INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
MAY 2023

BUSINESS STUDIES

MARKING GUIDELINES

Time: 3 hours | 300 marks

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

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

SECTION A

QUESTION 1

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

1.13	B
1.14	A
1.15	B
1.16	D
1.17	D
1.18	C
1.19	B
1.20	A
1.21	C
1.22	A
1.23	D

QUESTION 2

2.1 Line-and-staff structure
2.2 Benchmarking
2.3 Stop-Loss
2.4 Value Chain
2.5 Lock-out
2.6 Retention
2.7 market
2.8 stock exchange
2.9 bullish
2.10 resource-based analysis
2.11 low-cost
2.12 market share

QUESTION 3

3.1 Porter's Forces
3.2 non-compulsory
3.3 proximate cause
3.4 intrapreneur
3.5 manager
3.6 average clause
3.7 description
3.8 mediation
3.9 Differentiation
3.10 Life cycle
3.11 Delegation
3.12 partnership
3.13 external

SECTION B

QUESTION 4

4.1 4.1.1 ***Name any FOUR duties of the production department at a general retailer.***

Production planning
Production control
Quality control
Method analysis
Inventory control
Plant layout
Work measurement

(Consider any other relevant element that could be included in the production department)
(Mark the first FOUR elements only)

4.1.2 ***Discuss how the financial department would affect the operations of the production department.***

For producing goods, it needs raw material, labour and other expenses. For paying all expenses, production department needs money and funds which will be fulfilled by finance department.
Production of goods requires raw material, machinery and labour and these three things require monetary expenditure which is a function of finance because finance basically involves making budgets for production of goods or service, allocating funds towards various expenses on production and so on.
In simple words without finance function playing its part production function will be in trouble as finance is similar to fuel while production is similar to a vehicle and we all know that without fuel no vehicle can run and same is the case with production as no production can be done without finance.

(4 fact marks are allocated to the discussion on how the finance department would affect the operations of the production department)
(All relevant facts should be considered)

4.1.3 ***Discuss how a general retailer could use quality controls in the production department to maintain a competitive advantage. Use at least one example to support your argument.***

Quality control involves testing units and determining if they are within the specifications for the final product. The purpose of the testing is to determine any needs for corrective actions in the manufacturing process. Good quality control helps companies meet consumer demands for better products.
Quality testing involves each step of the manufacturing process. Employees often begin with the testing of raw materials, pull samples from along the manufacturing line, and test the finished product. Testing at the various stages of manufacturing helps identify where a production problem is occurring and the remedial steps it requires to prevent it in the future.
The quality control used in a business is highly dependent on the product or industry. In food and retail industry, quality control includes ensuring the product does not make a consumer sick, so the company performs chemical and microbiological testing of samples from the production line. Because the appearance of prepared food affects consumer perception, the manufacturers may prepare the product according to its package directions for visual inspection.

(2 fact marks are allocated to how the general retailer could make use of quality control in the production department.)
(1 fact mark for looking at how it may lead to competitive advantage)
(1 fact mark for the use of an example to support the argument)
(All relevant facts should be considered)

4.2 4.2.1 ***Evaluate the importance of having a code of ethics for a general retailer.***

A code of ethics is important because it clearly lays out the rules for behaviour and provides the groundwork for a pre-emptive warning. While a code of ethics is often not required, many firms and organisations choose to adopt one, which helps to identify and characterize a business to stakeholders.

Your code of ethics describes what brings your members together as a profession and is the foundation of their shared expectations of each other.

A code of ethics is important for businesses to establish to ensure that everyone in the company is clear on the mission, values and guiding principles of the company. It provides employees with a framework in which rules exist, from a regulatory and law-enforcement standpoint and how to act in the gray areas of value-based ethics that aren't always clear. Create each section of your code of ethics with a specific purpose to develop the company culture you desire.

(5 fact marks are allocated to evaluating the importance of having a code of ethics)
(All relevant facts should be considered)

4.2.2 ***Ethical behaviour by employees***

(a) ***Give an example of ethical behaviour by a cashier.***

- Honesty
- Loyalty
- Integrity
- Respect
- Selflessness
- Responsibility

(Consider any example of ethical behaviour)
(Mark the first mentioned only)

(b) ***Suggest and explain TWO different ways in which a manager could ensure that the ethical behaviour mentioned in (a) is being maintained.***

- Be a Role Model and Be Visible
  Employees look at top managers to understand what behaviour is acceptable. Senior management sets the tone for ethics in the workplace.
- Communicate Ethical Expectations
  An organisational code of ethics can reduce ethical ambiguities. The code of ethics should state the organisation's primary values and the ethical rules that employees are expected to follow. Managers should remember that a code of ethics is worthless if leaders fail to model ethical behaviours.
- Offer Ethics Training
  Managers should set up seminars, workshops and similar programmes to promote ethics in the workplace. Training sessions reinforce the organisation's standards of conduct, to clarify what practices are and are not permissible, and to address possible ethical dilemmas.
- Visibly Reward Ethical Acts and Punish Unethical Ones
  Performance appraisals of managers should include evaluations of how actions measure up against the organisation's code of ethics. Appraisals need to include how managers achieve these goals, as well as the goals themselves.
- Provide Protective Mechanisms
  The organisation needs to provide formal mechanisms that allow employees to discuss ethical dilemmas and report unethical behaviour without fear of reprimand. This could include developing roles for ethical counsellors, ombudsmen or ethical officers.

(2 fact marks are allocated for suggesting two ways to ensure ethical behaviour)
(2 fact marks are allocated for discussing the suggestions)
(All relevant facts should be considered)

4.3 ***Discuss how each of the business functions below contributes to the success of a retail business.***

4.3.1 ***Administration Function:***

A business administrator oversees the general operations of an organisation or department. This may include supporting and overseeing teams, problem-solving, developing and implementing plans, and meeting goals.

Administrative management is critical in creating efficient processes and their implementation. The purpose of every project, policy and action within a company should be to reach an established goal.

(6 fact marks are allocated to the discussion of how the administration Function contributes to the business strategy)
(All relevant facts should be considered)

4.3.2 ***Public Relations Function:***

Public relations' unique function is to help the organisation develop and maintain relationships with all of its key publics and stakeholders by effectively communicating with these groups. Communication is key in maintaining a satisfactory, long-term, trusting relationships with publics and stakeholders.

Administrative managers oversee the support operations of an organisation. They ensure that there is effective information flow and that resources are employed efficiently throughout a business. Strong administrative managers are organised and detail-orientated with good analytical skills to run day-to-day operations.

To contribute to strategic management, public relations should be an integral part of the management of every organisation. The public relations function helps the organisation interact with its stakeholders both to accomplish the organisation's mission and to behave in a socially responsible manner.

(6 fact marks are allocated to the discussion of how the Public relations Function contributes to the business strategy)
(All relevant facts should be considered)

4.4 4.4.1 ***What is the purpose of a memorandum of association?***

The Memorandum of Association of a company is its charter, which contains the fundamental conditions upon which alone the company can be incorporated. It tells us the objects of the company's formation and the utmost possible scope of its operations beyond which its actions cannot go.

(2 fact marks are allocated for providing the purpose of the memorandum of association).
(All relevant facts should be considered)

4.4.2 ***Using examples, explain THREE advantages of a Public Company.***

- Separate Legal Entity
  An entity means something which has a real existence; a thing with distinct existence. A company is a legal entity and a juristic person established under the Act. A juristic person is a person who is not a natural person or human being. Therefore a company form of organisation has wide legal capacity and can own property and also incur debts. The members (shareholders/directors) of a company have no liability to the creditors of a company for such debts. Hence, a private ltd company is a legal entity separate from that of its members.

- Uninterrupted Existence
  A company has 'perpetual succession', that is continued or uninterrupted existence until it is legally dissolved. A company, being a separate legal person, is unaffected by the death or other departure of any member but continues to be in existence irrespective of the changes in membership. Perpetual succession is one of the most important characteristics of a company.

- Limited Liability
  Limited Liability means the status of being legally responsible only to a limited amount for debts of a company. Unlike proprietorships and partnerships, in a limited liability company the liability of the members in respect of the company's debts is limited. In other words, the liability of the members of a company is limited only to the extent of the face value of shares taken up by them. Therefore, where a company is limited by shares, the liability of the members on a winding-up is limited to the amount unpaid on their shares.

- Free and Easy Transferability of Shares
  Shares of a company limited by shares are transferable by a shareholder to any other person. The transfer is easy as compared to the transfer of interest in business run as a proprietary concern or a partnership. Filling and signing a share transfer form and handing over the form to the buyer of the shares along with share certificates can easily transfer shares.

- Owning Property
  A company being a juristic person, can acquire, own, enjoy and alienate, property in its own name. No shareholder can make any claim upon the property of the company so long as the company is a going concern. The shareholders are not the owners of the company's property. The company itself is the true owner.

- Capacity to Sue and be Sued
  To sue means to institute legal proceedings against or to bring a suit in a court of law. Just as one person can bring a legal action in his/her own name against another in that person's name, a company being an independent legal entity can sue and also be sued in its own name.

- Dual Relationship
  In the company form of organisation it is possible for a company to make a valid and effective contract with any of its members. It is also possible for a person to be in control of a company and at the same time be in its employment. Thus, a person can at the same time be a shareholder, creditor, director and also an employee of the company.

- Borrowing Capacity
  A company enjoys better avenues for borrowing of funds. It can issue debentures, secured as well as unsecured and can also accept deposits from the public, etc. Even banking and financial institutions prefer to render large financial assistance to a company rather than partnership firms or proprietary concerns.

(6 fact marks are allocated to explaining the advantages of a public company)
(3 fact marks should be allocated to the use of examples)
(All relevant facts should be considered)

4.5 ***Evaluate franchising from the franchisor's point of view.***

While franchising provides franchisees with a proven system and the support of a much larger organisation, the advantages to the franchisor are even more significant.

- Capital
  Since franchisees use their own capital, the franchisor has virtually no investment at the unit level. Franchising allows companies to leverage off the assets of franchisees.
- Return on Investment
  Because of this lower investment, ROI will be significantly higher.
- Risk Reduction
  With no capital invested in units, risk is reduced substantially.
- Limited Contingent Liability
  The franchisor will not be signing leases, taking on financing, etc., and will thus expand with limited contingent liability.
- Speed of Growth
  By leveraging off of the time and efforts of its franchisees, a franchisor can grow much faster without adding staff.
- Reduced Role in Day-to-Day Operations
  As a franchisor, your primary concern involves the franchisee's top line performance, reducing the scope of your involvement in day-to-day management.
- Reduced Vicarious Liability
  The liability for acts of employees (e.g., sexual harassment, EEOC violations, etc.) and for occurrences in the unit (e.g., slip-and-fall) accrues to the franchisee, not the franchisor, for the most part.
- Highly Motivated Management
  Franchising can provide a company with highly motivated management who will treat individual units as its own.
- Quality Control
  Franchisees generally keep their units in better operational shape than unit managers and, as a part of the community, are better able to promote these units locally.

- Long-Term Management
  The franchisor can invest in the long-term training of its franchisees, as they are unlikely to leave short-term.
- Unit Performance
  Units are generally better run, as is reflected in the fact that franchised stores generally outperform company-owned stores in terms of sales volume.
- Lean Structure
  Franchisors can grow the organisation without adding significantly to overhead.
- Brand Building
  This ability to grow the organisation without substantial additions to overhead will allow franchisors to grow their retail presence and their brand more quickly and effectively.
- Advertising
  Franchisees will often contribute to a common advertising and promotional fund. This fund will be used to promote the brand under the direction of the franchisor.
- International Expansion
  International expansion becomes easier, faster, and carries far less risk since a local partner becomes involved.

(5 fact marks are allocated to the evaluating a franchise from the perspective of the franchisor)
(All relevant facts should be considered)

QUESTION 5

5.1 5.1.1 ***Identify THREE steps that a general retailer's human resources manager could include in their selection process.***

- Initial screening of applications. During the initial screening, an applicant completes an application form and submits a résumé and cover letter
- Employment tests
- Selection interview
- Verifications and references
- Physical examination
- Final decision

(3 fact marks are allocated for identifying any three steps in the selection process)
(Only the first three steps identified, should be considered)

5.1.2 ***Discuss possible reasons why a general retailer would make use of external recruitment.***

- New ideas and skills are brought into the business
- It may give the business the opportunity to employ more affirmative action candidates to meet employment equity targets
- The external recruit may provide insight into the operations of competitors
- No infighting occurs among employees for the position

(3 fact marks are allocated to discussing possible reasons for making use of external recruitment)
(All relevant facts should be considered)

5.1.3 ***Discuss the impact of a low staff morale for a general retailer.***

- Reduced productivity levels
- Additional work burden on employees who need to work harder while the new staff member settles in
- Low morale when employees become aware of too many vacancies
- Negative public perception of the business
- More money and time need to be invested in the retraining of new staff members

(4 fact marks are allocated to discussing the impact of a low staff moral)
(All relevant facts should be consider)

5.1.4 ***Evaluate the importance of manpower planning for a general retailer.***

- Manpower planning is a prerequisite for recruitment and selection
- Manpower planning is a top-down process
- This means that the strategic plan of the business will determine what skills are needed to achieve the goals of the business
- The required skills will be acquired through manpower planning and training
- Manpower planning refers to the process of estimating the number of employees
- Assessing the range of skills required for the business to operate
- Calculating the time frame of the employment needs of the business
- To complete manpower training, the business needs to analyse each job in the business through job analysis; job description and job specification

(5 fact marks are allocated to the evaluating of the importance of manpower plaining)
(All relevant facts should be considered)

5.2 5.2.1 ***What is the importance of the Global Reporting Initiative?***

- The GRI is a non-profit organisation that promotes reporting on sustainability issues through the creation of a sustainability reporting framework.
- The framework is used worldwide to promote transparency when all types of business report on economic, environmental and social issues.

(3 fact marks are allocated to the mentioning the importance of the Global Reporting Initiative)
(All relevant facts should be considered).

5.2.2 ***Discuss how a general retailer could use integrity as a corporate governance principle to ensure it is seen in a favourable light by potential investors.***

- Integrity is an essential way to measure how those involved in companies are accountable to those who are affected (positively or negatively) by their decisions.
- Integrity is about doing business in a manner that is honest and truthful. Following the other principles of corporate governance (i.e. transparency, independence, accountability, fairness and discipline) shows that management has integrity.
- Example: if an general retailer director is found guilty of fraud – the company shows integrity when the director is dismissed.

(3 fact marks are allocated to discussing how integrity, as part of corporate governance is seen as favourable by investors)
(All relevant facts should be considered)

5.2.3 ***With the use of examples, differentiate between a leader and a manager within a general retailer.***

- A manager manages and takes responsibility for a situation. A leader takes charge, is influential, and sets an example.
- The manager has responsibilities and is able to delegate and implement plans. A leader is an example for others and is someone who doesn't necessarily have a large responsibility.
- Managers have subordinates who follow their rules. Leaders have individuals who believe in what they say, otherwise known as followers.
- Leaders focus on human emotion and charisma to lead. Managers focus on concise, scientifically proven methods to lead.

  Managers have different responsibilities based on what they do and who they are managing. They have the ability to delegate and implement plans for a business or team. Managers are necessary to keep a consistent understanding of who is in charge in a group. A leader is a person who takes the lead in a group and chooses to perform to the best of his ability and helps others do the same. In a team, school, or professional setting, a successful manager should have both managerial and leadership qualities. Some look at leaders and managers as different because a leader tends to deal with the personal issues of a group, whereas a manager manages tasks and projects, not people. Additionally, it is believed that a manager, because they are considered superior, has subordinates. Subordinates are people who should follow and do what they are instructed to by their manager. A leader does not have subordinates, a leader has followers. Followers are people who believe in what the leader teaches or does because they have earned a certain amount of reverence. A follower is not forced to follow the leader, unlike a manager and his subordinates.

(4 fact marks are allocated for differentiating between a manager and leader)
(2 fact marks are allocated for the use of examples)
(All relevant facts should be considered)

5.3 ***Identify potential barriers to effective communication and suggest strategies a general retailer could use to overcome or prevent these.***

- Psychological Barriers
- Emotional Barriers
- Physical Barriers
- Cultural Barriers
- Organisational Structure Barriers
- Attitude Barriers
- Perception Barriers
- Physiological Barriers

Overcoming barriers:

- Checking whether it is a good time and place to communicate with the person.
- Being clear and using language that the person understands.
- Communicating one thing at a time.
- Respecting a person's desire to not communicate.
- Checking that the person has understood you correctly.

(3 fact marks are allocated to identifying barriers to effective communication)
(2 fact marks are allocated to suggesting strategies to over barriers to communication).
(All relevant facts should be considered)

5.4 5.4.1 ***Suppose a general retailer wants to dismiss a shop attendant for misconduct. Analyse the procedure the general retailer should follow to ensure that the dismissal is fair.***

- The complaint should be put in writing and fully investigated, with the investigation process recorded in writing. This may include taking statements from the complainant and all witnesses.
- The employee should be advised of the full nature and details of the charge(s) against him/her and given full access to all written statements collected.
- The date, time and venue of the disciplinary hearing should be given to the accused in writing.

- The employee should be given reasonable time in which to prepare and to appoint his representative for the disciplinary hearing, but it is important not to delay the disciplinary hearing unnecessarily.
- The employee is entitled to have an interpreter if they are not comfortable with the language in which the disciplinary hearing will be held.
- The complainant presents their case first by giving evidence and calling witnesses to testify. The accused is given an opportunity to cross-examine witnesses.
- The employee then presents their defence and calls their own witnesses. The complainant will have the opportunity to cross-examine the accused's witnesses.
- The chairperson of the disciplinary hearing decides on the guilt or innocence based on the evidence presented by both sides. At this stage no aggravating or mitigating circumstances are considered – only the facts relating to the disciplinary issue.
- The chairperson decides on the verdict. If the employee is 'not guilty', this is confirmed in writing and given to the employee, and the matter is closed. If the verdict is one of 'guilty', then the chairperson considers aggravating or mitigating circumstances and decides on a fair sanction (punishment).
- These aggravating or mitigating circumstances may include the age of the employee, employee's state of health, length of service, level of education, position in the company, remorse shown or any other valid point.

(10 fact marks are allocated to the procedure should follow to ensure that the dismissal is fair)
(All relevant facts should be considered)

5.4.2 ***'In some instances it may be in the best interests of the employees to strike.' Discuss the validity of this statement.***

If the employees have exhausted all avenues to resolve the conflict, then a strike could be an option to get the employer to see the seriousness of the situation or to gain support from customers or other employees from other institutions for their cause.
Employees should also know that the strike action could have negative consequences, e.g. there may be customers who do not sympathise with the workers and support the employer; there may be a feeling that the workers are unrealistic in their demands.
Employees must follow the correct procedures to ensure that the strike is legal.
There should be no form of intimidation or violence that could detract the employees from their cause.
A strike is never a win-win situation – there will always be compromises from both parties.

(4 fact marks are allocated to discussing the validity of the statement)
(All relevant facts should be considered)

5.4.3 ***Describe the impact that trade unions could have on the negotiation process between employers and employees.***

- Trade unions may not always have the best interests of their members in mind when going into negotiations.
- Trade unions may not have the skills/bargaining power to achieve a positive outcome.
- The trade union may have a hidden agenda when entering the negotiation.
- The trade union may not have the support of its members.
- There may be external/political pressure to accept a compromise.
- There could be bribery or corruption/unethical behaviour on behalf of the trade union.
- Trade unions will support their members in negotiations and work on a favourable outcome for them.
- Trade unions may financially support striking workers for a limited period of time.
- Powerful trade unions that have political affiliations may have a strong bargaining chip during negotiations.
- Trade unions can provide moral support to union members by giving legal advice and providing specialist labour advice.

(4 fact marks are allocated to describing the impact of third party interventions could have on the negotiation process)
(All relevant facts should be considered)

QUESTION 6

6.1 ***Shoprite will potentially be investing large amounts of capital as they grow their operations throughout Africa. Explain how Shoprite should use the following three investment criteria when considering the following investment options.***

6.1.1 ***Fixed notice deposit: Risk:***

- Money invested with the bank generally has a very low risk.

Return on investment (ROI):

- The interest rate offered on a fixed deposit will differ from bank to bank.
- It will also depend on the amount of money invested.
- Generally, the longer the time frame and the larger the amount invested, the higher the interest rate will be.
- Despite this, it can only be hoped that the fixed deposit (even with cumulative interest) will exceed inflation. Unfortunately, it is often not the case.

Time frame of the investment:

- Fixed deposits can be from a year to 10 years (or even longer).

(Consider any other relevant facts that explain how Shoprite would make use of the three investment criteria to decide about investing in fixed notice deposits) (Any combination to allocate marks, but <u>content under each heading</u> for at least one mark (Risk, ROI and Time) 6 facts)

6.1.2 ***Equities:***

Risk:

- The JSE (and other stock exchanges in the world) have strict rules for companies to list on the stock exchange to protect investors and (hopefully) decrease the risk of investing in these listed companies.
- Despite this, equities are still seen as a moderate- to high-risk investment.

Return on investment (ROI):

When evaluating the ROI of shares bought in a listed company, there are two factors that contribute to the ROI:

- increase in share price
- dividends
  Shareholders will buy shares in the company with the expectation that:
- the share price will increase over a period of time (capital growth) and good dividends will be generated.
  Dividends are the profits of the company that are divided among the shareholders, and are not taxed in the hands of the shareholder in South Africa.
- A combination of the above occurs, as this usually helps to outperform inflation.

Time frame of the investment:

- Some people prefer to invest their money in shares with no need to see huge capital gains in the short term.
- The investor will invest in blue-chip shares where there is capital growth (increase in share price) in the long term,
- and where dividends earned from the share portfolio are often used to buy more blue-chip shares.
- People that speculate with shares approach the matter differently.
- Speculators buy shares in companies that (in their opinion) will have a quick and significant increase in the share price.
- The speculator will then sell the shares when there is an opportunity to make a profit based on a higher share price.
- The speculator is not really concerned with dividends.

(Consider any other relevant facts that explain how Shoprite would make use of the following three investment criteria to determine investment decisions) (Any combination to allocate marks, but content <u>under each heading</u> for at least one mark (Risk, ROI and Time) 6 facts)

6.2 6.2.1 ***Discuss the possible outcomes of dysfunctional conflict at a Shoprite store.***

- a climate of mistrust that has a negative impact on teamwork and cooperation
- blaming each other, backstabbing and gossip
- higher levels of stress and anxiety which contribute to lower levels of job satisfaction
- lower morale and increased staff turnover (which result in higher costs).
- waste of time and other resources
- sometimes even violence

(5 fact marks are allocated to discussing the possible outcomes of dysfunctional conflict)
(All relevant facts should be considered)

6.2.2 ***Describe TWO possible causes of conflict at a Shoprite store. Suggest how management could deal with each conflict situation. (Provide a different suggestion for each conflict situation.)***

Possible cause of conflict:

- In the workplace there are people with different personalities,
- who not only have to work together to achieve the overall goal of the business,
- but also have to realise their personal goals in terms of their ambitions.

Suggestion to manage the conflict situation:

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

Possible cause of conflict:

- Differences in backgrounds, cultures and values often ruffle feathers and lead to irritations and lower productivity

Suggestion to manage the conflict situation:

- 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.
- Sensitivity training and developing skills such as timekeeping, respecting interpersonal space and emotional intelligence will go a long way towards managing this type of conflict.

Possible cause of conflict:

- Poor communication leads to misunderstanding, because facts are interpreted in different ways.
- This may lead to role overload (where one person has to do more than he or she can cope with),
- role conflict (where team members all want to perform a certain task) or
- role ambiguity (team members are not sure of the roles each has to play).
- Poor communication may also contribute to people not meeting deadlines,
- or not informing someone in time of a problem meeting a specific deadline,
- so that contingency plans can be put in place.

Suggestion to manage the conflict situation:

- 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.

Possible cause of conflict:

- Change brings uncertainty and this may lead to conflict
- as there is often resistance to change.
- Unfortunately any business that stagnates and fails to adapt to changes in the macro environment or to new demands from consumers will not be successful.

Suggestion to manage the conflict situation:

- 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.

Possible cause of conflict:

- Limited resources and competition between team members for these resources may lead to conflict.
- The conflict may be functional if it inspires team members to work harder (e.g. working on a commission basis),
- but it could also contribute to people feeling there can only be one winner, which may provoke counter-productive behaviour.

Suggestion to manage the conflict situation:

- 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.

Possible cause of conflict:

- Previously unresolved issues may 'erupt' in conflict in the future.
- Sometimes the easiest way to deal with conflict is not dealing with it at all. The manager may hope that by ignoring the conflict situation, it will disappear.
- This unresolved conflict may escalate and become a more serious problem if the manager thinks the solution is to put his/her head in the sand and ignore the issue.

Suggestion to manage the conflict situation:

- The manager must deal with any conflict situation as soon as it arises.
- Ignoring the issue or becoming too involved in the situation may hinder his/her capacity to think logically and to act decisively.

(Consider any other relevant possible causes of conflict and suggestions on how management should deal with the conflict situation.)
(Mark the first TWO causes of conflict only)
(Any 5 facts) (Min of 1 mark allocated to the cause of conflict and min of 1 mark allocated to the suggestion)

6.3 ***Shoprite will enter into a number of different contracts as they expand their business operations. Discuss TWO types of contracts and the impact of these contracts on all parties involved.***

- Non-disclosure agreement
  The first step towards building your business often includes brainstorming and creative collaboration, sharing your business plan with potential investors, etc. to produce the foundation on which your business model is built. This is when a non-disclosure agreement comes to play. A non-disclosure agreement is a legal contract between at least two parties outlining confidential material or restricted access to information placing the signing party in strict confidence to use only the proprietary information for evaluation, partnership, and/or for a specific relationship, like employment.

- Partnership agreement
  A well crafted partnership agreement maps out the relationship and responsibilities between two or more business partners. The business contract also sets the tone regarding each partner's individual obligations, capital contribution, the profit/loss distribution, ownership interest and, a partnership dissolution clause.

  Outlining partnership expectations and responsibilities before the partnership begins is ideal however, partnership agreements can be drafted during a business partnership. If at any time a partner wishes to change any terms of the agreement, it is highly recommended that it's done in writing.

- Indemnity agreement
  Comparable to a liability waiver, and often called a 'hold harm clause' an indemnity agreement holds a business or company harmless for any burden loss or damage. Often used for high-risk businesses such as those involving animal interaction or skydiving but are also helpful when dealing with commercial contracts, legal contracts, shipping contracts, loan agreements, supply agreements, licensing agreements, construction projects, and leases.
  Essentially an indemnity agreement is a contract in which one person agrees to indemnify, or 'hold harmless' another person related to a specified product or service and/or damages resulting from a specific agreement.
  With indemnity agreements becoming increasingly valuable year over year protecting your business from liability with the right form of indemnity clause can make all the difference.

- Property and equipment lease
  When beginning the journey of building your business purchasing the equipment to compete within your market may not be an option. That's when a Property and equipment lease will come into play. These contracts spell out the terms and conditions of a lease for a building or piece of equipment, including monthly payment, deposits, terms, maintenance agreements, and other related items.

  When drafting a property or equipment lease certain provisions need to be included beginning with introducing parties. This is where you will define the 'lessor' and the 'lessee' and the length of the agreement. Recitals define the world of the agreement providing background information for each party. From there each section on the contract covers in specific detail the acceptance of the lease, term, rental payments, security deposit, ownership, responsibility of care, insurance, taxes and fees, liability for loss & damage and so on.

A property lease or equipment lease protects your personal investment and can be drafted to suit your specific needs with additional sections.

- General employment contract
  Hiring employees shows growth and success within your brand. Having an employment contract clarifies the relationship between you and your employee, including compensation, benefits, duration, grounds for termination, and any other issues that relate to your business including ownership of works produced.

(2 fact marks are allocated to the naming of two contacts)
(8 fact marks are allocated to the discussing the impact of the two contacts)
(All relevant facts should be considered)

6.4 6.4.1 ***Apart from a focus on our planet (environment), explain to the management of Shoprite what it means to follow the other elements of triple bottom line reporting.***

This means that management should not only focus on shareholders (i.e. the generation of profits) as an interest group but also consider all stakeholders when formulating strategies. Consider the consequences of decisions for society (people).

(4 fact marks are allocated to explaining elements of the triple bottom line)
(No marks are allocated to environmental)
(All relevant facts should be considered)

6.4.2 ***Suggest ways in which Shoprite can ensure environmentally sustainable practices.***

- Recycle paper and water at their stations;
- Use renewable energy sources such as solar panels;
- Put environmental sustainability on the agenda at all meetings;
- Provide incentives to employees when they show that they are conscious of the environment;
- Have CSR programmes that focus on environmental sustainability, i.e. give the community skills to continue the programme without the assistance of Shoprite;
- Fund educational programmes that encourage environmental sustainability.

(4 fact marks are allocated to suggesting ways in which Shoprite can ensure environmentally sustainable practices)
(All relevant facts should be considered)

6.5 ***As Shoprite continue to expand their business operations it is important that they focus on their marketing function. Discuss the use of technological innovation in marketing. Use relevant examples to assist you in demonstrating your answer.***

Technology in marketing is helping marketers get a better grasp on customer preferences, their behaviour and purchase trends, and design the most effective marketing strategy based on this intelligence.

Marketing technology thus helps businesses become efficient and reach out to more people than is possible by traditional marketing methods.

Technology such as the web, mobile phones, social media, and customer relationship management systems greatly affect modern marketing. Tech helps businesses grow and prosper, create relationships, strengthen the effectiveness of organisations, allow people to learn about one another, and greatly affects the way companies communicate with prospective customers. Every marketer is starting to view technology as an important factor when it comes to development and growth.

Technology is definitely an important and strategic tool to increase your overall efficiency and stay on top of the competitors. Though the role of marketing has not changed due to technology, which is the dynamic power in buyer seller relationships, the corporate attitudes toward the marketing function and marketing approaches have all been impossible to separate from the change brought about by rapid evolution of technology.

Through the use of the internet, consumers have gained access to multitudes of data from around the world; data that is timeless, critical and verifiable. With just a click of a button consumers can gain meaningful insights about companies and their products. They can compare products, find lower prices, read reviews and even communicate with other users through forums about product quality and buyer satisfaction.

(3 fact marks are allocated to the discussing how technology innovation is used in marketing)
(2 fact marks are allocated to the use of relevant examples)
(All relevant facts should be considered)

SECTION C

QUESTION 7

Fact marks are allocated as per the rubric for:

- ***naming***
- ***explaining/justifying/motivating***
- ***examples***
- ***strategies to solve problems***
- ***current affairs***
- ***10 additional facts – must add value to the discussion/argument(s)***

You have been asked to write a business report, where you include the following:

- ***Identify possible trends (both positive and negative) and crises that a manager (franchisor and/or franchisee) of a general retailer will have to deal with.***
- ***Explain how a manager could make use of the various management competencies to skilfully deal with these issues that have been identified.***

Possible trends and crises

Macro environment

Political factors

These factors are important in relation to:

- the local political situation of the country in which the business operates,
- the political situation of other countries in which the business may operate and
- world politics in general.

Political factors and LEGAL factors are closely related, as the political party running the country will make the laws (legislation) that determine what is acceptable and what is not allowed, for example:

When one reviews the political factors that may impact on the business, the following aspects should be considered:

- The likelihood of government interference in the economic functioning of the country (and therefore, the running of businesses), as with a free market vs. socialism vs. communism.
- The degree of political stability in the country and its impact on business confidence.
- Political ties with other countries as this may, for instance, influence trade agreements.
- Degree of media freedom/freedom of speech, which may be used to criticise the political parties in the country when government officials make themselves guilty of corruption.

Economic factors

Economic factors that may affect the business and that ought to be analysed to assess what the implications may be, include:

- Economic growth and development rates in the country, and the direct consequence of these factors: the improvement (or deterioration) of the standard of living of the people of the country.
- Inflation rates: inflation is the continuous and significant increase in the general price level of goods and services. The higher the inflation rate, the lower the purchasing power of the monetary unit will be.

Interest rates: the rate at which people or businesses borrow money from the bank or the percentage return on investment when saving money in the bank. High interest rates make it expensive for businesses to borrow money to expand.

- Exchange rates, i.e. the strength of the rand vs. the currencies of other countries. If the rand depreciates against another currency, it will become more expensive to import from that country.
- High unemployment rates mean people do not have money and as a result, businesses suffer lower profits.
- Taxes such as income tax, VAT and import duties reduce the amount of money businesses and people have to spend.

Ethical factors

Ethics refers to the principles and/or values that determine whether decisions and actions are acceptable. Ethics provide a guideline for the person/business to evaluate how to act in the 'right' way when faced with a moral dilemma or difficult situation.

Elements that the business have to consider when looking at ethics as part of a PESTLE analysis include:

- What is the difference between actions being ethical or legal? Something may be legal, but not ethical in a particular situation. A person or business' set of principles may be ethical, but it may not be legal in terms of a country's trade regulations.
- Fair trade refers to respect and transparency in business dealings, acknowledging that one party will not attempt to exploit the other.
- Corporate social responsibility: it is the responsibility to the shareholders to make a profit vs. the responsibility to give back to the community.
- An employee's privacy regarding the use of the internet vs. the right of the business to expect responsible behaviour from employees. Employers must be able to access computers to ensure employees are not contravening the company's regulations.

Social/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 use opportunities related to the use of mobile devices.

Apart from social media there are other factors for the business to consider in this regard and they include:

- the average age of the population, life expectancy and people becoming more health-conscious
- the number of single-parent families
- HIV/Aids infection and diseases such as TB and malaria
- levels of literacy/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

Technological factors

Technology refers to the equipment the business uses to buy (or make), advertise or sell their products or services.

The following factors impact on the business:

- We have already referred to the rapid development of issues surrounding social media.
- Automation of different processes, requiring less use of lower-skilled (and thus cheaper manual) labour.
- Advances in online money transfers (internet banking, electronic fund transfers).
- Online shopping.
- Quicker sales transactions through EPOSSE (Electronic Point of Sales Scanning Equipment as opposed to manual pricing) at pay points.
- Product innovation through research and development (R & D).

Legal environment

The legal environment refers to all laws that impact on the business. This may include:

- laws that protect the environment against exploitation and pollution
- criminal justice that protects the business against piracy and rip-offs
- laws relating to paying tax, registering the business, health and safety and specifications for dealing with food (to name but a few)

Physical environment and other environmental factors

- Environmental factors are important if one thinks of the growing awareness to protect the environment and to prevent negative consequences such as global warming and changes in weather patterns.
- Think about the general move towards more environmentally friendly products, the emphasis placed on recycling, hybrid cars, higher taxes on air travel and efforts to reduce the carbon footprint.

Crises and trends from the market environment

Level of rivalry (current competitors)

It is important for any business to know what competitors are doing. If one can find a sector where a competitor is not performing well, it may present an **opportunity** for the business to make more profit. By identifying the areas where competitors are achieving success, it may be an indicator of a **threat** to the business, requiring the implementation of a tactic to avoid losses. For example, if a competitor has a superior marketing strategy, it poses a threat to one's business because customers may be lost to the competitor.

When the business is compared to its competitors, the following factors require reviewing:

- size and financial resources of the business
- market share
- the quality of products/service
- consumer brand loyalty
- pricing of products or service
- convenience of location and distribution channels
- trading hours

The business needs to develop strategies to improve and outperform competitors in the above-mentioned factors, as competitors have the power to 'lure away' customers and thus profits.

Examples of such strategies:

- Customer loyalty programmes may be introduced to make the business more attractive than competitors' businesses.
- A business reduces the price of certain products/services to make sure the business is a more attractive option.

Threat of new entrants

Not only current competitors lure customers away; there may be a challenge from a new business that sees an opportunity to make money by entering the market.

An existing business will see any potential new business as a threat to its market share and profits. The business, therefore, tries to build 'barriers' (strategies) to prevent new businesses from entering the market successfully.

Examples of barriers to keep new entrants out of the market:

- A business may 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. In the case of the fast-food business this could be cheap packaging.

Availability of substitute products

A substitute product does **NOT** refer to a different brand. This issue of different brands has been discussed under the heading of Rivalry/Competitors in the market.

Increasing availability of substitute products generates more 'indirect competitors' that a business must consider 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 correct **quantity** to the **place** needed at a reasonable **price**.

Imagine a fast-food retailer sells products at a large athletics meeting in the middle of summer and the supplier is unable to deliver additional water and cooldrinks.

Large suppliers, e.g. Amalgamated Beverage Industries (ABI – suppliers of Coke, Fanta, Sprite, etc.) supply their products to a large number of wholesalers and fast-food businesses. It is important that the business keeps in mind that if the supplier sells to a competitor at a lower price or provides the stock to the competitor when there is limited stock (e.g. during a strike), that your business will be in a weaker competitive position and consequently less successful. Therefore, it is critical that the business develops and maintains good relationships with suppliers.

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 and selling process will grind to a halt.
- Administrative and opportunity costs are incurred when dealing with a stock-out. 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.

For this reason, it is important to build strong and long-term relationships with suppliers, as the success of the business is to a large extent determined by the suppliers of the products.

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, and offered good value for money, they may decide to support a different business.

When a retailer sells to the final consumer, the following aspects may need some consideration:

- What type of product/service is being offered? A consumer, for example, may be prepared to travel a greater distance to buy speciality goods such as cars, jewellery and expensive household appliances to get exactly what he/she wants. Convenience goods (such as groceries) and select goods (such as clothes) do not justify travelling longer distances, and the consumer may be happy to settle for a different brand or a substitute product.
- Is the consumer brand loyal, or is the consumer prepared to swop brands if he/she can get a better deal? E.g., two pizzas for the price of one.
- Price sensitivity – in some instances buyers may be happy to pay more for a product or service if it is delivered, has a guarantee or is conveniently available, etc.

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'.

Management competencies:

Global awareness competency

- 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' 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 competency

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.

INTERNAL:

- The manager should understand the capabilities (strengths) and constraints (weaknesses) of the business.
- 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 one another (interdependent).

- The manager should also have empathy and consider the pressures that different departments experience and should aim to accommodate people where possible 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 to enhance the overall functioning of the business.

EXTERNAL:

- Management should demonstrate an understanding of the opportunities and/or threats that the business may face when viewed in the context of the external environment.
- When one thinks of the external environment, it should be borne in mind that aspects such as national and international trends may have an impact on the business, but that the business could also affect events in the external environment by taking a stand for or against something.

Analysis competency

- To develop both 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 pre-empted 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 competency

- Strategic thinking entails the manager's ability to look at the business' current position in relation to the rest of the market and then to 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 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 to implement corrective action if needed.

Teamwork competency

- 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 one another's strengths and weaknesses.
- As the team leader, the manager has to ensure that members of the team (employees in the business) listen to one another, express disagreement in a constructive manner and then find a way to work 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 and talent development competency

- 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 a 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 pre-determined standards are met
  – by monitoring performance and then giving constructive feedback

Initiative competency

- 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 to create a competitive advantage.

Judgement/decision-making competency

- 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 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 competency

- 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 – compromising to resolve problems.
- It is important to obtain buy-in from the most influential role players – especially in sensitive or high-pressure 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. It is important for managers at all levels to develop this skill.

Customer service orientation competency

- In a successful business, customers and their needs are the primary focus areas and they should be considered in all business decisions.
- It is crucial that the manager listens and responds to customers' 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.

Total: 300 marks