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NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION – MARCH 2019

BUSINESS STUDIES: PAPER I

MARKING GUIDELINES

Time: 2 hours

200 marks

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

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

SECTION A**QUESTION 1 MULTIPLE CHOICE**

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

[20]**QUESTION 2 BUSINESS STUDIES TERMS**

2.1	Diversification
2.2	Value Chain Analysis
2.3	Code of Conduct
2.4	Brand stretching
2.5	Proximate cause
2.6	Trademark
2.7	Recruitment
2.8	Pension Fund
2.9	Solvency
2.10	Synergy

QUESTION 3 CHOOSING THE CORRECT TERM

3.1	B
3.2	A
3.3	A
3.4	A
3.5	B

SECTION B**QUESTION 4**

4.1

Challenge facing Mugg & Bean	Environment in which challenge originates	Strategy to deal with challenge	Stakeholder that could benefit from implementation of the strategy	Explain how the stakeholder would benefit from the strategy
4.1.1 Waiters at the franchise continuously arrive late for their shifts.	External or Macro	- Organise a transport shuttle from various locations. - Negotiate with taxi operators to assist with the problem.	Waiter	Waiters will arrive on time for their shifts and there is no need for them to be disciplined. Workers will be more at ease in their job. Productivity will not be hampered. Management is seen to look after the needs of workers which is a boost to management's reputation.
4.1.2 Market research shows an increasing shift to vegetarian meals by Mugg & Bean's target market.	External or Market	- Change the menus to include vegetarian meals. - Training to adapt the kitchen and the service provision (information to waiters) to include vegetarian meals.	Franchisee	Increased customers equal more profit. Retaining customer loyalty. Higher return on investment. Other franchisees (who are health conscious) may see the product differentiation as a reason to invest in the brand.

Notes on marking the table:

- Consider any other relevant strategy to deal with the given challenge.
- The strategy given must link with the challenge.
- Consider any other relevant stakeholder that could benefit from the implementation of the strategy.

4.2 Broad-Based Black Economic Empowerment (BBBEE) Act 53 of 2003

4.2.1 Discuss the purpose of the BBBEE Act.

- To address the shortcomings of the Employment Equity Act, affirmative action and Black Economic Empowerment Act.
- To allow the wealth of our country to be spread more broadly.
- Empowerment goes beyond ownership; it encourages black involvement in the development of the economy and black management; it promotes employment equity and skills training.
- It allows for the development of codes of good practice.

4.2.2 Describe the positive implications of the BBBEE Act.

- A large portion of the black middle class has experienced dramatically improved standards of living, owing to promotion by businesses to meet BBBEE targets.
- Real opportunities have occurred for black people to become part of the economy, either through ownership or in management positions.
- Skills development for black people has increased.
- A good BBBEE rating will improve the image of the business.
- BBBEE can be used as a tool for marketing the business to other businesses looking for BBBEE compliant suppliers.
- There are still companies that try to manipulate the system through "window dressing" to achieve maximum BBBEE points to secure government contracts. The Act will prevent this.

4.2.3 Describe FOUR pillars of the BBBEE legislation.

- The percentage of black owners in a business (as measured by their voting rights in the business) has increased to a minimum of 40% **black ownership** to get maximum BBBEE points.
- The aim is to empower more black people to become active at **management level in the business**. This is achieved via Employment Equity targets.
- Encourage the implementation of mentorships, learnerships and internships to promote human capital development of black people and to keep emphasising **skills development** as part of BBBEE.
- To ensure businesses use **black-owned businesses as their suppliers**, and in turn, to help these suppliers to develop where possible.
- To establish **socio-economic development** by ensuring black people have access to funds to become economically empowered and to become business owners.

4.3 Unit Trusts

Risk

- The options available to choose from may vary from a high-risk equity fund;
- to a stable fund where risks are reduced by diversifying investments between equities, international markets and even investing in some low- risk money market instruments.

Return

- A good unit trust investment will outperform inflation over the medium term of three to five years.
- The rate of return will depend on the risk option that was chosen but will ultimately depend on how well the fund manager has invested the money.

4.4 Corporate governance at Famous Brands Limited

4.4.1 Describe what is meant by the concept *integrated reporting* when analysing corporate governance at Famous Brands Limited.

This relates to management reporting on

- economic prosperity (profit);
- social responsibility (people); and
- environmental sustainability (planet).

4.4.2 Explain the concept *discipline* as a characteristic of good governance in a corporate environment. Use examples to illustrate your answer.

- **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 a fast-food business 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 or no manipulation of market values **OR** customers stop buying the products of the franchise because it is perceived that there is inhumane treatment of animals in their manufacturing sector and
- **Regulatory discipline** where a fast-food business operates within the ambit of the law and takes the consequences (penalties) if it does not follow the regulations, e.g. failing to follow the correct grievance procedures as set out in the Labour Relations Act.

QUESTION 5**5.1 5.1.1 Explain the difference between an intrapreneur and entrepreneur.**

- The entrepreneur is the person who combines the three factors of production (capital, labour and raw materials) to start a new business venture.
- The entrepreneur sees an opportunity in the market and he/she assumes the risk of starting a new business by investing his/her capital to make a profit.
- When the entrepreneur starts the business he/she usually operates at top management.
- The intrapreneur works within a business and uses entrepreneurial qualities combined with business resources to transform innovative ideas into profit.
- The intrapreneur does not have to operate at top management level, but will often implement new and profitable ideas within the department with the approval of his/her manager.

5.1.2 Explain the interdependence of the general management function with other business functions in a fast-food franchise. Use an example to illustrate your answer.

- The general management function does not operate in isolation but has a link to the other business functions.
- The management tasks are used throughout the other business functions to achieve the overall objectives and mission of the fast-food franchise.
- The aim of management is to ensure that employees throughout the organisation perform in an efficient manner and effective way to achieve the goals of the business.
- **Example:**
 - The financial department needs to draw up budgets to effectively manage the funds of the franchise. To draw up the budgets requires the task of planning (where funds will be acquired and spent), organising (drawing up the budget in a manner that all affected departments' needs are included), leading (management follows by example in being conservative in their spending habits) and control (ensuring no over- or underspending of funds) – this is utilising the four main management tasks.
 - The purchasing function requires co-ordination with all the other departments in terms of what they need so that it can be purchased from the supplier that offers the business the best option in terms of quality, reliability and price.
 - The production function requires the combination of the factors of production to produce the right product at the right place and time in the quantity demanded and at the price the consumer is prepared to pay for the product.

- The public relations function involves all the activities that influence the opinions of the public. Public relations management is a continuous, long-term communication between the business and external stakeholders. There needs to be a plan of action to deal with bad publicity, managing and responding to social media; inappropriate responses regarding customer problems, etc.
- The marketing function considers how the 7 p's in marketing interact so that the needs of the consumer can be met. There is a strategic plan of action that is coordinated with the other departments to ensure that the place, product, promotion and distribution decisions are effective.
- The administrative function involves the collection of data internally and from the environment. This then needs to be communicated in an appropriate manner to the relevant stakeholders.
- The human capital function requires the determination of how many workers are required and what level of skills they need. A recruitment plan, an induction programme, selection procedures, worker satisfaction and job security are all part and parcel of the management of this activity.

5.1.3 Describe, with the aid of an example, how the following managerial competencies could lead to a Wimpy franchise having a competitive advantage in the market.

(a) Strategic action

- This competency entails the manager's ability to look at the business's current position in relation to the rest of the market and to then decide where the business should be in a few months or years.
- This is called strategic planning and requires a vision, a mission, long-term and short-term objectives to be formulated and
- Lastly the development of a strategy to make these goals a reality.
- This can only be done if the manager understands that industry and market trends will affect the business's competitive position.
- Thus, it is important to look at strengths, weaknesses, opportunities and threats before strategies (plans of action) are developed and implemented.
- Simply reviewing current trends is not good enough. The manager must be able to anticipate and forecast what will happen in the future and then be pro-active when implementing plans to manage the situation.
- The outcomes of the situation should also be evaluated to implement corrective action if needed.

Example: Having a strategic plan of action to deal with the changing needs of the consumer (concerns over the unhealthy nature of fast foods) and strategising on how to incorporate healthy, albeit expensive, food items on the menu.

(b) **Customer service orientation**

- In a successful business, customers and their needs are the primary focus areas and they should be considered in all business decisions.
- It is crucial that the manager listens and responds to customer's questions, problems and feedback, as it is an important way for the business to give the customer what he/she expects and requires from the business.
- A productive customer relationship based on trust and credibility will ensure that existing customers keep coming back to buy from the business.

Example: Customers complain about the service of the waiters in the franchise. It is important that the franchisee takes their complaints seriously and deals with it in a professional manner. The manager needs to assess the validity of the complaint and consider all the various players in the complaint. The customer and waiter need to be given feedback on the outcome.

5.1.4 **Explain the democratic leadership style and use an example to show how it would be appropriate for a fast-food franchise like Wimpy to use this leadership style.**

- A manager allows subordinates to provide input and participate in the decision-making process.
- It is sometimes referred to as the participative leadership style.
- The style allows for "buy-in" and commitment from people involved in the process.

Example of where it would be appropriate to use the leadership style:

- When workers are asked to vote on an appropriate team-building exercise **OR**
- To decide who will be a shop-steward **OR** trade union representative.

5.1.5 Discuss why it is important for a fast-food franchise to motivate its employees.

- Motivated employees are more likely to provide good customer service, which will result in happy customers coming back to the business.
- Motivated employees are usually productive employees, which may lead to a lower cost per unit, and therefore more opportunities for profit.
- Lower levels of absenteeism and/or lower staff turnover – think of the advantages of less training when staff retention is high.
- A motivated workforce may be less likely to embark on industrial action.
- Happy workers will say positive things (good word of mouth) about the business and this may improve the image of the business.
- Motivated workers may have a positive impact on other departments in terms of boosting their morale as well.

5.2 Suggest strategies on how a franchisee could overcome the threat of competition in the fast-food industry.

- Keep a watchful eye on what your competitors are doing (in terms of expansion, marketing, etc.)
- Ensure that your brand remains stronger than the competition's, by delivering on your promises.
- Complete a competitor profile that lists all the relevant details of the competition that your franchise is facing.
- Have a CSR programme that has a positive impact on the community – the franchise needs to show that its concern is not only profit, but fulfilment of community needs is also paramount in their mission.
- Pay attention to improving the corporate governance of the business – have integrity and accountability towards your actions.
- Have a strong public relations department that acts swiftly on bad publicity.
- Decide to merge with your competitor and in so doing reduce their market share.

5.3 Describe the impact of The Compensation for Occupational Injuries and Diseases Act (COIDA) on employers and employees of a fast-food franchise.

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

5.4 **Discuss the implications for the business when a fast-food franchise undertakes corporate social responsibility (CSR).**

- CSR should be about more than simply complying with certain requirements such as ticking the right boxes or what the business may gain from implementing a CSR programme.
- CSR is about adopting a responsible attitude towards all stakeholders; it should be ingrained in the corporate culture of the business.
- The business will gain media attention and positive publicity.
- A better functioning society will be achieved, because some of the socio-economic problems have been addressed by the franchise.
- The franchise will be making a sustainable difference in the lives of people if socio-economic problems are addressed.
- The business will be scoring points on the FTSE/JSE Responsible Investment Index if listed on the JSE.
- An image of the business as one with sound corporate governance records.
- When CSR becomes part of the organisational culture, it unites team members (with the advantages of good teamwork) in a common aim to achieve expectations over and above the official job.
- The business needs to consider the relevant stakeholders and their needs, i.e.
 - Employees** – it has often been said that a happy employee is a loyal employee. By improving the quality of life for employees and their families, the business will be rewarded with motivated employees who have a higher morale, less absenteeism and a lower staff turnover;
 - Customers** – CSR is an opportunity for the business to differentiate itself from its competitors by adopting a CSR programme; this may become a competitive advantage for the business, because customers take note of those companies/individuals who give back to their communities. A good CSR project may get people talking about the business in a positive manner which may even be more valuable than an expensive advertising campaign. Consequently, a mutually beneficial relationship is developed, linking CSR with the brand of the business;
 - Suppliers** – CSR makes the business reputable and credible; other businesses will be more inclined to do business with such an organisation than with a business which has a history of exploitation.
 - The local community** – refers to people in the immediate vicinity of the business. By improving the standard of living of the people in the community, the business will benefit in the long run;
 - The government** – will be less likely to enforce CSR through legislation if businesses voluntarily become involved in uplifting previously disadvantaged communities.

QUESTION 6

- 6.1 6.1.1 **List, according to the article, TWO strategies that the management of the KFC implemented once they became aware of the theft.**

Locking the freezers, storerooms, the interlinking door at the drive-through section and the walk-in coolers.

- 6.1.2 **Explain what is meant by dismissal on the grounds of misconduct.**

Misconduct refers to a situation where transgression of a rule took place and includes various examples such as gross insubordination, theft, dishonesty, substance abuse, etc.

- 6.1.3 **Describe the process that KFC has to follow to ensure the dismissal for misconduct is procedurally fair.**

- The employee must be notified of the reason for the disciplinary action (usually in writing).
- Although the disciplinary procedure needs to happen as soon as possible (no unnecessary delays), the employee must be given sufficient time to prepare himself/herself for the disciplinary hearing.
- The employee has the right to state his case at the disciplinary hearing or he/she can be represented by a fellow employee or a trade union representative.
- If so required, the employee has the right to an interpreter.
- Any witnesses may be cross-examined.
- The employee has the right to be informed of the disciplinary hearing and to appeal should he/she wish to do so.
- Employers must keep records of disciplinary action for each employee, stating the nature of the misconduct, the disciplinary action, and the reasons for the action.
- This needs to be based on disciplinary policies which the business has in place, which must comply with the requirements of the Labour Relations Act.

- 6.1.4 **Describe the process that the CCMA follows when a dispute between the employer and employee is brought to their attention.**

- **Conciliation** – they listen to both sides of the argument, but merely act as an independent party. If no consensus can be reached between the two parties, then ...
- **Mediation** – the CCMA representative will make a recommendation on how the dispute should be settled, but the recommendation is not binding.
- **Arbitration** – the arbitrator will issue an instruction on how the dispute should be settled and this instruction is binding on both parties.

6.2 6.2.1 Explain why it is important for Famous Brands Limited to measure the quality of performance of the business.

- If a business enterprise is a system, the internal performance, or lack thereof will
- impact on the overall competitive advantage of the business in both the market and macro environments.
- The business needs to know if it has under- or overperformed and to what extent it has deviated from its targeted performance.
- Analysis of this will highlight areas of weakness and where strategies need to be put into place to ensure the performance is on target.

6.2.2 Explain how developments in information technology can impact the quality of performance of a fast-food franchise that you have studied.

- The overall performance of the business can improve if technological systems are used that are user-friendly and can handle a lot of traffic.
- The business must allocate money to the upgrading of the IT department.
- Problems with firewalls, network servers and general maintenance issues can prevent Famous Brands Limited from operating at their maximum.
- Technology is constantly evolving – so the business needs to keep up with the evolution. E.g. many manual tasks are now automated like taking orders using an I-pad directly linked to the kitchen.
- Also, key to this challenge is the storage of information and documentation.
- There must be systems in place to back-up information and retrieve it so that the rest of the organisation can continue without delays.
- IT often makes the daily routine of the office more convenient, but it also increases risks for the business.
- The impact of the Popi Act in South Africa makes it clear that businesses have a responsibility to keep customer's information private.

6.2.3 Evaluate how the marketing department of a fast-food franchise of your choice can improve the quality of performance of its brand by referring to the following elements:

(a) People

- Whether the business renders a specific service or a hybrid service, it is probable that people will be part of the selling equation.
- Service delivery becomes an important component and those responsible for the delivery need to be adequately trained in this skill.
- This does not only relate to the ability to clinch a sale, but the person must have adequate knowledge of the product or what ingredients were used in the preparation of the meal.
- The attitude, behaviour, skill, morale and motivation of the employees are just some of the variables that may have a noticeable effect on the service experienced.

- As the employee is the face of the business, the business must make certain that there are sufficient control mechanisms (positive rewards or negative punishment) in place to ensure contact employees will protect and promote the brand and the reputation of the business.

(b) **Process**

- The process refers to that part of the service offering which the customer experiences.
- The employee should know what to do, when to do it and how to do it.
- If an employee has a clear understanding of the service delivery process, it will prevent confusion and help the customer to experience reliable service.
- The business needs to focus on improving the time it takes for employees to greet customers, time spent in queues, helpfulness of staff members when a customer has a query and whether the business follows up to evaluate customer satisfaction.

(c) **Physical evidence**

- The organisation needs to focus on factors such as the store's presentation, and the appearance of staff members.
- Also included are other tangible elements such as business cards, brochures, letterheads, signage used on the premises and even the website on the internet.
- Consideration must be given as to how the business uses the above to market the product offering and the effort made to ensure that these elements are placed on agendas of meetings and given due consideration.

6.3 Use any problem-solving technique to solve the problem of poor financial performance in the business.

Some of the problem-solving techniques that can be used:

- **Pros and cons chart**

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

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

- **Drill-down analysis**

Management can break down the proposed strategy into manageable chunks for processing.

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

- **Flow charts**

This is where management represents the strategy in the form of a diagram and shows the various stages where decisions must be made.

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

- **Scenario analysis**

Management can analyse possible future events by considering alternative possible outcomes from the implementation of the strategy.

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

- **Delphi technique**

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

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

- **Decision tree**

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

Total: 200 marks