)</p> | <p>Complete a competitor profile 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> <p>{Consider any other relevant strategy to overcome the challenge} (Any 1 strategy x 2 marks = 2 marks)</p> |

| Two of Porter's Five Forces Model | Challenge being faced | Strategy to overcome challenge |
|--|---|---|
| <p>4.2.2 The power of buyers</p> | <ul style="list-style-type: none"> • The 'buyer' may include more than the final consumer of the product or service. It may include a potential buyer (customer). In this case the customer would be someone who would like to make use of the bank's services. • For the bank, it is important to know who the customers/ buyers are in terms of their demographics (e.g. age, income, gender, education and occupation) and their geographic profile. • Can also segment the target market using lifestyle criteria such as hobbies, recreation, political beliefs and cultural background, to name but a few. • If the needs of the buyer/ customer are not satisfied by the product/service on offer, or if the buyer feels a competitor offers better value for money, a decision may be taken to consider different alternatives. This will translate into a financial loss for the business. <p>{Consider any other relevant point in the discussion} (Any 2 facts x 1 mark each = 2 marks)</p> | <p>Complete a geographical profile; Complete market segmentation with appropriate criteria; Complete primary and secondary research to assess the power of your customer base.</p> <p>{Consider any other relevant strategy to overcome the challenge} (Any 1 strategy x 2 marks = 2 marks)</p> |

[Total for this table: 8 marks]

Possible strategies that could apply to Questions 4.2.1 and 4.2.2:

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 mergers)
- 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 strategy, product development, market development)
- Other strategies, e.g. Revision of the banks mission statement, establish or revise objectives or allocate resources effectively/differently.

NB! The challenge must be linked to the strategy.

4.3 [LO1; AS4]

Vision Statement:

- The vision of the business represents the futuristic long term goal of the business.
- It inspires and reminds the stakeholders of what the bank is focusing on in an ever changing banking environment.
- The vision statement must be understood to bridge the gap between the present and the future of the bank.
- The Vision of Absa Bank is integrated in its core values, i.e.
 - Value our people and treat them with fairness;
 - Demonstrate integrity in all our actions;
 - Strive to exceed the needs of our customers;
 - Take responsibility for the quality of our work;
 - Display leadership in all we do.

[Downloaded from < absa.co.za>]

{Consider any other relevant fact linked to 'vision'}

(Any 2 facts × 1 mark each = 2 marks)

Mission Statement:

- The mission statement sets the bank apart from other similar banks by describing the organisations customers (market); major products and services, differentiating qualities as well as social responsibilities and environmental concerns.
- Give credit if the candidate mentions what Absa states in its mission statement, i.e. (Candidate shows an understanding of what a mission statement is).
 - To become the number one bank in South Africa and selected African countries in terms of profitability and return on equity;
 - To have a strong and shock-resilient balance sheet and to proactively manage risks;
 - To establish a 'One Absa' mindset in order to improve integration, generate efficiencies and focus on delivery to customers;
 - Great customer service delivered by talented, motivated people.

[Downloaded from < absa.co.za>]

{Consider any other relevant fact linked to 'mission'}

(Any 2 facts × 1 mark each = 2 marks)

- Candidates must be able to show a clear difference between the vision and mission.
- If the difference is not clear, candidates will lose 1 mark.

4.4 [LO1; AS1]

General guidelines to be followed when marking Question 4.4

- **The challenge and strategy are marked holistically.**
- **There needs to be a link between the challenge and the strategy.**
- **Candidates can score 1 → 4 marks depending on how much depth they have given in their answers.**
- **Candidates can lose a maximum of 1 mark if the answer is not Absa / banking related.**
- **Only ONE challenge per factor must be marked.**

NB! The challenge must be linked to the strategy.

| PESTLE Factor | Challenge being faced | Strategy to overcome challenge |
|------------------------------|---|---|
| Social Factors | <ul style="list-style-type: none"> • Cultural, ethnical and religious challenges • Norms and expectations of society • Increase in stress • Challenges faced by Community Development programmes • Consumer threats • High rate of HIV • Societal attitudes towards finances, e.g. savings and investment <p>(Any other relevant social challenge) (Any 1 × 2 = 2 marks)</p> | <p>Programmes that encourage community spirit / development; Acceptance of other cultures or religions by celebrating diversity; Have programmes that teach stakeholders about other cultures; Targeting your product range to other segments of the market; Having appropriate advertising campaigns; Educational programmes promoting tolerance of HIV as well as changing attitudes towards banking especially in communities that do not have a culture of saving.</p> <p>(Any other relevant strategy to overcome challenge) (Any 1 × 2 = 2 marks)</p> |
| Technological Factors | <ul style="list-style-type: none"> • Changes in technology (hardware and software) • Access to information (legal {passwords} and illegal {hacking, spyware; computer viruses; phishing}) • Challenges related to Internet banking <p>(Any other relevant technological challenge) (Any 1 × 2 = 2 marks)</p> | <p>Having a dedicated IT department that is up to date with the latest developments in technology; Call centres that are effectively dealing with customer issues/ concerns / queries linked to technology; Safe reliable use of technology through appropriate training / workshops for employers, employees and consumers; Live website.</p> <p>(Any other relevant strategy to overcome challenge) (Any 1 × 2 = 2 marks)</p> |
| Legal Factors | <ul style="list-style-type: none"> • Consumer rights • Banking Act regulations • South African Reserve Bank regulations • Contract laws • Fraud and /or other illegal acts that pertain to the banking sector <p>(Any other relevant legal challenge) (Any 1 × 2 = 2 marks)</p> | <p>Awareness programmes on consumer rights in the banking sector; Making use of legal experts to assist with challenges; Attending seminars on developments in Acts that affect the banking sector</p> <p>(Any other relevant strategy to overcome challenge) (Any 1 × 2 = 2 marks)</p> |

(12 marks)

Possible Strategies that could apply to Question 4.4:

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 mergers)
- 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 strategy, product development, market development)
- Other strategies (e.g. revision of the banks mission statement, establish or revise objectives or allocate resources effectively/differently)

4.5 4.5.1 [LO3; AS5]

Give credit if candidates have used examples in order to explain their answers.

*** Change in Absa's management structure:**

- Proper change management will help to increase the chances of survival of undertakings operating in the new economy.
- The so-called new economy can be defined as a situation where revolutionary changes are experienced in terms of innovation in technology, globalisation and knowledge management. The management of these changes may be the difference between businesses that will succeed and those that will perish.
- There is, however, (almost) always resistance to change.
- This resistance often leads to conflict.

(Any 2 facts × 1 mark each = 2 marks)

*** Poor Communication between HO and the Absa branch:**

- If employees are not informed about decisions or are not sure of what to expect next, they start to rely on the grapevine (rumours), which are not always reliable.
- Conflict is a result of uncertainty.
- Uncertainty regarding expectations, such as poorly defined job descriptions or inconsistent actions from management, will most definitely lead to conflict.
- Poor communication may be the result of poor listening skills.
- People sometimes listen but they don't hear, and this results in misunderstandings.
- Communication barriers such as an organisational structure that is too hierarchical could also contribute to conflict.
- A poorly defined organisation structure, on the other hand, may lead to jurisdictional ambiguities (uncertainty regarding what is allowed) such as who may discipline a worker.
- Any other barrier to effective communication will also probably lead to conflict between role players in the business.

(Any 2 facts × 1 mark each = 2 marks)

*** Lack of Resources:**

- Insufficient resources or unequal distribution of resources to perform a task will cause stress amongst employees.
- This 'fighting' for resources is a structural reason for conflict in an organisation.
- Interdependence in the organisation is related to resource allocation. If, for example, the Human Resources department has to wait for the financial department to allocate funds needed for training programmes, this interdependence means that a delay in one department will have a ripple effect of conflict throughout the organisation.
- Skills and abilities are also classified under resources. If a manager expects an employee to perform a task that an employee is not capable of performing, it will lead to problems in the workplace

(Any 2 facts × 1 mark each = 2 marks)**(6 marks)**

4.5.2 [LO3; AS5]

Discuss, using an example, how dysfunctional conflict could have an impact on Absa's corporate image.

- Dysfunctional conflict is an aggressive type of disagreement where people refuse to work towards a solution and the task at hand is compromised.
- Dysfunctional conflict has a negative connotation and may result in objectives not being met, poor working relations between workers and management, a poor public image (especially if clients of the bank witness the conflict), inefficient use of resources, low morale in the workplace, etc.
- Ironically, dysfunctional conflict may also have positive spin offs, i.e. management might be put into a position where they will have to think strategically in order to prevent further damage/deterioration as per the points raised previously.
- A strike (especially an illegal one); intimidation; a go-slow are examples of instances that may be viewed as dysfunctional conflict.

Candidates can discuss their answers from a positive or negative point of view or both.

{Consider any other relevant point that discusses the impact of dysfunctional conflict on Absa}

(Any 4 facts × 1 mark each = 4 marks)

4.5.3 [LO3; AS5]

Consider the following scenario: All Absa branches are smoke-free zones. An Absa employee is found smoking outside the entrance to an Absa branch. Customers entering the branch have complained to management about the actions of the employee.

How should an Absa branch manager deal with the potentially conflicting situation? Motivate your answer.

Candidates must link answers to the facts of the given scenario.

Candidates can suggest any of the following:

- **Negotiation**
 - Negotiation is the process of two people trying to sort out their own differences. It is one possible method of handling dysfunctional conflict.
 - It is a suitable approach to resolve conflict that exists due to misunderstanding, but is not suitable when the root of the conflict lies with differences in value systems. People are usually just not prepared to renegotiate their value systems.
 - In a situation where negotiation fails, it usually calls for the dispute to be resolved through anything from conciliation to arbitration.
- **Smoothing**
 - This is mostly a temporary method of solving a conflict situation as differences are ignored and the focus is placed on what people have in common.
 - The conflict situation is 'smoothed over' but if it is a serious problem it may actually make the situation worse.
 - The short-term solution to the problem may lead to the conflict surfacing again in the future.
- **Forcing**
 - In a situation of forcing, a person in a position of authority forces his solution to the problem on the subordinate.
 - This autocratic style does not encourage participation in the problem-solving process and often leads to resentment.
- **Avoidance**
 - The problem is avoided by pretending it is not there or ignoring it, and is mostly used when the perception exists that it is simply not worth the effort to argue.
 - This approach is suitable for trivial issues, but with a serious situation, it may worsen the conflict over time.
 - Another form of conflict avoidance is if one sends someone else to deliver a message rather than confront the situation personally.
 - The issue is not resolved but just (often temporarily) postponed.
- **Compromise**
 - This democratic style of handling conflict is found in a situation where there are opposing opinions on an issue but both parties have equal power.
 - It is a situation of mutual give and take but if not managed well it may lead to a situation where deadlines are not met because it is easier simply to withdraw or give in.
 - If one person is constantly expected to yield or compromise, he may decide it is better (at least psychologically) to withdraw from the situation.
 - This approach may even worsen the conflict over time as it may cause conflict within the person who has constantly to compromise and accommodate others.

**{Consider any other relevant suggestion to deal with the potential conflict}
(Any 4 facts × 1 mark each = 4 marks)**

General guidelines to be followed when marking Question 4.5.3

- **The solution given must not be offensive / inappropriate or unethical.**
- **Candidates could:**
 - **Agree / Disagree with the branch manager’s handling of the situation and give their own solution / suggestion.**
 - **They could give a disciplinary (legal) route to resolve the conflict.**
 - **They could give an appropriate strategy to resolve the issue e.g. communicate the inappropriate behaviour in another venue.**
 - **Candidates could discuss counselling as a possible solution.**

4.5.4 [LO3; AS4]

Give an **example** of when it would be appropriate for an Absa branch manager to use each of the following leadership styles:

| |
|---|
| <p>* Democratic:</p> <ul style="list-style-type: none"> • A situation that requires input from many role players, e.g. decisions at an AGM ... <p>OR</p> <ul style="list-style-type: none"> • Any issue that affects the majority of stakeholders, e.g. change in policy, salary negotiations, changes to the CSR programme of the bank, etc. <p style="text-align: right;">(Any relevant example = 2 marks)</p> |
| <p>* Autocratic:</p> <ul style="list-style-type: none"> • When management is faced with a crisis and the crisis requires an immediate response before more damage is caused. OR • When a department cannot reach consensus on a particular issue and all available avenues have been exhausted. OR • The CEO is unable to consult with the management team on a particular issue and a decision is required urgently. <p style="text-align: right;">(Any relevant example = 2 marks)</p> |
| <p>* Transformational:</p> <ul style="list-style-type: none"> • When management seeks to lead by example and indicates that the final goal is a 'bigger picture'; rather than an immediate achievement of an objective, e.g. aspiring to embrace controversial issues that affect our country like empowerment; HIV/Aids; inequalities in salary structures; cultural / social differences; adaptation to new technology, etc. <p style="text-align: right;">(Any relevant example = 2 marks)</p> |
| <p>* Situational:</p> <ul style="list-style-type: none"> • Any example that shows that the leader understands a situation and decides on a particular course of action that is unique to that particular situation, because the dynamics differ from situation to situation, e.g. The CEO of Absa might be pro-active (supportive) to the demands of striking workers during a recessionary period; but more re-active in periods of non-recession. <p style="text-align: right;">(Any relevant example = 2 marks)</p> |

(8 marks)

Candidates will lose a maximum of 1 mark if the discussion / example is not Absa / banking related.

[50 marks]

Take note: Question 5 and 6

If candidate writes more than the stipulated facts – mark the required number, e.g. State FIVE facts – Only the first FIVE are marked.

QUESTION 5

5.1 [LO1; AS2]

5.1.1 **Explain what is meant by the term Corporate Social Responsibility (CSR).**

CSR is management's obligation to protect and promote the welfare of all stakeholders (financially or otherwise), i.e. to act in an ethical manner regarding issues relating to stakeholders.

OR – giving back to society / community (2 marks)

5.1.2 **Name and discuss THREE factors that have contributed to the need for Absa Group Limited to commit themselves to CSR in South Africa.**

- The inequalities of the past, especially in education, have resulted in a large number of illiterate adults without job-related skills that are necessary to secure employment.
- It is often difficult to break the cycle of poverty. When entire rural communities are unemployed, and barely eke out an existence, it takes courage for the younger generation to break out, seek opportunities for education and break the cycle.
- As a dualistic economy with a large portion of the population still living in third-world (developing) circumstances, we are in the process of growth and building infrastructure and are unable to provide adequate housing, medical care or education of an acceptable standard to all citizens at present.
- Years of apartheid resulted in funds being poured into various political issues ('the struggle') instead of economic issues. Economic boycotts also prevented FDI (Foreign Direct Investment) and strategic imports from reaching our shores, which had a detrimental effect on the economy that we are still experiencing today.
- The crippling effects of the HIV/AIDS epidemic, which has left thousands of families with no parent or adult present in the household to look after them. These child-led families battle to survive as they do not yet have the skills or education to be able to earn enough money for a decent existence, and the children often have to give up their schooling in order to attempt to provide for their siblings.
- South Africa has limited water supplies with only about 12% of the land being arable. This, together with the concentration of natural resources in specific areas, has led to a concentration of the population in smaller areas, which results in a strain on already scarce resources.
- Technological advancement worldwide has resulted in many menial jobs being automated, making it very difficult for those without appropriate qualifications to find employment.
- The impact on the image of Absa
- Culture of violence and crime in South Africa
- The Global village phenomenon

{Consider any other relevant factor that contributed to the need for CSR commitment by Absa in South Africa}

(1 mark for mentioning factor)

(Any 2 discussion points under each factor × 1 mark each = 2)

(Any 3 factors × 3 marks = 9 marks)

5.1.3 List FOUR principles that should be taken into account when a CSR programme is designed and implemented.

- The program should be aligned with the organisation's strategic plan (vision, mission, L/T goals, S/T objectives, culture, etc.)
- Ethical behaviour / programs are non-negotiable.
- Sustainability is important in long term programs although sometimes a once-off intervention (e.g. Food parcels after a flood) also has merit.
- Keep in mind cultural sensitivity (especially in a country such as South Africa with all the diversity).
- Principles on Corporate Governance such as contained in the King Reports (accountability, transparency, etc.) should always be kept in mind.
- Buy in from stakeholders
- Cost effective
- Inclusivity

{Candidates can give one word as a principle}

{Consider any other relevant principle to be taken into account when a CSR programme is designed and implemented}

(Any 4 principles × 1 mark each = 4 marks)

5.1.4 Explain why it is important to ensure that CSR programmes are sustainable.

- Donating food or organising a spring day picnic for the underprivileged are noble causes, but with short-term aims.
- In order to make a difference in the long term, it is important to set up structures to enable the community to start becoming self-sufficient.
- Teaching skills that will enable them to get jobs means that they will be able to sustain themselves in the long term.
- Sustainable projects are therefore those where a process is set up to ensure that the project continues.
- Setting up a vegetable garden and teaching the community how to maintain it, is sustainable. Teaching marketable skills, or creating contacts for entrepreneurs – either with suppliers or markets – enables them to continue benefiting after the CSI intervention.

{Give credit if candidates have given an example to explain the principle of sustainability;

Candidates can quote from the case study in order to support their argument}

{Consider any other relevant explanation on SUSTAINABILITY of CSR programmes}

(Any 3 points × 1 mark each = 3 marks)

5.2 [LO1; AS2]

5.2.1 **Define the term stakeholder.**

Stakeholders refer to any individual or group of people that have an interest in or that will be affected by a business. (2)
If candidates list stakeholders (maximum of 1 mark only)

5.2.2 **Critically evaluate the demands of each of the following ABSA stakeholders:**

{Credit must be given if candidates evaluate each stakeholder from a negative or positive perspective or both}

(a) **Owners**

The owners of the business (shareholders in the case of companies) have contributed capital towards the business venture and as such they have a direct interest in the financial performance of the business because this will impact on the value of their investments. Consideration towards the image and reputation of Absa

(b) **Government**

The government provides the legal framework within which the bank needs to operate, i.e. the various Acts that have to be adhered to, e.g. the Banking Act; the Consumer Protection Act; The Companies Act, etc. ... This framework ensures that the objectives of government are met in an area where statutory legislation will enforce penalties if the implementation of the various statutory requirements are not met. To meet these needs Absa will need to work and strategically act in a particular manner. Absa as a bank will also need to strictly adhere to the regulations regarding the relationship between itself and the Central Bank of South Africa (the Reserve bank).

Consider: Taxation issues (SARS); CSR; FICA; BEE scorecard; The King Code

{Consider any other relevant fact under each stakeholder}

(Any 3 points for discussion × 1 mark each = 3 marks)

Total: 2 stakeholders × 3 = 6 marks

5.3 (LO 3; AS7)

5.3.1 **Why is this consideration towards employees important for the Absa Group Limited? Motivate your answer.** The three terms are motivation; capable; empowered.

- With this consideration, employees will be more productive and thus increase the profitability of the business;
- Employees will speak highly of their employers thus promoting goodwill and the public image of the business;
- There will be less conflict and dissatisfaction amongst the employees / workers and this has positive spin-offs for the business;
- Employees will feel valued and this in turn will mean that they will be more tolerant of difficult management decisions;
- There will be a greater sense of commitment towards achieving corporate goals/objectives.

- Better skills (motivation to study further).
- Long term sustainability of the business.
- Customers may see your business in a positive light as they are considerate of their employees.

**{Consider any other relevant consideration/motivation}
(Any 2 points for discussion × 1 mark each = 2 marks)**

5.3.2 Describe TWO aspects that will ensure that the Absa Group Limited complies with the BBBEE Act when it empowers its employees.

- Adequate training for employees to be able to cope with the tasks at hand;
- Sufficient resources (staff, capital, time and others) to complete the task;
- A climate of trust and acceptance of creative and innovative thinking;
- Back-up systems such as administrative and managerial support;
- Incentives, rewards, praise and acknowledgement to motivate effort; and
- Creating the relevant structures within which key employees can operate successfully.
- Open communication.
- Consider the requirements of the BEE scorecard.
- Having appropriate grievance procedures in cases where there is internal resentment about BBBEE appointments.
- Issues around: Direct Empowerment; Skills Development and Indirect Empowerment: Placing BEE appointment in managerial positions.

**{Consider any other relevant factor}
(Any 2 factors for discussion × 2 marks each = 4 marks)**

5.4 (LO 4; AS4)

5.4.1 Describe TWO advantages that quality control will hold for the Absa Group Limited.

- 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 help to encourage workers to deliver good quality products and services that may serve as a basis for remuneration decisions (rewarding good performance). This in turn will improve morale and reduce staff turnover.
- Distributors such as wholesalers and retailers will have fewer complaints and comebacks, which may translate into a higher turnover for them. This will create a win-win situation for all.
- Problems relating to quality issues should be seen as an opportunity for improvement.
- Consider the financial position / performance of the company so as to improve the performance gap.
- Tools linked to measuring performance gaps as they relate to the banking sector – must discuss how they are advantageous to quality control.

**{Consider any other relevant advantage}
(Any 2 advantages × 2 marks each = 4 marks)**

5.4.2 Discuss how the personal goals of Absa's CEO (Chief Executive Officer) can affect the performance of Absa.

- If the CEO has goals that are realistic, objective and well planned out, then these goals can positively influence the performance of Absa.
- In the same vein, if the personal goals are unrealistic, vague and not effectively communicated, this can result in negative performances or a higher performance gap.
- As the CEO, who forms part of top management, he has goals that are strategic and of a long-term nature. We know that these goals have a top-down effect on the entire organisation affecting the performance of Absa.
- The entire organisation looks to the CEO for vision, drive and motivation – so his own personal flair and experience can impact either positively or negatively on the overall performance of the business.
- Conflict of interest
- Ethical issues

**{Consider any other effect}
(Any 2 effects × 2 marks each = 4 marks)**

5.4.3 Explain how Absa's financial department would use a customer's solvency and liquidity in deciding whether to grant financing or not.

Solvency:

- Solvency measures the relationship between a customer's total assets to total liabilities.
- Absa is trying to evaluate whether the assets of the customer are greater than their liabilities.
- This will indicate that there is a good chance that the customer will not go bankrupt / insolvent and will easily cover the re-payment of the finance and other associated finance costs.
- Absa will also need to analyse the composition of the assets, i.e. the extent of fixed assets to current assets, because a high level of fixed assets may indicate a lack of liquidity when it comes to settling the terms of the finance.

**{Consider any other relevant point under solvency}
(Any 3 facts × 1 mark each = 3)**

Liquidity:

- The current ratio is used as a measure of liquidity, i.e. how quick can the business convert its assets into cash.
- The current ratio is particularly used in the short-term, i.e. less than 12 months.
- Most businesses use a norm of 2:1 for this ratio, but many industries have their own norms that they use to measure the performance gap.
- In evaluating the liquidity of the customer, Absa will take industry norms for liquidity into account.
- When the liquidity ratio is above the norm it means that the customer is in a comfortable position and its assets can easily cover its current liabilities.
- The customer also needs to be careful that its ratio is not too far off from the norm because this can mean that their business is not effectively using its current assets and funds are lying idle.

- When the ratio is below the norm it means that the business is going to have difficulties (risk) in covering the current liabilities with the assets that they have. The business will need to strategise in order to improve the situation.

{Consider any other relevant point under liquidity}

(Any 3 facts × 1 mark each = 3)

Total: 6 marks

5.4.4 Explain how the Human Resource (HR) manager of Absa would monitor the quality of performance of workers in the HR department.

- Human Resources must ensure that there is an efficient feedback mechanism such as (but not limited to) performance appraisals in place in the business.
- Functional managers must be reminded of the importance of giving feedback to employees.
- It is not only the line manager or immediate supervisor who is in a position to give valuable feedback.
- '360° feedback' allows additional information on performance to be collected from peers, subordinates, customers and
- also through self-evaluation on how performance can be improved.
- Feedback provides people with information on how well goals were achieved and therefore allows for the opportunity to correct errors and
- To make progress towards the attainment of objectives.
- Maximum of 2 marks for listing tools for evaluation in HR

{Consider any other point on quality of performance in the HR department}

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

[50 marks]

QUESTION 6

6.1 (LO 2; AS4)

6.1.1 What is the cumulative performance percentage of Absa shares in February 2012?

Any answer in the following range (691% – 750%) (1 mark)
(No marks allocated for stating 690%; Candidates do not have to give the (%) sign)

6.1.2 Give THREE reasons why an investor would decide to invest in Absa shares.

- The return on investing in Absa shares shows a positive growth trend;
- Investing in Absa shares has seen good returns when compared to the JSE All shares Index;
- The shares have weathered the recession with good returns;
- Although equities are a moderate to high risk class of investment, Absa shares have beaten the rate of inflation over the long-term;
- Investors in equities have become part-owners of a business that is a leader in the banking sector.
- Absa is a blue-chip share.
- An investor wants to diversify their portfolio.
- Motivation through values on the graph.
- Absa is a reputable bank.
- Affiliation to Holding Company (Barclays) that is a green-chip and black-chip share.

**{Consider any other relevant reason for deciding to invest in Absa shares}
(Any 3 reasons × 1 mark each = 3 marks)**

6.1.3 Suggest, with motivation, ONE possible reason for the decline in the cumulative performance percentage of shares from May 2008 to February 2009.

- The economic recession, i.e. when there was a general decline in the demand for Absa shares;
- There could have been a drop in the earnings of the shares and investors lost confidence in the shares;
- There could have been internal issues in the company which translated in the shares losing value on the market;
- Global slowdown in investing in shares;
- Banking crisis;
- Upcoming election period;
- International downgrades;
- Inflation;
- Changes in banking laws / acts or NCA;
- Leadership changes.

**{Consider any other possible reason for decline in returns}
(Any 1 reason × 2 marks = 2 marks)**

6.1.4 Define the concept diversification and explain why this would be a good investment strategy.

- Diversification is the process of spreading your investment risk between the various asset classes; or “don’t put all your eggs in one basket”
- This would mean that if an investor had diversified and does not put all of his/her investment in Absa shares (equities), the risk of the falling returns would have been buffered by the positive returns in other markets;
- One could argue that this could have been problematic if there was a general drop in economic activity as this would imply that all classes would somehow be negatively affected.

**{Consider any other possible argument for diversification as a good investment strategy}
(Explanation of diversification = 1 marks)
(Reason for this diversification as a good investment strategy = Any 1 fact × 2 = 2 marks)**

6.1.5 Suggest, with motivation, an alternative investment to Absa shares that would be less risky in the short to medium term.

- **Cash** is the one investment from which investors can never hope to make a fortune, although it can safeguard them against losing one. Cash investments, including bank deposits and money market accounts, offer investors the assurance of a regular interest income and the knowledge that their capital will not be subject to huge external fluctuations.
- If you want a stable, low-risk income, a **bank deposit** is still a valuable investment option. A call account is a bank account with the cash being available with a certain notice period being given, e.g. a 32 day call account requires the holder to give the bank 32 days notice of the intention to withdraw the cash.
- A **fixed deposit** means the investor deposits the money for a fixed period of time, e.g. 90 days, 2 years, etc. and may not withdraw the money before the maturity date. The interest rate on a call account is higher than that of a normal savings account where the cash is immediately available and the interest rate on a fixed deposit is higher than that of a call account (and varies according to the term).
- A **money market fund** is a type of unit trust that invests in interest-bearing instruments issued by banks, the government and companies when they want to borrow money.
- These short-term instruments are traded on the money market, and have a maturity of less than 12 months.
- Money market funds have major advantages in comparison with some other investments. For example:
 - You gain access to money market instruments even though you invest only a small amount.
 - The interest rate is higher than for a bank deposit, as you are part of group that can bargain for the best wholesale rates.
 - You can withdraw your money at any time, like a call deposit at a bank.
 - Interest rate risk may be largely eliminated because money market funds are allowed to invest only in instruments with an average term of not more than 90 days.

Also consider:

- **Shares in other companies;**
- **Shares in other banks;**
- **Treasury bonds;**
- **Debentures;**
- **Unit Trusts;**
- **Exchange rates / speculation in off-shore shares/ investments;**
- **Collectibles e.g. Kruger Rands (motivation is important);**
- **Can accept “property” only if linked to short-term “rent option”**

{Can only allocate a mark for the investment option if the explanation is given}

{Consider any other alternative investment to Absa shares}

(1 mark for mentioning the alternative investment)

(Any 3 discussion points for motivation × 1 mark each = 3 marks)

(Total: 4 marks)

6.2 (LO 2; AS4)

Explain how the following principles apply to an insurance contract:

(a) **fidelity insurance**

- This insurance covers the losses sustained due to dishonesty of employees, e.g. theft of money or fraud.
- The policy could cover individual employees who are specified by name and position OR
- It could be a floating policy where all staff members in specific positions are covered by an overall amount.

(Any 3 discussion points × 1 mark each = 3 marks)

(b) **re-insurance**

- Insurance companies are often unable to cover the full risk of a large insurance policy.
- When this happens the insurance house places a portion of the risk that they cannot cover with a professional re-insurance company.
- The risk is then spread among the re-insurance companies.
- The general public has no access to re-insurance companies and still looks at the original insurance house for full cover of the policy.
- Re-insurance is thus a contract between two or more insurers to spread the risk.
- **Example:** Natural disaster; Man-made disaster, etc.

(Any 3 discussion points × 1 mark each = 3 marks)

(c) **subrogation**

- Subrogation is based on the principle of indemnity, which means a potential loss is covered.
- If the person does suffer a financial loss as a result of the event covered, he may only claim recovery from losses ONCE.
- The insured may claim either from his insurance company or from the guilty party but not both.
- This means that no person is allowed to make a profit (be in a better financial position) after the loss has been indemnified.

- **Example:** Should Mr. Green suffer a financial loss because his car is damaged in an accident for which he was not responsible, he may claim compensation from his insurance company. He may not, however, also claim from the person responsible for the accident as that will mean that he was compensated twice and has thus made a profit. His insurance company would then have the right to claim damages from the person who caused the accident, i.e. Mr Green subrogates his right to claim from the other party to his insurance company.

(Any 3 discussion points × 1 mark each = 3 marks)

Total: 9 marks

Candidates can use example(s) to discuss the insurance concepts in Question 6.2 (a); (b) and (c)

6.3 (LO 4; AS1)

6.3.1 Discuss ONE possible advantage and ONE possible disadvantage of Absa's Talent Referral Programme (TRP) as a recruitment source in Absa's Human Resources Department.

Possible advantages of Absa's Talent Referral Programme (TRP):

- There can be cost benefits in choosing to recruit using the organisation's employees as opposed to external recruitment agencies.
- This process gives the employees a sense of belonging and worth to the organisation, as they are contributing to the wealth of talent in the organisation.
- The organisation's employees have a good sense of what the company is about and therefore can select the best candidate or see the suitability of the candidate better than an outsider.
- There may be added benefits, e.g. contracts, social connections, future alliances gained from suggesting a suitable recruit that has potential to the Absa.
- Cutting costs in advertising
- Worker knows the work ethics of the organisation.
- Worker knows the cultural organisation.
- The person doing the referral can be given a financial reward (incentive).

{Consider any other possible advantage of the TRP}

(Any 1 advantage × 2 marks = 2 marks)

Possible disadvantages of Absa's Talent Referral Programme (TRP):

- The employee who suggested the candidate may have resentment towards Absa if the candidate he / she suggested is not selected.
- The selection criteria that the employee uses may not be in line with the selection criteria that Absa would use.
- They may be conflict of interest or unethical breaches when a candidate is referred for selection.
- There is the added cost of the reward to the employee who refers a new candidate.
- Consider issues of favouritism, nepotism, corruption, and ethics.

{Consider any other possible disadvantage of the TRP}

(Any 1 disadvantage × 2 marks = 2 marks)

6.3.2 The Human Resource Manager at Absa suggested that it is not necessary to screen applicants for an internal promotion. Do you agree with the Human Resource manager? Motivate your answer.

Candidates must show that screening of applicants is vital and necessary – motivation:

- The purpose of the initial screening process is simply to identify those applicants who obviously do not meet the minimum requirements of the job with respect to qualifications, experience, etc.
- Those who do not fit the job specification are informed accordingly.
- This process ensures that only the best are selected for the vacant position and the candidate has the skills, expertise and knowledge.
- Selection, if done correctly, will ultimately save the business money in that the candidate will require less training, etc.
- Appropriate selection procedures will also boost the confidence of stakeholders in that they feel confident in the procedures (selection system), i.e. their interests are considered.
- An effective selection system also improves the overall image of the business in that the business gains a reputation for being fair and ethical in its selection process.

**{Consider any other relevant point}
(Any 3 points × 1 mark each = 3 marks)**

6.3.3 Describe the purpose of staff induction and mention TWO topics that could be included in the process.

Purpose of staff induction:

- To let the new employees learn the ways in which the business does or does not do things.
- To enable the new employee to fit into the existing work group, including subordinates and superiors.
- Consider the social and operational component of induction.

**(Consider any other purpose of an induction programme)
(2 facts × 1 mark each = 2 marks)**

Topics that could be covered in the process:

- Relevant and immediate information, e.g. appropriate dress code and company policies, e.g. dismissal/disciplinary and grievance procedures.
- Knowledge of what supervisors want, e.g. quality of service; turnaround time for delivery of services to clients.
- Introduction to fellow workers and people with whom they work, e.g. a small function/informal meeting to introduce the new worker.
- Knowledge of products and service, e.g. what is on the menu; specials being offered; delivery services; special occasions.
- Appointment of a mentor, e.g. a colleague or supervisor to guide the new worker.

**(Consider any other relevant contents of an induction programme)
(2 topics × 1 mark each = 2 marks)**

Total: 4 marks

6.4 (LO 4; AS1)

In the Human Resources department it is often said that the recruitment activity is positive, but the selection activity is negative. Explain what is meant by this statement.

- Manpower planning identified any manpower shortages. Recruiting now seeks to attract job applicants with the necessary skills and motivation to cover these shortages, i.e. the process is positive in nature.
- Selection is aimed at excluding unsuitable applicants whose skills and experience do not match the requirements laid down in the job specification, i.e. the process is negative in nature. Receiving a CV from different candidates is discriminatory.

**{Consider any other relevant point}
(Any 2 points × 2 marks each = 4 marks)**

6.5 (LO 4; AS1)

6.5.1 List TWO training objectives that Absa's Human Resource department could implement.

- To change or improve the knowledge, skills and productivity levels of employees;
- To change or improve the behaviour and the attitude of the employees;
- Ensure the workplace is also a place of learning;
- Invest more in education and training;
- Ensure that good quality training programmes are offered;
- Improve employment opportunities for disadvantaged people; and
- Encourage employees to get involved in training programmes.

**{Consider any other training objective}
(Any 2 objectives × 1 mark each = 2 marks)**

6.5.2 Suggest TWO training methods that Absa's Human Resource department could use to achieve their training objectives.

- On-the-job training that takes place in the real work situation and takes a hands-on approach.
- Off-the-job training, which usually takes the form of courses, offered by outsiders, e.g. at the university, etc.
- Apprenticeship training, which is a combination of on-the-job and off-the-job training, e.g. work for six months and attend lectures for six months.
- Workshops to promote interaction or update skills.
- Job rotation or multi-skilling, which expands an employee's experience of the business.
- Self study. (Many businesses produce a manual that workers are required to work through at their own pace and refer back to when necessary.)
- Buddy system/mentorship whereby workers work together or superiors share their skills with more junior employees.
- Learnerships A student is given an opportunity to work within a business whilst studying (internship). Some business enterprises sponsor learners who are studying in certain fields, e.g. accounting or engineering. The business may claim a portion of these expenses back from the Skills Development Levy that has been paid. The Government has also embarked on sponsoring learnerships through the Skills Development Fund in an effort to reduce unemployment.

- Consider the referral to the Skills Development Levy.
Candidates can name or describe the method.

{Consider any other training methods}
(Any 2 training methods × 1 mark each = 2 marks)

6.5.3 The recession has forced Absa to spend less on training. What problem could this create for Absa in the long-run? Suggest, with motivation, a possible solution to the problem.

- In the long-run Absa could be faced with the following problems:
 - The lack of knowledge, skills and varying productivity levels of employees,
 - The behaviour and the attitude of the employees may not be what is expected,
 - The banking sector gets a bad reputation if there is a lack of commitment towards training,
 - Employees feel discouraged as they may be lagging behind in the skills levels of the same industry,
 - With globalisation, the industry will not be able to keep up with educational needs in technological advances,
 - Competitors may use this lack of spending on training as an incentive to lure potential manpower to their organisations.
 - In the long-run poor skills levels does translate into unemployment, retrenchments and affects the economy as a whole.

{Consider any other relevant problem}
(Any 1 point × 2 marks each = 2 marks)

- Possible solution to the problem:
 - Absa will have to find cheap; cost effective training programmes;
 - There may be a need to cut down on new recruits – thus reducing training costs associated with new recruitments;
 - Absa will need to find innovative ways of using on the job training or a mentoring process where training and work (productivity) collaborate with one another;
 - Use in-house training programmes and cut-out the out-sourcing of training;
 - Absa could lobby to include industry-specific training as part of the curriculum at secondary and tertiary educational institutions;
 - Absa could reward those employees who actively participate and fund their own life-long learning programmes.

The solution must be linked to the problem.

- **{Consider any other relevant solution}**
- **(Any 1 solution × 2 marks = 2 marks)**

6.6 (LO2; AS2)

Refer to paragraph 5 of the case study.

Some may argue that because big corporations, like Absa Group Limited, are focusing more and more on inclusivity and environmental issues, customer satisfaction and delivery of service is being compromised.

Do you agree with this statement? Motivate your answer.

**Candidates can bring a variety of arguments in favour or against this statement:
Some of the issues that they can raise**

- In today's economy, no business can operate in isolation, and the ultimate measure of success is not only what the owners quantify success to be for themselves, but the increased emphasis on social and environmental awareness that has led to these factors being incorporated into the yardstick for measuring the success of a business.
- Triple Bottom Line Reporting (TBL), which forms an integral part of modern business management, therefore includes reporting on:
 - Economic prosperity;
 - Social responsibility; and
 - Environmental sustainability.
- Following these world-wide trends, the King Committee on Corporate Governance in South Africa released the now-famous King Reports which recommend that all JSE-listed companies pursue good corporate governance and ethical trading, as well as address both environmental and social issues together with the financial ones in their annual reporting.
- The Report has become part of corporate culture to the extent that some companies are favouring businesses who do comply, for contracts, tenders and other business dealings.
- This has become a competitive advantage that companies are pursuing with vigour: whereas previous community and environmental projects were largely sporadic the emphasis has now moved to long-term and more sustainable projects where companies commit to a project – or various projects - over a period of time. This certainly does not imply that service is being compromised.
- The paradigm shift means that instead of merely giving money or short-term resources (such as food or clothing), companies are getting involved in 'upskilling' (training for more marketable skills), establishing educational and self-sufficiency projects such as the setting-up of farms or simple factories that provide both an income and opportunities for further development.

**{Consider any other relevant point}
(Any 5 points × 1 mark each = 5 marks)
[50 marks]**

Total: 200 marks