



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2014

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
D	B	C	B	C	B	A	D	B	B	B	D	C	A	C

[30]**QUESTION 2 (Business Studies Dictionary)**

- 2.1 Arbitration
- 2.2 Compensation for Occupational Injuries and Diseases Act
- 2.3 Basic Conditions of Employment Act
- 2.4 Laissez-faire
- 2.5 Benchmarking
- 2.6 Insider Trading
- 2.7 The Economic Principle
- 2.8 Probation
- 2.9 Average clause
- 2.10 Divesture strategy

[20]

50 marks

SECTION B**QUESTION 3**

3.1	3.1.1	Initial screening	
	3.1.2	Reference and background checks (short listing)	
	3.1.3	Tests and examinations	
	3.1.4	Letter of appointment	(8 marks)

Consider possibility of 3.1.3 taking place before 3.1.2.

3.2 Suggest, with a separate strategy for each, how the Pick n Pay management team could effectively deal with each of the following challenges:

3.2.1 The impact of inflation on the price of food products:

- Pick n Pay could negotiate with distribution channel members to keep the knock-on effect of inflation between them to a minimum
- Pick n Pay could consider backward integration – so that they have a direct control of the pricing of products and thus limit the impact of rising prices, e.g. looking at the possibility of Pick n Pay having its own agricultural centres that supply the business with fresh produce at a price below the rate of inflation.
- Any strategy that reduces the price that the final consumer pays in store, e.g. outsourcing of activities in store; higher efficient production methods (reducing costs); lower labour costs through the reduction of redundant staff, etc.

{Consider any other relevant strategy to overcome the challenge}
(Any 1 strategy × 2 marks = 2 marks)

3.2.2 The level of rivalry in the retail industry:

- 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.

{Consider any other relevant strategy to overcome the challenge}
(Any 1 strategy × 2 marks = 2 marks)

3.2.3 Employees are unhappy about the staff appraisal system used by Pick n Pay and are threatening strike action:

- Have discussions with all the stakeholders to find out the root cause of the unhappiness;
- Negotiate a possible solution through mediation or arbitration;
- Allow the employees input in the design and implementation of the appraisal system.

{Consider any other relevant strategy to overcome the challenge}
(Any 1 strategy × 2 marks = 2 marks)

3.2.4 Stock theft at Pick n Pay's main warehousing facility:

- Review the security protocol at the warehousing facility;
- Implement clearly communicated policies regarding access to the facility;
- Place security cameras in certain strategic areas.

{Consider any other relevant strategy to overcome the challenge}
(Any 1 strategy × 2 marks = 2 marks)

Possible Strategies that could apply to Question 3.2.1 – 3.2.4

Give credit if the candidates mention 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 strategy, product development, market development)
- Other strategies (e.g. Revision of the Pick n Pay's mission statement, establish or revise objectives or allocate resources effectively/differently)

3.3 Write a description of **ONE PURPOSE** of each of the mentioned Acts.

3.3.1 **Labour Relations Act – The purpose of the LRA is:**

- to enforce the fundamental rights granted by section 23 of the Constitution;
- to enforce South Africa's international obligations as a member of the International Labour Organisation;
- to provide a framework for collective bargaining between trade unions and employers; and
- to promote effective resolution of labour disputes through employee participation in decision-making in the workplace.

{Consider any other relevant purpose of the Act}

(Any 1 purpose × 2 marks = 2 marks)

3.3.2 **Employment Equity Act:**

- This Act seeks to eliminate unfair discrimination in employment and provides for affirmative action to correct the imbalances of the past with respect to access to employment, training, promotion and equitable remuneration, especially for Blacks, women and the disabled.
- The Employment Equity Act was introduced to force businesses to employ more people from disadvantaged groups but also to promote said people to managerial positions as it was felt that business would not do this on their own without it being law.

{Consider any other relevant purpose of the Act}

(Any 1 purpose × 2 marks = 2 marks)

3.3.3 **Broad Based Black Economic Empowerment Act:**

- The aim of BBBEE is to address the shortcomings of the Employment Equity Act, BEE and Affirmative Action as a whole.
- It has not been enough for businesses to satisfy the Employment Equity Act as this has not resulted in black (African, Indian, Coloured and Chinese) people being introduced into managerial posts or meaningful ownership. The government's policy goes further than just ownership and is about encouraging black involvement in the development of the economy, black management, promoting employment equity and skills training.

There are three aspects to the BBBEE Act:

- Direct empowerment through share of ownership in business enterprises. This may include introducing black partners or selling shares to blacks only (or at a substantial discount).
- Skills development resulting in possible promotion and higher salaries for Black people.
- Indirect empowerment through preferential treatment in the granting of government contracts and licenses to business enterprises with a certain BBBEE status.

**{Consider any other relevant purpose of the Act}
(Any 1 purpose × 2 marks = 2 marks)**

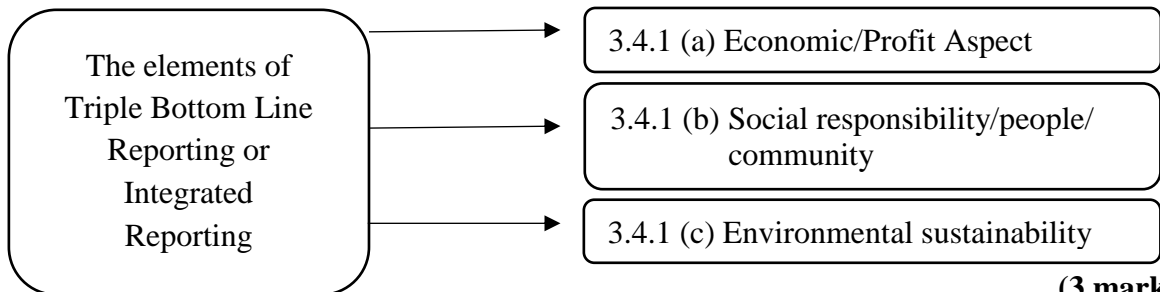
3.3.4 Skills Development Act:

The aim of the Skills Development Act is to:

- Use the workplace as a place of learning;
- Improve the level of investment in education and training;
- Ensure that quality training (accredited programmes) are offered;
- Improve employment opportunities for disadvantaged people;
- Encourage workers to get involved in training programmes;
- Encourage entrepreneurship by providing training where necessary.

**{Consider any other relevant purpose of the Act}
(Any 1 purpose × 2 marks = 2 marks)**

3.4 The King Code



(3 marks)

Sustainability – The King Code

3.4.2 Describe the purpose of the sustainability component of the King Code.

- A company is seen as an integral part of the community within which it operates and it is expected that the company will act in a responsible manner, which involves understanding the impact the company has on social, environmental and economic issues (the triple context in which companies operate).
- Key stakeholders should no longer focus only on the needs of the present, but should also be concerned with the future needs of generations to come. Companies should look towards economic development that does not negatively impact on the environment and social development.
- Sustainable development examines/measures the relationship between these three elements, referred to as the triple bottom line (TBL). TBL accounting has taken the traditional measurement of success to a new level by including all three elements as performance criteria.

- What sustainable development essentially means is that once a company has engaged in a business activity; people need to be better off, the planet must not have degraded and that the company's economic position has been strengthened.

{Consider any other relevant purpose of this component}

(Any 2 facts × 1 mark each = 2 marks)

3.4.3 Recommend **THREE** strategies of how Pick n Pay can strive for social sustainability.

- Reducing waste and optimising systems (material and energy management in stores, distribution centers and logistics);
- Accountability and transparency across the value chain (food safety and other product audits, traceability, PnP ESG (economic, social and governance) performance, supplier ESG performance);
- Reorienting supplier network (small businesses, black- and women-empowered businesses, mentorship programmes);
- Climate change adaptation and mitigation (security of supply, drought and flood risk for farmers).

Consider any other **relevant examples** that strives for the following:

- Fair income distribution;
- Fair access to income and education;
- Fair distribution of costs and benefits of environmental protection;
- Fair trade;
- Fair access to prices between all social, gender and cultural groups;
- Similar chances of well-being between generations.

{Consider any other relevant example of social sustainability}

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

Principles of Good Corporate Governance

3.4.4 For each of the following corporate governance principles, give a separate example of where Pick n Pay can be seen to be implementing them:

(a) **Discipline**

Consider any example relevant to Pick n Pay, e.g. **self-discipline** (where top management sets the tone for the rest of the company in terms of integrity, sound business judgement, not blindly following strategies without considering the consequences of each one); **market discipline** (where Pick n Pay allows the market to dictate the market capitalisation of the business – investors would then be willing to pay a premium for the shares because the business is perceived to have good practice in its corporate governance, there is little if no manipulation of market values) and **regulatory discipline** (where Pick n Pay operates within the ambit of the law and takes the consequences (penalties) if it does follow the regulations, e.g. failing to follow the correct grievance procedures as set out in the Labour relations Act.)

{Consider any other relevant example for 'discipline'}

(Any 2 facts × 1 mark each = 2 marks)

(b) Accountability

When Pick n Pay gives a complete account of something that has happened or is happening by giving a clear description/details of the event at hand. E.g. Pick n Pay accounting for the procedure it followed in appointing a new branch manager.

{Consider any other relevant example for 'accountability'}

(Any 2 facts × 1 mark each = 2 marks)

3.4.5 Give **ONE** objective of the JSE Social Responsibility Index.

- * To give investors an indication of the extent to which a company is socially responsible or is involved in CSR programmes.
- * To indicate to social responsible investors that the company has complied with the social governance criteria of the JSE.
- * To indicate that the company has a willingness to be socially aware.

{Consider any other relevant objective of the SRI}

(Any 1 objective × 2 marks = 2 marks)

3.5 With the aid of a separate example for each, justify how the following managerial competencies can lead to the success of Pick n Pay:

3.5.1 **Strategic-Action Competency:**

- **Example:** Pick n Pay has a challenge with employees that are missing work because they are going to clinics to get anti-retrovirals for HIV. Pick n Pay manages to get a mobile clinic to deliver the medication on site at its various stores.
- **Justification/link:** The strategic-action competency involves understanding the strategic direction of the business (mission and vision) and ensuring that all goals and objectives are aligned to the overall performance of the business. This involves understanding the environments which the business operates in and how these environments can influence the overall performance of the business.
- It is important that managers are able to think strategically; they will need to shift the business objectives as the different environments have an impact on the way the business is performing (both positively and negatively). In some cases it will be expected that managers are able to anticipate strategic trends and accurately prepare for the future of the business. Out-of-the-box thinking and flexibility is of great importance here.

{Consider any other relevant example of this competency}

(For the example: Any 2 facts × 1 mark each = 2 marks)

(Ability to link the example to the success of Pick n Pay = 1 mark)

(Total: 3 marks)

3.5.2 **Global Awareness Competency:**

- **Example:** Pick n Pay is aware of the growing concern over the use of herbicides in farming and the presence of animal growth hormones in meat products. Pick n Pay will aim to purchase products that are organically grown and test animal products that it imports and then sells in its stores.
- **Justification/link:** In order to be an effective manager it is important that the manager is able to draw effectively on the human, information, materials and other resources of the business. This often means obtaining the necessary resources from multiple countries – which requires global awareness competency.

- This competency also involves having a sensitive and open approach to culture and having the necessary knowledge and sensitivity to deal with cultural differences in the business world. It requires an understanding of the way in which people behave and react in different situations, and the ability to avoid making general assumptions regarding how people interpret decisions, situations and the way problems are resolved.
- An understanding and sensitivity towards cultural differences is critical to the success of business today. Many businesses have developed mentorship and training programmes in order to accelerate the understanding of cultural differences in the workplace and thus ensuring a sound working environment. Even within South African borders we represent a 'rainbow nation' and this awareness needs to be extended to our local colleagues as well.

{Consider any other relevant example of this competency}

(For the example: Any 2 facts × 1 mark each = 2 marks)

(Ability to link the example to the success of Pick n Pay = 1 mark)

(Total: 3 marks)

3.5.3 Self-Management Competency:

- **Example:** Pick n Pay having an internal code of conduct/disciplinary code for dealing with managers who act in an unethical/unprofessional manner. This code will be in line with the requirements of the Labour Relations Act.
- **Justification/link:** Self-management is both an attitude about yourself and a quality that others infer about you based on your behaviour, your work and the way you treat others.
- Self-management is about having a high level of integrity and following ethical codes set by the business as well as having a personal drive for success and ensuring that you work for the better good of yourself, others and the business.
- It is about living a balanced lifestyle in order to maintain an optimal standard of living and level of efficiency for both the business and family.

{Consider any other relevant example of this competency}

(For the example: Any 2 facts × 1 mark each = 2 marks)

(Ability to link the example to the success of Pick n Pay = 1 mark)

(Total: 3 marks)

[50]

TAKE NOTE: Question 4 and 5

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

QUESTION 44.1 4.1.1 **Discuss THREE advantages of having a strong brand.**

- Inspires customer loyalty leading to repeat sales and word-of-mouth recommendation.
- Branded items can normally command higher prices, especially if the brand is the market leader.
- Retailers and service providers want to stock the top selling brands, as this will attract consumers to the stores.
- Helps with business' appearance and image, e.g. Pick n Pay's brand gives an image of good value for money.
- Adds credibility and increases confidence in the business.
- Consumers associate a particular brand with success and ability to make money in the market.

**{Consider any other relevant advantage of having a strong brand}
(Any 3 advantages × 2 marks each = 6 marks)**

4.1.2 **Differentiate between brand extension and brand stretching.**

- **Brand extension:** the use of a successful brand to launch a new product in the same broad market. A successful brand helps a business enter new product categories more easily, e.g. Pick n Pay introducing a range of water products to their stable of successful refreshment goods.
- **Brand stretching:** refers to the use of an established brand for products in unrelated markets, e.g. Pick n Pay selling motor vehicles/clothing.

(1 mark per concept × 2 = 2 marks)

4.1.3 **List and discuss THREE factors that help build a successful brand (9)**

- **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 on 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.
- **Communication:** this element is critical for the brand development as it ensures that all the elements of the marketing mix have been clearly thought through and developed, 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:** this is the business's promise to deliver what it said it would. By delivering at the right quality, time, price and place the business builds a positive reputation with consumers.

{Consider any other relevant factor that helps build a successful brand}
(1 mark for mentioning factor; 2 marks for discussion)
(Any 3 factors × 3 marks each = 9 marks)

4.1.4 Evaluate the effectiveness of the three-tier strategy as a brand strategy. Candidates can argue the effectiveness of the three-tier strategy as a brand strategy from either a positive or negative point of view.

Some of the possible arguments that could be used:

- Pick n Pay has a brand strategy that considers both short and long term prospects/objectives of the business;
- The strategy is clearly outlined and communicated;
- The strategy is multi-dimensional – it is not one-sided, i.e. it takes into account a multitude of facets hence the three levels;
- The strategy may be over ambitious in an already highly competitive, brand dominated market;
- The strategy may not necessarily suite the target market of Pick n Pay;
- The strategy may not be flexible and might have to be re-strategised in the next couple of months/years.

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

4.2 Analyse, with the use of relevant examples, ONE creative problem-solving technique that Pick n Pay's management team could use in order to improve their 'Level 6 BEE Contributor status'. Propose one solution to the problem.

There are a variety of techniques that candidates could use to answer this question.

Possible techniques:

(a) Pros and Cons Chart:

In order to solve the problem, you need to weigh up the options using the more detailed information you now have. It is not as easy as looking at which option has the most Pros or the least Cons. It is therefore necessary first to prioritise the issues and then decide. In order to analyse the chart more intelligently, you could use some sort of weighting technique.

Suggestions for weighting a Pros and Cons Chart:

- Allocate a ranking of importance (most important A, least important F) and then see in which section the most As and Bs occur; or
- Score each aspect on a scale of 1 to 5, where 5 is a more important aspect, and then adding each sub-section up to see where the highest score is.

Either way, you will still have to look at it logically and make a decision; these methods just provide some guidelines.

(b) SWOT Analysis

- With this technique you will identify the STRENGTHS, WEAKNESSES, OPPORTUNITIES and THREATS that the proposed improvement of the level 6 BEE contributor status will have on Pick n Pay.
- With your strengths and weaknesses you will focus on internal factors over which the business has control, e.g. training programmes, manpower planning strategies; conflict resolution, teamwork analysis. All issues linked to the proposed problem.
- With your opportunities and threats you will focus on external factors that can impact on the problem at hand, e.g. an increase in the BEE status could allow for more foreign investment, especially by foreigners who are sensitive to empowerment issues or a threat could be that your focus is on improving your BEE status, but ethical considerations could be disregarded.
- Once all the issues have been identified, problem solving or decision making can take place on the real issues at hand.

(c) P²E²STLE Analysis

- With this approach the management team will need to analyse how macro environment factors will have an impact on the decision to improve the level 6 BEE status.
- The macro factors have been summarised under the headings of political, economic, social, technological, legal and environmental – depending on the business involved – physical and ethical factors may also be included.
- With each P²E²STLE factor the management team will analyse the extent of the challenge, e.g. under the political component – consider to what extent Pick n Pay's decision to improve its BEE status is about real empowerment or is it a reaction to political pressure.
- Once the management team has analysed the problem using the macro factors, it will be in a position to strategise a course of action that effectively deals with the challenges posed.

(d) Decision Tree Technique

- Management will graphically compare the different options available when making a decision, i.e. to increase the BEE status or to maintain the status quo.
- The various outcomes that flow from these decisions, e.g. increase in investment or greater diversity or increased training requirements or decrease in quality standards are quantified – so each decision process can be calculated and a value reached that shows the probability of success of each option.
- With this technique all possibilities are analysed in a calm way so as to prevent a crisis and the possibility of overlooking an important option.
- Give credit if candidates actually show the development of a decision tree in dealing with the option to increase the BEE status.

(e) Delphi Technique

- A panel or single expert on Black Economic Empowerment is used to make forecasts based on their superior knowledge about the topic.
- The expert is kept anonymous so as to prevent the halo effect or to keep all participants from jumping on the same bandwagon (group think).
- These forecasts could either be positive (e.g. increase in diversity for the organisation, more foreign investment or local especially for shareholders who align themselves with the principles of empowerment, etc.) or negative (decrease in consumer confidence as there is a perception of falling standards, resentment from current employees who may be passed by for promotion, increase in training costs, etc.).
- The participants of this technique do not have to be physically present when the technique is being applied.
- The technique could be done through interviews or using questionnaires.

{Consider any other relevant technique to solve the problem}

Mark allocation:

(1 mark for mentioning the technique)

(3 marks for applying the technique)

(1 mark for coming up with a viable solution)

(Total: 5 marks)

4.3 4.3.1 Explain why it is important for the Pick n Pay management team to publish this historical statistical data.

- Pick n Pay has a responsibility towards its shareholders to keep them informed about the progress of the business;
- It is a requirement of the Companies Act for companies to provide shareholders with information regarding the financial position of the business;
- It is a means whereby Pick n Pay can justify to their shareholders why they are taking a particular course of action (strategy) in the market.

{Consider any other relevant explanation}

(Any 2 facts × 1 mark each = 2 marks)

4.3.2 Would you as an investor buy shares in Pick n Pay? Motivate your answer with information from the extract.

Possible reasons for buying Pick n Pay shares:

- The share movement from Jan 2013 to Jan 2014 has shown a growth of $(4\ 769c - 4\ 650c) = 119$, showing value added to the share price.
- Pick n Pay's shares reflect the good turnover/performance over the December period – investors expect this over the busy Christmas period. 5 299 cents in December in comparison to 4 769 cents in January 2014.
- Pick n Pay's net profit of 5,506b is higher than Shoprite and Spar. The margin of difference is significant.
- In comparison to Shoprite and Spar, Pick n Pay's market share price is the highest at R199.

Possible reasons not to buy Pick n Pay shares:

- The ratio of market price to net profit is high if one compares Pick n Pay to the other two competitors mentioned in the extract. Investors would expect an even higher market price.
- There is always the risk factor that must be taken into consideration when buying shares – even if the evidence on paper is to the contrary, e.g. a drop in the share price due to macro factors. 5 299 cents to 4 769 cents.

- One would have expected that with such a good performance that Pick n Pay would have the highest level of employment. One would need to question why this is the case. Shoprite has 89,34 K employees in comparison to Pick n Pay's 36,74 K employees.

{Consider any other relevant points in the argument}
(Any 5 points in the argument × 1 mark each = 5 marks)
(Candidates must give evidence from extract to support argument)

4.3.3 **Suggest with motivation, TWO asset classes where Pick n Pay could invest their funds during a period of recession or economic downturn. Candidates can argue their suggestion to any one of the FOUR major asset classes**

(a) **Cash as an option**

Discussion of asset class

- This asset class includes cash investments, including bank deposits and money market accounts.
- This offers investors regular interest income and the assurance that their capital will not be subject to huge external fluctuations.
- The investor has the opportunity to re-invest the original investment in order to earn more income.

Motivation for choice in period of recession/economic downturn

- Cash is considered a low risk investment option, hence its suitability in a period of recession.
- The holder of this investment is assured of an income, not always in line with inflation and not intended to have huge capital growth potential, but an income nevertheless. This is favourable when one considers that other investment classes may have zero or negative returns in period of economic recession.

(b) **Property as an option**

Discussion of asset class

- This is when investors place their surplus funds into buying property.
- This is with the intention that the investment will keep up with inflation and it can be a very effective way of gearing, i.e. the ratio of borrowed to own capital).
- This means that by using external financing investors can increase their return on their investment, i.e. make a profit out of borrowed money – the positive leverage effect.

Motivation for choice in period of recession/economic downturn

- The risk of property is moderate to high.
- Investors in property will not necessarily make huge returns in the short term and will usually have to wait for the end of the recession in order to start benefitting from good returns.
- In some rare cases the property market does not fall prey to the recession and property prices continue to rise and show positive growth trends. In these cases it would be worthwhile to use property as an investment strategy.

(c) Equities as an option**Discussion of asset class**

- An investment in equities (shares or stocks) means that investors have obtained part ownership in the company whose shares they have bought and become shareholders.
- Some companies are listed on the stock exchange, e.g. the JSE Ltd which means that the shares are freely transferable on this market.
- The investor is also entitled to dividend pay-outs from the company.

Motivation for choice in period of recession/economic downturn

- Investment in equities is regarded as high risk.
- However depending on the type of listed company the investor (Pick n Pay) has invested in the investor may be able to withstand the negative effects of a recession.
- There are always going to be investments that are recession proof, simply due to the nature of the product or service that they offer.
- Pick n Pay could also follow a diversification strategy with various companies on the stock market and this strategy could be profitable in the short term.

{Consider any other relevant asset class as part of the answer}

(1 mark for mentioning the asset class)

(2 marks for the discussion of the asset class)

(1 mark for being able to motivate the choice of asset class in a period of recession)

Total: 2 asset classes × 4 marks each = 8 marks

4.4 Human Capital (HR) Department at Pick n Pay**4.4.1 List and describe a technique that the HR department of Pick n Pay could use to complete manpower planning. (3)**

- **Work-load analysis**
 - A work-load analysis is done in order to determine how many people are required in terms of the amount of work that must be done.
 - If we assume that a shoe factory must produce 1 000 shoes per week, and that one person can produce 100 shoes per week, it means that 10 workers are needed. In addition a supervisor is also needed. Management will have to employ 11 people.
 - However, it is not yet known what skills these people must have; this brings us to the job analysis, job description and job specification.
- **Job analysis**
 - Job analysis is a systematic method of obtaining all the relevant information about the tasks related to a specific job, in order to make certain decisions.
 - The job analysis requires that:
 - The job is completely and accurately identified;
 - All the tasks in the job must be completely and accurately described; and
 - The demands the job makes on the worker must be analysed.
 - There are different ways in which job analysis can be conducted: for example, interviewing the worker and his supervisor, observing the worker at work (work study) or through questionnaires.
 - These techniques can be used separately, or in support of each other.

- **Manning table**

- The results of the previous steps will enable the HR manager to construct a Manning table, reflecting the number of people required and the skills they must have.
- A Manning table is always part of a Workplace Skills Analysis.
- The Manning table specifies the total number of employees needed.
- The Recruiting Plan will be based on the difference between employees needed and current employees.

{Consider any other relevant technique that could be used in manpower planning}
(1 mark for mentioning the technique)
(2 facts x 1 mark each for a discussion of the technique)
(Any ONE technique = 3 marks)

4.4.2 Establish the link between manpower planning and quality of performance.

- Manpower planning is an ongoing task as, even if there are no current vacancies, HR always needs to have a plan B in case of emergencies (e.g. an employee dies or a high level employee resigns).
- Rapid growth in an enterprise also requires creative labour planning in order to keep up to date with the requirements and the quality of performance.
- The purpose of manpower planning is to determine:
 - How many employees the business needs;
 - What skills these employees must have; and
 - When these employees will be needed.
- All of the above planning has an impact on the ability of the HR department to function effectively and ensure that its performance gap is kept to a minimum, i.e. the better the manpower planning – the better the business can benchmark itself against other similar businesses.

{Consider any other relevant fact linking manpower planning to quality of performance}
(Any 3 facts × 1 mark each = 3 marks)

4.4.3 Discuss the challenges that the HR/Human Capital Department could face when using internal recruitment. (4)

- The internal recruit might be too familiar with the business;
- There could be the lack of new blood into the organisation; new ideas; a fresh approach to the business;
- There may be resentment from other employees at the appointment of an employee whose track record is well known in the organisation;
- There is always the concern of nepotism;
- The process for internal recruitment might lead to a breakdown in team dynamics;
- There could be the possibility of choosing the wrong candidate for the position;

{Consider any other relevant challenges}
(Any 4 facts × 1 mark each = 4 marks)
[50 marks]

QUESTION 5**5.1 5.1.1 Assess the effectiveness of having a trade union representative during a labour dispute.**

Candidates can assess the effectiveness from a positive/negative or both points of view.

Points that could be raised in support of the effectiveness of having a trade union representative present during a labour dispute:

- The trade union representative is an expert in the field of negotiation and could offer the employer/employee the best option in the dispute.
- The trade union representative could be seen as a neutral outside person who may give a different perspective which may speed up the resolution process.
- The trade union representative could be well versed in labour law and give good advice from a legal point of view.
- The trade union representative may be in a position to have experienced many different types of disputes and could use these experiences to assist the employer or employee.

Points that could be raised against the effectiveness of having a trade union representative during a labour dispute:

- A trade union representative could have a biased agenda when coming into the negotiation.
- A trade union representative could be a financial burden on the disputing parties.
- A trade union representative could mis-read the situation and offer inappropriate advice to the disputing parties.
- The disputing parties may not agree to who has been elected to be the trade union representative.

{Consider any other relevant argument in response to an assessment of a trade union representative in a labour dispute.}

(Any 4 points in the assessment × 1 mark each = 4 marks)

5.1.2 Recommend to the Pick n Pay management team how they could address the issue of racism in their organisation.

- Pick n Pay could address the issue of racism by providing employees the opportunity to give their suggestions on dealing with the issue.
- Management could then adopt a top down approach of zero tolerance towards racism at Pick n Pay.
- Pick n Pay could hold seminars or workshops that focus on issues of racism in the workplace.
- Pick n Pay could reward employees if they point out areas where there is blatant racism and the case is successfully prosecuted.
- Pick n Pay could make the eradication of racism a priority in the workplace through positive reinforcement of actions that combat racism.
- Pick n Pay could have conflict resolution techniques to deal with racism as one of the points in its induction program.

{Consider any other relevant points raised on how to address racism in their organisation}

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

5.1.3 Pick n Pay directors argued that the dismissal of the Canal Walk branch manager was substantively fair. Describe the criteria the directors could base their argument.

- The employee broke a rule of conduct in the workplace;
- The rule was valid or reasonable;
- The employee knew of the rule or should have known of the rule; (Note the language issue if the employee's home language is different to the one the business operates in.)
- The employer applied the rule consistently; and
- Dismissal is the appropriate step to take against the employee for breaking the rule instead of less serious action like a final written warning or a suspension.

(Any 4 points × 1 mark each)

5.1.4 Analyse one negative outcome that this dismissal could have on Pick n Pay.

- There could be resentment from workers who feel that the outcome was biased or inappropriately dealt with.
- There could be some form of industrial action, e.g. strikes, go-slow, etc. in support of the dismissed employee.
- Pick n Pay could have a negative connotation, especially if members of the public who do not have the facts of the case and make false accusations / assumptions.
- The public image of Pick n Pay could be tarnished.
- The dismissal could give employees the impression that any form of conflict in Pick n Pay will always have a 'racial' connotation. This may not be the case.

{Consider any other relevant negative outcome}

(Any one outcome = 2 marks)

5.1.5 Discuss one other type of industrial action that Pick n Pay workers could have embarked upon if the Canal Walk branch manager was not dismissed.

- A go-slow is when workers continue to work but slow down to reduce productivity. It often pre-empts a full strike.
- Work-to-rule is when workers stick to the letter of their contracts, often also reducing productivity. For example, arriving on time, leaving on time and taking full lunch hours when that was not the norm.
- Picketing – Usually a group of employees demonstrating outside the place of work to show their dissatisfaction with a certain issue. In this case work is not disrupted.

{Candidates cannot mention striking as their answer}

(1 mark for mentioning the type of action)

(Discussion of industrial action: 2 points × 1 mark each = 2 marks)

Total: 3 marks

- 5.2 **Describe TWO challenges that customers could place on the profits of Pick n Pay. In each case suggest a suitable strategy that Pick n Pay would need to implement to overcome the challenge. (8)**

Possible challenges:

- Customers may withdraw their loyalty to a particular Pick n Pay brand.
- Customers may have been attracted by cheaper prices offered by competitors and substitute products.
- Customers may be unhappy about Pick n Pay's corporate image.
- Customers may be unhappy about the customer service which they have received.
- Customers may not agree with how Pick n Pay is dealing with certain issues, e.g. racism, the meat debacle; CSR programs and as a result will not support Pick n Pay.
- Economic conditions may force customers to change their spending habits.

**{Consider any TWO relevant challenges}
(Two challenges × 2 marks each = 4 marks)**

Possible strategies to deal with the challenges:

- Pick n Pay would have to conduct market research in order to get to the root cause of the customers dissatisfaction.
- Pick n Pay may have to go on an aggressive advertising campaign in order to deal with the challenge that the customer has posed.
- Pick n Pay may need to re-think its overall marketing strategy to meet the needs of the consumer more effectively.
- Pick n Pay may consider a new pricing strategy in order to cope with the economic challenges that are being forced onto its customers.
- Pick n Pay may decide to be more aggressive in either forward or backward integration so as to cut down on costs.
- Pick n Pay may decide to downsize or completely close down areas/product lines that are no longer profitable and pass on these benefits onto the customer.

**{Consider any TWO relevant strategies}
(Two strategies × 2 marks each = 4 marks)**

NB: For candidates to get credit for the strategy there must be a clear link between the challenge and the strategy.

POSSIBLE STRATEGIES THAT COULD APPLY TO QUESTION 5.2

Give credit if the candidates mention 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 strategy, product development, market development)
- Other strategies (e.g. Revision of the Pick n Pay's mission statement, establish or revise objectives or allocate resources effectively/differently)

(8 marks)

5.3.1 Discuss the impact of the Consumer Protection Act on Pick n Pay's marketing department. (6)

- The marketing department of Pick n Pay will have to consider the following objectives of the Consumer Protection Act (CPA):
 - Promotion of a fair, accessible and sustainable marketplace for consumer products and services.
 - Norms and standards to protect the consumer.
 - Prohibits the use of unfair marketing practices in the market place.
 - Promotes responsible consumer behaviour.
 - Lays down laws relating to transactions and agreements.
 - It brings into being the National Consumers Commission and National Consumers Tribunal to enforce the protection of consumers.

- The marketing department of Pick n Pay must also take cognisance of the **Fundamental rights of the consumer** under the Consumer Protection Act:
 - Right to equality in the market place
 - Right to privacy
 - Right to choose
 - Right to disclosure of information
 - Right to fair and responsible marketing
 - Right to fair and honest dealings
 - Right to fair, just and reasonable terms and conditions
 - Right to fair value, good quality and safety
 - Right to hold suppliers accountable

- The implication of the above objectives and rights will directly impact Pick n Pay's marketing department as follows:
 - The way in which the department will handle any legal issue that is within the ambit of the CPA;
 - The way in which the department sets out its objectives in the product, pricing, marketing communication and distribution policy of Pick n Pay;
 - The way in which Pick n Pay will formulate strategic, operational and tactical plans/objectives;
 - The manner in which training of sales consultants is done;
 - The expectations of Pick n Pay in terms of service delivery;
 - In areas where Pick n Pay sells products other than foods/consumables – the implications on issues related to guarantees, warranties, repairs, returns, discounts, etc.

{Consider any other issues that the CPA could impact on the marketing department}

(Max 2 marks for mentioning the objectives of the Act)

(Max 2 marks for mentioning the rights of consumers as per the CPA)

(Max 2 marks for the impact on the marketing department)

OR (Any 3 facts that show the impact × 2 marks each)

Total: 6 marks

5.3.2 Suggest ONE advantage and ONE disadvantage in Pick n Pay offering the services of a Health Hotline. (4)

Possible advantages:

- Consumers can feel that they have a direct line to Pick n Pay if they have a complaint about the product. Pick n Pay is showing a concern for the customer.
- Customers get a sense that they are getting value for their money.
- Pick n Pay can act immediately if there is a problem or concern as the customer will come directly to Pick n Pay and not go first to a consumer body or the press.
- Pick n Pay can have a finger on the pulse of the marketing activity – through stats that may come from consumer's use of the Health Hotline.
- The Health Hotline might give Pick n Pay an edge in terms of a possible gap in the market.
- The Hotline may give Pick n Pay a competitive edge over its competitors or a greater segment of the market.

{Consider any other relevant advantage of the Health Hotline}

(Any 1 advantage × 2 = 2 marks)

Possible disadvantages:

- Consumers may abuse the Hotline and its primary focus may be lost.
- The availability of the Health Hotline is an additional expense to the marketing department.
- The personnel that man the Health Hotline must have a specialised skill – this may result in recruitment problems.
- The success of the Health Hotline has a direct impact on the public image of Pick n Pay.

{Consider any other relevant disadvantage of the Health Hotline}

(Any 1 disadvantage × 2 = 2 marks)

5.4 Explain why Pick n Pay introduced franchising as a means of expanding their business. (4)

- Entrepreneurial and managerial assistance is part and parcel of the franchise bought. The product or service is marketed by the franchiser. Help is provided in choosing a location and promotions and expert assistance is offered in all phases of operations. The franchisee owns the business, and is backed up by the full-time advisors of the franchiser.
- Personal ownership is guaranteed in terms of the franchise agreement. The owner enjoys the freedom, incentives and profits of any sole trader.
- A nationally recognised name, product or service is at the immediate disposal of the franchisee. The owner gets immediate recognition and support from a product or service group with an established customer base.
- Financial advice and assistance, is available. Franchisees learn how to keep proper financial records and get valuable periodic advice from experts.

{Consider any other relevant advantages of franchising as a marketing expansion option}

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

5.5 Illustrate, with the aid of an example for each, how the following concepts would relate to insurance that Pick n Pay would have to take out:

5.5.1 iron-safe clause

- Most insurance contracts contain an 'iron-safe clause' which forces the insured to keep a full set of stock records in a fireproof safe.
- This will then serve as proof of the value of the stock on hand (in the business) at the time of the fire.
- However, the need for this is diminishing with electronic records that have back-ups in cyberspace and that can be updated daily.

**{Consider any other relevant facts on the iron-safe clause}
(Any 3 facts × 1 mark each = 3 marks)**

5.5.2 public liability insurance

- Public liability insurance provides protection for individuals and businesses against losses resulting from personal injuries or damage to the property of others, for which the insured can be held responsible.
- Developments in this field include product liability insurance to cover potentially toxic substances in products, environmental liability, directors and executive officers liability insurance.
- All these risks led to the establishment of an umbrella liability insurance that covers all such risks up to the specified amount.

**{Consider any other relevant facts on public liability insurance}
(Any 3 facts × 1 mark each = 3 marks)**

5.6 Evaluate Raymond Ackerman, Executive Chairman and Founder (1967 – 2010) of Pick n Pay, as a successful entrepreneur.

Candidates could argue their evaluation from the point of view that Raymond Ackerman was a successful entrepreneur because he displayed the following attributes:

- A successful leader will be results driven. These desired results may differ widely, but unless the manager has clarity in his own mind about what the outcome should be, the desired result will not be achieved. The continued emphasis on the growth of the brand.
- Raymond's philosophy: "Your mission must become a passion you believe in", a vision of what should be achieved must be formulated, while at the same time being aware that in a world where we experience fast and ever-changing influences, the vision may have to be adapted to stay relevant and realistic. Flexibility is therefore crucial.
- A leader has to realise that he will never achieve long-term success unless he builds his success on teamwork. This does not imply that he exploits his followers, but rather that he 'energises' them through his own creativity but also by encouraging them to be creative. A strong supportive Board of Directors at Pick n Pay with Raymond as CEO.
- The desire (drive) to achieve, ambition and a constant strive for improvement.
- Influencing followers will be determined by the leader's ability to inspire, to gain trust and to motivate without striving for popularity but rather through gaining respect. Consider the numerous awards that Raymond has been given, i.e. Paul Harris Fellowship Award from Rotary International. Raymond also received a Honourary Doctor of Law degree from Rhodes University.

- In order to achieve this, the leader will have to display honesty and integrity by leading through example, sharing both risks and rewards with followers and ensuring he practises what he preaches. This could be seen in the way in which Raymond Ackerman confronted the inequalities of the apartheid regime. Also consider Pick n Pay's fight against injustices to the consumer, the 'petrol-price' fight.
- Instilling confidence in followers is very important. This is not possible, however, unless the leader has the self-confidence to make decisions in uncertain circumstances and to overcome unavoidable obstacles. Unless the leader has confidence in his/her own abilities, he/she may be reluctant to allow and encourage followers to grow and develop their own potential. This will in the long term lead to low morale and dissatisfaction.
- Leaders possess what is called 'emotional intelligence'/'EQ'. This refers to the person's ability to control their emotions and deal with problems in a mature manner.
- Communications skills, including active listening, are of the utmost importance if the leader wants to transfer his/her ideas but also obtain input from other.
- All of the abovementioned will still be utterly useless unless the leader has the ability and self-motivation to follow through and implement plans to reach the desired outcomes. Without 'follow-through' the best leader will fall flat on his/her face, but more than this, a lack of implementation may make followers cynical and lower their morale.
- Also give credit if candidates mention having the necessary management skills, i.e. planning, organising, leading, controlling, coordinating, communicating, delegating, disciplining, motivating and decision-making.

Candidates could also motivate reasons why they feel that Raymond Ackerman was not a successful entrepreneur.

Candidates must bring in relevant/current/historical facts in order to support their argument: E.g. to show the fact that through all of Raymond's success he was always willing to give back to his community, e.g. the Ackerman Family Educational Trust.

His desire to achieve could be seen in the phenomenal growth of Pick n Pay (4 small stores in Cape Town to 794 stores countrywide).

{Consider any other relevant point in their evaluation}

(Any 5 points × 1 mark each = 5 marks)

[50 marks]

Total: 200 marks