



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2015

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
D	C	B	D	A	B	B	A	C	D

[20]

QUESTION 2 FALSE STATEMENTS

- 2.1 Basic Conditions of Employment
- 2.2 Brand Stretching / Diversification
- 2.3 Synergy
- 2.4 Porter's Five Forces / Porter's Six Forces
- 2.5 Orientation/Induction / Code of conduct / Initiation / Training / Development / Mentoring / On boarding
- 2.6 Iron-safe
- 2.7 Value-chain Analysis / Low-cost strategy / TQM

[14]

QUESTION 3 FILLING IN THE MISSING WORD/TERM

- 3.1 Global Reporting Initiative
- 3.2 Dividends
- 3.3 Tax evasion
- 3.4 Dysfunctional
- 3.5 Total Quality Management
- 3.6 SETA
- 3.7 Psychological
- 3.8 Autocratic

[16]

50 marks

SECTION B**QUESTION 4**

- 4.1 (a) Customer / consumer / buyer / purchaser / client perspective
(b) Internal process perspective (Do not accept MICRO)
(c) Learning and Growth/Organisational / Training / Development perspective
{Learners may not give financial perspective}
{Answers can be given in any order}
(3 marks)

- 4.2 Suggest, with a different strategy for each, how the Famous Brands management team could effectively deal with each of the following ethical challenges:

4.2.1 **Franchises selling food products of which the sell-by date has passed.**

- The management team must ensure that there are correct policies and procedures in place to deal with food products that have reached their sell-by date.
- Learners can be specific about what the policy should contain, e.g. monitoring of dates through electronic scanners or before packaging/distributing the product checking the dates.
- Management must physically check to ensure that the policies and procedures are being followed through.
- Management could reward employees who are being proactive when they come across this issue at Famous Brands. Conversely, there could be penalties for not adhering to the policy.
- Disciplinary action can be taken against the franchises.
- Candidates can distinguish between the sell-buy date and expiry date and could argue that after sell-buy date it is still ethical to sell the products to a charitable organization or at a lower price. Selling after expiry date will be regarded as unethical.

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

4.2.2 **An outsider attempting to gain access to confidential information about their employees.**

- Famous Brands needs to ensure that they have some kind of security system to limit access to the confidential information, e.g. password system.
- The company could use antivirus software and other programmes to ensure that access is limited and illegal hacking is restricted or eradicated.
- There needs to be a clearly worded policy and procedure as to who has the right to access the information.
- There needs to be evidence of disciplinary action against anyone who has unethically accessed the confidential information.
- Management could reward employees for whistle-blowing on this issue.
- Have workshops to train employees on the protocol to follow when they are entitled to have access to confidential information, e.g. when is it appropriate to disclose such information, the rights of the different parties, etc.

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

4.2.3 A Famous Brands manager is on the selection committee for choosing a new cleaning company for the business. His wife submits a tender for the contract.

- Have a clearly worded policy that pertains to the correct protocol to be followed with regards to appointment to a selection committee.
- Have appropriate procedures in place when conflict of interest becomes an ethical issue.
- Have training workshops where you brainstorm solutions to ethical dilemmas posed during the recruitment/interview/selection process.
- When placing the tender advert in the media – make it clear that family members may not apply.
- Make sure that all parties concerned are aware of legislation that pertains to the tender process.

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

Note: With question 4.2 the candidates are not allowed to repeat the same strategy in the questions. Only mark the strategy once.

4.3 Note:

- **Candidates are only required to give ONE technique per department.**
- **They may only use the technique ONCE.**

Department	Quality of Performance Technique	Discussion of how the technique can be applied to improve the quality of performance at Famous Brands Ltd
Purchasing Department	Keeping the purchasing costs to a minimum through negotiations with suppliers, i.e. the economic principle OR Supplier surveys (Consider any other relevant technique) (1 mark)	<ul style="list-style-type: none"> • The importance of keeping the purchasing price and stockholding costs as low as possible, in order to maximise profits and thus improve profitability. • This will have a positive impact on the return on investments (ROI). • Consider the impact if the purchasing department negotiates a discount of 5% on inventory purchased. The effect on profitability will be positive and the performance of the business will improve. • Unwise purchase of raw materials and capital goods may negatively impact on the final product. • There must be an identification and selection of a reputable supplier of goods. • High turnover of goods means that the correct goods were purchased of the right quality at the right time. <p style="text-align: right;">{Consider any other relevant point in the discussion relating to the purchasing department} (Any 3 facts × 1 mark each = 3 marks)</p>

<p>Human Resources/ Human Capital Department</p>	<p>Performance Appraisal OR Selection and Recruitment Techniques OR Employee survey OR Evaluation of Skills Training programme</p> <p>(Consider any other relevant technique) (1 mark)</p>	<ul style="list-style-type: none"> • To investigate whether the activities of the human resources department (e.g. selection, recruitment, induction, and training) are having a positive impact on the productivity of the company. • To be able to put into effect remediation programmes (e.g. constructive salary/wage negotiations) in cases where the activity is hampering the quality of performance. • The technique should be able to identify the areas where there are problems (variances from set targets/objectives) so that there can be an intervention. • Quality of performance in the human resources department can be improved through a low staff turnover with a staff compliment that is motivated through monetary and non-monetary means. • There can be improvements through proper training and skills development that focus on areas of quality of performance weaknesses, e.g. the introduction of new technologies. <p>{Consider any other relevant point in the discussion relating to the human resources/capital department} (Any 3 facts × 1 mark each = 3 marks)</p>
<p>Financial Department</p>	<p>Any of the following ratios: Current ratio OR Acid-test ratio OR Return on investment OR Solvency ratio OR Budgets</p> <p>(Consider any other relevant technique) (1 mark)</p>	<ul style="list-style-type: none"> • Liquidity ratios measure the ability of the company to use their current assets (stock, debtors and cash reserves) effectively in the short run. • The current ratio looks at the relationship between the current assets and current liabilities of the company. An acceptable norm/standard would be to have a ratio of 2:1 (Many industries have their own norm). A high current ratio indicates that cash could possibly be lying idle or that credit (debtors) was granted too easily or that too much stock was being kept. • The acid-test ratio looks at the relationship between current assets and current liabilities, but excludes the impact of stock (inventories). An acceptable norm/standard would be to have a ratio of 1:1. Eliminating inventories from this technique is done so as to lessen the impact of a volatile asset on our evaluation. • Return on investment (ROI) looks at the ability of the company to generate a profit with the amount of money that it has invested in the business. One would compare the result with the ROI earned by similar businesses as Famous Brands or alternative investments (money market investments, bonds, unit trusts, etc.). • Solvency ratios look at the relationship between total assets and total liabilities. We examine to see if the business is solvent, i.e. would be able to continue in the foreseeable future. The business would need to look for warning signs that would give them an indication that there are more debts than assets. The business would need to implement an appropriate strategy in order to ensure that the impact does not continue to deteriorate the quality of financial performance. <p>{Consider any other relevant point in the discussion relating to the human resources/capital department} (Any 3 facts × 1 mark each = 3 marks)</p>

When marking the table – ensure that there is an appropriate link between the description of the quality of performance technique and the chosen technique.

4.4 Illustrate, with the use of an example for each, how the following concepts would relate to insurance that Steers would have to take out:

4.4.1 **excess clause**

- This is the amount on each claim that is not covered by the policy.
- The excess amount is specified in the insurance policy.
- The insured will have to pay the first R1 000/R2 500, etc. amount that is specified in the contract.
- Example: If one of the Steers kitchens is damaged by fire, then a certain portion (as stipulated in the insurance contract) will have to be paid by the insured, before the claim is settled.
- The excess clause is there to prevent the insured from making small unnecessary claims and
- To ensure that the insured took all the necessary steps to prevent the loss from happening.

{Consider any other relevant points on the excess clause}
(Any 3 facts × 1 mark each = 3 marks)
(Max of 2 marks if no EXAMPLE is given in the answer)

4.4.2 **insurable interest**

- The insured must be able to prove that he/she stands to lose financially if the insured object undergoes a loss or is damaged.
- The person or object at risk forms the basis of the insurance contract.
- Steers has an insurable interest on the building. The building forms the basis of the insurance contract.
- The owner of the Steers franchise has an insurable interest in his own life and health. The owner is able to take out life assurance.
- In the franchisor-franchisee relationship, the franchisor offers support and advice on items/objects that have an insurable interest.

{Consider any other relevant points on the excess clause}
(Any 3 facts × 1 mark each = 3 marks)
(Max of 2 marks if no EXAMPLE is given in the answer)

4.5 **Discipline in a Steers Franchise Work Environment**

4.5.1	<p>Purpose of having a disciplinary procedure in a Steers franchise:</p> <ul style="list-style-type: none"> • Workers perform to their maximum potential, • As they know what is expected from them and • What the consequences will be if goals are not achieved or the avoidance of future problems. • Order is maintained and cooperation is ensured. • Motivation to employees to change their behaviour where necessary. <p style="text-align: right;">{Consider any other relevant point on the purpose of having discipline} (Any 2 facts × 1 mark each = 2 marks)</p>	
4.5.2	The Labour Relations Act	(1 mark)
4.5.3	Dismissal on the grounds of incapacity or underperforming or inability	(1 mark)

4.5.4 Criteria necessary to regard dismissal for misconduct to be substantively fair:

- The employee broke a rule of conduct in the workplace, e.g. gross insubordination, theft, dishonesty, substance abuse, intimidation, assault or fighting, repetitive lateness, absenteeism, abuse of sick leave or falsifying medical records, abusive language;
- The rule was valid or reasonable – the law will apply the 'reasonable man' test;
- The employee knew of the rule or should have known of the rule. Details of possible transgressions of misconduct are usually detailed in the code of conduct or contract of employment or displayed in appropriate place(s) in the workplace;
- 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.

(Candidates can mention examples to a max of 2)

{Consider any other relevant criteria}

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

4.5.5 Dismissal on the grounds of operational reasons means:

- That the worker is dismissed because Steers is no longer able to pay the worker because the business is no longer viable/it is being liquidated/being sold to a new franchisee.
- OR**
- That the business is downsizing due to economic reasons and the worker's job has become redundant/the worker is being retrenched.

{Consider any other relevant answer to the term 'Operational Reasons'}

(Any 2 facts × 1 mark each = 2 marks)

4.5.6 How Steers could avoid disciplinary issues in its work environment:

- Have clearly worded policies and procedures as to what is acceptable behaviour in the workplace.
- Allow workers to air their grievances in appropriate structures.
- Build on a good relationship with your workers' trade unions.
- Encourage open discussions with your workers in effective workplace forums.
- Steers needs to be open and transparent when it comes to issues of labour discipline.
- Follow the requirements set out in legislation with regard to labour grievances.
- **Open communication between employers and employees.**

{Consider any other relevant suggestion on avoidance of disciplinary issues in the work environment}

(Any 2 facts × 1 mark each = 2 marks)

<p>4.5.7 Purpose of collective bargaining during a labour dispute:</p> <ul style="list-style-type: none"> • To create a forum where there can be negotiations between employers or employer organisations and trade unions; • To handle grievances from employers/employees. <p style="text-align: right;">{Consider any other point relating to the purpose of collective bargaining} (Any 2 facts × 1 mark each = 2 marks)</p>
<p>4.5.8 (a) Positive outcome:</p> <ul style="list-style-type: none"> • The workers have a platform where they can collectively show their strength (power) especially on an issue that they feel passionate about – but management does not see this. • Often management will re-look at the workers' grievance from a different light, especially because they know that a strike will have negative implications. • A prolonged strike is not good for the image/productivity, so it may force management to resolve the grievance quickly. • Management is forced to consider the issues of the workers. • The worker is exercising his/ her constitutional right to strike. <p style="text-align: right;">{Consider any other positive outcome of strike action} (Any 1 positive outcome × 2 marks = 2 marks)</p> <p>Negative outcome:</p> <ul style="list-style-type: none"> • There will be negative consequences on the image of the business. • Often strike action is associated with violence and intimidation. • There is loss of productivity, profits suffer and the share price may see a drop in market value. • There may be a decline in franchisees buying into the franchise. • There may be loss of income to the workers, and it may get worse if the strike action is prolonged. <p style="text-align: right;">{Consider any other negative outcome of strike action} (Any 1 negative outcome × 2 marks = 2 marks)</p>
<p>(b) Instances when a strike will be regarded as unprotected:</p> <ul style="list-style-type: none"> • A collective agreement specifically states that workers may not strike over the issue at hand; • The correct procedures have not been followed or if the arbitration decision is ignored; • The parties are engaged in an essential service. • Could not get permission from the courts. • The intention to strike must be given within 48 hours of striking. <p style="text-align: right;">{Consider any other valid reason for regarding the strike as unprotected} (Any 2 instances × 1 mark each = 2 marks)</p>

4.6 **List THREE elements that Famous Brands Ltd could include in their marketing communication policy.**

- Details of the procedure to follow when planning and executing an advertising campaign.
- A code of conduct/protocol when dealing face-to-face with a supplier's representative and those people with whom the supplier wants to communicate.
- Details of the objectives and activities involved in adding value to the final product, e.g. consumer contests, money-refund offers. Any activity that seeks in a direct manner to induce, or serve indirectly as an incentive to motivate a desired response on the part of consumers, salespeople and intermediaries.
- Advertising
- Personal sales
- Sales promotion
- Issues around internal and external publicity. E.g. what to do in the case of bad publicity – how to effectively handle the outcome so that it has a minimal impact on the image of the business.
- Details of how the context of the brand is to be developed and communicated to all the stakeholders.
- Questionnaires / surveys / market research

{Consider any other relevant element that could be included in Famous Brands marketing communication policy}

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

[50 marks]

Take note: Questions 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 List and explain THREE of the pillars of BBBEE.**

- **Ownership** – Black persons owning shares in the company.
- **Management and control** – Black persons being part of the management team of the company, i.e. being part of the Board of Directors of the company.
- **Employment Equity** – The company reaching its employment equity targets as set out in the BBBEE Act.
- **Skills development** – The company must offer appropriate skills development programmes to develop the skills of black persons (previously disadvantaged). The company could use SETA-approved courses as a means of skills development.
- **Preferential procurement** – With regards to the tendering process and in particular any government tenders – black persons will be given preferential treatment based on certain criteria.
- **Enterprise development** – The company must invest money in developing the entrepreneurial businesses of black persons. This could be done through supplier negotiation and signing contracts with black-owned businesses.
- **Socio-economic development** – The company must be seen to be developing the well-being of previously disadvantaged people. This could be done through their CSR programmes – but the main focus must be aimed at black persons.

{Consider latest legislative amendments, as well as any other relevant explanation for each of the pillars}

(Any 3 pillars: 1 mark for mentioning the pillar + 1 mark for explanation)

(Total: 3 pillars × 2 marks each = 6 marks)

5.2 For each of the following scenarios indicate the relevant legislation (Act) that would be most applicable; refer to the bold sections to guide your answer.

5.2.1 A Debonairs employee is **seriously injured** in a motor vehicle accident while delivering a pizza to a customer.

Road Accident Fund or Compensation for Occupational Injuries and Diseases Act

5.2.2 A waitress goes **on maternity leave**, but her employment contract does not include a wage payment during this leave period.

Basic Conditions of Employment Act

5.2.3 Debonairs employs a **disabled** person to record orders placed by customers.

Employment Equity Act

(3 marks)

5.3 5.3.1 Explain what is meant by the term: Triple Bottom Line Reporting.

Triple Bottom Line Reporting means that a company is emphasising good business practice and responsibility in three areas, i.e. Integrated Reporting

- The earning of profit (i.e. the bottom line);
- The management of people/stakeholders in the organisation;
- The sustainability of the environment in which the company operates (planet).

{Consider any other relevant answer that relates to TBL}

(3 facts × 1 mark each = 3 marks)

5.3.2 Explain, with the aid of examples, how Famous Brands shows a commitment to Triple Bottom Line Reporting.

The earning of profit

- Famous brands is expanding its operations into Africa – more customers equates to more sales / profit.
- Famous Brands is not using its entire budget – they are conscious of over-spending – but at the same time adhering to the bottom line.

Management of the people/stakeholders in the organisation

- The company has a commitment to its franchisees and provides training programmes to them on issues of recruitment, development of management competencies, marketing and branding, health issues, etc.
- Famous Brands Ltd is of the belief that the communities they serve should be better off as a result of their presence. The franchisees invest in locality projects, e.g. KIDS, an employee-driven initiative resulting in employees making donations of gifts to children in need during the Christmas season.
- In terms of management (and according to the 2014 Annual Report) Famous Brands Ltd has effective leadership based on ethical foundations.
- Candidates could argue that in comparison to other Blue-chip companies, the involvement of Famous Brands in SRI is not that high. It is a weakness in their commitment to TBL.

The sustainability of the environment in which the company operates

- Famous Brands has taken upon itself to revamp its logistics and manufacturing operations so that there is more productivity and efficiency.
- In striving for this efficiency, there is a movement towards environmental sustainability, i.e. recycling and the use of renewable resources.
- Candidates could argue that Famous Brands is not doing enough in terms of providing funding for environmental conservation or into research for alternative sources of energy. Particularly in our country where load-shedding is a challenge.

**{Consider any other relevant points raised in Famous Brands annual report 2014 and 2015}
(2 points must be discussed under each element of TBL)
(3 elements of TBL × 2 points × 1 mark each = 6 marks)**

5.3.3 Discuss TWO advantages that Famous Brands will face as a result of having an effective code of ethics.

- Having a code of ethics shows that a company is committed to the implementation of ethics in the organisation.
- A code of ethics gives the structure of the organisation guidance as to what they expect in terms of good ethical practice.
- An effective code of ethics can be a drawcard to potential shareholders as it gives an indication that ethics is a priority in the business.
- Having an effective code of ethics shows that corporate governance is high on the priority list of the management team.
- Workers with good morals and high standards of ethics will be more willing to work in an organisation that has ethics in its daily activities. You can use this as a drawcard when recruiting new workers.

**{Consider any other advantages in having an effective code of ethics}
(Any 2 advantages × 2 marks each = 4 marks)**

5.3.4 When it comes to issues of good corporate governance, it is important for management to lead by example. Discuss this statement with reference to Famous Brands.

- The workers of Famous Brands often look to management for guidance on how they deal with certain issues – especially issues that are emotive such as ethics and corporate governance.
- If top management can show that they are transparent, accountable, fair, disciplined and have integrity, you will have buy-in from your workers.
- The workers at lower levels will be more willing to be ethical because that is the culture that has been delivered in the company by top management.
- This will have positive spin-offs on the share price and the SRI rating.
- There will be an admiration of the brands associated with Famous Brands – resulting in higher profits/turnover.
- It will be easier for Famous Brands to acquire capital resources.

**{Consider any other relevant point}
(Any 5 facts × 1 mark each = 5 marks)**

5.4 5.4.1 Discuss TWO advantages that Great Pizza has when a forum like Hellopeter.com is used by customers of the business.

- This forum will provide Great Pizza with feedback on especially the success or failure of its customer services and Great Pizza does not have to pay for it.
- With the forum, the success of the customer services can reach a huge audience – maybe greater than its original target/niche market.
- Great Pizza may be notified about certain service/product issues that it would otherwise not know about. Corrective action can be taken to rectify the situation.
- The Hellopeter.com forum also allows the company to give feedback in response to the complaint. Great Pizza can then be seen as an organisation that cares about its customer base as it is responding to the complaint.
- Great Pizza can use the forum as a means of fostering good customer relations.

**{Consider any other relevant advantage on the Hellopeter.com forum}
(Any 2 advantages × 2 marks each = 4 marks)**

5.4.2 With reference to the scenario, describe how the franchisee of Great Pizza could respond to this potentially conflicting situation in the short and the long term.

In the short term:

- The owner of the Great Pizza should respond promptly to the customer complaint and ensure that his grievance is successfully dealt with. Maybe offer the customer some free pizzas or a cash refund.
- The owner should try to find out who was on duty on the said night and implement some kind of disciplinary procedure – even if it is just a warning to the person responsible for answering the phone and to the delivery person for the poor customer service.

In the long term:

- The owner will need to take corrective action on the quality of service being offered. A good start would be to develop a training workshop where all employees will attend. The focus being on improving customer service.

- The owner could apply to the franchisor for assistance in streamlining its customer relations and delivery of its product. The franchisor could offer monetary assistance or training through approved SETA courses on improving customer relations.
- There could be incentives offered to employees if the number of complaints decreases during a period. This incentive could be added to the workers' wages/salary as a bonus.
- The franchisee could start his own customer survey programme where customers are encouraged to give feedback directly to the franchisor and not necessarily in a forum like Hellopeter.com. This means that the complaints can be contained locally and dealt with more effectively.

{Consider any other relevant responses in the short and the long term}

(Short term: Any 2 facts × 1 mark each = 2 marks)

(Long term: Any 2 facts × 1 mark each = 2 marks)

5.5 5.5.1 **What was the price of Famous Brands Ltd shares on 28 September 2014?**

R97,50

(1 mark)

5.5.2 **Discuss a possible reason for the increase in share price after 23 October 2014.**

- There was an increase in the demand for the shares.
- The company has shown a good performance in terms of profit.
- There is confidence in the management team (Board of Directors) of Famous Brands Ltd.

{Consider any other relevant answer for increase in share price}

(Any well explained reason × 2 marks = 2 marks)

5.5.3 **Discuss a possible reason for a drop in the value of Famous Brands share price during part of September and October 2014.**

- There was a decrease in the demand for the shares.
- There could have been pressure from external forces that impact negatively on the share price, e.g. the petrol price, political uncertainty, severe competition in the food industry.
- There is less confidence in management's ability to deal with market related issues, e.g. level of rivalry in the market.

{Consider any other relevant answer for drop in share price}

(Any well explained reason × 2 marks = 2 marks)

5.5.4 **Explain what is meant by an offshore investment.**

This is when a portfolio of shares/investments is kept where companies in the portfolio are based in overseas countries, i.e. not in South Africa. Holding shares in countries based in Africa would be considered offshore investments.

{Consider any other relevant answer for explanation of off shore investment}

(Any 2 facts × 1 mark each = 2 marks)

5.5.5 Evaluate an investment in Famous Brands Ltd shares in terms of risk and return.

Risk: Investment in shares/equities is considered risky in the medium to long term.

Return: Investors can expect to receive dividends on their investment (although this is not always guaranteed). Dividends can be paid during the financial year and/or at the end of the financial year.

**{Consider any other relevant answer in evaluation for Risk and Return}
(Any 2 facts × 2 marks each = 4 marks)**

5.5.6 Discuss the impact of including short-term and long-term investments as part of an investment portfolio.

- The impact of having short-term and long-term investments is a method of diversification.
- Investors would like to hedge against the risks in the market – hence the reason for keeping short-term and long-term investments.
- Equities which are generally long-term investments would have the advantage of beating inflation.
- The same can be said about investment in property – except that the property market goes in cycles with regards to returns.
- Unfortunately, investors also need cash and returns in the short term. This is why it is wise to have investments in money market accounts. The return is not high as the risk is low.
- Investors can have a balance in terms of risk and return in the two time periods.

**{Consider any other relevant answer for impact of short/long term investment in portfolio}
(Any 4 facts × 1 mark each = 4 marks)**

[50]

QUESTION 6**6.1 6.1.1 Explain the functions of a trade union in the industrial relations sphere of Famous Brands.**

- Protecting the rights of workers and ensuring fair treatment of members.
- Improving conditions of service/employment by addressing the following issues:
 - Salaries;
 - Employee benefits, e.g. leave, housing, medical, etc.;
 - Job security; and
 - Physical work environment (safety).
- Representing members in negotiations with employers, i.e. collective bargaining.
- Representing employees in disciplinary issues, e.g. at a disciplinary hearing or in a labour court.
- Advising employees on labour relations issues, e.g. procedures for retrenchment, promotion (interviews), etc.
- Striving to achieve industrial peace while influencing policies and decisions regarding labour issues.

**{Consider any other functions of a trade union}
(Any 8 facts × 1 mark each = 8 marks)**

6.1.2 Describe THREE aims of the Skills Development Act.

- Use the workplace as a place of learning – experienced workers could mentor inexperienced workers and there could be time set aside for learning/training during the course of a working week.
- Improve the level of investment in education and training – Businesses must set aside capital that will be used exclusively for training. This must be over and above the Skills Development Levy requirement. The allocation of this investment must be transparent.
- Ensure that quality training (accredited programmes) is offered. From the trainers to the training material there must be standards that are regularly monitored and revised. There needs to be an assessment programme to evaluate the quality of the training.
- Improve employment opportunities for disadvantaged people. The disadvantaged in the community must be given priority in skills development so that they don't contribute to the cycle of poverty and have basic skills that empower them when they seek employment.
- Encourage workers to get involved in training programmes. Workers must be given incentives for continuing their training. Organisations must have a culture of promoting and supporting the lifelong learner. It will have positive implications for our country.
- Encourage entrepreneurship by providing training where necessary. This is the answer to the unemployment problem that our country is facing. It requires a collective approach from all affected parties.

**{Consider any other relevant aims of the SDA}
(Any 3 aims × 2 marks each = 6 marks)**

6.1.3 (a) **Explain why it is important for Famous Brands to identify the key focus areas of its Human Resources/Capital department.**

- To comply with legislation.
- Have a fair remuneration system.
- Develop and implement total development programmes.
- Ensure healthy IR.
- There needs to be an alignment between departmental objectives and the mission/vision of Famous Brands.
- By identifying the key focus areas in the HR department, Famous Brands is highlighting the areas where the vision/mission is to be realised.
- The key focus areas are also areas where the performance of HR is most visible in terms of success or failure.
- The key focus areas also give an indication of areas where there could be challenges and hence, appropriate strategies need to be developed.
- There is an opportunity to develop a strategic plan for the HR department.
- From a micro point of view, these focus areas are the areas where strengths and weaknesses come forward when doing a SWOT analysis.

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

(b) **Is 'Empowerment and talent management' a strength or an opportunity for Famous Brands? Motivate your answer.**

Arguments for strength

- From the HR department's point of view, it has the tools and mechanisms (training/skills programmes) to develop and empower the organisation's employees.
- Employees can buy shares in Famous Brands – it has an employee share scheme. (This is seen as empowering your employees.)
- This ability is seen as a micro component (internal) of the organisation.
- That is why you could argue that it is a strength of Famous Brands.

{Consider any other relevant motivation in argument for strength}
(Any 3 facts × 1 mark each = 3 marks)

(c) **Explain how 'legislative compliance' could lead to a competitive advantage for Famous Brands.**

- When Famous Brands complies with legislative requirements, there will be no penalties to pay and hence more income/profit, which can be used for growth and expansion.
- Famous Brands could get a good reputation – which could then be a deciding factor when shareholders are deciding where to invest their money.
- 'Legislative compliance' has strong connections to good corporate governance and good ethical practices – which could encourage a healthy work environment where workers are more productive.
- Wimpy could be in a favourable position to tackle challenges from the micro market and macro environment, because to be legislatively compliant means that you must have thorough knowledge of the law.
- There is less industrial strife/conflict, less labour action because grievances are dealt with according to legal standards.

{Consider any other relevant argument as to how 'legislative compliance' could lead to a competitive advantage}
(Any 3 facts × 1 mark each = 3 marks)

6.1.4 The engineering interns went through a rigorous selection procedure. Describe THREE steps that could occur during this procedure.

Receipt of the application forms/CVs

Once the vacant post has been advertised, the HR manager (or a subordinate) must be available to answer any queries from applicants. After the closing date for applicants has passed, a list of all application forms received should be drawn up. Documentation received from applicants, i.e. a letter of application, an application form and curriculum vitae should be checked against this list to ensure all the relevant documentation has been received.

Initial screening

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. Sometimes the business just states, if the candidate is not contacted by a specific date, he/she is to assume the application was not successful. Those applicants who are suitable for consideration for the job are referred to the next step.

CV/Job application evaluation

A selection panel will now evaluate the curriculum vitae/job applications of all applicants who meet the minimum requirements for the job. A predetermined set of criteria will be used. Usually a 7-point scoring system is used to evaluate each applicant in each of the number of categories with 7 being the highest score and 1 the lowest score. The selection panel will rank the applicants according to the total scores achieved on the CV evaluation. This illustrates the importance of having a comprehensive CV that meets the requirements of the employer. A shortlist of applicants is now drawn up with the number of candidates on the shortlist depending on the suitability and quality of applicants.

Reference and background checks

The applicants on the shortlist are the potential new employees, and therefore the HR department will wish to verify as much information supplied in the CV as is possible. Employment records and qualifications will be checked. The Personnel Manager may communicate with the referees provided by the applicant in order to ask relevant questions about the applicant that may not have been included in the CV, e.g. how are the applicant's people skills? Is the applicant trustworthy? It is important to use a standardised set of questions to ensure fairness to all applicants.

Interview of candidates on the shortlist

The interview may be carried out by one person or by a panel, e.g. the Personnel Manager, Head of the relevant department and the supervisor of the section. It is important that the same person or panel interviews all the applicants to ensure consistency and fair labour practice.

The purpose of the employment interview is twofold, i.e.:

- To get more information from the applicant in order to assess his/her suitability for the job; and
- To give more information about the business, the job, and the conditions of employment to the applicant.

Tests and examinations

There are different types of tests that can be used to disclose more information as to the applicant's suitability for the job. Depending on what type of requirement is to be measured, a careful selection must be made of what test to use. It is important to note that the Employment Equity Act prohibits the use of tests if it discriminates against any person on the grounds of culture.

The following types of test are available:

- Ability/trade tests indicate what tasks the applicant can currently perform and what tasks he/she might be able to perform in future, given the opportunity through training;
- Psychometric tests, which include personality and interest tests, measure the applicant's motivation and intelligences; and
- Work sample tests are literally samples of work to be found in a certain job and are designed to measure what the applicant can do and at what skill level.

Medical examination

It is important to note that the Employment Equity Act (Section 7) states clearly that no medical examination may be required unless it is an inherent requirement of the job (e.g. eye test for a pilot) or for the purpose of the distribution of employee benefits (e.g. joining a group benefit scheme such as life assurance).

The employer will usually give the prospective employee a health-related questionnaire to complete, and if there is any doubt regarding the medical status of the employee relating to the requirements of the job (e.g. bus driver), the employer may request a medical examination that may include drug and alcohol testing.

Letter of appointment

Once all relevant information has been collected by means of the previous steps, the selection decision can be taken as to whom to appoint. In the case of only one appointment, the selectors will rank the applicants in order of suitability for the job, i.e. the best person, second best, etc.

A written offer of employment will first be made to the best person, and if he/she accepts the offer (preferably in writing), the other candidates will be informed in writing that their applications were not successful. If the best person does not accept the offer, then an offer is made to the second-best candidate, and the process is repeated until an appointment is made. If no-one accepts the offer, the whole recruiting process must start again right from the beginning.

The whole recruitment process may be observed by staff representatives, e.g. a trade union representative, to ensure that the process is fair to all applicants. It is important to remember the appointment is not legally binding on either party until the candidate has signed the Letter of Employment.

Employment contracts

The LRA (Labour Relations Act) now requires the employer and employee to agree, draw up and sign an employment contract. This contract is a legally binding document and must at least comply with the Basic Conditions of Employment Act. The employer may offer better conditions of employment but not fewer than those stated in this Act.

The contract should include at least:

- Employer details – full name and address.
- Employee details – full name, identity number, address, contact details, taxation number, etc.
- Employment details – position held, outline of duties, appointment date, probation period, hours of work, permanent or contract appointment, etc.
- Salary issues – basic starting salary, overtime rate, incentives, deductions, e.g. pension, medical aid, staff association, tax, as well as date of payment (and method), bonus, increases, etc.
- Leave details – number of days' normal leave per year, sick leave per cycle, leave for personal affairs, unpaid leave, etc.
- Termination of services – the notice period that must be given by each party on ending the employment contract as well as retirement age.
- Any other issues deemed necessary by either party should be included in the contract.

{Consider any other relevant details under each of the steps in the selection procedures}

(Any 2 facts × 1 mark each to describe the selection step)

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

6.1.5 Discuss TWO possible disadvantages associated with Famous Brands external recruitment programme at the Nelson Mandela Metropolitan University.

- The employees who are externally recruited will need an extensive induction process that could be costly and time consuming.
- There could be resentment from internal employees who may feel that they have been overlooked – this could result in conflict.
- It will take some time for the new recruits to become accustomed to the work ethic and culture of the organisation. Workshops may be needed to ease the new recruits into becoming familiar with these requirements.
- With an internal recruitment, you have a track record of the capabilities of the recruit as well as their strengths and weaknesses. This is not the case with an external recruit. You have to base your decision on what references say – this may not always be a reliable source.
- The external recruitment process is by nature more expensive than an internal recruitment, requiring consultations with references and verification of qualifications.

{Consider any other relevant disadvantage of external recruitment}

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

6.1.6 Determine the link that exists between effective remuneration benefits, employee morale and quality of performance.

- An employee that is effectively paid (i.e. according to industry standards where applicable) or paid higher than the norm for his/her qualification will
- Have a positive morale/attitude/work ethic towards his/her work as he/she feels valued as an employee and
- This will result in higher productivity and an improvement in the quality of work done, i.e. higher quality of performance.

{Consider any other relevant answer that shows the link}

(Any 3 facts × 1 mark each = 3 marks)

6.2 Discuss the impact of the Consumer Protection Act on the marketing activities of Famous Brands.

- The marketing department of Famous Brands 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 Famous Brands 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 on Famous Brands 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 Famous Brands;
 - The way in which Famous Brands will formulate strategic, operational and tactical plans/objectives;
 - The manner in which training of sales consultants is done;
 - The expectations of Famous Brands in terms of service delivery;
 - In areas where Famous Brands 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}

(Any 10 facts × 1 mark each = 10 marks)

6.3

"Often we hear franchisors groan about the challenge of franchisees taking up new initiatives. However, when it comes to resisting bold and new ideas, sometimes it is the franchisor who is the problem!"

[Adapted from source: <<http://www.franchiserelationships.com>> (Accessed 9 September 2014)]

Do you agree with this statement? Motivate your answer with examples that relate to Famous Brands.

Candidates can answer this question from various perspectives:

- Famous Brands continuously looks for opportunities to integrate backwards in the distribution channel (bold, new ideas).
- Famous Brands introduced first pizza drive-thru at Debonairs.
- Practical examples of Famous Brands initiatives.

Not true regarding Famous Brands examples:

- Very market orientated – spend large amounts of money to determine and influence customer preferences.
- Famous Brands views franchisees as partners in their success.
- Poor communication.
- Lack of sufficient training.

{Consider any other relevant point in their argument}

(Any 5 valid facts × 1 mark each = 5 marks)

[50 marks]

Total: 200 marks