



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2017

**BUSINESS STUDIES: PAPER I**  
**MARKING GUIDELINES**

Time: 2 hours

200 marks

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**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.**

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**SECTION A****QUESTION 1      MULTIPLE CHOICE**

<b>1.1</b>	B
<b>1.2</b>	C
<b>1.3</b>	D
<b>1.4</b>	A
<b>1.5</b>	A
<b>1.6</b>	B
<b>1.7</b>	B
<b>1.8</b>	D
<b>1.9</b>	A
<b>1.10</b>	C

**QUESTION 2      BUSINESS STUDIES DICTIONARY**

<b>2.1</b>	Liquidation
<b>2.2</b>	Transparency
<b>2.3</b>	Autocratic
<b>2.4</b>	Endowment
<b>2.5</b>	Cession
<b>2.6</b>	Induction
<b>2.7</b>	Solvency
<b>2.8</b>	Consumer Protection Act
<b>2.9</b>	Picketing
<b>2.10</b>	Fringe Benefit

**QUESTION 3**

<b>3.1</b>	Evasion
<b>3.2</b>	Lock-out
<b>3.3</b>	Benchmarking
<b>3.4</b>	Job
<b>3.5</b>	Global Reporting Initiative

**SECTION B****QUESTION 4****4.1 South African Labour Legislation**

(Note: Marks can be allocated according to the breadth or depth of candidates answers, i.e. possible mark allocation combinations:

- Purpose 2 facts × 1 mark each + negative implication 2 facts × 1 mark each **OR**
- Purpose 1 fact × 1 marks each + negative implication 3 facts × 1 mark each **OR**
- Purpose 3 facts × 1 mark each + negative implication 1 fact × 1 mark each)

**4.1.1 Basic Conditions of Employment Act****Purpose:**

- The BCEA is aimed at ensuring that employees are treated in a fair manner in the workplace and
- through this, the BCEA promotes economic development.
- The BCEA protects workers against unfair labour practices.

**{Consider any other relevant fact on the purpose of the BCEA}**

**Negative Implications:**

- An employer may not be able to meet the minimum requirements of the Act and
- as such may not employ the person. The person remains unemployed.
- Monitoring to ensure that employers follow the prescriptions of the Act is problematic from a corruption point of view.
- – bribing labour officials is often prevalent.
- As many workers are illegal/do not have the right documentation, employers illegally side step the requirements of that Act and workers do not complain – they have a job.

**{Consider any other relevant fact on the negative implications of the BCEA}**

**4.1.2 Employment Equity Act****Purpose:**

- The Act is designed to redress the inequalities of the past.
- This is done through Affirmative Action (AA).
- Affirmative Action means designated groups (Blacks, Coloureds, Indians, Chinese, all females and disabled people)
- who were previously marginalised in the workplace,
- now get preferential treatment
- to ensure there is equal representation
- in all job categories and
- at all levels of the workplace.
- When looking at issues such as training, promotion and remuneration,
- any inequality due to past practices must be rectified.

**{Consider any other relevant fact on the purpose of the Employment Equity Act}**

**Negative Implications:**

- One of the disadvantages of EE is that it places an additional workload on the business
- e.g. from issues of recruitment (design of the recruitment advert);
- selection (selection of panel members or the monitoring of EE in organisations).
- Employers should conduct an analysis to identify equity issues and then submit this in their EE report.
- There are EE inspections to ensure EE reports are accurate.
- Huge fines may be imposed if certain requirements are not met.
- People who do not necessarily have the skills to work in a certain position
- are sometimes promoted to get the right proportion of designated people.
- This may hamper productivity.
- The brain drain experienced by South Africa is a disadvantage of EE.
- The Act is perceived as being discriminatory in its application.

**{Consider any other relevant fact on the negative implications of the EE Act}**

#### 4.1.3 Skills Development Act

**Purpose:**

- To help South Africans to improve their qualifications and skills and
- to ensure economic development is achieved and people have better standards of living.
- To introduce Learnerships and skills programmes
- to boost vocational learning (i.e. the workplace becomes a place of learning).
- To promote entrepreneurship.
- To improve employment opportunities for unemployed people by giving them skills needed to find or create their own employment.
- To encourage employees
- to improve their skill levels by becoming involved in training.

**{Consider any other relevant fact on the purpose of the Skills Development Act}**

**Negative Implications:**

- The Sector Education and Training Authorities (SETAs) overseeing training in the different sectors are not always effective and
- the result is that there are large sums of money that should be spent on training
- that simply sit in some of the SETAs' bank accounts.
- The amount that may be claimed back for submitting the WSP and ATR
- has been reduced from 50% to 20% with effect from 2013.
- This makes it more difficult for businesses to claim back their money,
- because not just any training will qualify to warrant the additional 30% refund.

- Workers who are selected to do training can be linked to EE quotas implying that some workers who feel they deserve training miss out.
- The 20% requirement for pivotal training has been changed in current legislation in 2017. It has reverted to the original legislation.  
**{Consider any other relevant fact on the negative implications of the Skills Development Act}**

## 4.2 Management and Leadership at a fast food franchise

### 4.2.1 State ONE obstacle to effective decision-making.

- Inability to get buy-in from the workers to follow through on the decision;
- Inexperience/lack of skill of the decision-maker;
- The complex nature of certain decisions may make its success questionable;
- Lack of resources to make an effective decision.
- **Language barriers**
- **Technological barriers**  
**{Consider any other relevant obstacle to effective decision-making}**

### 4.2.2 Discuss where it would be appropriate for the franchisee to use a democratic leadership style. Give an example as part of your answer.

- A democratic leader is a leader who allows subordinates to provide input and participate in the decision-making process
- **Example:** If there is a grievance in the workplace, the franchisee will hear (getting input) from all the relevant parties as to their opinion/feelings on the issue and then make a decision that suits most of the affected parties.  
**{Consider any other relevant example of a democratic leadership style}**

### 4.2.3 Discuss ONE challenge that a franchisee could face when delegating tasks to employees.

- The franchisee must learn how, when and where to delegate.
- The chosen employee must have the right skill, i.e. expertise, time management, competency to complete the task.
- The franchisee must have confidence in his/her employee – he/she must not be expected to constantly check up on the performance of the employee.
- The franchisee must ensure that the employee has the maturity to be held accountable for the quality of work done – thus taking responsibility for their actions.
- The process of delegation must be transparent, i.e. why a specific task is being delegated and the reason why it is delegated to a specific person – there must not be any hidden agendas.  
**{Consider any other relevant challenges that a franchisee could face when delegating tasks to employees}**

**4.2.4 Describe ONE positive outcome when the franchisee plans his/her finances timeously.**

- The franchisee has an idea of exactly what and where he/she can spend his/her money.
- The franchisee will be able to make strategic long-term financial decisions with ease as there is provision made for future growth and development of the franchise.
- Tactical decisions can be translated and enforced by middle-level management within boundaries of the planned budget.
- On the ground level the operational decisions can be enforced on a day-to-day level to ensure good profitability.
- The franchisee can immediately put a hold on expenditure that is going over-budget.

**{Consider any other relevant positive outcome when the franchisee plans his/her finances timeously}**

**4.2.5 Describe how a teamwork competency by a franchise manager can lead to success of the business. Give an example to illustrate your answer.**

- A good franchisee will be aware of other people's feelings and fears and anticipate how these will affect team members.  
**Example:** the franchisee requires all team members to undergo sensitivity training.
- The franchisee should ensure that teams are designed so that members will complement each other's strengths and weaknesses.  
**Example:** the franchisee could access the team member's records from HR and have this knowledge at hand, e.g. skills levels.
- The franchisee, as team leader, should ensure that the members of the team listen to one another, express disagreement in a constructive manner and then find a way to work co-operatively with one another.  
**Example:** the franchisee should have an active say in the dynamics of the group, e.g. force time-out and have constructive feedback sessions.
- The franchisee will encourage all team members to work together, but will prudently intervene to resolve conflict.
- The franchisee must understand the goals and that all team members are empowered with the necessary skills to achieve these goals.

**{Consider any other relevant facts that relate to an understanding of Team Work competency}**

**{Full marks could be earned if the example illustrates full mastery of the concept}**

### 4.3 Industrial Action at a fast food franchise

#### 4.3.1 List **THREE** benefits of a protected strike.

- During a protected strike, the workers have the security of knowing they cannot be dismissed.
- Employers cannot get a court interdict to stop the strike.
- Employers are not allowed to seek damages because of loss of production during the strike.
- Employers should continue to provide food and accommodation for employees if it is part of the employees' remuneration.
- Once the strike has ended, employers may go to the Labour Court to reclaim the money spent on accommodation and food during the strike.

**{Consider any other relevant benefits of a protected strike}**

#### 4.3.2 Name **TWO** groups of people who are not allowed to strike.

- Police services;
- Parliamentary services;
- Any service where the interruption of that service may endanger the life, personal safety or health of any part of the population.

#### 4.3.3 Describe **ONE** positive outcome when workers decide to picket.

- The workers have a platform where they can collectively show their strength (power) especially on an issue that they feel passionate about – but management does not see this.
- Often management will re-evaluate the workers' grievance from a different light, especially because they know that this industrial action will have negative implications.
- A prolonged strike is not good for the image/productivity so it may force management to resolve the grievance quickly.
- Management is forced to consider the issues of the workers.
- A picket may also strengthen the position of a trade union during wage negotiations.

**{Consider any other positive outcome when workers decide to picket}**

**{Consider picketing from workers and employer's perspective}**

#### Describe **ONE** negative outcome when workers decide to picket.

- The image of the business could be negatively affected as the sight of the picketing workers creates a poor impression of employer/employee relations.
- Management may be reluctant to compromise on their demands because the workers have chosen this form of industrial action.
- Customers may choose not to do any business with the affected franchise and this could result in loss of customer loyalty and revenues and put a strain on meeting franchise expenditure.

**{Consider any other negative outcome when workers decide to picket}**

**{Consider picketing from workers and employer's perspective}**

**4.3.4 Discuss the benefits of using a trade union representative in labour negotiations.**

- The trade union representative is an expert in the field of negotiation and could offer the employer/employee the best option in the dispute.
  - Trade union representative could be a neutral outside person who may give a different perspective or take on the dispute and this may speed up the resolution process.
  - There could be a sense of loyalty to the trade union representative in that he/she has the workers' needs at heart and is the best person for the job.
  - The trade union representative may have experienced many different types of disputes and uses this experience to their advantage.
- {Consider any other relevant function of a trade union representative}**

**4.3.5 Explain why it may be beneficial for an employer to include a probation period as part of an employment contract.**

- The probation period gives the employer an opportunity to see if he/she has made the right choice during the selection process;
- If the selection has not been successful, the employer has the right to dismiss the employee after the necessary due legal processes have been followed – one of them is to have a reasonable probation period in place.

**4.4 4.4.1 Name the external environment in which Porter's Six Forces Model is most applicable.**

Market **{Not accepting external}**

**4.4.2 The threat of new entrants to the fast food industry is a challenge to existing businesses. Discuss strategies to overcome this threat.**

- Through market research the business should be aware of subtle changes in the market and have a marketing plan to counteract this change.
- The franchise needs to be flexible (e.g. can introduce new products onto their existing menus) so to maintain their competitive advantage, i.e. using a differentiation strategy.
- The business needs to effectively deal with customer complaints, i.e. their service delivery needs to be constantly reviewed to ensure standards are maintained.
- The business could decide to enter negotiations with the new entrant and merge and in so doing increase their market share.
- This may be an opportunity for the business to review its current policies (e.g. mission, recruitment, supplier selection, franchisee selection, etc.) considering the new competition that is entering the market.

- Customer loyalty programs may be introduced to make the business more attractive than those of competitors.
- A business reduces the price of certain products/services, e.g. burgers/delivery to make sure the business is a more attractive option than its competitors.
- The bigger retailers in shopping malls (e.g. Spur) could, for example, negotiate with centre management to prevent too many competitors from acquiring space in the same centre.
- A business may also register a patent to deter potential new businesses from selling a similar product, e.g. Spur sauce, Steers sauce.
- 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 any other relevant strategies to deal with the threat of new entrants to the fast food industry}**

#### 4.4.3 List **FOUR** other elements of Porter's Model.

- The availability of substitute products;
- The level of rivalry in the market;
- The power of suppliers;
- The power of buyers;
- The availability of complementary products.

### QUESTION 5

#### 5.1 5.1.1 Explain what is meant by the concept **Corporate Governance**.

- Corporate Governance can be defined as the set of rules and the processes that are used by top management to direct and control the business.
- The process involves the application of the corporate governance principles, i.e. accountability, integrity, discipline, honesty, independence, fairness and transparency.
- The integration of the King Codes (King I – IV);
- The integration of Triple Bottom Line Reporting or Integrated Reporting

**5.1.2 Explain how the following characteristics of good governance could be implemented by a fast food business. In each case use an example to illustrate your answer.**

**(a) integrity**

- Integrity refers to the ability of managers, workers and stakeholders to act ethically and honestly.
- To add value to one's character by doing the right thing even if it means facing negative consequences.
- **Example:** a director shows integrity when he withdraws from a selection committee where a family member is part of the candidates being selected.

**{Consider any other relevant facts that relate to an understanding of how integrity can be implemented by a fast food franchise}**

**{Full marks could be earned if the example illustrates full mastery of the concept}**

**(b) accountability**

- Accountability refers to a person taking responsibility for his or her own actions.
- Accountability increases the level of confidence that stakeholders have in the business decisions taken.
- **Example:** if a director of a company makes a poor business decision/or acts unethically and his/her actions result in financial loss to the business then the director will be held accountable for his/her poor decision-making.

**{Consider any other relevant facts that relate to an understanding of how accountability can be implemented by a fast food franchise}**

**{Full marks can be earned if the example illustrates full mastery of the concept}**

**5.1.3 Discuss what is meant by the statement: "There is a social responsibility to various stakeholders".**

- One could consider the social responsibility as part of the requirements of the King Code.
- The requirements of Triple Bottom Line reporting need to be considered, i.e.
- Profits – the bottom line, i.e. does the company have enough to continue its operations and can compensate shareholders through dividends.
- People – not only must there be an emphasis on the bottom-line (profits) in an organisation, but there must be consideration for the people in the organization, i.e. the employees receive a salary/wage.
- This could be in the form of making the working environment more pleasant, e.g. day-care facilities for employees' children or the offering of scholarships/bursaries.
- There should even be consideration to the broader community – consider their needs and address this through CSR/CSI programs.

- Planet – being environmentally conscious, e.g. reducing the carbon footprint of the business through recycling programs.

**{Consider any other relevant fact that explains the meaning of the statement}**

**5.1.4 Explain TWO possible unethical issues that a fast food franchise could face. Suggest what strategies the franchise could use to address each issue.**

(Note: Marks can be allocated according to the breadth or depth of candidates answers, i.e. possible mark allocation combinations:

- Listing and discussing the unethical issue 1 fact × 1 mark + strategies 3 facts × 1 mark **OR**
- Listing and discussing the unethical issue 2 facts × 1 mark + strategies 2 facts × 1 mark **OR**
- Listing and discussing the unethical issue 3 facts × 1 mark + strategies 1 facts × 1 mark)

- **Conflict of interest**

If the person awarding a tender knows the person who is submitting the tender, he/she should not make the final decision about who will get the tender, but should disclose that it is a friend/family member submitting the tender and then withdraw from the tender allocation process.

**Suggested possible strategy to deal with unethical issue:**

- The business should have an appropriate disclosure policy when it comes to issues of who is able to submit a tender application.
- There could be heavy penalties imposed on individuals who do not comply with the disclosure policy.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Bribes and corruption**

When someone is offered a reward to give a third party an unfair advantage to which his/her business is not entitled then it is a bribe. A bribe does not have to be in the form of money, but may be a gift, an offer of employment, a promotion, or any other favour. If it is in the form of money, it is sometimes referred to as a **smoothing payment** or a **facilitation payment**.

When someone in a position of power abuses this power for personal gain, it is corruption. This may include receiving a bribe, giving a kickback (indirect bribe) to a supplier, misappropriating funds or abusing an official position for personal gain.

**Suggested possible strategy to deal with unethical issue:**

- Encourage employees who witness bribery and corruption to come forward and if they can successfully prove the allegation, there could be a monetary or non-monetary compensation for them.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Unauthorised use of funds**

Using business funds that are not authorised may be the same as theft. People working in offices have more opportunities to get involved in this form of **white collar crime** than the front line employees of a fast food franchise.

**Examples:**

A manager having an expense account, taking his wife for lunch and claiming it as a business expense, is an unauthorised use of business funds. Someone who has a petrol card to pay for business travel, uses the card for private use is spending money not authorised for that purpose.

**Suggested possible strategy to deal with unethical issue:**

- Have an appropriate code of conduct that spells out the disciplinary procedure to be followed if anyone in the business is found guilty of using business funds inappropriately.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Inappropriate gifts**

Most businesses expect employees to declare all gifts that they have received. They may even stipulate that no employee may receive a gift greater in value than R... (a certain value). One possible reason is that it could be interpreted by others as being a form of bribery, even though it may be a gift with no strings attached.

**Suggested possible strategy to deal with unethical issue:**

- Have a workshop/feedback session where you inform your workers and management as what constitutes and "inappropriate gift".
- Give clear guidelines in your code of conduct as to what procedures must be followed when offered an "inappropriate gift".

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Sexual harassment**

The **Code of Good Practice on the Handling of Sexual Harassment Cases** was issued to support section 2 of the Labour Relations Act, which stipulates that sexual harassment is a criminal offence.

Per the abovementioned code, examples of sexual harassment may include:

- Unwelcome physical contact.
- Verbal conduct, such as sexual advances, sex-related jokes, unwelcome enquiries about a person's sex life and unwelcome whistling/body language directed at a person or group of persons.
- Non-verbal conduct, such as sexual gestures, indecent exposure or display of sexually explicit pictures and objects.
- When a senior employee promises a reward in exchange for sexual favours.

**Suggested possible strategy to deal with unethical issue:**

- Have seminars where you address gender issues in the workplace, allowing your workers to give input on ways to deal with this sensitive issue.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Employment/labour issues**

There are many issues that can be discussed under this heading, namely:

- Employees abusing sick leave.
- The abuse of the Internet or email, which may include the following:
  - Employees who visit inappropriate sites.
  - Employees who make confidential information available to people who should not have access to the information.
  - Employees who spread rumours or other damaging information about the business or a fellow employee.
  - Employees who spend work time on Facebook or other social media sites.
- Employees spending time on personal emails during work hours and employees who send emails, which could bring the business into disrepute, to other people. Taking business stationery home for private use.
- Verbal abuse of staff members by a manager and the verbal abuse of a colleague or manager by an employee are all unacceptable behaviour.

**Suggested possible strategy to deal with unethical issue:**

- Ensure that workers are familiar with the details of their employment contract and the codes of conduct/code of ethics in the organisation.
- Workers must be familiar with the disciplinary procedures in the organisation – this could be achieved through an effective induction programme.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Pricing of goods**

Price-fixing occurs when competitors agree to charge the buyers a predetermined price. One of the principles of a free-market economy is that competition keeps prices low and quality high. If businesses collude to fix the prices of products, it is unethical and illegal and the Competition Board may impose hefty fines. Directors may even be held liable for this in their personal capacity and face a jail sentence.

**Suggested possible strategy to deal with unethical issue:**

- Clearly outline the procedure that the franchisor will follow if any of the franchisees are involved in price-fixing.
- Maybe consider what other organisations are doing under similar circumstances and adapt their strategy to your circumstances.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **'Insider trading'**

This refers to a situation where someone trades shares on the JSE based on knowledge that is confidential, i.e. something only an insider (or their friends/family) in the business will know. This is a criminal offence.

**Suggested possible strategy to deal with unethical issue:**

- Have workshops/seminars on ethics in the workplace and what constitutes insider trading, thus giving employees a clearer picture of the need for an ethical approach to this issue.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Piracy**

Piracy is the illegal use or reproduction of somebody's work if it is protected by a patent or copyright. Think of the number of times that music or movies are illegally downloaded from the Internet.

**Suggested possible strategy to deal with unethical issue:**

- Encourage the protection of patents/copyrights through the imposition of fines on employees who are found guilty of this unethical act.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Counterfeiting/Bootlegging**

Counterfeiting can be described as someone fraudulently imitating another's work and pretending it is the original. Designer clothing, shoes and handbags are often imitated and sold as the original.

Bootlegging is the illegal production and/or distribution of a product.

**Suggested possible strategy to deal with unethical issue:**

- The organisation should have clearly worded policies with regards to the disciplinary procedure to be followed if employees who are found guilty of this unethical act.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Tax evasion**

Tax evasion is illegal (and therefore unethical) because the business does not declare all its income and lies about expenses to pay less tax.

**Suggested possible strategy to deal with unethical issue:**

- Franchisees who are guilty of tax evasion should undergo internal disciplinary procedures over and above the external implications imposed by SARS.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Whistle-blowing being penalised**

A whistle-blower is someone who exposes unethical behaviour, fraud, health and safety violations or the violation of a law. Consider the possible impact on a business when an employee, who is aware that something unethical is happening, blows the whistle and in the process the business loses a deal or even faces a huge penalty. Who has acted unethically: the business or the employee for exposing the action? Whistle-blowers are protected by law, because in South Africa it is illegal to fire an employee for whistle-blowing.

**Suggested possible strategy to deal with unethical issue:**

- Encourage whistle-blowing and protect the anonymity of the whistle blower.

**{Consider any other relevant strategy to deal with the unethical issue}**

- **Unethical Advertising**

- When the franchise makes false claims about the product;
- Fake branding comparison;
- Surrogate advertising – where laws prevent the marketing of certain products, but the marketer finds ways of reminding the consumer of the product without directly referring to the product.
- Using subjective rather than objective claims;
- Using children in adverts – exploiting the innocence of the youth
- Materialism – creating false needs
- Using deceptive names which creates confusion or false expectations
- Unacceptable language or discrimination

(Any 2 facts for mentioning and/or discussion of unethical issue × 1 mark each = 2 marks)

**Suggested possible strategy to deal with the unethical issue:**

- Have strict controls over who is responsible for the execution of the advertising campaign;
- There needs to be accountability for whoever authorizes the advert;
- Ensure that there is sufficient consultation in the development of the advert so that unethical advertising is not even considered.

**{Consider any other relevant strategy to deal with the unethical issue}**

**{Consider any TWO possible unethical issues that a fast food franchise could face}**

**5.1.5 Change in an organisation often leads to conflict. Give suggestions on how management can effectively deal with change and in doing so, minimise the level of conflict.**

**Suggestions on how to deal with the conflict situation:**

- In the orientation of new employees, the principles of good corporate governance/codes of conduct, etc. should be re-enforced.
- Have workshops/seminars where adapting to change in the workplace is the focus of discussion.
- Encourage employees to have discussions/debates on the impact of change in the workplace.
- Use performance appraisals as means of engaging with workers on the issue.
- Allow employees to suggest areas of weaknesses in the implementation of new codes of conduct – they feel part of the transformation process.
- Managers should be encouraged to lead by example – this will minimize conflict.

**{Consider any other suggestions to deal with conflict because of change}**

**5.2 A group of workers from the fast food franchise that you have studied have pooled together a sum of R500 000. They would like to invest their money in a diversified portfolio. Evaluate their choice of investing in the following options:**

**5.2.1 Equities**

- An investment in equities (shares or stocks) means that investors have obtained part-ownership in the company whose shares they have bought and become shareholders. **(Max 1 mark for definition)**
- Some companies are listed on a stock exchange, which means that shares can be traded freely on that stock exchange, e.g. JSE Ltd in South Africa.
- Although equities are a high-risk asset class, they have the best chance of beating inflation over the longer term if investors have invested in blue chip shares (major, stable companies).
- Investors with high-risk profiles should keep a significant proportion of their portfolio in equities.
- Basically, the longer the time before retirement, the more you should invest in equities.

- Apart from the capital growth when the value of the shares increases, a shareholder may share in the profit of the company by receiving a dividend.
- Equities can also be low risk in cases where an investment is in a blue-chip share company.
- Investing in companies with high risk will offer high returns and vice versa (low risk, low returns).

**{Consider any other point on equities as an investment option}**

### 5.2.2 Collectibles

- To deal in collectibles requires a high level of knowledge and expertise.
- Any damage to the collectible will drastically diminish the value.
- If the article is truly a collectible, the value of the article will increase over time (provided there is no damage).
- The disadvantage of this type of investment is that there is no monthly source of income for the investor.
- The markets for true collectibles are not volatile and this type of investment shows growth over a long period.
- It is possible to make a profit over a short period if an item was bought at a low price and then suddenly it becomes fashionable. This is an exception rather than a steadfast investment rule.

**{Consider any other point on collectibles as an investment option}**

### 5.3 Explain how an employee in a fast food business can be an intrapreneur.

- An employee will display entrepreneurial qualities, e.g. leadership, perseverance, planning, leading, organising, control, etc. while using business resources to achieve new objectives.
- The employee continues to receive his regular monthly salary/weekly wage.
- The franchisor encourages the employee to be innovative even though there are obstacles, e.g. rules laid down between the franchisor and franchisee.
- Examples
  - Finding creative ways to deal with customer complaints;
  - Designing computer programs that speed up service delivery;
  - Updating social media sites thus improving the brand image, etc.

**{Consider any other relevant facts on how an employee in a fast food business can be an intrapreneur}**

### 5.4 5.4.1 Identify ONE of the challenges faced by Human Resources not mentioned in the extract.

- Financial resources;
- Changing tax regulations;
- Employee engagement;
- Technological challenges;
- Environmental/Physical challenges.

- Manpower planning
- Recruitment
- Remuneration
- Training or skills
- Management tasks (credit if they mention any management task)
- Legal compliance (i.e. the Labour Laws)

**5.4.2 Describe how the challenge mentioned in Question 5.4.1 can be addressed.**

- Financial resources – Draw up budgets and keep tight control over expenditure. Financial planning is key to looking after your finances. Reward employees who are conservative with funds;
  - Changing tax regulations – Have regular updates from SARS/ensure that you subscribe to their newsletters; attend workshops seminars and be informed;
  - Employee engagement – Ensure that policies and procedures are in place to deal with employee grievances/changes to employment contracts, etc.;
  - Technological challenges – Have the necessary updated HR software programmes/maintenance of hardware needs to be done regularly;
  - Environmental/Physical challenges – Have a policy of recycling in the department/encourage employees to go green/have relevant facilities for disabled people.
- {Consider any other relevant suggestions to address the challenge}**

**Note: the strategy must be linked to the challenge in Question 5.4.1.**

**5.4.3 Explain why a performance appraisal is a valuable tool to the Human Resources manager.**

- Planning tool: Manager and employee agree on what must be achieved.
  - This will allow the HR department to gauge if employees have successfully achieved their targets.
  - The HR department will be able to pinpoint employees' areas of weaknesses and have strategies in place to deal with them.
  - The HR department will be able to identify employees' key areas of success and use them to gain a competitive advantage over their competitors.
  - The HR department will be able to see where it needs to upskill its workforce – areas where more training is needed.
- {Consider any other relevant point on why a performance appraisal is a valuable tool to the HR manager}**

**5.4.4 Discuss THREE criteria that could be used when selecting a candidate to be a manager of a fast food franchise.**

- Any commercial related qualification/education level that focuses on marketing/ customer service or franchising;
- Years of experience in fast food or similar related businesses dealing with the customer side of the business;
- Qualification in psychology – Understanding buyer behaviour patterns and expectations that relate to good customer services; people skills;
- Global awareness competency – Understanding global trends in fast food franchising;
- Computer literacy – The integration of appropriate technology into dealing with challenges in the service part of franchising, e.g. the impact of social media.
- Teamwork competency – Being able to synergise in a team and work under pressure.
- Employment Equity quotas – meeting the requirements set out in the Employment Equity Act with regards to affirmative action.

**{Consider any other relevant criteria that could be used when selecting a candidate to be a manager of a fast food franchise}**

**QUESTION 6**

**6.1 6.1.1 Nando's is well known for pushing the boundaries in their advertising campaigns. How could this strategy benefit the business?**

- This creative technique allows the brand to be remembered by the target market.
- Customers have a positive response to the strategy, which in turn leads to more sales.
- The campaigns are usually a talking point, which increases awareness of social issues, and reinforces the product and the brand.
- A direct comparison is made with the fast food market with "doctor's orders". It is a clear case of differentiation without reference made to any particular franchise or business enterprise.
- There is a focus on the health perspective in terms of eating/ consuming a Nando's chicken product – reference is made to "keep-off fried chicken"/"doctor's orders".

**{Consider any other relevant differentiating factor that shows the benefit of the strategy}**

**6.1.2 Discuss how fast food franchises can use sales promotion to improve their marketing campaigns.**

- **Examples:** sampling of the product, discount coupons, buy one get one free, loyalty cards with free products are all examples of sales promotions that could complement the advertising campaign.
- The objective is to persuade the consumer to make an impulsive purchase.
- Sales promotions can be done by employees when orders are placed or while customers are sitting down to have their meals. The business has an active audience that it can target.
- Franchises can also use special events (municipal elections) or holidays (Women's Day) to promote their product.
- The business needs to be careful of not over-doing these promotions as customers may see this as desperation and question the quality of the product.

**{Consider any other relevant fact on sales promotion}  
{Max 1 mark if examples of sales promotions is listed}**

**6.2 One of the benefits of franchising is that advertising design is left in the hands of the franchisor. List FIVE other advantages of franchising.**

- The franchisee has a good chance of success because he/she will benefit from the success of the franchisor.
- The franchisee has access to advice from the franchisor on marketing issues.
- The design and layout of the franchise is predetermined by the franchisor.
- Policies relating to dealing with customer complaints; sourcing of suppliers; product quality standards are all determined by the franchisor.
- The franchise agreement offers the franchisee legal protection.
- It is easier to raise borrowed capital from banks if the bank knows that it is a franchise because the bank knows the entrepreneur will get management assistance from an already successful franchisor.
- Franchisees often work together (in franchisee forums) to solve problems or buy stock in bulk as their businesses are so similar.
- Franchisees will be more committed to making a success of the business than they would be as managers running a branch, as they are working for profit, not a set salary.

**{Consider any other relevant benefits of franchising}**

**6.3 Explain how a fast food business can use "pricing" to gain a competitive advantage.**

- Price helps position your business in the marketplace – the more you are charging for the product the higher the level of quality the consumer will expect and thus the higher the value the product will need to represent for the consumer.
- Price sensitivity needs to be considered while pricing your products.

- Existing consumers are usually less price sensitive, as you have already gained their loyalty; however, this does need to be closely monitored.
- New consumers will need to see the value of your product before paying a particular price, and thus a key reason to understand them.
- The type of product may also influence price sensitivity, e.g. essential goods are less price sensitive than shopping goods.
- A business may price its goods at the market value (competitive pricing), above market (prestige pricing) or below market (discounted pricing).
- A business may use psychological pricing, e.g. odd-even pricing, i.e. R1 999 instead of R2 000, prestige pricing (upmarket or luxury products), superficial discounting, e.g. was R10 000 Now R9 000 (when in fact there was no real price reduction) or price discrimination based on customer (larger customers get a discount) or time (in or out of season) or area (urban or rural), etc. when attempting to encourage customers to buy.
- **Market penetration pricing:** refers to a situation where the business will be prepared to sell the product at a low price in order to attract new customers to try the product. The business may initially not even make a profit (or very little profit). The price will be increased as soon as the consumer is familiar with or loyal to the new product.
- **Leader pricing:** refers to a situation where the business reduces the price of some product to get customers to come to the shop. For example, Spur may decrease the price of chicken wings hoping to convince customers to eat there and then spend more money on drinks and desserts.
- **Promotional pricing:** refers to discounts offered for a special event, such as free roses for females on Valentine's Day when eating at the restaurant.
- **Bulk discount:** is offered to a consumer who buys large quantities of a certain product (lower cost per unit).

**{Consider any other relevant point on how a fast food business can use pricing to gain a competitive advantage}**

6.4 6.4.1 **Explain how the following terms would apply to the insurance contract for the artworks mentioned in the extract:**

(a) **iron-safe clause**

- Most insurance contracts contain an "iron-safe clause" which forces the insured to keep a full set of records in a fireproof safe.
- This will then serve as proof of the value of the artworks at the time of the fire.
- Some business do not have a physical safe, but they choose to have their records kept safe in an off-site facility or they make use of electronic cloud.

(b) **insurable interest**

- Insurable interest means that Nando's must be able to prove that they
- will lose financially if the object that has been insured, is destroyed or damaged.
- The person or object at risk forms the basis of the contract.

**6.4.2 Discuss factors that insurance companies will take into consideration when determining the premium on insurance for the artworks.**

- The location of the artworks;
- Has the insured taken the necessary security precautions to secure the items, e.g. alarms, burglar bars, etc.?
- The claim history of the insured;
- The nature/value of the article being insured.
- The transportation of the artworks.

**{Consider any other relevant factor that will be taken into consideration when determining the premium on insurance for the artworks}**

**6.5 Describe the impact of the Unemployment Insurance Fund (UIF) on the workers of a fast food franchise.**

- The Unemployment Insurance Fund (UIF) gives short-term relief to workers when they are unemployed,
- or if they are unable to work because of maternity leave or adoption or illness.
- It also provides relief to the dependants of a deceased employee who has contributed to the fund.
- Contributions are made by both the employee and employer.
- 1% of the gross salary is deducted from the employee's salary
- and an equal amount is contributed by the employer who is responsible for paying this amount to SARS.
- The following people are excluded from UIF insurance:
  - Employees who work less than 24 hours a month.
  - Employees who earn commission only.
- Civil servants and foreigners working in the country were previously excluded.
- Now some foreigners are covered by UIF.
- Employees on learnerships are also included as per the 2013 Amendment.
- The maximum amount that will be paid to the unemployed worker is 58% of the monthly salary,
- provided they have already contributed for at least 4 years to UIF.
- The claim will not be paid for more than 238 days.
- In the case of maternity leave the maximum number of days that the mother can claim for is 121 days.

**6.6 6.6.1 Discuss why it is important for a fast food business to have disciplinary procedures in the workplace.**

- Workers perform to their maximum potential
- as they know what is expected from them and
- what the consequences will be if goals are not achieved or avoidance of future problems.
- Order is maintained and co-operation is ensured.
- Motivation to employees to change their behaviour where necessary.

**{Consider any other relevant point on the purpose of having disciplinary procedures in the workplace}**

**6.6.2 Explain the concept "dismissal on the grounds of misconduct". Use an example to support your explanation.**

- Misconduct refers to a situation where transgression of a rule took place and
- may include various examples such as gross insubordination (defiance of authority), theft, dishonesty, substance abuse, intimidation, assault or fighting, lateness, absenteeism, abuse of sick leave or falsifying medical records and even abusive language.
- Obviously in many of the abovementioned instances it will be inappropriate to dismiss an employee for a first offence
- unless it is a serious offence.
- Dismissal for misconduct is the last resort of an employer, when other measures to correct misconduct have failed or are pointless.
- Each case should be judged on its merits and
- the employer should also consider other factors such as the employee's circumstances (for example, length of service – known as tenure – previous disciplinary record and personal circumstances) and
- the circumstances of the infringement itself (for example, if an employee was justifiably provoked to assault a colleague) to avoid this as far as possible.
- This may include consultation and negotiations with employees or their representatives.

**{Consider any other relevant facts that relate to an understanding of dismissal on the grounds of misconduct}**

**{Full credit can be achieved if the example illustrates mastery of the concept}**

**6.6.3 Explain the concept "dismissal due to operational reasons". Use an example to support your explanation.**

- Operational reasons include retrenchment and this could be because of downsizing or complete liquidation or due to automation.
- As soon as an employer considers retrenchment, the employer notifies the other side (employees and/or their trade union) in writing of:
  - The reasons for the proposed retrenchment;
  - The alternatives considered;
  - The number of employees who are likely to be affected;
  - The proposed methods of selection of jobs involved;
  - The timing of the proposed retrenchment;
  - Offers of severance pay; and
  - Assistance offered/prospects of re-employment in the future.
- To ensure consultation is genuine, an employer must respond to any suggestions from the other consulting party and explain reasons for disagreeing with that party.
- All parties must be allowed to make representation on any matter under consideration.

- In many cases the business will offer training in something like entrepreneurship or other skills to enable the retrenched to be more employable.
- This is especially true when there are large-scale retrenchments in an industry, making re-employment difficult.

**{Consider any other relevant facts that relate to an understanding of dismissal on the grounds of operational reasons}**

**{Full credit can be achieved if the example illustrates mastery of the concept}**

#### **6.6.4 Discuss a possible grievance procedure in a fast food franchise.**

- The employee takes his/her grievance to the supervisor;
- If it is not resolved it is taken to the line supervisor;
- Should the problem persist, it is referred to the Human Capital manager;
- Consultation with the CCMA,
- Conciliation – if negotiation does not work, a third party gets involved, but only to facilitate the discussion
- Mediation – if conciliation does not work, the third person gets involved and will give advice, but the ultimate decision is still up to the original parties involved
- Arbitration – if mediation does not solve the problem, the decision is taken out of the hands of the original parties and the third person makes the judgement call.
- Labour Court and Labour Appeals Court if the grievance is not resolved internally.

**{Consider any other relevant facts that relate to an effective grievance procedure}**

**6.7 Give advice to owners of fast food businesses who are concerned about placing healthier, but more expensive, food items on their menus. Motivate your answer by considering factors in support of a product differentiation strategy.**

**Some of the factors to consider in agreement with the product differentiation strategy:**

- The owners should conduct appropriate market research to investigate the feasibility of this strategy.
- The owner would have to consider elements such as the cost implication and the impact of the consumers buying behaviour.
- The business could be in a position to attract more health-conscious customers and this could increase turn-over.
- The fast food business could be seen as being socially aware and pro-active to the issues linked to health and the products offered by the business.
- There could be an increased investment in CSR programme – where the wellness of workers and the community are taken into consideration.
- Consumers are given a greater variety of choice. Consumers are in a position to choose between the traditional "fast-food" products and healthier options such as salads/vegetarian meals and fruit drinks.

**{Consider any other relevant points in support of a product differentiation strategy}**

**Total: 200 marks**