 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY WORKSHEET ANSWER SHEET**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SUBJECT** | BUSINESS STUDIES | **GRADE** | 12 | **DATE** | 31/03/2020 |
| **TOPIC** | BUSINESS STRATEGIES | **TERM 1****REVISION** | (√ ) | **TERM 2 CONTENT** | (Please tick) |

**QUESTION 1**

1.1 **Industrial analysis tool**

1.1.1 PESTLE√√

1.1.2 SWOT√√

1.1.3 Porter’s five forces√√ **(6)**

1.2 **Other processes in the strategic management process**

**OPTION 1**

* Have a clear vision, a mission statement√ and measurable/realistic objectives in place. √
* Identify opportunities/weaknesses/strengths/threats√ by conducting environmental scanning/situational analysis. √
* Formulate alternative strategies√ to respond to the challenges. √
* Develop (an) action plan(s)√, including the tasks to be done/deadlines to be met/resources to be procured√, etc.
* Implement selected strategies√ by communicating it to all stakeholders/ organising the business's resources/motivating staff. √
* Continuously evaluate√, monitor√, measure strategies√ in order to take corrective action. √
* Any other relevant answer related to a description of the strategic management process.

**OR**

**OPTION 2**

* Review√ vision statement. √
* Analyse/Re-examine√ mission statement. √
* Formulate a strategy√, such as a defensive/retrenchment strategy. √
* Implement a strategy√, using a template such as an action plan. √
* Control/Evaluate/Monitor the implemented strategy√ to identify gaps/deviations in implementation. √
* Take corrective action√ to ensure goals/objectives are met. √
* Any other relevant answer related to a description of the strategic management process. **Max (8)**

**QUESTION 2**

2.1.1 **Strategies identified from the scenario and motivation**

|  |  |
| --- | --- |
| **BUSINESS STRATEGY**  | **MOTIVATION** |
| Horizontal integration√√ | He has decided to merge with PLC eggs √ |
| Market penetration√√ | KPC decided to open another egg farm in another province in order to increase sales.√ |
| Sub max (4) | Sub max (2) |

**NOTE: DO not allocate marks for motivation without the correct identification of a business strategy. Max (6)**

2.1.2 **The effectiveness of integration strategy**

* Businesses use integration strategies when they want to expand their scope of operations. √√
* Distribution channels of products are shortened/middleman is eliminated, therefore supply/distribution challenges are managed more effectively. √√
* Gain direct distribution by obtaining franchise/mergers/Take control of other businesses which produce/sell similar products/services. √√
* Access new markets. √√
* New/Different products can be offered. √√
* Creates an opportunity for synergy, e.g. two businesses achieve more when combining resources. √√
* Reduce operating costs. √√
* Less competition, as similar businesses in the market were taken over/ eliminated. √√
* Any other relevant answer related to reasons why businesses may use integration strategies **Max (8)**

2.2 **Porter’s five forces**

**Power of suppliers**√√

* Suppliers include factories/providers of goods/services√ that businesses would obtain/buy from in order to operate their business. √
* A business must assess the power of the suppliers√ to influence prices. √
* The more powerful the suppliers√, the less control the business has over them. √
* The smaller the number of suppliers, the more powerful they may be√ as the choice of suppliers may be limited. √
* The business should identify the kind of power its suppliers have√ in terms of the quality of products/services/reliability/ability to make prompt deliveries, √ etc.
* Any other relevant answer related to the power of suppliers.

Force (2)

Explanation (1)

Sub max (3)

**Power of buyers**√√

* Buyers are the final users√ of the product/services. √
* Buyers buying in bulk√ can bargain for prices in their favour. √
* The business must assess how easy it is for buyers/customers√ to drive prices down. √
* This will depend on the number of buyers/the importance of each buyer to the business√ and the cost of switching to other products. √
* If a business is dealing with a few powerful buyers√, they are often able to dictate their terms to the business. √
* If buyers can do without the business’s products√ then they have more power to determine the prices and terms of sale. √
* Businesses must conduct market research√ so that they can get more information about their buyers. √
* Any other relevant answer related to the power of buyers.

Force (2)

Explanation (1)

Sub max (3)

**Power of competitors/Competitive rivalry**√√

* Competitors selling the same/similar products/services√ may have a greater impact on the market of the business.√
* Competitive rivalry refers to the number of competitors√ and their ability to influence/control the market. √
* If competitors have a unique product/service√, then they will have greater power. √
* A business with many competitors in the same market√ has very little power in their market. √
* Businesses must draw up a competitor's profile√ so that they can determine their own strength as well as that of competitors. √
* Some competitors have the necessary resources to start price wars√ and continue selling at a loss until other competitors leave the market. √
* Any other relevant answer related to the power of competitors/competitive rivalry.

Force (2)

Explanation (1)

Sub max (3)

**Threat of substitution/ substitutes**√√

* Substitute products or services are different products/services that at least partly satisfy the same needs of consumers√ and can be used to replace one another. √
* Businesses should determine whether the sellers of substitute products have improved their products√ or sell lower quality goods at lower prices. √
* If the business’s product can be easily substituted√, it weakens the power of the business in the market. √
* Substitute products may cause the business√ to completely lose its market share. √
* Unique products√ will not be threatened by substitute products. √
* Businesses should do market research√ to assess if customers using substitute products/services have reasons for using these alternatives. √
* It is important that businesses change√ or improve their products to remain competitive. √
* Any other relevant answer related to the threat of substitution/substitutes/ alternatives.

Force (2)

Explanation (1)

Sub max (3)

**Threat/Barriers of new entrants to the market**√√

* New entrants are other businesses that are selling the same/similar products√ in the existing market for the first time. √
* The power will depend on how easy it is√ for new businesses to enter the market. √
* If the business is highly profitable√, it will attract potential competitors that want to benefit from high profits. √
* If the barriers to enter the market are low√, then it is easy for new businesses to enter the market/industry. √
* New competitors can quickly/easily enter the market√, if it takes little time/ money to enter the market. √
* If there are a few suppliers of a product/service but many buyers√, it may be easy to enter the market. √
* Any other relevant answer related to the threats/barriers of new entrants.

Force (2)

Explanation (1)

Sub max (3)

**NOTE: The “force” must be stated in full to get the maximum of TWO (2) marks Max (9)**

2.3 **Steps in strategy evaluation**

* Examine the underlying basis of a business strategy. √√
* Formulate strategies to meet objectives favourably. √√
* Implement strategies using action plans√√, etc.
* Look forward and backwards into the implementation process. √√
* Compare the expected performance with the actual performance. √√
* Measure business performance in order to determine the reasons for deviations and analyse these reasons. √√
* Take corrective action so that deviations may be corrected. √√
* Set specific dates for control and follow up. √√
* Draw up a table of the advantages and disadvantages of a strategy. √√
* Decide on the desired outcome. √√
* Consider the impact of the strategic implementation in the internal and external environments of the business. √√
* Any other relevant answer related to the steps in strategy evaluation.

**NOTE: Accept steps in any order Max (8)**

2.4 **Defensive strategies**

**Divestiture/ Divestment√√**

* The business disposes/sells some assets/divisions√ that are no longer profitable/ productive. √
* Businesses may sell off divisions/product lines√ with slow growth potential. √
* The business sells ownership√ by decreasing the number of shareholders. √
* Unproductive assets are sold√ to pay off debts. √
* Process used to withdraw its investment√ in another business (divesting). √
* Any other relevant answer related to divestiture/divestment as a defensive strategy.

Strategy (2)

Explanation (1)

Sub max (3)

**Liquidation√√**

* All assets are sold to pay creditors√ due to a lack of capital. √
* Selling the entire business√ in order to pay shareholders a fair price for their shares. √
* Creditors may apply for forced liquidation√ in order to have their claims settled. √
* Any other relevant answer related to liquidation as a defensive strategy.

Strategy (2)

Explanation (1)

Sub max (3)

**Retrenchment√√**

* Terminating the employment contracts of employees√ for operational reasons. √
* Decreasing the number of product lines/Closing certain departments√ may result in some workers becoming redundant. √
* Any other relevant answer related to retrenchment as a defensive strategy.

Type (2)

Explanation (1)

Sub max (3)

**NOTE: Mark the first THREE (3) only (3x3) (9)**

2.5 **PESTLE factors that pose challenges for Monsoon Wholesalers.**

|  |
| --- |
| **PESTLE FACTOR** |
| (a) Legal√√ |
| (b) Technological√√ |
| (c) Economic√√ |
| (d) Environmental√√ |
| **Sub max (6)** |

**TOTAL MARKS: 60**