



NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2025

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	1.2	1.3	1.4	1.5	1.6	1.7	1.8
C	D	C	B	D	B	D	C

1.9	1.10	1.11	1.12	1.13	1.14	1.15	1.16	1.17
A	D	A	D	C	D	A	D	C

QUESTION 2

2.1	Horizontal
2.2	SDL
2.3	Premiums
2.4	Debenture
2.5	Excess
2.6	Whistleblowing
2.7	Pricing
2.8	Acid Test
2.9	JSE
2.10	Consequence
2.11	Risk
2.12	Synergy
2.13	COFESA
2.14	Substitute
2.15	Probation

QUESTION 3

3.1	Political
3.2	Legal
3.3	Environmental/Physical
3.4	Technological
3.5	Legal
3.6	Economical
3.7	Social
3.8	Social
3.9	Social
3.10	Technological
3.11	Social
3.12	Environmental
3.13	Political
3.14	Economic
3.15	Legal

SECTION B

Use the mark allocation as a guide to the length of your answers.

QUESTION 4**4.1 Use a pros and cons chart to convince stakeholders that corporate social responsibility commitments can help a business 'do the right thing'.**

Arguments for CSR

- If you support the community, they will support you.
- Act on social issues in a community, or customers will move away.
- The King Code is not law; therefore, there is less red tape.
- Increase standard of living => increase disposable income.
- Giving back to the environment will ensure future generations can benefit.
- Sustainability can grow into new income streams.
- Implementing CSR promotes a more ethical organisation culture.
- Existing CSR programmes can be expanded and improved upon.

(Any other relevant answer)

Arguments against CSR

- Can distract from core business.
- Profits spent on CSR and not given back to investors.
- Difficult to measure the benefits of CSR.
- Communities put pressure on businesses to undertake CSR.
- Not all projects are sustainable.
- The government is allowed to do less and less.

(Any other relevant answer)

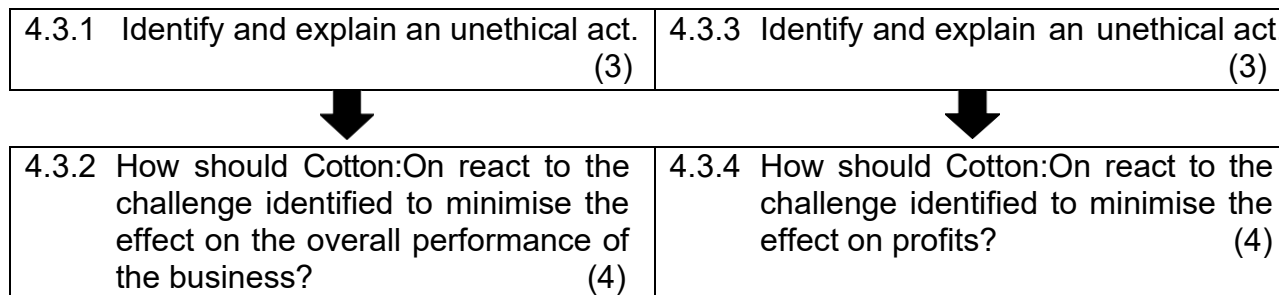
Candidates must apply the pros and cons chart. Must list positive as well as negative factors. Conclusion must be related to most arguments made.

4.2 List TWO examples of CSR programmes.

Examples could include clothing, donations, education and skills training, among others.

(Any other relevant answer)

4.3 Unethical behaviour by employees can impact the profits of a business. Businesses must have different strategies in place to avoid losses. Refer to the flow diagram below and answer the questions that follow.



4.3.1 and 4.3.3

Bribes and corruption

- When someone is offered a reward to give a third party an unfair advantage.
- When someone in a position of power abuses it for personal gain = corruption.
- Inappropriate gifts.
- Unauthorised use of business funds.
- Using company expense account/credit card for personal use.
- More common in managerial positions.

(Any other relevant answer)

Sexual harassment

- Unwelcome physical contact.
- Verbal conduct such as sexual advances / jokes / enquiries.
- Unwelcome whistling/body language.
- Non-verbal conduct such as gestures, indecent exposure, or display of sexually explicit pictures and objects.
- Employees may also not engage in these activities with any suppliers or customers.
- All businesses should have a policy and grievance procedure dealing with sexual harassment and penalties, should the accused be found guilty.

(Any other relevant answer)

Disclosing confidential information

- Insider trading is the illegal practice of trading on the stock exchange to one's own advantage through having access to confidential information.
- Employers exploiting employees.
- Employers not providing ethical working conditions.

(Any other relevant answer)

Unethical behaviour by employees/Abusing electronic media

- Employees abusing sick leave.
- Abuse of internet/email.
- Visiting questionable websites.
- Making confidential information known to persons who do not have access to that information.
- Spreading rumours about the business or fellow employees.

- Abuse of social media sites – not as part of work.
 - Personal emails or sending emails that could damage a business's reputation.
 - Taking office supplies for personal use.
 - Verbal abuse.
- (Any other relevant answer)

Conflict of interest

- Non-disclosure of family/friend interest in tenders – the person making the decision should withdraw.
 - If an applicant is a friend or family of a person on the selection panel.
 - Member of the board of directors has an interest (investment) in supplier/customer, etc.
- (Any other relevant answer)

Tax evasion

- Tax evasion – illegal – not declaring income – inflating expenses.
- (Any other relevant answer)

Piracy

- Illegal reproduction of someone's work that has been protected by patent or copyright.
- (Any other relevant answer)

Counterfeiting/Bootlegging

- Counterfeiting – fraudulently imitating another's work and pretending it is the original. This refers to goods.
 - Bootlegging – to make, sell, or transport (alcoholic liquor) for sale illegally. / To produce, distribute, or sell without permission or illegally.
 - Selling alcohol without a liquor licence.
- (Any other relevant answer)

Unfair advertising

- Any advertising not in line with CPA or ASA.
- (Any other relevant answer)

Pricing of goods

- CPA unfair pricing.
 - Price fixing – a practice whereby rival companies come to an illicit agreement not to sell goods or services below a certain price.
- (Any other relevant answer)

4.3.2 Strategy

Any valid strategy – may not be duplicated.

The strategy must address the unethical act identified.

Strategies could include:

- Training of staff members
- Revising codes of conduct/ethics or rules
- Applying corporate governance
- Adhering to King Code of Conduct
- Internal risk audits
- Workshops
- External consultants to advise
- Communication with industry regulators (e.g. trade union representatives)

(Any other relevant answer)

There must be a link to performance.

- increase in staff retention / public image / customer loyalty
- increase productivity as staff feels safe / valued / protected
- internal public relations improve as staff proud to live the brand
- improved quality of decisions and product or service

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- Workshops
- External consultants to advise
- Communication with industry regulators (e.g. trade union representatives)

(Any other relevant answer)

There must be a link to the profits

- reduction in fines / insurance / cost
- increase in sales due to improved public relations
- cost saving as resources are protected

4.4 Define the term **diversification** in relation to investments.

Diversification means **spreading** the investment risk between various asset classes.

(Any other relevant answer)

4.5 Suggest strategies to maximise the income from the following investments.**Property**

- Location of property. A better area means better rent.
- Screen tenants – who pay – credit checks.
- Negotiate better interest rates.
- Allow capital growth.

(Any other relevant answer)

Shares

- Invest in blue-chip shares.
- Use advisors.
- Invest offshore.
- Research company.
- Do not speculate.

(Any other relevant answer)

Collectables

- Research the collectables.
- Insurance.
- Security.

(Any other relevant answer)

4.6 Discuss the benefits of the following compulsory insurance for BOTH the employer and employee.**COIDA****Employer**

- Indemnifies against additional costs.
- Ensures compliance with OHS Act.

(Any other relevant answer)

Employee

- Covers the cost of medical expenses of injuries.
- Pays beneficiaries in case of death.
- Only a cost to employer.
- Employee does not pay.

(Any other relevant answer)

UIF**Employer**

- Indemnifies against further claims from employees who have left.
- Both employee and employer pay – less cost.

(Any other relevant answer)

Employee

- Provides financial relief when not working due to loss of employment.
 - Pays during maternity leave.
 - Pays beneficiaries in case of death.
 - Only 1% of income – affordable.
- (Any other relevant answer)

4.7 List the TWO requirements for a valid insurance contract.

- Good faith/Absolute honesty: the insured must disclose all relevant information that may affect the risk to the insurer.
 - Insurable interest: refers to the requirement that the insured can prove that they will lose financially if the object that has been insured is destroyed or damaged.
 - Contractual capacity: 18 years or older
- (Any other relevant answer)

4.8 Differentiate between insurable and non-insurable risk.

- Insurable risks: include fire, vehicle, all-weather, money-in-transit, fidelity (theft of money), liability, crop, and group life cover insurance.
 - Uninsurable risks: everything is insurable; however, it comes at a cost.
 - Some risks are too expensive to insure against.
- (Any other relevant answer)

QUESTION 5

5.1 **Woolworths is passionate about its brand. Define the term *branding*.**

- Tells customer about the business and how it is different.
- Gives an impression of values or beliefs of the business.
- Conveys a positive message that the customer remembers.
- In line with vision and mission.
- This is the combined effect of a name, term, logo or design to distinguish one good/service from its competitors.

(Any other relevant answer)

5.2 **With the use of practical examples, explain how Woolworths can use brand stretching and brand extension to increase its market share.**

Brand stretching	Brand extension
<ul style="list-style-type: none"> • Existing brand expanding on an existing product for an existing market. (Any other relevant answer) Any example <ul style="list-style-type: none"> • Can include adding value for money, e.g. clothing line. • Adding bottle store. • Partnering with private schools to keep branded uniforms. (Any other relevant answer)	<ul style="list-style-type: none"> • Successful brand expanding into other products/markets. (Any other relevant answer) Any example <ul style="list-style-type: none"> • Adding sporting equipment. • Adding school stationery. (Any other relevant answer)

5.3 **Quality is an important part of the Woolworths brand. Explain how the following management tasks can be used to improve the quality of the goods and services offered.**

Communication

- Transfer of information/instructions from management to employees.
- Less misunderstanding can lead to better performance/service delivery.
- Feedback from employees to management – leads to management knowing what is going on at the customer level – this can lead to policies to improve quality.
- Clear communication in advertising – customers have the correct information.
- Use of language on website/online platforms – fewer errors in orders processed.

(Any other relevant answer)

Control

- Comparing actual results to standards ensures quality is maintained and monitored, and corrective action is taken.
- Employees are aware they are being monitored and will improve their performance.
- Early detection by management of possible problems.
- Adhering to budgets can ensure any additional funds can be used effectively to enhance the customer experience.
- Quality control overall ensures better customer satisfaction.

(Any other relevant answer)

Delegation

- Work is distributed among employees.
- This results in the employee with better skills attending to a task and doing it more efficiently.
- Manager is freed up to address other quality control problems that are missed by role overload.
- A better definition of roles means people can specialise in that field.

(Any other relevant answer)

5.4 'Managers need to be aware of factors affecting overseas suppliers.'

5.4.1 Name the type of management competency described above.

Global awareness

5.4.2 Explain the possible impact on Woolworths' operations if managers do not have the competency named in 5.4.1.

Any valid answer – must show an understanding that monitoring worldwide events is important to identify possible risks/opportunities.

Answers could include

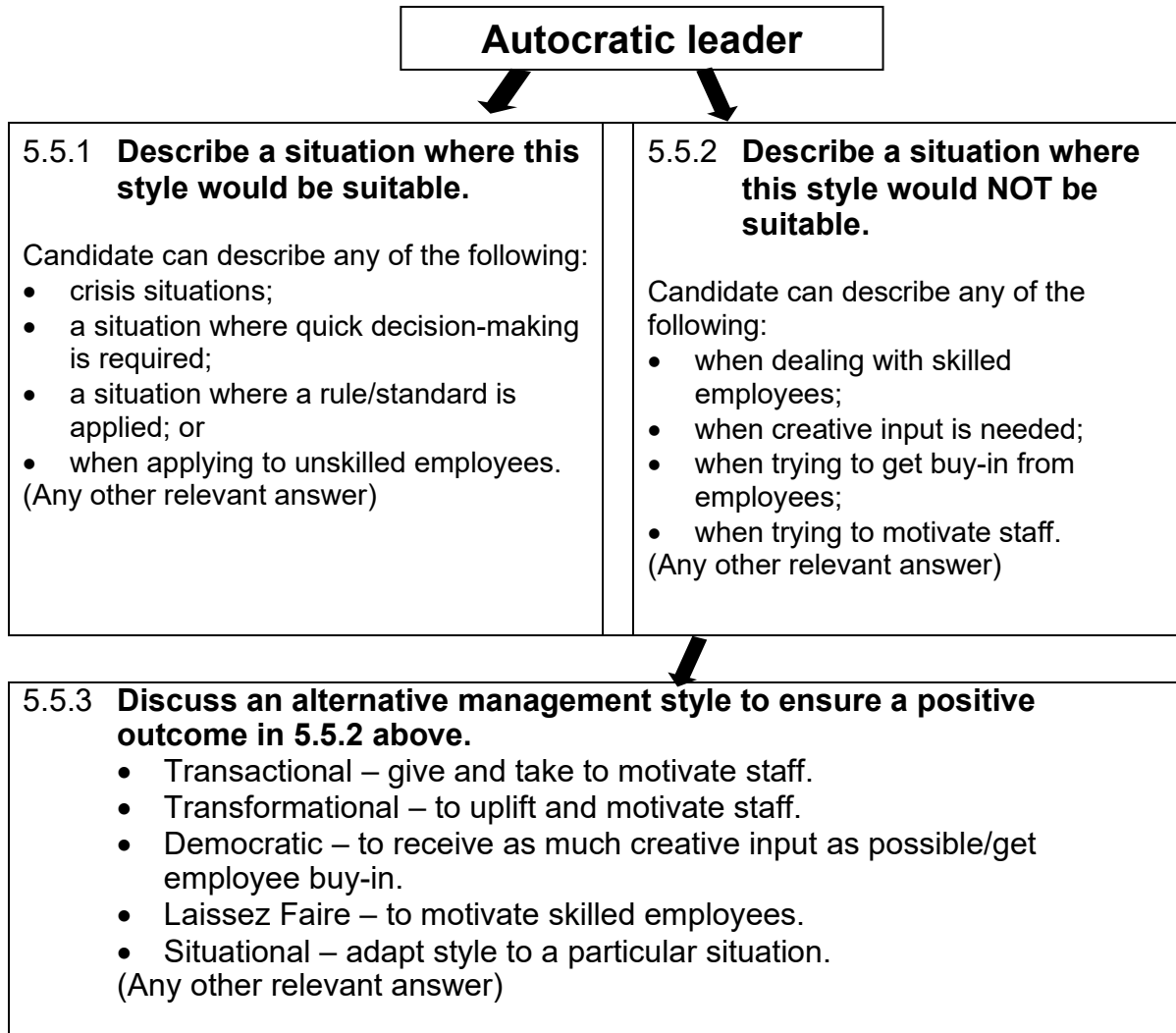
Managers should be able to monitor and analyse any global PESTLE factors that could influence the business. For example:

- Fashion trends.
- War causing disruptions in supply lines.
- Exchange rates fluctuation.
- Unethical practices by suppliers.
- New online competitors.
- Natural disasters affecting supply change.

Risk or opportunity should match the factor

- Increase cost.
- New market.
- Supply shortage.
- Image affected.

5.5 Complete the schematic diagram below on management styles:



5.5.4 Explain why it is important for entrepreneurs to be effective leaders.

- To guide employees towards the goals of the business.
 - To align the goals of the individual with those of the business.
 - To ensure employees are motivated and happy.
- (Any other relevant answer)

5.6 Provide examples of how Woolworths can enhance its brand image through the following.

5.6.1 Transparency

- Open triple bottom line reporting shows they have nothing to hide.
 - Showing country of origin on products displaying fair trade and other collective marks.
 - Open communication by public relations when things go wrong.
- (Any other relevant answer)

5.6.2 Accountability

- Any example of taking responsibility for wrongdoing.
 - Refund policy. Public recall of faulty products. Paying for damages/liability.
- (Any other relevant answer)

5.7 Discuss THREE benefits for a listed company to comply with the King Code.

- Can lead to better share price.
 - Business is committed to identifying risks.
 - More trust in management by stakeholders.
 - Better rating on sustainability indexes.
 - Better public image.
 - Minimised losses through risk management and reduction of conflict of interest.
- (Any other relevant answer)

QUESTION 6

- 6.1 **With the use of different examples, explain how the introduction of the new clothing brand to Checkers could cause the following types of conflict.**

Dysfunctional conflict

Any description of a conflict that results in the breakdown of communication/productivity.

Conflict must relate to the introduction of new brand – change.

Answers could include

- fighting among staff for promotion;
- moving to clothing instead of retail, staff making mistakes;
- different management styles in fashion causing uncertainty;
- cultural differences in types of clothing.

Functional conflict

Any description of a conflict that results in improvement of communication/productivity.

Conflict must relate to introducing a new brand – an opportunity for collaboration.

Answers could include

- disputes about displays;
- arguments about seasonal clothing on display;
- debates about shift allocation; or
- discussion of shop layout.

- 6.2 **Discuss the possible ways the CCMA could resolve conflict.**

Conciliation: A process where a commissioner meets with the parties in dispute to explore ways to settle the dispute through agreement. At conciliation, a party may appear in person or be represented by a director, employee, or any relevant member, office bearer, or official of that party's registered trade union or registered employer's organisation. The meeting is conducted informally.

Mediation: The commissioner may begin by meeting jointly with the parties and asking them to share information about the dispute. Separate meetings may also be held between the commissioner and each party. Parties are encouraged to share information and to put forward ideas on how their differences can be settled. The commissioner may also make suggestions.

Arbitration: When conciliation fails, a party may request the CCMA to resolve the dispute by arbitration. At an arbitration hearing, a commissioner allows both parties to state their cases fully. The commissioner then makes a decision on the issue in dispute. The decision, called the arbitration award, is legally binding on both parties. Attempts must generally be made to resolve the dispute through conciliation. If it cannot be resolved by conciliation, the parties can go to arbitration or the Labour Court. The Act specifies which disputes relate to which processes.

(Any other relevant answer)

6.3 Trade unions are often included to resolve conflict. Discuss the implications (positive/negative) of their involvement for both employers and employees.

Employees

- Help and represent workers, at their request, in grievance and disciplinary hearings.
- Mouthpiece for workers' rights.
- Membership fee costs.

(Any other relevant answer)

Employers

- Monitor the employer's compliance with the Labour Relations Act, laws regulating terms and conditions of employment, and any collective agreement.
- Report any failure by the employer to comply with the law.
- Additional labour cost after negotiation.

(Any other relevant answer)

6.4 Name THREE possible reasons for a strike.

- Wage increases.
- A demand to recognise a trade union.
- Unhappiness regarding unilateral changes that the employer made to working conditions.
- In sympathy with a protected strike by another party.

(Any other relevant answer)

6.5 Do you think strikes are an effective tool to resolve labour disputes? Motivate your answer.

Positive

- Employees may not be dismissed for going on strike.
- The employer cannot apply for a court interdict to stop the strike.
- Employers may not claim damages/loss of production.
- Employers must still provide food and accommodation if this is part of remuneration – this can be claimed back at a later stage.
- The refusal to work is not seen as a breach of contract.

(Any other relevant answer)

Negative

- Employers may apply for a court interdict to prevent unlawful action, such as
 - damage to property, or
 - intimidation of working employees.
- An employer does not have to pay employees participating in a protected strike. The 'no work, no pay' rule may be enforced.

(Any other relevant answer)

6.6 Discuss the requirements of a disciplinary hearing.

- The complaint must be in writing.
- The accused should be given full details of the charge.
- The hearing date, time, and venue should be given in writing.
- Time should be given to the accused to prepare for the hearing and appoint representatives.
- An interpreter is appointed if needed.
- The complainant gives evidence, calls witnesses, cross-examination.
- The accused presents their defence.
- The chairperson of the hearing makes a decision.
- The verdict and punishment is given to the employee in writing.
- The accused is advised to take the matter to CCMA should they not be satisfied with the verdict.

(Any other relevant answer)

6.7 Elaborate on what additional steps a business would need to take to make the following dismissals fair.**Dismissal due to incapacity**

- The employer should try to adapt the employee's tasks.
- Extended unpaid leave.
- Transfer if possible.
- Dismissal.

(Any other relevant answer)

Retrenchment

- Possible steps should have been taken to prevent or minimise retrenchments.
- All reasons for retrenchment must be stated, as well as the alternatives considered.
- The amount of consultation with employees and representatives.
- Criteria to identify affected employees.
- Notice periods given to employees.
- Severance pay.
- Offers of re-employment at a later stage.

(Any other relevant answer)

6.8 Motivated employees are productive employees. Evaluate the effectiveness of monetary motivation in the long and short term.

- Ensures compliance, not risk-taking, as it is based on performance.
- Extrinsic motivator instead of intrinsic.
- Employees do things for reward, not because it is the right thing to do.
- If monetary requirements (budget creation) cut corners – reduced quality.

(Any other relevant answer)

6.9 **Discuss how the implementation of the various steps of the selection process can be used to improve the productivity of a business.**

- A. **Receipt of application forms (external and internal) and/or CVs**
- HR managers must be available to answer any queries from applicants.
 - After the closing date, a list of all application forms received is drawn up.
 - Documentation received (i.e. CV, letter of application, and application form) are checked to ensure that everything needed is there.
- (Any other relevant answer)
- B. **Initial screening**
- To identify applicants who do not meet the minimum requirements of the job and notify them accordingly.
 - Suitable applications are referred to the next step.
- (Any other relevant answer)
- C. **CV/Job application evaluation**
- Selection panel to evaluate the applications of all applicants who meet the minimum requirements of the job.
 - A predetermined set of criteria and a scoring system are used to evaluate each applicant in each category.
 - Applicants are ranked according to their scores achieved.
 - A shortlist of applicants is then drawn up.
- (Any other relevant answer)
- D. **Reference and background checks**
- Applicants are potential new employees; therefore, the HR department needs to verify as much information supplied in the CV as possible.
 - Employment records and qualifications are checked.
- (Any other relevant answer)
- E. **Interview of candidates on the shortlist**
- One person or panel interview
 - Purpose
 - to **get** information from the applicant to assess their suitability for the job, and
 - to **give** more information about the business to the applicant.
- (Any other relevant answer)
- F. **Tests and examinations**
- To test the applicant's suitability further.
 - Tests may not discriminate against any person.
 - Types of tests include ability/trade tests, psychometric tests, and work sample tests.
- (Any other relevant answer)
- Medical examinations**
- The Employment Equity Act (Section 7) states that no medical examination may be required unless it is an inherent requirement of the job or for the purpose of the distribution of employee benefits.
 - An employee may be requested to complete a health-related questionnaire.
- (Any other relevant answer)

G. Letter of appointment

- Selectors will **rank** the applicants in order of suitability for the job.
- A **written offer of employment** will first be made to the best-suited person and if they accept the offer (preferably in writing), the other candidates will be informed in writing that their applications were unsuccessful.
- If the best person does not accept the offer, then an offer is made to the second-best candidate. This is repeated until an appointment is made.

(Any other relevant answer)

H. Employment contracts

- The LRA (Labour Relations Act) now requires both employer and employee to **agree, draw up, and sign** an employment contract.
- A contract is a legally binding document and must comply with the Basic Conditions of Employment Act.

(Any other relevant answer)

150 marks

SECTION C

The following aspects will be considered when marks are allocated within this question:

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

QUESTION 7

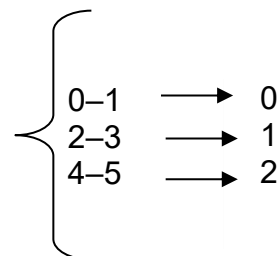
South African consumers are more careful when spending in difficult economic times. Businesses need to run their operations as efficiently as possible.

Write a business report for a fashion retailer in which you discuss how they could use performance management tools to analyse risks identified in the business functions.

Marking Guidelines

FORMAT

- To:
- Date:
- Topic:
- Compiled by:
- Structure including paragraphs, subheadings, bullets, etc.



Possible links:

- Risk to tool
- Risk of loss in performance
- Increase in performance due to tool implementation

Risk in business functions

Purchasing function

Responsible for ordering, sourcing, buying and finalising all goods and services needed to operate the business.

There are three types of purchases:

1. Goods bought for own use – milk and tea for staff.
2. Goods to be resold – Coca-Cola.
3. Goods bought for processing – flour for bakery.

Consider

- Right time.
 - Right quality.
 - Right quantity.
 - Right price.
-
- Looks at all activities of supply – from extraction to consumer.
 - Keeps customer in mind when looking at supply and flow of information and materials.
 - Controls stock quantities – minimises capital investment.
 - Creates a network for sharing information.
 - Looks at ethical supplies.
-
- Risks of purchasing
 - Political factors.
 - Social trends.
 - Technological advancement.
 - Environmental risks.
 - Power of suppliers.
 - Stock control.
 - Any other factors affecting procurement.

Production function

- Combine factors of production.
 - To provide the right product at the right place and time, in the quality demanded, at the price the consumer is willing to pay.
 - The product needs to be able to satisfy a need.
 - The cost needs to be as low as possible without comprising quality.
 - Continuous product design and development – collaboration with the marketing department.
 - Consider automation.
-
- Quality of production is influenced by
 - Standard of raw materials.
 - Calibre of labour.
 - Reliability of machines.
 - Stable working conditions.
 - Sampling – one unit is tested in a batch (risk of undetected items).
 - Inspection – every unit is tested (costly and not always possible).
 - Eliminating problems in the production process.
 - Reducing costs.
 - Encouraging workers to produce to a high standard.
 - Helping to reward/evaluate workers.
 - Helping build the brand.

Production risks

- Insufficient or poor quality of raw materials.
- Expensive changes in technology.
- Quality control issues.
- External factor (electricity supply).
- Other factors.

Financial function

The 4 main objectives of the financial function are to

- Maximise profits.
- Increase profitability.
- Ensure liquidity.
- Remain solvent.

Maximise profits by

- Reducing cost of sales.
- Reducing operating expenses.
- Increasing selling price.

Increase profitability

- Increase ROI

Ensure liquidity

- The ability to cover expenses
- Current ratio (2:1)
- Acid test ratio (1:1)

Remain solvent

- Asset should be able to cover all liabilities
- Solvency ratio (2:1)

Financial information is obtained from

- A statement of comprehensive income.
- A statement of financial position.

The finance function is responsible for credit and decides whether it should be allowed.

Financial risks

- Budgets not adhered to.
- Bad debt.
- Economic risks.
- Any other factors.

Human resources function

- Labour is important.
- One of the highest costs.
- Trade unions.
- Unhappy employees – reduce productivity.

Objectives of human capital

- How many/What skills are needed?
- Recruitment
- Placement
- Training
- Motivation
- Evaluation and reward
- Staff retention
- Job satisfaction
- Ensuring compliance with labour legislation

Human capital risks

- Lack of specific skills.
- Changes in labour legislation.
- Unrealistic demands from trade unions.
- Poorly motivated staff.
- Conflict.
- Other factors.

Marketing function

Marketing mix – 4Ps include

- product
- price
- place and
- promotion
 - Promotion is further divided into the 4Ps of marketing communication mix, namely
 - advertising,
 - sales promotion,
 - personal sales, and
 - publicity.
 - Must satisfy needs and wants.
 - Price that the consumer is prepared to pay.
 - Distributed at the right place.
 - Information must be communicated to the consumer.
 - Market research.
 - Target market.

Marketing risks

- Insufficient/poor market research.
- Product does not satisfy.
- Prices too high.
- Incorrect distribution channel.
- Money spent on promotion does not result in ROI.
- Other factors.

Public relations function

- What is the public opinion of our business?
- Long-term relationship between management and stakeholders.
- Promote the image of the business.
- Often involves crisis management.
- Easy to link to CSR.

Public relations risks

- Bad publicity.
- Managing and responding to social media.
- Response to customer problems.
- Relationships with stakeholders not developed.
- Other factors.

Public admin/Management Information Systems

- Collecting data.
- Handling data.
- Storing data – up to 5 years.
- Ensuring data is easily retrievable.

Admin/MIS risks

- Not keeping documents long enough.
- Inaccurate records kept.
- Not kept up to date – management decisions not up to date.
- Safekeeping of customer details (Popi Act).
- Other factors.

General management function

- Planning, leading, organising, and control.
- Activation, including delegation, coordination, communication, motivation, decision-making, and discipline.
- Vision, Mission, Objectives, and Goals.
- Leadership styles.
- Corporate governance – accountability, independence, integrity, etc.

General management risks

- Poor PLOC.
- Poor execution of other tasks.
- Wrong management style used.
- Lack of knowledge of internal and external factors.
- Not ensuring legislation is adhered to.
- Other factors.

Performance management tools**Value chain analysis**

It looks at every step a business goes through, from raw materials to the end user. The goal is to deliver maximum value for the least possible total cost.

- Steps to follow for value chain
 - Divide the business into separate activities and processes.
 - Describe each step in the process (this often covers more than one business function).
 - Assess and improve each step and eliminate the ones that do not add value.

Balanced scorecard

- This technique isolates four separate areas that need to be analysed, namely
 - learning and growth,
 - business processes,
 - customers, and
 - finance.

The results are interpreted and used by management to make better long-term decisions.

SWOT analysis – Strengths and Weaknesses (internal environment).

Resource-based approach

- This is the effective and efficient application of valuable resources to determine the competitive advantage of a business.

NOT all resources are relevant strategically; they have to be:

- valuable
- rare
- unique and
- non-substitutable

Revise business mission**Establish or revise objectives****Total Quality Management (TQM)**

- Refers to the effort implemented throughout the business (TOTAL) to plan and control (MANAGE) the standards (QUALITY) of all operations to deliver the best product or service to the customer.
- The Kaizen Quality Improvement Philosophy – builds on the idea of Kai (Japanese for continuous) and Zen (meaning better).
- Kaizen is central to TQM and focuses on continuous process improvement.

Benchmarking

A **process** where the business looks at its own methodologies for performing a task and then compares it to the methods used elsewhere.

Financial ratios

Current Capital Ratio (Current Ratio)	Current Assets: Current Liabilities
Acid Test Ratio	Current Assets – Inventory: Current Liabilities
Return on Investment (ROI or profitability)	Net Profit/Own Capital × 100/1
Solvency Ratio	Total Assets: Total Liabilities

Budgets

Analysing actual financial results in comparison to predicted or planned results. This helps identify aspects overlooked, misjudged, or not picked up in environmental scanning.

Performance appraisals

Performance appraisals 360° and self-evaluation.

- Employees' performance is based on achievement of targets and receiving input from external sources.
- Feedback needed to discuss plans of action.

Sampling and inspection

- Sampling: a sample from the batch is tested for quality – if the sample passes, then the whole batch passes.
- Inspection: all items in a batch are checked for quality.

Continuous skills development

- Need to keep up-to-date constantly.
- This enables the business to achieve goals.

Teamwork

- Sparks creativity.
- Bounce off ideas for viability.
- Cornerstone of success.
- Two heads are better than one.
- Specialisation.

Generic strategies

- Low-cost strategy – aimed at gaining a competitive advantage by having the **lowest possible cost** (either increases profits or market share).
- Focus strategy – business targets/focus on a niche market, creates a strong band of loyal customers, making that segment less attractive to competitors.
- Differentiation strategy – sets the business apart from its competitors, making its product and/or service unique and more attractive to the consumer.

Corporate combinations

- Strategic alliances, joint ventures – when businesses and stakeholders come together to achieve a **common goal** and gain a competitive advantage by combining resources effectively. Mergers – when businesses combine mutual consent.
- Takeovers (acquisitions) – involve buying most, if not all, of a targeted company to gain full control.

Decline strategies

They are experienced after difficult times or if management wants to decline to grow in a different area. The business can decide to cut losses through a **divestiture, harvest, or liquidation strategy**.

- **Harvest strategy – reduces diversity of products**
- **Divestiture strategy – declines by cutting losses – sell assets**
- **Liquidation strategy – sells the entire business**

Growth strategies

Plans of action to increase market share. They focus on the resources to seize opportunities for growth. They could lead to a business redefining its core business objectives. Typically, they require increased R&D investment, reallocation of resources, recruiting skilled staff, and a greater emphasis on innovation and risk tolerance.

- Market penetration – a business is forced to grow through market penetration when the market is saturated or it has no new product to develop or promote. It aims to give the business a greater percentage of the market share, which can be achieved through pricing, marketing, and other innovative initiatives.
 - *Existing market with existing products, increase market share*
- Product development – develops *new product(s)* for an *existing market* or a market it is already familiar with instead of pioneering a new market with existing products.
 - *New market*
- Market development – develops a new market for an existing product or service.
- Diversification – develops a new market for a new product or service.

Integration strategies

Forward – gaining control/ownership of distribution channels/retailers to customers.

Backward – gaining control/ownership of suppliers and supply chain.

Horizontal – gaining control/ownership of rivals/competitors.

Total: 300 marks