

## TOPIC: STRATEGY

Owing to the integrated nature of the topics and the concepts dealt with in learning units 1, 2 and 3, the assumed prior learning, are incorporated holistically under the topic Strategy.

Learning unit 1, “Strategic analysis and the strategy development process”, deals with the following topics:

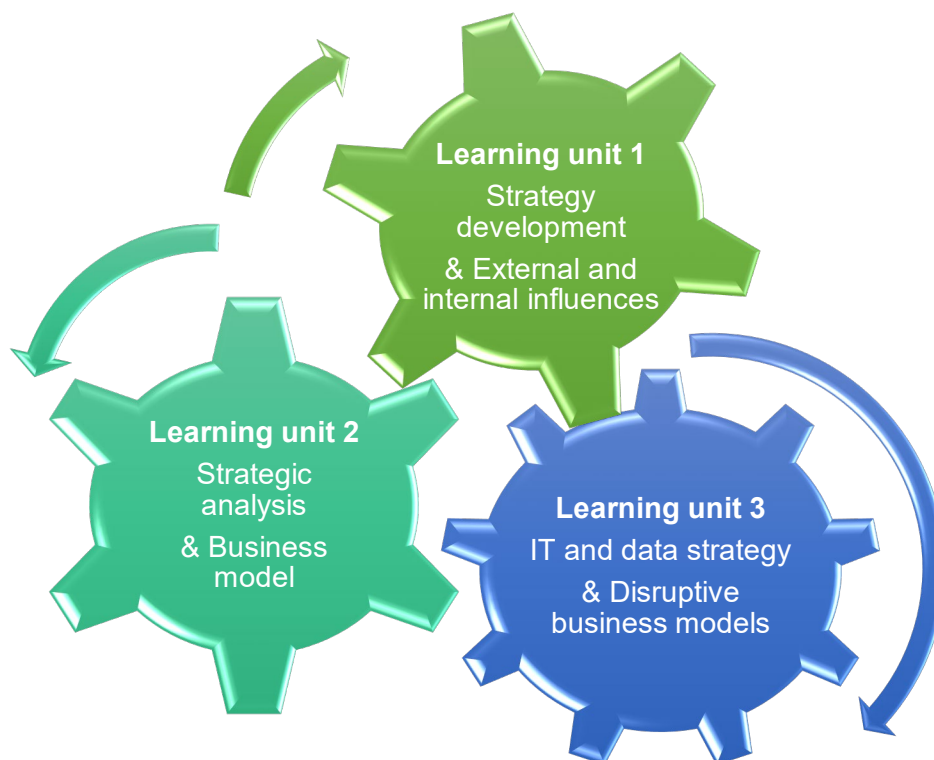
- The strategy development process
- External and internal influences on an organisation’s strategy

Learning unit 2, “Business strategy and business models 1”, deals with the following topics:

- Strategic analysis
- The building blocks of a business model

Learning unit 3, “Business strategy and business models 2”, deals with the following topics:

- IT and data strategy
- Disruptive business models



**Figure 1.1: Strategy topic with Learning units**




## LEARNING OUTCOME AND ASSESSMENT CRITERIA

Learning unit 1 is based on the following learning outcome and assessment criteria:

LEARNING OUTCOMES	ASSESSMENT CRITERIA	COMPETENCY AREA / LEVEL:
Evaluate the enterprise's strategic development plan in terms of its overall objective.	<b>Debate the capitals within an organisation (financial, manufactured, intellectual, human, social and relationship, and natural capital) as referred to in the Integrated Reporting Framework:</b>	<b>A2.1. Strategy development process</b>
	Following a multi-capital management approach, analyse and align the overall purpose of an organisation (to provide sustainable value to the organisation and its stakeholders) with its context, <b>vision, mission, values, and mandates (A2.1a)</b>	<b>2</b>
	<b>Critique the appropriateness of an entity's mission, vision and strategic plan:</b>	
	Facilitate and advise on the strategy development process of the organisation (A2.1b)	<b>2</b>
	<b>Assess the feasibility of business strategies that have been formulated by using relevant analytical tools:</b>	
	Review key stakeholder roles and responsibilities in the organisation's business plan and the execution of its business strategy (A2.1c)	<b>2</b>
	<b>Assess the alignment of management decisions with an entity's vision, mission, values and mandates:</b>	
	Review the organisation's strategic direction and highlight areas of potential value and risk (A2.1d)	<b>2</b>
	<b>Reflect upon internal and external influences on an entity's strategy development:</b>	<b>A2.2. External and internal influences on the organisation's strategy</b>
	Assess the contextual influencers on an organisation's external and internal environment (also taking into account, economic, industry, competition, market, social, natural, technology and legal, regulatory, political spheres) by using relevant strategic analysis tools, frameworks and models (A2.2a)	<b>2</b>
	Review the impact of organisational internal factors (e.g., tone of the leadership, human resources policies, personnel selection and development, remuneration strategies, management/trade union relationships, the six capitals) on the organisation's strategy (A2.2b)	<b>2</b>
	Review the impact of events and activities related to the organisation's context while creating their business strategy (A2.2c)	<b>2</b>
Identify and assess significant opportunities and risks associated with the entity's external and internal environments (A2.2d)	<b>2</b>	

The **strategy development** process forms part of SAICA’s technical competency framework: A2.1. Strategy development process and **External and internal influences on an organisation’s strategy** forms part of SAICA’s technical competency framework: A2.2. External and internal influences on the organisation’s strategy which are on the following competency levels:

- SAICA technical competency **level 1** refers to Foundational level of competence. At this level you will be expected to i) Identify and explain the significance and relevance of the subject matter and recognise the linkages with other subject matter(s) and ii) Recognise issues when encountered and seek further depth / guidance.
- SAICA technical competency **level 2** refers to Intermediate level of competence. At this level you will be expected to: (i) Apply the knowledge to non-complex routine situations; (ii) Identify and utilise the relevant knowledge within and across competency area(s) in a limited manner and (iii) Prepare or analyse solutions for specified problems and applying limited judgement.
- SAICA technical competency **level 3** refers to Advanced level of competence. At this level you will be expected to: (i) Apply the knowledge to complex routine situations; (ii) Evaluate and synthesise the knowledge within and across competency areas (Integrative thinking is required); and (iii) Evaluate or formulate solutions for specified and implicit problems – applying a high degree of rigour, and/or exercise sound judgement in making recommendations.
- Based on SAICA’s latest competency framework



This learning unit equips students with the ability to analyse, evaluate and advise on organisational strategy using recognised strategic frameworks. In line with the SAICA CA of the Future Competency Framework, the unit emphasises integrated thinking by requiring students to consider value creation, ethical implications, stakeholder impact and uncertainty when making strategic recommendations.



## ASSUMED PRIOR LEARNING

If you wish to refresh your knowledge for this topic, please refer to your undergraduate material and prescribed textbook (Managerial Finance, 10th edition). For your convenience, we provide textbook references.

The first part of the assumed prior learning for this topic is found in chapter 1, “The meaning of financial management”, which introduces financial management and contains several key concepts.

Learning outcomes assumed to have been attained during prior learning Before you study this topic, you should be able to	Managerial Finance (10th edition), chapter 1
1. explain financial management and describe the goal of an entity and the role of an entity’s financial manager	1.1 Financial management 1.1.1 The finance function 1.1.2 The finance decision 1.1.3 The investment decision 1.1.4 The role of the financial manager
2. define ‘sustainable development’, including ‘capitalism’ (six capitals) and ‘good corporate citizenship’	1.2 Goal of an entity 1.2.1 Sustainable value creation 1.2.2 Shareholder wealth maximisation 1.2.3 Sustainable development, inclusive capitalism and good corporate citizenship 1.2.4 Other emerging perspectives on the goal of an entity

<b>Learning outcomes assumed to have been attained during prior learning</b> Before you study this topic, you should be able to	<b>Managerial Finance (10th edition), chapter 1</b>
3. identify key stakeholders of an entity and describe their roles, both in the private sector and the public sector	1.4 Stakeholders of an entity 1.4.1 Definition of a stakeholder 1.4.2 Key stakeholder groups 1.4.3 Sustainable theory 1.4.4 Governance principles and recommended practices in respect of stakeholder relations
4. explain the governance principles pertaining to stakeholder relations	
5. describe the concepts related to stakeholder engagement and the benefits of stakeholder engagement	1.4.5 Stakeholder engagement 1.4.6 Reporting to stakeholders
6. describe the relationship between investment risk and return	1.5 Risk and return of investors 1.5.1 Business risks 1.5.2 Financial risks
7. explain the overall function of the capital markets	1.6 Capital markets 1.6.1 Capital markets defined 1.6.2 Raising equity finance on the JSE 1.6.3 Sustainability and responsible investment in the capital markets

The second part of the assumed prior learning for this topic is found in chapter 2, which deals with strategy and business models.

<b>Learning outcomes assumed to have been attained during prior learning</b> Before you study this topic, you should be able to	<b>Managerial Finance (10th edition), chapter 2</b>
1. explain the strategy development process of an organisation	2.1 The purpose of an organisation 2.2 Defining strategy
2. describe, appraise and assess the influence and the impact of the external and internal environments on an organisation's strategy	2.3 Key criteria for a successful strategy 2.3.1 The considerations 2.3.2 External environment 2.3.3 Internal environment
3. explain the influence that stakeholders have on an organisation's strategy and justify how this relationship should be governed	2.4 Stakeholders and governance 2.4.1 Stakeholders 2.4.2 Governance 2.4.3 Corporate social responsibility
4. recognise the effect that strategy and corporate culture have on each other and illustrate how this aspect should be managed	2.5 Corporate culture
5. define, describe and apply relevant analytical tools to evaluate and assess key issues and priorities that a strategy needs to address	2.6 Changing the strategy 2.6.1 Strategy summary 2.6.2 SWOT analysis 2.6.3 Gap analysis 2.6.4 Scenario planning
6. assess and apply strategy assessment tools and techniques for determining available strategy options, especially growth	2.7 Available strategies 2.7.1 Choosing the right strategic option 2.7.2 Product-market strategies 2.7.3 Competitive strategies 2.7.4 Growth strategies
7. apply appropriate methods for making the right strategic choice and ensuring that a strategy is properly implemented	2.8 Choosing and assessing a strategy 2.8.1 The strategy dilemma 2.8.2 How to choose as strategy 2.8.5 Assessing strategy implementation 2.8.6 Performance measures for non-profit organisations (NPOs) 2.8.7 Performance management tools 2.8.8 Problems with performance management

Learning outcomes assumed to have been attained during prior learning	Managerial Finance (10th edition), chapter 2
Before you study this topic, you should be able to	
8. assess the business model of an organisation and ensure it is aligned with the organisation's strategy	2.8.3 Aligning the business model with the strategy
9. describe and evaluate leadership and management approaches for effective change and performance management	2.9 Change management 2.9.1 Change is a constant 2.9.2 Management roles 2.9.3 Key concepts in management
10. analyse the need for and recommend an appropriate IT and data strategy	2.10 Information technology (IT) strategy 2.10.1 Technology integration 2.10.2 New technologies are rapidly influencing the 'new way of doing things' 2.10.3 Considerations for a change in IT strategy



In this learning unit, technical management accounting tools are applied within realistic business scenarios. In addition to performing calculations and analyses, students are required to demonstrate integrated thinking by evaluating strategic alignment, ethical implications, stakeholder impact and uncertainty in decision-making. This approach develops professional judgement in line with the SAICA CA of the Future Competency Framework.



Furthermore, you should be able to:

- Present your answer in a clear, logical and well-structured manner.
- Use appropriate management accounting and strategy terminology.
- Ensure that your conclusion is consistent with your analysis.



On successful completion of this learning unit, students will be able to:

- Analyse an organisation's external and internal environment using appropriate strategic tools.
- Evaluate alternative strategic options and justify a preferred strategy.
- Demonstrate professional judgement by explicitly considering ethical issues, stakeholder impact and uncertainty in strategic decision-making.

## LEARNING UNIT 1: STRATEGIC ANALYSIS AND THE STRATEGY DEVELOPMENT PROCESS

Activities	Notional study hours
Prescribed reading	Chapter: 1 (3 minutes)
Learning unit content	18 minutes
Activities	Activities: 3 (238 minutes)
<b>Total</b>	<b>4 hours and 19 minutes</b>

This learning unit deals with the following topics: the strategy development process, and external and internal influences on an organisation's strategy. Since these topics are linked to several integrated concepts, they are treated as one holistic learning unit.



## 1.1 ASSUMED PRIOR LEARNING

Students are expected to have prior knowledge of basic financial management concepts, stakeholder theory and introductory strategy frameworks from undergraduate studies. If you wish to refresh your knowledge for this topic, please refer to your undergraduate material and prescribed textbook (Managerial Finance, 10th edition). For your convenience, we provide references to the textbooks.

The first part of the assumed prior learning for this topic is found in chapter 1, “The meaning of financial management”, which introduces financial management and contains several key concepts. You be familiar with the different concepts, or revisit your prior learning of chapter 1 (see Topic Strategy).

The second part of the assumed prior learning for this topic is found in chapter 2, which deals with strategy and business models.

Learning outcomes assumed to have been attained during prior learning Before you study this topic, you should be able to	Managerial Finance (10th edition), chapter 2
1. explain the strategy development process of an organisation	2.1 The purpose of an organisation 2.2 Defining strategy
2. describe, appraise and assess the influence and the impact of the external and internal environments on an organisation’s strategy	2.3 Key criteria for a successful strategy 2.3.1 The considerations 2.3.2 External environment 2.3.3 Internal environment
3. explain the influence that stakeholders have on an organisation’s strategy and justify how this relationship should be governed	2.4 Stakeholders and governance 2.4.1 Stakeholders 2.4.2 Governance 2.4.3 Corporate social responsibility
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## 1.2 PRESCRIBED READING FOR THIS LEARNING UNIT

After you have refreshed the knowledge you attained during prior learning, read the following material in the prescribed textbook (*Managerial finance*, 10th edition) in the outlined order:

Chapter	Section	Estimated time
Chapter 2	2.4.4 Sustainability	3 minutes

Note that all sections of chapter 1 and most sections of chapter 2 are included in the assumed prior learning indicated above. The remainder of the sections will be included in learning units 2 and 3.

Learning Unit Content covered:

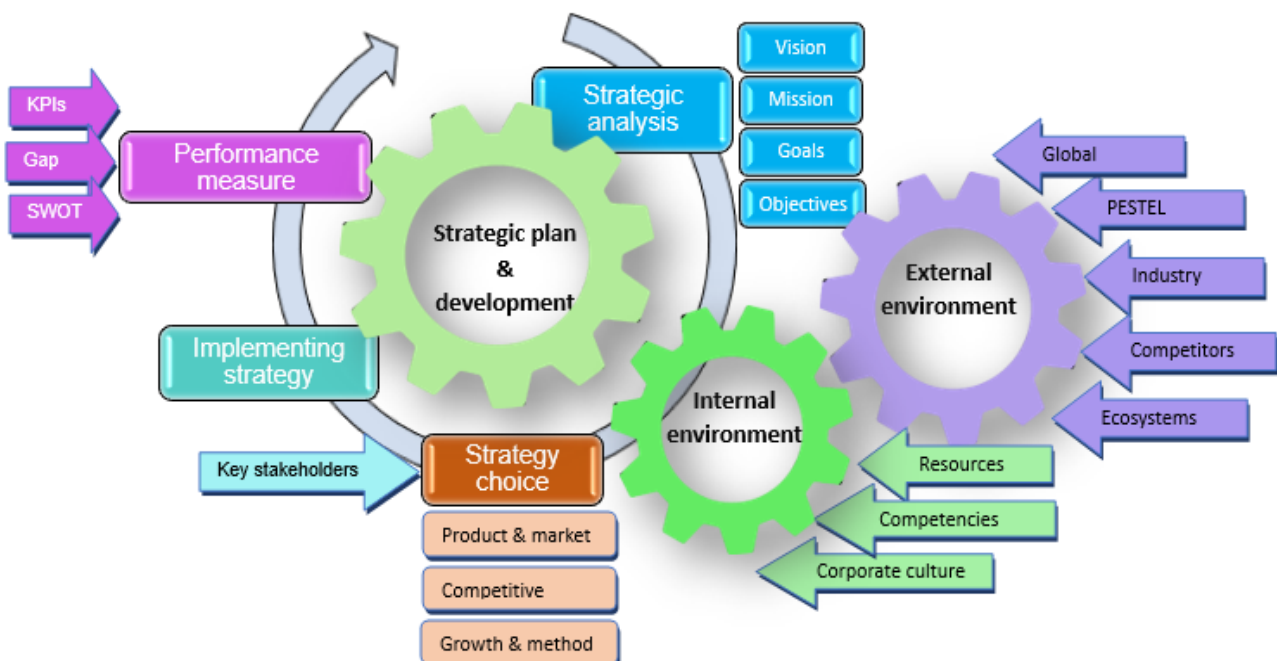
- The purpose of strategy and sustainable value creation
- External environment analysis (PESTEL)
- Industry and competitive analysis (Porter's Five Forces)
- Internal analysis (resources, capabilities and core competencies)
- Integrating strategic analysis to identify and evaluate strategic options



## 1.3 INTRODUCTION TO STRATEGIC PLAN AND DEVELOPMENT OVERVIEW

A **strategic plan** is an organisation's long-term plan that incorporates action plans and policy implementation to ultimately achieve its goals such as creating sustainable value for its key stakeholders by using its resources and capitals.

The strategic plan and development is a continuous process and may have to change, especially if the external or internal environment changes. In this learning unit it is important to ensure that you are familiar with all the concepts illustrated in figure 1.2 as these concepts were addressed in your prior learning, otherwise you may need to first revisit your prior learning.



**Figure 1.2: Strategic plan and development**, Skae 2024 (used with permission)

Although there are several approaches, the **deliberate or rational approach** is regularly utilised in the strategic plan and development (see section 2.2.3.2 of *Managerial Finance*, 10th edition). This approach takes place in four phases: 1. strategic analysis, 2. choosing a successful strategy, 3. implementing a strategy and 4. measuring performance against strategic objectives and key performance indicators (KPIs). Learning unit 1 will focus on the first two phases, learning unit 2 will focus on phase three and learning unit 4 will incorporate phase 4 as part of performance management.



Note that this content can be linked to enabling competencies, particularly those involving **business acumen** and **decision-making acumen**.

### 1.3.1 Strategic analysis

In the first phase an organisation's vision, mission, goals and objectives are incorporated within the strategic plan to ensure its achievement. In the next sub-section, the internal and external environments of an organisation are analysed in relation to choosing a successful strategy.

### 1.3.2 Choosing a successful strategy

An organisation's strategy has to be **suitable, viable, feasible** within its internal and external environments, **acceptable** for its key stakeholders and sustainable in the long-term.

#### 1.3.2.1 External influences on an organisation's strategy

The impact of an organisation's external and internal environments, as well as the needs of its key stakeholders, is considered when selecting an **appropriate strategy**. An organisation's **external environment** can, amongst others, be impacted by globalisation, automation, knowledge, innovation, demand, sustainability, competitors and business ecosystems. An analysis of the external business environment will incorporate the **macro-economic environment, the relevant industry or sector, competitors and the market**. Analysis methods that assist in evaluating external influences include PESTEL, Porter's five forces model and market analysis.

A **political, economic, social, technological, environmental and legal (PESTEL) analysis** is used to identify risks and opportunities emanating from the **macro-economic environment**. Environmental analysis is increasingly focused on ensuring sustainable business practices and goals. The United Nations Sustainable Development Goals (refer to figure 1.3) are global challenges that companies must address to achieve a more sustainable future.

# SUSTAINABLE DEVELOPMENT GOALS



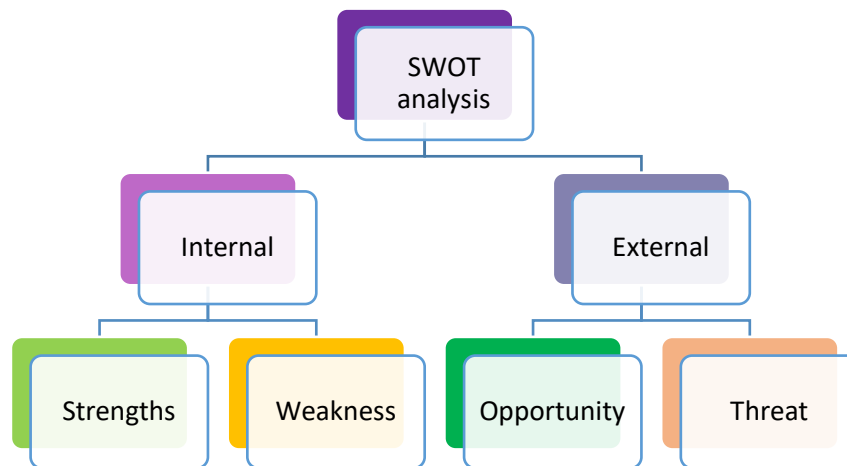
**Figure 1.3: Sustainable Development Goals (Prometeon 2022)**

**Porter’s five forces model** is used to evaluate an organisation’s ability to be successful within an **industry or a sector** by looking at new entrants, competitive rivalry, substitutes, the power of buyers (customers) and the power of suppliers (see section 2.3.2.3 of *Managerial Finance*, 10th edition).



**Figure 1.4: Porter’s five forces (Wikimedia Commons 2017)**

A **market analysis** is performed to analyse the **customer market** by analysing demand, brand, product life cycle and more. When analysing **competitors**, it is important to understand their strengths and weaknesses. In this regard, the 4Cs approach, which consists of collecting data, converting information to intelligence, communicating the intelligence (using analysis methods such as SWOT) and, finally, countering competitors’ actions, is followed (see section 2.3.2.4 of *Managerial finance*, 10th edition).



**Figure 1.5: SWOT strategic analysis**

### 1.3.2.2 Internal influences on an organisation's strategy

The internal environment includes the resources and competencies that will enable an organisation to create value and remain competitive in the long term. Some of the analysis tools used for this purpose are: VRIO (valuable, rare, inimitable, organised), value chain analysis, product life cycle, BCG (Boston Consulting Group) matrix and resource audit (see section 2.3.3 of *Managerial Finance*, 10th edition). An organisation's corporate culture and the needs of its key stakeholders will often determine its strategy choice (see section 8.2.2 of *Managerial Finance*, 10th edition).

To successfully **implement a strategy**, an organisation should set clear goals and objectives, along with an implementation plan with assigned roles and responsibilities. Progress should be regularly monitored and measured against strategic targets, but be flexible to change if necessary. Implementing a strategy will be dealt with in more detail in learning unit 2.

### 1.3.2.3 Key stakeholders

To develop an appropriate strategy for an organisation, management needs to consider more than the financial impact of an organisation. Although an organisation may consider the equity (share) holders to be its primary stakeholders, it also needs to appreciate both the social and environmental impact it will have on various other stakeholders. These typically include *shareholders, lenders, employees, suppliers, customers, government, society and the natural environment*. The needs of all **key stakeholders** should be incorporated into its KPIs. It is therefore vital that strategic objectives are incorporated in an organisation's KPIs to ensure long term sustainability and value creation.

The **balanced scorecard** is often used to measure an entity's holistic performance by considering its financial; customer; internal process and learning and growth perspectives (See section 2.8.7 of *Managerial Finance*, 10th edition). Learning unit 4 deals with an organisation's performance management in terms of KPIs such as strategic gaps.

Based on the results of the strategic gap analysis, SWOT analysis and KPIs performance, a **change in strategy** may be necessary (see section 2.6 of *Managerial Finance*, 10th edition). The implementation of strategic change management forms part of learning unit 2 (see section 2.9 of *Managerial Finance*, 10th edition).


### 1.3.3 Strategy options

After considering the impact of an organisation's internal and external environments and key stakeholders on the suitability, viability, feasibility and acceptability of its strategy an **appropriate strategy** should be chosen to ensure an organisation's long-term sustainability. These strategies may include: product and market strategies, competitive strategies and growth strategies (see section 2.7 of *Managerial Finance*, 10th edition).

Competitive strategies include cost leadership (lowest cost); differentiation (unique products); focus strategy (targeting specific market segment) and pricing strategies (such as price skimming; predatory pricing; discriminating pricing; or market pricing (see section 2.7 of *Managerial Finance*, 10th edition)).

An organisation has different growth methods such as: organic growth, mergers and acquisitions, joint ventures, alliances, licensing, franchising, outsourcing and divestment (see section 2.7.4.2 of *Managerial Finance*, 10th edition).

You should be familiar with these strategies and know when these strategies are appropriate. You should further be familiar with the different growth methods, or revisit your prior learning.




In this learning unit you will not only apply strategic analytical tools (e.g., PESTEL, SWOT, Porter’s Five Forces) but will also demonstrate integrated thinking by explicitly evaluating strategic choices for: (a) alignment with the organisation’s business model and finance strategy, (b) ethical trade-offs, (c) stakeholder impact and (d) the limits and assumptions behind your analysis.

### 1.5 ACTIVITIES

After you have read the introduction and the prescribed reading material and watched the video, complete the following activities:

#### Strategic development



**Activity 1.1: MSL (adapted)**

Activity 1.1: MSL	Estimated time			Total
	Reading	Writing	Marking and review	
47 marks	12 minutes	70,5 minutes	19,5 minutes	1 hour 42 minutes

Millennials Schools Limited ('MSL') is the holding company of a group of schools that specialises in both primary and secondary school education. MSL is also listed on the Johannesburg Stock Exchange (JSE) under the Consumer Services sector. Over the years the group has expanded its number of schools in South Africa, fitting into a key growth sector, and has been strategically positioned to satisfy the education needs of the middle class, which is growing every year. The group listed on AltX in 2012 and its shares are currently trading at 625 cents per share. The group's mission is to increase the number of schools and to continuously enhance the quality of education provided, thereby becoming an education provider of choice. The target debt-to-equity ratio for the group is 1:4.

MSL's product offering includes education from Grade 000 to Grade 12, aftercare services and bridging courses for adults who want to achieve a matric exemption. There has been strong growth in all segments, which is promising, especially in the light of the tough economic climate faced by South African consumers.

The group's major lines of income include school fees, donations (from alumni, ex-students and corporates), levies (government and international), aftercare fees and other income (investment income and sales from tuck shops). The student fees are mainly allocated to funding the operational expenditure and the capital expenditure required for the group's sustainability. MSL's school fee increases have approximated 12% per annum, which is above the inflation rate of 6,3%. These fee increases were accepted by the parents of students, based on the company's strong brand and a convincing presentation done by the school governing body (SGB) and MSL's chief executive officer (CEO).

The chairman of MSL made the following comments at a recent board meeting:

We are all aware of the protest action in the 2022 academic year with the burning of schools. This has created a demand for quality education and has also left a gap in an already strained sector. We therefore need to fill this gap and provide South African students with quality education at a reasonable price. This can only be achieved by having world-class teachers in MSL classrooms and having state-of-the-art computer and science laboratories and teaching aids. We are aware of the strain that the South African economy is under, with large-scale retrenchments coupled with limited growth in South Africa, and we have a duty to ensure efficiency and effectiveness in all that we do. We need to continuously change and enhance in order to be relevant. The group therefore needs to find alternative sources of income, curtail costs and increase its student numbers in order to compete effectively. The group must do all this with limited resources, relying on capital from shareholders and debt markets.

## **Other information**

The creation of a training academy has been proposed by MSL's head of training and development in response to resignations by academic staff. This academy will train current and new staff members, providing them with the necessary tools to increase the pass rates within MSL. The project will involve a two-year training programme that is the equivalent of a postgraduate qualification. Substitute teachers will be appointed to fill in for the teachers who attend the training programme. After teachers have completed the two-year training programme, they will be required to commit to staying with MSL for a further two-year period. If a teacher leaves earlier, he or she will be expected to pay back the full cost of the training, prorated for the period of the early exit.

The group currently pays R12,4 million per annum to fund debtors since the average outstanding debtors equal 75 days. An alternate option is to enter into a joint venture with a bank, where the bank provides loans to parents who cannot pay school fees upfront at the beginning of the schooling year. The debtors will be managed and collected by the bank, with a fee being paid to MSL for the value of lending. The bank will bear the cost of bad debts, and MSL will not incur further costs. The structure will be subject to requisite regulatory approval before it is implemented.

## Other group and market information

A renowned academic who participated in a talk show recently expressed concern over the future of physical schools due to the significant amount spent on capital expenditure ('brick and mortar') and continued maintenance. The resultant costs are eventually borne by students in the form of school fees. There was a panel discussion on the use of online tools like tablets and the provision of online courses for teaching, which will save on school fees paid by students and, consequently, make schooling more affordable.

REQUIRED		MARKS	
		Sub-total	Total
(a)	Provide feedback to the analyst as to why online teaching using tablets may not work and may not reduce school fees for students.  <i>Y4: Judgement and decision-making</i> <i>I3: Professional ethics</i> <i>I1: Personal ethics</i>	7  1 1 1 <i>(Hybrid)</i>	10
(b)	Evaluate the viability of the training academy, as proposed, incorporating the potential risks and benefits.  <i>Y4: Judgement and decision-making</i> <i>Y3: Problem solving</i> <i>Z1: Business internal environment</i>	7  1 1 1 <i>(Rubric)</i>	10
(c)	Identify and evaluate three external environmental factors (from different PESTEL categories) that are most strategically significant for MSL, given its objective of expanding access to quality education while maintaining affordability. <i>For each factor, indicate whether it represents a strategic opportunity or threat and explain why.</i>  <i>Z2: Business external environment</i> <i>Y1: Critical thinking</i> <i>I12: Corporate citizenship</i>	10  1 1 1 <i>(Hybrid)</i>	13
(d)	Rank the three factors identified in part (c) in the order of strategic importance and justify your ranking with reference to value creation and risk.  <i>Y4: Judgement and decision-making</i>	6  1	7
(e)	With reference to the proposal to introduce online teaching using tablets, evaluate one ethical, or social consideration arising from this initiative and explain how it should influence MSL's strategic choice.  <i>I2: Business ethics</i> <i>I12: Corporate citizenship</i> <i>Z2: Business external environment</i>	4  1 1 1 <i>(Rubric)</i>	7
<b>Total</b>			<b>47</b>



SAICA will be implementing a rubric mark-based assessment, which will first be introduced as a hybrid method and to be expanded into a full rubric thereafter. In this activity we have indicated hybrid and rubric methods and thus the PVAAs were expanded. You should note that tests and exams will only have one or two PVAA marks per section.



## 1.1.Solution (MSL)

(a)	Provide feedback to the analyst as to why online teaching using tablets may not work and may not reduce school fees for students.	7
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An online approach may **not necessarily result in a decrease in school fees** for the (1)

following reasons:

- **Expenditure** will have to be incurred to **set up** the online teaching model (external consultants, software, etc). (1)
- **Tablets** are still relatively **expensive**. (1)
- **Data costs are high**. (1)
- The **cost savings relating to the capital expenditure and the maintenance** of the schools are more **long term in nature** and **may not result in an immediate significant decrease in school fees**. (1)
- Several **benefits are linked to traditional teaching methods, which will be lost** if an online approach is followed. (1)  
This could result in:
  - a **loss of students to competitors** who use traditional methods of teaching, and (1)
  - a **decrease in pass rates**. (1)
- MSL may **not have the necessary technological know-how** to manage online teaching. (1)
- MSL would be **susceptible to the unauthorised use of its learning material** by competitors and its systems could be hacked. (1)
- There is a **risk that tablets could be stolen**, which would have an **impact on students' studies**. (1)
- Students may not have **internet access**. (1)

**Maximum: 7**

Your answers will be assessed against the following criteria:

Descriptor (weight)	Not Met	Below expectation (1)	Meet expectation (2)	Exceed expectation (5)
Critical thinking (problem identification)	Absent/Irrelevant factor	Identified/described but lacks analysis or scenario linkage.	Factor analysed and appropriately applied to scenario.	
Critical thinking (information)				
Critical thinking (interpretation)				



*Y4: Judgement and decision-making*

*I3: Professional ethics*

*I1: Personal ethics*

VAA's

Marks

<b>Y4: Judgement and decision-making</b> (awarded when students assess the feasibility and identify implementation risks)	<b>1</b>
<b>I3: Professional ethics</b> (awarded where a student provided objective and balanced feedback to the analyst)	<b>1</b>
<b>I1: Personal ethics</b> (awarded where a student considered digital exclusion and fairness, by evaluating the impact on vulnerable learners)	<b>1</b>

(b)	Evaluate the viability of the training academy, as proposed, incorporating the potential risks and benefits.	7
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The following risks and benefits are associated with the proposed training academy:

### Risks

- Upon completion of the training programme, **teachers may become sought after** and may be **poached by competitors**. (1)
- Teachers may then **leave MSL to work at competitor schools**. Although MSL will recoup the costs of the training, it will **not reap the benefits of the training provided**. (1)
- The project will run over a relatively long period and there is **no guarantee that it will provide a return**, or the **pass rate/benefits may not be as expected**. (1)
- **Unions could be reluctant to accept/could disagree with the retainer of two years** and may advise members not to attend the programme. (1)
- Upon completion of the programme, **teachers might demand an increase in pay** on account of the new skills they acquired, **resulting in unplanned costs** for MSL. (1)
- When teachers want to attend the programme but are **not nominated/do not qualify for the training, they might develop low morale**. (1)
- This could lead to poor performance by such teachers. (1)
- MSL may encounter **difficulty in recovering training costs** from teachers who leave before the two-year retainer period lapses. (1)

### Benefits

- Teachers may be **better equipped to deal with the challenges of teaching**, which could lead to an **increase in pass rates**. (1)
- The MSL **brand and reputation may be enhanced** if teachers have better qualifications. (1)
- Teachers who undergo the training could **experience higher levels of job satisfaction**. (1)
- This could result in enhanced:
  - **work performance**, and (½)
  - **loyalty towards MSL**. (½)

**Conclusion:** Based on the above discussion, MSL **should not proceed** with the training academy. (1)

**Maximum: 7**

Your answers will be assessed against the following criteria:


Descriptor (weight)	Not Met	Below expectation (1)	Meet expectation (2)	Exceed expectation (5)



PVAAs

<b>Y4: Judgement and decision-making</b> (awarded when students weigh the feasibility relative to the risk in their decision)	1
<b>Y3: Problem solving</b> ( awarded where a student reasoned and critically analysed the financial and operational implications, to identify likely impacts and made decisions supported by facts)	1
<b>Z1: Business internal environment</b> (awarded when students discuss internal capacity development and indicate how it contributes to value creation)	
<b>Additional PVAA that can be assessed:</b> <b>I3: Professional ethics</b> (awarded where a student demonstrated objectivity and professional tone, avoiding biases )	1

(c)	Identify and evaluate three external environmental factors (from different PESTEL categories) that are most strategically significant for MSL, given its objective of expanding access to quality education while maintaining affordability. <i>For each factor, indicate whether it represents a strategic opportunity or threat and explain why.</i>	10	10
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	Marks
<b>1. Technological change in education delivery</b>	1d
<ul style="list-style-type: none"> <li>The increased availability of online learning platforms and tablet-based teaching represents a <b>strategic opportunity</b> for MSL, enabling the institution to expand access to education without a proportional increase in physical infrastructure costs.</li> <li>Therefore, aligning with MSL's objective of increasing access while controlling costs.</li> <li>But this factor also poses a <b>strategic threat</b>, as learners without reliable access to tablets or internet connectivity may experience reduced learning outcomes, potentially damaging MSL's reputation for quality education.</li> </ul>	1d 1d 1d
<b>2. Regulatory environment governing private education providers</b>	1d
<ul style="list-style-type: none"> <li>This factor represents a <b>strategic threat</b>, as compliance with education standards and learner-protection requirements may increase operating costs and limit flexibility in delivery methods.</li> <li>At the same time, compliance supports legitimacy and trust, which are important for long-term sustainability in the education sector.</li> </ul>	1d 1d
<b>3. Socio-economic profile of MSL's target learners</b>	1d
<ul style="list-style-type: none"> <li>Affordability constraints represent a <b>strategic threat</b>, as fee sensitivity may restrict enrolment growth.</li> <li>However, it also creates a <b>strategic opportunity</b> for MSL to differentiate itself through cost-effective delivery models that support broader access to education.</li> </ul>	1d 1d
<b>Maximum</b>	<b>10</b>

Your answers will be assessed against the following criteria:

Descriptor (weight)	Not Met	Below expectation (1)	Meet expectation (2)	Exceed expectation (5)



Z2: Business external environment

Y1: Critical thinking

II2: Corporate citizenship

<b>Z2: Business external environment</b> (awarded when students analyse how external factors influence strategy)	1
<b>Y4: Judgement and decision-making</b> (awarded when students assess the feasibility and identify implementation risks)	1
<b>II2: Corporate citizenship</b> (awarded when the student considers the impact of strategy on broader education access)	1

(d)	Rank the three factors identified in part (c) in the order of strategic importance and justify your ranking with reference to value creation and risk.		6
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	Marks
<ul style="list-style-type: none"> <li>The <b>most strategically significant factor is technological change</b>.</li> <li>It is directly related to the MSL's proposed shift to online teaching and <b>has the most significant impact</b> on both access and the cost structure.</li> </ul>	1d 1d
<ul style="list-style-type: none"> <li>The <b>regulatory environment is ranked second</b>.</li> <li>Failure to comply could threaten MSL's licence to operate and undermine long-term value creation.</li> </ul>	1d 1d
<ul style="list-style-type: none"> <li>The <b>socio-economic context of learners is ranked third</b>.</li> <li>Its impact can be partially mitigated through strategic pricing and delivery decisions.</li> </ul>	1d 1d
<b>Maximum:</b>	<b>6 marks</b>



Y4: Judgement and decision-making

<b>Y4: Judgement and decision-making</b> (awarded when students recognise the risks within each factor and consider the broader stakeholder impact in their justifications)	1
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(e)	With reference to the proposal to introduce online teaching using tablets, evaluate one ethical, or social consideration arising from this initiative and explain how it should influence MSL's strategic choice.		4
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	Marks
<ul style="list-style-type: none"> <li>The proposal to introduce tablet-based online teaching <b>raises citizenship and ethical concerns</b> about <b>equitable access to education</b>.</li> </ul>	1d
<ul style="list-style-type: none"> <li>Learners from <b>lower-income households may be disadvantaged</b> if they cannot <b>afford tablets or data, which could widen educational inequality</b>.</li> </ul>	1d 1d
<ul style="list-style-type: none"> <li>From a professional values perspective, this consideration should influence MSL's strategic choice by requiring mitigation measures, <b>such as blended learning approaches</b> or <b>support for disadvantaged learners</b>, to ensure that the strategy <b>promotes access without compromising social responsibility or educational quality</b>.</li> </ul>	1d 1d
<b>Maximum:</b>	<b>4 marks</b>

Your answers will be assessed against the following criteria:

Descriptor (weight)	Not Met	Below expectation (1)	Meet expectation (2)	Exceed expectation (5)



*I2: Business ethics*  
*II2: Corporate citizenship*  
*Z2: Business external environment*

<b>I2: Business ethics</b> (awarded when a student evaluates fairness and inclusivity and considering the impact on disadvantaged students )	
<b>II2: Corporate citizenship</b> (awarded when the student weighs the short-term cost efficiency vs long-term societal inclusion)	
<b>Z2: Business external environment</b> (awarded when students recognise the regulatory obligations and show an understanding of the socio-economic environment)	



### Feedback

This question examines MSL's internal and external environments and considers its resources, competencies, and corporate culture. When making any decisions, it is important to consider an entity's **strategy and objectives in the long, medium and short terms**. The organisation will, to a large extent, be concerned with financial aspects such as the **cost-versus-benefit** impact of a decision, but it is also important to consider the **non-financial** factors (needs) that have an impact on other key stakeholders, such as employees and society.

## SWOT analysis



### Activity 1.2: African Sun Limited ('ASL') (extract)

Activity 1.2: ASL	Estimated time			Total
	Reading	Writing	Marking and review	
30 marks	12 minutes	45 minutes	15 minutes	1 hour 12 minutes

African Sun Limited ('ASL') is a company that is listed in the Travel and Leisure sector of the Johannesburg Stock Exchange (JSE). ASL operates two key divisions, namely, gaming (casinos) and hotels.

#### Gaming division

ASL owns 10 gaming and entertainment facilities in four provinces of South Africa. The following key product offerings are provided within this division:

- Gaming
- Cinemas
- Restaurants and bars
- Theatres
- Conferencing and banqueting

#### Hotel division

ASL operates 70 hotels across all sectors of the market, from luxury to budget, in South Africa and parts of Africa. The following key product offerings are provided within this division:

- Accommodation
- Restaurants and bars
- Conferencing and banqueting

Given the multifaceted structure of its operations, ASL has a large number of policies and procedures in place. This results in a very complex and lengthy decision-making process.

#### Industry background

The current gaming regulatory framework, which was established during the late 1990s, led to the formalisation of the industry. Rapid growth was experienced within the gaming industry until 2008, when the impact of the global recession resulted in growth slowing down to be more or less in line with local inflation.

The demand within the hotel industry experienced rapid growth after the 1994 election, which resulted in an increase in hotel construction. This construction cycle continued despite the decrease in demand resulting from the recession experienced in 2008. The reasons for this were twofold: the construction cycle often lags the economic cycle, and construction was boosted by the anticipated increase in demand as a result of the 2010 FIFA World Cup. A significant decline in the hotel market was, however, experienced in 2011, the primary cause of which was decreased demand and oversupply.

## Theme park

ASL owns a boutique hotel and a conference centre near Hartbeespoort, a small town that consists of holiday homes around the Hartbeespoort Dam. Many visitors from around Gauteng visit the area for short holidays and weekend getaways. Tourist attractions in and around the town include the Hartbeespoort Dam wall and tunnel, the Hartbeespoort Dam Snake Park, the Hartbeespoort Dam Aquarium and the Hartbeespoort Aerial Cableway.

There is vacant land next to ASL's boutique hotel in Hartbeespoort. The chairperson of ASL's board feels that this piece of land presents an ideal opportunity to open a theme park with rides for kids, families and thrill seekers. Other attractions would include jungle gyms, costume parades and restaurants. ASL has had discussions with the owners of the land, who have indicated a willingness to sell. The chief financial officer (CFO) of ASL has indicated that the purchase of the land will most likely deplete the company's cash reserves. The chief executive officer (CEO) of ASL, who is strongly opposed to the project, tendered his resignation due to several differences of opinion with the chairperson and the board. The chairperson will now act as CEO until a replacement can be found.

The development of the land for a theme park would be an immense project that would require the skills of construction workers and other professionals. ASL has therefore requested a consulting firm to perform a feasibility study regarding the development and opening of a theme park in Hartbeespoort.

### Additional information relating to ASL

- ASL has rolled out a series of print and digital campaigns that highlight the importance of sustainable behaviour in relation to both its staff and guests.
- ASL is highly reliant on its personnel due to the nature of its business – most aspects of the customer experience are dependent on interactions with the entity's staff. ASL therefore pays careful attention to its recruitment process and ensures that staff have the required skills and expertise. In addition, ASL strives to maintain positive employee morale by ensuring that employees are well compensated and satisfied with their working conditions.

REQUIRED		MARKS	
		Sub-total	Total
(a)	Analyse <b>four weaknesses</b> arising from ASL's internal environment and explain how these weaknesses <b>constrain ASL's ability to compete</b> effectively in the gaming and hospitality industries.  <i>Z1: Business internal environment</i> <i>I2: Business ethics</i>	8  1 1	10
(b)	Analyse <b>five external threats</b> facing ASL and evaluate how these threats <b>affect the long-term sustainability of ASL's current business model</b> .  <i>Z2: Business external environment</i> <i>Y4: Judgement and decision-making</i> <i>Y1: Critical thinking</i>	10  1 1 1	13
(c)	Regarding the governance and ethical considerations (including the chairperson acting as CEO), <b>evaluate one ethical or stakeholder risk</b> and <b>explain how it could affect ASL's reputation, regulatory standing or strategic flexibility</b> .  <i>Y4: Judgement and decision-making</i> <i>I2: Business ethics</i>	5  1 1	7
			30



In this activity the PVAAAs were expanded. You should note that tests and exams will only have one or two PVAA marks per section.



## 1.2. Solution (ASL)

(a)	Analyse <b>four weaknesses</b> arising from ASL's internal environment and explain how these weaknesses <b>constrain ASL's ability to compete</b> effectively in the gaming and hospitality industries.	8	
	<i>Z1: Business internal environment</i>	1	
	<i>I2: Business ethics</i>	1	10

### (a) Weaknesses (internal environment)

1.	<b>Governance weakness</b> , as shown by the chairperson acting as both Chair and Chief Executive Officer, weakens board independence and reduces effective oversight. A weak governance <b>increases strategic risk and limits ASL's ability to respond objectively</b> to compliance and performance challenges.	1d	1d
2.	This governance weakness may also indicate <b>deficiencies in internal controls and risk management</b> . A lack of independent oversight increases the risk of poor strategic decision-making, weak performance monitoring and insufficient regulatory compliance. <b>In a competitive and regulated industry, such weaknesses reduce organisational agility and resilience</b> .	1d	1d
3.	Closely related to this governance weakness is <b>the potential for complex and lengthy decision-making processes</b> . Where authority structures are unclear or overly centralised, strategic decisions may either be delayed or inadequately challenged. In a competitive environment, <b>slow or poorly scrutinised decision-making reduces responsiveness to market changes and regulatory developments, thereby weakening ASL's competitive position</b> .	1d	1d
4.	Another potential weakness is <b>an overly broad or unfocused product and service range</b> . If ASL operates across various gaming and hospitality offerings without clear strategic focus, this may result in diluted managerial attention, operational inefficiencies and cost pressures. A wide product range can increase complexity in compliance, staffing and performance monitoring, further increasing internal control risks in a regulated environment.	1d	1d
5.	<b>ASL may also face overreliance on trained or specialised personnel</b> . In the gaming and hospitality sector, compliance, operational efficiency and customer service often depend heavily on skilled staff. If ASL is overly dependent on key individuals, it faces operational continuity risk and higher training and retention costs. Staff turnover or skills shortages could directly affect service quality and regulatory compliance.	1d	1d
6.	<b>The governance weaknesses create reputational vulnerability</b> . Stakeholders may question leadership credibility. In a regulated industry, reputational damage can materially affect strategic flexibility and long-term sustainability.	1d	1d
<b>Maximum</b>		<b>8</b>	



<b>Z1: Business internal environment</b> (awarded when students link weaknesses to strategic impact, sustainability or risk)	1
<b>I2: Business ethics</b> (awarded when a student evaluates the ethical implications of governance weakness and/or stakeholder trust discussed)	1

(b)	Analyse <b>five external threats</b> facing ASL and evaluate how these threats <b>affect the long-term sustainability of ASL's current business model.</b>	10	
	Z2: Business external environment	1	
	Y4: Judgement and decision-making	1	
	Y1: Critical thinking	1	13



1.	The most immediate threat arises from regulatory scrutiny. ASL operates in an industry that is highly regulated; <b>gaming operations require licences</b> . The preparation and serving of food is subject to various <b>health regulations</b> , which exposes ASL to <b>compliance risk</b> . Changes in legislation, increased compliance requirements or licence restrictions could materially affect ASL's revenue model. Governance weaknesses increase this threat, as regulators may impose stricter oversight on organisations with poor internal controls.	1d	1d
2.	<b>Economic volatility also poses a threat</b> , as gaming and hospitality revenues are sensitive to discretionary spending patterns. During economic downturns, demand <b>may decline, reducing cash flows and limiting growth opportunities</b> . <b>The slow growth in the industry/the downturn in the economy</b> could negatively impact <b>ASL's profitability</b> . The gaming and hospitality sector is sensitive to discretionary consumer spending. In periods of weak economic performance, reduced disposable income may lead to lower visitation and reduced gaming activity. Sustained revenue pressure would <b>compress margins and limit ASL's ability to reinvest in facilities and strategic initiatives, thereby weakening long-term competitiveness</b> .	1d	1d
3.	<b>Reputational risk</b> is also a material threat. <b>Governance concerns may attract negative public attention, reduce stakeholder trust and increase regulatory scrutiny</b> . In a socially sensitive industry, reputational damage can translate directly into <b>financial and strategic consequences</b> .	1d	
4.	<b>Technological disruption</b> may further threaten ASL's traditional business model. Growth in <b>online gaming platforms or alternative entertainment options</b> may divert customers and <b>reduce physical venue traffic</b> .	1d	
5.	Given the <b>nature of the gaming industry</b> (i.e., gambling can be <b>addictive</b> ), entities operating in this industry are often susceptible to <b>negative publicity</b> . Increased <b>stakeholder activism</b> or societal pressure regarding gambling-related harm <b>may result in stricter regulations, advertising restrictions or operational limitations</b> .	1d	
6.	ASL's operations are also <b>dependent on tourism</b> , which is likely to be <b>negatively affected</b> by the recent <b>negative publicity South Africa</b> has been receiving in the media (e.g., electricity and water crisis, crime). A decline in tourist arrivals would directly affect revenue generation, particularly in hospitality-linked operations. <b>This dependency increases revenue volatility and exposes ASL to risks beyond its direct control</b> .	1d	1d
7.	The operations of ASL are <b>highly reliant on water and electricity</b> , which are becoming increasingly <b>scarce</b> . This reliance on water and electricity <b>threatens business continuity</b> and can be costly. These risks threaten operational stability and could materially affect service delivery and profitability.	1d	
8.	The entity's operations are relatively <b>capital intensive</b> . Capital expenditure is required to <b>maintain and improve the entity's facilities</b> , thereby ensuring revenue growth. This requires <b>large cash outflows increases financial risks</b> and could <b>potentially increase gearing</b> in the future. <b>Elevated leverage increases vulnerability</b> during periods of revenue decline and <b>may constrain future strategic flexibility</b> .	1d	1d
9.	<b>Intense competitive rivalry represents another major threat</b> . There was an <b>oversupply of hotels</b> in the wake of the 2010 FIFA World Cup, resulting in ASL operating within a <b>highly competitive environment</b> . . Market saturation, price	1d	

competition and limited differentiation may erode margins and reduce market share. <b>In a cost-sensitive environment, inefficient operations place ASL at a disadvantage relative to more agile competitors.</b>	1d
10. ASL's <b>operations across Africa expose it to country-specific risks</b> , including political instability, regulatory uncertainty, infrastructure deficiencies and foreign exchange volatility. Such risks can disrupt operations, affect the appropriation of profits and increase compliance complexity. <b>Exposure to multiple jurisdictions increases uncertainty and heightens strategic risk.</b>	1d
<b>Maximum</b>	10



<b>Z2: Business external environment</b> (awarded when students link threats to strategic impact and sustainability)	1
<b>Y4: Judgement and decision-making</b> (awarded when students assess the seriousness and sustainability impact and threats linked to strategic flexibility)	1
<b>Y1: Critical thinking</b> (awarded when cause and effect relationships are clearly articulated)	1


(c)	Regarding the governance and ethical considerations (including the chairperson acting as CEO), <b>evaluate one ethical or stakeholder risk and explain how it could affect ASL's reputation, regulatory standing or strategic flexibility.</b>	5	
	<i>Y4: Judgement and decision-making</i>	1	
	<i>I2: Business ethics</i>	1	7



1. The governance structure of ASL, specifically the chairperson acting concurrently as Chief Executive Officer, gives rise to a material ethical and stakeholder risk.  This <b>concentration of authority compromises board independence</b> and weakens oversight. The <b>absence of independent challenge increases the risk of biased or self-interested decision-making, particularly in a highly regulated industry.</b> <b>Effective governance requires separation between oversight and executive management</b> to ensure accountability, transparency and strategic objectivity.	1d 1d 1d
2. From an ethical perspective, this structure <b>may undermine stakeholder trust.</b> Regulators, shareholders and customers rely on independent governance mechanisms to safeguard integrity and compliance. In the gaming industry, where social sensitivity and regulatory scrutiny are high, <b>weak governance structures heighten reputational and compliance risk.</b>	1d 1d
3. <b>Regulatory authorities may impose stricter monitoring</b> or sanctions where governance concerns exist. This could <b>restrict ASL's operational flexibility, increase compliance costs</b> and reduce its ability to expand or renew licences. Therefore, governance <b>weakness impairs long-term sustainability.</b>	1d 1d 1d
<b>Conclusion:</b> Therefore, the governance structure is not only a procedural issue but a strategic and ethical risk that <b>directly affects ASL's sustainability</b> and	1d 1d



stakeholder confidence. <b>Strengthening governance independence</b> should therefore be considered a <b>strategic priority</b> .	
<b>Maximum</b>	<b>5</b>
<b>Y4: Judgement and decision-making</b> (awarded when students provided a clear conclusion that is supported by articulation of the impact on sustainability and the strategic priority)	<b>1</b>
<b>I2: Business ethics</b> (awarded when a student analysed the ethical implications of governance, and discussed the accountability and independence)	<b>1</b>



**Feedback**

A SWOT analysis entails evaluating the strengths, weaknesses, opportunities and threats of an entity. This question specifically required you to analyse **weaknesses** (which relate to ASL’s internal environment) and **threats** (which relate to ASL’s external environment).

A Good ASL answer will:

- Move beyond listing weaknesses and threats.
- Connect governance to regulatory risk.
- Integrate internal and external risks.
- Demonstrate balanced professional judgement.

A weak ASL answer will:

- List SWOT items without analysis.
- Ignore sustainability implications.
- Treat governance as minor issue.

**Alignment of strategy and the six capitals**



**Activity 1.3: The Cement Company & Productions (‘CCP’) (extract)**

Activity 1.3: CCP	Estimated time			
	Reading	Writing	Marking and review	Total
<b>32 marks</b>	6 minutes	48 minutes	10 minutes	1 hour 4 minutes

**A: BACKGROUND AND STRATEGY (A2.2 b)**

The Cement Company & Productions (‘CCP’) was established in Pretoria in 1945 by the Van Wyk family and was South Africa’s first cement plant. CCP is a resilient organisation that has adapted and flourished through changing economic, technological and political circumstances, becoming a leading provider of quality cement. CCP has expanded internationally and operates in various countries, specifically in Africa.

Cement manufacturing is a complex process that begins with grinding the required raw materials, which primarily include limestone and clay, to a fine powder. This powder is fed into mills for mixing and is then heated in large furnaces. The nodules formed during the heating process are called

clinker. The clinker is cooled by a rotary cooler and is mixed with water and other minerals, in very specific proportions, to produce cement.

CCP’s strategy is aimed at prioritising the financial capital of the group. The board’s main concern is to maximise shareholder wealth.

**Additional information relating to financial results**

1. CCP has 10 million ordinary issued shares trading at 840 cents in 2020 and 1 450 cents in 2019.
2. CCP was able to upgrade some of its facilities during the Covid-19 lockdown, which resulted in the company recording a revaluation surplus in the 2020 financial year.
3. The movement in retained earnings relates to profit for the year after the payment of dividends of R4 200 000 in 2020 and R10 150 000 in 2019.
4. This relates to an eight-year South African flexible bank loan. The bank requires that a significant portion of CCP’s assets be given as security for the loan. The loan is included in the financial statements at market value.
5. The board of CCP is considering insourcing the bagging of cement. Currently the bagging of cement into 500kg bags are outsourced to Bags for Africa (Pty) Ltd (BFA). BFA has a contract with CCP to bag 20 million bags per year at a fixed rate of R3 per bag for the duration of the contract. Any bagging performed by BFA above the contractual volume (20 million bags), is charged at a rate of R3.75 per bag. The Chief Financial Officer, Mrs Gobodi, was tasked to investigate this insourcing initiative. Should CCP decide to insource the bagging of cement, five new bagging machines will be required, each costing R13 000 000.

<b>REQUIRED</b>		<b>MARKS</b>	
		<b>Sub-total</b>	<b>Total</b>
(a)	<p>Critically evaluate the CCP’s shareholder wealth maximisation strategy in the context of sustainable value creation. In your discussion, consider the implications of this strategic focus for other capitals and long-term viability.</p> <p><i>X1: Communication skills – logical argument</i>  <i>Y2: Integrative thinking</i>  <i>Y1: Critical thinking</i></p>	<p>10</p> <p>1 1 1</p>	<p>13</p>
(b)	<p>Using the six capitals framework, identify and evaluate the capitals most strategically significant to CCP. Explain how these capitals contribute to value creation and how failure to manage them appropriately may affect sustainability.</p> <p><i>Z1: Business internal environment</i>  <i>Z2: Business external environment</i>  <i>Y1: Critical thinking</i></p>	<p>7</p> <p>1 1 1</p>	<p>10</p>

(c)	<p>Evaluate the proposed decision to insource cement bagging. In your discussion:</p> <ul style="list-style-type: none"> <li>Assess the financial and operational implications of the decision.</li> <li>Consider the impact on relevant capitals and stakeholders.</li> <li>Explain how ethical, societal and regulatory considerations should influence CCP's strategic choice.</li> <li>Conclude on whether the decision supports sustainable long-term value creation.</li> </ul> <p>Z1: <i>Business internal environment</i>  Z2: <i>Business external environment</i>  Y4: <i>Judgement and decision-making</i>  I2: <i>Business ethics</i></p>	5	
		1	
		1	
		1	9
		1	
			32



In this activity the PVAA's were expanded. You should note that tests and exams will only have one or two PVAA marks per section.



### 1.3. Solution (CCP)

<b>Y4: Judgement and decision making</b> Candidates should link the six capitals and each capitals ability to create value based on CCP's scenario.	1
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(i) CCP's **strategy is only focused** on:

- financial capital**, as well as (1/2)
- maximising **shareholder wealth**. (1/2)

In the past, profit maximisation was the objective of many companies. However, there has been a shift away from profit maximisation, and the focus should be on:

- all key stakeholders** (employees, customers, suppliers, government, etc), and
- value creation/long-term sustainability**. (1)

**Maximum: 2**

(a)	Critically evaluate the CCP's shareholder wealth maximisation strategy in the context of sustainable value creation. In your discussion, consider the implications of this strategic focus for other capitals and long-term viability	
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1.	CCP's stated strategic objective is to maximise shareholder wealth, <b>which prioritises financial capital and the delivery of returns to investors</b> . In principle, this objective aligns with conventional corporate finance theory, which holds <b>that shareholder value is the firm's primary purpose</b> .	1d 1d
2.	However, an exclusive focus on financial capital, driven by <b>short-term financial metrics, may create strategic distortions</b> . Importantly, <b>evaluating this strategy</b> in the context of sustainable value creation will <b>require a consideration of how financial capital interacts with other essential capitals</b> .	1d 1d
3.	<b>CCP operates in a capital intensive industry</b> , requiring significant investment in <b>manufactured capital such as plant and equipment</b> . <b>Sustained shareholder value</b>	1d 1d

	<b>depends on maintaining productive capacity and operational efficiency.</b> Therefore, <b>a strategy that fails to adequately support infrastructure reinvestment may undermine long-term competitiveness.</b> Overemphasis on dividend payouts or short-term earnings targets may restrict necessary capital expenditure.	1d 1d
4.	<b>Natural capital is also significant in the cement industry,</b> given the environmental footprint associated with production. <b>Effective management of environmental impact is necessary to maintain regulatory compliance and protect corporate reputation.</b> Therefore, <b>regulatory compliance and operational risk management require ongoing investment.</b> If financial performance indicators dominate decision-making, <b>CCP may underinvest in areas that do not yield immediate financial returns but are necessary for operational stability</b>	1d 1d 1d 1d
5.	<b>Human capital similarly contributes to value creation. Skilled employees, operational safety and technical expertise are central to productivity and risk management.</b> A strategy focused solely on financial outcomes, <b>without sufficient attention to workforce capability and safety, may weaken sustainable performance.</b>	1d 1d
6.	From a strategic perspective, the effectiveness of shareholder wealth maximisation depends on whether <b>management balances financial return expectations with prudent management of manufactured, natural and human capital.</b>	1d
7.	<b>Conclusion: CCP's strategy can support long-term value creation if implemented within a balanced multi-capital framework.</b> However, <b>if financial capital is prioritised without adequate consideration of other capitals, long-term viability may be compromised.</b>	1d 1d
	<b>Maximum</b>	<b>8</b>



	<b>X1: Communication skills – logical argument</b> (awarded when students have presented a structured argument and a clear conclusion)	
	<b>Y2: Integrative thinking</b> (awarded when a student determines that capitals must be integrated for an effective strategy)	
	<b>Y1: Critical thinking</b> (awarded when a student challenges the assumption of the shareholder objective)	

(b)	Using the six capitals framework, identify and evaluate the capitals most strategically significant to CCP. Explain how these capitals contribute to value creation and how failure to manage them appropriately may affect sustainability.	
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1.	<b>CCP's value creation is highly dependent on manufactured capital,</b> given the <b>capital-intensive nature of cement production.</b> Efficient plant and equipment are <b>central to productivity and cost competitiveness.</b>	1d 1d
2.	<b>Natural capital</b> is also highly material, as cement production has a significant <b>environmental impact through emissions and resource consumption.</b>	1d 1d
3.	<b>Human capital</b> is equally important for <b>operational safety, technical expertise, and compliance requirements.</b>	1d 1d

4. <b>Failure to invest adequately</b> in these capitals <b>may result in operational inefficiencies, regulatory sanctions, or reputational damage, thereby undermining sustainability.</b>	1d
5. Conclusion: Therefore, CCP's value creation should be assessed incorporating all the necessary capitals rather than through a single financial capital.	1d
<b>Maximum</b>	<b>7</b>



<b>Z1: Business internal environment</b> (awarded when students make capitals and value creation model connections)	
<b>Z2: Business external environment</b> (awarded when a student analyses external pressures and links them to value creation or risk )	
<b>Y1: Critical thinking</b> (awarded when a student identifies implications of the position on value creation)	

(c)	Evaluate the proposed decision to insource cement bagging. In your discussion: <ul style="list-style-type: none"> <li>Assess the financial and operational implications of the decision.</li> <li>Consider the impact on relevant capitals and stakeholders.</li> <li>Explain how ethical, societal and regulatory considerations should influence CCP's strategic choice.</li> <li>Conclude on whether the decision supports sustainable long-term value creation.</li> </ul>	
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1. The proposal to insource cement bagging changes both CCP's operational and cost structures.	1d
2. While <b>insourcing may improve quality control and operational integration</b> , it <b>increases fixed costs and capital requirements.</b>	1d 1d
3. From a human capital perspective, insourcing may create employment opportunities and strengthen operational capability.	1d 1d
4. However, insourcing may also expose CCP to labour relations risks and higher compliance obligations.	1d
5. If outsourcing partners are displaced, ethical considerations arise regarding fair treatment and contractual responsibility.	1d
6. Environmental implications must also be considered if additional production capacity increases emissions or resource use.	1d
7. Conclusion: Therefore, the insourcing decision should be evaluated not solely on cost savings but on its broader strategic and societal implications.	1d
<b>Maximum</b>	<b>5</b>



<b>Z1: Business internal environment</b> (awarded when students discuss the operational restructuring impact on the internal processes and risks)	1
<b>Z2: Business external environment</b> (awarded when a student discusses the environmental implications and links them to risk)	1
<b>Y4: Judgement and decision-making</b> (awarded when students provide a conclusion with balanced evaluation/consideration of operational, financial and societal impact)	1
<b>I2: Business ethics</b> (awarded when a student considers fair treatment of stakeholders affected by insourcing)	1



### Feedback

CCP needs to create value through the inputs derived from its six capitals. This question incorporates important strategic concepts relating to CCP's internal and external environment (from this scenario and required) to the six capitals that you will learn more about in learning unit 2.



### Technical competencies achieved

- Identify at least two realistic strategic options available to the organisation and evaluate the strengths and weaknesses of each.
- Analyse these options using appropriate strategic tools (for example, external environment, industry or internal analysis).
- Focus on relevant information and avoid including unnecessary detail.
- Explain the trade-offs involved when choosing between options.
- Justify the strategic recommendation, supporting with logical reasoning and appropriate analysis
- Indicate that you can bring different pieces of information together to reach a well-reasoned decision.
- Identify any ethical issues or dilemmas arising from the strategic decision.
- Explain how ethical considerations influence or limit the strategic choice.
- Identify key stakeholder groups affected by the strategy.
- Evaluate how the chosen strategy impacts different stakeholders, including possible conflicts of interest.
- Consider sustainability, social and governance implications where relevant.
- Explain how the chosen strategy may create, preserve or destroy value in the short, medium and long term.
- Able to recognise that strategic decisions affect both financial and non-financial outcomes.
- Identify the main risks and uncertainties associated with the chosen strategy.
- Explain how changes in assumptions or risk factors could change your recommendation.



## 1.5 BIBLIOGRAPHY AND ADDITIONAL READING

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