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RIDGEWAY COLLEGE
BUSINESS STUDIES
GRADE 12
2024



Examiner:	Mrs S.Rasool	External Moderator 01	Mrs K Chetty
		External Moderator 02	Mrs S.Ameer
Time:	3 Hrs / 180 mins	Marks:	300
Topic	Term 1/2/3/4	Aspect	Pre-Liminary Examination
Date:	5 September 2024	Term	3

MEMORANDUM

ALLOCATION OF MARKS

50	26	24	50	50	50	50	300
QUESTION 1	QUESTION 2	QUESTION 3	QUESTION 4	QUESTION 5	QUESTION 6	SECTION C	TOTAL

SECTION A

QUESTION 1

1.1	1.2	1.3	1.4
C //	A //	A //	C //

1.5	1.6	1.7	1.8	1.9
C //	B //	D //	A ///	C //

1.10	1.11	1.12	1.13	1.14
A //	D //	A ///	D //	A //

1.15	1.16	1.17	1.18
D //	B //	C ///	A //

1.19	1.20	1.21	1.22
D //	A //	D ///	D //

1.23
B //

[50]

QUESTION 2

Each of the following statements is **FALSE**.

Change the underlined word(s) in each statement to make the statement **TRUE**. Write only the correct **word/term** next to the question.

- 2.1 Functional Conflict //
- 2.2 Consequence Based Theory //
- 2.3 Accountability //
- 2.4 Forward Integration //
- 2.5 Stretching //
- 2.6 Cost Plus Benefits //
- 2.7 Delphi Technique //
- 2.8 Liquidity //
- 2.9 Porters Six Forces //
- 2.10 Dividends //
- 2.11 Role Overload //
- 2.12 Whistleblowing //
- 2.13 Vision //

[26]

QUESTION 3

- 3.1 Skills Gap Analysis //
- 3.2 Subrogation //
- 3.3 Basic Conditions Of Employment Act //
- 3.4 Collective Bargaining //
- 3.5 Risk //
- 3.6 Fiduciary //
- 3.7 Joint Venture //
- 3.8 Brand //
- 3.9 Select //
- 3.10 Segment //
- 3.11 Avoiding //
- 3.12 Focus //

[24]

SECTION B**QUESTION 4**

Source: <https://www.galleria.co.za/businesses/pep/> [23/07/24]



Source: <https://www.pepstores.com/contact-us> [23/07/24]



Source: <https://www.facebook.com/photo.php?fbid=353715547166059&id=31/07/24>

4.1 The Human Capital function at Pep Stores in South Africa.

List FOUR steps in the selection process that the recruitment officer at Pep would need to undertake before interviewing potential candidates for a vacant post. (4)

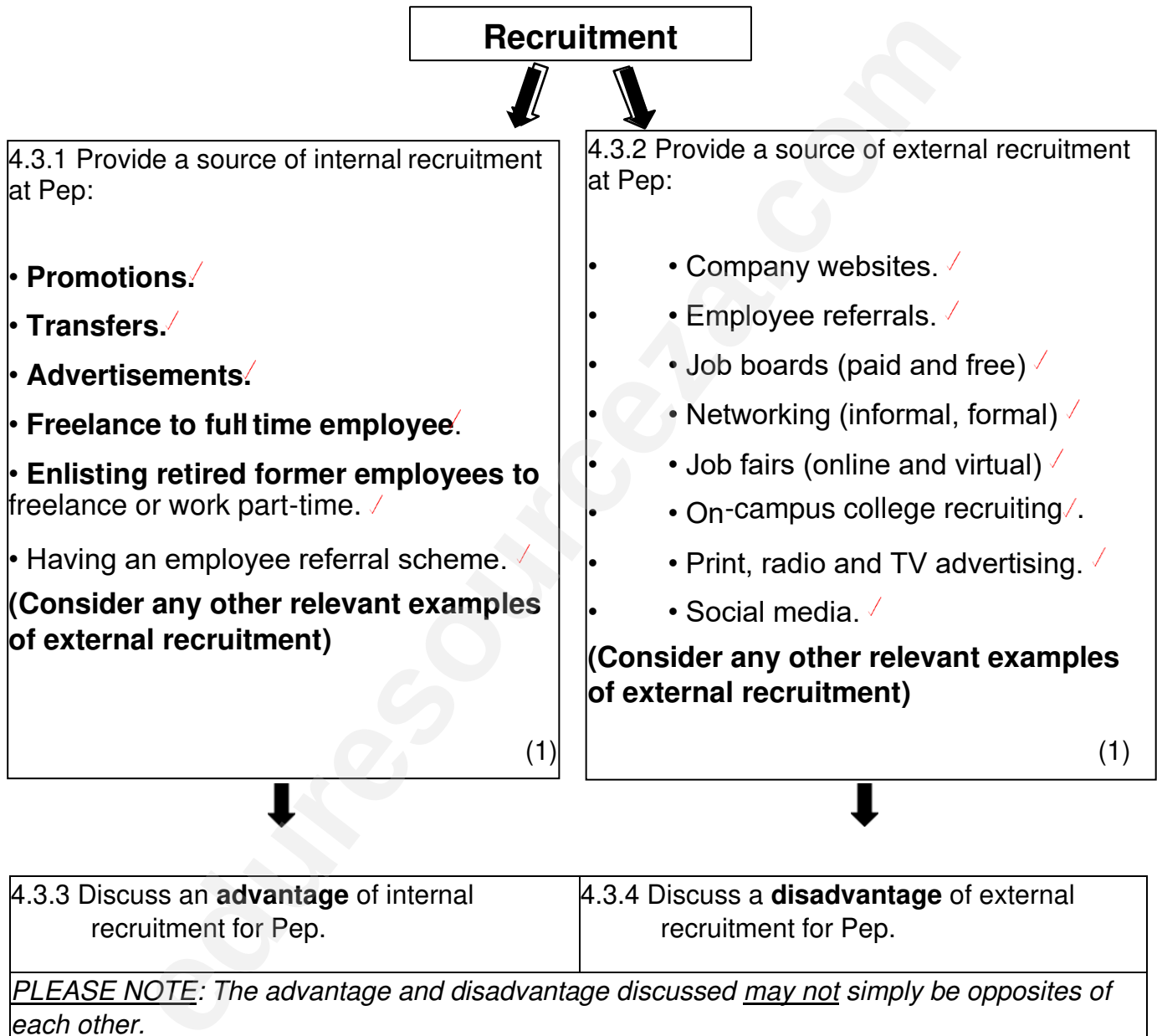
- **Check CV's / screening** ✓
- **Evaluate / second screening / inform unsuccessful candidates** ✓
- **Shortlist** ✓
- **Reference and background check** ✓

4.2 Analyse the impact of an induction programme on Pep's bottom line. (4)

- **Reduced Turnover Costs:** A well-structured induction program helps new employees understand their roles and the company culture, leading to higher job satisfaction and lower turnover rates. This reduction in turnover saves costs associated with recruiting, hiring, and training new staff. ✓
- **Increased Productivity:** Induction programs equip new employees with the necessary knowledge and skills, enabling them to become productive more quickly. This acceleration in productivity can lead to increased sales and efficiency, positively affecting the company's revenue. ✓
- **Improved Employee Engagement:** An induction program fosters a sense of belonging and commitment among new hires. Engaged employees are more likely to go above and beyond in their roles, contributing to improved customer service and potentially higher sales. ✓
- **Risk Mitigation:** By clearly communicating company policies, procedures, and compliance requirements during induction, Pep can reduce the risk of legal issues and operational disruptions. This proactive approach helps in maintaining a smooth operational flow and protects the company's financial interests. ✓
- **Any other relevant answer**

- 4.3 ***“At Pep, we balance internal promotions with external recruitment and are mindful of providing opportunities for our internal talent. We turn to external recruitment only when specialist skills are unavailable within the group.”***

Complete the schematic diagram below on recruitment and selection:



Reduced time to hire With internal recruiting, you save all the time you otherwise spend on identifying, attracting and engaging candidates. ✓ You have instant access to your candidates and their track records, they are already a culture fit and also pre-screened for the position, and the department is already acquainted with the candidate! ✓ Shortens the induction process Every new hire takes some time to get acquainted with new people and processes but an internal hire is already familiar with the company's policies, practices and people. ✓ All they need to know about is their new role and its responsibilities. ✓ Internal recruitment is cost-effective because unlike external recruitment it does not involve job postings, CV screening, filtering relevant CVs, communicating with shortlisted candidates, and conducting interviews. ✓ You simply need to narrow down on the most suitable candidates and hire the right fit to fill the open role. Improved employee morale Internal promotions send out the message that you value your staff and are willing to invest in their career growth. ✓ Giving your current employees more opportunities for career advancement by changing their roles will work to boost their morale and motivate them to do better in their new roles. ✓ (Consider any other relevant advantages of internal recruitment) (2)	Higher risk - The external recruitment process can attract candidates who are not relevant or worthy of the open position. Since maximum candidates are total strangers to the recruiter, the risk of bringing a misfit onboard cannot be ruled out completely. ✓ Greater cost - The external recruitment process involves posting jobs on different platforms, coming up with compelling JDs, communicating with candidates, screening CVs, conducting interviews and coming up with an irresistible offer. All of these aspects of the recruitment process are time consuming, tedious, complicated, and costly. ✓ Time consuming - The biggest downside of an external recruitment drive is the time taken to fill open positions. Recruiters receive hundreds of CVs for every open position and screening them takes up a lot of time. However, using an applicant tracking system can take this entire screening time from hours to minutes and narrow down your talent pool to include only qualified candidates in a jiffy. ✓ Possibility of maladjustment - It is possible that your new hires may not be able to adapt to their new working environment and break the ice with their new team members. When recruiters fail to hire a culture fit, new hires often leave the job and need to be replaced, requiring recruiters to hunt for new candidates. ✓ (Consider any other relevant facts of a disadvantage of external recruitment) (2)
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Selection

Name ONE test that may not be carried out on an applicant applying for a position of store assistant. Give a reason why this type of test would not be allowed. 4.3.5 Test: medical tests (genetic, HIV etc.) / (1)

Reason

- Has no weighting on ability /
- Against BCEA /

Any other relevant answer

(1)

4.4 ***“Pep aims to assist employees to develop their skills and employability, while enhancing the critical skills pool that supports the company”.***

- A Discuss the first THREE steps that the Human Capital Manager will undertake to design and implement an effective **training and skills development programme** for new Pep Stores staff.
- B Include in your answer a recommendation on the most suitable training method that can be used to train cashiers. Motivate your answer.

(9)

Identify skills gap /	Desired skills vs existing skills (skills, knowledge, attitudes, values) / The difference highlights the SKVA's that must be developed /
Consider training resources available /	Decide between in-house training or outsourced training or combo /
Design the training programme /	Decide on learning outcomes (and if linked to Unit Standard on SAQA) / Develop course material (if in-house) / Discuss criteria with training company if outsourcing / Decide training method – on-the-job, classroom, e-learning, workshop, self-study, buddy/mentor, learnership, blended / Max 7 for steps
Recommendation	Blended: On-the-job plus mentor/buddy / The job is practical and based on an EPOSSE which requires someone to show/demonstrate to the new person how to work it. A mentor will ensure that there is always someone to ask. / Max 2 for recommendation

4.5 The following extract was taken from a case between Pep and an employee at the Labour Appeal Court:

At a disciplinary hearing the employee was charged with two offences; gross negligence, consisting of having rung up goods on a till at a cheaper price than marked on the price tag, i.e. under-ringing on the till. The second charge related to giving goods to a client that were not rung up on the till. She was dismissed by the business.

However, after further investigations it was found that the employee's actions were due to negligence and not criminal intent. The case was found to be procedurally fair but substantively unfair.

The court ordered that the employee be re-employed with a final written warning on her record, and was awarded R7 800.

Source adapted from: <https://www.saflii.org/za/cases/ZALAC/1998/5.html> [23/07/24]

4.5.1 Identify the remedies awarded to the employee by the court. (2)

- Compensation ✓
- Re-employment ✓

4.5.2 Evaluate why the dismissal was deemed as substantively unfair. (3)

Substantive fairness means that acceptable reasons for dismissal must be had. ✓

Dismissal was due to negligence (incapacity) and not criminal intent. ✓

In this case, the employer must ensure that the work standard is fair, and that sufficient support had been provided. It is not clear whether the employer provided this, but it is unlikely. ✓ **Any other relevant answer related to substantive unfairness**

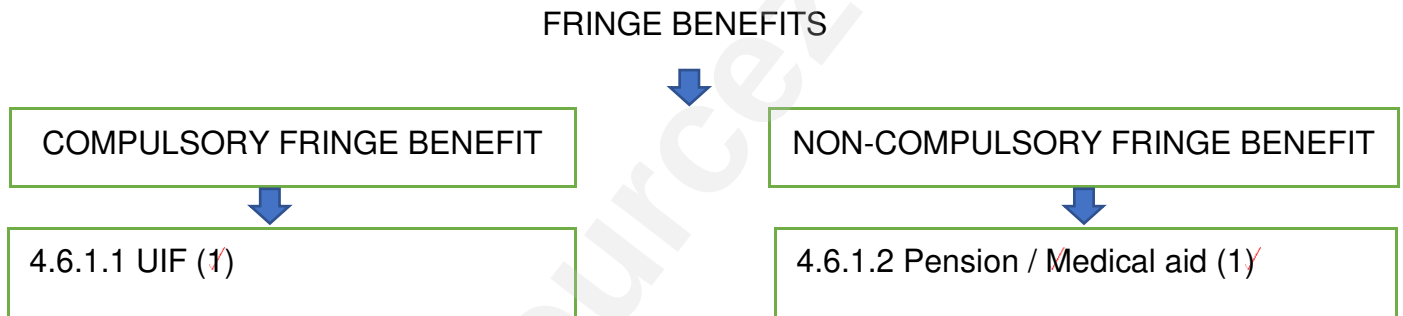
4.5.3 Explain TWO criteria the Human Capital Manager would adhere to, to ensure procedural fairness in this dismissal. (4)

- Complaint put in writing and fully investigated and recorded in writing. ✓ Include taking statements from complainant. ✓
- Accused to be advised of all details of the charge ✓ and given full access to all written statements ✓
- Date, time and venue of disciplinary hearing ✓ must be given to accused in writing ✓
- Accused must have reasonable time to prepare and appoint a representative ✓
- Accused may have interpreter ✓
- Accused presents their defense and calls witnesses. ✓ Complainant may cross examine witnesses ✓
- Chairperson decides on guilt or innocence based on evidence. ✓ No mitigating or aggravating circumstances are considered, only facts ✓
- Chairperson decides on a verdict and decides on a fair sanction ✓

4.6 Paul, an employee at Pep Stores, receives the following monthly salary package:

SALARY ADVICE	
Employee: Paul Atkins January 2024	
Gross salary:	R10 500
Monthly deductions:	
PAYE Tax	R1 050 (10% of his gross salary)
Pension Fund	R1 200
Medical Aid Fund	R900
UIF	R105
Pep contributes 4% of the gross salary to the pension fund and on an equal basis to both the Medical Aid Fund and the UIF.	
Employee is entitled to other fringe benefits as per his employment contract.	

4.6.1 Complete the following diagram by extracting your answers from the salary advice above:



4.6.2 Analyse the link between fringe benefits and staff retention. (2)

Benefits enhance employees' sense of financial security and well-being. When employees feel valued and supported through these additional benefits, they are more likely to remain loyal to the company. Any other relevant answer ✓

4.7 Name any FOUR elements of the BBBEE Scorecard.

- Ownership (1) ✓
- Management (1) ✓
- Skills development (1) ✓
- Preferential procurement (black-owned suppliers) (1) ✓
- Socio-economic development ✓

4.8 Read the following extract and answer the questions:

Pepkor's corporate social responsibility (CSR) has a social focus, with our customers, employees and communities being at the centre of most of our CSR initiatives. Each Pepkor business has a CSI budget, and we encourage employees to get involved and stay involved in local social development. The group's CSI policy encourages businesses to allow employees one working day per year to volunteer for a worthy cause.

We have used the following frameworks as the CSR reporting blueprint for our journey:

- The King IV Report on Corporate Governance™ for South Africa, 2016
- FTSE/JSE Responsible Investment Index

Source adapted from: https://www.pepkor.co.za/wp-content/uploads/2020/05/Corporate-social-responsibility-report-FY19_WEB.pdf [1/8/24]

4.8.1 Justify the reasoning of the JSE to implement the King IV as a listing requirement for public companies. (2)

- To ensure all companies comply with the ethical requirements of King IV. ✓
- Directors are held to a much a better standard of ethical behavior. ✓
- Prevents many types of fraud /other unethical business practices amongst top firms. ✓
- Public companies are able to better inform their stakeholders of information which was not always the case. ✓
- Ethical practice becomes a standard that is supported by non-listed companies due to preferential procurement. ✓

Any other valid point.

4.8.2 Discuss TWO challenges Pepkor may encounter while implementing its CSR initiatives.

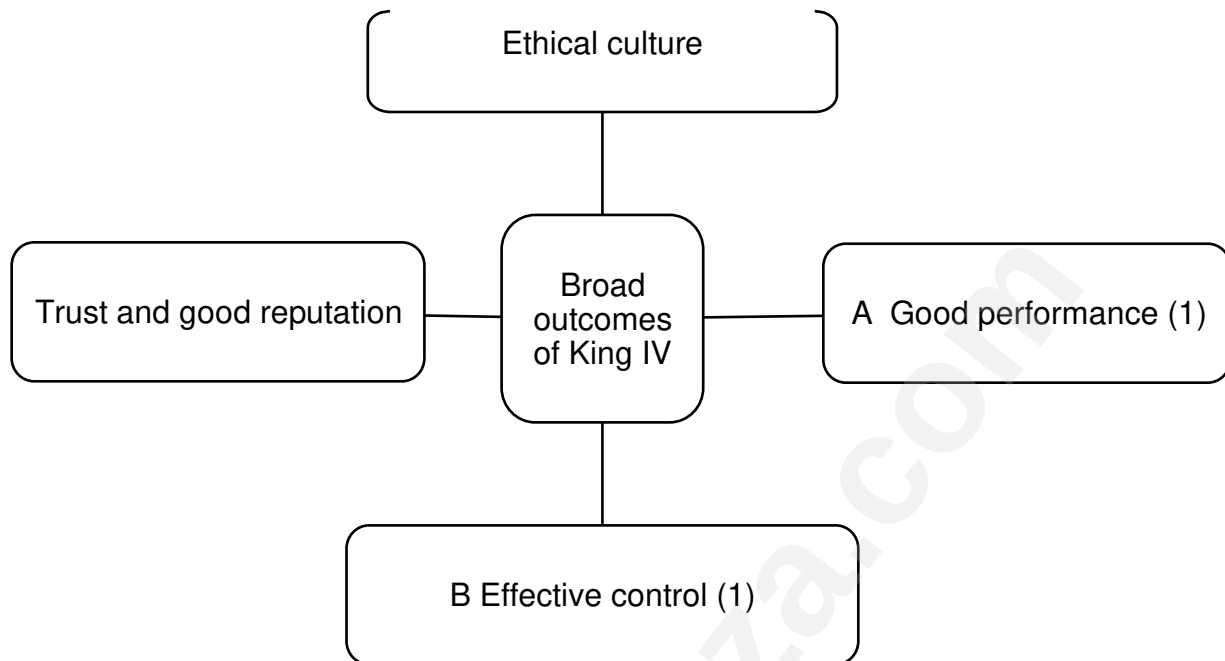
Challenge 1 ✓✓ (2)

Challenge 2 ✓✓ (2)

Consider the following options:

- **Resource Allocation:** Balancing the allocation of financial and human resources between CSR initiatives and core business operations can be challenging. Limited resources may constrain the scope and scale of CSR activities.
- **Stakeholder Engagement:** Effectively engaging stakeholders, including employees, customers, and local communities, can be complex. Ensuring that CSR initiatives align with stakeholder expectations and garner their support requires careful planning and communication.
- **Measuring Impact:** Quantifying the impact of CSR initiatives can be difficult, as some outcomes, like social and environmental benefits, are not easily measurable. Demonstrating tangible results and justifying the investment in CSR efforts can be challenging for the company.
- **Sustainability and Continuity:** Ensuring the sustainability and continuity of CSR programs over time is another challenge. Economic fluctuations, changes in management, or shifts in company priorities can affect the consistency and longevity of CSR initiatives.

4.8.3 Complete the following diagram based on the broad outcomes of the King IV Report:

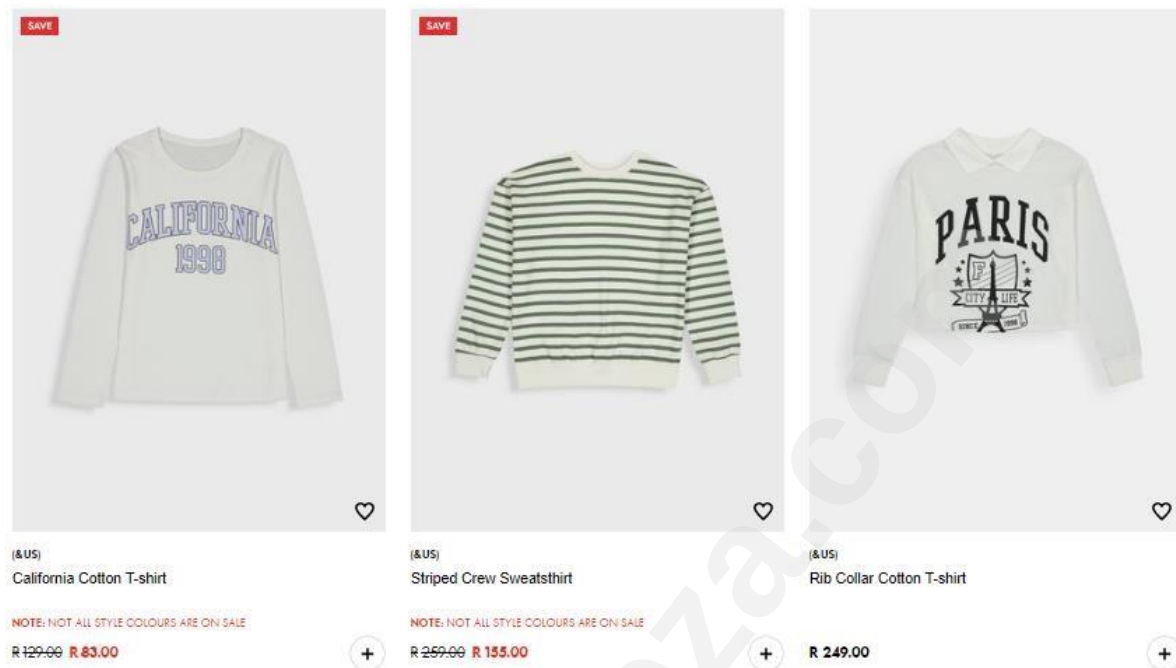


[50]

QUESTION 5

- 5.1 Consider the following extract from the Woolworths online store before answering the questions that follow.





Source adapted from: https://www.woolworths.co.za/dept/Quality-Sale/_/N-1663088 [2/8/24]

5.1.1 Define the term *marketing*.

(2)

Marketing is the process of **promoting, selling, and distributing a product or service.** ✓

Marketing involves identifying and understanding customer needs, creating value through products or services, and effectively communicating and delivering that value to customers. ✓

Marketing encompasses a range of activities, including market research, product development, pricing strategies, advertising, sales, and customer service, all aimed at satisfying customer needs and achieving business objectives. ✓

5.1.2 Identify ONE pricing strategy used in the advert and explain what Woolworths is attempting to achieve by using this strategy.

(3)

Promotional pricing ✓

- **Sales Volume:** By offering products at a lower price, businesses can encourage customers to make purchases, thereby boosting sales volume and revenue in the short term. ✓
- **Attract New Customers:** Lower prices can attract new customers who may not have purchased the product at its regular price, helping the business expand its customer base. ✓
- **Clearing last season's stock:** Promotional pricing can help clear out excess inventory or older stock, making room for new products. ✓
- **Build Brand Awareness:** Special promotions can increase visibility and awareness of a brand or product, drawing attention and encouraging word-of-mouth promotion. ✓

- Encouraging Repeat Purchases: Promotional pricing can create a sense of urgency and encourage customers to make repeat purchases before the promotion ends. ✓

5.1.3 Explain the term *price sensitivity*, and how it impacts Woolworths. (2)

Define:

The degree to which the price of a product or service affects consumers' purchasing behavior. ✓ It measures how much demand for a product changes in response to a change in its price. When customers are highly sensitive to price, even small price changes can lead to significant changes in their purchasing decisions. ✓ Conversely, if customers are less sensitive to price, they may continue to purchase a product despite price increases. ✓

Impact:

- Pricing Strategy: Woolworths must carefully consider its pricing strategy to balance quality and affordability. As a retailer known for premium quality products, particularly in food and clothing, Woolworths often targets a more affluent customer base. However, even within this segment, customers may exhibit varying degrees of price sensitivity. For highly price-sensitive products, Woolworths may need to offer competitive pricing or discounts to maintain sales volume. ✓
- Product Mix: The level of price sensitivity can influence the product mix that Woolworths offers. For example, if customers show high price sensitivity towards certain staple goods, Woolworths might focus on offering more competitively priced options in these categories while maintaining premium pricing for specialty or luxury items. ✓
- Promotional Campaigns: Understanding price sensitivity allows Woolworths to tailor its promotional campaigns effectively. For instance, during sales or promotional events, the retailer can focus on products that are more price-sensitive to attract bargain-seeking customers, thereby driving foot traffic and increasing overall sales. ✓
- Customer Loyalty: Price sensitivity also impacts customer loyalty. If customers are highly sensitive to prices, they may switch to competitors if they perceive that Woolworths' prices are too high. Thus, Woolworths needs to maintain a balance between pricing and perceived value to retain loyal customers. ✓
- Revenue and Profit Margins: High price sensitivity can put pressure on Woolworths' profit margins, as the company may need to reduce prices to stay competitive. Conversely, low price sensitivity allows Woolworths to maintain higher prices and profit margins, especially on highquality or exclusive products. ✓

5.1.4 Explain the purpose of *market mapping* for Woolworths. (2)

- A market map is a visual representation of market conditions or trends. ✓
- The position of the different competitors are plotted on a map to help the business identify its own position in the market relative to competition. ✓
- If Woolworths knows its own position, all marketing efforts will be strategically geared toward creating, maintaining or gaining a competitive advantage. ✓

5.1.5 Complete the diagram below:

5.1.5.1 Explain how Woolworths could use 'People' and 'Physical Evidence', two of the 7P's of marketing, as a <u>buyer's stimulus</u> .	
People:	Physical Evidence:
The People component of the 7Ps refers to the staff or employees who work for the business. ✓ In the case of Woolworths, the People element could include the store's friendly and knowledgeable staff who can help customers find what they need, offer advice, and provide excellent customer service. ✓ Well-trained and courteous staff can create a positive and engaging experience for customers, which can be a strong buying stimulus. ✓	The Physical Evidence component of the 7Ps refers to the tangible elements that customers can see or touch. ✓ For Woolworths, the Physical Evidence element could include the store's layout, lighting, cleanliness, and overall atmosphere. ✓ Physical Evidence can create a positive impression on customers and influence their buying decisions. For example, a clean, well-organised store with attractive displays can make a customer feel more confident about the quality of the products and services offered. ✓
(2)	(2)



5.1.5.2 Describe how the following factors will affect the buying decision of a Woolworths customer.
Economic:
Economic factors refer to the broader economic conditions that can impact the buying decisions of customers. These factors include inflation, interest rates, and unemployment rates. For example, during times of economic recession, customers may be more price-sensitive and look for discounts and promotions. Conversely, during times of economic growth, customers may be more willing to spend money on premium products and services. ✓
(2)
Psychological:
Woolworths is often perceived as a premium retailer with a focus on quality and sustainability. This perception can influence customers to choose Woolworths for its perceived value and ethical practices. Consumers may shop at Woolworths to align with their self-image of making responsible and quality-driven choices. Purchasing products from a store that reflects their values enhances their self-esteem. Positive attitudes towards health and wellness can lead customers to prefer Woolworths for its range of organic, fresh, and healthier product options. ✓
(2)

5.1.5.3 Suggest ONE possible outcome for the buyer
Negative (not buy again) / neutral / positive (buy again) ✓
(1)

- 5.2 You are an investment broker and are researching possible investment options for your client. Create an investment portfolio for your client assuming that he reserves R2 500 per month out of his salary for the purposes of investing.
- Your portfolio should include TWO different investments. You are required to explain what the investment is, why the investment is a viable option for your client and how the investment risk is appropriate for him. You are reminded that he does not have anything to fall back on if the portfolio does not yield good returns.

Investment options	
5.2.1. (1)	5.2.2. (1)
Describe the investment	
5.2.3 5.2.4 (1)	(1)
Explain why your client will benefit from the chosen investment	
5.2.5 (3)	5.2.6 (3)

- Equity (Shares) – very high risk. Not appropriate for your client.
- Retirement Annuity – medium risk. May be a good option for retirement.
- Endowment – low risk (higher premium), may be a good option for your client as they are trying to secure a future for their family.
- Offshore – diversified risk. Students would need to explain what offshore investment it is and why they choose it.
- Debentures/Bonds – low to medium risk, usually very reliable and a good option for your client.
- Unit Trust – medium to high risk, a good option for your client as they may not have enough money, but the unit trust will give their investment scalability.
- Notice Deposit – low risk. May be good for your client as they want guaranteed growth, but it will be small.
- Fixed Property – medium risk. It is a good idea but the budget of R2000 limits buying options.

5.3 Differentiate between a balanced investment strategy and a defensive investment strategy. (4)

Balanced	Defensive
Investor prepared to accept medium risk ✓	Low risk ✓
Aim for capital growth with monthly income ✓	Aim for more monthly income and some capital growth ✓
Equities and some interest-bearing investments ✓	Property and money in bank with smaller equities ✓

5.4 Discuss reasons a listed company will rather issue debentures than shares to gain more capital. (4)

Issuing debentures allows a company to raise capital without diluting the existing shareholders' equity/or control of the company. By issuing debt instruments such as debentures, the company can avoid the need to issue new shares, which would dilute the ownership percentage of existing shareholders and potentially alter the balance of power in the company. ✓

The interest payments on debentures are tax-deductible, which can provide a tax benefit to the company/. This tax advantage makes debentures an attractive option for raising capital, as the company can reduce its taxable income through interest expenses, potentially lowering its overall tax liability. In contrast, issuing new shares does not offer a similar tax benefit. ✓

Debentures come with fixed interest payments, which can be easier to budget for compared to the potential variable dividends on shares/. This predictable cost can be more manageable for a company, especially if it has stable revenue streams. ✓

Any other relevant answer

5.5 Study the following extract and answer the questions:



We have a range of insurance products on offer, including life insurance. As a Mr Price Money store card holder, monthly premiums are conveniently billed to your account.



Benefits

Cover 1

R100,000 cover

Cover 2

R150,000 cover

Cover 3

R200,000 cover

Monthly Premium

Premiums start from R37 per month.

*Premiums billed to your Mr Price Money account for extra convenience. T&Cs apply
To download a Claims Form, click here.

5.5.1 Motivate whether the advert above is an example of brand stretching or brand extension by Mr. Price. (3)

Brand stretching ✓

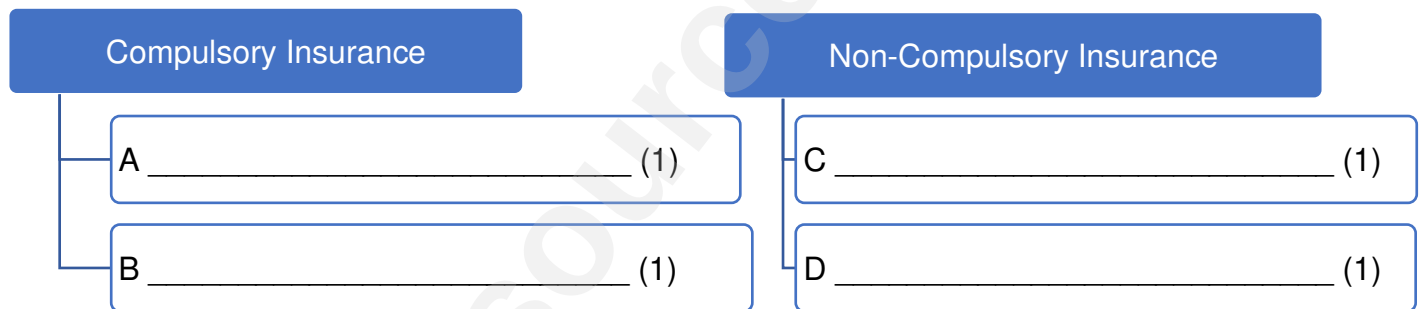
This refers to when a business uses its brand to launch a product into a totally unrelated market. In this case, Mr Price being in the fashion retail sector, is using its brand to launch life insurance. ✓

5.5.2 Name and explain the type of formal strategy has Mr. Price implemented by selling life insurance. (3)

Strategy: Diversification ✓

Explanation: offering a new product to a new market. Mr Price has never sold insurance before. This grows the business in a new area which they have not yet navigated. ✓

5.6 Complete the following diagram by giving examples of the types of insurance:



Compulsory – UIF, RAF, COIDA

Non-compulsory – business, fidelity, crop, vehicle, life, etc.

5.7 Evaluate the link between insurance and investments. (4)

- It provides financial security and stability by covering risks. ✓
- Both are integral to a comprehensive financial plan. Insurance provides a safety net, while investments help build and grow wealth. ✓
- Some insurance products, such as endowment policies and unit-trusts, combine insurance coverage with investment opportunities. These products offer both life cover and potential returns from investments. ✓
- Helps preserve wealth by mitigating financial losses due to unexpected events, ensuring that investments and savings are not depleted in times of crisis. ✓

QUESTION 6



6.1 Read the following extract and answer the questions:

Shein is an online fast fashion retailer with an app and website. It predominantly sells clothing, as well as homeware, beauty products, and an increasing range of miscellaneous items. Shein keeps prices low by selling products directly from a network of third-party manufacturers in China to customers worldwide.

Source adapted from: <https://m.shein.com/za/About-Us-a-117.html> [1/08/24]

6.1.1 Explain how a value-chain analysis can be used by Shein to improve performance. (5)

A value-chain analysis helps Shein pinpoint areas for improvement across its operations, from sourcing and production to marketing and customer service. By optimising these activities, Shein can enhance efficiency, reduce costs, differentiate itself from competitors, and ultimately improve its overall performance and market position.

If Shein is involved in something that isn't its core business, that activity probably may not add value to the business process. In this case, it may be better to outsource the service.

6.1.2 Argue whether backward integration would be a feasible strategy for Shein. (3)

Backward integration involves a company expanding its operations by taking control of its supply chain, such as acquiring or establishing its own suppliers or manufacturing facilities.

Argument: links to quality, production costs, supply chain security, unique offering, financial risk, competence, scalability issues etc.

Define:

Argument

6.2 Discuss, with the use of a separate example for each, how Shein has applied any TWO growth strategies:

Growth Strategies



Name of strategy: _____ ✓

Name of strategy: _____ ✓ (1)



How Shein has applied the strategy: ✓

(2)



How Shein has applied the strategy: ✓

(2)

Growth strategies market penetration (same product, same market), market development (same product, new market), product development (new product, same market), diversification (new product, new market)

6.3 The Balanced Scorecard at Shein:

6.3.1 List any THREE focus points of the Balanced Scorecard that the management team of Shein could use to improve their performance.

- Financial perspective (1) ✓
- customer perspective (1) ✓
- internal business perspective (1) ✓
- learning and growth perspective ✓

6.3.2 Explain ONE advantage and ONE disadvantage for Shein of using a Balanced Scorecard.

Advantage	Disadvantage
The Balanced Scorecard provides a comprehensive framework for measuring performance across multiple perspectives. ✓ Any other relevant answer (2)	Implementing a Balanced Scorecard can be complex and resource-intensive. Any other relevant answer (2)

6.4 Discuss, with the use of examples, how Shein would make use of the following quality performance tools to reduce possible risk factors.

6.4.1 Sampling

(3)

The retail company could use sampling to identify potential quality issues with its products. For example, the company could randomly select a sample of clothing items from each shipment received from a supplier and conduct inspections to ensure that they meet quality standards. ✓ This can help the company identify defects or other quality issues early on and take corrective action before the products are sold to customers. ✓ By ensuring that only high quality products are sold, the company can reduce the risk of customer complaints or returns. ✓

6.4.2 Benchmarking

(3)

The retail company could use benchmarking to compare its performance against that of competitors or other similar companies in the industry. This could involve gathering data on factors such as customer satisfaction, sales, and inventory turnover, and comparing these metrics to those of other companies. By identifying areas where it lags behind competitors, the retail company can take steps to improve its performance and reduce risk factors. For example, if the benchmarking data shows that the company has lower customer satisfaction ratings than its competitors, it could invest in training for employees on providing excellent customer service. ✓

6.5 Read the following extract and answer the questions:

At Shein, we have an unwavering commitment to act in an ethical manner and in accordance with all rules and laws. With on-demand production, SHEIN reduces production waste because we are only producing what our customers want. This means that we do not over-purchase raw materials. We empower thousands of small and medium-sized businesses, holding our suppliers liable to the highest standards.

Source adapted from: <https://www.sheingroup.com/our-business/our-business-model/> [24/07/24]

6.5.1 Elaborate on the effectiveness of a strong Code of Ethics on the organisational culture of Shein as well as its relationship with stakeholders. (2)

A strong Code of Ethics positively impacts Shein's relationships with various stakeholders, including customers, suppliers, investors, and the broader community. For customers, ethical business practices build trust and loyalty, as they perceive Shein as a responsible and trustworthy brand. For suppliers, a clear Code of Ethics ensures fair and transparent dealings, promoting strong and mutually beneficial partnerships. Investors benefit from the reduced risk of reputational damage and legal issues, as ethical behavior minimizes the likelihood of scandals or regulatory violations.

6.5.2 Evaluate how the following principles of good corporate governance could be used to ensure that Shein is acting ethically and ensuring sustainable growth. Provide an example for each principle.

6.5.2.1 Accountability (3)

Accountability involves holding individuals and the organization responsible for their actions and decisions.

Shein can implement robust internal controls and regular audits to ensure compliance with ethical standards and regulatory requirements. By establishing a clear reporting structure where management and employees are accountable for their actions, Shein can prevent and address unethical practices effectively.

Example: If Shein receives reports of labor violations within its supply chain, an accountable approach would involve a thorough investigation and transparent reporting of the findings. Actions might include rectifying the issues with suppliers, updating policies, and communicating changes to stakeholders.

6.5.2.2 Integrity (3)

Integrity involves conducting business with honesty and fairness, maintaining a consistent ethical standard, and making decisions that align with the company's values.

Shein can foster a culture of integrity by ensuring that its policies and practices align with ethical principles. This includes honest marketing, fair treatment of employees, and transparent financial reporting.

Example: Shein's commitment to integrity might be demonstrated through accurate advertising and clear product information. For instance, if Shein advertises sustainable practices, it must ensure that its products and operations genuinely reflect these claims, avoiding greenwashing and maintaining trust with consumers.

6.5.3 Unethical behaviour by suppliers of Shein:

6.5.3.1 Name TWO unethical behaviours that Shein suppliers have been accused of in the media.

6.5.3.2 Explain different ways in which Shein could address the unethical behaviour of their suppliers mentioned in question 6.5.3.1.

Unethical issues	Ways in which Shein could deal with the unethical behaviour
Unethical behaviour 1: ✓ Conflict of interest Bribes and corruption Unauthorized use of funds Inappropriate gifts Sexual harassment Unfair advertising Employment issues Insider trading Pricing of goods Counterfeiting / bootlegging Taxation issues (1)	(2) Application //
Unethical issues	Ways in which Shein could deal with the unethical behaviour
Unethical behaviour 2: ✓ _____ (1)	✓ / (2)

6.6 Use the Technological, Environmental and Political factors of a PE²STLE analysis to show their impact on Shein. Complete the table below to:

6.5.1 Explain ONE challenge under each factor.

6.5.2 Suggest a different strategy to deal with each challenge.

PE ² STLE factor	6.5.1 Challenge	6.5.2 Strategy
Technological	Any challenge ✓ (1)	Applicable strategy // ✓ (2)
Environmental	Any challenge ✓ (1)	Applicable strategy // ✓ (2)
Political	Any challenge ✓ (1)	Applicable strategy // ✓ (2)

[50]

SECTION C

The following aspects will be considered when marks are allocated in this section:

- Format:
 - The **CORRECT** format must be used, i.e. business report.
 - Where applicable, include an introduction and conclusion.
 - Use headings and sub-headings where appropriate.
- Terminology: Correct business terminology should be used.
- Content: Must be sufficient to cover all aspects of the question.
- Substantiation: Justification for statements made.
- Application to case study / context.
- Creative problem-solving rather than just giving theoretical facts.
- Synthesis and sequencing.

NOTE: Demonstrate insight when answering the question. Refer to any business in the **fashion** retail sector like Mr. Price, ZARA, Foschini, H&M, Cotton On, Ackermans, Pep, Woolworths etc.

QUESTION 7

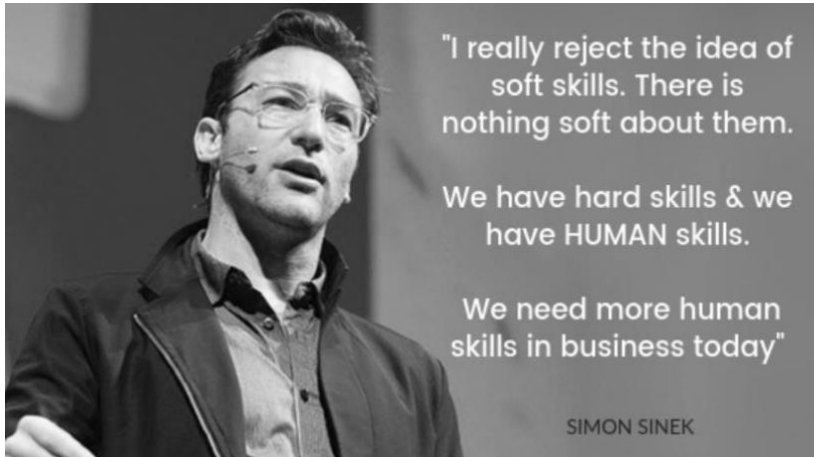
Study the following sources before answering the question that follows:

SOURCE A:



Source adapted from: <https://www.istockphoto.com/photos/risk-reward> [1/8/24]

SOURCE B:



Source: <https://wsbc.org.au/news/6745391> [1/08/24]

SOURCE C:



Source: https://www.cartoonstock.com/directory/g/good_manager.asp [1/08/24]

SOURCE D:

In the clothing retail sector, finding the balance between risk and reward (profit) is one of the most challenging and vital responsibilities of management, crucial for ensuring long-term sustainability. The South African clothing retail sector has faced rapid changes due to challenges like the rise of online shopping, the influx of multinational brands, economic conditions, and social factors. Local retailers have had to work harder to attract customers and minimise business risks.

The essence of fashion retail lies in investing capital in inventory, marketing, and store operations with the expectation of generating a profit. The higher the risk associated with fashion trends, consumer preferences, and market competition, the greater the potential reward. However, this also presents an ongoing challenge, as no retailer can perfectly predict and capitalise on these factors all the time.

Managing risk is a critical responsibility of management, through management tasks and competencies, to ensure efficient store operations, employee performance and customer satisfaction.

Required:

The South African general clothing retail sector has experienced several rapid periods of change; caused by challenges such as the rise in online purchasing, the increase of multinational brands, the economic climate and several social factors. The local general clothing retail sector has had to work harder than ever to bring feet through the door and limit the level of risk the business faces.

Write a business report to a fashion retailer where you discuss how the retailer could use management tasks and management competencies to manage risks and to ensure sustainable rewards for the business. [50]

MANAGEMENT TASKS

Planning

- Every business needs to plan to ensure actions are geared towards the desired outcome. The plan should be drawn up with the aim of achieving the goals and objectives of the business, but the plan should be flexible and adaptable according to circumstances.
- The following are possible steps to be taken during the planning process: Understand and define the problem, get all the relevant information, analyse the information and consider all possible eventualities. Decide on a plan of action but consider alternative plans (contingency plans), implement the plan carefully and follow up to ensure the plan is successful; if not, implement corrective action. Planning in the business takes place on different management levels:
 - Top management is responsible for the overall, long-term strategic business plan, including the vision, mission, objectives and strategies for the overall business.
 - Middle management formulates tactical plans, which involve the acquisition of resources needed by the departments that they control namely, the Financial department, Marketing department, Production department, Human Capital department, etc. Middle management is responsible for medium-term planning and has to ensure that lower levels of management are guided to align their daily planning with that of middle management.
 - Lower management is responsible for operational plans and is in charge of planning work schedules and programs on a daily basis.
- The following are some principles to keep in mind when planning:
 - All managers, who are in a position where they are responsible for development and implementation of plans, will be held accountable for these two elements. However, it is important that managers receive support and guidance from middle/top managers during the planning and implementation phases.
 - Planning is aimed at the future. It has to be done in advance to give guidance to employees to implement changes timely while still ensuring the plans are within the budget (realistic).

- Clear communication is crucial to inform employees of desired goals. It is always a good idea to communicate plans in writing in case someone needs to refer to the plan to confirm the original goal.
- The KISS-principle: Keep it straight and simple so that the plan is easy to understand and to implement.
- Planning is a management tool and should be used to guide employees towards the end goal. Planning is the crucial first step, but no plan will yield results without it being implemented.

Organising

- When the manager organises, it means he/she arranges activities in such a way that all resources (factors of production) contribute towards a systematic and successful business.
- These factors of production include the following: employees, working capital needed to run the business, any raw materials needed to produce the product, obtain the inventory to sell to consumers.
- There are different managers in charge of each of the functions, but the General Manager/CEO has to ensure all these managers realise that their tasks are interdependent and they must work together to achieve the overall goals of the business.
- Organisation also refers to reporting structures within the businesses. There is no single correct (or incorrect) organisational structure that fits all business. Regardless of the organisational structure chosen for the business, the important thing is that the reporting lines are clear in order to avoid confusion and blame-shifting.

Leading

- In order to implement plans and reach the desired outcome, the manager has to ensure guidance and support is given to employees, i.e. that they are guided to achieve the goals of the business, as well as their personal goals as employees.
- A good leader will strive to maintain a balance between being risk orientated (getting the job done) and people orientated (to focus on the needs of employees).
- on different management or leadership styles, e.g. democratic, autocratic etc. to understand the different approaches a manager may follow in order to achieve the goals of the business in different circumstances.
- The following are some general rules for good leadership:
 - Workers should always be helped to understand what goals are to be achieved.
- A good leader will allow (and also encourage) subordinates to provide input and voice their opinions.
- Employee morale improves if employees know that management respects them and will support them where possible.
- Good work should always (or where possible) be recognised openly, while cautioning employees and/or addressing work-related problems which should be conducted in private. It is important

that criticism should never be personal, but constructive to guide the employee to avoid repeating the mistake.

- Explain to employees why there are changes or why certain procedures are to be followed, to ensure their acceptance and cooperation.

Control

- It is essential that management always uses control as the last step in any process. Control will provide the manager with feedback to determine how problems can be addressed in order to improve the performance of employees and the overall business.
- A good control system will include the following aspects:
 - Step 1: Set standards so that the Company's expectations are clear to every employee. These standards and expectations are, in turn, used as a benchmark to compare with actual performance. The standards must indicate to employees what will be evaluated and how it will be evaluated.
 - Step 2: The actual performance is measured against (compared to) the predetermined standards set in step 1.
 - Step 3: If there are any deviations from the projections when compared to actual performance, these deviations must be corrected by trained people or at the very least discussed to establish the cause of the deviations to prevent repetition of substandard work.

Coordinating

- Coordination ensures there is cooperation between different departments in the business and that everybody works towards a common goal.
- The key to coordination and cooperation is clear communication to ensure everybody understands the expectations required. Regular meetings will help to ensure this is achieved.
- The ultimate goal of coordination is to create synergy between individual efforts, teams and departments.

Communication

- Communication refers to the transfer and receiving of ideas and attitudes between management and workers, but also between the business and external groups such as the media, suppliers, customers and the government. Without good, clear communication, it is not possible to build relationships with these different stakeholders.
- Communication ensures coordination of activities within the business by letting workers know exactly what is expected from them.
- On the other hand, clear communication channels enable workers (or external stakeholders) to inform management about problems and ideas.

- Proper communication may help to improve the overall performance of the business, because the relevant people are informed about certain facts if and when (or before) they need the information.

Delegation

- Delegation is necessary in order to reduce the workload of senior employees and to achieve a more meaningful distribution of tasks and responsibilities.
- The manager will delegate duties, authority and responsibilities to subordinates.

- The person to whom the tasks were delegated must be able to perform the new tasks and may need additional training to empower him/her. It is also important to remember that when responsibility is delegated, the worker should also be authorised to handle situations that arise from the added responsibility.
- Both the employee and the manager who delegated the responsibility will be held accountable for the quality of the work done.

Motivation and Decision making

- In order to make a responsible decision, all relevant facts must be considered.
- A choice is made regarding what will be the best in a particular situation.
- Business decisions should be objective, with no personal prejudice influencing the decisions.
- It is important to assess the decision by considering its feasibility and viability.

Discipline

- The purpose of discipline is to improve future behaviour in the business. In order to achieve this, it is imperative that everybody knows what is regarded as misconduct, but also what the consequences will be if rules are broken or performance standards are not met.
- It is crucial when disciplinary measures are implemented, that it is done consistently (everybody is treated fairly).
- There is a misconception that the business has to issue three warnings before the employee may be dismissed.
 - A minor offence will result in a verbal warning or even more than one verbal warning.
- If the employee continues to act in a manner that led to the verbal warnings, a written warning may be issued and perhaps a second final written warning may follow.
- However, if it is a serious offence, immediate suspension of the employee may occur until the disciplinary hearing is held. No verbal or written warnings are required if the offence is serious.
- The business 'code of conduct' will specify what the disciplinary action should be for different offences.

MANAGEMENT COMPETENCIES:

Global awareness

- A global awareness is much more than merely trying to understand political, language or cultural differences between countries in order to avoid making general assumptions about other people. It is more than the fact that exchange rates appreciate or depreciate and that this may have an impact on the cost of the product. While these issues are important, it is vital to appreciate that global awareness encompasses much more.
The manager must understand that even if the business does not trade (buy or sell) directly with other countries, he must know that the business world is interrelated and interconnected and that suppliers may originate from a range of countries. It is possible therefore that customs and values will differ between countries. An awareness of the entire supply chain is crucial. Consider the following: Should a manager allow a particular product to be sold in the business if somewhere in the supply chain child labourers were exploited? Or should a jewellery store sell diamond rings if it is suspected that "blood diamonds" may have been used? Should businesses sell a product if they know that during the manufacturing process serious harm was done to the environment?

Organisational awareness

- No organisation operates in a vacuum. Organisational awareness requires management to be aware of internal as well as external factors that may have an impact on the success of the business.
- The manager should understand the capabilities (strengths) and constraints (weaknesses) of the business.
- In order for management (at all levels) to be successful, it is important for them to have an understanding of what happens in the entire business, because the actions of the different functions or departments in the business have an impact on each other (interdependent).
- The manager should also have empathy and consider the pressures that different departments experience, and should aim to accommodate people where possible in order to ensure the entire business (rather than just that one department) is successful.
- Management must also understand the organisational culture of the business. If there is something within the culture that is not desirable, a proactive plan has to be implemented to change the organisational culture to something that is in line with the vision and mission of the business. This is important in order to enhance the overall functioning of the business.

Analysis

-
- In order to develop both a global and organisational awareness, the manager should be able to identify important sources of information, gather the relevant information, interpret the influence that different events may have on one another and then compare alternative plans of action. This is the ability to analyse and draw conclusions.
- When information is analysed, potential problems should be identified and solutions preempted in order to make sure risks are managed.
- Management needs to understand that analysis is a difficult task and where possible, decisions should not be made impulsively, but only after consideration of all relevant facts.

Strategic thinking leading to strategic action

- Strategic thinking entails the manager's ability to look at the business' 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' competitive position. Thus, it is important to look at strengths, weaknesses, opportunities and threats before strategies (plans of actions) 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 proactive when implementing plans to manage the situation.
- The outcomes of the situations should also be evaluated in order to implement corrective action if needed.

Teamwork

- A good manager will be aware of other people's feelings and fears and anticipate how these will affect team members. The manager should ensure that teams are designed so that members will complement each other's strengths and weaknesses.
- As the team leader, the manager has to ensure that members of the team (employees in the business) listen to each other, express disagreement in a constructive manner and then find a way to work cooperatively with one another.
- The manager will encourage all team members to work together but will prudently intervene to resolve conflict.
- It is important that the team members have a clear understanding of the goals and that all team members are empowered with the necessary skills to achieve these goals. If the skills are lacking, team members must be trained and then be held accountable for their performance.

Empowerment & talent development

- - The manager has to understand that empowerment and talent development is important, because it means the business is investing time and resources to assist with employees' development to achieve the goals and objectives of the business. When employees are empowered, and they have benefited from the development process, this is conducive to better morale and higher levels of motivation.
 - Empowerment and talent development can be done in a number of ways:
 - By giving an employee new skill through training
 - By giving an employee new responsibilities and authority to perform a challenging new task, requiring him/her to think more broadly than before
 - By giving an employee the freedom to choose how to do a task, provided certain predetermined standards are met
 - By monitoring performance and then giving constructive feedback

Initiative

- Showing initiative means the manager is not waiting for other people to think of new ways to improve his/her department or the overall business.
- By demonstrating initiative, the manager will question the conventional methodology, but also encourage subordinates to think of new ideas and innovations before the situation demands it.
- Initiative means being proactive and pre-empting issues before they arise in order to create a competitive advantage.

Judgement

- The manager continuously has to make judgement calls in different situations. This can only be done once all the relevant facts have been evaluated in an objective manner.
- Although the ideal would be for the manager to be able to evaluate his/her decisions clearly before taking action, in some instances it is not possible. Sometimes an immediate decision is required to capitalise on an opportunity; the manager cannot hesitate to make that crucial decision. One of the most important skills a manager can utilise in such a situation is to apply logical reasoning.
- It is important for the manager to employ integrity when making judgement calls/ decisions. This demonstrates leadership and a willingness to acknowledge accountability for his/her decisions.

Negotiation

- A successful negotiator is able to convey his/her opinions in a clear and accurate manner to the audience (employees, trade unions, suppliers, etc.) and then to use these skills to persuade the audience to understand his/her point of view.
- It is important that people have an understanding of all the relevant opinions. A manager who is a skilled negotiator will try to facilitate a win-win situation, using compromise to resolve problems.
- It is important to obtain buy-in from the most influential role players – especially in sensitive or highpressure situations, because these informal leaders may influence others in the negotiation process.
- It is a myth to think people are born good negotiators. It is a skill most people can acquire. This expertise is especially relevant for managers at all levels to develop.

Customer service orientation

- In a successful business, customers and their needs are the primary focus areas and 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.