



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY EXAMINATION – MARCH 2017

**BUSINESS STUDIES: PAPER I**

**MARKING GUIDELINES**

Time: 2 hours

200 marks

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

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

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

1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	1.10	1.11	1.12	1.13	1.14	1.15
C	B	A	C	C	D	C	D	B	A	C	B	C	D	B

**[30]****QUESTION 2      MATCH THE COLUMNS**

- 2.1 Total Quality Improvement  
 2.2 Wholesaler  
 2.3 Lock-out  
 2.4 Induction  
 2.5 Balanced Scorecard  
 2.6 Bootlegging  
 2.7 Delphi Technique  
 2.8 Indemnification  
 2.9 Debenture  
 2.10 Democratic Style

**[20]****50 marks****SECTION B****QUESTION 3****3.1 Corporate Governance at Mr Price Group Ltd****3.1.1 Define the term 'Corporate Governance'.**

- The set of rules and the processes that are used by top management to direct and control the business.
- Corporate Governance provides a framework and control measures to look after not only the bottom line of the business, but also the interests of all stakeholders in the business.

**{ Consider any other relevant concept that defines corporate governance }****(Any two facts × 1 mark each = 2 marks)****3.1.2 Give TWO possible examples of how Mr Price maintains discipline in the corporate environment.**

- **Auditing** of the financial records could be a form discipline.
- Management is checking that the finances meet the requirements of (IFRS) International Financial Reporting Standards.
- **Budgeting** by the various departments in the organisation.
- Departments have to put in a request for finances and it has to meet the budgetary requirements.
- Having a **code of conduct**/code of ethics that ensures that certain acceptable standards of conduct are spelt out, and employees/employers must discipline themselves and work to these standards.

- **Self-discipline** – where management acts in an acceptable way (being transparent, delivers work on time, etc.) and this is reproduced by the workers of the organisation.
- **Market discipline** – this is where Mr Price must ensure that the shareholders and other stakeholders are guaranteed a return on their investment. They have to be disciplined to achieve this goal. Otherwise the value of Mr Price's share will decline and investors will withdraw their investment.
- **Employee discipline** – consider the legal requirements to maintain employee discipline as per the Labour Relations Act, e.g. warnings, disciplinary hearings, etc.
- **Regulatory discipline** – where Mr Price must follow the regulations of the country, e.g. the requirements of the Companies Act, the Labour Relations Act, the Consumer Protection Act, etc. Failure to do so will result in penalties that tarnish the image of the business.

**{Consider any other examples of discipline in the corporate environment}**  
**(Any 2 examples × 1 mark each = 2 marks)**

**3.1.3 List THREE responsibilities of the directors of Mr Price Group Ltd.**

Directors must:

- act with skill and care when formulating guidelines, policies and procedures.
- ensure that there is compliance with laws and good standards when implementing guidelines, policies and procedures.
- act in good faith and with honesty in terms of what they believe would be in the best interest of the business and relevant stakeholders.
- not abuse powers given to them, but should use these powers to enhance the interests of the business.
- try to pre-empt risks and put proper management procedures in place.
- ensure that they are ethical in their leadership.
- ensure that audit committees are established as well as other aspects such as the responsible use of technology.
- ensure that Integrated Reporting (Triple Bottom Line Reporting) is happening.

**{Consider any other relevant duty of a director}**  
**(Any 3 duties × 1 mark each = 3 marks)**

**3.1.4 List the elements of Triple Bottom Line Reporting.**

- Profits/financial component
- People/social component
- Planet/environmental component

**(3 marks)**

**3.1.5 Give TWO purposes of the JSE Social Responsibility Index.**

- To identify companies that are listed on the JSE that subscribes to triple bottom line reporting.
- To identify companies on the JSE who conduct business with the view of sound governance in mind.
- To provide a tool with criteria that can be used to assess the company's holistic alignment to global and local CSR.
- To contribute to the development and growth of sound business practice in South Africa and beyond.

**(Any 2 purposes × 1 mark each = 2 marks)**

**3.1.6 Give ONE purpose of the Global Reporting Initiative.**

- The GRI is an independent institution that has made it their mission to develop an acceptable guideline on sustainable reporting.
- The GRI focuses on economic, environmental and social activities that business is part of.
- The GRI guidelines are there to assist companies to report on business activities to different stakeholders; to show their understanding and contributions to a sustainable environment.
- The GRI is the most widely used sustainability-reporting model.
- This model is a holistic framework that addresses the broad performance of the company. It helps companies by providing clear ways to proving their impact.
- The model is a generally accepted reporting tool, and thus provides for international comparability for companies.
- The guidelines of the model are flexible and thus can be used in different sectors and geographical contexts.

**{Consider any other relevant purpose of the GRI}**

**(1 fact × 1 mark = 1 mark)**

**(Total: 13 marks)**

**3.2 Use a PESTLE analysis and focus on ethical, legal and environmental factors that have an impact on Mr Price. Identify ONE challenge for each factor and give a separate strategy to deal with each challenge. Use the table provided in your supplied Answer Booklet.**

<b>PESTLE factor</b>	<b>Challenge being faced</b>	<b>Strategy in response to challenge</b>
<b>Ethical factor</b>	<ul style="list-style-type: none"> <li>• The impact of crime and corruption in our country</li> <li>• Lack of moral fibre in our society</li> <li>• Lack of consideration of our fellow men</li> <li>• Complexity of our society, which does not prioritise ethics as a key element of a successful society</li> </ul> <p><b>{Consider any other relevant ethical challenge}</b> <b>(Any 1 challenge × 2 marks = 2 marks)</b></p>	<p>The suggested strategy must link with the given challenge.</p> <p><b>{Consider any other relevant strategy to overcome the challenge}</b> <b>(Any 1 strategy × 2 marks = 2 marks)</b></p>
<b>Legal factor</b>	<ul style="list-style-type: none"> <li>• The impact of any piece of legislation, i.e. the Labour Relations Act (LRA), BCEA, EE, BEE, BBBEE, OHSA, Skills Development Act (SDA)</li> </ul> <p><b>{Consider any other relevant ethical challenge}</b> <b>(Any 1 challenge × 2 marks = 2 marks)</b></p>	<p>The suggested strategy must link with the given challenge.</p> <p><b>{Consider any other relevant strategy to overcome the challenge}</b> <b>(Any 1 strategy × 2 marks = 2 marks)</b></p>
<b>Environmental factor</b>	<ul style="list-style-type: none"> <li>• Recycling issues</li> <li>• The impact of activities/carbon foot print on the environment</li> <li>• The cost of environmental clean-ups</li> <li>• Use of bio-degradable materials</li> </ul> <p><b>{Consider any other relevant ethical challenge}</b> <b>(Any 1 challenge × 2 marks = 2 marks)</b></p>	<p>The suggested strategy must link with the given challenge.</p> <p><b>{Consider any other relevant strategy to overcome the challenge}</b> <b>(Any 1 strategy × 2 marks = 2 marks)</b></p>

**(Total: 12 marks)**

**Other possible strategies that could apply to Question 3.2.**

**Give credit if the candidate discusses the following strategies in their answer (where appropriate).**

- Growth strategies (e.g. internal growth such as organic growth; external growth such as alliances, acquisitions and merges).
- Decline strategies (e.g. divesture strategy, harvest strategy, liquidation strategy).
- Corporate Combination Strategies (e.g. joint ventures, mergers, takeovers).
- Generic Strategies (e.g. low cost strategy, differentiation strategy, focus strategy).
- Intensive Strategies (e.g. market penetration strategy, product development, market development).
- Other strategies, e.g. revision of the Mr Price Ltd's mission statement, establish or revise objectives or allocate resources effectively/differently.

**Take Note:****Question 3.2:**

- **There must be a link between the *challenge* being faced and the *strategy* to deal with the challenge.**
- **Candidates are not allowed to repeat the same strategy in the different components. Only mark the strategy once.**

## 3.3 The Stimulus-Response Model

**Mr Price Buyer receiving a stimulus**3.3.1 **Explain how Mr Price could use 'processes' (as one of the 7P's of marketing) as a buyer stimulus.**

- Processes refers to the operating systems and procedures that must be designed and managed to make the service experience as pleasant as possible for the customer.
- Process could include the following:
  - How quickly the customer is greeted;
  - Time spent in queues;
  - Helpfulness of staff members when a customer has a query;
  - Does the business follow up when evaluating customer satisfaction?
- If there is a positive experience from the customers' point of view, then the business can ensure that the customer has a high probability of purchasing an item from the store.
- There is follow through in the customers' actions.
- Understanding the 'processes' element of marketing also ensures that Mr Price needs to focus on the following issues during training programmes:
  - What every employee should know in order to deal with a customer.
  - Employees must have a clear understanding of the service delivery process, etc.

**{Consider any other relevant points relating to 'processes'}  
(Any 3 facts × 1 mark each = 3 marks)**

### Buyer decision-making process

#### 3.3.2 Describe how the following will affect the buying decision of a Mr Price buyer:

(a) **Socio-cultural factors**

- The buyer can be influenced by family, friends, colleagues, aspirational groups, etc.
- Buyers have a sense that they need to belong or feel part of a group identity.
- If the group has the product, then a need arises to also have the product or experience the service.
- Some products/clothes have a strong cultural bond and this bond often influences the decision to purchase or not purchase the product.
- People who conduct research and give an opinion on the value of the product have an influence especially if the person is an expert or well known.
- Cultural attitudes are in general difficult to measure and they usually only last for a season.

**{Consider any other relevant points relating to socio-cultural factors}**

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

(b) **Economic factors**

- Consider the amount of disposable income that the consumer has to spend at Mr Price.
- The rate of inflation, i.e. increasing prices – and the value of money decreases.
- The state of the economy – the possibility of regressing back into a recession because of the drought and poor economic outlook for the future.
- High levels of unemployment – which impacts on the disposable income available.
- High rates of interest – consumers are already cash strapped by debt and the cost thereof keeps increasing.

**{Consider any other relevant points relating to economic factors}**

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

### Buyer Responses

#### 3.3.3 Suggest THREE possible outcomes for the buyer.

- The buyer could be negative – had a bad experience in the purchasing process.
- The buyer could be positive and go through with more purchases.
- The buyer could be neutral and indicates that they neither had a positive or negative experience.

**(3 facts × 1 mark each = 3 marks)**

#### 3.4 List FIVE rights of the Consumer Protection Act.

Consumer has the right to:

- equality in the market place
- privacy
- choice
- disclosure of information
- fair and responsible marketing

- fair and honest dealings
- fair, just and reasonable terms and conditions
- fair value, good quality and safety
- hold service providers accountable

**{Consider any other right as per the CPA}  
(Any 5 rights × 1 mark each = 5 marks)**

**3.5 3.5.1 What is the benefit of Mr Price having a code of conduct?**

- A code of conduct provides guidelines to how employers/employees and other stakeholders are expected to behave and act in the organisation.
- In some cases, the code of conduct also spells out the consequences if the requirements in the code are not adhered to.
- The benefit of a code of conduct is that whenever conflict arises as a result of a breach of conduct – the presence of a code will protect the company.
- The code of conduct can be used as a tool in training/induction in order to give new recruits a sense of what the expectation is in terms of desirable conduct.

**{Consider any other relevant point on the benefit of having a code of conduct}  
(Any 2 facts × 1 mark each = 2 marks)**

**3.5.2 Why is it important for our government to have an effective code of ethics?**

- The government is seen as an important sector of our economy appointed by the majority of the people of a country.
- Having a code of ethics reinforces our belief in the government's ability to effectively run the country with integrity and honesty.
- If the government is effective in the implementation of its code of ethics – then businesses will emulate their behaviour.

**{Consider any other relevant point on the benefit of having a code of conduct}  
(Any 2 facts × 1 mark each = 2 marks)**

**3.5.3 Describe one positive outcome of conflict in the workplace.**

- The presence of conflict could spur the use of creative ideas to deal with the conflict.
- Conflict could indicate areas of weaknesses that need to be addressed.
- Management might need to tighten up on their control and other management techniques.
- There could be a positive teamwork effort to deal with conflict.
- Management could be forced to consider various strategic alternatives to deal with the challenges.
- Conflict keeps all stakeholders on their toes.

**{Consider any other relevant positive outcomes of conflict in the workplace}  
(Any 2 facts × 1 mark each = 2 marks)**

**3.5.4 Discuss one positive outcome of Mr Price supporting 'whistle-blowers' in their organisation.**

- Employees will be more willing to come forward and report unethical incidents.
- Employees may think twice before committing an unethical act.
- Stakeholders may get the sense that the business is committed to high ethical standards – it may bolster the image of the business for supporting whistle blowers.

**{Consider any other positive point in support of whistle blowers}  
(Any 2 facts × 1 mark each = 2 marks)**

**[50]**

**QUESTION 4**

- 4.1 4.1.1 (a) **Give TWO examples of what could be included in the job description of the E-commerce Manager.**
- Management of online operations.
  - To ensure sales targets are met.
  - Promote the continuous development and improvement of technology to stimulate sales.
  - Assure an effective partnership with marketing teams.
  - Evaluate all online sales programs.
  - Monitor competitor marketing efforts and industry trends.
  - Perform market research to ensure website accuracy.
- {Consider any other relevant examples related to the job description}**  
**(Any 2 examples × 1 mark each = 2 marks)**
- (b) **Give TWO examples of what could be included in the job specification of the E-commerce Manager.**
- Five years online marketing experience.
  - A proven success managing E-commerce platforms with a strong understanding of Internet technology.
  - The ability to delegate duties to subordinates.
  - Exceptional written and oral communication skills.
  - Ability to use a variety of creative problem-solving techniques.
- {Consider any other relevant examples related to the job specification}**  
**(Any 2 examples × 1 mark each = 2 marks)**
- 4.1.2 (a) **List THREE topics that could be covered in an induction program at Mr Price.**
- The appropriate dress code.
  - Company policies, e.g. dismissal/disciplinary and grievance procedures.
  - Knowledge of what supervisors want, e.g. quality of service.
  - Turnaround time for delivery of service.
    - Introduction to fellow workers and people with whom they work,
    - Knowledge of products and service.
    - Appointment of a mentor.
  - Discussion of various items included in standard salary packages with respect to cost to company packages.
  - The organisational structure of Mr Price, i.e. where would the E-commerce manager fit in.
- {Consider any other relevant contents of an induction program}**  
**(Any 3 topics × 1 mark each = 3 marks)**
- (b) **Describe THREE advantages in Mr Price having a well-structured induction programme for the new recruit.**
- The new recruit will find this transition period much easier to cope with.
  - The organisation will be able to see the worker become productive much quicker as the settling down period is shorter.



- The business can save costs, because the new recruit will know what is expected and the consequences if those expectations are not met.
- It gives the recruit and other stakeholders a sense that there is a plan of action in place to deal with new recruits.
- The business has a program that it can use throughout the organisation – this creates unity as all new recruits will be exposed to the same information. Synergy and teamwork is fostered.

**{Consider any other advantage in having a well-structured induction programme}  
(Any 3 advantages × 2 marks each = 6 marks)**

**4.1.3 Discuss different elements that could be included as part of a salary package.**

- Basic salary – The amount the employee earns before any deductions;
- Bonus or 13th cheque – As part of the contract the employee could receive an additional amount. This is usually based on the basic salary and there are conditions set on receiving this bonus.
- There are standard deductions from the basic salary, i.e. Pay as you earn tax, UIF, SITE. The amount of the deduction is calculated as a rate of the basic salary.
- There are other voluntary deductions, e.g. Pension Fund, Medical Aid, etc. ... These deductions are indicated in the contract of employment.
- In many cases the employer also makes a contribution to these funds/ deductions.
- Depending on the nature of the contract of employment your salary package could also include certain fringe benefits, e.g. housing allowance, transport allowance, study allowance, etc. ...
- Description of cost to company package.

**{Consider any other relevant expectations in the salary package}  
(Any 4 facts × 1 mark each = 4 marks)**

**4.1.4 (a) What is the purpose of the Employment Equity Act?**

- The EE Act seeks to eliminate unfair discrimination in employment.
- Provides for affirmative action to correct the imbalances of the past with respect to:
- Access to employment, training, promotion and fair pay
- especially for Black people, women and the disabled.

**{Consider any other relevant purpose of the EEA}  
(Any 2 facts × 1 mark each = 2 marks)**

**(b) Outline TWO potentially negative implications of the Employment Equity Act.**

- The EE Act may be seen by some parties as reverse discrimination – parties who are affected by this often leave the country and then we are faced with the 'brain drain' where skills are lost to other countries.
- The EE Act places additional workload on the business – employers have to conduct an analysis to identify equity issues and then submit this in their EE report.
- People who do not necessarily have the skills to work in certain positions are sometimes promoted to get the right proportion of designated people – this could hamper productivity.

**{Consider any other negative implications of the EE Act}  
(Any 2 implications × 2 marks each = 4 marks)**

**4.2 Discuss organisation as a task of a manager in Mr Price.**

- When the manager organises, it means he/she arranges activities in such a way that all resources (factors of production) contribute towards a systematic and successful business.
- These factors of production include the following: employees, working capital needed to run the business, any raw materials needed to produce the product, obtain the inventory to sell to consumers.
- There are different managers in charge of each of the functions, but the General Manager/CEO (Chief Executive Officer) has to ensure all these managers realise that their tasks are inter-dependent and they must work together to achieve the overall goals of the business.
- Organisation also refers to reporting structures within the businesses.
- There is no single correct (or incorrect) organisational structure that fits all business.
- Regardless of the organisational structure chosen for the business, the important thing is that the reporting lines are clear in order to avoid confusion and blame-shifting.

**{Consider any other relevant facts on organising as a management task}  
(Any 4 facts × 1 mark each = 4 marks)**

**4.3 4.3.1 Discuss the advantages when a Mr Price manager uses a democratic leadership style.**

- Every party has a chance to participate in the discussion.
- All opinions/suggestions can be heard.
- There is transparency in terms that majority will be considered.
- This leadership style is considered to be inclusive.
- There is buy-in and commitment from the people in the process.
- The leadership style can encourage team-work and synergy.

**{Consider any other relevant advantages of the democratic leadership style}  
(Any 4 facts × 1 mark each = 4 marks)**

**4.3.2 Discuss the disadvantages when a Mr Price manager uses an autocratic leadership style.**

- Employees often have a low morale as they feel undervalued.
- With the lack of input from workers there could be resistance to decisions made by management.
- There could be the lack of teamwork and a decrease in productivity.
- There could be resentment to the leader making the decision on behalf of the workers.
- There might be a lack of commitment because workers/followers might not agree with the decision.

**{Consider any other relevant disadvantages of the autocratic leadership style}  
(Any 4 facts × 1 mark each = 4 marks)**

**4.4 Explain how Mr Price can use market research to improve the performance of the business.**

- The main aim of a business is to ensure that quality of performance is not hampered.
- Market research can serve as a tool to identify those areas of under or over performance.
- This will dictate how the marketing objectives of the business should adapt based on the research results.
- For market research to be effective there must be a clear plan in place to ensure the research meets its objective.

- Areas of growth in market share can be optimised if the market research gives a clear indication as to the direction that the business should follow.
- To be effective market research must be used together with other quality of performance tools in order to determine the strategic way forward.

**{Consider any other relevant point on market research in order to improve quality of performance of the business}**  
**(Any 5 facts × 1 mark each = 5 marks)**

**4.5 The marketing efforts of competitors could have a direct impact on the profit of Mr Price. Suggest strategies on how Mr Price can deal with this challenge.**

- Mr Price could complete a competitor profile/analysis, which would give details of the level of competitive rivalry that they face.
- Through market research Mr Price could identify the reasons for the consumer choosing their competitor over Mr Price – this would give them a clearer picture of the buying behaviour of the consumer.
- Mr Price could put together a team with the goal of brainstorming creative ideas on how to tackle the impact of competition on their activities.
- Mr Price could form a partnership/allegiance with the competition – thus sharing resources and in so doing share market profits.
- Mr Price would need to research the reasons for the lack of consumer brand loyalty and put measures in place to rectify this.
- Re-evaluation of Mr Price's pricing strategy/objectives – offer discounts/specials/re-look at the depth and breadth of its product range in comparison to the competition.
- Have a stronger slant on CSR programmes and emphasise this to their customer base – Mr Price may be able to attract the environmentally/socially aware consumer.

**{Consider any other relevant strategies on how Mr Price can deal with this challenge}**  
**(Any 5 strategies × 1 mark each = 5 marks)**

**Possible Strategies that could apply to question 4.5**

**Give credit if the candidates mention the following strategies in their answers (where appropriate)**

- Growth strategies (e.g. internal growth such as organic growth, external growth such as alliances, acquisitions and merges).
- Decline strategies (e.g. divesture strategy, harvest strategy, liquidation strategy).
- Corporate Combination Strategies (e.g. joint ventures, mergers, takeovers).
- Generic Strategies (e.g. low cost strategy, differentiation strategy, focus strategy).
- Intensive Strategies (e.g. market penetration strategy, product development, market development).
- Other strategies, e.g. Revision of the Mr Price mission statement, establish or revise objectives or allocate resources effectively/differently.

**(Any 2 strategies × 1 mark each = 2 marks)**

**Total: 5 marks**

**4.6 4.6.1 Give a description of the decision tree as a creative problem-solving technique.**

- A visual representation of different outcomes to a single event.
- The decision maker is given different options and the consequence of each.

**(Any 2 facts × 1 mark each = 2 marks)**

**4.6.2 Use a decision tree to help Mr Price decide if they should open a shop in a new shopping centre.**

Assessment of the decision tree:

- Assess each of the outcomes from the single event.
- Consider a maximum of 3 outcomes.
- To be given a mark the outcome must be valid to the problem at hand.

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

**[50]**

**QUESTION 5**

**5.1 5.1.1 Describe TWO aims of the Labour Relations Act.**

- To enforce the fundamental rights granted under section 23 of the Constitution;
- To enforce South Africa's international obligations as a member of the International Labour Organisation;
- To provide a framework for collective bargaining between trade unions and employers;
- To promote effective resolution of labour disputes through employee participation in decision-making in the workplace.

**(Any 2 aims of the LRA × 2 marks each = 4 marks)**

**5.1.2 List FIVE requirements of procedural fairness if a worker is to be dismissed on the grounds of misconduct.**

- The employee must be notified of the reason for disciplinary action (usually in writing).
- The employee must be given sufficient time to prepare himself/herself for the disciplinary hearing.
- The employee has the right to state his/her case at the disciplinary hearing.
- The employee can have a lawyer or other legal representation in the hearing.
- The employee has the right to an interpreter.
- Any witness may be cross examined.
- The employee has the right to be informed of the outcome of the disciplinary hearing.
- The employee has the right to appeal the final decision.

**(Any 5 requirements of procedural fairness × 1 mark each = 5 marks)**

**5.1.3 Discuss remedies for unfair dismissal.**

- Reinstatement – The dismissed worker is given their old job back.
- Compensation – The employer may be required to pay the employee either a set amount or a specified number of months' salary.
- A combination of reinstatement and compensation may be ordered by the CCMA.

**(6 × 1 = 6 marks)**

**5.1.4 Mention THREE issues that could be addressed during a collective bargaining negotiation.**

- Contract negotiations between employers (or Employer Organisations) and trade unions.
- Grievances between employers and employees.
- Discrimination in the workplace.
- Unfair dismissal.
- Sexual harassment.
- Unfair treatment of workers.
- Salary/wages disputes, etc.

**{Consider any other relevant issues}  
(Any 3 issues × 1 mark each = 3 marks)**

**5.1.5 Outline the role of Nedlac in the South African industrial relations environment.**

- To bring together role players in industrial relations, i.e. employers, employees and government.
- To assist in the formulation of the Labour Relations Act.
- To determine wages, terms and conditions of employment and other matters of mutual interest.
- To formulate industrial policy.

**(Any 3 facts on the role of Nedlac × 1 mark each = 3 marks)**

**5.1.6 What are the advantages in Mr Price 'maintaining open communication channels between managers, trade unions and associates'?**

- This allows for transparency between the various role players.
- The role players will be more accepting of decisions being made.
- This creates an environment where there is less conflict.
- Decision-making can happen much quicker.
- There is freedom to discuss issues – no discrimination/hidden agendas.
- Open communication is a hallmark of democracy and fairness.

**{Consider any other relevant advantages}  
(Any 4 advantages × 1 mark each = 4 marks)**

**5.1.7 Evaluate the negative implications of Mr Price employees undertaking industrial action.**

- There exists the potential for conflict between the role players in the action.
- Industrial action is often associated with a poor image of the workers.
- Industrial action is not good for the economy of the country.
- Potential investors may be turned off by industrial action.
- Industrial action may not have the desired outcome.
- During the action, workers may not get paid.
- During the action, the employee may lose out on productivity bonuses.
- There may be violence as part of the action.
- Intimidation may occur amongst the role players.

**{Consider any other negative implication}  
(Any 3 implications × 1 mark each = 3 marks)**

**5.2 Discuss, with the use of a separate example for each, how and when the Mr Price Group would use the following strategies:**

**5.2.1 Merge**

- This is when, by mutual consent, businesses will combine.
- The end result is that the merger is to the benefit of both businesses.
- Example: Mr Price decides to merge with Edgars.
- Merging usually involves the buying of a targeted company in the same industry
- So that together the business has grown and become a force in that sector.
- A merger is seen as part of a business's growth strategy.
- In some cases, the merger may be hostile (i.e. a hostile takeover).
- A merge usually takes place when one of the companies is not performing well (due to a number of reasons) and they would benefit from improved management.
- In other cases, it is beneficial to merge because of the effect of synergy.

**{Consider any other relevant points on merging}  
(Any 4 facts × 1 mark each = 4 marks)**

**5.2.2 Low cost**

- A low cost strategy is aimed at gaining a competitive advantage by having the lowest possible cost.
- This strategy can be achieved by increasing profits but reducing costs.
- The business charges industry-related prices but have the capital to cover the cost differential.
- The business increases market share by offering a lower price to the customer.
- The customer is more likely to increase their purchases if the price is affordable.
- A business can apply this strategy if they have:
  - Sufficient capital to invest in innovation and technology;
  - Effective logistics;
  - The ability to reduce input costs, e.g. labour, materials, facilities, etc.

**{Consider any other relevant points on merging}  
(Any 4 facts × 1 mark each = 4 marks)**

**5.3 Describe, with examples, how quality of performance could be monitored by the general management function of Mr Price.**

- General management will have a variety of techniques at its disposal to monitor the how effective its management is.
- E.g. The Balanced Score Card, SWOT, Pros and Cons, Benchmarking, Research, etc.
- With all of these techniques management is gathering evidence as how they have performed in certain areas.
- In some cases, management are being evaluated on their management styles, the effectiveness of their planning, leading, organising and control.
- In essence management is assessing the Total Quality Management of the organisation.
- Management is investigating where there are areas of performance gaps, i.e. under and over performance and what strategies can be put into place to achieve the desired performance levels.

**{Give credit if candidate describes the techniques of the BSC; SWOT; pros +cons; etc.}  
{Consider any other relevant points on monitoring quality of performance}  
(Any 5 points × 1 mark each = 5 marks)**

**5.4 Explain why is it important for Mr Price to use a combination of monetary and non-monetary factors to motivate employees.**

- Monetary factors are a tangible way through which management can motivate their employees.
- In many instances companies, including Mr Price, may not be in a position to offer monetary incentives.
- This could be due to poor financial results, pressure from competitors, the economic downturn, etc.
- In these times – motivation of employees is needed to enhance their level of productivity.
- Businesses would then use non-monetary factors to motivate their employees.
- This could include – mentioning good work in company newsletters, a word of thanks by top management, use of company resources (e.g. laptops, etc.) for personal use, etc.
- In essence a combination of both monetary and non-monetary factors to motivate employees will encourage loyalty and more productive workers.

**{Consider any other relevant fact to support the reason for monetary and non-monetary factors}  
(Any 4 facts × 1 mark each = 4 marks)**

5.5

*'SWOT should be the preferred technique that can help businesses to review their strategy and direction.'*

**Do you agree with this statement? Motivate your answer with examples that relate to Mr Price Group Ltd.**

**Possible arguments in support of the statement:**

- SWOT is a technique that covers both the external and internal environments of the business.
- SWOT is a holistic technique.
- Management could be in a position to see the challenges from both of these environments as a whole.
- Strengths (S) and Weaknesses (W) are regarded as internal – micro factors of analyses;
- Opportunities (O) and Threats (T) are regarded as external – macro/market factors of analyses.
- They will be better prepared to formulate an appropriate strategy to deal with the challenge.
- Management is not limited to the factors of only one environment – this would be the case if the PESTLE technique had been used as opposed to SWOT.
- Some of the challenges that Mr Price faces originate in the macro environment – but impact on the micro environment.
- Through SWOT one can track the origin and impact in the same tool.

**Possible arguments against the use of SWOT:**

- It may be argued that because SWOT encompasses the external and internal environment it becomes too complex.
- Management could stand to miss out on an important challenge – because they are looking for links between the elements.
- To perform a SWOT analysis requires expertise and experience.
- It may be argued that the isolation of the challenges in the market environment would be better suited to the use of a Porter's Five Model approach or even a PESTLE for macro.
- By doing this the chance of missing out critical elements that could impact on the success of Mr Price could be eliminated.

**Candidates could give a combination of arguments – some in favour and some against.**

**{Consider any other relevant points in the argument}  
(Any 5 relevant points × 1 mark each = 5 marks)  
[50]**

**150 marks**

**Total: 200 marks**