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INSTRUCTIONS: NOTE!

1. This is a closed-book assessment.
2. The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
3. Read the questions carefully and answer what is required.
4. Number your answers clearly.
5. Write neatly and legibly.
6. Systematic exposition is a requirement.
7. Where applicable make use of diagrams and practical examples to support your answers.
8. This question paper must be handed in with your answer book. Failing to hand it back will result in your paper not being marked.
9. **You are not allowed to make any notes on the question paper. You may highlight or underline.**
10. The correct use of subject terminology is required.

THIS PAPER CONSISTS OF 16 PAGES.

Profile

Imperial is a diversified industrial services and retail group with activities spanning logistics, vehicle distribution and retail, car rental, parts and industrial products distribution and financial services.

All of these operations are conducted in South Africa.

- Logistics operations are conducted in sub-Saharan Africa, Europe and the United States of America.
- Vehicle retail operations are conducted in the United Kingdom, Australia and neighbouring countries in Africa.
- Financial services operations are conducted in Botswana and Lesotho.

Imperial is listed on the Johannesburg Stock Exchange (JSE) under share code IPL.
The group utilises a decentralised management structure that actively encourages entrepreneurship, innovation and industry-specific best practice. Imperial employs more than 51 000 people, who are responsible for the growth and continued success of a group that began as a motor dealership in downtown Johannesburg in 1948.

Vision

- Imperial Logistics' vision is to become a leading integrated global supply chain management company in selected markets by utilising our assets, intellectual capital, global best practice and appropriate technology – both from within the Imperial Group and through alliances with other leading service providers.
- We will provide sustainable, real growth in earnings and ultimately superior returns to our shareholders, whilst creating a better future for our people.

Mission

Our mission is to offer our customers managed logistics solutions through skilled and motivated people who are supported by leading operational systems and best-of-breed technologies; people who are driven by an understanding of our clients' needs and strategic intent; people who stay abreast of the latest logistics management trends.

We serve our mission by:

- acknowledging our responsibility to protect our stakeholders' interests;
- offering our clients continuity, stability and continuous improvement of service;
- offering our service providers a financially secure platform;
- building a skilled, dedicated and motivated team of employees;
- supporting our communities and acknowledging our duty to be an equal opportunity employer; and
- caring for the environment.

Values

- Client-service orientated
- Demand integrity, honesty and fairness

- Relationship driven
- Entrepreneurial operators
- Bottom-line focus
- Prospects driven
- Cost conscious
- Responsible

South Africa experienced a challenging year as well. Industrial action, both locally and in South Korea, affected the logistics and automotive sectors as our ability to supply services and products to our customers was disrupted. The year also saw slower growth in the motor vehicle market while volumes and pricing in the logistics industry came under pressure as various sectors of the South African economy struggled to gain momentum. Competition in the car rental industry remains fierce. Financial Services showed good growth due to an increase in vehicle sales over the past number of years. We were well rewarded for our efforts to expand into consumer markets in the rest of the African continent leading to a good performance from those businesses.

Foundations for future growth

Under tough trading conditions, Imperial's ability to deliver excellent returns and real value to shareholders is a testament to the strength of its portfolio in which each business is headed by a highly competent team. We are well positioned as niche players in growing logistics markets in Europe, and are investigating interesting growth opportunities in South America and Eastern Europe. As more and more companies follow the global trend towards outsourcing, the international logistics market is set to grow and Imperial is ideally placed to reap the rewards of having established a solid presence in a number of geographies.

We have also laid the foundations for promising growth on the African continent, and during the year added to our already extensive footprint through two key acquisitions. Continued expansion into other African countries will position Imperial to take maximum advantage of the considerable opportunities presented by the growth of African economies supported by a growing middle class.

In a report published this year entitled "The rise of the African middle class", Deloitte & Touche point out that Africa now has the fastest growing middle class in the world. Based on the current growth trajectory, estimates are that the African middle class will grow to 1,1 billion by 2060. Seven of the 10 fastest growing economies in the world are in Africa, with economic growth rates in sub-Saharan African countries averaging around 5% a year. Imperial's African logistics growth strategy targets consumer markets, among others, and will further ensure that the group is diversified. As Imperial continues to grow through acquisition, investors and shareholders can take comfort in the company's stringent due diligence processes. It has sound acquisition criteria which have resulted in new acquisitions making an immediate and direct contribution to the bottom line. The group has also utilised favourable funding markets very effectively to acquire new international operations.

The strategic priorities of the group have been well articulated and are continually communicated to our stakeholders. The use of cash generated by our Automotive businesses to grow our exposure in the logistics industry is also proving to be a very effective approach to the growth and balance of Imperial's portfolio.

Developing our people

Imperial's people play a central role in ensuring that the group reaches its strategic and growth objectives. The group continued to invest in its ongoing development in the year under review. The group also reached an important transformation milestone – over 50% of management in junior to senior positions in total are now black, which demonstrates Imperial's commitment to the transformation ethos. It is also pleasing to see the plans put in place some years ago now coming to fruition, as demonstrated by the achievement of this

milestone. Top management positions continue to receive special attention from a transformation point of view. This year R175 million was invested into training and development of staff across various levels in the group. Throughout all operations, there are programmes in place that offer employees the opportunity to grow their skills and fast track their career development. This in turn supports the group's strong culture of promoting from within.

Protecting the environment

On the environmental front Imperial continues to make huge strides. The management and reporting system for non-financial data, successfully piloted and rolled out to the group, has allowed for consistent reporting across all operations. Importantly, it has contributed to the development of a group-wide view of Imperial's footprint across a range of environmental indicators. Understanding this picture is the first step towards implementing large-scale interventions that can reduce the group's carbon footprint. One example is our recently opened solar powered Kia dealership, a world first. This project is a prime example of how environmental responsibility can also be commercially viable. All divisions in the group are encouraged to establish such flagship projects.

The transport industry emits approximately 10% of South African carbon emissions, and hence it is critical that the group takes a leadership role in environmental matters. We are therefore proud that the CEO of our African Logistics division was recently awarded the inaugural Nedbank Capital Sustainability prize in the Leadership category in recognition of his role in promoting environmental sustainability in African supply chains. Our logistics vehicles travel 495 million kilometres per annum and it is inevitable that they would be involved in accidents, which are sometimes fatal. Tragically the group lost nine staff members due to accidents. We endeavour to continuously improve the group's safety record and will pursue specific further driver safety and monitoring methods that have been identified and which we hope can limit fatalities.

Investing in our communities

The group continued to grow its community investment programmes and I was particularly encouraged to see the ongoing impact being made by the Imperial and Ukhamba Community Development Trust in local community schools. The programme represents a true partnership between the Trust, the Provincial Department of Education and beneficiary school bodies. Herein lies its strength and the reason it is hailed as a possible blueprint for successful literacy and numeracy interventions in other schools.

Imperial is committed to playing a role in the broader South African society and continued its work in the I-Pledge Road Safety Campaign. The campaign has grown to attract 135 000 pledges and the company has rolled out further road safety initiatives focusing on scholar patrols at local schools. This work is an example of the way in which Imperial embraces the opportunity to go beyond compliance and invest in the greater good of society, particularly in areas closely aligned to its core business.

People

Imperial relies on its employees to sustain its growth, drive its strategic agenda and contribute to society through its various businesses. Over the years our workforce has grown from 1 720 people in 1987 when the company listed, to the 51 000 people we employ today in diverse industries across multiple locations. Their combined effort, commitment and expertise are responsible for our past successes, and their collective knowledge has the greatest ability to positively impact our future performance. As a result, ongoing skills development is a business imperative in which we continue to invest.

Assets

The group owns most of its strategic operational properties and follows a philosophy of continually investing in these assets for further growth. Maintenance and replacement capital expenditure is closely monitored and timeously deployed. Expansion capital expenditure is driven by our strategy to grow our business but is balanced by the imperative of enhancing the returns on these investments. Our inventory holding in our

vehicle businesses is carefully monitored and we conduct detailed research on trends and buying patterns before ordering and launching new models.

Our major assets include:
— Rental fleet;
— Transport fleet;
— Ships/barges;
— Buildings;
— Inventories; and
— Investments and loans advanced.

Distribution and franchise rights
The group has a number of distribution and franchise rights, many of which compete with each other. They are independently managed under dedicated management teams. Our relationships and partnerships with principals and suppliers have been developed over a number of years and are key to our success. Distribution and franchise agreements which govern these relationships are therefore carefully managed.

Customers
We have a vast customer base that includes government, blue-chip companies, non-governmental organisations and the consumer. Satisfying our customers is a key success factor and we strive to achieve the highest standards of quality, service and reliability. By doing so we seek to gain the trust, respect and loyalty of our customers which will prove critical in securing our ongoing success.

Financial position
The group has a strong financial position with an equity base exceeding R17 billion. Net debt is R9 billion against total assets of R52 billion. Our treasury activities are directed by the assets and liabilities committee (Alco) with a primary focus on liquidity, interest rate and foreign exchange risk management.

The group's liquidity position is strong with R5,9 billion in unutilised facilities. Only 47% of debt is due within one year and around 56% of this is secured at a fixed interest rate. In addition to its banking facilities, the group has good access to capital markets and has often raised bonds and commercial paper in the South African capital markets.

Strategic partnership : Imperial Holdings Limited and Ventures Africa

VENTURES AFRICA – UAC of Nigerian Plc. (UACN) has signed a strategic partnership with South African-based Imperial Holdings Limited for the later to acquire 49 percent equity in its wholly-owned subsidiary, MDS Logistics Plc. This comes after UACN announced that it had sold a 51 percent share acquisition of Livestock Feeds Plc, a company that produces animal feeds and quoted in the Agricultural sub-sector of the Nigerian Stock Exchange's Daily Official List.

MDS is Nigeria's leading provider of integrated supply chain solutions such as warehousing, haulage, distribution and redistribution in over 600 cities and villages connected by a network of 50 distribution centres across Nigeria. While UAC will continue to own 51 percent majority stake in MDS Logistics, a statement released by the company on Monday said the joint venture was driven by the need for a strategic partnership with an experienced international operator that would bring technical expertise into the company.

Speaking on the partnership, UACN's Group Managing Director, Larry Ettah, said his company is looking forward to working together with Imperial Logistics as its strategic partner to engage the under-served and fast- growing logistics market in Nigeria. Ettah added that, "The combination of MDS' vital local experience

and the value adding international logistics expertise of Imperial Logistics will lead to efficiency and raise benchmarks in Nigeria for the benefit of all stakeholders."

Imperial Logistics Chief Executive Officer, Marius Swanepoel, on his part said, the newest acquisition strengthens Imperial Logistics' footprint in Africa and that it is consistent with its strategy of focusing on consumer opportunities in Africa and following its customer base on the continent. "MDS has a quality customer base with a strong new business pipeline. Through the transaction, Imperial has also secured a specialist management team, which strengthens and complements the group's existing skills set in the logistics business," he said.

Imperial Logistics, a division of the Imperial group, is an international logistics and supply chain leader delivering excellence in end-to-end logistics and supply chain management with operations in several African countries and in Europe. UACN, on the other hand, is a company with operations in foods, paints, logistics and real estate.

Our business model

Our business model is built on the following key principles:
— Developing our people to be skilful, confident and self-motivating;
— Empowering our people;
— Gaining the respect of our customers, suppliers and principals;
— Being the standard for quality service and reliability;
— Adhering to what we know best or can learn; and
— Pursuing financial best practices.

Through these key principles, we ultimately strive to deliver stakeholder value by:
— Generating cash;
— Growing our business;
— Making a positive contribution to society;
— Being a responsible corporate citizen; and
— Generating good returns on capital.

Our objective is to drive improving returns on capital as this is the ultimate generator of value for shareholders. To deliver on this objective, the group is continuously seeking growth opportunities in and adjacent to existing industries and geographies. Our deep involvement in all aspects of the motor value chain provides Imperial with a competitive advantage in this market, while generating the cash needed to grow our operations.

Our business model is centred on generating cash in the motorrelated businesses to grow the logistics operations, while continually investigating opportunities to enrich our involvement in the motor value chain. The cash generated in our motor-related businesses allows us to take advantage of attractive opportunities within niche sectors of the logistics market in Europe and the fast growing economies in Africa.

When we acquire businesses, we maintain their entrepreneurial spirit and simultaneously mitigate the related acquisition risk by securing the existing management, often by retaining ongoing minority management shareholdings in those businesses. Our shareholder objectives and management incentives are closely aligned, and our businesses strive to achieve maximum efficiency in their industries.

Integrated motor value chain

Our motor-related businesses are involved in far more than simply selling motor vehicles. Imperial plays a key role in virtually every part of the automotive value chain, deriving value at each touch point in a motor vehicle's life cycle.

- Vehicles: Imperial sells over 120 000 new motor vehicles a year – one in every five cars sold in South Africa. We sell a further 63 000 used motor vehicles. The vehicle purchase is a trigger point for the sale of a number of financial and related products.
- Financial Services: our financial services pillar provides customers with a range of financial services and products, including vehicle financing (via joint venture alliances), insurance and maintenance plans. It leverages off Imperial's strong distribution and retail network capability in the motor vehicle industry. It is therefore central to our motor value chain and our strategy of building annuity revenue streams around our motor businesses.
- Vehicle maintenance: offers further opportunities to derive value from the value chain. Vehicles under warranty are serviced through our network of 236 dealerships. As we sell more vehicles into the South African market, the car parts grow which further feeds the maintenance and parts business. Revenue from parts and services is thus growing faster than new car revenue and provides a good annuity underpin for the business.
- Insurance event: accidents provide work to our panel shops, rental income to our car rental operations, the sale of parts from our dealerships and parts distributor.
- Aftermarket parts: our businesses continue to play a role in the life cycle of a vehicle once it is out of warranty as well. The aftermarket parts businesses sell parts through a franchise network of 419 stores and workshops, 20 owned stores and 46 franchised stores in the rest of Africa.
- Used vehicles: at the end of the life cycle of the vehicle it may be traded in on a new vehicle, and we sell over 63 000 pre-owned vehicles annually.

The group continually seeks to maximise its value within and between each area. Growth is underpinned by a focus on ensuring that our business mix remains relevant, and that we continue to deliver value to our customers in all the industries in which we operate.
The addition of new businesses, aligned to our current portfolio, is an ongoing focus across the group in line with the strategy of enhancing returns on capital. The development of financial services, autoparts and industrial distribution are examples of how we enriched our motor industry value chain.

Through this, the group has evolved into a diversified industrial group which offers a well-balanced portfolio of businesses that gives the group the ability to remain resilient through economic cycles.

Principles of corporate governance and structures

The board is committed to the principles of openness, integrity and accountability, and to providing timely, relevant and meaningful reporting to all stakeholders. The board ensures that the group's business is conducted to high standards of corporate governance, in line with local and internationally accepted corporate practices. These standards are entrenched in the group's established systems of internal control and by its procedures and policies governing corporate conduct, with particular emphasis on the importance of qualitative aspects of corporate governance. The group's operating divisions are autonomous as the group's philosophy is not to regulate every aspect of group behaviour, but rather to allow each division to formulate its own policies, appropriate to the industry and business environment in which it operates, subject to the guidance of the group executive committee and ultimately the board.

In accordance with guidance issued by the JSE, the group applied the recommendations in King III. The board is continually assessing its governance practices and procedures against King III and makes adjustments

where necessary. The principles contained in King III are reflected in the group's corporate governance structures. These are reviewed from time to time to accommodate organisational changes and international developments in the field of corporate governance. It is the policy of the board and management to actively and continuously review and enhance the group's systems of control and governance to ensure the group's business is managed ethically and within prudently determined risk parameters that conform to internationally accepted standards of best practice.

In assessing practices implemented by the group, the board has balanced the following factors:

- Entrepreneurial freedom to take business risks and initiatives leading to satisfactory levels of performance and return on shareholders' investment in the company; and
- Conforming to corporate governance standards, which can impose constraints on divisional management.

Strategic objectives

Imperial's overriding strategy is to generate higher returns on capital for shareholders, and to drive growth in profitability. These are balanced by our sustainability ethos which takes into account the strategic importance of other non-financial areas of the business. This includes building a robust internal skills pipeline, investing in future skills through education initiatives and positioning ourselves as a leading corporate citizen in the industries we operate in. Summarised below are our key financial and non-financial strategic objectives.

Generating returns and growing the business

In line with our responsibility to our shareholders we focus on generating higher returns on capital while investing in growing the business in existing and related industries and geographies. The growth of African economies and the worldwide trend towards outsourcing are driving good growth potential in the logistics industry, both in Africa and abroad. Our focus is to expand our footprint in this industry. Our focus in Africa is on consumer logistics, following our customers on the continent and playing a bigger role on other key trade corridors in Africa. In Europe we want to expand around existing themes, particularly in the high-value niche sectors in which we are already established. We may also follow certain of our clients along existing themes related to our European business into other parts of the world. The second leg of our strategy is to enrich and optimise the value chain in our motor vehicle businesses. We will achieve this by expanding our range of allied services, which include growing our financial services and after-sales parts and services activities. These generate annuity income and strong cash returns which are needed to drive the capital growth of our logistics operations.

The distribution of products in the automotive and industrial markets remains a core business, and we are well positioned to take advantage of the many opportunities to grow this revenue stream. We also continually look for expansion opportunities to distribute products in other industries, such as engineering and mining, where we currently do not operate. Any expansion is considered in the context of stringent criteria. It should be earnings enhancing from the outset, and have clear prospects of achieving a return on invested capital of 4% over the appropriate divisional weighted cost of capital in the near future.It should also be in an area in which we have proven related skills and experience.

Building a robust internal skills pipeline

We recognise that skilled people offer the business a powerful competitive advantage, particularly in a global environment of critical skills shortages, and skills development is therefore a key business driver across Imperial's many diverse operations. In addition to ensuring that we are able to meet the demands of our customer base and take advantage of opportunities within our chosen markets, skills development delivers a range of other sustainability-related benefits in areas such as employment equity and

transformation, staff retention and employee satisfaction. Collectively these factors drive our significant investment in skills and training programmes, which during the year totalled R175 million. We continue to invest in artisan and technician training and up skilling management to build a robust succession pipeline.

Investing in education for future skills

The development of a sustainable skills pipeline requires investment in the education of the next generation. This is not only a social responsibility, but a business imperative too and one that will secure ongoing talent for Imperial's business in the future. Imperial together with its empowerment partner Ukhamba, continue to invest in upliftment of education facilities and teaching in 10 schools in the greater Gauteng area in which we operate. This is carried out through the Imperial and Ukhamba Community Development Trust, to which each division contributes on an annual basis.

Leading corporate citizenship initiatives

Imperial places strategic emphasis on establishing itself as a leading corporate citizen, particularly in the transport industry. While good corporate citizenship is an important governance and social issue, it is equally a business issue and one that directly impacts the value and perception of our brand. The company makes strategic investments in projects that serve this purpose. The Imperial I-Pledge campaign promotes safer, friendlier roads by encouraging South Africans to commit to safer driving practices. While the campaign has important brand positioning impacts, it also delivers benefits that directly affect Imperial's transport businesses. Fewer road accidents are a key goal in the logistics operations, and will lead to fewer insurance claims and lower costs in the car rental businesses. Our businesses are also involved in a broad spectrum of corporate social investment initiatives that benefit the communities in which we operate. We also recognise the clear business case for responsible environmental stewardship, and continually seek ways to reduce our carbon footprint and consumption of scarce natural resources. These include a range of initiatives to reduce energy and carbon footprint, extensive water and waste recycling projects and the implementation of green, sustainable building practices in dealerships and other facilities.

Source: www.imperial.co.za accessed 25 March 2014.

QUESTION 41 [30]

Compile as complete as possible a SWOT-analysis from the information available for Imperial. Do this in table form.

QUESTION 42 [20]

Identify two industry positions in the pulp and paper industry and two company situations that are present in Imperial. Explain the positions/situations by referring to (use examples in your explanation and do this in table form):

- the unique characteristics,
- specific strategy choice,
- the risk profile of the industry/company
- the sustainable competitive advantage, and
- the market position.

QUESTION 43 (10)

According to the theory two factors have created the new competitive landscape. Briefly explain the content of these two factors. What meaning does this new competitive landscape have for a company like Imperial in the near future (your own opinion)? Is there any evidence in the chief executive's report that these two factors played a role in the events that preceded the report?

QUESTION 44 [10]

Briefly explain the roles of leadership when implementing strategy. To what extent are these leadership roles present in Imperial's top management

QUESTION 45 [10]

Identify and discuss the generic building blocks of competitive advantage as describe in the theory. To what extend is the generic building blocks of competitive advantage evident in Imperial (according to the available information).

QUESTION 46 [10]

Identify and describe the different organisation cultures according to the organisational culture model. Where in the model would you position Imperial? Motivate your choice in detail.

The end of the paper.