



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY EXAMINATION – MARCH 2018

**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**

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

[20]

**QUESTION 2      BUSINESS STUDIES DICTIONARY**

2.1	Brand stretching
2.2	Induction
2.3	Debenture
2.4	Excess Clause
2.5	Intrapreneur
2.6	Integrity
2.7	Learning and Growth
2.8	Pricing
2.9	Acid-Test
2.10	Go-slow

[20]

**QUESTION 3**

3.1	Tax avoidance
3.2	Global Awareness
3.3	External
3.4	Incapacity
3.5	Value Chain Analysis

[10]

<b>50 marks</b>
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## SECTION B

### QUESTION 4

4.1 4.1.1 **Explain ONE advantage of Total Quality Management in a business.**

- The business is aware if its activities are/are not meeting the required standard.
- If not, the business can put into place corrective actions/strategies to address the reasons for not achieving the required standards.
- TQM gives workers a monitoring system whereby they can measure if they have achieved their goals.
- Management can have a set standard (benchmark) to include in their planning and in the setting of objectives.

**{Consider any other relevant advantage of TQM in a business}  
(1 advantage = any 2 facts × 1 mark each = 2 marks)**

4.1.2 **Define the term benchmarking in the context of performance management in a fast food franchise.**

Benchmarking is a process where the business looks at its own standards and methodologies to perform a task (e.g. the time taken to prepare a meal) and then compares them to methods used elsewhere.

**{Consider any other relevant fact on benchmarking in the context of performance management in a fast food franchise}  
(2 facts × 1 mark each = 2 marks)**

4.1.3 **Describe, with the aid of an example, how the customer perspective of the Balanced Scorecard can be used to improve the performance of a franchise.**

- Focuses on how the customer sees the business,
- and what their expectations might be.
- The business will conduct research/surveys to find out what their customer's perspective is.
- Group discussions/feedback can be held to engage the customer on this issue.

**{Consider any other relevant point on the customer perspective}  
(Any 2 facts × 1 mark each = 2 marks)**

**{Candidates must give at least one example in their explanation –  
min 1 mark for example} (Max: 3 marks)**

**(Full credit could be earned if the example shows mastery of the concept)**

4.1.4 **Discuss how a franchisor's return on investment  $\left(\frac{\text{net profit}}{\text{own capital}} \times 100\right)$**

**can be used as a quality of performance tool.**

- Return on investment (ROI) measures the ability of the business to generate a profit with the capital that was invested.
- Investors compare the ROI with the return on alternative investments, e.g. shares, annuities, etc. and evaluate whether their original investment was a worthwhile risk.
- The higher the ROI, the more satisfied the owners/shareholders will be with the financial performance of the business.

**{Consider any other relevant fact on how a franchisor's ROI can be used as a quality of performance tool} (3 facts × 1 mark each = 3 marks)**

- 4.2 4.2.1 **C = Conciliation** (1 mark)
- Conciliation occurs when the parties in dispute get together with a neutral third party.
  - The conciliator does not decide who is right or wrong,
  - but tries to help the parties to reach an agreement by facilitating.
- (Consider any 2 facts on conciliation × 1 mark each = 2 marks)**
- 4.2.2 **M = Mediation** (1 mark)
- Mediation, which is the process of making a recommendation to the parties,
  - occurs if conciliation is unsuccessful
  - but the mediator's recommendations cannot be enforced.
- (Consider any 2 facts on mediation × 1 mark each = 2 marks)**
- 4.2.3 **A = Arbitration** (1 mark)
- Arbitration occurs when the dispute is referred to a neutral third party
  - who decides who is right.
  - This decision is binding on both parties.
- (Consider any 2 facts on arbitration × 1 mark each = 2 marks)**
- 4.3 4.3.1 **Describe an internal challenge that a fast food franchisee could face.**
- Some of the challenges that could be considered:
- Misconduct by employees, e.g. insubordination to superiors, lateness, absenteeism, intimidation, substance abuse, etc.
  - Unfair discrimination, e.g. based on race/religion, etc.
  - Poor service delivery, e.g. taking too long to deliver food once ordered or issues relating to dealing with customer complaints.
  - Conflict between workers and the franchisee over wage/salary issues.
  - Workers threatening to strike.
- {Consider any other relevant micro/internal challenge}  
(Any 2 facts × 1 mark each = 2 marks)**
- 4.3.2 **Discuss TWO strategies to overcome the challenge mentioned in Question 4.3.1.**
- The strategy given must address the challenge given in Question 4.3.1.
- Some of the strategies that could be used:
- Low cost strategy
  - Differentiation strategy
  - Focus strategy
  - Allocation of resources differently
  - Follow the disciplinary code of the franchise
  - Attendance at workshops
  - Negotiations/collective bargaining
- {Consider any other relevant strategies to overcome the challenge mentioned in Question 4.3.1}  
(Maximum 2 facts × 1 mark each per strategy)  
(2 strategies × 2 marks each = 4 marks)**

**4.3.3 Discuss the level of competitive rivalry as a challenge faced by fast food franchises.**

- Competitors may be more than other businesses selling the same product.
- Fast food franchises compete for the net disposable income of the consumer.
- The consumer may choose to rather attend movies and not purchase a fast food snack.
- In the fast food sector the franchisee competes with other franchisees who may have an added advantage in the market e.g. prime location.

**{Consider any other relevant point on the level of competitive rivalry}  
(Any 3 facts × 1 mark each = 3 marks)**

**4.3.4 Describe a strategy to overcome the challenge mentioned in Question 4.3.3.**

The strategy given must address the challenge given in Question 4.3.3.

- It is in the best interest of businesses to find out as much as possible about competitors.
- These issues may include ownership structures, location(s), any information about financial performance that may be available, their products/services including quality, brand loyalty, new products, market share, promotion strategies, employees, organisation culture and morale as well as any other information that may be relevant to the level of competitive rivalry.
- The franchisor needs to find a sector where the competitor is not performing well as it may present an opportunity for the business to make a profit.
- Identifying the areas where competitors are achieving success, may be an indicator of a threat to the business.
- Offering customer loyalty programs to make the business more attractive than those of competitors.
- The business reduces the price of certain products/services.

Some of the strategies that could be used:

- Low cost strategy
- Differentiation strategy
- Focus strategy
- Different allocation of resources

**{Consider any other relevant strategy to overcome the challenge mentioned in Question 4.3.3}**

**(1 strategy = any 2 facts × 1 mark each = 2 marks)**

**4.3.5 Describe the Resource-Based Approach as a technique in dealing with challenges faced by a fast food franchise.**

- The Resource-Based Approach states that the business should find out which resources
- are of strategic importance to the business.
- These are the resources that can assist the business in creating a competitive advantage in the market place.
- When a franchise is faced with a challenge, the franchise determines which resources are needed to solve the challenge,
- whether these resources are available
- and what the cost of obtaining the resources would be.
- If a scarce resource is needed, and the business has this resource available,
- it may give the business a competitive advantage.

**{Consider any other relevant points on the Resource-Based Approach as a technique in dealing with challenges faced by a fast food franchise}  
(Any 4 facts × 1 mark each = 4 marks)**

**4.4 4.4.1 List FOUR factors that can influence the buying decision of customers from a marketing perspective.**

- Any of the 7 P's of marketing – product, pricing, distribution, promotion, people, physical evidence and process
- Economic conditions
- Political developments
- Technological advancements

**{Consider any other relevant factors that can influence the buying decisions of customers}  
(Any 4 factors × 1 mark each = 4 marks)**

**4.4.2 Discuss why the marketing policy of "people" is important to a fast food franchise.**

- The business's brand and reputation rests in the hands of employees.
- Therefore, the business needs to ensure that the correct levels of training and motivation are given to ensure these people have the correct attitude.
- The employee is the face of the business.
- It is vital in order to maintain business success to ensure that all employees who have contact with the fast-food franchise
- are correctly trained for the job.
- Evaluations need to take place consistently to ensure that there is no performance gap that exists.
- Research has shown that many consumers do not separate the product or service from the employee that provides it.
- This emphasises the level of importance placed on people.
- After sales services and advice provided by the business
- are ways to add value to the product or service being bought by the customer.
- Service levels and customer perceptions of employee service levels.
- Employee morale, skills, behaviour, motivation will impact on service delivery.

**{Consider any other relevant facts on the PEOPLE POLICY}  
(Any 3 facts × 1 mark each for description = 3 marks)**

**4.4.3 Discuss TWO advantages of franchising from the franchisee's point of view.**

- Entrepreneurial and management assistance are part and parcel of the franchise bought. Expert assistance is offered in all phases of the organisation even financial assistance.
- Personal ownership is guaranteed in terms of the franchise agreement. The owner enjoys the freedom, incentives and profit of any sole trader.
- A nationally recognised name, product or service is at the immediate disposal of the franchisee.
- The owner gets immediate recognition and support from a product or service group with established customers.

**{Consider any other relevant advantage of franchising from the franchisee's point of view}**

**(Any 2 advantages × 2 marks each = 4 marks)**

**4.5 When a new McDonald's franchise opens in South Africa, it is common practice to allow an American representative to come in and give advice on certain management issues. This sometimes creates resentment and distrust by the local managers and employees towards the foreign representative.**

**With the aid of ONE creative problem-solving technique you are required to:**

- **Mention the problem-solving technique that you have chosen;**
- **Analyse the problem faced by McDonald's fast food franchises; and**
- **Propose a solution to the problem.**

**Possible creative problem-solving techniques:**

- **Pros and Cons Chart**

Management will list the advantages (positive points) and the disadvantages (negative points) of the choice.

To solve the problem, you weigh up the options by assigning a numeric value to each option – and if it scores a high value then the option will be viable.

- **Drill-down analysis**

Management can break down the proposed strategy into manageable chunks for processing.

By "drilling down" into the component parts you can consider information that you did not initially think had relevance to the consequences of the strategy – ultimately reaching to the root of the challenge in the macro-environment.

- **Flow charts**

This is where management places the strategy in the form of a diagram and shows the various stages where decisions must be made.

Management is given the "bigger picture" that the implementation of the strategy will have as all the relevant details have been represented in the flow diagram.

- **Scenario analysis**

Management can analyse possible future events by considering alternative possible outcomes from the implementation of the strategy.

This technique is designed to allow improved decision-making by allowing more complete considerations of outcomes and their implications.

- **Delphi technique**

In this technique, management makes use of a panel or single expert that makes forecasts based on their superior knowledge of the challenge and the proposed strategy.

The identity of the expert is kept a secret to prevent the halo effect and to keep the final recommendation valid and feasible.

- **Decision tree**

Management graphically compares the different options available when making a decision. The aim is to promote rational decision-making and clarify available options. The possible options are quantified so that the probability of success can be quantified.

**{Consider any other relevant problem-solving techniques –  
mention of technique (1 mark)}**

**(Analysis of problem using technique – 3 facts × 1 mark each = 3 marks)**

**(Recommendation or solution to problem = 1 mark)**

**(Mark the first creative problem-solving technique only)**

**(5)**

**[50]**

## QUESTION 5

5.1 5.1.1 **Give an example of a "competing product" in the minds of KFC target consumers.**

A burger from McDonald's; a new dessert on the menu from Steers; a chicken wrap from Nando's; meals offered at retail outlets, e.g. Pick n Pay, Spar, Woolworths.

**{Consider any other relevant example of a "competing product" in  
the minds of KFC target consumers}  
(1 mark)**

5.1.2 **Describe, with the aid of an example, the importance of KFC's product policy in ensuring the franchise has a competitive advantage in the fast food sector.**

- KFC must ensure that they are delivering a product that the consumer is able and willing to buy.
- KFC will do the correct market research to find out what the consumer needs and wants are
- and then develop the right product accordingly with the correct level of quality
- to meet the consumers' needs now and in the future.
- The correct product must be created with the view to add value to the consumer.
- The service offered must be understood by the marketing department.
- A business needs to put the correct systems in place, to consistently evaluate what the consumer is thinking and
- to monitor the consumer's behaviour;
- particularly if there is a change in the wants and needs of the consumer.
- As the world economy and business environments are continually changing and developing,
- it is important for a business to keep up to date with these changes and
- to modify or introduce new products that will satisfy these changing needs.

- To many consumers, the packaging is part of the product.
- The role of packaging in the marketing of a product must not be underestimated by a business.
- The packaging used in fast food franchises must allow convenience to the customer
- and be disposed of in an ecologically friendly manner.
- Consumers recognise and distinguish a product by its packaging.
- When a product is considered it is important to keep in mind the type of product and/or service that is involved.
- Fast food could be classified as either convenience goods (customers are usually not very brand loyal and they want to make the purchase as speedily as possible);
- Or select goods – these are only purchased after the consumer has considered the price, quality and brand name vs those of the competitors' product.
- A combination of a product and service is known as a hybrid product.
- Services like delivery are intangible, but form part of the overall product on offer (e.g. KFC or competitor delivering a takeout order).
- The life cycle of the product will have an impact on how the product is marketed by the business.
- The product can be in an introductory phase (new product), growth, maturity or decline phase (harvesting strategy).
- Different marketing strategies will be implemented, depending on where the product (or service) is in the life cycle.
- The packaging of the product helps to protect the product. E.g. the shape of cold drink cans sold by KFC and how they fit on top of each other.
- Packaging also helps to identify the manufacturer by displaying the name and trademark and brand.
- It could give the consumer valuable information on the ingredients used in the manufacturing of the product.
- It helps to target different segments of the target market.
- Consider how packaging of different sizes is used by some of KFC's competitors, e.g. McDonalds Happy Meal comes with a small hamburger (and even includes a toy) as opposed to a regular sized burger.

**{Consider any other relevant point on the product policy in ensuring the franchise has a competitive advantage in the fast food sector}  
{Minimum 1 mark must be allocated to an example}  
(Any 4 facts × 1 mark each = 4 marks)**

**5.1.3 Discuss, from a marketing point of view, the advantages in KFC having a strong brand.**

- Inspires customer loyalty leading to repeat sales and word-of-mouth recommendation.
- Branded items can normally command higher prices, especially if the brand is the market leader.
- Retailers and service businesses want to stock the top selling brands, as this will attract consumers to the stores.
- Helps with business's appearance and image.
- Adds credibility and increases confidence in the business.
- A brand name becomes known to the public as a guarantee of quality.

- A successful brand will reduce marketing costs, as the product is already well-known.
- The business could probably charge more (a higher price) for a successful brand than when an unknown brand is sold.
- An already well-established brand name makes it easier to add new products to the range (brand extension or brand stretching is possible).
- Brand preference can help the business to dominate a certain share of the market, the KFC emblem is associated with fried chicken.  
**{Consider any other relevant advantage of having a strong brand}**  
**(Any 4 facts × 1 mark each = 4 marks)**

**5.1.4 List and discuss THREE factors that are important when KFC decides to create brand value.**

- **Quality:**
  - Is a vital part of a brand, it represents the core benefit, the things the consumer expects from the brand.
- **Positioning:**
  - Is about the position in the market space that the brand occupies in the minds of the consumer.
  - Strong brands have clear and often unique positions in the target market.

**Positioning is achieved through:**

- Brand name
- Image
- Service standards
- Product guarantees
- Packaging
- Delivery
  - Positioning normally requires a combination of the above elements, and how it fits into the greater market.
- **Repositioning:**
  - Occurs when a brand tries to change its market position to reflect the change in customer tastes.
  - It could be that the brand has become old and tired, and perhaps no longer appeals to a market group, i.e. the original market group has matured.
  - A new approach needs to be taken to create a new position with the current or new market.
- **Communication:**
  - This element is critical for brand development as it ensures that all the elements of the marketing mix have been clearly thought through and developed,
  - with the customers' perceptions in mind.
  - It must build awareness and
  - help build a personality to reinforce the perceptions.

- **Long-term perspective:**
  - This speaks to developing
  - and investing in a brand over time
  - and looking particularly at how customer loyalty
  - is to be created and maintained.
- **Internal-marketing:**
  - Looking at how the brand is developed internally as well as externally
  - by focusing on the whole business's understanding of the brand values and
  - positioning with relation to the
  - business mission and vision.
  - Getting the employees to live the brand, and essentially become the brand ambassadors.
- **Credibility:**
  - This is the business's promise to deliver what it has said it would.
  - By delivering the right quality,
  - at the right time,
  - price and
  - place, the business builds a positive reputation with consumers.
- **Clear identity:**
  - The brand represents something unique (what does the brand stand for?) to the customer
  - Which, for example, is more important – quality or value for money?
  - Does the brand represent the right message to the correct LSM?
- **Trust:**
  - The customer trusts what the business is saying based on experience.
  - The brand must deliver what it represents.
- **Consistency:**
  - The customer experience with the brand should remain consistent over a long time.
  - Whether this occurs face-to-face, in stores, through advertisements or through interaction with employees.
  - The brand projects and reminds consumers what the business represents at every possible opportunity.
- **Distinctive voice:**
  - The brand has strong values – it has a strong opinion, attitude and persona.
  - It is important to remember that it is not only the external message that informs consumers what the brand stands for
  - but that the internal marketing message also projects the same brand image.
  - For this to happen, it is important that employees believe in the brand and live the brand.
- **Intimacy with customers:**
  - The customer feels there is a strong relationship between him/her and the brand.
  - The customer and the brand know each other, they tell the same story and
  - a special "customer-brand language" could be developing.

**{Consider any other relevant factor that helps build a successful brand}**  
**(1 mark for mentioning factor; 2 marks for discussion)**  
**(Any 3 factors × 3 marks each = 9 marks)**

**5.1.5 Discuss how the KFC marketing department can use customer feedback to improve its quality of performance. Use an example to illustrate your answer.**

- The marketing department will have a general idea of how customers rate their service or products on offer.
- KFC can compare the feedback to the expected performance
- and can identify if KFC has exceeded or fallen short of the expected performance.
- KFC will have evidence to support an intervention to improve the quality of performance.
- This is especially useful if workers resist the intervention program.

**Example:** Customers rate the time it takes from ordering a meal to the delivery of the meal. Most franchisees have an idea of how long this should take (norm times). The feedback from customers can be used to see if the expectation (norm time) was met.

**[1 mark for example]**

**{Consider any other relevant point on how the KFC marketing department can use customer feedback to improve its quality of performance}**

**{Minimum 1 mark must be allocated to an example}**

**(Any 4 facts × 1 mark each = 4 marks)**

**5.1.6 Fast food franchises often get bad publicity on social media platforms. Describe how a franchisor could effectively deal with the bad publicity.**

- It is important to deal with the bad publicity as soon as possible to minimise the negative impact.
- Analyse the cause and effect of the bad publicity.
- Inform the relevant stakeholders of the course of action to follow.
- This might require a statement through the press or on social media.
- The franchisee must be honest and ethical in his approach to dealing with the crisis.
- Ensure that there are mechanisms in place to prevent a reoccurrence of the events that lead to the bad publicity.

**{Consider any other relevant suggestion on how a franchisor could effectively deal with bad publicity}**

**(Any 3 facts × 1 mark each = 3 marks)**

**5.2 5.2.1 At what price did Taste Holding Ltd's shares trade in 2017?**

200 rand

**(1 mark)**

**5.2.2 Describe ONE possible reason for the drop in the share price from 2016 to 2017.**

- There may have been a decrease in the demand for the shares.
- There could have been pressure from external forces that impact negatively on the share price, e.g. the petrol price, inflation, political uncertainty, severe competition in the food industry.
- There may have been less confidence in management's ability to deal with market-related issues, e.g. level of rivalry in the market.

**{Consider any other relevant answer as a possible reason for the drop in the share price from 2016 to 2017}**

**(Any 1 fact × 1 mark = 1 mark)**

**5.2.3 Compare and discuss the risk factor between an investment in equities and an investment in a fixed deposit.**

**Equities**

- Moderate to high risk/Blue-chip shares have less risk than shares in other companies.
- This is because equity prices and returns are influenced by external factors (economic, political, etc.) which the investor has no control over.

**Fixed deposit**

- Very low risk.
- The investment can be lost if the bank is liquidated, but this has been a rare event in South Africa.

**{1 Mark for mentioning the risk + 1 mark for discussion}  
(2 investments × 2 marks each = 4 marks)**

**5.3 5.3.1 Outline, with a different example for each, TWO skills that a franchisee should have when managing the challenges faced by a fast food franchise.**

Consider any of the **management skills**: planning, leading, organising, controlling, communicating, delegating, co-ordinating, disciplining, motivating, decision making.

**Competencies**: Organisational awareness, global awareness, analysis, strategic action, teamwork, empowerment and talent development, initiative, judgement, customer service orientation, negotiation.

**Examples:**

- Planning the launch of a new food item on the menu;
- Communicating information to workers from the franchisor;
- Assigning tasks to waiters during peak times;
- Motivating workers to achieve sales targets.

**{Consider any other relevant skill/example}  
{1 Mark for identifying skill}  
{2 marks for discussion and/or example}  
{Minimum 1 mark for an example}  
(Total: 2 skills × 3 marks each = 6 marks)  
[Mark first 2 skills only]**

**5.3.2 Describe the possible role of SETAs when a franchise decides on skills training.**

- SETAs approve the workplace skills plans
- and training reports submitted by franchisees;
- SETAs provide learnership programs;
- SETAs can analyse and watch over education and training in various sectors;
- They have a global perspective on the skills gaps in the fast food sector;
- SETAs could make funds available to the franchisees/franchisors and
- trainers to do the training to make the sector skills plan a reality.

**{Consider any other relevant facts on the possible role of SETAs  
when a franchise decides on skill training}  
(Any 3 facts × 1 mark each = 3 marks)**

**5.3.3 Discuss possible negative implications of the Skills Development Act.**

- SETAs overseeing training in the different sectors are not always effective,
- and the result is that large sums of money that should be used for training lies idle in the SETAs bank account.
- The amount that can be claimed back for submitting the WSP and ATR has been reduced from 50% to 20% from 2013.
- This makes it more difficult for businesses to claim back their money as not just any training will qualify to warrant the additional 30% reduction.

**{Consider any other relevant negative implication of the Skills Development Act}**

**(Any 4 facts × 1 mark each = 4 marks)**

**5.4 Discuss why it is important for a fast food franchise to have discipline and grievance procedures in the workplace.**

- One of the most important business objectives is probably to ensure a stable and well-motivated workforce.
- The franchisor should create a positive environment for staff
- to ensure both individual workers and the businesses are achieving their goals.
- Control measures, such as disciplinary and grievance procedures, ensure that staff members are performing to their maximum potential
- because workers will know what is expected from them and
- what the consequences will be if goals are not achieved.

**The purpose of discipline in a work environment is to:**

- maintain order and ensure cooperation.
  - avoid future problems by ensuring employees know what is acceptable and unacceptable behavior.
  - motivate employees to change their behaviour where necessary.
- A grievance procedure allows the employee the opportunity to resolve a grievance related to his/her employment by communicating with the employer about the problems via a predetermined procedure and structure.
- This structure/procedure is stipulated in the Labour Relations Act, i.e. communicating to immediate supervisor to Human Capital manager to CCMA to Labour Court to Labour Appeals Court.

**{Consider any other relevant facts on why it is important for a fast food franchise to have discipline and grievance procedures in the workplace}**

**(Any 6 facts × 1 mark each = 6 marks)**

## QUESTION 6

### 6.1 6.1.1 State the purpose of the B-BBEE Act.

- B-BBEE aims to redress imbalances of the past by
- bringing the black majority into the economic mainstream.

**(2 facts × 1 mark each = 2 marks)**

### 6.1.2 List and describe THREE of the B-BBEE pillars.

- **Black ownership** – The percentage of black owners in a business (as measured by their voting rights in the business) has increased to 40% to get maximum B-BBEE points.
- **Management and control** – Black persons being part of the management team of the company, i.e. being part of the board of directors of the company. This is achieved through employment equity targets.
- **Skills development** – The company must offer appropriate skills development programs to develop the skills of black persons (previously disadvantaged). The company could use SETA approved courses as a means of skills development.
- **Preferential procurement** – With regards to the tendering process and in particular any government tenders, black persons will be given preferential treatment based on certain criteria.
- **Socio-economic development** – The company must be seen to be developing the well-being of previously disadvantaged people. This could be done through their CSR programs, but the focus must be aimed at black persons.

**{Consider any other relevant explanation for each of the pillars}**  
**(Any 3 pillars: 1 mark for mentioning the pillar + 2 marks for explanation)**

**(Total: 3 pillars × 3 marks each = 9 marks)**

**Mark the first three pillars.**

### 6.1.3 Describe the positive implications of the B-BBEE Act.

- A large portion of the black middle class has experienced dramatically improved standards of living;
- Real opportunities have occurred for black people to become part of the economy;
- Skills development for black people has increased.

**{Consider any other relevant positive implication of the B-BBEE Act}**  
**(Any 3 facts × 1 mark each = 3 marks)**

### 6.1.4 Describe ONE purpose of the JSE Social Responsibility Index (JSE SRI).

- Identify the companies listed on the JSE that focus on good governance and that use TBL in their reporting;
- Measure the policies and procedures of companies that are listed on the JSE against acceptable CSR standards;
- Give investors a non-financial standard to use as a tool when making investment decisions;
- Promote responsible business practice in South Africa and internationally.

**(Any 1 purpose of the JSE SRI × 2 marks = 2 marks)**

**Mark the first purpose only.**

**6.1.5 Explain, with the use of examples, how a fast food franchise can comply with the requirements of Triple Bottom Line or Integrated Reporting.**

**The earning of profit/Bottom Line**

- The franchise earns an income to cover its operating activities and provides investors with a reasonable return on their investment.
- If the franchisor is a limited liability company, it should also comply with the relevant risk assessments and ethical requirements of the Companies Act.
- The auditors' comment of the fact that the profits and facts contained in the annual report are a true reflection of the financial performance of the business.

**Management of the people/stakeholders in the organisation**

- The franchisor has a commitment to its franchisees and provides training programs to them on issues of recruitment, development of management competencies, marketing and branding, health issues, etc.
- The franchise invests in local CSR projects.

**The sustainability of the environment/planet in which the company operates**

- The franchise strives for this efficiency in a movement towards environmental sustainability (planet), i.e. recycling and the use of renewable resources in their packaging.
- The use of solar panels in their franchises or
- ingredients sourced from suppliers that have a high environmental rating

**{1 Mark for mentioning the element of TBL}**

**{2 points must be discussed under each element of TBL}**

**(3 elements of TBL × 3 marks each = 9 marks)**

6.2

"The General Management Function in a fast food business never works in isolation, but is rather an interactive function that is evident in all the other business functions from purchasing, human capital, administration right through to marketing."

[Adapted from Kevin Hedderwick former CEO of Famous Brands Ltd  
<www.famousbrands.co.za> downloaded Feb. 2017]

**Comment on the validity of this statement. Use examples from the fast food sector to support your comment.**

**The statement is valid because:**

- The general management function is integrated into every other business function;
- Example: The process of planning (e.g. from planning the sourcing of funds for new kitchen equipment (Financial Function),
- to planning the interview panel for selecting a new franchise manager (Human Resources/Human Capital Function),
- planning a new advertising campaign (Marketing Function) should be evident in all business functions;
- The process of delegation, i.e. assigning of tasks to workers must be done in all functions, e.g. the kitchen supervisor delegating kitchen staff to a specific area of the menu, starters/main meals/desserts;
- In the purchasing department one worker is being delegated to source local suppliers while another is delegated to source international suppliers, etc.
- The general management function ensures that the efficiency of every business function operates to the greater good of the business.
- For growth in a highly competitive environment, a franchise needs to focus on critical success factors.
- Management provides leadership with the skills to achieve this goal and
- deal with the challenges from the internal and external environments.

**{Consider any other relevant fact on the validity of the statement}  
(Any 6 facts × 1 mark each = 6 marks)**

6.3 **Describe, using a different strategy in each case, how a franchisee could deal with the following ethical issues:**

6.3.1 **A waitress receives inappropriate comments from her male colleagues.**

- The franchisee needs to address the inappropriate behaviour of the male colleagues through discussions/workshops, etc.;
- The franchisee could empower the waitress with skills to improve her confidence, self-awareness and in so doing can deal with the male colleagues without having to move positions;
- The franchisee could use this as an opportunity to encourage tolerance and gender diversity in the workplace.

**{Consider any other relevant suggestion on how a franchisee could deal with the ethical issue}**

**(1 suggestion – 2 facts × 1 mark each = 2 marks)**

**6.3.2 An intrapreneur in a fast food franchise starts his own restaurant, using the resources of the fast food franchise.**

- The franchisee needs to be clear as to the agreement between himself and the intrapreneur especially with regards to penalties in breach of contract;
- The franchisee could renegotiate the position of the intrapreneur in the franchise (offer him/her a managerial position) and use his/her skills rather than having to lose him/her;
- Use this as an opportunity to train workers through workshops and seminars on the importance of ethics in promoting good business practices.

**{Consider any other relevant suggestion on how a franchisee could deal with the ethical issue}**

**(1 suggestion – 2 facts × 1 mark each = 2 marks)**

**6.3.3 An inspector is willing to overlook non-compliance with Health and Safety Regulations if the franchisee pays a sum of money into the inspector's private bank account.**

- The franchise should have measures in place that discourage this behavior e.g. heavy penalties (e.g. docking of salaries);
- Dedicated communication channels where workers and members of the public can in confidence disclose unethical acts in the franchise;
- There could be incentives (monetary and non-monetary) when unethical acts are reported and successfully prosecuted.

**{Consider any other relevant suggestion on how a franchisee could deal with the ethical issue}**

**(1 suggestion – 2 facts × 1 mark each = 2 marks)**

**6.4 6.4.1 Discuss the advantages of using internal recruitment when choosing kitchen staff for a fast food business.**

- Staff that are already employed are familiar with company policy/procedures and
- integration into the new position will be easier and cost effective;
- Existing staff will see this as a growth opportunity and commitment by franchisee to consider current staff needs before looking externally;
- Staff will be eager to impress to be considered for the new position, so there could be an increase in productivity/improved staff morale/less conflict.

**{Consider any other relevant advantage of using internal recruitment when choosing kitchen staff for a fast food business}**

**(Any 3 facts × 1 mark each = 3 marks)**

**6.4.2 Explain why it is important for a franchisee to have a retention policy in their business.**

- To replace staff is a time-consuming exercise;
- There are costs involved both from the point of view of recruiting/selection costs and loss of production until the recruit takes up the position;
- Staff have a wealth of work experience and it may be difficult to find a suitable replacement with the same level of experience and
- the franchisee may have invested money and time in training the worker and needs to do all that he/she reasonably can to retain the worker;
- When workers do leave the franchise, it could create uneasiness/conflict amongst the other workers which could hamper productivity.

**{Consider any other relevant reason for a franchisee to have a retention policy in their business}  
(Any 2 facts × 1 mark each = 2 marks)**

**6.4.3 Evaluate the usefulness of having work standards communicated to your workers in a fast food business.**

- Workers need to know what the work standard expected from an employer is;
- This will give them a sense of direction and purpose;
- They will also be clear as to what is acceptable and what is not acceptable;
- The process will minimise the occurrence of conflict over quality of work;
- Productivity will increase;
- Staff morale and commitment to the job will increase;
- This is a win-win situation for the worker, franchisee and franchisor.

**{Consider any other relevant point on the usefulness of having work standards communicated to your workers in a fast food business}  
(Any 3 facts × 1 mark each = 3 marks)**

**6.5 The South African government is thinking of introducing a "sugar tax" and this will have implications for the fast food sector.**

**Comment on the introduction of the "sugar tax" and state how fast food franchises should react.**

- **Positive implications:**
  - The public becomes aware of the price of the health benefits in limiting sugar intake when consuming fast foods;
  - The sugar tax is a source of revenue which can be used for medical research into obesity, diabetes, etc. and in the end, improve production methods or ingredients used;
  - Fast food businesses must find healthier alternatives to substitute the sugar in their products.
  
- **Negative implications:**
  - There will be an increase in the price of the final product, as the franchise seeks to recoup the cost of the tax;
  - There could be a decline in product sales and less revenue for the franchise.
  
- **Strategies that a franchisor could use to deal with (react to) this challenge:**
  - The franchisor could use this as an opportunity to introduce healthier food items onto their menus;
  - Could rethink their production layout and reconsider the ingredients (e.g. replace sauces with a high sugar content) that they use and find alternatives;
  - Could hold workshops, seminars on healthier living, eating alternatives;
  - The franchisor could enter into a partnership with the government where the government provides funding for the franchisor to implement less sugar in their production activities or assistance with awareness programs.

**(Consider any 5 relevant facts × 1 mark each = 5 marks)**

**{Maximum of 2 marks are allocated to how the fast food franchise should react to the introduction of the sugar tax}**

**[50]**

**150 marks**

**Total: 200 marks**