



NATIONAL SENIOR CERTIFICATE EXAMINATION  
MAY 2023

**BUSINESS STUDIES**  
**MARKING GUIDELINES**

Time: 3 hours

300 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	D
1.3	C
1.4	C
1.5	B
1.6	B
1.7	A
1.8	A
1.9	A
1.10	B
1.11	A

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

**QUESTION 2      BUSINESS STUDIES TERMS**

- 2.1      Subrogation
- 2.2      Cession
- 2.3      Brand stretching
- 2.4      Situational
- 2.5      Liquidation
- 2.6      Backward
- 2.7      Value chain
- 2.8      Contingency plan
- 2.9      Customer service orientated
- 2.10     Retirement annuities

**QUESTION 3      TRUE OR FALSE**

3.1    True

3.2    False

Picketing refers to a situation where employees demonstrate, to show this disagreement with a situation.

3.3    False

Businesses operates within an ever-changing environment.

3.4    True

3.5    True

3.6    True

3.7    True

3.8    True

3.9    False

The administration function is responsible for collecting all business-related data.

3.10   False

The resource-based analysis is used to identify tangible and intangible resources that the business owns.

3.11   False

Using a focused strategy to develop a competitive advantage means all efforts are aimed at a specific market segment based on narrowly defined demographics.

**OR**

Low-cost strategy (also Low-cost price) is a pricing strategy characterised by low prices of goods and services using various saving methods. The business reduces real costs.

3.12   False

A business may need to charge more for goods and services in specific areas due to its costs, and supply and demand.

**SECTION B****QUESTION 4****4.1 Define what is meant by the term environmental scanning.**

Environmental scanning is the ongoing tracking of trends and occurrences in an organization's internal and external environment that bear on its success, currently and in the future.

**Consider any other relevant facts that define the term environmental scanning)  
(Any 2 facts × 1 mark each = 2 marks)**

**4.2 Name FOUR elements/factors a retailer should consider as part of their environmental scan of the Macro environment.**

- Political
- Economical
- Social
- Technological
- Legal
- Environmental

**Consider any other relevant elements/factors a retailer should consider as part of their environmental scan of the Macro environment.**

**(Mark the first four elements/factors)  
(Any 4 facts × 1 mark each = 4 marks)**

**4.3 Explain the role of the purchasing function in providing the ultimate customer experience from a retailer's point of view.**

Purchasing departments are at the centre of successful supply chain management. Typically, they help other departments identify their needs, manage the requisition process and source competitive prices, and generally act as controllers to ensure adherence to budgets.

**Consider any other relevant role of the purchasing function in providing the ultimate customer experience from a retailer's point of view.**

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

4.4 ***Retailers compete to provide the customer with the ultimate customer experience. Use Porter's Model to evaluate possible opportunities and threats for a retailer in the Market business environment.***

**Level of rivalry (current competitors)**

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

When the business is compared with one's competitors, the following factors require reviewing:

- Size and financial resources of the business
- Market share
- The quality of products/service
- Consumer brand loyalty
- Pricing of products or service
- Convenience of location and distribution channels
- Trading hours

**Threat of new entrants**

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

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

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

- The bigger retailers in shopping malls will, 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 a potential new business from selling a similar product.
- Large sums of money may be spent on advertising and having promotions where products or services are sold at a lower price, making it difficult for a new business to enter the market.
- Consider that even the government puts legislation in place to make it difficult for new businesses to supply electricity to consumers.
- A tax on imported goods is a deterrent the government imposes on certain industries to protect the local market from cheap, mass-produced goods from overseas.

### **Availability of substitute products**

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

To illustrate different brands:

- Simba chips and Willards chips
- Pick n Pay and Checkers

A substitute product is a different product that satisfies the same need, namely:

- Butter vs. margarine
- Glasses vs. contact lenses
- Sugar vs. artificial sweeteners
- Restaurants vs. fast foods

Suppose a business manufactures margarine. In order to ensure the business is successful, it not only needs to consider the strategies other margarine manufactures implement (e.g. their prices, products packaging, the retailers selling the products to consumers, etc.); it also has to consider what butter manufacturers are doing, as people may be willing to substitute margarine with butter, if it seems to be a better option.

### **The power of suppliers**

Any business that does not have a reliable supplier is certain to encounter problems more often than not.

In order to be successful, the business depends on the supplier to provide a good quality product when needed (timing) and to deliver the correct quantity to the place needed at a reasonable price.

Large suppliers, e.g. Amalgamated Beverage Industries (ABI – suppliers of Coke, Fanta, Sprite, etc.).

The following are possible costs associated with the unavailability of stock:

- If there is no material, a manufacturer cannot produce (no sales = no profit).
- If there is no material, the machines and labour cannot be utilised to their full capacity, because the production or selling process will grind to a halt.
- Administrative and opportunity costs are incurred when dealing with a stock shortage. If a business has run out of stock, it becomes very difficult to negotiate discounts when placing orders.
- Customer goodwill may be lost if they have to go to competitors.

### **The power of buyers**

The buyer may be a wholesaler ordering from a manufacturer, or a retailer buying the products for his shop or even the consumer who has to spend his or her hard-earned money at your business. If the buyers are not respected, and offered good value for money, they may decide to support a different business.

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

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

**Consider any other relevant fact for using Porters Five Forces Model to evaluate possible opportunities and threats for a retailer in the Market business environment.**

**(Any 4 facts × 1 mark each = 4 marks) for naming the element)**

**(Any 8 facts × 1 mark each = 8 marks) for discussing the use of Porters Five Forces Model.**

4.5 **Evaluate how a retailer would use the following Balanced Score Card perspectives to ensure continuous improvement in the business:**

**Customer Perspective:**

In the customer perspective of the Balanced Scorecard, managers identify the customer and market segments in which the business unit will compete and the measures of the business unit's performance in these targeted segments.

**Financial Perspective:**

Under the financial perspective, the goal of a company is to ensure that it earns a return on the investments made and manages key risks involved in running the business. The goals can be achieved by satisfying the needs of all players involved with the business, such as the shareholders, customers, and suppliers.

**Internal Business Perspective:**

The internal process perspective is concerned with the processes that create and deliver the customer value proposition. It focuses on all the activities and key processes required in order for the company to excel at providing the value expected by the customers both productively and efficiently.

**Consider any other relevant fact how a retailer would use the Balanced Score Card perspectives to ensure continuous business improvement)**

**(Any 9 facts × 1 mark each = 9 marks)**

**4.6 Explain the importance of a retailer having a vision.**

Having a vision places a purpose upon your goal-setting activities. Without an end goal or destination in mind, then you won't have a clear or defined path. Vision provides this. To achieve your vision or goal, you can start by setting small, attainable goals as steppingstones.

A vision is the mental picture of the future you desire. More than just a goal, a vision is the embodiment of our hopes and dreams in a particular area; the picture of what has not yet happened, but what the future may hold.

**Consider any other relevant fact for explaining the importance of the retailer having a vision.**

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

**4.7 With the use of examples, discuss how a retailer could use functional conflict to create the "ultimate customer experience".**

Exploring out-of-the-box thinking: It has been seen that during the conflict, many employees perform better by applying analytical and out-of-the-box thinking. They explore alternative ways to supersede the other person in a good way. The other employees explore ways to do better in a creative and extraordinary way.

Tension diffusion among various groups: There must be some ways to express the opinion in a positive way; otherwise, it will lead to a high attrition rate or dissatisfaction among the employees. For example, most of the employees believe that their current manager is not an active listener. What will happen to that department? It will lead to tension among employees, and later it will lead to bad performance. Expressing conflict reduces tension and minimizes frustration, high mental exaggerations, biased opinions, distrust, and other negative aspects of the office.

Promotion of competition and group cohesiveness: Positively taking a conflict increases a sense of competition, motivation, and enhanced efforts in performing the work. Effort and output increase manifolds that further become beneficial for the organization. Furthermore, competition can result in increased effort and output. Some experts also stress that conflict creates solidarity and loyalty towards the organization, and management has to work less hard in managing the team for more quality performance.

Great way to judge skills: Functional conflict works like a testing point for employees' calibre in handling challenges. Positive conflict creates challenges, and an employee has to look for ways to come out from that. It also leads to change in attitude, work culture, and the general perception of working.

**Consider any other relevant fact on the use of examples and discussing how a retailer could use functional conflict to create the "ultimate customer experience"**

**(Any 8 facts × 1 mark each = 8 marks) for examples and discussing how a retailer could use functional conflict**

4.8 **Explain how a retailer may have different approaches to dealing with conflict situations. Motivate your answer with the use of examples.**

When an **Accommodating approach** is followed, the person will be cooperative and not assertive. He/she will probably neglect his/her own interests and even sacrifice some of his/ her beliefs when yielding to the other's point of view.

A person opting to **avoid the conflict situation ignores the conflict** by withdrawing from the situation or **postpones dealing** with it till a later stage or avoids the situation by getting someone else to deal with the conflict situation. If it is not an important issue, this approach may very well work – almost like the saying "pick your battles carefully".

When **collaborating/cooperating**, the parties try to work with each other in a situation that fully satisfies everybody involved. When collaborating, the parties attempt to find a solution that fully satisfies everyone's concerns. This will usually take time, as the underlying differences must be uncovered and addressed.

**Competing** means an individual is not prepared to give in, instead he/she will do everything in his/her power to win. People will follow this approach if the conflict is over a principle or value that cannot be relinquished.

**Compromising** means the parties are trying to find an acceptable solution to the mutual (although sometimes only partial) satisfaction of both parties by seeking a common middle ground.

**Consider any other relevant facts on how a retailer may have different approaches to dealing with conflict situations (Any 5 facts × 1 mark each = 5 marks) for explaining how a retailer may have different approaches to dealing with conflict situations (Any 3 facts × 1 mark each = 3 marks) for motivating with the use of examples**

**QUESTION 5****5.1 *Discuss the role of trade unions during collective bargaining.***

A trade union, or labour union, is a group of workers who have formed to protect their professional rights and interests, e.g. negotiating higher wages, health care, and pensions, and better working conditions, including workplace safety.

Trade unions or workers' organisations represent the interest of workers in the collective bargaining process. Workers join these organisations so that the organisations can raise the workers' issues and protect them from exploitation.

**Consider any other relevant fact on the role of trade unions during collective bargaining  
(Any 4 facts × 1 mark each = 4 marks)**

**5.2 *Explain how SPAR would use the recruitment and selection processes to ensure they are employing the right people.***

An effective recruitment and selection policy not only fulfil the requirements of a job but also ensures that an organization will continue to maintain its commitment to providing equal opportunity to employees. Adherence to such a policy will let you hire the best possible candidates for your organization.

The recruitment and selection processes are both expensive and time-consuming for a business. You have to advertise the job opening, which can be an expensive process. Then staff will have to use precious time to interview and evaluate workers and see if they're qualified and right for the job.

There is an alternative; you could use a recruitment agency to help find the best candidates for your business. A recruiting firm has an efficient, cost-effective recruitment and selection process already in place.

So, what are the benefits of using an effective recruitment and selection process? There are several advantages: Save time: an effective hiring process can save you time. A streamlined process, which is easy to navigate, fills open positions faster than a cumbersome, overly long hiring process. An overly long and difficult recruiting process may cost you qualified workers who quickly lose interest and move on to another company. Save money: using a streamlined recruiting and selection process also saves you money. A process that quickly moves along takes less time and is more efficient, saving you money on the time it takes to fill a job. Legal issues: an established recruiting and selection process can help to ensure the hiring process is both fair and transparent. Workers are assured they won't have to face any type of discrimination and they will have the assurance that their personal information is kept private. In these ways, your company can lower the risk of legal actions against the company. Hire the right worker: lastly, an efficient recruitment and selection process ensures you'll hire the right worker more often than not. Save time on training: the right type of hiring and selection process also helps the company save time on training. By hiring the right worker with the right skills, the company won't lose time on training. The right person, with the right skills, will be ready to start working, requiring only minimal training.

**Consider any other relevant fact on how SPAR would use the recruitment and selection processes to ensure they are employing the right people.  
(Any 10 facts × 1 mark each = 10 marks)**

5.3 **List THREE types of training programmes that SPAR could use as part of their learning and development initiatives.**

- Technology-based learning.
- Simulators.
- On-the-job training.
- Coaching/mentoring.
- Instructor-led training.
- Roleplaying.
- Films and videos.
- Case studies.

**Consider any other relevant types of training programmes that SPAR could make use of as part of their learning and development initiatives**

**Mark the first 3 types of training programmes  
(Any 3 facts × 1 mark each = 3 marks)**

5.4 **Labour laws that are implemented correctly ensure that employees are fairly treated. Assist SPAR in understanding TWO relevant.**

**The Labour Relations Act 66 of 1995 (LRA) has as its main aims to:**

- Enforce the fundamental rights relating to labour issues that are guaranteed in the Constitution.
- Promote economic development, labour peace, social justice and democracy in the workplace by providing a framework for collective bargaining to solve labour disputes.

The LRA applies to all employers, employers' organisations, employees and trade unions, but does not apply to members of the National Defence Force, National Intelligence Agency and the South African Secret Service.

**The implications of the Labour Relations Act:**

Positive:

- The LRA ensures that international labour standards are applied in the South African labour context.
- The LRA gives clear guidelines on how labour disputes can be resolved.

Negative:

- Trade unions have a lot of power in South Africa and it appears that they sometimes forget that they are meant to protect the rights of employees and not become involved in politics and other issues under the pretext of implementing the LRA.

**Employment Equity Act 55 of 1998 (EE):**

**The purpose of the Act:**

When one looks at The Employment Equity Act, it seems to discriminate against certain groups of people. This is indeed the case with the justification being that the Act is designed to redress the inequalities of the past. This is done through Affirmative Action (AA).

**The implications of the Employment Equity Act:**

Positive:

- Imbalances and unfairness of the past are corrected.
- A more diverse workforce with better representation from all people is ensured.

Negative:

- One of the disadvantages of EE is that it places an additional workload on the business. Employers have to 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 and this again places an additional burden on staff during this time of the inspection. 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.

### **Broad Based Black Economic Empowerment Act 53 of 2003 (BBBEE):**

#### **The purpose of the act:**

BBBEE aims to redress imbalances of the past by bringing the black majority of the country into the economic mainstream. It is suggested that this is achieved by focusing on the following **five elements** (pillars) of the BBBEE scorecard (implementation date October 2013 – previously SEVEN pillars):

- The percentage of black owners in a business (as measured by their voting rights in the business) has to be increased to a minimum of 40% **black ownership** to get maximum BBBEE points.
- The aim is to empower more black people to become active at **management level in the businesses**. This is achieved via Employment Equity targets.
- Encourage the implementation of mentorships, learnerships and internships in order to promote human capital development of black people and to keep emphasising **skills development** as part of BBBEE.
- To ensure businesses use **black-owned business as their suppliers**, and in turn, to help these suppliers to develop where possible.
- To establish **socio-economic development** by ensuring black people have access to funds to become economically empowered and to own their own businesses.

#### **The implications of the BBBEE Act:**

Positive:

- A large portion of the black middle class has experienced dramatically improved standards of living, owing to promotion by businesses to meet BBBEE targets.
- Real opportunities have occurred for black people to become part of the economy, either through ownership or in management positions.
- Skills development for black people has increased.

Negative:

- The majority of black people in the country have not benefited from BBBEE and still live in abject poverty.
- Companies find it difficult to make changes to their management structures as the number of black people with qualifications and the required experience is still limited. It takes years to gain the experience to function at top management levels.
- There are still companies that try to manipulate the system through "window-dressing" in order to achieve maximum BBBEE points to secure government contracts.

**Skills Development Act 97 of 1998 (SDA):**

The Skills Development Act (passed in 1998) and the Skills Development Levies Act (passed in 1999) were the starting points to formulate a National Skills Development Strategy that could help to ensure South Africa develops the skills needed for economic growth, social development and sustainable job creation.

The Minister of Labour used representatives from business, organised labour, government and other relevant bodies to establish the National Skills Authority that was tasked to help with the drafting and implementation of the National Skills Development Strategy and to ensure SETAs (Sector Education and Training Authorities) help businesses to make skills development a reality.

**The aims of the Skills Development Act:**

- 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 through training and improved skills levels
- 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

**The implications of the Skills Development and Skills Development Levy Act:**

Positive:

- Funding for training is obtained from Skills Development Levies, regardless of what the business plans to spend on training. Skills are thus not compromised when training budgets are reduced.
- 20% of the Skills Development Levy may be claimed back simply by submitting a WSP and ATR. This encourages businesses to plan and implement training programs.

Negative:

- 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% reduction.

**Consider any other relevant labour laws to ensure employees are treated fairly.**

**(Any 2 facts × 1 mark each = 2 marks for identifying the labour related Act)**

**(Any 3 facts × 2 marks each = 6 marks discussing the main purpose of this Act)**

**Any (6 facts × 2 marks each = 12 marks for evaluating how SPAR could ensure that they are implementing the Act correctly)**

5.5 ***Discuss how SPAR can use employee evaluations to contribute positively to the personal growth of their employees.***

**Traditional performance appraisals:** A superior conducts an evaluation based on an employee's work with evidence supporting how well they are doing.

**360-degree review:** Superiors, colleagues, supervisors and the individual make an evaluation, allowing for feedback from all directions of the team.

**Self-appraisals:** An employee reviews their own performance, considering their accomplishments and mistakes.

**Employee-initiated review:** An employee asks their manager for a review to determine how they are performing and to request to take on more projects or a higher position.

**Group performance appraisal:** Superiors review how the overall team in an organization is performing, sometimes opening the feedback for employees to review their peers.

**Upward appraisal:** Staff members provide feedback on how their team leads are doing.

**Negotiated appraisal:** A mediator helps a manager and employee discuss work performance, usually starting with a review of the employee's positive performance before offering constructive criticism.

**Consider any other relevant fact on how SPAR can use employee evaluations to contribute positively to the personal growth of their employees**  
(Any 4 facts × 1 mark each = 4 marks)

5.6 ***Explain why SPAR's Human Capital function should focus on retention strategies.***

**Morale improvement:** A revolving door environment can dampen employee morale. Aside from lost connections, employees who remain may have to take on heavier workloads or responsibilities. As a result, their motivation and satisfaction can also nosedive.

**Contagious nature of turnover.** Employees may decide to leave because they notice others are job hunting, talking about quitting or actually leaving the business. Organizations with successful employee retention programs can lift employee morale, enable greater connectedness and engagement, and create contagions of positive emotions in the workplace.

**Experienced Employees** One crippling cost of high turnover is the loss of institutional knowledge, skills and relationships – within the organization and with customers and partners – that disappear when an employee exits. The organization also loses the potential value the employee could have delivered, also known as the opportunity cost. When senior employees depart, the loss can impact succession planning as well. These employees – particularly top performers or those with in-demand skills – are often at risk for turnover even in times of high unemployment.

**Replacing an employee** carries significant costs. After an organization finds qualified employees and successfully recruits and onboards them, they have to be trained. Should a new hire leave, all that money goes down the drain.

By focusing on employee retention, recruiting costs can be dramatically reduced. Another consideration is to recruit from within the organization. The cost to train and reskill an employee from within can save an organization tens of thousands of dollars per person.

**Increased productivity:** Persistent turnover causes a host of issues for employers. The most immediate impact is loss of productivity. On average, it can take a new hire one to two years to reach the productivity of an existing employee. In addition, new hires need time to build relationships with co-workers and customers. An understaffed environment also causes problems of its own – among them, employee overtime and burnout, lower work quality and delays.

Effective employee retention can save an organization from productivity losses. High-retention workplaces tend to employ more engaged workers who, in turn, get more done. Engaged employees are more likely to improve customer relationships, and teams that have had time to coalesce also tend to be more productive.

**Better customer experience:** Customer experience is a customer's perception or opinion about their interactions with a business, from their first interaction to post-sale support. These interactions depend on employees whose own experiences can impact how they engage with customers.

**Improved corporate culture:** The perceptions, preferences and behaviours of people who work at a company form its corporate culture, which plays an indisputable role in recruiting and retaining the right people. When an employee leaves, others will often wonder why and perhaps start to question their own loyalty to the organization. Conversely, when engaged employees who are aligned with an organization's culture stay, they strengthen the organizational ethos and environment.

**Better employee experience:** Employee experience is an employee's perception of their interactions within an organization — from when they first applied for a position to when they leave. It also takes into consideration each person's relationships with co-workers, managers and customers. A positive employee experience often fuels productivity and fosters more positive customer experiences, which can lead to greater customer loyalty.

**Revenue gains** stem from reduced hiring costs, increases in productivity, and the delivery of better customer experiences, among others. Tracking revenue increases from retention policies can be an important HR metric to demonstrate the return on investment of those initiatives.

A positive employee experience can boost employee engagement, defined as the level of connection and dedication a person has to their role and organization. Engaged employees feel motivated and care about their work and company; they feel they have proverbial skin in the game and are more likely to stay. The level of engagement is closely tied to employee satisfaction and morale, all of which are critical to an organization's success.

**Consider any other relevant fact explaining on *why SPAR's Human Capital function should focus on retention strategies.***  
**(Any 3 facts × 1 mark each = 3 marks)**

5.7 5.7.1 **Name THREE monetary motivational factors.**

- Bonus
- Salary increase
- Fringe financial benefits
- Medical Aid
- Pension

**Consider any other relevant monetary motivational factors  
Mark the first three motivational factors only  
(Any 3 facts × 1 mark each = 3 marks)**

5.7.2 **Name THREE non-monetary motivational factors.**

- Time off
- Flexible time
- Work from home
- Office rotations

**Consider any other relevant non-monetary motivational factors  
Mark the first three motivational factors only  
(Any 3 facts × 1 mark each = 3 marks)**

**QUESTION 6**

6.1 **Use a relevant example to explain how each managerial competency below would help Checkers to meet its promise to be "better and better".**

<b>Initiative competency</b>	<p>Using information from a variety of sources, identifying immediate action needed to address current issues, seizing the opportunity to enhance performance and advance horizontal/vertical goals.</p> <p>Innovativeness/initiative is the ability to be creative, consider current practices with the mind-set of continuous growth, and demonstrate initiative to generate improvements and foster positive outcomes. This is a list of specific behaviour descriptions for this competency, intended to support performance management and development.</p>
<b>Analysis competency</b>	<p>Analysis Competency is a tool used to measure knowledge, skills, and capabilities either for analysing a company's products, services, human capital, or it can be used in education in order to analyse the core competency in student performance.</p> <p>The business analyst must be able to understand and decipher requirements elicited and devise solutions to overcome problems faced by stakeholders.</p>

**Any other relevant fact/example to explain how each managerial competency would help Checkers meet its promise to be "better and better".  
(Any 6 facts × 1 mark each = 6 marks)**

6.2 **Assess how Checkers would use the different management tasks listed below to ensure they are committed to their promise to be "better and better" at each management level.**

<b>TOP-LEVEL MANAGEMENT</b>
<p><b>Planning:</b></p> <p>Top-level managers, such as CEOs or presidents, will design and execute strategic plans to paint a picture of the desired future and long-term goals of the organization. Essentially, strategic plans look ahead to where the organization wants to be in three, five, even ten years.</p> <p>Planning is the first and the most important function of management that involves setting objectives and determining a course of action for achieving those objectives.</p>
<b>MIDDLE-LEVEL MANAGEMENT</b>
<p><b>Coordinating:</b></p> <p>Coordination is the force that binds all the other functions of management. Coordination is the common thread that runs through all activities such as – purchase, production, sales, and finance to ensure continuity in the working of the organisation. Sometimes it is considered as a separate function of management.</p>
<b>LOWER-LEVEL MANAGEMENT</b>
<p><b>Communicating:</b></p> <p>Managers at the lower level of the management communicate the organizational goals or ethical guidelines to the employees at the workplace. They act as a leader and set example for other employees to follow. They give commands and directions to the employee, make decisions, and mobilize employees' support.</p>

**Any other relevant fact assessing how Checkers would use the different management tasks listed below to ensure they are committed to their promise to be "better and better" at each management level.**  
**(Any 12 facts × 1 mark each = 12 marks)**

**6.3 Complete the following diagram on marketing.****Identify TWO elements of the marketing mix.****Product**

Product refers to anything that's being sold – a physical product, service or experience.

No matter how you position yourself as a brand, your product or service is always going to be at the centre of your strategy and therefore it will influence every aspect of the marketing mix. When you think of your product, consider factors such as its quality, specific features, packaging and the problem that it will solve for your customers.

Whilst things like customer service are key, your product, i.e. what the customer gets, is ultimately what they will care about most. Of course, if your buyer is not satisfied with what you're selling, they won't return to you. But if the quality is right and it solves their problem, the product will sell itself.

**Place**

Where are you selling your product or service? There are many places and ways that businesses can sell. So 'place' doesn't just refer to a physical location. It could mean selling via a website, catalogue, social media, utilising trade shows and, of course, brick and mortar stores. 'Place' encompasses each and every distribution channel. Most companies can't, or don't, set up shop just anywhere.

There are a number of factors that need to be considered first. Your target audience will play a part when it comes to your distribution channels. For example, there's no use in selling via a single high-street store if your target audience mostly resides online or if you want to sell globally. Testing is always a good idea – would an e-commerce site work better than a physical pop-up store? Perhaps a mix of both would be appropriate for your business.

You need to gain a clear understanding of your target audience if you are to establish the most appropriate place to reach customers and make a profit. In order to consistently make a profit, you need to reside and distribute in the places that are both appropriate for your brand and accessible for your audience.

**Price**

How much does your product or service cost? Everyone has their price and if you target a specific audience but get the pricing structure wrong for this particular set of buyers, you can forget about getting a desirable ROI.

The price you set should reflect your customer's perceived value of your product, correlate with your budget, and be set in a way that ensures you turn a profit. Pricing has a huge impact on the success of your business and it can impact your marketing strategy, sales and product demand. There are many different pricing strategies used by businesses today, they all have different benefits, drawbacks and functions. And the one that you choose to implement will depend on what you're selling as well as your brand image itself.

**Promotion**

Promotion. That's what we're all about. Whether it's direct marketing, PR, advertising, content marketing or in-store pitching, promotion is what we, as marketers, do best.

Promotion means raising awareness of a brand, product or service within a market; telling a story to encourage consumer engagement. Promotional strategies work on multiple levels. They raise brand awareness, increase sales and generate revenue. Why should someone purchase from you over your competitor? How will you solve their problem or enhance their life?

**Physical Evidence**

The marketing mix must take into consideration everything that your customer experiences along their journey with you – from the very beginning when they're just becoming aware of your brand, up to the point of sale and beyond.

Physical evidence means more than just proof of purchase. Whilst it does include this important aspect, physical evidence also encompasses the overall existence of your brand. Think website, branding, social media, the logo on your building, your store's decor, the packaging of your products and the post-purchase thank you email. All of these elements offer your customer the physical evidence they need to be certain that your business is viable, reliable and legitimate.

**People**

People, in the marketing mix, refers to anyone directly or indirectly involved in the business side of the enterprise. That means anyone involved in selling a product or service, designing it, marketing, managing teams, representing customers, recruiting and training.

It's critical to the success of your brand, and the satisfaction of your customers, that everyone who represents the company (including the chatbots) is polite, professional, knowledgeable and fully trained. Employees need to be able to solve the problems that customers have so, as a business, you need to offer training, good working environments and anything that will safeguard the contentment of your employees.

Excellent customer service is a must for any brand operating in today's customer-centric market. This doesn't necessarily mean that people are inclined to purchase in-store from a physically present human. When marketers create a strategy that's highly tailored and personalised, campaigns that are human experience-focused can be as influential as the best, most persuasive salesperson.

Be sure to maintain a positive brand reputation by addressing and resolving customer complaints, rather than just ignoring them. This will support your recovery and, if handled correctly, help you to avoid any future damage to your brand reputation. Employing and retaining the right people is key for both long- and short-term success.

**Process**

So you have a product and you have your target audience. How do you deliver the product to the customer? This in-between aspect can be called the process.

It involves how your business runs, how the service is delivered, how the product is packaged, how your customers move down the sales funnel, checkout, shipping, delivery, etc. Essentially the process describes the series of actions or the fundamental elements that are involved in delivering the product or service to the customer.

The more seamless and personalised your processes are, the happier your customers will be. If you have a product that's of good quality, chances are you won't hear any complaints. But there are so many different pieces of the process puzzle that you have to consider in your marketing strategy. So if you're going to experience complaints, it will likely be at this point. Customers typically feel frustrated or dissatisfied by late shipping, additional costs, poor communication or a lack of support. You can minimise complaints and optimise your process by keeping an eye on online reviews. If customers complain then you know it's time to re-evaluate and reconfigure your processes. Word of mouth, especially in the digital world, has the power to make or break a brand. So every part of the buyer's journey has to be seamless and efficient.

***Criteria for a successful marketing strategy:***

- Identify priorities, prioritize resources and enable organizations to select the best customer and market opportunities.
- Serve as the foundation for the activities that create and nurture the promise of value to the customer.
- Provide a direct-line-of sight between marketing activities and investments and business outcomes and results are a living roadmap that is anchored to the overall business' outcomes and focuses on customer value, growth, and profitability.

**Any other relevant fact on the elements of the marketing mix, importance of Checkers focusing on each of these elements, as part of their marketing strategy, assessing how the two marketing elements identified are dependent on each other and criteria that would be used to determine the success of Checkers' marketing strategy**

**(Any 2 facts × 1 mark each = 2 marks) for identifying the elements  
(Any 3 facts × 2 mark each = 6 marks) for explaining the importance  
of Checkers focusing on each of these elements**

**(Any 3 facts × 1 mark each = 3 marks) for assessing how the two marketing  
elements identified are dependent on each other**

**(Any 3 facts × 1 mark each = 3 marks) for developing THREE criteria that would be  
used to determine the success of Checkers' marketing strategy**

6.4 ***It is essential that Checkers protects the business by taking out insurance. Assess THREE types of non-compulsory insurance that will protect Checkers.***

**Fire insurance:**

Although fire insurance is listed in some books as a separate insurance policy, insuring against fire will usually form part of other insurance policies:

- Fire damage to the structure of a house or building is usually included in the insurance made compulsory by banks when they finance a bond for the building.
- Fire causing damage to a vehicle will be included in the vehicle insurance.
- The more flammable a product (thatch roof or inventory such as wood, paper, gas, etc.), the higher the risk and therefore the higher the premium.
- The nature of the surrounding buildings may also have an impact on the risk and premium. If the building (house or business) that is insured is next to a garage (selling petrol or diesel) there will be a high risk associated with the insurance and therefore, a high premium payable.

**General business insurance/commercial insurance**

Business insurance is probably one of the most important decisions the entrepreneur or manager has to consider in order to protect the business from losses caused by unforeseen circumstances. These circumstances may include theft (shoplifting), burglary (forced entry), public liability if a customer slips on a wet floor and sustains an injury while in the shop (called liability insurance), and damages from fire or elements of nature.

Insurance contracts relating to insurance for inventory (trading stock) will include an 'iron safe clause'. This requires the insured (business) to keep a record of stock on hand in a safe that is fireproof and that cannot be destroyed by the fire. It is no longer required to keep back-up records in a fireproof safe on the premises, as technology enables stock records to be kept off-site.

The business also has to be aware that in extreme circumstances there may be a total or partial loss of income if the business cannot operate while repairs are being done. This loss of income can also be covered in a Commercial insurance policy.

**Vehicle insurance**

When we talk about vehicle insurance, we normally distinguish between two options:

- Fully comprehensive: Fully comprehensive insurance means the insured's car and the other vehicle will be repaired in the case of an accident. Damaged caused by fire will be covered or if the car is stolen the insured will be indemnified (put in the same financial position than before the loss occurred). It is important to remember that items such as expensive sound systems, laptops and other expensive items must be specified separately to avoid these assets not being covered by the insurance policy. Insurers can work out a tailor-made solution to cover the individual needs of the insured.
- Third-party, fire and theft: The older the vehicle, the less the value. If a vehicle is relatively old, it may not be financially viable to continue paying fully comprehensive insurance, because the chances are the insurance company will write off the vehicle if it is damaged and not pay out a decent value.

**Money in transit insurance**

If a business handles a lot of cash, it may be prudent (wise) to take out Money in transit insurance to cover any potential losses that may occur between the business and the bank. Some businesses prefer not to take this risk and will outsource the transportation of the money to a third party such a Coin Security company (which will definitely have this type of insurance).

**Fidelity insurance**

Fidelity insurance is taken out to protect the business against financial losses caused by dishonest employees. Theft of money or fraud may be covered. If there are only one or two people in the business handling money or working with finances, the policy may be taken out to cover individual employees (their names are specified on the policy). If a large number of staff members need to be covered, a floating policy may be taken out where specific positions (jobs), rather than individual people are covered.

**Any other relevant facts on non-compulsory insurance that will  
Checkers will take out to protect the business  
(Any 3 facts × 2 mark each = 6 marks)**

**6.5 Name THREE types of compulsory insurance.**

- Unemployment Insurance Fund (UIF)
- Compensation for Occupational Injuries and Diseases Act (COIDA)
- Road Accident Fund (RAF)

**Any other relevant answer on compulsory insurance  
Mark the first three compulsory insurance only  
(Any 3 facts × 1 mark each = 3 marks)**

**6.6 Critically evaluate the following investment opportunities based on Risk; Timelines and Return on Investment (ROI)**

<b>Equities/ shares</b>	<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• The JSE (and other stock exchanges in the world) have strict rules for companies to list on the stock exchange to protect investors and (hopefully) decrease the risk of investing in these listed companies. Despite this, equities are still seen as a moderate to high-risk investment.</li> <li>• <i>Blue-chip shares</i> are shares in high-end companies on the stock exchange and the risk of acquiring shares in a blue-chip company is smaller than having shares in another company. The ROI in these blue-chip companies is usually higher than in other companies.</li> <li>• Investors usually take smaller risks than people speculating with shares (see discussion under time frame to understand the difference between these two groups of people).</li> </ul>
<b>Debentures</b>	<p><b>Timelines:</b></p> <ul style="list-style-type: none"> <li>• Debentures may be used as long-term financial instrument to earn interest until such time as the debenture is redeemed.</li> </ul>
<b>Unit Trusts</b>	<p><b>ROI:</b></p> <ul style="list-style-type: none"> <li>• A good Unit trust investment will outperform inflation over the medium term of 3 to 5 years.</li> <li>• The rate of return will depend on the risk option that was chosen but will ultimately depend on how well the fund manager has invested the money.</li> </ul>

**Any other relevant answer on evaluating investment opportunities based on Risk, Time lines and Return on Investment (ROI)  
(Any [3 facts × 1 mark each = 3 marks] × 3 = 9 marks)**

## SECTION C

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

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

**Fact marks are allocated as per the rubric for:**

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

## QUESTION 7

### Ethics

Issues that may be seen as unethical, inter alia include:

#### **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.

It will create a conflict of interest if a person who serves on the board of directors is approached by a supplier to be part of that board of directors.

Example may be if someone is part of the recruitment and selection panel and they fail to disclose that one of the applicants is a friend or family member.

#### **Bribes and corruption**

When someone is offered a reward to give a third party an unfair advantage to which he/she/the business is not entitled, 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.

### **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 workers in the manufacturing department for example.

Even something that seems as innocent as 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 and then uses the card for private use is spending money not authorised for that purpose.

### **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 truly is a gift with no strings attached.

### **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. According to 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.

Employees may also not engage in any of the above activities with customers, suppliers or any person who deals with the business.

Every business should have a clearly defined policy on sexual harassment, including the procedure to follow should the employee feel they are the victim of sexual harassment, as well as the penalties for being found guilty of this offence.

### **Employment/labour issues**

There are a large number of issues that can be discussed under this heading, namely:

- Employees abusing sick leave.
- The abuse of the Internet or email, which may include:
  - Employees who visit porn 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.

**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 jail time.

The Consumer Protection Act (CPA) makes it illegal to charge more for products in rural areas than in urban areas without good justification. For example, if a business charges a high price simply because there are no competitors to keep the prices low, it is seen as unethical.

**'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.

**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 ...

**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.

**Taxation**

We differentiate between tax avoidance and tax evasion. Tax avoidance is legal and ethical, because the business finds legal ways to reduce the tax burden, i.e. deducting legal expenses before the taxable income is calculated. Tax evasion on the other hand is illegal (and therefore unethical) because the business does not declare all its income and lies about expenses in order to pay less tax.

**Whistleblowing**

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 whistleblowing.

**Code of ethics/code of conduct**

A Code of Ethics is often defined as a set of rules that helps people when they have to make decisions, while a Code of Conduct will guide people's actions (conduct). But is there really a difference?

**A Code of Ethics** will describe the principles that the business considers important when decisions are made. Some examples of these principles may include honesty, respect for others, obeying the law, avoiding harm to others, respecting nature, and accountability.

**A Code of Conduct** will prevent negative behaviour such as sexual harassment, abuse of company property for personal gain, distributing inappropriate emails or being racist.

The importance of these two documents (many businesses combine them into one document) lies in the fact that in a group of employees there will be many individuals who have different values, but with the help of these documents, everybody in the team/business will use the same set of rules to judge or evaluate what is acceptable behaviour in the business and what is not.

### **Professional codes**

Professional codes aim to regulate the behaviour of people practising a particular profession. A profession is an occupation/job, requiring specialised tertiary education that qualifies someone to practise as a professional in a particular field. Not all tertiary qualifications will enable the graduate to register with a professional body, but if someone is registered with a professional body, that person has to abide by the professional code of the organisation. If the code is contravened, the person may be fined, suspended, or even disbarred from ever practising in that professional field.

Examples of professions that are subject to specific codes are: law, education, accounting, medicine, nursing, engineering, architecture, actuary.

### **Good business practice**

The concept of good business practice refers to the standards of professionalism, accountability, ethics, and effective business practice that should be conducted.

Professional behaviour is guided and prescribed to by professional codes which stipulate that there are predetermined consequences for professionals who do not act in accordance with the specific professional code.

If the employee does not belong to a professional organisation, it is sometimes not clear what is regarded as unethical behaviour, because ethical behaviour is also part of an individual's values and morals.

*To complicate matters even more:*

Unethical actions are not necessarily illegal, e.g. it is not illegal to sell goods of a poor quality at a high price, because we live in a free market economy. BUT all illegal acts will be seen as unethical, thus it will be illegal (and therefore unethical) to sell petrol below the price that government determines – even if selling it at a lower price may be to the advantage of consumers.

Considering the different ethical theories may help to explain why people sometimes justify certain actions as ethical vs. unethical: There are many such theories; think about the following three:

- The **Principle-based theory**: it states that the person's principles, values, morals or ingrained set of rules about what is right or wrong, will determine if the person sees the action as ethical or not, as the following examples show: If I have done something wrong, I should accept the consequences because it is wrong to lie, even if it means I can avoid punishment. If I have a deadline to meet, I cannot feign illness and 'phone in sick'. If it means the deal is not concluded, because I refuse to pay a bribe, then so be it ...

- According to the **Consequence-based theory**, the outcome (consequence) of the action will determine if the action is ethical or not. For example: it is OK to lie to my mom/boss/friend, if I know the truth will upset her.
- If we look at the **Utilitarian theory**, the decision of ethical or unethical action is based on what is best for the greatest number of people. For example: if I pay a bribe, the business will get the deal and I will create jobs for a large number of people, so it is OK to pay the bribe!

### **Corporate Governance and the founding principles of the King reports**

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. Corporate Governance Acts do not only provide a framework and control measures to look after the bottom line of the business, but also to consider the interests of all stakeholders in the business. These stakeholders may include management, shareholders, customers, suppliers, government, the community as a whole and the environment. In short, Corporate Governance is responsible management **par excellence!**

The primary responsibility is the business's obligation to look after the interest of stakeholders, which are directly affected by the success of the business. This will include employees and shareholders. The secondary or broader responsibility is towards stakeholders who are indirectly affected by the business's activities, e.g. the community, government and the environment.

Corporate social responsibility in practice means the business is managed in a way that ensures its commercial sustainability (profitability) while acting in a manner that will meet society's expectations (ethics) of the business by contributing to society and the environment. This idea that the business has to give back to society and the environment is by no means a new concept. For many years there has been an ongoing debate about the extent of the responsibility of the business and how the business should act in a socially responsible/ethical manner way without over- burdening itself.

Despite the obvious importance of the business acting in a responsible and ethical manner, there are still people that will argue against the corporation's ethical responsibility towards stakeholders. Some of these arguments include:

- Many businesses have argued that CSR detracts from their core business activities.
- Businesses, and often shareholders as well, see the money spent on CSR as less profit in their pockets.
- It is difficult to measure the benefits of CSR and as such it is difficult to measure if the business gains anything from CSR.
- Many businesses feel the pressure from the communities that have been helped via a CSR programme, puts additional strain on them to keep on giving. If, however, the business is not able to meet all the needs of these communities, some communities may view the business in a negative light.
- Some people argue that not all CSR projects are sustainable and that businesses are wasting time and valuable resources on 'hit and run' programmes.
- CSR sometimes leads to businesses misleading stakeholders regarding their environmental practices. This is called Greenwashing.
- Some critics argue that CSR is allowing the state to shift its responsibility.

To counter arguments against social responsibility and to demonstrate the ethical responsibility of Business in South Africa to engage in ethical and responsible behaviour towards various stakeholders, the following arguments may be mentioned:

- Businesses that are assisting the community in which they operate through CSR programmes, receive greater support from the community. People see these businesses/brands as having a reputation for caring; the community in turn supports the business and becomes brand loyal.
- It is argued that businesses need to act on social issues in their communities or else customers will move away. For example: increased levels of poverty will lead to an increase in crime, which could result in customers avoiding the area. An increase in crime also results in the community having less money to spend at businesses.
- There are people debating the issue of whether government should enforce the King Code as a law. It is argued that if businesses are doing CSR voluntarily there will be no need for the added pressure for a law to enforce compliance, not to mention the red tape of policing it.
- If business assists the community to increase its standard of living through education and health programmes, it will benefit from a community that has a higher standard of living and a higher level of disposable income.
- By giving back to the environment through sustainability programmes, businesses are ensuring that future generations will have resources needed to prosper.
- Businesses that operate in sustainable ways are usually also innovative enough to identify additional avenues of income.
- Businesses that implement CSR initiatives are, generally speaking, concerned about the impact that they have on stakeholders and this in turn promotes more ethical business practice.
- In many cases, the business may already have suitable programmes in place to deal with social issues in the community. For example, the business could have programmes in place that deal with leadership and entrepreneurship that are used to empower its own employees. These programmes can then easily be expanded to include the broader community.

The King Committee was founded in 1992 explicitly to clarify the concept of Corporate Governance and how it can be implemented in the South African context.

The King Code talks about the business being an ethical corporate citizen and that its actions show that it cares about society and the environment.

- An ethical citizen will engage with all relevant stakeholders to ensure the sustainability of society and the environment. These stakeholders may include, but are not limited to employees, shareholders, customers, the government and lobby groups; they all place pressure on the business and demand that the business acts in their interest.
- Some cynics argue that the business will only pretend to be a responsible citizen as long as it improves the brand image of the business to gain customers, thereby ultimately increasing its profits.
- It is crucial to understand that ignorance is not an excuse in the eyes of the law. This means that no person can use the excuse of 'I did not know' when the law is broken. It is imperative that general management (and for that matter all employees) fully understand the legal implications of their actions.

The **King I** Report recommended standards of conduct for companies listed on the JSE, as well as state-owned businesses, regarding their responsibilities towards citizens in the societies within which they function. Triple bottom line reporting (or integrated reporting) was introduced as a requirement for management. It was expected that management should not only focus on shareholders (**profit**) as an interest group, but that all stakeholders should be considered when strategies are formulated and implemented and consideration should also be given to the consequences of decisions for society (**people**) and the environment (**planet**).

**King II** was published in 2002 and it described seven principles of good Corporate Governance:

**Transparency** – It is often thought that transparency refers to the fact that everybody has to know what decisions are taken and why they are taken. This is not correct. Some decisions may always be kept confidential. Transparency refers to decisions being taken in accordance with a set of rules with which everybody is familiar and that these rules are understood by everybody. Transparency is of course a precondition for accountability, because if there is no transparency, how will it be possible to hold someone accountable for decisions taken?

**Accountability** refers to a person taking responsibility for their actions. In a business environment where Corporate Governance is accepted as the norm, accountability increases the level of confidence that stakeholders have in the business decisions taken.

**Integrity** or honesty or truthfulness will be part of decision-making if the person or organisation knows they will be held accountable for decisions taken.

**Independence** means there is no conflict of interest and that there are no unfair influences from any stakeholder that will result in a biased or unethical decision being taken in favour of a particular person or organisation. Although networking is a critical component in a person's and business's success, it may reduce the independence of decisions taken in the business if the decision maker feels they have an obligation towards someone they have networked with.

**Discipline** – When one looks at discipline, the starting point is always **self-discipline**. In a business environment, this relates to the **integrity** shown by management, when important decisions are taken.

**Social responsibility** – It has already been mentioned that good governance refers to the way in which decisions are made and policies are implemented. A business that follows a process of good governance will be publicly accountable, because they will act responsibly when it comes to social issues such as exploitation of natural resources, child labour, paying fair salaries that will enable employees to maintain a decent standard of living, support of employees suffering from diseases such as TB or HIV/Aids or any other debilitating disease.

**Fairness** in dealing with stakeholders – It implies that the business will be considerate when evaluating all relevant parties' interests when decisions are taken. Of course, it should be acknowledged that life is not always fair and that it is not always feasible or realistic to act in a manner that will promote the interests of all concerned. Sometimes it is necessary to make a trade-off between benefiting one group of people over another. For example, the business has to decide whether products will be manufactured locally at a higher cost while simultaneously creating employment vs. importing the product at a

lower price, which may benefit some consumers but may disadvantage local employment. When this type of decision is made, it is impossible for all stakeholders to be treated equally (what fairness implies). Management decisions should always aim to serve the best interests of the business and employees and not because there is the lure of a 'kick back' when a particular decision is taken.

**Responsibility (of directors)** – The King reports promote responsible management and King III elaborates further on this issue when special reference is made to the duties and responsibilities of directors:

The board of directors is a key performance driver of the success of the company. The directors represent the shareholders and as such, shareholders hold high expectations of those directors to 'do the right thing' as they are in a position of trust. In the past, when a director's main function was strategic planning for the company, a change in policy to hold directors accountable for incompetence or wrongdoing occurred; this change was necessary because positions of trust had often been abused.

Some of the responsibilities of directors can be summarised as follows:

- Directors must act with skill and care when formulating guidelines, policies and procedures. When these are implemented, it should be ensured that there is compliance with laws and good standards.
- They must act in good faith and honesty (fiduciary duty) in terms of what they believe would be in the best interest of the business and relevant stakeholders. They may not abuse power given to them but have to use the power to enhance the interests of the business (and never themselves).
- Try to pre-empt risks and put proper risk management procedures in place.
- Ethical leadership is non-negotiable. Audit committees should be established and used to monitor finances, as well as other aspects such as the responsible use of technology.
- Ensuring integrated reporting (triple bottom line reporting) and the disclosure of relevant information is important. This is done when a holistic view is given on the company's **financial** performance within the context of sustainable **social** and **environmental** development.

On 1 September 2009 **King III** was released and apart from the abovementioned detail regarding the responsibilities of directors, the following are also covered by King III:

- King III applies to all businesses, regardless of whether they are public, private or non-profit businesses.
- The directors may be liable in the case of misrepresentation.
- The business's audit committee has to ensure that they obtain an external opinion to verify the degree of sustainability indicated in the integrated report. This will probably have an impact on the task of the external auditor if they have to comment on the issue.
- There is a bigger emphasis on **Independent directors** and the board should investigate and assess to ensure the Independent directors are really independent.
- King III requires an **Independent Audit Committee** apart from the board of directors and it is stipulated that, where there is conflict between the decisions of the board and the **Independent Audit Committee**, the **Independent Audit Committee's** decisions will stand, because they will be held accountable by law for the specific issue that is decided upon.

**Total: 300 marks**

**BUSINESS STUDIES: LOWER ORDER THINKING RUBRIC (60% WEIGHTING)**

CRITERIA	0		1		2		Section C
Format	Not meeting the correct standard.		Partially correct format.		Correct format.		
	0	1	2	3			
Terminology	No use of business terminology.	Isolated/limited use of business terminology.	Good use of business terminology.	Outstanding use of business terminology.			
Content (number of relevant facts)	Maximum 50 facts. Divide by 2 to get mark out of 25. Marks are inter alia given for mentioning the fact, explanations of facts or statements, relevant examples; expansion of acronyms. NOTE: Listed facts that are not explained = max 4 marks (8 facts).						
<b>Sub-total: (30 marks)</b>							

**BUSINESS STUDIES: HIGHER ORDER THINKING RUBRIC (40% WEIGHTING)**

If all SECTIONS have not been completed, the judgment is based on the amount of expected information.  
 E.g.: A candidate substantiating one section well, but not answering the other cannot qualify for a "majority of statements" mark.

CRITERIA	0		1		2		3		4		Section C
Substantiation (justification for statements made)	No attempt at substantiation.		Very limited substantiation.		Less than half of the statements are substantiated.		The majority of the statements are substantiated.		The majority of the statements are thoroughly substantiated showing breadth and/or depth of understanding.		
	0	1	2	3			4				
Application to context/industry	Superficial reference based on the case study/context given (just keep mentioning the name of the business repeatedly without relevant examples).	Continuous reference is made to the case study/context given with some applicable examples given.	Continuous reference is made to the case study/context given with several examples that are fully integrated into the answer.	Examples are relevant to the case study/context given and fully integrated into the response showing understanding of the issues at hand. Reference is made to current affairs.	Examples are relevant to the case study/context given and fully integrated into the response showing understanding of the issues at hand. Current affairs are fully integrated into the response.						
	0	1	2	3	4	5	6				
Creative problem-solving	No understanding of the problem and no solution given.	Identification of the problem and an incorrect/poor solution suggested.	Identification of the problem with breadth but no depth (superficial).	Good insight and understanding of half the problem with solutions offered showing depth of understanding OR less than half in breadth and depth.	Good insight and understanding of the majority of the problem(s) with solutions offered showing depth of understanding OR half in breadth and depth.	Good insight and understanding of the holistic problem with solutions offered which are fully discussed, showing understanding on all aspects OR the majority in breadth and depth.	Good insight and understanding of the holistic problem with solutions offered which are fully discussed, showing breadth and depth of understanding.				
	0	1	2	3	4	5	6				
Synthesis	None of the criteria as listed below are met.	At least one of the criteria fulfilled.	Any two of the criteria fulfilled.	Any three of the criteria fulfilled.	Any four of the criteria fulfilled.	Any five of the criteria fulfilled.	All six of the criteria are fulfilled.				
1 Introduction – don't just re-write questions but show an understanding of the "link" between the topics.											
2 Conclusion – this should be a logical affirmation of the points raised.											
3 Flow of thought, i.e. paragraphs leading into one another.											
4 Integration of topics given in the question.											
5 Integration of question with other business-related topics to enhance the quality of the answer.											
6 Arguments are developed.											
<b>Sub-Total: (20 marks)</b>											
<b>TOTAL</b>											