



ST BENEDICT'S COLLEGE



**PRELIMINARY EXAM: BUSINESS STUDIES
MEMO**

Date: 03/09/2020 **Time:** 3 hours

Marks: 300

Examiner: Ms. L. French **Moderator:** Mr Q. Govender and Mr A. Hlekani
:

Section A

Question 1

- 1.1 B(2)
- 1.2 D(2)
- 1.3 B (3)
- 1.4 A(2)
- 1.5 C(2)
- 1.6 C (2)
- 1.7 C(2)
- 1.8 C(2)
- 1.9 B(3)
- 1.10 A(2)
- 1.11 D(2)
- 1.12 D(2)
- 1.13 C(2)
- 1.14 C(2)
- 1.15 A(2)
- 1.16 C(2)
- 1.17 C(2)
- 1.18 B(3)
- 1.19 A(2)
- 1.20 D(2)
- 1.21 A(2)
- 1.22 A(3)
- 1.23 A(2)

[50]

Question 2

- 2.1 Trade Union (2)
- 2.2 TQM (2)
- 2.3 Constitution (2)
- 2.4 decision tree (2)
- 2.5 resource based analysis (2)
- 2.6 conflict of interest (2)
- 2.7 market development (2)
- 2.8 strategies (2)
- 2.9 COFESA (2)
- 2.10 value chain analysis (2)
- 2.11 King IV (2)
- 2.12 Competitive advantage (2)

[24]

Question 3

- 3.1 Counterfeiting (2)
- 3.2 Insider-trading (2)
- 3.3 Sustainability Reporting Framework (2)
- 3.4 Unique Selling Proposition (2)
- 3.5 process (2)
- 3.6 unethical (2)
- 3.7 Brand stretching (2)
- 3.8 debenture (2)
- 3.9 money market (2)
- 3.10 Insurance (2)
- 3.11 indemnified (2)
- 3.12 insurable interest (2)
- 3.13 Fidelity insurance (2)

[26]

Question 4

4.1

	PE2STLE factor	Challenge facing Super-Foods	Strategy to overcome the challenge.
The increase price of petrol and its impact on the price of basic foods such as bread and milk.	Economic✓ (1 mark)	Lead to increase of prices of goods and services – inflation. ✓✓ (Any Relevant answer) (2 marks)	Negotiate bulk discounts. ✓✓ Reorganise transport routes so as to cut down on fuel cost. ✓✓ Share costs with a supplier through a re-negotiation of the terms of the contract. ✓✓ Increase selling price of goods. ✓✓ (Any Relevant answer) (2 marks)
Theft of his stock of his storeroom.	Social✓ (1 mark)	Loss of profit, due stock been stolen. Increase operational and security cost. ✓✓	Improve on the security procedures for stock. ✓✓ Install cameras/security guard to prevent theft. ✓✓

		(2 marks)	(2 marks)
The increase number of unemployment farm workers in the area that he serves.	Social✓ (1 mark)	The community will expect Super-Foods to participate in CSR programmes, this increase the cost and decrease profit (used on these projects CSI). ✓✓ OR Consumer unable to purchase the goods provided by Super-Foods (no disposable income) ✓✓ (Any Relevant answer) (2 marks)	Conduct research to determine the socioeconomic issues in the community to address. ✓✓ OR Conduct some research together evidence on the changing needs of the consumer base. ✓✓ (Any Relevant answer) (2 marks)

(15)

[Please note: The strategy must address the given challenge mentioned in column three.]

4.2

4.2.1 Porter's Six Forces (2)

4.2.2 Market Environment (2)

4.2.3

Level of rivalry (current competitors)

- ❑ Size and financial resources of the business - Franchise owned petrol stations (Sasol, Engen, Shell) vs. privately owned petrol stations (Vivo, E Fuel).
- ❑ Market share -Engen current market leader, they have a greater share of the market (more customers).
- ❑ The quality of products / service Sasol advertises their petrol as the best quality and consumers not aware all 95 is the same quality.
- ❑ Consumer brand loyalty - brand loyal to Shell because they are involved with formula One.
- ❑ Pricing of products or service - Petrol price the same all over.
- ❑ Convenience of location and distribution channels - Puma petrol stations not as available as Engen.
- ❑ Trading hours - Engen with a 24 hour Steers available.

The business needs to develop strategies to improve and outperform competitors in the above mentioned factors.

Examples of such strategies:

Customer loyalty programs may be introduced to make the business more attractive than those of competitors.

A business reduces the price of certain products / services to make sure the business is a more attractive option than the competitors.

Threat of new entrants

Challenge would be a new business entering the market that sees an opportunity to make a profit. (Example Puma Energy entering into the fuel station industry).

Examples of strategies:

Need to create a barrier preventing new business entering the market to gain access to your consumers.

- ❑ The bigger retailers in shopping malls will, for example, negotiate with centre management to prevent too many competitors from acquiring space in the same centre.

- ❑ A business may also register a patent to deter a potential new business from selling a similar product.
- ❑ Large sums of money may be spent on advertising and having promotions where products or services are sold at a lower price, making it difficult for a new business to enter the market.
- ❑ Consider that even the government puts legislation in place to make it difficult for new businesses to supply electricity to consumers.
- ❑ A tax on imported goods is a deterrent the government imposes on certain industries to protect the local market from cheap, mass-produced goods from overseas.

Availability of substitute products

A substitute product is a different product that satisfies the same need.

Strategy:

Increasing availability of substitute products generates more "indirect competitors" which a business must consider in order, to outperform the competition.

The power of suppliers

Any business that does not have a reliable supplier is certain to encounter problems more often than not. In order to be successful, the business depends on the supplier to provide a good quality product when needed (timing) and to deliver the to the place needed at a reasonable price.

The following are possible costs associated with the unavailability of stock:

- ❑ If there is no material, a manufacturer cannot produce (no sales = no profit)
 - ❑ If there is no material the machines and labour cannot be utilised to their full capacity, because the production or selling process will grind to a halt.
- Administrative and opportunity costs are incurred when dealing with a stock.
- ❑ If a business has run out of stock, it becomes very difficult to negotiate discounts when placing orders. • Customer goodwill may be lost if they have to go to competitors.

Strategy:

Continuously analyse potential new suppliers.

The power of buyers

The buyer may be a wholesaler ordering from a manufacturer, or a retailer buying the products for his shop or even the consumer who has to spend his or her hard earned money at your business. If the buyers are not respected, they will choose your Competition.

A consumer, for example, may be prepared to travel a greater distance to buy speciality goods - Total on Linksfield offering products from other countries in their Quickshop

(Example - Marshmallow Fluff).

Offer convenience - Above mentioned petrol station provides its costumers with space to relax with family, have a snack and use free wifi while filling up their cars or washing the car.

The power of complementary products

A complementary product is a product where the use of one product is interrelated with the use of another product. The two products are in other words "paired together". (chips and tomato sauce)

Strategy:

Advertise a special on Vienna sausages. People will go to Pick and Pay Express to buy the sausages and then probably also buy hot dog rolls and maybe even cold drinks.

4.3

4.3.1 The manager should assess the situation. If the conflicted parties are not be able to resolve the situation, he/she should intervene to get people to focus first on the business at hand, before trying to promote own agendas.(2)

4.3.2 All barriers to communication should be removed. This may include

issues such as poorly phrased messages, poor use of language, distorting the message, and disturbances such as noise or interruptions.(2)

4.3.3 Change management is crucial to the success of any manager. Employees need to understand what the changes are and why changing certain things are important to the success of the business, and how the necessity for change is important to them too. In order to achieve this, change must be managed in a way that enables people to face challenges effectively. A two way communication strategy makes employees feel valued and contributes to higher levels of buy-in. Training employees in the new strategy is also important, as it will empower the people to remain competent and enable them to cope. It is also useful to identify the leader in the group (not necessarily the manager) and achieve buy-in from him/her so the rest of the group will follow his/her lead and accept the change. (2)

4.3.4 Different cultures and backgrounds: It is important to address these types of issues as soon as they become a problem. Employees should be reminded that sensitivity is required when dealing with these often complex differences especially in a country like South Africa, with people f
in a country like South Africa, with people from so many backgrounds. Sensitivity training and developing skills such as time keeping, respecting interpersonal space and emotional intelligence will go a long way towards managing this type of conflict.(2)

4.3.5 Limited resources: The manager must constantly remind team members that although they may sometimes have to compete with one another, ultimately each one will contribute to the overall success of the business. Similarly, individual success contributes to the success of the whole team. (2)

(Any Relevant answer.)

4.4

The following characteristics are shared by top entrepreneurs:

- They are extremely hard-working and committed.
- They persevere even when things are difficult.
- They are problem solvers and they are flexible and adapt easily.
- They know their strengths and weaknesses.
- They are rebellious. They do not follow the pack and they like to be independent.
- They do not like being constrained by structure or being told what to do.
- They are observant and constantly ask questions.
- They are optimistic and they dream and think big.
- They initiate things. They see an opportunity and they seize it.
- They are intelligent and creative.
- They have common sense.
- They take responsibility and enjoy being in charge.
- They take calculated risks and enjoy a challenge.
- They have a strong desire to succeed and believe that they can succeed.
- They have self-confidence and are competitive.
- They have excellent organisational skills.
- They have a strong work ethic.
- They have vision and set clear goals and work towards them.
- They are highly motivated, focused, passionate and energetic.
- They show leadership and managerial skills.

[Please note: Management tasks (organising, planning, controlling, leading etc) only counts one mark; Each characteristic must be explained for the second mark to be awarded.]

Question 5

5.1

5.1.1

A Joint venture (1) takes place where two or more businesses (1) enter into an agreement (1) to combine resources (1) in order to improve the functioning of both businesses(1).

When two or more businesses merge (1), the individual businesses no longer exist separately (1) ; the different businesses combine (1) to form one new business (1).

(8)

5.1.2

- Teamwork generates new ideas (1) to improve the business (1).
- Team members may mentor one another (1) or simply provide a soundboard for bouncing off ideas.(1)
- The collective team effort is what may make or break a business(1). Imagine how upset a customer will be if he/she is told the only person available to assist her is on leave.
- In a team there are many different types of intelligence (1) and two heads have always been better than one (1).
- One person's strength (1) may compensate for another's weakness (1).
- Teamwork may allow for division of labour (1), where each person gets to focus on what he/ she is good at (1).

(6)

5.2

5.2.1

The status of employees has changed and they are regarded as an asset (1) with certain skills, knowledge, experience, characteristics and attitudes (1).

The business has to determine the current and future value (1) of the employees and reward them in a fair manner while acknowledging that the future value (1) of the employees should be enhanced through investment in training and development.

(6)

5.2.2

The BCEA is aimed at ensuring that employees are treated in a fair manner in the workplace (1)

The BCEA promotes economic development. (1)

The BCEA protects workers against unfair labour practises. (1)

No employer may include anything in an employment contract not allowed under the BCEA (1)

Even if the worker signs the contract, that condition of employment will not be valid in terms of the law. (1)

(4)

5.2.3

Working hours and overtime:

No employer may require a worker to work more than 45 hours in any week. This means nine hours a day if the employee has a five day week or eight hours per day if the employee works more than five days in a week.

After this, additional hours worked are seen as overtime. There are, however, exceptions to this specified in the BCEA e.g. if the employee is senior management.

Employees should be paid 1 1/2 times their salary and/ or the employer has to give the employee time off if he/she works overtime.

Deductions:

An employer may not deduct any money from the employee's remuneration unless the employee agrees to it in writing or unless it is a legal requirement that the deduction should be made, e.g. tax.

Public holidays:

The employer wants the employee to work on a public holiday, the remuneration is double pay or the employee has to get time off to compensate him/her for working on a public holiday

Leave:

Annual leave: An employee is entitled to 21 consecutive days' annual leave every annual leave cycle. Sick leave: An employee is entitled to 30 days sick leave in a three year cycle if he/ she works a 5 day week or 36 days if he/ she works a six day week.

Maternity leave: An employee is entitled to at least four consecutive months' maternity leave, but it does not have to be paid leave. The employer can give unpaid leave or fully paid leave or any combination of the two. If the employee does not receive her full salary, she may claim from UIF (Unemployment Insurance Fund).

Family responsibility leave: This only applies to an employee who has been employed for longer than four months and works at least four days a week for the employer. The employee is entitled to three days paid leave per year and may, for example, take this when a child is born, when a child is sick or when an immediate family member passes away.

Notice periods to terminate employment:

The minimum notice period that applies is 1 week if the worker has been employed for less than a month. 2 weeks are required if he/she has worked for the business for less than a year. A notice period of 1 month applies if a year's service has been completed.

The BCEA makes provision for Employment Conditions Commissions to be established:

The Commission will investigate working conditions and wages in a particular sector. A recommendation is made to the Minister of Labour on. For example minimum wages in that sector. If the Minister of labour decides to accept the recommendation it becomes a law in the form of a Sectoral agreement.

[Please note: if the learner only explained the above by using fact a maximum of three may be awarded. Learner must use examples from the fuel station to receive full mark]

5.3

5.3.1

Instagram (1)

LinkedIn (1)

Facebook (1)

Posting on company websites (1)

Company application

(4)

(Any relevant answer.)

5.3.2

- An opportunity to get a better salary and/or benefits

- The employee is unhappy with the way management treats employees.
- The employee does not get along with colleagues.
- The employee feels there is no job satisfaction.
- A lack of opportunities to grow and develop (not enough training or a lack of promotion opportunities exist.)
- The employee is not happy with the working conditions.
- Travelling time to work is unacceptable for whatever reason.
- Health reasons or people retiring
- A spouse is transferred to another town.
- The employee feels there is a lack of balance between work and personal life.

5.3.3

1. Hire the Right People

Keeping employees starts with hiring the right employees. You likely hire employees who have strong skills that match your open position. But, how well do your employees fit in with your business's culture? (1)

2. Offer Competitive Pay and Benefits

People want to be compensated well. They need to cover standard expenses like housing, utilities, and food. And most people want enough money for extras, too. If you don't pay your employees well, they'll find a business that will. (1)

3. Give Praise

Your employees need encouragement and recognition. When employees do something right, show your appreciation. When they finish a large, difficult project or submit a project before the deadline, congratulate them. Show them that you see their hard work. (1)

4. Show the Career Path

If employees stay stagnates in one job for too long, they might search for another job where they can advance. Most employees want to increase their skills and knowledge and move up the career ladder. Showing employees a projected career path gives them a sense of direction and purpose. (1)

5. Allow Flexible Work Schedules

If it's possible, allow flexible work schedules. Flexible work schedules let employees adjust their work time and location. Employees can create a work-life balance for themselves. Your workers can pursue things beyond work, go to appointments, and take care of their families. (1)

(3)

[Any relevant answer]

Question 6

6.1

6.1.1

A high risk investment is expected to deliver a higher return (1) on investment IF the investment succeeds. (1)

A high risk investment can also result in a big loss if the investment fails.(1)

[Maximum marks 2]

Fixed deposit

Money invested with the bank generally has a very low risk . (1)

The investment can only be "lost" if the bank is liquidated,(1)

[Maximum marks 2]

Unit trust

May vary (1) from high-risk Equity fund (1) where all funds are invested in shares(1) to a Stable fund (1) where risks are reduced by diversifying (1)investment between equities, international markets and even low-risk money market options(1).

[Maximum marks 2]

Shares in gold mine

Moderate to high risks(1), even though the JSE imposes strict rules (1) to protect the investor investing in listed companies. (1)

Investment in Blue-chip companies is smaller (1) than other companies. Due to their history of sustainability, profitability and dividend payout. (1)

[Maximum marks 2]

Townhouse rented out (property)

Low to medium risk (1) - One of the risks of investing in property is your investments vulnerability to damage(1). As it is a tangible asset, there is the risk that something that may happen to it at your expense, affecting its profitability.(1) These risks include natural disasters, fire, damage by tenants and robbery or vandalism. If it is in this type of area it will impact the ROI negatively.

[Maximum marks 2]

Offshore investment

Diversification referring to offshore investments means-that-risks-are spread over different countries. (1) Some countries are considered to have more stable markets (developing countries) than others (emerging markets). (1)

[Maximum marks 2]

(12)

6.1.2

Inflation reduces the value of money over time (1) and purchase power decrease (1) OR prices of goods and services decrease (1).

[Maximum 2 marks]

An investor wants the returns to be higher than the annual rate of inflation e.g. the inflation rate is 5% and the return of the fixed deposit is 4% (1). Therefore the value of the investment is actually decreasing (1) as prices have increased as a faster rate than the return on investment (1).

[Maximum 2 marks]

[Any relevant answer.]

6.2

6.2.1

Insurance can work out to be expensive (1), especially if the insured never claims(1). (This is why some insurers now offer bonuses — money back after a certain number of claim-free years).

The insured has to check that the insurance he/she requires covers all the circumstances/ events (1) for which it is needed to ensure complete peace of mind (1).

Insurers often look for every excuse possible (1) not to pay a claim(1). Unfortunately, this is probably because so many people commit fraud by claiming for losses that were not suffered, which contributes to general insurance premiums increasing, even if some people are honest.

(6)

6.2.2

Absolute good faith (1)

This is also known as utmost honesty (1) and requires the insured to disclose all relevant information that may affect the risk(1). If all questions are not answered honestly and accurately, the risk will not be covered and the policy will be declared null and void(1). All premiums paid to cover the risk will be lost and no compensation will be received(1).

[Maximum 3 marks.]

Insurable interest

A person has insurable interest if it can be proved a financial loss (1) that he or she will sustain if a certain event takes place (1).

The following are examples of insurable interest. A person has insurable interest in his own assets (belongings). A person has an insurable interest in his/her own health

(if he/she becomes permanently or temporarily disabled) or in his/her life (in the case of death, the family members should be looked after).

A married person has insurable interest in the life of the spouse (husband/wife). Business partners have an insurable interest in the lives of co-partners, because they are jointly and separately liable for the debts of the business.

A creditor has an insurable interest in the life of his debtor (a person that owes him/her money)

[Maximum 3 marks.]

Contractual Capacity(1)

Means the person entering into the insurance contract is of Legal age(1) and sound mind(1). Legal age in South Africa is 18 years of age(1).

[Maximum 3 marks.]

(9)

6.3

6.3.1(6)

- Strategic planning
 - Vision (1)
 - Mission (1)
 - Formulating the marketing strategy
- Marketing strategy BRAND IMAGE (1)
 - Identify the overall market scope (environmental scan)
 - Determine the USP
 - Determine the marketing budget (1)
- Implementing the marketing strategy
 - Marketing of product or service offering (marketing mix --> 7P's of marketing)
 - Evaluate both the effectiveness of both the strategy and implementation. (2)

6.3.2

Product (1)

Price (1)

Place or distribution (1)

Promotion (1)

(4)

6.3.3

Enhancements (1)

One way to increase product demand is to offer something your market values – increase market research (1). Product development and research(1) is the usual process companies use to develop or enhance product offerings(1). For a petrol station selling “homemade pies” retail businesses, this often means taking research from focus groups or customer surveys(1) to manufacturers and asking for particular design features and benefits(1). Over time, iterations of existing products will have greater demand if you enhance them in ways that customers want(1).

Promotions (1)

The common business function used for the purpose of driving company or product demand is promotions. This is the marketing component where you pay for advertising, use media opportunities with public relations(1) and engage in personal selling activities with prospects and customers(1). Emphasizing the merits of your product over competing alternatives (1) and explaining its value proposition is key. You can also leverage existing customer relationships with cross-selling (1) to promote a particular product to a loyal customer.

In-Store Demonstrations (1)

A common technique that has become increasingly used in retail businesses is in-store product demonstrations. (1) Food samples have been a mainstay in supermarkets (1). Electronics retailers offer a number of display products for

customers to try when they enter the store (1). This increases buyer interest and allows a customer to experience a product before purchase (1).

Price Reductions (1)

While value-oriented or high-end product sellers usually try to optimize opportunities for high-rand sales, price reductions can drive greater product demand. Discounts(1)(explain), rebates(1)(explain) and other sales promotions suggest a better value proposition, because the customer pays less than he would have previously for the same product.

(6)

[Please note: the answer must use the petrol station as an example. If only facts given. No marks may be awarded.]

[Any relevant answer.]

[Two marks per example.]

6.3.4

PROVIDE PROPER LIGHTING AND MAINTAIN YOUR STATION'S GROUNDS

In order to prevent customers from getting harmed in any way, ensure that your gas station is well-lit especially during evening, night and early morning hours. It makes clients feel safer and they will be more confident in visiting your station. Repair your grounds immediately if needed and halt your business operations during the repairing process to prevent clients from getting into any accidents. Make sure that every necessary step is taken to prioritize your customers' well-being.

Maintenance of equipment is an essential. Keep the dispenser nozzles and handles in good condition by making sure that they are not dented or damaged. Examine your fuel dispensers to see if they are working properly and adjust them if they are pumping at a slow or fast rate. Set their flow rate to normal so that customers do not feel suspicious about your business cheating them.

PLACE SERVICE STATION SIGNS

There can be customers who are unfamiliar with how the fuelling process works. Ensure that you are always there to guide them and you can also use instructional signs to highlight the steps involved in completing the fuelling procedure. Remember that your clients' safety always comes first. Put up warning labels to bring important safety rules and regulations to their attention. For example, use 'no smoking' and 'do not use cell phone' stickers to caution customers against dangerous practices in gas stations. Talk respectfully to clients who do not take the signs seriously. Start by telling them that the instructions have to be followed for their own safety and for the greater good of everyone who visits your gas station. Follow up by stating that their co-operation will be appreciated.

KEEP YOUR CONVENIENCE STORE CLEAN AND WELL STOCKED

Do you have basic food, snacks and drinks in your store? If so, is everything fully stocked? Attach price tags to all your supplies and when putting them on display, make sure that their front faces the customer. Check to see if all your products are fresh and have not reached their expiry dates. Unsanitary store conditions will drive your customers away and this can negatively affect your business. Hence, it is important to clean your floors, shelves and windows regularly so that they remain spotless every time clients enter your shop. Stock up on toiletries and replace them whenever required if you have a restroom. A neat and tidy environment will attract customers to your store and encourage them to make repeat visits.

(3)

[Any relevant answer.]**[50]**Question 7

Introduction

BodyMacro environment

Various tools may be used to analyse the events in the macro environment in order to:

- determine how the business should react to eliminate any threats.
- capitalise on opportunities to achieve a competitive advantage.

Both the macro and market environments form part of the external environment.

The business has DQ control over events taking place in the external environment, but it needs to consider these events and must design strategies (plans of action) to adapt to situations in the external environment.

Nevertheless, it is also important to keep in mind that the events occurring within the business (internal environment / micro environment) may in turn impact on events in the macro environment,

An Environmental Scan

It is important to do an environmental scan to identify factors that may impact on the business and then adjust existing plans or develop new plans to deal with these factors / events.

An environmental scan is not limited only to the macro environment, but can be used as a tool when looking at the market environment and the micro environment as well. However, when an environmental scan is used in the macro environment, the following process is applied:

The business will scan (look at) the macro environments in order to identify issues which need to be addressed:

Although a SWOT analysis may be used to evaluate factors in both the external and internal environments, in the macro environment, only OPPORTUNITIES and THREATS are considered. PE2STLE is a useful tool to identify specific opportunities and threats in the macro environment.

A PE2STLE-analysis:

Each of the letters in PE2STLE represents a factor in the macro environment that could potentially threaten the business or that the business may use as an opportunity to create or strengthen the competitive advantage.

Note to which word each letter of the PESTLE refers, but be mindful of how the terms are connected and inter-related

Socio-Economic factors

Socio-economic factors refer to the impact that social trends have on the economy and the role players in the economy, such as businesses and consumers' behaviour and their lifestyles. The business has to adapt to changes in social trends. Think about the impact that social media has on the world around you and how businesses have to adapt their marketing and sales tactics to utilise opportunities related to the use of mobile devices. Apart from social media, other factors for the business to consider in this regard include: The average age of the population, the life expectancy and people becoming more health conscious.

- The number of single parents providing for a family.
- HIV / Aids infection and diseases such as TB and malaria.
- Levels of literacy in education. Unemployment rates.
- Personal safety and crime
- Awareness of the issue of pollution and recycling (also refer to Environmental factors).

- Distribution of wealth / poverty. The changing role of women in society in certain cultures.

5. The relationship between management ethics and social responsibility

In Chapter 5 we looked at a section called Corporate Governance. The concept of Corporate Social Responsibility (CSR) and the implications of CSR for both business and communities are considered:

5.1 The concept of Corporate Social Responsibility (CSR) Corporate Social Responsibility can be described as an on-going commitment by businesses to behave in an ethical manner by contributing to the economic and social development of employees and the community at large.

In short it is about developing and showing people the "human side of your business".

- Some ideas for a CSR program may include:
- Sponsorship programs.
- Educating people on how to save energy and water
- Better use of natural resources.
- Recycling and the use of recycled materials.
- Providing training to employees and their families.
- Improved working conditions.
- Becoming involved in the community's activities by providing health awareness programs or community literacy programs.

The implications of CSR

5.2.1 Implications for the business

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 program, because CSR is about adopting a responsible attitude towards all stakeholders, it should be ingrained in the corporate culture and become "the right thing to do in the business. But who are these stakeholders?

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

As a consequence, a mutually beneficial relationship is developed, linking CSR with the brand of the business.

Suppliers:

CSR makes a 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 the 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.

Government:

They will be less likely to enforce CSR through legislation if businesses voluntarily become involved in uplifting previously disadvantaged communities.

What can the business expect to gain from CSR?

Media attention and positive publicity A better functioning society, because some of the socio-economic problems may have been addressed Making a sustainable difference in the lives of people Scoring more points on the JSE SRI (see below) if the business is listed on the JSE An image of the business as one with a sound

Corporate Governance record (King reports expect businesses to become involved in CSR).

CSR becomes part of the organisational culture, it unites team members in a common aim to achieve expectations over and above the official job. CSR may thus lead to better teamwork, including the advantages associated with successful teams.

5.2.2 Implications for the community

No business exists in isolation.

It is critical that Business understands and remembers that it impacts on the wider society.

There should be positive results for both the business and the community. Benefits from the community's point of view:

A healthier environment (less pollution) results in healthier people.

More skills lead to less unemployment, which may contribute in a higher standard of living, less crime and a more productive society.

Better control over diseases such as HIV / AIDS and TB due to education and preventative measures Feedings schemes make better education possible, because children can focus on their schoolwork, rather than being distracted by hunger. Individuals may be sponsored for a sporting event or school career which makes a difference, even if it is on a small scale.

Difference between CSR and CSI

There is considerable confusion between the terms corporate social responsibility (CSR) and corporate social investment (CSI) and the two are, incorrectly, often used interchangeably. Many people mistakenly conflate the two, understanding CSR in a very narrow sense as being a company's CSI activities and contributions. On the contrary, corporate social responsibility is an overarching value-based framework,

which encompasses all aspects of business operations, ensuring that how a company conducts business and manufactures its products, is done in an ethical and socially responsible manner.

Corporate Social Responsibility	Corporate Social Investment
Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large	Within this overarching social responsibility framework, CSI refers to a company's financial and non-cash contributions – beyond its commercial operations – to disadvantaged communities and individuals for the purpose of social upliftment and welfare.
	While CSI programmes do not operate in isolation of other CSR considerations, CSI is only one way in which companies fulfil their social responsibility obligations and, as such, is only one element of the broader CSR agenda.

Benefits/Advantages and problems/challenges/disadvantages of CSR/CSI to community and businesses

COMMUNITY	
ADVANTAGES	DISADVANTAGES
Increase of standard of living.	The community becomes dependant on the business to survive.
Increase the morale and independence of the	Business forces their policy on the community.

community.	
Create job opportunities.	Uplifting programmes which are not SUSTAINABLE.
Provision of education and health.	Communities must sometimes share the cost of upliftment programmes because business cannot afford all expense.
Availability of recreation facilities.	
Reducing socio-economic issues.	
Improve the general welfare of the community.	

BUSINESSES	
ADVANTAGES	DISADVANTAGES
Increase positive publicity for the business.	Shortage of fund to really get involved in upliftment programmes.
Possibly get experience and qualified employees and keep them in the business.	Pressure from the community to become involved, while the business can not get involved at that stage.
Promote teamwork in the business (we care for other persons).	Lack of knowledge or research is done to identify the need in the community/
Valuable contacts with other businesses.	Budget for CSI is an extra financial burden to the business.
Can be used as a marketing strategy.	Difficulty to continue the upliftment programme during bad economic times.
Increase productivity of workers because the workers are proud to do something for the community.	Lack of a skilled person in the business o manages the upliftment projects.
Assist in solving socio-economic issues like poverty.	Projects are time-consuming (labour, business resources, labour)
Business can get tax advantages.	Business pay income tax to the government and the costs of the upliftment project means double taxation.
Promote the image of the business positively.	The need for planning and implementation could require extra personnel to manage these projects.a

Create consumer loyalty to the business.	Must prepare detailed reports of the CSI programmes.
Clientele values of the business are extended.	
Could attract more investors.	

FTSE / JSE Responsible Investment Index

The FTSE / JSE Responsible Investment Index was announced on 3 June 2015 and was launched on 12 October 2015. The intent and purpose of the FTSE / JSE Responsible Investment Index: O O O to continue the work that was initiated by the JSE SRI (Social Responsibility Index) in 2004 that identified companies listed on the JSE that focused on good governance and that used Triple Bottom Line principles (environmental, social and economic sustainability) in their reporting. to measure the policies and procedures of companies that are listed on the JSE against globally acceptable ESG (Economic, Social and Governance) standards. Managing ESG risks, ensures that a business is sustainable. to serve as a vehicle for companies to demonstrate to stakeholders that they are acting and reporting in a responsible manner on ESG related issues.

to promote responsible business practice in South Africa and beyond. B n fi ESG disclosure among JSE-listed companies is promoted. Scoring high on the FTSE / JSE Responsible Investment Index confirms to shareholders and other stakeholders that the business is accountable and transparent in its dealings relating to Economic, Social and Governance issues. These are sensitive issues in South Africa due to inequalities of the past and therefore crucial for organisations to incorporate in their strategic planning. Meeting and complying with the international standards set by the FTSE / JSE Responsible Investment Index could improve the image of the business in the minds of investors and may use this as a competitive advantage. Companies that are marketing themselves as compliant with the FTSE / JSE Responsible Investment Index, will build an organisational culture around this and make it part of their brand.

A good performance on the FTSE / JSE Responsible Investment Index could have a positive impact on the financial performance of the business. 7. GRI (Global Reporting Initiative) Intent and purpose: The GRI is a non-profit organisation that promotes reporting on sustainability issues through the creation of a Sustainability Reporting Framework. This framework is used worldwide to promote transparency when all types of businesses report on economic, environmental and social issues.

Benefits

The GRI provides guidelines to businesses to determine their impact on economic, environmental and social fronts. Because it is an international framework, it ensures apples are compared with apples when businesses in different sectors and different countries are compared with one another on these issues.

Brand

The concept of "what is a brand" is often difficult to understand Is a brand the name of the product, the trademark or the image of the business? What exactly is THE BRAND?

The brand is also the impression employees make when interacting with customers and the reputation of the business. The brand tells people what is special about a particular business and what sets it apart from competitors. A Brand is often said to be the values and beliefs of the business, or maybe more important, how customers perceive the value and beliefs of the business. If we think of a business "as a person", the brand will be the appearance, as well as the personality of the person. Similarly, just as people work at looking their best and to develop positive traits, so a brand should be developed to convey a strong, positive message about the business. Customers need constant reminding of the essence of that message. Many businesses have brand managers that ensure that the overall business function is in line with what the brand represents. Developing a strong brand is part of strategic management and should be driven by Top Management. When a

business decides what it is, where it wants to go and how it wants to get there (vision and mission), it also has to formulate a value statement. The value statement describes what the business represents and its core beliefs or philosophy. Employees who "live" or embody the value statement as part of the organisational culture will project a definite message about the business. If this message is aligned with the brand (what the business claims it is about) and consumers hear the same message, they would regard the business as credible. Before reviewing the concept of branding in more detail, it is important to understand the relationship between the name of the business or product and the trade mark. In short it can be said that the BRAND is the combination of the name and trade mark.

Advantages of a strong brand From the consumer's perspective:

The brand helps the consumer to identify the product (or service) on offer.

- Consumers may feel safer or re-assured when buying a popular brand, as they would be familiar with the quality/features of a well-known product. The buyer knows that if the product does not live up to the reputation associated with or expected from the brand, he/she is justified in complaining.
- Some brands have the attraction of prestige or status for consumers, e.g. Levi jeans or Oakley sunglasses.

From the marketing perspective:

A brand name becomes known to the public as a guarantee of quality and this helps the business to advertise the product which increases sales.

A successful brand will reduce marketing cost* as the product is already well known. The business could probably charge more (a higher price) for a successful brand than when an unknown brand is sold.

An already well-established brand name makes it easier to add new products to the range (brand extension or brand stretching discussed above).

Brand preference can help the business to dominate a certain share of the market.

- If a trademark is registered, no other manufacturer may use it, which protects the business from imitation product.

2.4.4 Important factors critical to creating brand value / building a brand

When people hear a particular brand name, they associate it with certain impressions.

These impressions / perceptions have been formed in the minds of consumers and becomes the reality for the consumer in terms of what the brand represents in their minds.

Every time a consumer hears the name of the business being discussed by someone, or when he/ she walks into a branch of the business, or visits the website or meets an employee of the business; the person's perception of the brand is re-enforced or altered. In order to build a strong brand, all these "Interactions with the brand" have to convey the same positive message

Innovation:

Innovation is about more than just creating a product or service that is different from competitors. That is just the beginning

Everything that the business does, should be aimed at reminding the target market about the factors that distinguishes the business from the competitors: This could include the:

- Functionality of the product.
- Packaging of the product.
- Delivery and distribution of the product and / or service.
- Pricing structure.
- Design of the website and other marketing communication and a variety of other factors.

Clear Identity:

The brand should represent something unique to the customer.

The customer should have a clear picture of whether the brand represents (for example) quality (a clothing boutique) or value for money (Pep Stores).

The message that is used to communicate the identity of the brand and what it stands for, should be aimed at the LSM that is targeted.

Trust:

The customer trusts what the business is saying based on past experience. The Brand must deliver what it represents in a consistent manner.

Distinctive Voice:

The brand has strong values and communicates clearly what it stands for.

It is important to remember that it is not only the external message (voice) that informs consumers about the brand, but that the internal marketing message also projects the same brand image.

For this to happen, it is important that employees believe in the brand, that employees LIVE the brand and that they become the voice of the brand through their actions.

The brand has to be memorable.

How often has it happened to you that you remember a television advert, but you can't remember the product that was advertised? Or you look at a product logo on a box, but you can't determine the product is / does?

A distinctive voice also means that the business "has distinctive because communication is not a monologue (one way communication) anymore.

Social media has made it very easy for the customer to communicate with, but also about the brand.

A relationship with customers.

The customer has to feel that there is a strong relationship between him/her and the brand, because the brand is something he/she can associate with and that it delivers what is needed and desired.