higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ENTREPRENEURSHIP AND BUSINESS MANAGEMENT N6

(Second Paper)

26 NOVEMBER 2019

This marking guideline consists of 10 pages.

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SECTION B

QUESTION 2

2.1 2.1.1 STUDENT'S OWN RESPONSE

The mission statement must be specific regarding the following:
- Product or service
- Primary market
- Technology (Examiner must provide an example – 3 × 2) (6)

2.1.2 STUDENT'S OWN RESPONSE

Objectives must be measurable✓✓and time bound.✓✓ There must a specific outcome in a specified time.
(Examiner must provide an example – 2 × 2) (4)

2.1.3 Students must break down their objectives according to the SMART and other criteria:
- Specific
- Measurable
- Achievable
- Relevant
- Time related/time bound/time specific
- Accepted
- Coordinated
- Comprehensive
- Flexible
- Prioritised (OWN RESPONSE – 3 × 2) (6)

2.1.4
- It measures blood-sugar levels every five minutes.
- It provides more insulin or withholds it as it is needed. (2 × 2) (4)

2.1.5 Product innovation
- This can increase the customer base of the industry and revive the growth rate of a specific industry.
- The technology has changed in how diabetics can monitor their blood-sugar levels. (3 × 2) (6)

2.1.6
- Attacking competitors' strengths
- Attacking competitors' weakness
- Grand offensives
- End-run offensives
- Guerrilla offensives
- Pre-emptive strike (Any 4 × 1) (4)

2.2 2.2.1 Introductory stage✓ – 'The product will only be available next year.'✓ (2)

2.2.2
- The tiles are not bulky metal boxes.
- A series of tiles have been designed to blend together while also harnessing the power of the sun. (2 × 2) (4)

2.2.3 An acquisition/merger (2)

2.3 2.3.1
- Education and commitment
- Involvement and participation
- Negotiation and agreement
- Manipulation and co-optation
- Implicit and explicit coercion (Any 2 × 1) (2)

2.3.2
- Entrepreneurs create and bring to life new technologies, products and services and create new markets and jobs along the way.
- Entrepreneurs are smart risk takers, implementers and rule-breakers – or in a word: innovators.
- Like any emerging economy aiming to move ahead, South Africa needs many of them.
- Transforming ideas into economic opportunities is the crux of entrepreneurship.
- Economically, entrepreneurship invigorates markets. The formation of new business leads to job creation, which has a multiplying effect on the economy.
- Socially, entrepreneurship empowers citizens, generates innovation and changes mindsets. These changes have the potential to successfully integrate developing countries into the global economy.
- Entrepreneurs produce solutions that fly in the face of established knowledge, and they always challenge the status quo. They are risk takers who pursue opportunities that others may fail to recognise or may even view as problems or threats.
- Fostering entrepreneurship means promoting the competitive-ness of businesses. (Any 3 × 2) (6)

2.3.3
- It changes industry structure and, in so doing, alters the rules of competition.
- It creates competitive advantage by giving companies new ways of outperforming their rivals.
- It spawns whole new businesses, often from within a company's existing operations. (Any 2 × 2) (4)

[50]

QUESTION 3

3.1
- Grand offensive
- Introducing new products to its menu
- Increased advertising and marketing campaigns
- Price reductions
- Special promotional offers (Any 2 × 2) (4)

3.2
- Make announcements about new products that compete directly with Food for Thought.
- Start a marketing campaign that refers as directly as possible to Flavour Nation's prices and products, in which it promises to beat Food for Thought on quality and price.
- Make sure that it has the capital and resources to increase production or to start a new product range. (3 × 2) (6)

3.3
- Introducing new products, for example bunny chows
- New packaging – for example, instead of using plastic containers, use recyclable packaging (Any other relevant answer – 2 × 2) (4)

3.4
- The stability of the political system affects the attractiveness of a particular national market.
- Governments pass legislation that directly affects the relationship between the firm and its customers, its suppliers and other firms.
- Governments see business organisations as an important vehicle for social reform.
- The government is additionally responsible for protecting the public interest at large.
- The economic environment is influenced by the actions of government.
- Government is itself a major consumer of goods and services.
- Government policies can influence the dominant social and cultural values of a country.
- Organisations not only have to monitor the political environment, they also contribute to it. (Any 4 × 2) (8)

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3.5 **Cultural themes**

- Every society has its own 'cultural themes' which have a substantial effect on how that culture does business. For example, Chinese cultural themes are rooted in folk belief and Confucian values, including filial piety, thrift, endurance, and trustworthiness. These values are deeply engrained in the Chinese psyche. The Confucian value of endurance has a profound influence on the business process.

Communication

- An understanding of the subtle challenges in the use of English with non-native speakers, as well as the nuances of non-verbal communication, is critical to achieving business objectives when operating across cultures. In East Asian cultures, communication is very subtle and indirect. Thus, the direct style of Western communication can easily create serious offence, despite the best of intentions.

Group dynamics

- This involves the understanding of how individuals from certain cultures interact in groups. An understanding of group dynamics in the target culture will significantly affect the sales process.

Glocalisation

- Global branding, messaging, corporate values, and marketing all have to be localised; thus the term 'glocalisation'. If a company's headquarters is located in Asia, with satellite offices in Europe and North America, the global brand, messaging, and indeed every type of communication, whether internal or external, need to be translated in a way that is culturally fluent.

Time orientation

- This concept refers to the way in which a society values, executes and utilises time. In Western cultures, time is a commodity. If you are not early, you are late. Time is money. (Any 4 × 2) (8)

3.6 3.6.1 Problems

- Total expenses are too high (in 2017 it was 30%).
- Salaries being paid out are too high (20%).
- The company pays a very high rent (10%).
- It spends too little on advertising and marketing (1%).
- The collection period for debtors is too long (45 days). (5 × 2) (10)

3.6.2 Solutions

- The total expenses need to be reduced to 23%. Reduce wastage in the business by monitoring phone bills, electricity bills, usage of vehicles, spillage and outdated stock, et cetera.
- Consider staff retrenchment or staff working part time or flexi-time to reduce the salary bill.
- Sublet part of the building, for example for cellphone repairs, slot machines, et cetera, or negotiate a new rental or relocate.
- Use aggressive advertising and marketing. Increase it to 3% of the budget.
- Reduce the period in which debts are collected to 30 days.

(5 × 2) (10)
[50]

QUESTION 4

4.1

Tangible net worth			✓✓740 000
(580 000 + 160 000)✓✓			
Average net earnings			
(368 000 + 246 000 + 202 000) ÷ 3✓✓		✓✓272 000	
LESS: Reasonable income for buyer		✓✓–233 320	
Earning power (R238 000 @ 14%)✓✓	✓✓33 320		
Plus: Reasonable salary for owner	✓✓+200 000		
Extra earning power for business		✓✓38 952	
Value of intangibles			
5 × 38 952✓✓			✓✓194 760
FINAL PRICE			✓✓**934 760**

(24)

4.2

- Keg, a well-known franchise, is opening in the KCT Mall, right next to her pub.
- There is a high staff turnover rate at Senzo's Pub.
- Her profit margins are very low.
- Passing trade has dropped with the opening of the new mall. (2 × 2) (4)

4.3
- Lower risk of business failure: A business that has been operating for some time is less likely to fail than a new business.
- Existing history of trade: The business has an established track record, therefore you know it is going to work if managed well.
- Existing customer base: You do not need to find customers as you would for a new business.
- Existing suppliers: You do not need to find suppliers or negotiate supplier contracts, as suppliers are already in place.
- The level of profit achieved by the business: Because you can see the level of profit, it is an indication of the health of the business.
- Existing machinery and equipment: The present owner has already purchased appropriate machinery and equipment, therefore you will not need to source these.
- Trading position of premises: It is already established. Existing businesses that are run successfully will be in good locations which facilitate high volumes of trade.
- In many cases, existing staff will remain.
- The owner of the business may be willing to work with you for the first few months to teach you what you need to know (Any 4 × 2) (8)

4.4
- The reason the owner wants to sell the business
- The assets and the physical appearance of the business
- Current and potential customer base and competition; product demand and potential demand
- Legal aspects
- Financial position (Any 4 × 2) (8)

4.5
- Inspiring environment*:* Incubators provide an environment that encourages and inspires. In this environment, there is much potential for cross pollination of ideas and possible alliances and synergies. Alternatively, co-working spaces and other sandboxed environments can offer an inspiring environment.
- Quality advice*:* Seasoned entrepreneurs and experienced professionals who are available through the infrastructure that is accessible through an incubator can be an asset.
- Start-ups are taken seriously: This is probably one of the more important reasons for associating with a respectable incubator. Start-up teams are taken more seriously and they have a much better chance at getting a foot in the door.
- Support structure*:* An incubator can be an asset if a holistic mix of talent and experience make up its leadership and network. Incubators worth their salt provide great access to resources of all kinds necessary for start-ups. One of them is promotion and media coverage to synergistically gain from the incubator-start-up match.
- Learning*:* Learning from other start-up teams at the incubator or the extended ecosystem is a cardinal reason for joining an incubator. Training and mentorship via incubator efforts are of the biggest assets of being associated with one. (Any 3 × 2) (6)

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QUESTION 5

5.1
- Authentic purpose

Every company needs to pin down 'why we do what we do'.

- Powerful brand

If you want to create a scalable business, you have to understand how crucial it is to build brand equity and emotional connections with customers.

- Partnership and collaboration

Doing everything yourself can be tempting at the beginning when funds are few and ambitions are high. While there's nothing wrong with a hands-on approach, taking on more than you can handle, especially in areas where you lack experience, can be damaging in the long run. In the era of the global freelance economy, it isn't difficult to find talented expertise, but you have to know where to find it.

- Customer retention

Retain the customers you have. When customers have strong emotional connections to your products, they will keep returning to you.

- Community

A business ecosystem is an economic community of organisations and individuals that interact in countless ways. These ecosystems encourage companies to evolve their capabilities competitively. (Any 3 × 2) (6)

5.2
- Franchising fees – Start-up costs and royalty fees can put a serious damper on a franchisee's take-home pay.
- Royalty fees – Each and every year, franchisees must pay the franchisor a fee equivalent to 12,5% of sales.
- Bloated raw material costs – In order to maintain consistency among their offerings, most franchisors insist that their franchisees buy raw materials directly from them or from a supplier with which they have a 'special' relationship, meaning that the franchisors receive rebates on what the franchisees order.
- Financing freefall – Most franchisors don't provide financing. This means that the franchisee will probably have to tap into their savings or obtain some other source of financing (such as a small business loan).
- Competition creep – While most franchisors will limit the number of stores that they open in a given area because of fears of market saturation and diminishing returns, many franchisors will still try to fit as many retail locations into a given area as possible.
- A creative black hole – Franchisors demand uniformity. In fact, everything – from in-store décor, signage, products offered and the uniforms the employees wear – is dictated by the franchise. For a person who likes to be creative, this can mean a bleak existence.
- Location liabilities – Unless the franchisor sets up shop in a favourable location that's going to support the business, the franchisee will have an incredibly difficult time making ends meet. (Any 4 × 2) (8)

5.3 Unimpeachable character
- An effective consultant must be a person of the highest character. They must be the consummate professional. The consultant must be willing to put the best interest of the client ahead of their own.

Solid experience
- A good consultant should have experience in the challenges or opportunities you and your company are facing.

Creative problem-solving skills
- You will want the consultant you engage to be an outstanding problem solver.

Outstanding communication skills
- A good consultant should be articulate. They should possess unusually strong communication skills, both orally and in writing.

Excellent interpersonal skills
- For any consultant to be successful in helping your company, a trust-based relationship is going to have to develop. You will need to be comfortable revealing the intimate details of your business. (Any 3 × 2) (6)

5.4 Depreciation value
- Annual reduction in the value of an asset to allow for wear and tear

Book value
- Value of an asset after deducting depreciation

Replacement value
- Cost of replacing an asset with a more up-to-date or new model (3 × 2) (6)

5.5
- Clearly define the change and align it to business goals.
- Determine the effect of the change on those affected.
- Develop a communication strategy.
- Provide effective training.
- Implement a support structure.
- Measure the change process. (Any 5 × 2) (10)

5.6
- South Africa's economic and demographic factors
- Availability of economic skills
- The shift to a service economy
- Entrepreneurial education
- Entrepreneurs as heroes
- Technological advancements
- International opportunities
- Independent lifestyles (Any 3 × 2) (6)

5.7
- Market size and growth
- Number of rivals
- Scope of competitive rivalry
- Buyers needs and requirements
- Degree of product differentiation
- Product innovation
- Pace of technological change
- Vertical integration
- Economies of scale (Any 4 × 2) (8)

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TOTAL SECTION B: 150
GRAND TOTAL: 200

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