

**Learner's Book**

# **BUSINESS STUDIES**

# **11**



**basic education**

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **Foreword from Absa**

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*Dr Reaan Immelman  
Head: Education Delivery*

## **Quality Assurance team for the Digital Business Studies Grades 10 to 12 Learner Books and Teacher Guides**

Annacletta Fisane Ngubane, Busisiwe Zwane, Cherylleen Gordon, Enoch Rasmeni, Florence Baloyi-Jele, Fouzia Peters, Frank Ofori, Haniel Adams, Handri van Rooi, Hester Steenkamp, Joyce Strydom, Leicester Momberg, Madeline Trollope, Maselo Ditshego, Medupe Shadrack Mmui, Melanie Momberg, Mzikaise Masango, Nonhlanhla Gumbi, Petra Burger, Sybil Mdunge.

## **Project Management team for the Digital Business Studies Grades 10 to 12 Learner Books and Teacher Guides**

Henry Kavuma – DBE Digitisation, Mimi Mini – DBE LTSM, Ntebo Mkhondo – DBE Administration  
Jeanine Briggs – Absa Management, Julia Lhuillery-Moulder Project Coordination – Absa, Zainab Karriem Publishing – Absa

**Grade 11** Learner Book

**Book ISBN:** 978-1-77633-223-6

**First published** in 2022

Published by: The Training Room Online and Imprint Publishing

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# How to use this book

Welcome to the Business Studies Grade 11 Learner's Book. Please read the information below about the book before you start using it. This book provides you with all the information you need to cover the Grade 11 curriculum. It will also help you develop skills, attitudes and values required to excel in Business Studies.

Each chapter in the book has the following features, which are meant to help you learn:

## Topic Overview

This is an overview of the contents and the units of the chapter



### TOPIC OVERVIEW

- Unit 10.1 Marketing
- Unit 10.2 The product development policy

## Learning objectives

These are the objectives that are addressed in the topic. It states what you should be able to do by the end of the topic. In addition, it gives you an idea of what will be expected of you as a learner. After completing each topic, ask yourself, 'Am I able to do everything stated in the learning objectives?'. If not, you should revisit the content covered in the topic.



### Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ explain/discuss reasons why businesses have to become involved in social programmes, for example, compliance with the BBBEE, the lack of qualified workers, the effect of HIV/AIDS, and so on
- ❖ define the term citizenship
- ❖ outline the rights and responsibilities of citizens, for example, the right to education, safety, owning a property



### PLAYLIST

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

Introduction

The introduction is a brief summary of why you will be learning the content that is covered in the topic. Sometimes it will give you a brief background of the content covered in Grade 10. Furthermore, at other times it will give you a short summary that introduces the content that follows.

**Introduction**

In Grade 10 we learned about relationships and team performance in the workplace. We also learned that some teams work together well, while other teams are less effective. In this topic, we will look at the stages teams go through different theories of team dynamics, and conflict management theories.

**A New words**

**territory** an area of land under the jurisdiction of a ruler or state

**perceive** become aware of something, come to realise or understand

**New words**

These are new/difficult words that you may not have encountered before. A brief explanation for these words are given.

Activities

These cover questions you have to answer, which are based on the content presented before them. Activities will help you check whether you have understood the content presented in the book or not.

**Activity 2.3**

**QUESTION 1**

**1.1.** Read the scenario below and answer the questions that follow.

**MAUREEN B&B LODGE (MBL)**

Maureen B&B Lodge employs five employees. One of the employees reported MBL to the CCMA for failing to comply with Labour Relations Act. Molly, one of the employees of MBL, is always absent because she has to collect her ARV medication from the clinic.

**1.1.1** Identify TWO challenges of the macro environment from the scenario above. Motivate your answer by quoting from the scenario. (6)

Use the table below as a guide to answer this question.

CHALLENGES	MOTIVATIONS
1.	
2.	
3.	

**1.1.2** Explain FOUR other challenges of the macro environment. (12)

### Did you know boxes

These boxes provide extra, interesting content or give you additional information on particular sections of the curriculum. Note that the content of the 'Did you know?' boxes are not examinable.

#### ? Did you know

In 2020, the legislation in South Africa proposed the nationalisation of mines and the speeding up of the land reform process.

### Take note boxes

These boxes require you to pay special attention to certain aspects of the curriculum/content/activities/assessment. They add value to the content that is presented.

#### Take note

The mind map summarises all the content for this topic. It will help you to remember all the aspects of the work that you should study in detail. Be sure to study all the relevant content for each section.

### QR Codes, videos and Screen captures

These will link you to online content. When you are in the eBook, you can easily access the links.

The process for scanning QR Codes depends on the model of your phone. Newer phone models can scan QR Codes with the camera, and older models might require a QR Code app. Find the correct QR scanner for your phone and download it accordingly. Note that you might have to try a few scanners before you find the most suitable scanner for your phone.

#### QR CODE

Creative thinking and problem solving introduction



<https://m.youtube.com/watch?v=7pekU6Knu24>

### Tip

This is an example of an essay question to show the different ways in which the content may be assessed



### Tip boxes

These boxes provide tips that you could use when writing your exams and completing your formal assessment tasks.



## Case Study

The case studies provide a very good way of keeping the subject up to date and relevant by using real-life situations, a problem or an incident related to the topic. You can draw on your own experiences, the experience of peers or prior learning to interpret, analyse and solve the problems presented in the questions.



### CASE STUDY



Lush is a successful international business with more than 750 stores. The entrepreneur, Mark Constantine, started Lush in his kitchen in the UK in 1995.

Constantine believes you must understand the factors that influence the success of your business. Lush avoids harming the environment and uses as little packaging as possible. Lush uses eco-friendly packaging to protect the products during transportation.

Lush holds a 'Mafia Meeting' once a year where they discard one-third of their products that are not doing well which costs them a lot of money. This encouraged employees to share new and innovative ideas and to keep them ahead of their competitors.

Lush prefers naturally friendly staff members who will be happy to chat with customers and not rush them to make a purchase. This is how Lush ensures that customers pay much more for basic hygiene products. Lush does not have information on customers' shopping experience.

## Consolidation activities

The purpose of the consolidation activities is to assess the content covered in the topic. Teachers may also use these consolidation activities to assess your progress during class.

### Consolidation

#### QUESTION 1

- 1.1 State TWO examples of contemporary legislation that may affect business operations. (2)  
1.2 Recommend ways in which businesses can overcome competition in the market. (6)

#### QUESTION 2

- 2.1 Read the scenario below and answer the questions that follow.

##### STEYN MANUFACTURERS (SM)

The employees of Steyn Manufacturers are often late for work and do not want to work together. SM suffered losses due to their storeroom being broken into. The management is also struggling to find a reliable provider for their raw materials.

Use the table below as a GUIDE to answer QUESTION 2.1.1 AND 2.1.2.

CHALLENGES (2.1.1)	BUSINESS ENVIRONMENT (2.1.2)
1.	
2.	
3.	

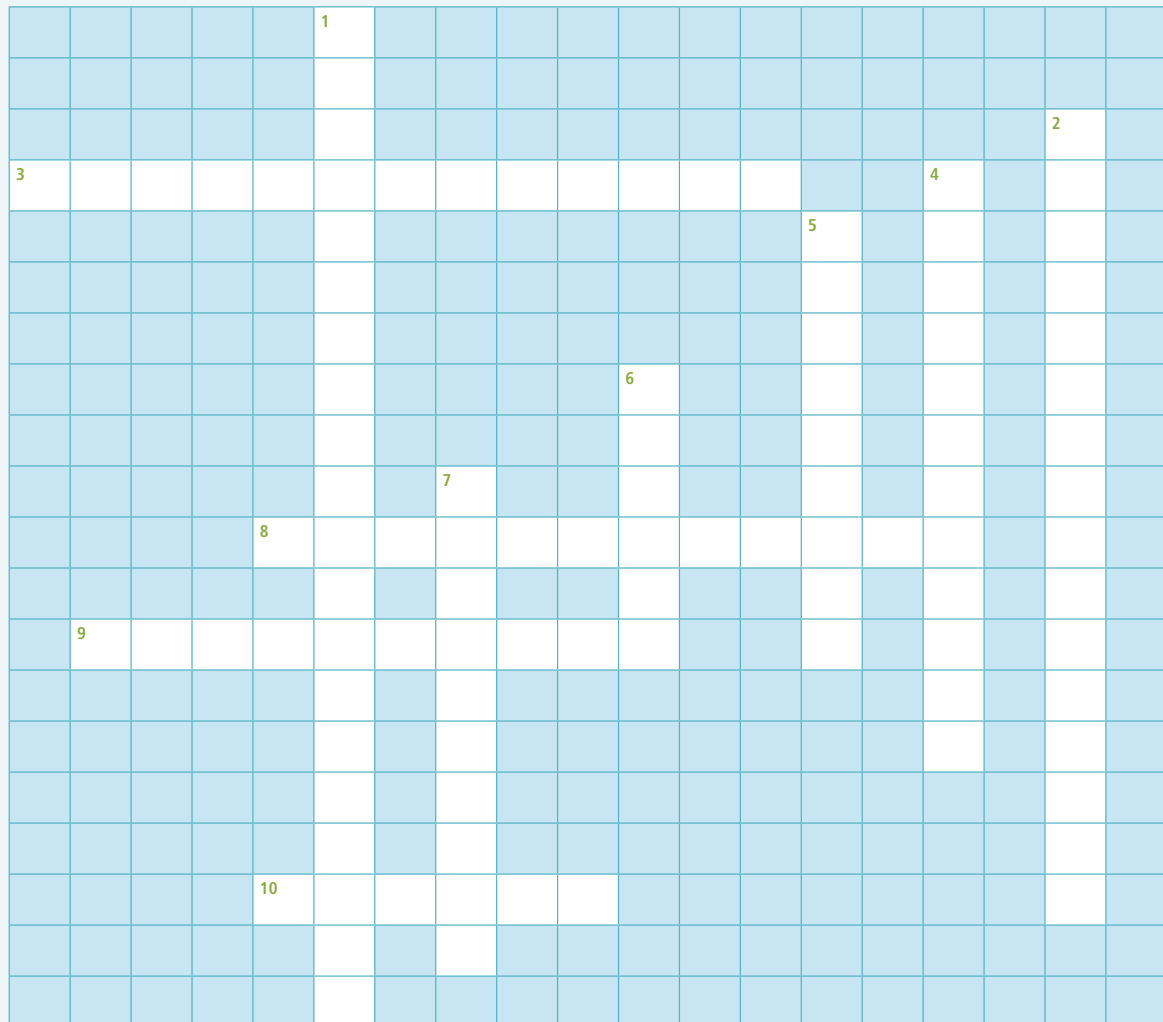
- 2.1.1 Quote THREE challenges from the scenario above that SM have to deal with. (3)  
2.1.2 Classify EACH challenge quoted in QUESTION 4.2.1 according to the business environments. (6)

### How to answer crossword puzzles

Clues are provided for terms that may be written **down** or **across**. The **dark shaded** blocks indicated a space for the terms that consist of more than ONE word.

#### Activity 4.1

#### Crossword puzzle



#### Across

- 3 Money is stolen from a business using sound financial knowledge and dishonesty (8; 5).
- 8 Age, gender ratios and the racial composition of the people within the country.
- 9 Refers to people who cannot read or write.
- 10 Money paid to individuals in exchange for work done.

#### Down

- 1 An example of ethical misconduct.
- 2 Water, gold, coal, oil
- 4 The way in which people live, work and consume products in society.
- 5 General increase in the prices of goods.
- 6 Illegal copying of someone else's work without permission.
- 7 Refers to any act of dishonesty such as bribery or theft.

## Overview of topics per term

GRADE 11	
Term	Topic
1	Influences on business environments The challenges of the business environment Adapting to challenges in the business environments Contemporary socioeconomic issues on business operations Business sectors Benefits of a company versus other forms of ownership
2	Avenues of acquiring a business Creative thinking and problem solving Stress, crisis and change management The marketing function The production function Professionalism and ethics
3	Assessment of entrepreneurial qualities in business Citizenship roles and responsibilities Transformation of a business plan into an action plan Start a business venture based on an action plan The presentation of business information
4	Introduction to the human resources function Team dynamics and conflict management



## TERM 1

## 1

## Influences on business environments



## TOPIC OVERVIEW

- Unit 1.1 Revising the components of the micro, market, and macro environments
- Unit 1.2 Business' control over the micro, market, and macro environments
- Unit 1.3 Challenges of the business environments



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ name the components of the micro, market, and macro environments
- ❖ explain the reasons why businesses have more control over the micro environment/less control over the market environment/no control over the macro environment
- ❖ identify the challenges of the business environments from scenarios/case studies/statements, and state the extent of control a business has over these environments
- ❖ recommend/suggest ways in which businesses can be involved in the macro environment
- ❖ discuss/explain the benefits/advantages of businesses that are involved in the macro environment.



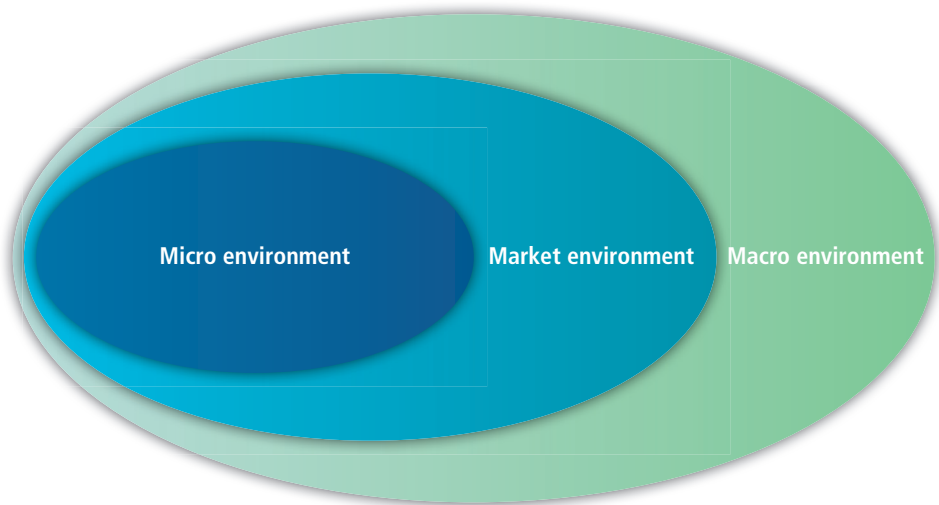
## Key concepts

- **Redressing:** to fix an undesirable or unfair situation.
- **Nepotism:** the practice among those with power or influence of favouring relatives or friends, especially by giving them jobs.
- **Retrenchment:** when a business cuts down the number of its employees to reduce costs.
- **Go-slow:** a situation when workers go to work but deliberately work at a slower pace.
- **Trade union:** an association that represents and protects the interest of workers.
- **Strike:** a situation whereby workers refuse to work until their complaints/demands are addressed by their employers.

## Introduction

In Grade 10 you learned that a business operates in three different, but interrelated environments. These environments are micro, market and macro environments. For businesses to be successful, entrepreneurs need to constantly be aware of the challenges in the three business environments and come up with strategies to turn them into opportunities.

The following illustration shows the three business environments.



■ The three business environments

## 1.1 Revising the components of the micro, market and macro environments

### The micro environment

The micro environment is the internal business environment – it includes everything inside the business. All the internal affairs of the business are managed by the directors or the owners of the business.

The micro environment is also known as the internal operating system. A business has full control/complete control over it. The components of the micro environment include the:

- vision, mission statement, goals and objectives
- organisational structure
- organisational resources
- organisational culture
- management and leadership
- eight business functions.





## The market environment

The market environment is the immediate external environment of the business. A business has limited/little control over it.



For the business to be successful, it has to be able to influence the components in this environment. The components of the market environment include the:

- customers/consumers
- suppliers
- intermediaries
- competitors
- other organisations/civil society such as CBOs, NGOs, regulators, strategic allies, and unions.

## The macro environment

The macro environment is the broad external environment of the business. A business has no control over the macro environment and so need to adapt to the challenges in this environment in order for them to succeed.

The components of the macro environment include the:

- social
- political
- legal
- economic
- technological
- physical
- global/international environments.

The internal environment consists of the micro environment of the business, that is the business itself. The external environment consists of the market and macro environments of the business.

## Activity 1.1

## QUESTION 1

- 1.1 Elaborate on the meaning of micro environment. (4)
- 1.2 Read the scenario below and answer the questions that follow.

**JOE'S SUPERMARKET (JS)**

Joe's Supermarket employed a manager who lacked management skills. The increase in the minimum wages of employees that are enforced by legislation is making it difficult to make a profit. Recently a new 24-hour supermarket opened across the street from Joe's Supermarket.

Use the table below as a guide to answer QUESTIONS 1.2.1 and 1.2.2 that follow.

CHALLENGES (1.2.1)	BUSINESS ENVIRONMENTS	EXTENT OF CONTROL (1.2.2)
	Micro	
	Market	
	Macro	

- 1.2.1 Quote ONE challenge in each business environment from the scenario above that JS has to deal with. (3)
- 1.2.2 State the extent of control JS has over EACH business environment. (3)

## 1.2 Business' control over the micro, market, and macro environments

The success and profitability of a business depend on factors within the three business environments. Entrepreneurs may try to influence or control some of these factors to create conditions that will be favourable to the business. For example, businesses may influence the government to ensure that laws that prevent them from achieving their goals are not passed.

Not all factors in the three environments can be influenced or controlled by businesses. Some can easily be controlled by the business while others are not easy to control. For example, a business has full control over the prices of its goods/services but has little control over the components in the market environment such as suppliers or competitors' actions. In addition, a business usually has very little or no control over the factors in the macro environment.

## Control over the micro environment

The business has full/complete control over all the components in its micro environment. It can influence the internal functioning of the business and exercise control by:

- establishing and revising its vision, mission statement, goals, and objectives in line with current trends
- engages strategic management systems and ensures that plans are implemented and revised when necessary
- establishing policies, procedures, and management structures that could move the business in the right direction
- ensuring that all the business' resources are used efficiently and effectively to the benefit of the business
- ensuring that all employees understand the culture of the business, and are working toward the agreed goals and values that accommodate all the **stakeholders** of the business
- leading employees, organising and directing their activities, and controlling their actions to achieve the goals and objectives of the business.

### A New words

**stakeholders** a party that has an interest in a company and can either affect or be affected by the business



In a large organisation, the chief executive officer (CEO), together with the other remaining business functions, exercise control over the micro environment. Each departmental head takes responsibility for the different aspects of the micro environment in their departments.



### A New words

**strategic alliances** an arrangement between two companies to undertake a mutually beneficial project

### A New words

**regulators** a person or thing that regulates something

## Influence over the market environment

A business only has limited control over the market environment but, in some cases, it is possible to influence and shape some components in this environment. Some components of the market environment may be easier to influence than others. Below are examples of how entrepreneurs could influence some aspects of the market environment.

### Customers

Entrepreneurs can influence the decisions of consumers/customers by using a well-considered and well-executed marketing strategy. A marketing strategy is a plan of action that describes the marketing objectives of the business and the strategies and activities that will be used to achieve these objectives.

The entrepreneur could conduct market research to identify the needs/wants of the target market and then devise strategies to provide goods or services that will be required by consumers/customers to satisfy those needs/wants.

A business could attract and influence customers' decisions through good marketing campaigns such as promotional sales, discount prices, extended working hours, persuasive advertisements, and so on.

### Suppliers

Entrepreneurs could also influence the decisions and actions of their suppliers by signing long-term contracts for their inputs (raw materials) at fixed prices, or by forming **strategic alliances** with them.

Businesses could also buy in bulk to get discounts from their suppliers, and in this way ensure that they have adequate raw materials at all times.

### Competitors

Although businesses have little or no influence over their competitors, they might form a strategic alliance, join a community business forum, or form a consortium with other business owners to share ideas and resources to undertake a project that will benefit all the members of the group.

### Regulators

A single business cannot influence the decisions of its **regulators**. Regulators are government bodies that make rules and regulations to check the activities of businesses.

However, when businesses join together, they could influence regulators to some extent. For example, a representative for the businesses can lobby with their regulators to take away or pass legislation that will help them to achieve their goals.



### Unions

Businesses can also influence the decisions of unions if they try to maintain a good relationship with them. Businesses can achieve this by engaging in a collective bargaining session with trade unions to explain certain concerning issues to the leaders to try to persuade them to side with their point of view.

## Influence over the macro environment

Businesses have no control over the macro environment. The following factors are not within the control of the business:

- Political factors such as government policies and political stability.
- Economic factors such as inflation rate and fluctuation in prices of foreign currency.
- Social factors such as low-income levels of consumers and unemployment.
- Technological factors such as changes in new technology and internet infrastructure.
- Legal factors such as recent legislation and labour laws.
- Environmental factors such as climate change and environmental sustainability.

An entrepreneur cannot control the components of the macro environments directly. However, when entrepreneurs join forces, they can influence some aspects of the macro environment.



- Businesses can lobby for mutual trust. That is, a group of businesses could use their influence and their combined powers to persuade the government to change certain regulations or establish certain policies that will help them to achieve their objectives.
- Businesses can hedge against inflation by investing their surplus assets (money) in investments, such as gold, oil, and property, which yield good returns.
- Businesses could also network to share information on how to overcome some of the challenges that they face in the technological environment.

### Activity 1.2

- 1.1** Name FOUR components of the market environment. (4)
- 1.2** Explain the reasons why businesses have more control over the micro environment. (6)



#### QR CODE

Economic Influences on Business (External Influences on businesses)



<https://www.youtube.com/watch?v=pC8UZcKKaEQ>

## 1.3 Challenges of the business environments

The three business environments do not operate in isolation but are interrelated and also influence each other. The market and macro environments together operate in the external environment of the business, and may create some challenges to the business. Activities in any of these three business environments may influence (impact on) the other two environments.



### A New words

**retrench** decrease the number of employees to reduce the operation costs in response to economic difficulty

The profitability of a business depends on factors in all three business environments. For example, if the employees in a particular business (micro environment) are not very skilled and cannot produce quality goods/services, it will cause a decrease in the demand for that business' goods/services. Their consumers/customers (market environment) will stop buying the goods/services from the business, and instead buy from its competitors. This may cause that business to **retrench** some of its employees, leading to an increase in unemployment (macro environment).

Similarly, a change in the macro environment (such as an increase in the rate of interest) could lead to businesses (micro environment) borrowing less money from the banks and producing fewer goods/services. Businesses may then decide to increase the prices of their goods/services, which could also cause consumers/customers (market environment) to buy fewer goods/services to satisfy their needs/wants. This in turn could lead to other socio-economic issues.

The long-term survival of a business depends on how best it can monitor, respond to, and influence the environments in which it operates. For example, if a business fails to identify reliable suppliers in the market, it will not be able to get the resources it requires to produce its goods/services. This will eventually cause the business to lose customers and could threaten its survival.

### Ways in which businesses can be involved in the macro environment

Businesses could improve the economic and social well-being of the people in their communities and the country if they actively get involved in the macro environment. Here are some ways in which businesses can get involved in the macro environment:



- Create job opportunities for the people in their communities.
- Undertake social responsibility programmes to improve the welfare of people in the community.
- Improve export markets by expanding into new African markets.
- Undertake scientific research to improve traditional medicines.
- Engage in collective bargaining or **lobbying** to improve working conditions or change government legislation.
- Enter into Private-Public partnerships to provide **infrastructure** in the country.
- Provide education and training programmes for workers to improve service delivery.

### A New words

**lobbying** seek to influence

**infrastructure** the physical structures and facilities of the business, for example, building

## Benefits/advantages of businesses that are involved in the macro environment

- They will gain good publicity and so attract and retain loyal customers.
- They will attract and retain skilful employees in their communities.
- **Government tenders** and contracts are normally given to businesses that are involved in the macro environment.
- Businesses that support their communities normally get some tax rebates.
- Businesses that get involved in the macro environment can anticipate likely challenges and devise strategies to turn them into opportunities.
- Top investors are attracted to businesses that are involved in the macro environment.
- It prevents environmental damage by decreasing the business' carbon footprint.
- Knowing people's age, gender, customs, traditions, and preferences will make it easier for businesses to appeal to customers.

### A New words

**government tenders**

a person or company has to provide the goods or services and the government must pay the agreed price at the agreed time



## TERM 1

### Tip

Your responses should focus on “how” businesses can be involved in the macro environment.



### Activity 1.3

1.1 Read the scenario below and answer the questions that follow.

#### MAJEED TILES (MT)

Majeed Tiles specialises in the manufacturing of tiles. MT is keeping up with new technologies to improve its production processes. Recently they also started exporting their tiles to Botswana.

- 1.1.1 Quote TWO ways that MT is involved in the macro environment in the scenario above. (2)
- 1.1.2 Recommend other ways in which MT can be involved in the macro environment. (4)
- 1.1.3 Discuss the advantages of businesses that are involved in the macro environment. (6)

### Consolidation

1.1 Name any THREE components of the micro, market and macro environments:  
Use the table below as a GUIDE to answer QUESTION 1.1

	MICRO	MARKET	MACRO
1.			
2.			
3.			

(9)

1.2 Read the scenario below and answer the questions that follow.

#### VINCENT SPORTSWEAR (VS)

Vincent Sportswear specialises in designing men’s sportswear. VS has hired ten stylists who are always late for work. VS is situated in a location that has a high rate of unemployment and crime. The management of VS purchases their material from Zam Sport Suppliers who charge high prices for their material.

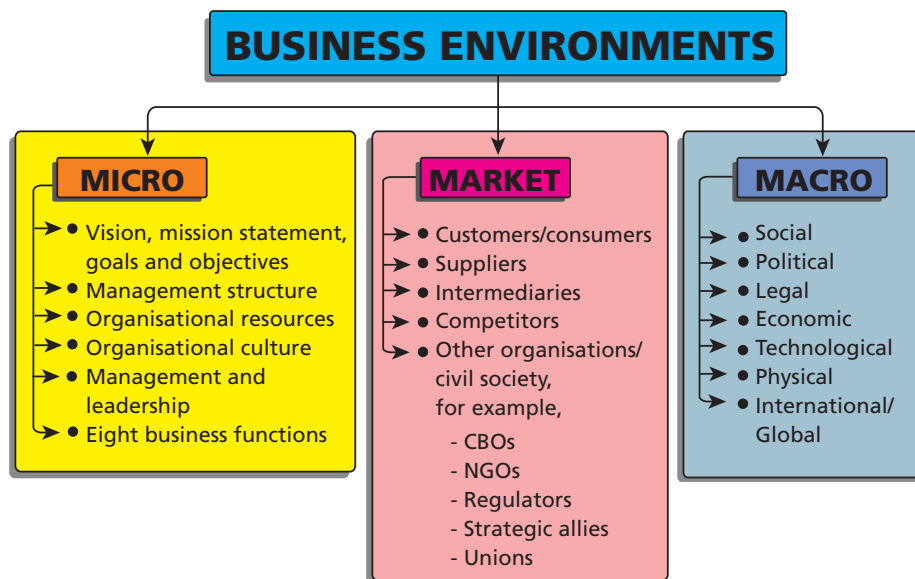
Use the table below as a GUIDE to answer QUESTIONS 1.2.1 to 1.2.3.

	CHALLENGES 1.2.1	BUSINESS ENVIRONMENTS 1.2.2	EXTENT OF CONTROL 1.2.3
1.			
2.			
3.			

- 1.2.1 Quote THREE challenges for VS from the scenario above. (3)
- 1.2.2 Classify VS’s challenges according to the THREE business environments. (3)
- 1.2.3 State the extent of control VS has over EACH business environment named in QUESTION 1.2.2. (3)

## Mind map: Topic 1 – Influences on, and control factors related to the business environments

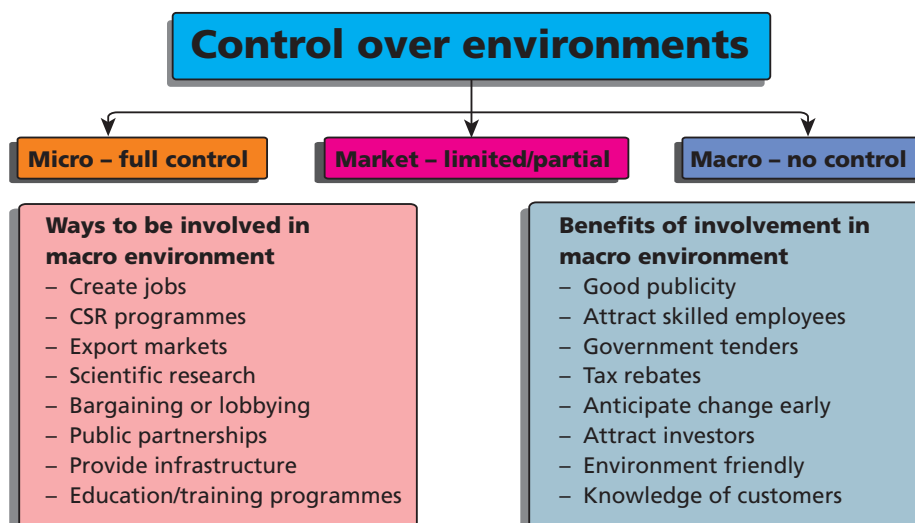
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Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>



## TERM 1

## 2

# The challenges of the business environments



## TOPIC OVERVIEW

- Unit 2.1 Challenges of the micro environment
- Unit 2.2 Challenges of the market environment
- Unit 2.3 Challenges of the macro environment



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ outline/name/discuss/explain the challenges of the micro environment
- ❖ outline/name/explain the challenges of the market environment
- ❖ recommend ways in which businesses can overcome competition in the market environment
- ❖ outline/name/discuss/explain the challenges of the macro environment
- ❖ give examples of contemporary legislation that may affect business operations
- ❖ identify the challenges of the THREE business environments from given scenarios/statements and motivate an answer by quoting from scenarios/statements.



## Key concepts

- **Competition:** businesses that sell/provide similar goods or services.
- **Strikes:** workers refuse to work until employers meet their demands.
- **Go-slows:** employees go to work as they normally would, but deliberately work at a slower pace.
- **Socio-cultural factors:** the beliefs, norms, values, and interests that are shared by a particular society.
- **Contemporary legislation:** current laws put in place by the government to regulate the operations of businesses in the country.
- **Demographics:** the characteristics of the population such as age, gender, race, educational background, income levels, and so on.
- **Psychographics:** consumers' attitudes, interests, opinions, and lifestyles.



## Key concepts

- **High employee turnover:** when the rate at which employees join and leave the business is high.
- **Labour restrictions:** labour laws put in place by the government to prevent the exploitation of employees in the workplace.
- **Globalisation:** when businesses expand their operations to other countries.

## Introduction

In Topic 1 you were introduced to the examination of control factors from three business environments that can influence a business both internally and externally. Some of these factors can be controlled and others cannot, so they present challenges to the business.

This topic will focus on the challenges of the business environment classifying each according to the specific environment i.e. micro, market, and macro environment. The table below illustrates some of these challenges.

## CHALLENGES OF THE BUSINESS ENVIRONMENT

Challenges of the micro environment	Challenges of the market environment	Challenges of the macro environment
<ul style="list-style-type: none"><li>• Difficult employees</li></ul>	<ul style="list-style-type: none"><li>• Competition</li></ul>	<ul style="list-style-type: none"><li>• Changes in income levels</li></ul>
<ul style="list-style-type: none"><li>• Lack of vision and mission</li></ul>	<ul style="list-style-type: none"><li>• Shortage of suppliers</li></ul>	<ul style="list-style-type: none"><li>• Political changes</li></ul>
<ul style="list-style-type: none"><li>• Lack of adequate management skills</li></ul>	<ul style="list-style-type: none"><li>• Changes in consumer behaviour</li></ul>	<ul style="list-style-type: none"><li>• Contemporary legal legislation</li></ul>
<ul style="list-style-type: none"><li>• Unions</li></ul>	<ul style="list-style-type: none"><li>• Demographics and psychographics</li></ul>	<ul style="list-style-type: none"><li>• Labour restrictions</li></ul>
<ul style="list-style-type: none"><li>• Strikes and go-slows</li></ul>	<ul style="list-style-type: none"><li>• Socio-cultural factors</li></ul>	<ul style="list-style-type: none"><li>• Micro lending</li></ul>
<ul style="list-style-type: none"><li>• Employee absenteeism</li></ul>		<ul style="list-style-type: none"><li>• Globalisation/ International challenges</li></ul>
<ul style="list-style-type: none"><li>• High employee turnover</li></ul>		<ul style="list-style-type: none"><li>• Social values and demographics</li></ul>
<ul style="list-style-type: none"><li>• Shortage of skills among employees</li></ul>		<ul style="list-style-type: none"><li>• Socio-economic issues</li></ul>



QR CODE

Overcoming 'negative vibes' among your staff: 10 tips



<https://www.youtube.com/watch?v=uctPla6ugro>

## 2.1 Challenges in the micro environment

Many factors in the micro environment can threaten the profitability and survival of a business. These internal threats present a challenge to entrepreneurs, who have to come up with strategies to address them. For example, the conflict between employees needs to be addressed properly, otherwise it could destroy the work ethics, disrupt the organisational culture, and affect the decision-making structures within the business.

The conflict between employees is not the only likely challenge within the micro environment of the business. Below are some of the other challenges that businesses face in their micro environment.

### Difficult employees

- Difficult employees are those who do not support the vision and goals of the business – their actions may lead to conflict in the workplace, which could then break down the team spirit.



- Employees that always complain about work systems and processes.
- Employees that are lazy and not committed to doing their work. This may cause delays and so deadlines will not be met.

### Shortage of skilled employees

- If employees are not well trained, their performance will not meet the required standards set by the business. This could then lead to poor customer service, which will negatively impact on the image of the business. Businesses may lose customers to other competitors with better services.

### Lack of vision and mission

- Lack of vision and mission means that management and staff have different ideas about the goals of the business.
- It may lead to conflict and negatively affect productivity.
- Businesses will not be able to allocate resources efficiently and they may struggle to succeed.



## Lack of adequate management skills

- Managers who do not have the necessary management skills will not be able to lead, direct and control personnel and resources in the business.
- This will lead to businesses not achieving their goals and objectives.
- If the departments are poorly managed, then resources will be wasted and the business' productivity and profitability will decrease.
- A manager with poor management skills may struggle in dealing with subordinates which can lead to an unhappy/frustrated workforce.

## Unions

- Unions are organisations that are established to protect the interests and rights of employees in the workplace.
- Sometimes unions make demands that are impossible for businesses to meet, and this creates tension between management and employees.

## Strikes and go-slows

- Strikes and go-slows are examples of industrial actions that may be organised by a trade union and have a negative impact on business operations.
- When managers and employees cannot sort out their differences, employees may engage in a strike or a go-slow.
- A strike means employees refuse to go to work or they do not work until their complaints have been addressed by the business. The business loses many hours of production time for the period of a strike.
- A go-slow means that employees report for duty as normal but deliberately work at a slower pace. The business will not meet its targets and profitability may decrease.



### Activity 2.1

#### QUESTION 1

**1.1.** Identify the challenges of the micro environment for Temba Stores represented in EACH statement below:

- 1.1.1** Pieter, the cleaner at Temba Stores, always complains about working hours and produces sub-standard work.
- 1.1.2** The management of Temba Stores do not have a clear plan of where the business is going.
- 1.1.3** The sales team at Temba Stores fails to meet its targets because of a lack of leadership.
- 1.1.4** Employees are demanding improved working conditions and are refusing to work until Temba Stores meet their demands.

(8)

## 2.2 Challenges of the market environment

Several factors in the market environment could threaten the survival and success of a business. In Topic 1, we learned that a business has limited/little control over its market environment. However, it is possible to influence the challenges that are presented by the market environment, and to respond to them in a way that ensures the success of the business.

Some challenges in the market environment are more easily influenced than others. For example, it is easier for a business to influence its suppliers and customers, than it is for it to influence its competitors. Let's discuss the challenges in the market environment.

### Competition

- Competition refers to businesses that produce/sell the same kind of goods or render similar services.
- If a business cannot match the quality/prices of the goods or services of its competitors, it may lose its customers.



- Increased competition forces businesses to decrease their prices and so their profit margins decrease. This leads to some businesses closing down because they are not able to cover their cost of production.

### Shortage of suppliers

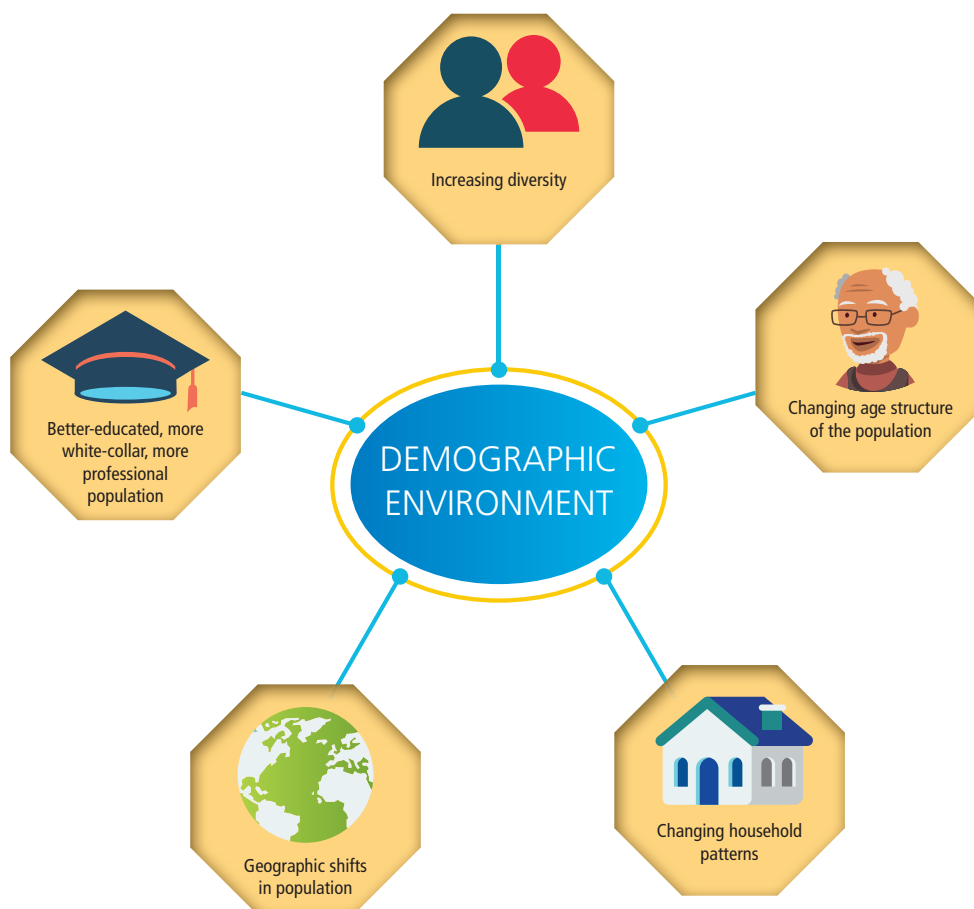
- Every business needs raw materials to produce its goods or services. Without the availability of raw materials, a business cannot produce its products or services to meet the demands of its target market.
- Businesses depend on suppliers for their raw materials/inputs. If the supply of raw materials/input is disrupted, the business' productivity and profitability will also decrease.
- If a supplier is incapable of delivering raw materials on time, in the right quantities, and of the right quality and price, it will cause a business to lose customers, not meet its sales targets, and suffer a decrease in profits.

## Changes in consumer behaviour

- Economic conditions or fashions can cause changes in consumer taste and preferences, this could lead to fewer sales.
- Businesses, therefore, need to work harder in their marketing effort/s, or adapt their products or service to meet the requirements of the target market.
- Changes in consumers' needs may lead to stockpiling and reduced profit margins.
- Businesses are forced to continuously study these changes so that they can provide goods or services that consumers always need.

## Demographics

- Demographics refers to the statistics of the population such as gender, age, race, level of education and level of income.
- The challenge faced by businesses is that there are constant changes in the demographic characteristics of their target market.
- For example, people are living longer, and this could lead to an increased demand of goods and services.
- When lots of people emigrate, it could lead to a decrease in the number of consumers and skilled labour.



## Psychographics

- Psychographics refers to customers' lifestyles and behaviour. It includes their attitudes, interests, opinions, desires, and lifestyles.

- Businesses must be aware of their customers' lifestyles and behaviour. This will enable them to run more effective marketing campaigns. However, it could be difficult to determine the psychographics of a target market because customers' lifestyles and behaviours change frequently.

## Socio-cultural factors



- Socio-cultural factors include language, customs, income levels, and preferences associated with particular cultures.
- It affects the product line and the marketing campaign of a business.
- Businesses need to ensure that their marketing campaigns are not offensive to any cultural group.
- Socio-cultural factors have an impact on the market environment. They shape the way people live, work, produce and consume.
- The challenge businesses face is that of clear understanding factors that drive socio-cultural changes to respond appropriately.



### QR CODE

3 Ways To Deal With Business Competition



<https://www.youtube.com/watch?v=QzJxMIsZPnk>

## Ways in which businesses can overcome competition in the market

- Businesses must ensure that they produce unique/ differentiated goods or services for the target market.
- Businesses need to provide more personalised services by being responsive to their customer's needs/wants.
- Goods/services must be priced lower than competitor's goods/services in the market.
- Businesses must produce high-quality goods/services that the customers might be interested in.
- Create a positive image/publicity through regular engagements in community development projects.
- Businesses must improve on customer services and keep customers happy.
- Businesses must create a positive outlook by regularly renovating their premises and improving their systems.
- Businesses must undertake good marketing campaigns that will draw the attention of the target market.
- Businesses must offer low-cost extras such as improved credit terms/loyalty schemes, and so on.
- Businesses must ensure that they have well-trained and dedicated employees that create a better working atmosphere.

### Activity 2.2

#### QUESTION 1

- 1.1** Discuss the following challenges of the market environment:
- 1.1.1** shortage of suppliers (4)
  - 1.1.2** changes in consumer behaviour (4)
  - 1.1.3** demographics and psychographics. (4)

#### QUESTION 2

- 2.1** Recommend ways in which businesses can overcome competition in the market. (6)

## 2.3 Challenges of the macro environment

Although businesses cannot influence or control the macro environment, they must have a clear understanding of its challenges. These challenges can have an adverse effect on the operations of a business.

Let's learn about some of the factors in the macro environment, and how they present challenges to a business.

### Changes in income levels

- The number of goods/services that consumers can purchase is determined by their net incomes.
- Net income is the gross income minus all deductions. When consumers' net income decreases, they are only able to buy goods and services that are necessary, and so the profitability and productivity of the business will decrease.
- Unemployment, high interest rates, high inflation rates, or an increase in taxes, leave consumers with less money to spend on goods and services.
- Reduced spending will lower profits for businesses.

#### A New words

**ideologies** ideas and ideals, especially one which forms the basis of economic or political theory and policy

### Political changes

- The government decides its own objectives and **ideologies**.
- With a change in government, businesses have to adapt to new laws and policies.
- A change in government can result in political instability – which can scare away possible investors and tourists, and in turn threaten the survival of a business.
- In some countries, there is a high level of political instability and civil war. That makes it very difficult for businesses to operate there efficiently and profitably.

## Did you know

In 2020, the legislation in South Africa proposed the nationalisation of mines and the speeding up of the land reform process.

## Contemporary legal legislation

- The government has passed laws to check the activities and operations of businesses.
- Businesses that fail to obey these laws could be fined or the owners could be sent to prison.
- Businesses must comply with legislation in place – which is not always easy to do. For example, the Employment Equity Act (EEA) (No. 55 of 1998) compels businesses to give preference to previously disadvantaged individuals when appointing new employees into the business. Sometimes this is difficult to do because candidates might not have the right qualifications or experience.
- Other new laws that present a challenge to businesses are the National Credit Act (NCA) (No. 34 of 2005), Consumer Protection Act (CPA) (No. 68 of 2008), and the Labour Relations Act (LRA) (No. 66 of 1995).



## Labour restrictions

- The government has passed several laws that impose restrictions on business operations.
- These laws create a legal framework that protects employees from being exploited by their employers, and also restricts the practices of employers.
- Some employers find this legal framework restrictive while others see it as an important part of protecting the rights of employees and ensuring democracy in the workplace.

## Micro-lending

- This refers to individuals or businesses that grant small loans to those who cannot get credit from commercial banks.
- They normally charge higher interest rates and their repayment period is shorter than those of the commercial banks.
- There is little protection for those who make use of these loans because micro-lenders are not regulated by the South African Banking Act (No. 94 of 1990) and so do not subscribe to the Code of Banking Practice of South Africa.

## Globalisation/International trade

- Refers to the exchange of products, services, capital, and labour across national borders, that is, businesses are competing with international businesses for local customers.
- Labour is cheap in some countries. These countries can manufacture products at reduced prices and sell their excess products in other countries at lower prices, this is called dumping.
- Dumping makes it difficult for local businesses to be competitive in the global market.
- The migration of skilled labour can result in local skills shortages.
- The benefit of globalisation is that it has led to the faster and easier transfer of knowledge and skills between countries.



## Social values and demographics

### Social values

- These include the beliefs, norms, and values that are shared by a particular society or a group of people.
- It influences consumers' buying habits because consumers buy products they identify with.
- Social values can impact consumers' buying habits. It includes attitudes towards saving or brand loyalty. Businesses cannot control consumers' social values.

### Demographics

- This refers to the characteristics of the population such as age, gender, race, and so on.
- Changes in the characteristics of demographics of the population affect the products/services that businesses need to produce.
- Entrepreneurs need to remain informed of changes in demographics.

### Socio-economic issues

- Socio-economic issues like crime, poverty, HIV/AIDS, and corruption influence business operations in different ways. Many businesses suffer losses because of crime or corruption.
- Businesses have to spend a lot of money on insurance to secure themselves against crime, which in turn leads to a higher cost of production and a decrease in profits.
- The HIV/AIDS pandemic has contributed to the illness and death of many productive members of society. This further leads to a decrease in the size of the labour force, and a decrease in the size of the consumer market.



### Examples of contemporary legislation that may affect business operations

- The Labour Relations Act (LRA) (No. 66 of 1995): This legislation regulates the relationship between the employer and employees when resolving conflict in the workplace.
- The Basic Conditions of Employment Act (BCEA) (No. 75 of 1997): This legislation provides the minimum acceptable standard for any employment policy. It describes the conditions of employment.
- The Compensation for Occupational Injuries and Diseases Act (COIDA) (No. 61 of 1997): This legislation provides compensation for employees who sustain injuries or contract diseases while on duty. It also ensures that employers provide their employees with a safe and healthy working environment.
- The Skills Development Act (SDA) (No. 97 of 1998): This legislation ensures that employers contribute towards the education and training of their employees.
- Consumer Protection Act (CPA) (No. 68 of 2008): This act promotes and advances the social and economic welfare of consumers in South Africa.
- National Credit Act (NCA) (No. 34 of 2005): This act was established to protect both businesses and consumers from negligent lending practices that could result in over-indebtedness by consumers.



## Take note

We will learn about these acts in more detail in Grade 12.

- Employment Equity Act (EEA) (No. 55 of 1998): This act is there to eliminate unfair discrimination, such as discrimination against race, colour, age, gender, religion, or disability in the workplace.
- Broad Based Black Economic Empowerment (BBBEE) (No. 53 of 2003, as amended in 2013): This act ensures that previously disadvantaged individuals fully participate in the economy.

## Activity 2.3

### QUESTION 1

1.1. Read the scenario below and answer the questions that follow.

#### MAUREEN B&B LODGE (MBL)

Maureen B&B Lodge has five employees on its payroll. One of the employees reported MBL to the CCMA for failing to comply with the Basic Conditions of Employment Act. Molly, an employee at MBL takes regular leave to collect ARV's from the local clinic.

- 1.1.1 Identify TWO challenges of the macro environment from the scenario above. Motivate your answer by quoting from the scenario. (6)
- Use the table below as a guide to answer this question.

CHALLENGES	MOTIVATIONS
1.	
2.	

- 1.1.2 Explain FOUR other challenges of the macro environment. (12)

## Consolidation

### QUESTION 1

- 1.1 State TWO examples of contemporary legislation that may affect business operations. (2)
- 1.2 Recommend ways in which businesses can overcome competition in the market. (6)

### QUESTION 2

2.1 Read the scenario below and answer the questions that follow.

#### STEYN MANUFACTURERS (SM)

The employees of Steyn Manufacturers are often late for work and do not want to work together. SM suffered losses due to their storeroom being broken into. The management is also struggling to find a reliable provider for their raw materials.

Use the table below as a GUIDE to answer QUESTION 2.1.1 AND 2.1.2.

CHALLENGES (2.1.1)	BUSINESS ENVIRONMENT (2.1.2)
1.	
2.	
3.	

- 2.1.1 Quote THREE challenges from the scenario above that SM have to deal with. (3)
- 2.1.2 Classify EACH challenge quoted in QUESTION 2.1.1 according to the business environments. (6)



**Mind map: Topic 2 – The challenges of the business environment**

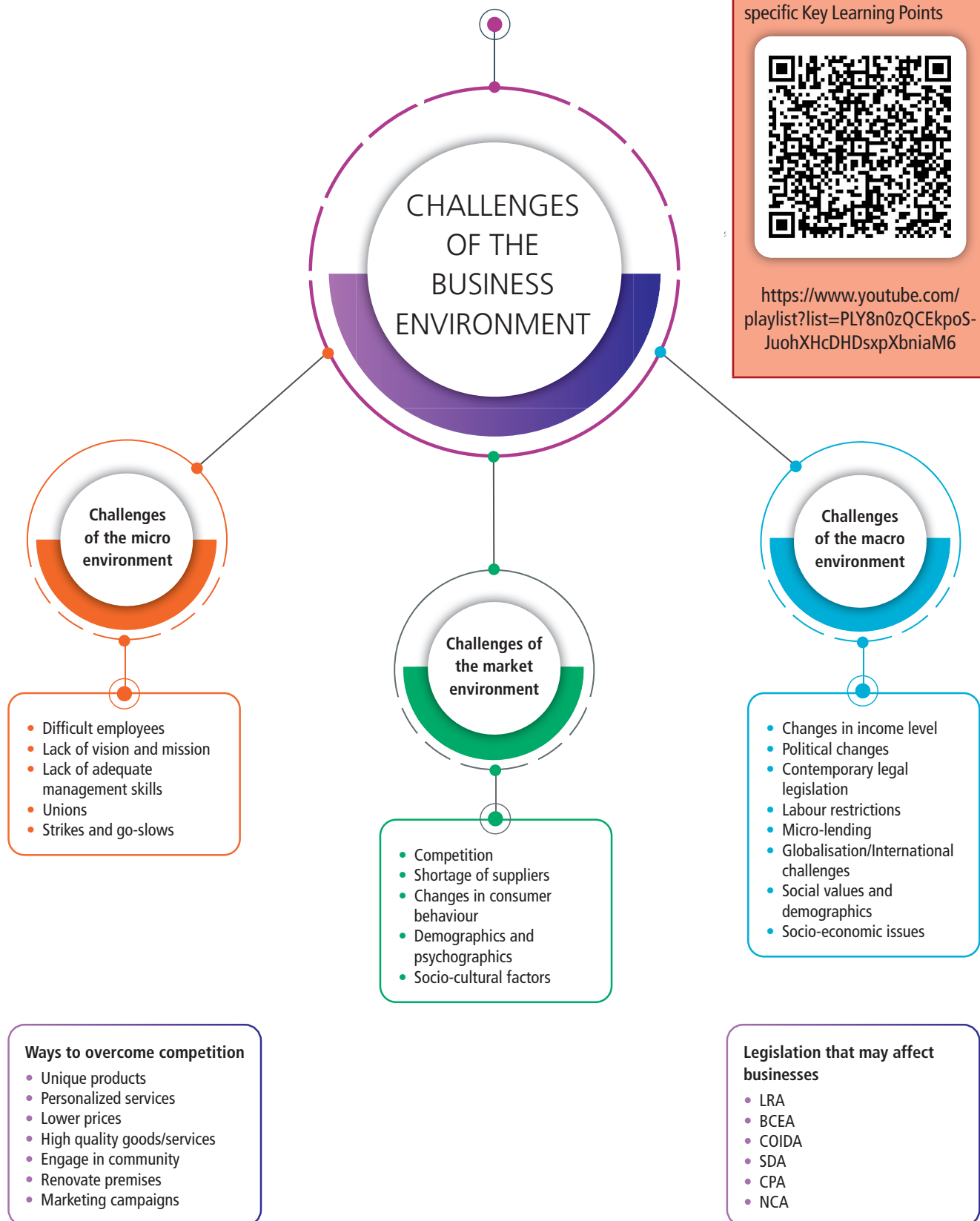
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<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>



## TERM 1

## 3

# Adapting to the challenges in the business environments



## TOPIC OVERVIEW

- Unit 3.1 Ways in which businesses can adapt to the challenges of the business environments
- Unit 3.2 Ways in which businesses can have a direct influence on the environment
- Unit 3.3 Lobbying, networking and power relations



## Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ explain/discuss/describe the following ways in which businesses can adapt to challenges of the business environments:
  - information management
  - strategic responses
  - mergers, takeovers, acquisitions, and alliances
  - organisation design and flexibility
  - the direct influence of the environment and social responsibility
- ❖ give practical examples of mergers, takeovers, acquisitions, and alliances
- ❖ identify these examples from given scenarios/statements
- ❖ suggest ways in which business can have a direct influence on the environment
- ❖ recommend projects that can be undertaken by businesses as part of social responsibility and explain the benefits of these projects for businesses
- ❖ define/elaborate on the meaning of lobbying
- ❖ discuss/explain the reasons why businesses lobby



## Learning objectives

- ❖ explain/discuss/describe the following types of lobbying, for example:
  - hedging against inflation
  - bargaining sessions between management and unions
  - influencing supervisory body/regulators
- ❖ explain/elaborate on the meaning and the importance of networking
- ❖ give practical examples of networking
- ❖ discuss/explain/describe the advantages of networking
- ❖ define/elaborate on the meaning of power relationships
- ❖ discuss/explain/describe ways in which businesses can form power relationships, for example:
  - strategic alliance agreements
  - persuasion of large investors
  - company representatives
  - influence
- ❖ identify lobbying, networking, and power relationships from given scenarios/case studies/statements.



## Key concepts

- **Information management:** the collection, storage and distribution of information.
- **Strategic management:** forming and implementing major goals from managers.
- **Merger:** when two or more businesses join their resources together to form a new business.
- **Takeover:** happens when a company takes control/ownership of another company by buying the majority of its shares.
- **Hedging:** investing money in a way that its value overcomes inflation.
- **Networking:** refers to a situation whereby businesses share information and develop professional contacts to benefit all the members in the network.
- **Social responsibility:** the obligation a business has to protect its environment and also improve the quality of life of all the people in their communities.

## Introduction

Businesses are faced with various challenges emanating from both the internal and external environments. The success of a business depends on the ability to adapt to these challenges.

Businesses need to put necessary measures in place that could assist in minimising the effects of these challenges.

The focus on this topic will be on ways in which businesses can adapt to the challenges of the business environment.

## 3.1 Ways in which businesses can adapt to challenges of the business environments

### Information management

- Businesses need to implement an effective information management system that is accessible and useful to all members of staff.
- The information must be found/recorded/stored/easily retrieved and effectively used.
- Large capital should be invested into information technology (IT) systems to update business operations.
- Modern IT solutions enable businesses to satisfy customer needs more efficiently.
- The business may then benefit from an increase in market share and profitability.



### Strategic responses

- Strategic response refers to how businesses respond to challenges from both internal and external environments by putting proper plans in place.
- Management needs to design strategic responses to various challenges by analysing all information, and identifying the stakeholders involved.
- Businesses must have a clear understanding of each stakeholder's viewpoints and requirements.
- Businesses need to be aware of new competitors in the market and be able to strategically respond to their existence.
- Businesses must develop strategic plans to remain sustainable in a competitive market.
- Effective strategic responses assist businesses to identify, minimise and eliminate challenges.

## Mergers, takeovers, acquisitions, and alliances

Businesses sometimes need to make quick decisions to ensure their survival when they are faced with challenges from the business environments. They may implement mergers, takeovers, acquisitions, and alliances as solutions to respond to the challenges of the environments.

### Mergers

- This occurs when two companies join together – usually by agreement – to form one new business.
- Emerged businesses share their resources which could lead to more growth and sustainability.
- If it is a public company, then the shareholders will swap their shares in one company for the equivalent value of shares in the newly merged company.

### Takeovers

- Takeover occurs when one business takes control of another business through majority ownership of its shares. Sometimes the process against the other business' will.
- It can also happen when one business buys out their shares of another one until the first business has controlling interests.

### Acquisitions

- This happens when a business buys another business at an agreed price.
- The acquired business often continues to operate as a subsidiary of the acquiring business.
- It usually occurs to companies that are not listed on the JSE.

### Alliances

- Alliances refer to an agreement between businesses with common visions and work together for the benefit of all.
- Organisations with similar interests/nature/goals choose to work together for mutual benefits.
- Alliances make it possible for businesses to be more competitive and better able to respond to challenges. The businesses remain separate and merely co-operate with one another.

## Practical examples of mergers, takeovers, acquisitions, and alliances

- Vodafone and Mannesmann merger: This merger, which took place in 2000, was worth over \$180 billion and is the largest merger deal in history.
- Vodacom and Neotel takeover: Vodacom acquired 100% of the issued share capital and shareholder loans against Neotel for a total cash consideration of R7 billion in 2015.
- MTN and Afrihost acquisition: MTN bought up 50% of Afrihost's shares, and left the current Afrihost shareholders with the remaining 50% (MTN-Afrihost tie-up).
- Vodacom and Neotel: After months of speculation and all-but-absolute-certainty, Vodacom officially confirmed its acquisition of fixed-line operator Neotel in May 2014.

## Organisational design and flexibility

- Organisational design describes how a business is structured and how it communicates its culture. It focuses on ensuring that the structure of the business is aligned with its objectives.
- It involves the process of integrating the people/information/technology within an organisation to improve efficiency.
- Businesses need to be flexible in their organisational design so that they can adapt easily to challenges of business environments.
- The management structure of a business should reflect the environmental conditions that the business experiences.

## Direct influence on the environment and social responsibility

- Businesses need to investigate alternative environmental friendly production techniques and create environmental awareness. Businesses can form joint ventures with other businesses and the government to protect the environment through conservation and preservation. Businesses also need to implement sustainable CSI programmes in order to improve the communities in which they operate.

### Activity 3.1

**1.1** Explain the following ways in which businesses can adapt to the challenges of the business environments:

**1.1.1** mergers

**1.1.2** acquisition

**1.1.3** takeover

**1.1.4** alliances.

(16)



## 3.2 Ways in which businesses can have a direct influence on the environment

- Businesses need to be flexible by getting involved in research/development so that they can continue to operate. They can influence their suppliers by signing long-term contracts for their raw materials at fixed prices.
- They can also influence their customer base by creating new uses of a product, taking customers away from competitors, finding new customers, and convincing them that they need the new product.
- They can influence regulators through lobbying and bargaining and can influence their owners using information contained in annual reports.



### Projects that can be undertaken by businesses as part of social responsibility

Businesses have a responsibility to become more socially responsible by giving back to communities. A business code of conduct should take into consideration the norms and values of the community in which it operates.

When a business commits to environmental and social responsibilities it will deliver a **triple bottom line** which includes the planet, people, and profit.

Below are some projects that businesses can undertake as part of their social responsibility programmes:

- Businesses must allow employees to get involved in social development programmes.
- Businesses must protect the environment and participate in community upliftment programmes.
- Engage in environmentally friendly campaigns such as recycling or re-using scarce resources.

#### **A** New words

**triple bottom line** an accounting framework that focuses on people, planet and profit



### QR CODE

Giving back is in our DNA.  
BMW's Corporate Social  
Responsibility Programmes



[https://www.youtube.com/watch?v=fOhI4TM\\_\\_y4](https://www.youtube.com/watch?v=fOhI4TM__y4)

- Businesses must support less fortunate people, by providing donations to charity organisations.
- They can also engage in economic development and provide education on HIV/AIDS awareness programmes.

## Benefits of social responsibility projects for businesses

- Increases employees' morale and job satisfaction when they are involved in social responsibility programmes.
- Businesses can use CSR/CSI projects as a marketing strategy to promote their products.
- CSI helps to attract investors because of increased profits/income.
- Promotes customer loyalty resulting in more sales.
- May attract experienced employees/increase the pool of skilled labour, which could increase productivity.
- Positive/improved image as the business looks after employees/responsibly conducts itself.
- A business may have a competitive advantage, resulting in good publicity/an improved reputation.
- The business enjoys the goodwill/support of communities.

### Activity 3.2

1.1 Read the scenario below and answer the questions that follow:

#### HELEN CASH AND CARRY (HCC)

Helen Cash and Carry offers basic groceries in a small town in the Northern Cape. On Fridays they also run a soup kitchen at the local community centre for the poor and unemployed.

- 1.1.1 Identify a social responsibility project undertaken by HCC from the scenario above. (1)
- 1.1.2 Recommend other social responsibility projects that HCC can undertake. (4)
- 1.1.3 Explain the benefits of social responsibility projects for businesses. (6)





## Bargaining sessions between management and unions

- These sessions enable employees to negotiate with employers as a group to protect employees' rights and prevent labour strikes.
- Businesses make sure that their representatives are trained/skilled to negotiate on their behalf.
- The purpose of bargaining sessions is to find a win-win situation for all parties.
- Management will try to convince the union to accept its proposal and the union will try to persuade management to accept their demands.
- The outcome of a successful bargaining session can protect the business from the negative impact of strikes and loss in productivity.
- Businesses need to be fair/transparent to establish trust and good communication with unions.

## Influencing supervisory body/regulators

- There is a large number of supervisory bodies and regulators who operate in the business environment.
- Businesses take an active role in professional bodies.
- Through their membership/advocacy/submissions they may be able to influence changes to existing regulations.
- Business managers are involved in debates and discussions that shape public policies.
- Businesses influence and negotiate with these regulators to protect their sustainability.
- It is in the best interest of businesses to adhere to the guidelines and restrictions of these bodies to stay in business.

## Networking

- Networking refers to a coordinated activity where people who have similar objectives meet and exchange information and ideas.
- During a networking session, entrepreneurs can meet new people and build alliances with others.
- The goal of networking is to reach as many people as possible and to make every connection count.
- Businesses could become a member of the chamber of commerce and industry, professional business club, and informal social groupings to meet new contacts.
- Networking assists in acquiring new business leads.
- Networking benefits the business by helping to identify best practice.
- Networking can help the business identify new business trends.

## Practical examples of networking

- Formal networking: Organised local, provincial, and national chambers of business, industry, and commerce.
- Informal networking: Social and less organised coordination. For example, business managers often network while playing golf, attending sports events, or getting involved in social programmes.
- Social media and the internet: New and cheap ways for businesses to network is via online forums and business chat rooms.

## Advantages of networking

- Businesses can attract new customers resulting in increased market share and profitability.
- Networking can be an excellent source of new perspectives and business ideas.
- Allows managers to build new business relationships and generate new business opportunities.
- Plays a role in the marketing and expansion of a business.
- Assists businesses in making future business decisions.
- Businesses can gain support when representation to various authorities is planned.

## Power relationship

### The meaning of power relationship

- Power relations can be described as a measure of a business' ability to control its environment and the behaviour of other businesses.
- Power relations exist in all relationships in society.
- When two or more businesses negotiate a transaction, one of them may be in a stronger position than the others.
- The power that the business has on the environment determines the status it holds within its industry.
- A business can form relationships with its environment and markets.

## Ways businesses can form power relations

### Strategic alliance/Partnership agreements

- Businesses form partnership agreements to benefit from each other's involvement.
- These partnership alliances help parties involved to benefit in infrastructure development and scarce skills.
- These alliances are designed to build on the expertise of each partner and on how they complement one another.

### Persuasion of large investors

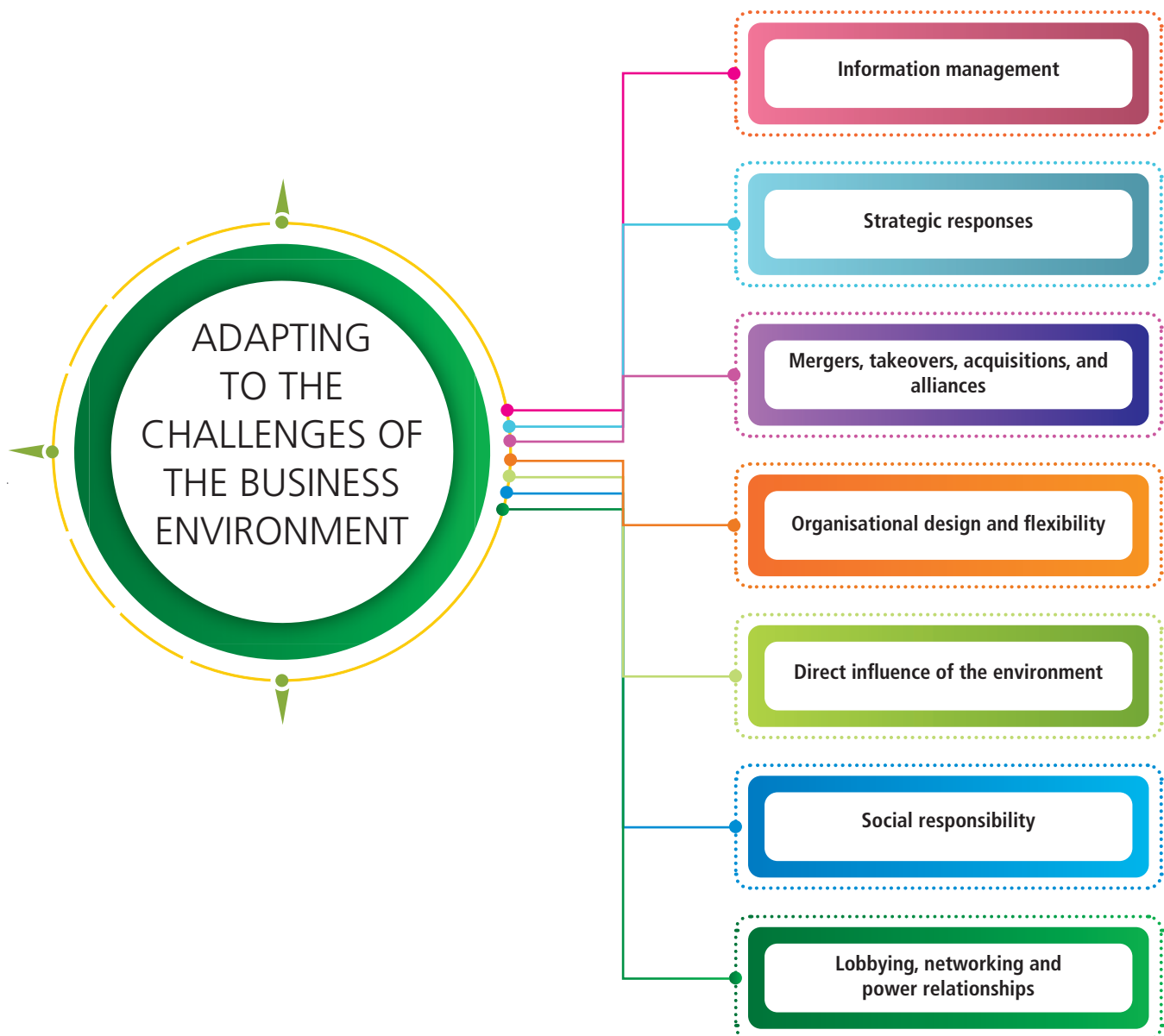
- If a business has a powerful investor, it can often benefit from the relationship by gaining credit more easily and negotiating better deals from suppliers.
- Businesses invite powerful influential people to sit on their board of directors and gain valuable advice from these people.
- Having such a powerful person as part of the business may also have a positive influence on the reputation and image of the business.

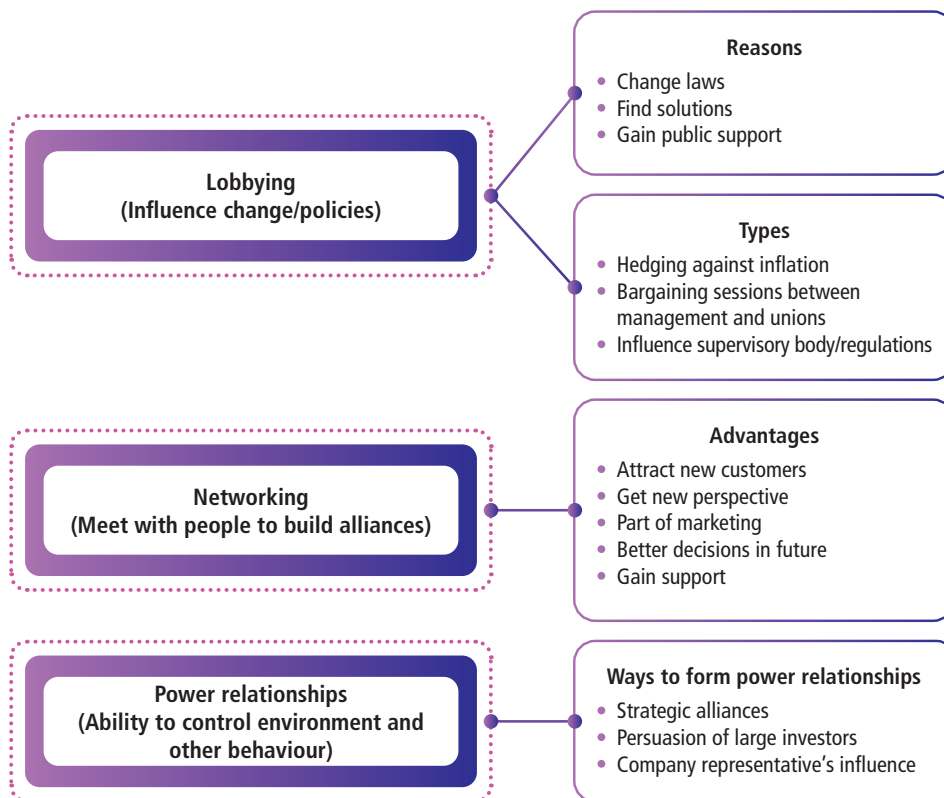
## Company representatives' influence

- This representative fulfills an important function in trying to persuade investors to invest in particular business practices.
- People will make decisions based on the company's image, personality, communication style, and power of persuasion.
- Businesses must invest time and energy to recruit the right person for this job.

## Mind map: Topic 3 – Adapting to the challenges of the business environment

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.





## QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## Consolidation

## QUESTION 1

- 1.1 Elaborate on the meaning of networking. (4)
- 1.2 Explain the reasons why businesses lobby. (6)
- 1.3 Read the scenario below and answer the questions that follow:

**AMANDLA BREWERIES LTD (AB)**

Amandla Breweries Ltd contribute a portion of their surplus profit to the community to improve the standard of living. The initiative assisted AB Ltd to attract more investors. They are also enjoying loyal support from community members.

- 1.3.1 Quote TWO benefits of social responsibility project undertaken by AB Ltd from the scenario above. (2)
- 1.3.2 Explain other benefits of social responsibility project for businesses. (6)

## QUESTION 2

Businesses use power relations and lobbying to remain competitive. They must also explore various ways to adapt to challenges of the business environment including networking. Businesses that have a direct influence on the environment are more likely to remain sustainable.

Write an essay in which you include the following aspects:

- Elaborate on the meaning of power relations.
- Explain FOUR ways in which businesses can adapt to challenges of the business environment.
- Discuss the advantages of networking.
- Suggest ways in which businesses can have a direct influence on the environment.

[40]

## TERM 1

## 4

# Contemporary socio-economic issues and businesses



## TOPIC OVERVIEW

- Unit 4.1 Impact of contemporary socio-economic issues on businesses operations, and their challenges
- Unit 4.2 The impact of piracy on business operations
- Unit 4.3 Industrial relations



## Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ list/name/give examples of contemporary socio-economic issues that pose a challenge to businesses
- ❖ identify socio-economic issues from scenarios/case studies/statements
- ❖ discuss the impact of contemporary socio-economic issues on businesses
- ❖ discuss/explain/describe ethical misconduct, for example, sexual harassment, corruption and mismanagement of funds
- ❖ discuss the impact of piracy on businesses
- ❖ define/elaborate on the meaning of solutions to piracy, for example, copyright, patent and trademark
- ❖ identify copyright, patent and trademark solutions as a solution to piracy from scenarios/case studies/statements
- ❖ explain/discuss copyright, patent and trademark as solutions to piracy
- ❖ define/elaborate on the meaning of industrial relations
- ❖ define/elaborate on the meaning of strikes, go-slows and lockout as part of industrial action
- ❖ discuss/explain/describe the purpose of the Labour Relations Act (No. 66 of 1995)
- ❖ define/elaborate on the meaning of trade unions
- ❖ outline/mention/discuss/explain/describe the roles of trade unions, for example, addressing poverty reduction, job creation challenges, and so on
- ❖ evaluate the functions of trade unions from scenarios/case studies and make recommendations for improvement.



## Key concepts

- **Economic crime:** when money is obtained in an illegal manner for personal gain.
- **Population growth:** the rate at which the number of people in the country grows.
- **Corruption:** takes place through dishonest business dealings such as bribery.
- **Dumping:** when excess international goods are imported and flood the local markets.
- **Sexual harassment:** unsolicited advances of a sexual nature by colleagues usually in a managerial position.
- **Piracy:** goods that are illegally replicated and sold without permission from the registered owner.
- **Ethical misconduct:** unacceptable behaviour within a business.
- **Patent:** the exclusive right given to the owner of an invention by government for a limited period of twenty years.
- **Copyright:** the right that protects an owner's intellectual property (IP) to prevent unlawful use thereof.
- **Trademark:** a unique symbol that represents a specific brand/business.
- **Trade union:** an employee organisation intent on improving working conditions.
- **Strike:** industrial action embarked upon when workers refuse to work.
- **Lock-out:** a form of industrial action used by employers to prevent workers from entering the premises.
- **Industrial action:** action taken by employees when their demands are not met by their employer.
- **Workplace forum:** an employee committee established by staff members to meet with the employer about matters in the workplace.
- **Inflation:** a general increase in the prices of goods and services.

## Introduction

In Grade 10 Topic 7, you learned that socio-economic issues are issues that include social and economic factors. These issues negatively affect both businesses and societies. The focus in this Grade will be on other issues.

These socio-economic issues also have a huge impact on businesses and therefore businesses need to come up with possible solutions and strategies to deal with these issues.



## 4.1 Impact of contemporary socio-economic issues on businesses operations, and their challenges



### QR CODE

What can the National Incomes Dynamic Study tell us about South Africa's socio-economic challenges?



<https://www.youtube.com/watch?v=iOm1aYBgPVI>

Socio-economic issues are challenges that affect people and the economy in a negative way. These issues affect consumer spending, place extra burdens and expenditure on businesses, and puts extra strain on governments as the inability of businesses to create job opportunities places a financial burden on them. In this unit we will explore more socio-economic issues that pose a challenge to businesses. These include:

- low income levels
- inflation
- social, cultural and demographic issues
- economic crime
- ethical misconduct
- population growth
- illiteracy
- lack of skills
- unavailability of natural resources
- inefficiency in the use of resources
- exhaustion of natural resources
- dumping
- strikes.

### The impact of contemporary socio-economic issues on business operations



### New words

**skewed** distorted in a way that is regarded as inaccurate, unfair, or misleading

#### Low income levels

- South Africa has one of the most **skewed** income profile in the world.
- This can be attributed to the difference in salaries between high income earners versus low income earners.



#### The impact of low income levels on businesses

- Many South Africans live in poverty, which limit their buying power.
- Because of this limited consumer spending, businesses are unable to grow and prosper.
- Consumers opt to spend money on cheaper goods and products.
- Low income earners mainly spend their money on basic goods and services, thus leading to lower profits for businesses.

## Inflation

- Inflation refers to the general increase of prices. Increases fall in the purchasing value of money.
- Rising inflation causes consumers to spend less because they have less **disposable income**.

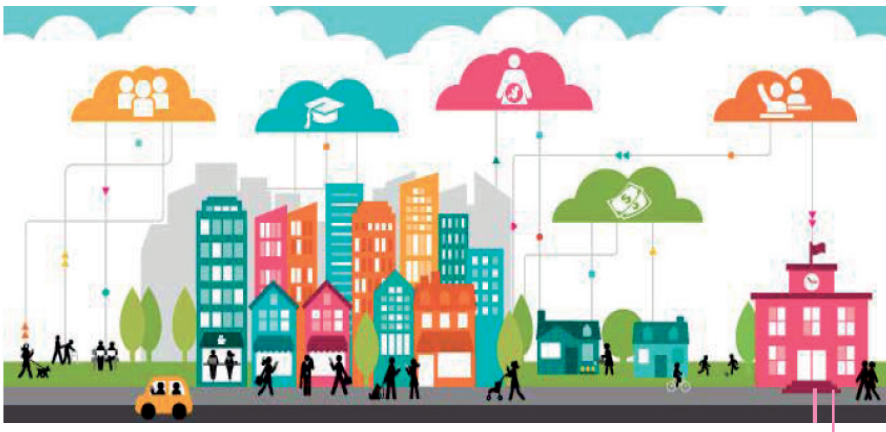
### A New words

**disposable income** income left over after the deduction of taxes and services

## The impact of inflation on businesses

- Businesses sales will decrease because of reduced consumer spending on goods and services.
- Businesses will have less money to spend on producing goods if the cost of raw materials increases.
- Reduced sales figures could lead to the businesses implementing cost saving models.
- Reduced business profits because of declining sales figures may lead to businesses retrenching staff members.

## Social, cultural and demographic issues



- The population of a country is characterised by age, gender ratios, and the racial composition of the people within the country. These are demographic factors that influence the composition of the population in the country.
- South Africa has a diverse population characterised by different race groups, religions and creeds.
- The way in which people live, work, produce and consume products (social and cultural factors) can influence the market environment.

## The impact of social, cultural and demographic issues on businesses

- The diverse nature of the population of the country impacts on businesses because consumers spend their money differently, and on goods and services that they deem important.
- Businesses need to try and accommodate the preferences of the diverse consumer body so that it could lead to an increase in sales for the business.
- Businesses are also encouraged to keep track of the latest trends in the different industries so that they can grow their market share.

## A New words

**white collar crime** crimes of ethical misconduct such as fraud and mismanagement of business funds that are committed in businesses

## ? Did you know

A key feature of economic crime is that money is stolen from a business using sound financial knowledge and dishonesty.

## Economic crime

- Economic crime, also known as **white collar crime**, includes criminal activities such as:
  - unlawful use of money that does not belong to a person. This is classified as fraud.
  - money gained through unlawful business dealings covered up under a shell company (or a business with a 'fake' name). For example, businesses that sell unlawful substances but pose as, for example, a laundry business. This is also known as money laundering.
- Examples of economic crime are identity theft, credit card fraud and money laundering.



## The impact of economic crime on businesses

- Theft of business profits through fraud and deception lead to a decrease in profits for the business.
- Businesses need to spend money on installing additional security features in offices or on their premises. This may result in additional costs.
- Cyber security poses a huge challenge, especially for businesses who advertise their products on the internet.

## Ethical misconduct

- Ethical misconduct happens inside a business and poses various threats and challenges.
- "Ethical" can be defined as acting in ways that are consistent with a person's value.
- "Ethical misconduct" can be defined as any behaviour by employees of a business that is not consistent with the values of the business.

## Types of ethical misconduct

### Sexual harassment

- Sexual harassment in the workplace involves unwelcome or unwanted conduct of a sexual nature from someone at work.
- This unwelcome or unwanted conduct causes discomfort for the victim and causes them to be embarrassed.
- The victim may also be unable to concentrate or focus on their work.

### Corruption

- Corruption refers to any act of dishonesty such as **bribery**/theft/collusion/kickbacks, and so on.
- It occurs when two parties enter into an illegal agreement from which they both benefit.
- This means that there will be a misuse of power or position for monetary gain.

### Mismanagement of funds

- Mismanagement of funds refers to the wrongful use of funds – for example irregular expenditure – that does not belong to a person/employee.
- It involves dishonest activities in which a person entrusted with authority in a business abuses his/her position of trust to achieve personal gain.
- The person usually disregards laws and financial policy guidelines for another person or organisation.

## QR CODE

Corruption and fraud taint South African business



[https://www.youtube.com/watch?v=\\_A2K4gXEQF8](https://www.youtube.com/watch?v=_A2K4gXEQF8)

## A New words

**bribe** money paid to a person to influence him or her

- Most mismanagement lawsuits involve some form of negligence or neglect on the account of the liable party.

### The impact of ethical misconduct on businesses

- Ethical misconduct refers to dishonest activities in which a person entrusted with authority in a business acts contrary to the interest of the business.
- An employee may abuse his or her position of trust for monetary gain.
- It negatively affects the image of the business and may result in disinvestment or no new investments from new shareholders.
- Businesses may face lawsuits from employees who feel that not enough was done to protect them from unethical behaviour in the workplace.
- Stringent and strict policies need to be implemented by businesses to prevent these crimes from happening.
- Implementing these policies and procedures may be costly for businesses when it is rolled out for the employees.



### Population growth

- Population growth refers to the percentage change in the population as a result of births, deaths and relocation to other countries.
- The word "population" refers to the amount of people who live in a country.
- Population growth occurs when the number of individuals born in a year is more than the number of people who die during the same year.



### The impact of population growth on businesses

- As the population of South Africa continues to grow, businesses are challenged to provide goods and services to meet consumer demands. This may place a lot of financial strain on businesses.
- Business growth may lead to the creation of jobs for some people.
- A high population growth may put strain on the natural resources of the country.
- The economy may also be put under strain because of an increasing number of individuals who require support from the government.



## Illiteracy

- Illiteracy refers to people who are unable to read or write.
- Many illiterate people find it difficult to secure formal employment because most jobs require some reading and writing skills.



## The impact of illiteracy on businesses

- Businesses may find it difficult to enter into written contracts with illiterate individuals.
- Little to no literacy skills puts people at a disadvantage when trying to find employment or when trying to learn a new skill.
- High levels of illiteracy in communities may force businesses to contribute towards educational programmes to minimise its impact.
- There is a strong link between unemployment and illiteracy as businesses cannot employ people who cannot read or write.

## Lack of skills

- Some fields, such as education, medicine, engineering and the finance industry, may experience severe skills shortages.

## The impact of lack of skills on businesses

- Unskilled employees could spend considerable time seeking assistance to perform their work.
- They may perform tasks without the appropriate knowledge and expertise which could lead to poor performance.
- The time spent on assisting unskilled workers can reduce productivity levels in the workplace.
- This could lead to errors and having to repeat or correct a work task.
- Businesses may be required to increase the budget for skills development programme.

## Unavailability of natural resources

- Oil, coal, water and gold are examples of natural resources. The resources are becoming more and more scarce.
- If natural resources usage is not controlled and monitored carefully such resources will cease to exist.

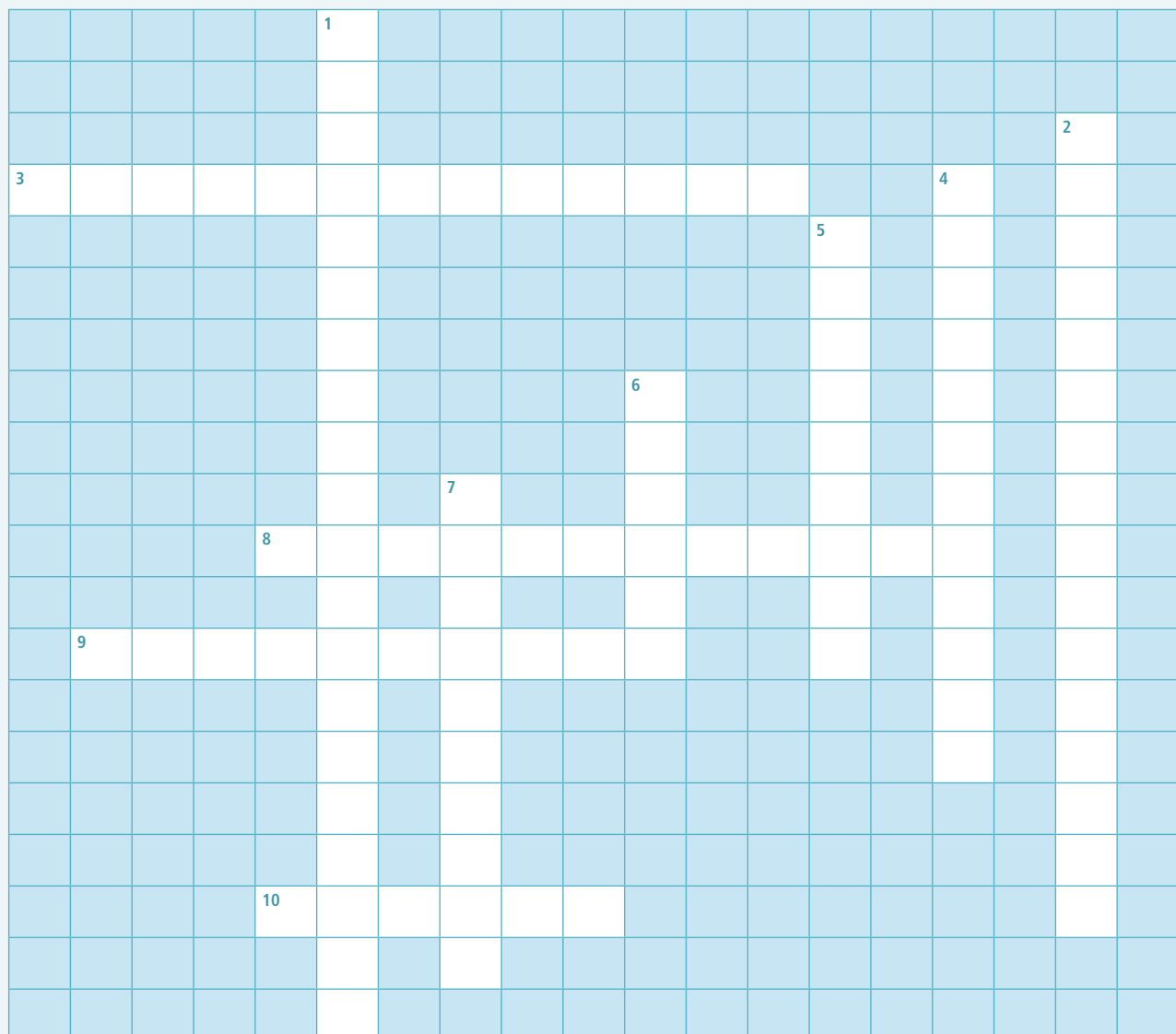
## The impact of unavailability of natural resources

- Businesses will not be able to produce goods due to shortages of natural resources that are used as raw material.
- Oil and coal are examples of natural resources that are not renewable. Once depleted, they cannot be recovered.
- Businesses need to find alternative sources of natural resources to sustain the production of goods. However, this may lead to additional operational costs.

### A New words

**depleted** all used up/  
exhausted

### Activity 4.1 Crossword puzzle



#### Across

- 3** Money is stolen from a business using sound financial knowledge and dishonesty (8; 5).
- 8** Age, gender ratios, and the racial composition of the people within the country.
- 9** Refers to people who cannot read or write.
- 10** Money paid to individuals in exchange for work done.

#### Down

- 1** An example of ethical misconduct. (13;2;5)
- 2** Water, gold, coal, oil (7;9)
- 4** The way in which people live, work and consume products in society. (6;6)
- 5** General increase in the prices of goods.
- 6** Illegal copying of someone else's work without permission.
- 7** Refers to any act of dishonesty such as bribery or theft.

(10 × 2)(20)

**NOTE:** The number behind the lead indicates the number of words and letters per word.

## Inefficiency in the use of resources

- Inefficiency in the use of resources occurs when the number of products produced is less than the maximum possible output of goods and services made from the resources.
- Unnecessary wastage leads to further depletion of the natural environment and threatens the future supply of natural resources.
- As the population increases, businesses are compelled to use more natural resources.

## The impact of inefficiency in the use of resources on business

- Businesses cannot produce at optimum levels if resources are not adequately used.
- Reduced production levels may lead to a drop in sales and profitability.
- Unused stock can become obsolete, increasing losses for businesses.

## Dumping

- Dumping occurs when a country or company exports a product at a price that is lower in the international importing market than the price in the exporter's local market.

## The impact of dumping on businesses

- Local businesses lose profits as they cannot compete with cheaper prices.
- They may also lose income and be forced to close their operations.
- This may lead to a decrease in local production and a loss of jobs.
- It is not possible for local businesses to manufacture the same products at an equal or lower price.



### QR CODE

Volkswagen fined for missing 2020 emission targets



<https://www.businesslive.co.za/bd/companies/industrials/2021-01-21-volkswagen-fined-for-missing-2020-emissions-targets>

## Exhaustion of natural resources

- This refers to the over-usage of natural resources, which could lead to depletion of these resources.
- Resource depletion occurs mostly in the farming, mining and fossil fuel industries.

## The impact of exhaustion of natural resources on businesses

- Exhaustion of natural resources can be devastating for businesses whose operations solely depend on their existence.
- Over time, the depletion of these resources will lead to an energy crisis, which government will then need to address.
- Businesses may be forced to substitute exhausted natural resources with chemicals and become a strong contributor to climate change. This can drive business costs higher when they need to find solutions to minimise emissions.

## Strikes

- A strike can be defined as a joint action organised by employees or their union representatives -to stop working- and try to force the employers to accept their demands.
- Strike is a result of unresolved disputes for example, on salary increase between the employer and employees.
- Other common reasons which could lead to a strike action include working hours and working conditions.



## The impact of strikes on businesses

- Strike actions have a potential of jeopardising relations between the employer and employees.
- It can also affect teamwork in the workplace in instances where not all workers are in support of such industrial action.
- Businesses suffer financial losses due to low levels of productivity and consumer confidence is adversely affected.

### Activity 4.2

1.1 Identify the socio-economic issues that are applicable to Coastal Textiles in each statement below.

1.1.1 Ms. Malow, the human resource manager, made unwanted sexual comments to her male colleague.

1.1.2 Some of the employees at Coastal Textiles cannot read and write.

1.1.3 The bookkeeper at Coastal Textiles used some of the business' financial resources without permission to achieve personal gain.

1.1.4 China brings cheaper excess products into the South African market and Coastal Textiles cannot compete against these products.

1.1.5 Employees are refusing to work until their wage demands are met.

(5 × 2 = 10)

## 4.2 The impact of piracy on business operations

The effect of piracy on businesses and artists affects their ability to provide for their families. It is **incumbent** for businesses to put measures in place to ensure that the artists or owners' rights to their work are not violated, and they are compensated fairly.

### A New words

**incumbent** necessary for (someone) as a duty or responsibility

## Meaning of piracy

- Piracy is the illegal use or imitation of another person's work.

## Impact of Piracy on businesses

- Businesses suffer substantial losses in revenue because of the illegal reproduction of artists', music, movies and branded clothing.
- Unlawful copying and streaming of movies and television series lead to a decline in the sales and profits for the business.
- Artists may see no value in producing a new set of music or movies because of the reduced sales.
- This may affect the artist's and producer's productivity levels.

## Possible solutions to deal with piracy as a socio-economic issue

Businesses should do everything possible to find effective solutions to illegal acts of reproduction of goods that affect the artists, owners and businesses. Ways in which businesses can deal with piracy is discussed below.

## Copyright

- Copyright refers to an exclusive legal right assigned to the author, artist or producer of artistic work to print, publish, perform or record the work.
- Laws relating to copyright protect authors and allow them to sell their works to make a profit.
- Exclusive rights are given to an author or artist when their product is copyrighted and only they can then give permission for replication.
- Copyright holders of intellectual property (IP) are allowed to take legal action against anyone who reproduces their work.

## Patent

- A patent gives the creator of the product the right to prohibit other people from making or using their invention.
- This right is granted by government for a limited period of up to twenty years for the exclusive right to an invention.
- If any person or business uses the invention without permission, the creator may take legal action against them.

## Trademark

- A trademark refers to a sign, character or word that is protected by law to represent a product or company.
- These are used by businesses so that their products or the business itself is easily identifiable.
- Trademarks that are registered are protected forever, on condition that they are renewed every ten years by paying a renewal fee.
- Damages may be claimed from individuals who make use of the trademark illegally.



### Activity 4.3

1.1 Identify solutions to piracy applicable to Maxi's Shoes in each statement below:

- 1.1.1 Maxi's Shoes uses a special symbol of two feet with wings to enable customers to identify their boots.
- 1.1.2 Maxi's Shoes registered their invention to change the height of the heel of their boots by clipping on different lengths of heels.
- 1.1.3 The owner of Maxi's Shoes has the right to the blueprint design of their boots. (3 × 2) (6)

## 4.3 Industrial relations

Industrial relations refer to the relationship between the employer and employees. It influences the way in which businesses are guided by the Labour Relations Act (No. 66 of 1995).

### Meaning of industrial relations

- Industrial relations refer to the relations between management and workers in the industry.
- The term "industrial relations" explains the relationship between employees and the management that stems directly or indirectly from union versus the employer relationship.

### Go-slows

- Go-slows are a form of industrial action in which work or progress is deliberately delayed or slowed down as a form of protest.
- The goal is to reduce business productivity or efficiency.
- The go-slow is often used by essential service industries where strikes are not allowed.

### Lockouts

- Lockouts occurs when the employer prevents striking employees from entering the business premises.
- When businesses comply with the Labour Relations Act, the lockout is regarded as legal.
- When the employer intends to use this form of action, employees need to be notified 48 hours in advance and in writing, of their intention to use the lockout clause.
- Employers may resort to the lockout clause to ensure that their property, equipment and workers who indicated that they are not striking, are kept safe.



## Understanding the Labour Relations Act (LRA) (No. 66 of 1995)

Legislation, such as the LRA, are put in place to promote fair labour practices in the workplace.

### The purpose of the act

- The act provides the structure for governing the relations between an employer and their employees.
- It encourages collective bargaining processes to take place in the workplace.
- It also encourages the establishment of workplace forums to support employees in decision-making.
- The act further encourages fair labour practices between the employer and its employees.
- It makes provision for the establishment of the Labour and Labour Appeal Courts and allows for the establishment of the Commission for Conciliation, Mediation and Arbitration (CCMA) for dispute resolutions.
- The transfer of employment contracts between the existing and new employers are explained.

### Meaning of trade unions

- A trade union is an association formed by workers to represent and protect their rights in the workplace.
- Members of a trade union pay membership fees on monthly, quarterly or annual basis to fund union programmes and activities.
- Shop stewards represent trade union members and are elected by the members.



■ SA labour unions engage on the Future of Work at the Johannesburg Institute for Advanced Study

### The role of trade unions

- The main role of trade unions is to represent staff members in the workplace.
- Trade unions advocate that the economy should support the working class and the poor.
- Hold discussions on poverty reduction programmes, reasonable income levels and job creation strategies with employers.
- Trade unions ensure that poverty levels in the country are kept low through fights against reckless retrenchment processes by employers.
- They highlight the need for job creation in the country.

## Functions of trade unions

- Trade unions represent and protect their members against unfair labour practices in the workplace.
- They empower employees about their rights in the workplace and how to apply these rights.
- They represent employees in meetings with their employers when they face workplace grievances and disputes.
- Trade unions negotiate for better working conditions, salary or wages and other benefits to improve the standard of living for workers.
- Employees are protected from unfair dismissals and labour practices.
- They may take legal action on behalf of their members when necessary.

### Activity 4.4

Read the scenario and answer the questions that follow:

#### GOLDEN MINES (GM)

The employees of GM all belong to a trade union known as SAMUSA. The trade union meets regularly with management of GM to address issues of improving working conditions. The employees also receive legal and financial advice from the trade union.

- 1.1 Quote TWO functions of trade unions from the scenario above. (2)
- 1.2 Explain other functions of a trade union. (6)
- 1.3 Discuss the purpose of the Labour Relations Act (LRA). (6)

### Activity 4.5

Businesses are negatively affected by various socio-economic issues. Understanding the negative impact of ethical misconduct, crime and piracy on their operations are crucial for businesses. Businesses must also explore various possible solutions to deal with the impact of piracy.

Write an essay on contemporary socio-economic issues in which you include the following aspects:

- Elaborate on the meaning of dumping and illiteracy as socio-economic issues that pose challenges to business.
- Analyse the impact of ethical misconduct and piracy on businesses.
- Discuss solutions to deal with piracy.
- Advise businesses on the differences between economic crime and mismanagement of funds.

[40]



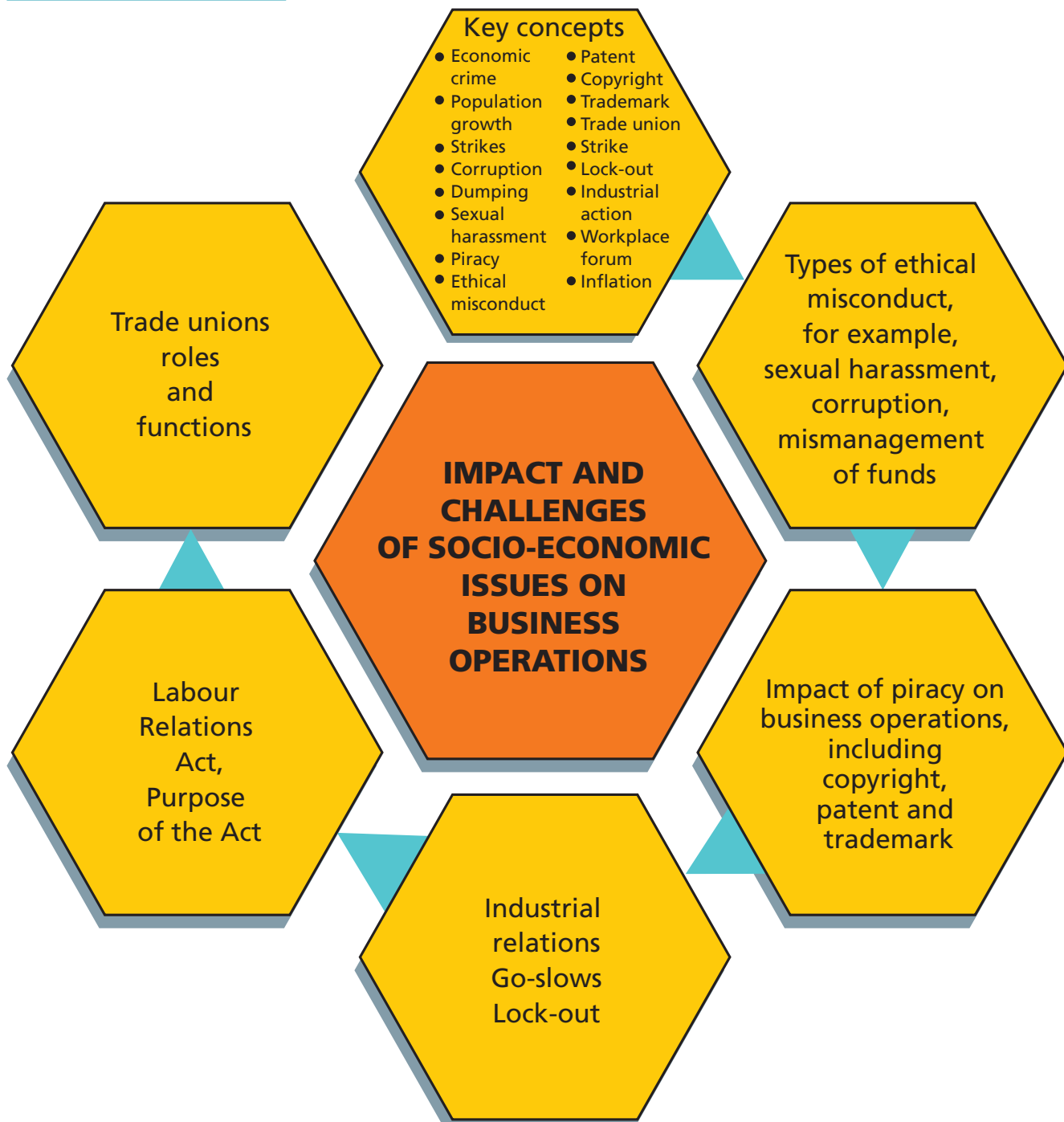


### Take note

Use the mind map as a guide to consolidate the chapter. Study the content relevant to each heading and section of the work.

## Mind map: Topic 4 – Contemporary socio-economic issues and businesses

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.



## Consolidation

### Topic 4: Impact and challenges of contemporary socio-economic issues on business operations

#### QUESTION 1

1.1 Choose the correct answer and write only the letter (A-D) next to the question number, e.g. 1.1.6 D in your book.

1.1.1 The general increase in the prices of all products in the country that results in limited consumer spending:

- A illiteracy
- B unavailability of natural resources
- C merging
- D inflation

1.1.2 A form of industrial action where employers refuse workers entry to the work premises:

- A go-slow
- B lobbying
- C lockout
- D strike

1.1.3 Segal Mining closed its operations due to the depletion of natural resources. This refers to ... as a socio-economic issue.

- A primary resources
- B retrenchment
- C exhaustion of natural resources
- D dumping

1.1.4 The workers at Pat Pebbles collectively participated in an industrial action and refused to work until their demands were met.

- A lock-out
- B strike
- C picketing
- D go-slow

1.1.5 Dylan's newly released medical textbook cannot be copied without his permission and this is known as...

- A copyright
- B bootlegging
- C patent
- D counterfeiting

5 × 2 (10)



#### Tips

Consider the following when answering Multiple Choice Questions

- Read through the statement and all the options.
- The FOUR options from which you must select the correct answer has the following elements:
  - TWO obviously incorrect answers
  - ONE distractor that is very close to the correct answer
  - ONE correct answer.
- Underline the key words in the statement.
- Cross out the TWO obviously incorrect answers.
- Read through the statement and remaining options again.
- Choose the correct answer from the remaining options.
- Do not leave any answers blank.



Consolidation

- 1.2 Match the term/concept in column A with the explanation in column B. Write only the letter next to the number in your book.

Column A	Column B
1.2.1 sexual harassment	A promote disagreement between employers and employees in the workplace
1.2.2 dumping	B protects the rights and interests of workers in the workplace
1.2.3 trademark	C refers to the act of dishonesty such as bribery/theft/collusion/kickbacks
1.2.4 corruption	D an organisation that protects and negotiates for the rights of workers with the employer
1.2.5 trade union	E unwanted attention and sexual gestures from a work colleague
	F symbol or word legally registered to represent a company or product
	G a country exports goods to another country at a price that is much lower than the price it charges in its home market
	H wrongful use of funds, for example, irregular expenditure
	I a country exports illegal goods to another country
	J government licence for a set period to exclude others from making or using an invention

5 × 2 (10)

QUESTION 2

- 2.1 Read the scenario below and answer the questions that follow:

**Sika Cleaning Solutions (SCS)**

Sika Cleaning Solutions (SCS) offers cleaning services in rural areas of Ixopo. SCS is situated in an area where most people do not have the necessary skills needed in the business. The majority of community members cannot read and write. There are also water shortages in the area.

- 2.1.1 Identify THREE socio-economic issues that affects SCS from the scenario above. Quote from the scenario to motivate your answer. Use the table below as a guide to answer the question.

SOCIO ECONOMIC ISSUE	MOTIVATIONS

(9)

- 2.2 Discuss the impact of crime on business.

(6)

- 2.3 Explain the purpose of the Labour Relations Act.

(6)

**QUESTION 3**

Read the statement below and answer the essay question that follows:

Socio-economic issues such as dumping, exhaustion of natural resources and strikes negatively impact business operations. Businesses must ensure that their practices are fair and in line with Labour Relations Acts to avoid unnecessary disputes by unions.

Write an essay on industrial relations, in which you include the following aspects:

- Elaborate on the meaning of a strike as part of industrial action.
- Discuss the impact of the following issues on businesses:
  - » Dumping
  - » Exhaustion of resources
- Explain the purpose of the Labour Relations Act (No. 66 of 1995).
- Advise businesses on the functions of trade unions in the workplace.

(40)

**QR CODE**

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## 5

## Business sectors



## TOPIC OVERVIEW

- Unit 5.1 Recap the meaning of the primary, secondary and tertiary sectors
- Unit 5.2 Link/relationship between the primary, secondary and tertiary sector



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ explain the meaning of the primary, secondary and tertiary sectors
- ❖ visit any local business enterprise and establish the link/relationship between these sectors
- ❖ discuss/explain/describe the link/relationship between the primary, secondary and tertiary sector.



## Key concepts

- **Primary sector:** deals with the extraction of raw materials and natural resources.
- **Secondary sector:** involves the process of transforming raw materials into finished or unfinished products.
- **Tertiary sector:** refers to industries that offer services to other businesses and consumers.
- **Forestry:** the industry of growing, taking care and managing trees and forests.
- **Mining:** the extraction of valuable minerals and metals such as coal, diamond, gold, silver, platinum, copper, tin and iron.
- **Forward link:** when businesses sell goods and services to businesses in the same sector or to businesses in another sector.
- **Backward link:** when businesses buy goods and services from businesses in the same sector or from businesses in another sector.
- **Manufacturing:** the processing of raw materials or parts into finished goods through the use of tools, human labour, machinery and chemical processing.
- **Insurance:** a contract by which businesses undertake to provide a guarantee of compensation for specified loss, damage, illness or death in return for payment of a specified premium.
- **Interdependent:** businesses that are interdependent need each other to carry out their own responsibilities in order for businesses to operate effectively.
- **Interrelated:** businesses that are interrelated are connected with one other.

## Introduction




In Grade 10 you were introduced to the meaning and the relationship between the three business sectors. The focus this year will be on the link/relationship between the primary, secondary, and tertiary sectors.

## 5.1 Recap the meaning of the primary, secondary and tertiary sectors

Business sectors consist of businesses that are grouped together and classified into primary, secondary, or tertiary sectors. Classification of businesses depend on the nature of the product or services offered.

Let's revisit what we know about these sectors.

### The meaning of the primary, secondary and tertiary sectors

Sector	Meaning	Examples of Industries
<b>Primary</b> 	<ul style="list-style-type: none"> <li>The primary sector deals with the extraction/collecting/cultivating of raw materials and natural resources.</li> <li>These natural resources include things such as livestock, fish, timber, coal and gold.</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture</li> <li>Fishing</li> <li>Forestry</li> <li>Mining</li> </ul>
<b>Secondary</b> 	<ul style="list-style-type: none"> <li>The secondary sector transforms the raw materials from the primary sector into finished or unfinished products.</li> <li>In this sector, the raw materials from the primary sector are converted into new products.</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing</li> <li>Construction</li> <li>Factories</li> <li>Electricity generation</li> </ul>
<b>Tertiary</b> 	<ul style="list-style-type: none"> <li>The tertiary sector refers to industries that offer services to other businesses and consumers.</li> <li>This sector is also known as services industry, which exists to facilitate the transportation, distribution and sale of goods produced in the secondary sector.</li> </ul>	<ul style="list-style-type: none"> <li>Financing</li> <li>Hospitality</li> <li>Retailers</li> <li>Wholesalers</li> <li>Storage</li> <li>Tourism</li> <li>Transportation</li> </ul>

#### ? Did you know

During the COVID-19 pandemic in 2020, businesses that were most negatively affected:

- in the primary sector were the mining/mineral industries
- in the secondary sector was the construction industry
- in the tertiary sector were the transport industry and most of the services industries such as retail trade and accommodation.



## Activity 5.1

## Business sectors

Work on your own

**1.1** Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question numbers (1.1 to 1.5).

coal ; extraction ; industries ; processing  
electricity generation ; primary ; construction  
hospitality ; services ; secondary

**1.1.1** The primary sector deals with ... of raw materials and natural resources.

**1.1.2** ... is an example of an industry that offer services.

**1.1.3** Natural resources include fish, timber and ...

**1.1.4** The ... sector focuses on converting the raw materials into finished products.

**1.1.5** The tertiary sector refers to industries that offer ... (5 × 2) (10)

## 5.2 Link/relationship between the primary, secondary and tertiary sector

The primary, secondary and tertiary sectors all work together to create an economic chain of production.

### A New words

**interrelated** relate or connect to one another

The primary sector extracts the raw materials, the secondary sector transforms the raw materials into products, and the tertiary sector sells the products and supports the activities of the other two sectors. Business sectors are therefore **interrelated** and connected with each other.

### Example of a forward link

- Trees are planted, grown and harvested in the primary sector because they are going to be used in the secondary sector to manufacture furniture, paper or timber for the construction company.
- The furniture, paper or timber are manufactured because there are retailers in the tertiary sector who are prepared to sell the products to the consumers.
- The finished goods are transported to retailers who in turn sell the final product to consumers.



The illustration below shows link/relationship between the primary, secondary, and tertiary sectors. This is an example of a **forward link**.



Some businesses are **interdependent** and rely on other businesses to perform some of their functions in order to operate effectively. These functions do not form the core activity of the business.

### A New words

**interdependent** dependent on each other

### Examples of a backward link

The illustration below shows the interdependent relationship between the different sectors. This is an example of a **backward link** where the primary sector depends on the secondary sector for manufactured goods AND the tertiary sector offering services to the secondary sector and to the primary sector.

- 1 A manufacturing company (secondary sector) may provide a mining company (primary sector) with machinery and equipment it needs to operate its business.





## TERM 1

- 2 The mining company (primary sector) may outsource the management of their Information Systems to a specialist IT company (tertiary sector).



- 3 The manufacturing company (secondary sector) may outsource the management of their Information System to a specialist IT company (tertiary sector).



Some businesses are also interdependent within each sector and make use of the services the other one offers. Here are some examples of these interdependent relationships.

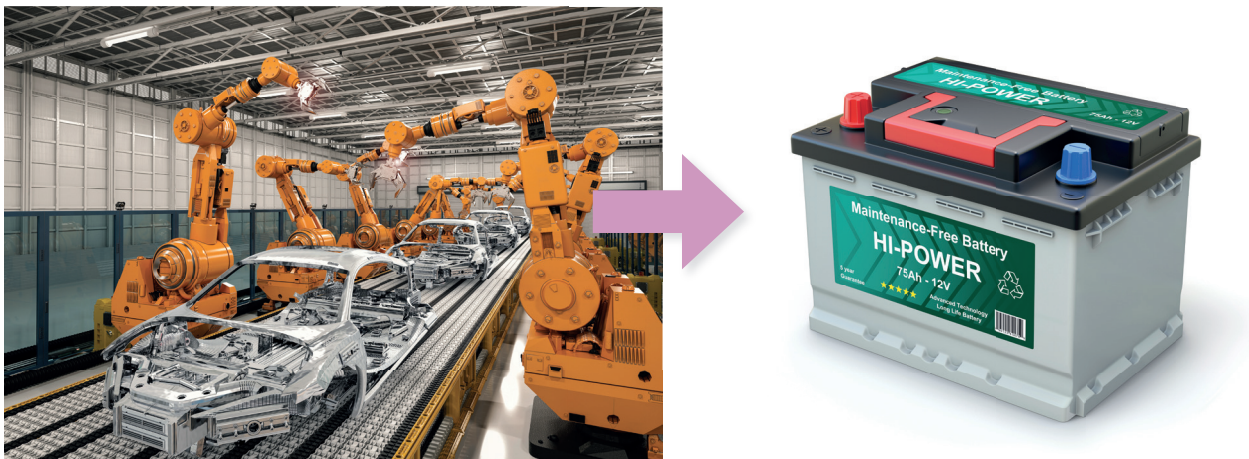


## Examples of interdependence within a sector

- 1 A cattle farmer (primary sector) depends on a lucerne farmer (primary sector) to provide them with feed.



- 2 A motorcar manufacturer (secondary sector) depends on a battery manufacturer (secondary sector) to provide them with batteries.



- 3 Retailers (tertiary sector) may require the services of an insurance company (tertiary sector).





### QR CODE

Click on the following link to watch the video on understanding business sectors and the relationship between the primary, secondary and tertiary sectors.



<https://www.youtube.com/watch?v=JJQOTGxqpyU>

### Tip

Only the first THREE answers will be marked if more than three facts are given.



### Activity 5.2

### The relationship between the business sectors

Work on your own

Read the scenario below and answer the questions that follow.

#### ELEGANT FASHIONS (EF)

Elegant Fashions (EF) sells designer men and ladies clothing. EF buys clothing from Fayi Clothing Manufacturers (FCM). FCM acquires raw materials from Pecher Cotton Farms.

**1.1** Identify THREE business sectors from the scenario above. Motivate your answer by quoting from the scenario.

Use the table below as a GUIDE to answer QUESTION 1.1. (9)

Business sector	Motivation
1	
2	
3	

**1.2** Discuss the relationship between the primary, secondary and tertiary sectors. (6)



### Activity 5.3

**1.1** Study the picture below and answer the questions that follow:



**1.1.1** Name the type of business depicted above. (1)

**1.1.2** Outline the business sector in which the business identified in QUESTION 1.1.1 above operates. (2)

**1.1.3** State the industry of the business identified in QUESTION 1.1.1. Use the table below as a GUIDE to answer QUESTIONS 1.1.1 to 1.1.3. (2)

Business (1.1.1)	Business sector (1.1.2)	Industry (1.1.3)

### Activity 5.3

cont.

- 1.1.4** List THREE examples of businesses that the business in the picture above would interact with. (3)
- 1.1.5** Classify the THREE business sectors in QUESTION 1.1.4 according to the sectors in which they operate. (6)  
Use the table below as a GUIDE to answer QUESTIONS 1.1.4 and 1.1.5.

Examples of businesses (1.1.4)	Business sectors (1.1.5)
1.	
2.	
3.	

- 1.1.6** Explain the interrelated relationship between business sectors in QUESTION 1.1.5 and the business in QUESTION 1.1.1. (4)

#### ENRICHMENT ACTIVITY

Visit any local business and establish the link/relationship between different sectors.

#### QR CODE

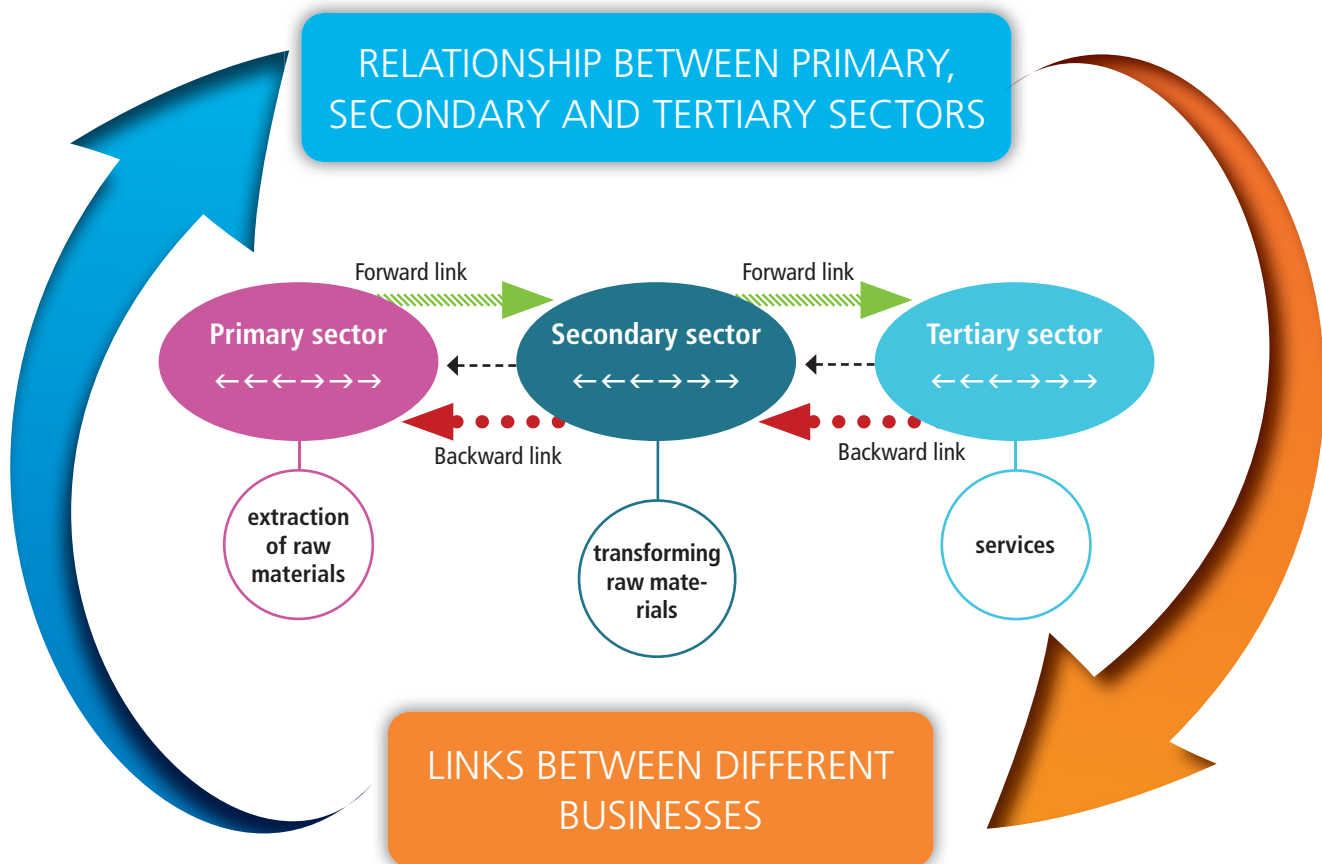
Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

### Mind map: Topic 5 – Business sectors

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.

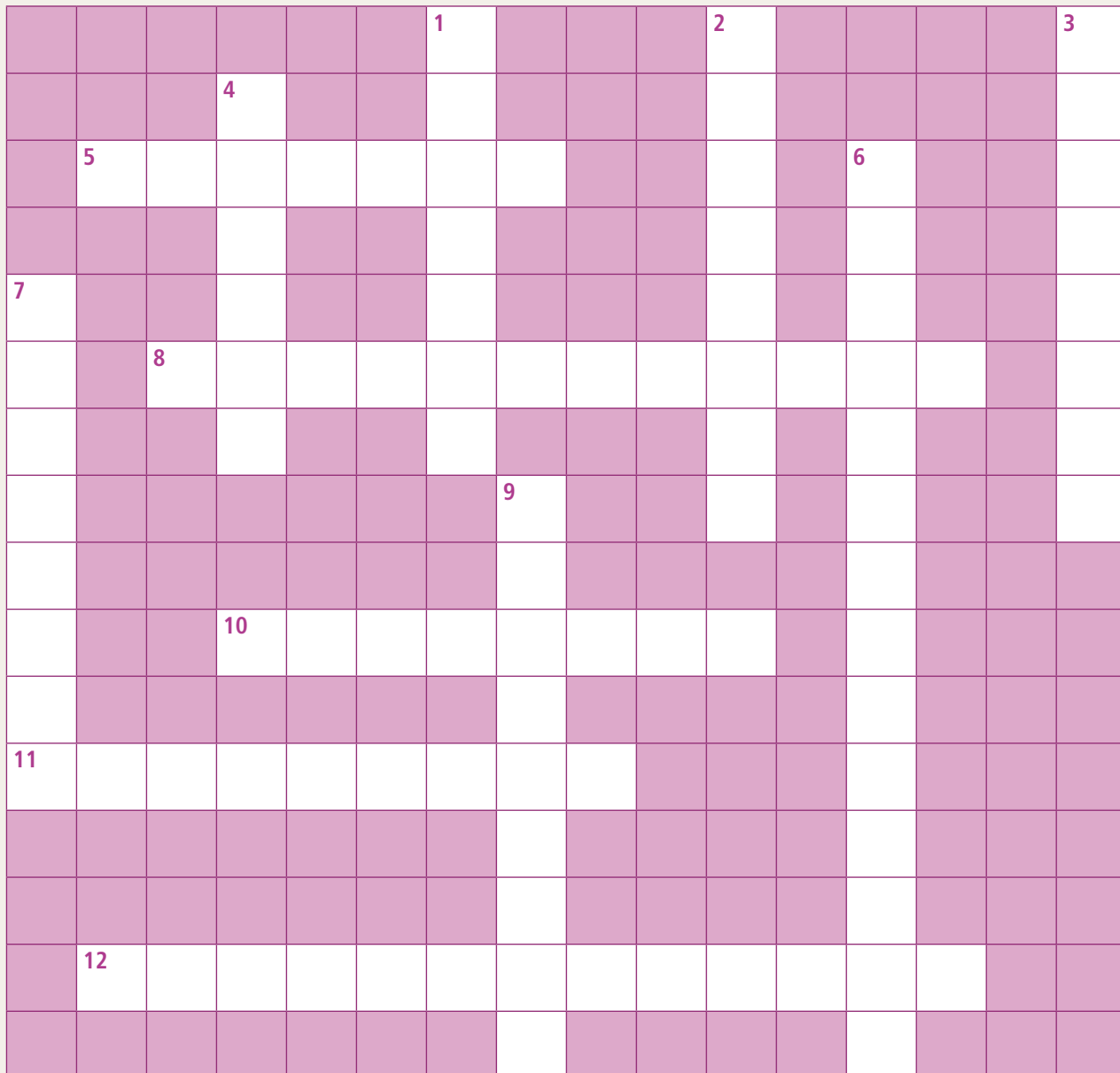




Consolidation

Business sectors

Crossword puzzle



Across

- 5** The sector that deals with the extraction of raw materials and natural resources.
- 8** Business sectors that are connected with one another.
- 10** The industry of growing, taking care and managing trees.
- 11** The sector that involves the process of raw materials into finished or unfinished products.
- 12** Processing of raw materials through the use of tools, machinery and human labour.

Down

- 1** The link that refers to an interrelated relationship between the different business sectors.
- 2** The link that refers to an interrelated relationship between the different business sectors.
- 3** This sector refers to industries that offer services to other businesses and consumers.
- 4** The extraction of valuable minerals and metals.
- 6** Businesses that need each other to carry out their own responsibilities to operate effectively.
- 7** This industry is also known as the tertiary sector.
- 9** A contract by which businesses undertake to provide a guarantee of compensation for specified loss or damage.

(12 × 2)(24)

## 6

## Benefits of a company over other forms of ownership



## TOPIC OVERVIEW

- Unit 6.1 Forms of ownership
- Unit 6.2 The differences between forms of ownership (companies)
- Unit 6.3 The benefits of establishing a company versus other forms of ownership
- Unit 6.4 The challenges of establishing a company versus other forms of ownership
- Unit 6.5 Understanding the Memorandum of Incorporation (MOI), notice of incorporation, and prospectus



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ outline/explain/describe/discuss the characteristics, advantages, and disadvantages of the forms of ownership
- ❖ distinguish/differentiate between the forms of ownership
- ❖ discuss/explain the benefits of establishing a company versus other forms of ownership, for example:
  - ❖ legal status and liability
  - ❖ profit-sharing
  - ❖ ownership and management
  - ❖ capital and cash flow
  - ❖ life span and continuity
  - ❖ taxation
- ❖ explain/discuss the challenges of establishing a company versus other forms according to the above-mentioned benefits
- ❖ explain/describe/discuss the procedure for the formation of companies
- ❖ explain/discuss the legal requirements of the name of the company
- ❖ define the following concepts:
  - ❖ memorandum of incorporation
  - ❖ notice of incorporation
  - ❖ the prospectus, that is, the initial and secondary offer



## Key concepts

- **Continuity:** continue to exist even if a change of ownership takes place, for example, if a member or shareholder retires.
- **Securities:** shares and bonds issued by a company.
- **Limited liabilities:** type of legal structure for an organisation where the loss of the business will not exceed the amount invested in the business by the business owner.
- **Unlimited liabilities:** the full legal responsibility that business owners and partners assume for all business debts.
- **Memorandum of Incorporation (MOI):** the document sets out the rights, responsibilities, and duties of shareholders and directors. Serves as a constitution of a company.
- **Sole trader/Sole proprietor:** a business is owned and controlled by one person who makes all the decisions, and takes all the responsibility and profits from the business.
- **Partnership:** an agreement between two or more parties that have agreed to finance and work together in the pursuit of common business goals.
- **Company:** a company is a legal person who has the capacity and powers to act on its own.
- **Public company:** a public company is a voluntary association of ONE or more persons, governed by the Companies Act (No. 71 of 2008), incorporated in terms of the Memorandum of Incorporation (MOI).
- **Private company:** a voluntary association of one or more people.
- **Personal liability company:** a voluntary association of one or more people.
- **State-owned company (SOC):** a legal entity that is created by the government to take part in commercial activities on its behalf.
- **Prospectus:** a document inviting the public to buy securities or shares.
- **Form of ownership:** the legal position of the business and the way it is owned.
- **Profit companies:** a company incorporated for financial gain for its shareholders.
- **Non-profit company:** an association incorporated not for gain.
- **Directors:** people elected to the board of a company by the shareholders to represent the shareholders' interests.
- **Audit:** a process where an organisation's accounts are checked to make sure its financial operations are honest.

## Introduction

In Grade 10 we learned about the characteristics, advantages, and the disadvantages of the forms of ownership which you will still be expected to know in Grades 11 and 12.

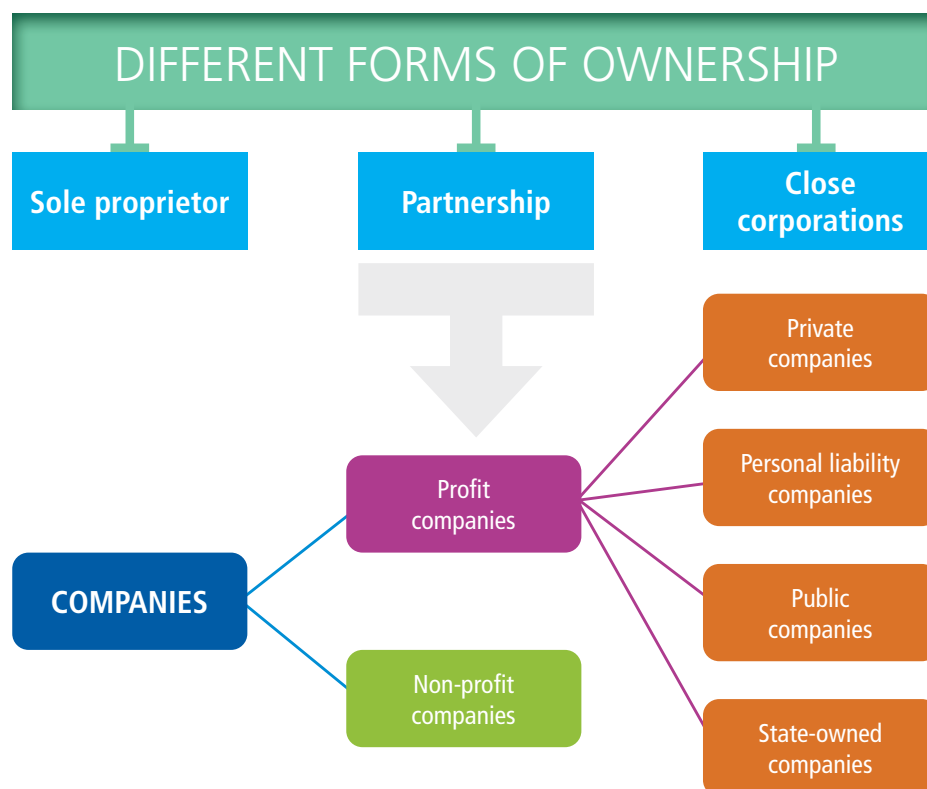
This year, more focus will be on the benefits and challenges of establishing a company versus other forms of ownership. as well as the procedures for the establishment of companies. In Grade 12, we will look at the criteria that could contribute to the success and or failure of each form of ownership.

## 6.1 Forms of ownership

### Definition of form of ownership

Form of ownership refers to the legal position of the business and the way it is owned.

An entrepreneur must decide which of the forms of ownership will best suit their type of business. There are eight types of ownership. These are summarised in the diagram below.



### Sole Proprietor

#### Definition of a sole trader

This is the simplest form of business ownership where an individual is responsible for setting up and running a business. The sole trader manages all the investment, risk, and returns of the business.

#### Characteristics of a sole trader

- A sole trader is a business that is owned and managed by one person
- Assets and profits in this business belong to the owner
- Legally there is no separation between the business and the individual running it.
- If the business is facing legal action, the owner is held legally responsible for the debts of the business.
- The sole proprietorship does not pay tax as the owner pays tax in their own capacity.
- The profit made by the sole proprietorship is added to any other income earned by the owner and SARS then calculates the amount payable.



- There are no legal and administrative formalities in the formation of a sole trader.
- A sole proprietor is not a legal entity and agreements are entered into by the owner in their personal capacity.
- Business has unlimited liability, and the private possessions of the owner can be used to pay the debts of the business.

### Advantages of a sole trader

- The owner can simply start doing business anytime they want.
- Business is run as the owner sees fit.
- The assets and profits of the business belongs to the owner.
- The owner makes all decisions that affect the business.
- The business requires little capital to start.
- This form of ownership has a simple management structure.
- Can easily adapt to the needs of the customer.
- No legal process and requirements.
- The owner is responsible for providing all the capital needed.
- There is personal encouragement and personal contact between the owner and customers.

### Disadvantages of a sole trader

- The owner contributes only their skills, time, and energy to the business.
- The business cannot continue to exist if the owner dies or retires.
- Capital is limited to the amount of money the owner has access to.
- Unlimited liability which means the owner is responsible for all debts incurred by the business.
- Cash flow is often a problem.
- Growth of business can be restricted due to lack of capital.
- Not a legal entity and no continuity.
- Difficult to attract highly skilled and knowledgeable employees.
- The owner is responsible for providing all the capital needed.
- If the owner does not have enough knowledge or experience, the business may fail.

## Partnership

### Definition of a partnership

- Partnerships are owned and managed by two or more individuals who have agreed to set up and run a business. The individuals are called partners. There is an agreement between the partners on how they will share the profit of the business.

### Characteristics of a partnership

- A partnership is an agreement between two or more persons.
- Each partner contributes to the partnership, for example, skills, resources or money into the business.
- Profit and losses are shared among partners according to the partnership agreement.
- Partnerships are not legal entities. This means that partnerships do not pay tax in their personal capacities.
- Profit is divided among partners in a ratio as agreed in the partnership agreement.
- No legal requirements regarding the name of the business.



- Partners have unlimited liability and are jointly and severally liable for the debts of the business.
- The auditing of financial statements is optional.
- Partners share responsibilities and they are all involved in decision-making.
- No legal formalities to start, only a written partnership agreement is required.
- Partnership has no legal personality and therefore has no continuity when a partner leaves the business.
- Partners share responsibilities and they are all involved in decision-making.
- The legal liabilities lie with the partners and they cannot shift the liability to the business.

### Advantages of a partnership

- All partners contribute to the business as responsibilities are shared among partners.
- Partners can deal with problems together.
- A partnership can easily come into existence.
- The partners able to put their knowledge and skills together to collectively make the best decisions.
- The workload and responsibility is shared between partners.
- Partners are able to share resources.
- Partners are only required to pay tax in their personal and individual capacity.
- The partners have a personal interest in the business.
- The partnership can bring in extra partners at any time.
- Attract prospective employees with the option or incentives of becoming a partner.
- Partnerships are relatively easy to establish.
- Partners contribute new skills and ideas into a business.
- Partners share responsibilities for decision-making and managing the business.
- Partners share any profits and are therefore motivated to work hard.
- Raising additional capital to finance further business expansion is easy as there is no limit on the number of partners.
- Partners are taxed in their own capacities, which could lead to lower taxation.

### Disadvantages of a partnership

- Partners do not always agree and that can slow down decision-making.
- A bad decision by one partner can lead to losses for the partnership.
- Partnerships must dissolve if one partner dies or retires.
- A partnership has unlimited liability, so all the partners are liable for the debts if the business becomes insolvent.
- Each business partner is legally responsible for the joint liability of the partnership.
- Different personalities and options of partners can lead to conflict and disagreements.
- Disagreements can occur because of shared decisions.
- Partners are jointly and individually liable for the actions of the partners.
- Profits must be shared with others.
- The partnership may have a limited life span upon the withdrawal or death of a partner.
- Loss in profits and stability of the business can occur if a partner resigns or loses interest or pass away, or is declared bankrupt.
- There can be a lack of capital and cash flow.
- Partners might not all contribute equally.



## QR CODE

Look at the video Close Corporations - Bing video



<https://www.youtube.com/watch?v=NK50oL0f28E>

## Close Corporation (CC)

### Definition of a close corporation

- An optional association, of one or more persons not exceeding ten, who qualify for membership in terms of the Act 69 of 1984 and secure its incorporation.
- The new Companies Act does not make it possible to register a Close Corporation (CC), however existent CCs may continue to trade.

### Characteristics of a close corporation

- Appropriate for small and medium businesses.
- CCs are legal entities, meaning it has legal rights and responsibilities.
- Can have a minimum of one and maximum of ten members who share a common goal.
- The word 'close' means that all members are involved and take part in its management.
- Each member contributes some assets/services towards the corporation.
- The name ends with the suffix CC.
- Members have unlimited liability except where the CC has had more than ten members for six months or longer.
- A CC has its own legal personality and therefore has unlimited continuity.
- The auditing of books is optional as members only need an accounting officer to check financial records.
- Transfer of a member's interest must be approved by all other members.
- Profits are shared in proportion to the member's interest in the CC.

### Advantages of a close corporation

- There are a few legal requirements, for example, auditing of financial statements and regular annual general meetings.
- A CC is a legal entity and has continuity of existence.
- Can be converted to a private company and members may become shareholders.
- Members have limited liability.
- Owners' interest in the CC does not need to be in proportion to their capital contribution.
- CC may be exempt by the Companies and Intellectual Property Commission (CIPC) from auditing its financial statements.

### Disadvantages of a close corporation

- Limited growth and expansion since a CC cannot have more than ten members.
- A member of a CC can be held personally liable for the losses of the CC if the member's actions are incompetent.
- Audited financial statements may be required when applying for a loan.
- A CC is taxed as if it were a company, which may be higher than personal tax rates.
- Difficult for members to leave the CC as all members must agree to dispose of a member's interest.
- A CC is taxed on its income and Standard Tax of Company (STC) based on member's dividends. This can lead to double taxation.

## Private company

### Definition of a private company

A private company is a company that restricts the right of its members to transfer shares, and does not invite the public to subscribe. A private company uses the words Proprietary Limited (Pty) Ltd in its name.



## QR CODE

Mars Incorporated - Bigger Than You Know



<https://www.youtube.com/watch?v=cuBAZc7loSY>

## Characteristics of a private company

- Requires one or more directors and one or more shareholders.
- It needs a minimum of one shareholder and there is no limit on the number of shareholders that a private company may have.
- A private company is not bound to publish a prospectus when issuing shares.
- Private companies are subject to many legal requirements.
- A private company is not allowed to sell shares to the public.
- A minimum of two shareholders are required for a meeting, except in the case of a one-person company.
- Register with the Registrar of Companies by drawing up a Memorandum of Incorporation.
- Annual financial statements must be audited with some exceptions in terms of the new Companies Act.
- Private companies do not offer securities to the public.
- Shareholders have limited liability for the debt of the business.
- Investors put capital in to earn profit from shares.
- The company has a legal personality as well as unlimited continuity.
- Shareholders have limited liability and will not lose their initial capital invested if the business goes bankrupt.
- Shareholders have limited liability and a separate legal entity.
- Raises capital by issuing shares to its shareholders.
- Profits are shared in the form of dividends in proportion to the number of shares held.

## Advantages of a private company

- More capital can be raised by a company than by an individual.
- Auditing of the financial statements is voluntary.
- Not necessary to appoint an auditor, audit committee, or company secretary.
- More opportunities to pay less taxation.
- Good long-term growth opportunities.
- Own legal identity and shareholders have no direct legal implications/limited liability.
- Board of directors with expertise/experience can be appointed to make decisions.
- Not required to file annual financial statements with the commission.
- It is a legal person and can sign contracts in its own name.
- The new Act forces personal liability on directors who knowingly participated in conducting business in a reckless/fraudulent manner.
- Financial statements are private and not available to the general public.
- A company has continuity of existence.
- It is possible to sell a private company as it is a legal entity in its own right.
- It can easily raise capital by issuing shares to its members.

## Disadvantages of a private company

- Restricted from raising funds directly from the public.
- Costs and formalities associated with forming a company.
- Tax is paid on the taxable income of the company and companies pay secondary tax on dividends distributed to shareholders.
- Requires a lot of capital to start a private company.
- The more shareholders, the less profits are shared.
- More taxation requirements.
- Directors do not have a personal interest in the business.
- Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company.

## ? Did you know

Mars Inc is an example of a privately held, family corporation. Mars Inc is a global candy, pet food, and food product manufacturer that is 100% family-owned. It earned about \$37 billion in 2020 and employed 13 000 people.



- Difficult and expensive to establish as the company is subjected to many legal requirements.
- Pays tax on the profits of the business and on declared dividends - Subject to double taxation.
- Must prepare annual financial statements.

## Personal Liability Company

### Definition of a personal liability company

A Personal Liability Company is a private company that is mainly used by 'associations' such as lawyers, engineers, and accountants. The company's name must end with the word 'Incorporated'. It runs on the principle of 'personal liability'. This means that the directors of the company, as well as previous directors, will be responsible for the debts of the company.

### Characteristics of a personal liability company

- One (1) or more persons (including juristic persons) may incorporate a personal liability company.
- The board of a personal liability company must comprise at least one director (1 or more directors).
- Personal liability companies are subject to fewer disclosure and transparency requirements.
- Governed by the Companies Act (Act 71 of 2008) and incorporated in terms of the Memorandum of Incorporation.
- The directors are jointly and severally liable with the company for all company debts and liabilities incurred.
- Certain professional persons, such as attorneys and accountants, who are statutorily prohibited from enjoying limited liability, often incorporate a personal liability company to regulate their affairs.
- The company has the benefit of corporate existence and perpetual succession.
- These companies are identified by the suffix 'Incorporated' or 'Inc.'.
- A personal liability company is prohibited by MOI from offering its shares to the public and the transferability of its shares is restricted.
- A personal liability company must prepare annual financial statements but is not required to lodge its annual financial statements with the Commission.
- Annual financial statements need not be either audited or independently reviewed, unless prescribed by regulation.
- Shareholders of a personal liability company have a right of pre-emption in respect of the issue of new securities unless the MOI provides otherwise.
- A personal liability company has a separate legal personality and shareholders have limited liability.
- A personal liability company is required to give 10 business days' notice for shareholder meetings.

### Advantages of a personal liability company

- Personal liability companies are subject to fewer disclosure and transparency requirements.
- The board of a personal liability company must include at least one director, or any other minimum number as stipulated in its MOI.
- The life span of a personal liability company is continuous.
- Directors of a personal liability company are not compelled to attend the Annual General Meeting (AGM).

- Audited financial statements are optional; otherwise, the financial statements need to be independently reviewed unless exempt by regulation.
- A personal liability company does not have to lodge its annual financial statements with the Commission.
- Shareholders of a personal liability company have a right of pre-emption in respect of the issue of new securities unless the MOI provides otherwise.
- The Act imposes personal liability on directors who are knowingly part of reckless or fraudulent business.

### Disadvantages of a personal liability company

- Difficult and expensive to establish a Personal Liability Company compared to Close Corporations and Sole Proprietorship.
- Large management structures can result in decision-making taking time.
- The Personal Liability Company is not allowed to sell shares to the public.
- Directors may sometimes act in their own interest, not in the company's best interest.
- Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company.
- Difficult and expensive to establish as the company is subjected to many legal requirements.
- Pays tax on the profits of the business and on declared dividends/subject to double taxation.
- Directors of the personal liability company have unlimited liability.
- Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director.
- A meeting may not begin, or a matter may not be debated unless at least three shareholders are present.
- Restricted from raising funds directly from the public.
- Costs and formalities associated with forming a company.
- Tax is paid on the taxable income of the company, and companies pay secondary tax on dividends distributed to shareholders.

### Public company

A public company has continuity of existence. A public company must appoint an auditor, audit committee, and a company secretary. The company's name ends with the letters Ltd.

### Definition of a public company

- A public company is a company that is registered to offer its stock and shares to the general public. This is mostly done through the Johannesburg Securities/Stock Exchange (JSE).
- The public company is designed for a large-scale operation that require large capital investments.

### Characteristics of a public company

- A minimum of one person is required to start a public company.
- Requires three or more directors and three or more shareholders.
- Register with the Registrar of Companies by drawing up a Memorandum of Incorporation.
- The company name ends with letters Ltd.
- Has legal personality and therefore has unlimited continuity.
- Raises capital by issuing shares to the public and borrowing capital by issuing a debenture.



- A prospectus is issued to the public to raise capital.
- Shareholders have limited liability.
- The new Act forces personal liability on directors who knowingly take part in conducting business in a reckless or fraudulent manner.
- The company has a legal personality as well as unlimited continuity.
- A public company is required to hold an AGM (Annual General Meeting).
- Auditing of financial statements is compulsory and audited statements are available to shareholders and the public.
- Profits are shared in the form of dividends in proportion to the share held.

## Advantages of a public company

- The business has its own legal identity and can own assets and property.
- No limitation on the number of shareholders, so growth and expansion is not limited.
- Competent and knowledgeable directors may be appointed by shareholders.
- Easy to raise large amounts of capital for growth through the issuing of shares to the public.
- Shareholders have a limited liability for the debt of the company. Shareholders may only lose the amount which they invested.
- Attracts small investors as shares can be transferred freely and easily. Shareholders can sell or transfer their shares freely.
- The public has access to the information as financial reports must be published annually. This could motivate the public to buy shares from a company.
- Strict regulatory requirements protect shareholders.
- Additional capital can be raised by issuing debentures to the public.
- The company keeps its shareholders regularly informed about its performance, share values and future.

## Disadvantages of a public company

- Tax is paid on the taxable income of the company, and companies pay secondary tax on dividends distributed to shareholders.
- Complicated process to incorporate a public company.
- Must appoint an auditor, audit committee, and a company secretary.
- A large amount of funds are spent on financial audits.
- Stocks have to be traded publicly.
- A full report must be submitted to the major shareholders each year.
- Difficult and expensive to establish as the company is subjected to many legal requirements
- The more shareholders, the less profit acquired.
- Shareholders may be allowed little or no input into the affairs of the company.
- Due to legislation, decisions take longer and there may be disagreements.
- Financial affairs must be known publicly, this information could be used to competitors' advantage.

### ? Did you know

Transnet is a state-owned company and the custodian of ports, rail, and pipelines. State-owned companies support private businesses by providing infrastructures such as communication services or the supply of electricity. The name ends with the letters SOC.



## State-owned company

### Definition of a state-owned company

A state-owned company has the government as its major shareholder and falls under the Department of Public Enterprise.



### Characteristics of a state-owned company

- Requires three or more directors and one or more shareholders.
- Register with the Registrar of Companies by drawing up a Memorandum of Incorporation.
- It is owned by the government and operated for profit.
- SOC is listed as a public company.
- The company is owned by the government or a municipality and otherwise similar to a public company.
- A state-owned company have financial autonomy because they are to depend on the government for initial investment.
- The name of a state-owned company must end with the letters SOC.
- State-owned companies support private businesses by supplying infrastructure such as communication service, post office and supply of electricity.
- State-owned companies are subject to disclosure and transparency requirements.
- Information in the state-owned company is available to shareholders.
- All distributions to shareholders require board approval and need to satisfy the solvency and liquidity tests.
- Distributors are unfortunately extremely widely defined and include dividends and share buybacks.
- Payments will be according to the class, preferences, rights and limitations of shares held.
- The new takeover regulations apply to every state-owned company, unless exempted by law.
- State-owned company must give 10 business days' notice for shareholder meetings.
- A state-owned company must implement a reporting process for whistle-blowers.

### Advantages of a state-owned company

- Profits may be used to finance other state departments.
- Offer essential services which may not be offered by the private sector.
- Prices are kept reasonable.
- Wasteful duplication of services is eliminated.
- Planning can be coordinated through central control.
- Generates income to finance social programmes.
- Jobs are created for all skills levels.

### Disadvantages of a state-owned company

- May result in poor management as the government is not always as efficient as the private sector.
- Inefficiency due to the size of the business.
- Often rely on government subsidies.
- A lack of incentive for employees to perform if there is an absence of other motivators such as productivity bonuses.
- A lack of incentive for employees to perform if there is no share in the profit.
- Government can lose money through the business.
- Losses must be met by the taxpayer.
- Shares are not freely tradable, making it difficult to raise capital.
- SOC must follow strict regulations for operations to raise capital.
- Financial statements must be audited.

## Non-profit company

### Definition of a NPO

A non-profit company may register with the Department of Social Welfare as a non-profit organisation (NPO) in terms of the Non-Profit Organisations Act (No. 71 of 1997) to apply for government funding or to obtain a fund-raising number. A non-profit company must comply with ongoing administrative requirements set out in the Companies Act (No. 71 of 2008) including the filing of annual returns and annual reporting.

### Characteristics of NPO

- Non-profit companies do make money; they just do not make a profit.
- Any money raised by a non-profit company needs to be used by the company to cover its expenses.
- The name of the non-profit company must end with NPC.

### Advantages of a non-profit company

- The company has an independent legal personality, but directors will be liable for any loss, damage or costs sustained by the company if acting in the name of the company.
- The assets of the company are in the name of the organisation, not in its members.
- Non-profit companies continue to exist even if the membership changes.
- The assets and liabilities (debts) of the organisation are held separately from those of its members.
- May make a profit but may not share any of the profits with its members.
- Profits can only be used to conduct the work of the organisation.
- All of a non-profit company's assets and income must be used to advance its stated objects, as set out in its MOI.
- The members exercise power in general meetings in the sense that they can appoint or remove directors, amend the MOI of the company, and dispose of the NPO's assets.
- Non-profit companies must prepare the financial statements at the end of the year and are not compelled to audit the financial statements.
- Non-profit companies are not compelled to attend the general annual meeting (AGM).

### Disadvantages of a non-profit company

- Need professional assistance to set up this organisation.
- Does not generate enough capital to cover their expenses.
- Donations may not always be enough to finance the company's expenses.
- Assets are not distributed to the members upon closing.
- Creating a non-profit company takes time/effort/money.
- Obtaining grants can be a slow and tiring process.
- Incorporators cannot take along the assets accumulated by the NPC if they decide to leave.
- They are not allowed to pay bonuses to members.
- They are compelled to prepare annual financial statements.

## ? Did you know

The Gift of the Givers Foundation is the largest disaster response non-governmental organisation of African origin on the African continent. The Gift of the Givers Foundation is a non-profit company (NPC) registered with the Companies and Intellectual Property Commission (CIPC). The goal of an NPC is to benefit the public, not to make a profit.



Close up with Gift of the Givers founder Imtiaz Soolima

## Activity 6.1

- 1.1 Outline the characteristics of a private company. (6)
- 1.2 Explain the characteristics of a sole proprietorship. (6)
- 1.3 Discuss the advantages of a personal liability company. (6)
- 1.4 Advise businesses on the disadvantages of a non-profit company. (6)

- 2.1 Read the article below and answer the questions that follow.

Lifeline was established in 1970. Lifeline is an NPC and its vision is the improved emotional wellness of individuals and communities throughout South Africa.



**Building Community Heart**

- Home shouldn't hurt 0800-150-150 STOP GENDER-BASED VIOLENCE  
Speak out against gender-based violence!

- 2.1.1 Explain the characteristics of an NPC like Lifeline. (6)
- 2.1.2 Discuss the advantages of an NPC. (6)

- 3.1 Read the scenario below and answer the questions that follow.

### DLADLA INCORPORATION (DI)

Dladla Inc. needs large amounts of capital for expansion of their business. DI decided to convert the current business into a type of company that will allow them to sell shares to the public on the JSE.

- 3.1.1 Identify the form of ownership of Dladla Incorporation before they were converted to another type of company. Motivate your answer by quoting from the scenario above. (3)
- 3.1.2 Name the form of ownership which Dladla wants to be converted to. (2)
- 3.1.3 Differentiate between the forms of ownership identified in QUESTION 3.1.1 and 3.1.2 respectively. (8)

## 6.2 The differences between forms of ownership (companies)

When starting a business, it is important to choose a form of ownership that will be profitable. Each form of ownership functions differently. It is therefore important to evaluate each form of ownership carefully.

Type of ownership	Sole proprietor	Partnership
Business name	Own name as per ID, or name registered with the Companies and Intellectual Property Commission (CIPC)	Name must be registered with the Companies and Intellectual Property Commission (CIPC)
Number of owners	One	At least two
Owners are known as	Owner	Partners
Managed by	The owner	Partners
Formation	No formalities – the owner starts doing business	No formalities – partners usually sign a partnership agreement
Liability for debts	Unlimited	Jointly and members may be asked to stand surety

The differences in the forms of ownership (companies)

Type of ownership	Private company	Public company
Business name	Ends with Pty Ltd	Ends with Ltd
Shares	May not offer shares to the general public	Trades its shares publicly on the Johannesburg Securities Exchange
Shares	Shares are not freely transferable	Shares are freely transferable
Directors	Minimum of one director	Minimum of three directors
Annual financial statements	Annual financial statements need not be audited and published	Annual financial statements need to be audited and published
Prospectus	Does not need to publish a prospectus as it cannot trade its shares publicly	Must register and publish a prospectus with the Companies and Intellectual Property Commission/CIPC
Subscription	The company does not have to raise the minimum subscription or issue minimum shares	Must raise a minimum subscription prior to commencement of the company
Continuity	Has continuity of existence	Has continuity of existence

The differences in the forms of ownership (companies)

Type of ownership	Private company	Personal liability company
Business name	Ends with Pty Ltd	Ends with Inc.
Liability for debts	Limited	Jointly and severally

The differences of the different forms of ownership (companies)

Type of ownership	State-owned company	Non-profit company
Business name	Ends with SOC Ltd	Ends with NPC
Assets are owned by	Company	NPC
Profit or loss belongs to	Shareholders	NPC

## Activity 6.2

### QUESTION 1

- 1.1 Elaborate on the meaning of a state-owned company. (4)
- 1.2 Outline the differences between a private and public company. (8)
- 1.3 Discuss the impact of a state-owned company. (8)

### QUESTION 2

- 2.1 Differentiate between a Partnership and a Close Corporation.
- 2.2 Read the scenario below and answer the questions that follow.

#### ZIMVO TRAINING (PTY) LTD

Zimvo Training (Pty) Ltd wants to convert their company's current status. They will change their name to Zimvo Training Ltd so that they can invite the public to buy shares in the business.

- 2.2.1 Identify TWO forms of ownership that are applicable to Zimvo Training. Motivate your answer by quoting from the scenario. (6)
- 2.3 Explain the advantages of the form of ownership represented by Zimvo Training Ltd identified in QUESTION 2.2.1. (6)

## 6.3 The benefits of establishing a company versus other forms of ownership

The following benefits will encourage entrepreneurs to establish a company versus other forms of ownerships.

### Legal status and liability

- A company has its own legal status, trading name, and owns its assets.
- Shareholders' private assets are protected as they have limited liability.
- The shareholders have no direct legal responsibility.
- Companies have their names, and these are protected.

### Profit-sharing

- Shareholders share in the profits of the company in the form of dividends.
- Other forms of ownership will share profit according to their contribution or internal agreement.

### Ownership and management

- Shareholders are able to buy and sell shares freely in a public company.
- The company is managed by qualified and competent board of directors.
- A company is less likely to use consultants as it has a larger pool of skills and expertise.
- Directors are more likely to take risks and allow growth opportunities for the business. Some of the other forms of ownership e.g. sole proprietor has to rely on his/her own abilities to manage the business.

### Capital and cash flow

- A company may have more investors to fund the setting up of the business.
- Companies have a better cash flow than sole traders.
- A company is not limited to the individual contribution of the members' capital.
- The long-term growth opportunities for companies are good as there are always possibilities of getting in more investors.
- Directors do not have to take out personal loans to grow the business.
- Companies have a bigger potential to gain capital than any other form of ownership.

### Life span and continuity

- A company has continuity of existence.
- Company shares can be transferred, bought, or sold.
- The life span of a sole proprietor and partnership is limited.



## Taxation

- Companies have tax benefits that other enterprises do not have. They may obtain tax rebates if they are involved in social responsibility projects.
- Allowances made for companies such as tax-deductible business expenses are:
  - Day to day expenses such as: material and equipment costs, employee costs and administrative costs, business/office rental costs
  - Capital expenses
  - Education
  - Entertainment
  - Business start-up expenses
- The life span of a sole proprietor and partnership is limited.

### Activity 6.3

**1.1** Read the scenario below and answer the questions that follow.

#### SAVVY FOODS LTD (SFL)

Savvy Foods Ltd produces various basic food products. Their shares are freely transferable on the JSE. The shareholders have no direct legal responsibility. SFL has tax benefits that other businesses do not have.

- 1.1.1** Quote THREE benefits of establishing a company versus other forms of ownership in the scenario above. (9)
- 1.1.2** Explain any other THREE benefits of establishing a company versus other forms of ownership. (9)
- 1.1.3** Advise the management of SFL on the challenges of establishing a company over other forms of ownership. (8)

## 6.4 The challenges of establishing a company versus other forms of ownership

To set up a company is an expensive and complicated procedure with many legal requirements to follow. If the directors are not competent then the shareholders' investments may be at risk.

Some of the challenges of setting up a company versus other forms of ownership:

- The owners of the company have more liability. Directors might not have a personal stake in the company.
- If directors change, there might be a difference in the continuity of management.
- Directors may not have a personal interest in the business, and this could prevent the business from gaining help to maximise growth and profits.
- There may be a conflict between the owners of the company and the management in control.
- Politics can get in the way and directors are appointed for the wrong reasons.
- A company may cease to exist if it is deregistered by CIPC.

## Did you know

Auditing is the on-site verification activity and process of assessment of financial, operational, and strategic goals and processes in a business to determine whether they follow the stated principles and regulatory requirements.

- Directors who do not have a personal interest in the business might not attract investors.
- The limited liability aspect of the company generates more paperwork in the registration process.
- When directors change, there could be a lack of continuity in management.
- Companies have more taxation requirements.
- The more shares there are the less profit per share.
- A company must submit a detailed report to all stakeholders at the end of each financial year.
- A large amount of money is spent on financial audits and accounting fees because of government regulations.
- Companies must disclose all financial information. This could provide their competitors with an unfair advantage.
- State-owned companies often deliver non-profitable services that leads to the government losing money through the business.

## Procedure for the formation of companies

- Determine the people establishing the company.
- Prepare a memorandum of incorporation, open a bank account, and register for taxation.
- File a notice of incorporation and obtain a unique registration number.
- Draw up a prospectus for potential investors.
- Register the company at the Companies and Intellectual Property Commission (CIPC). A company becomes a legal entity once registration has been finalised.
- A company is registered and may start doing business once:
  - the name of the company has been approved.
  - the prescribed fees have been paid.
  - the Notice of Incorporation have been lodged.
  - the application to incorporate a new company has been processed by the CIPC.

## Legal requirements of the name of a company

- If a name is reserved at the CIPC, it cannot be used by another company.
- Names can be reserved by a business for six months.
- The name of a company is subject to approval by CIPC.
- The name of a company must be original and may not be misleading.
- A company's name must appear on all company documents.
- The name of a company must show the type of company, that is:
  - the name of the non-profit company must end with NPC.
  - the name of a personal liability company must end with Incorporated or Inc.
  - the name of a private company must end with Proprietary Limited or Pty Ltd.
  - the name of a public company must end with Limited or Ltd.
  - the name of a state-owned company must end with SOC Ltd.
- The name of the company must not be offensive, promote violence or hatred and cause any harm.
- The name must not be shortened and translated. A company is not allowed to use a misleading name.

## Activity 6.4

1.1 Outline the differences between a personal liability company and a public company. (8)

1.2 Read the scenario and answer the question that follows:

Entrepreneurs must comply with certain legal requirements when naming their companies. There are many advantages of establishing a company than starting another type of business. However, many entrepreneurs still face challenges when they start their own companies.

Write an essay on forms of ownership and give attention to the following aspects:

- Outline the legal requirements for the name of the company
- Explain the impact of a public company
- Discuss FOUR benefits of establishing a company versus other forms of ownership.
- Advise prospective entrepreneurs on the challenges of establishing a company versus other forms of ownership.

[40]

## 6.5 Understanding the Memorandum of Incorporation, notice of incorporation, and prospectus

### Memorandum of Incorporation (MOI)

The meaning of memorandum of Incorporation (MOI):

- MOI serves as the constitution of a company.
- Companies are governed according to the rules stated in the MOI.
- MOI includes information about a company's name, registered office, and records.
- MOI describes the relationship between the business and its stakeholders.
- MOI describes the rights, responsibilities, and duties of the shareholders and directors.
- MOI provides details about incorporation, the number of directors, and the share capital.

### Aspects that must be included in the Memorandum of Incorporation

- Name of the company
- Nature of the company
- Main objectives of the company
- Securities of the company
- Directors and officers
- The extent of and restriction placed on directors' powers of authority.
- How the company will operate in terms of acquiring or disposing of assets and other procedural and administrative issues.



- Shareholders, meetings and procedures
- Number of shares each incorporator will purchase
- Amount of share capital registered
- Rules and regulations of the company
- Name of the auditor

## Notice of incorporation

The notice must be lodged together with the Standard Form of the Memorandum of Incorporation and it contains the following information:

- type of company
- financial year-end
- numbers of directors
- incorporation date
- registered address
- company name.



### Take note

The securities of a company may not be offered to the public unless it is accompanied by a prospectus.

## Prospectus

A prospectus is a written invitation to the public to buy shares. The shares of a company are referred to as the company's securities.

Before a public company can be registered, the company must prove that enough shares have been issued to cover the launching cost and initial expenses. This is called the minimum subscription and the shares must be sold within 60 days of issuing the prospectus otherwise the public company may not commence business.

## The meaning of a prospectus

- A prospectus is a written invitation to convince the public to buy shares.
- A prospectus gives information about the business.
- It is a formal legal document giving details about the investment offerings.
- A prospectus must be issued by a company within three months after the date of registration.

## The meaning of the initial public offer (IPO)

- This is when the company issue shares to the public for the first time.
- The company must produce a prospectus before undertaking the initial offering.
- Most companies undertake an IPO with the assistance of an investment banking firm acting in the role of an underwriter.

## The meaning of the secondary offering

- A secondary offering is an offering of securities by a shareholder of the company as opposed to the company itself – which is a primary offering.
- A secondary offering is the sale of new or closely held shares by a company that has already made an initial public offering (IPO).

## Aspects that must be included in the prospectus

- Name of the company
- Company overview, including the vision, mission, and goals of a business
- Product or service portfolio
- Market analysis and strategy
- Management team
- The risks and potential of the business
- Available financial and share information
- Company's assets and liabilities
- Financial position
- Profits and losses
- Cash flow
- Prospects for growth
- Pre-incorporation contracts that have been signed
- Date of registration of the prospectus
- The minimum subscription
- Purpose of the offer
- Share capital
- Shares issued
- Property owned
- Preliminary expenses



### Activity 6.5

#### 1.1 Define the following concepts:

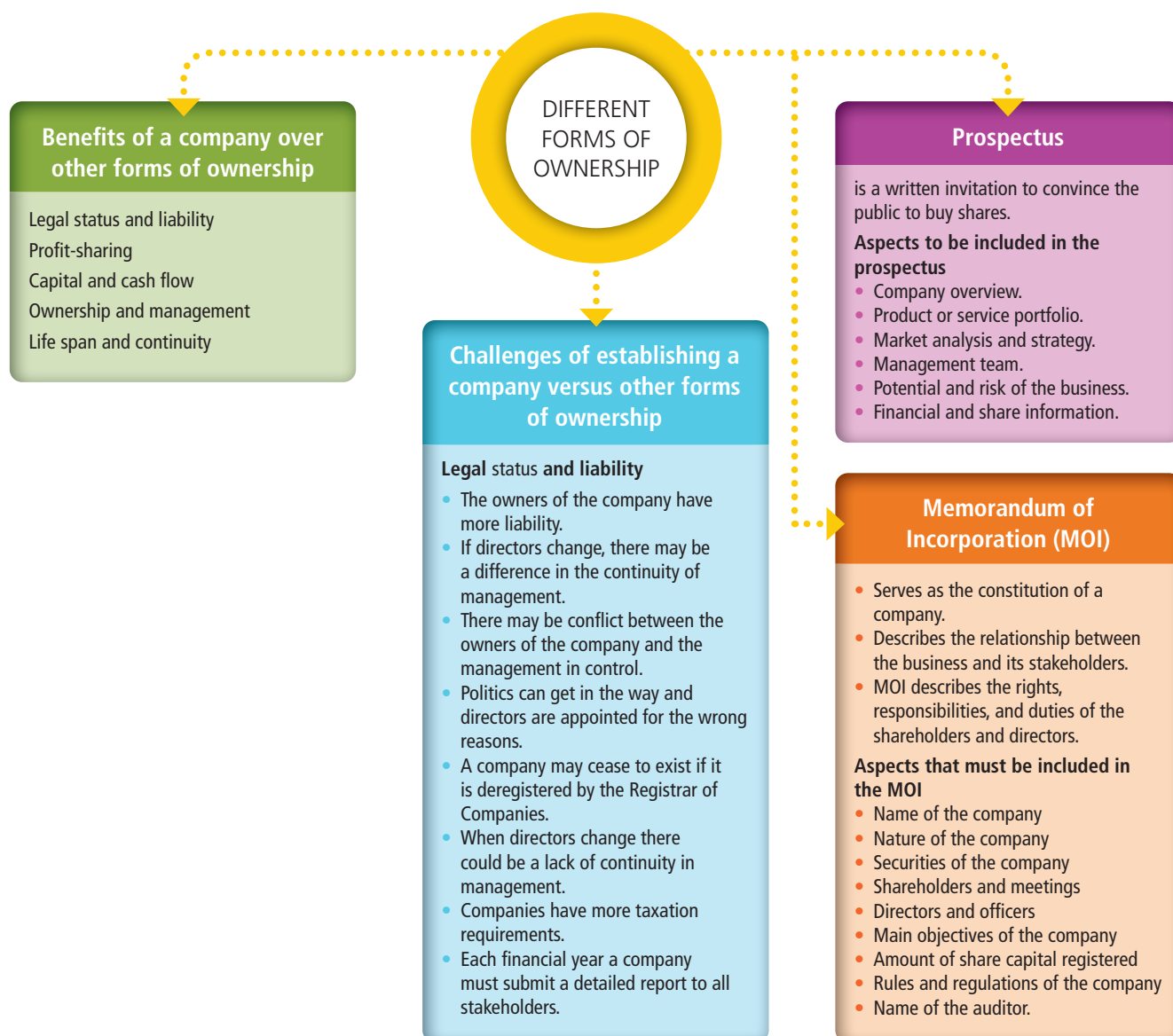
- Memorandum of incorporation (2)
- Notice of incorporation (2)

#### 1.2 Name the aspects that must be included in the prospectus. (6)

#### 1.3 Outline the aspects that must be included in the Memorandum of Incorporation (6)

## Mind map: Topic 6 – Benefit of a company over other forms of ownership

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.





## Consolidation

## QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.3), for example, 1.1.6 E.

1.1.1 The owners of a ... stand to lose their personal assets if the business becomes insolvent.

- A. private company
- B. close cooperation
- C. partnership
- D. non-profit company

1.1.2 The ... serves as the constitution of a company.

- A. initial public offer
- B. memorandum of incorporation
- C. notice of incorporation
- D. prospectus

1.1.3 The directors of a ... company are jointly and severally liable for the debts of the company.

- A. personal liability
- B. non-profit
- C. private
- D. public

(3 × 2) (6)

## QUESTION 2

2.1 Name THREE aspects that should be included in the prospectus.

(3)

2.2 Outline characteristics of a Close Corporation.

(6)

2.3 Read the scenario below and answer the questions that follow.

**BAID WADEE (PTY) LTD (BWL)**

Baid Wadee (Pty) Ltd is a private company that specialises in the manufacturing of furniture. BWL made sure to include (Pty) Ltd at the end of their name. They chose a name that is original and not misleading. The company's name also appears on all company documents

2.3.1 Quote THREE legal requirements of the name of the company from the scenario above.

(3)

2.3.2 Explain any other legal requirements of the name of a company.

(6)

## Question 3

Business owners need to decide which form of ownership they want to register and start. Many partnerships convert to companies so that they can benefit in many ways. Different companies are available, and businesses must be aware of the challenges of establishing a company and also be knowledgeable on the formation of companies.

Write an essay on forms of ownership in which you include the following aspects:

- Outline the disadvantages of a partnership.
- Explain the difference between a private and public company.
- Discuss the challenges of establishing a company versus other forms of ownership.
- Advise businesses on the advantages of a personal liability company.

(40)

**QR CODE**

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## TERM 1

## 7

## Avenues of acquiring businesses



## TOPIC OVERVIEW

- Unit 7.1 Why entrepreneurs may decide to buy an existing business
- Unit 7.2 The meaning, advantages, disadvantages and contractual implications of franchising, outsourcing and leasing



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ state/explain the reasons why entrepreneurs may decide to purchase an existing business
- ❖ discuss/describe the advantages, disadvantages and contractual implications of a franchise
- ❖ discuss/describe the advantages, disadvantages and contractual implications of outsourcing
- ❖ discuss/describe the advantages, disadvantages and contractual implications of leasing.



## Key concepts

- **Franchising:** a marketing concept whereby the franchisor licenses the use of its business model, its brand, know-how, procedures, intellectual property, and rights to sell its branded products and services to a franchisee. In return, the franchisee pays certain fees and agrees to comply with certain obligations.
- **Franchisee:** pays a fee to the franchisor for the right to use the trademark and proprietary knowledge.
- **Franchisor:** the person or company that owns the business model and related trademarks.
- **Leasing:** a contract outlining the terms under which one party agrees to rent goods or services owned by another party.



### Key concepts

- **Lessor:** someone who grants a lease to someone else. The lessor is the owner of an asset that is leased under an agreement to a lessee.
- **Lessee:** a person who rents property or land from a lessor. The lessee is also known as the “tenant” and must comply with specific obligations as defined in the lease agreement.
- **Outsourcing:** an agreement in which one company hires another company or person to supply services or goods that could be done internally by the company’s employees.
- **Profitable:** a business is profitable when it is making or likely to make a profit. Profits are measured in money earned beyond expenses, so profitable businesses or transactions make money.

## Introduction

In Topic 13 of Grade 10 we learned about the meaning of a business opportunity and looked at some examples. Remember that a business opportunity is a chance for a person to start a business so that they can generate an income. Entrepreneurship is the activity of setting up a business or businesses, taking on financial risks in the hope of making a profit. Entrepreneurs are people who constantly look at new business opportunities and take risks when starting new businesses. In this topic we will learn about why some entrepreneurs choose to buy an existing business instead of starting a new one.

## 7.1 Why entrepreneurs may decide to buy an existing business

When an entrepreneur wants to start a new business, he/she could consider various options. One option he/she has is purchasing an existing business.

For example, if an entrepreneur wants to open a motorcycle repair business, he/she may shop around to find out if there are any existing businesses that want to sell. The entrepreneur and the owner can then agree whether the business will be sold with all its assets – which includes stock and goodwill – and agree on a price for the business. The entrepreneur will then take ownership and continue to run the business on a mutually agreed time and date.



**? Did you know**

The disadvantage of buying an existing business is that the seller might have hidden some important issues, such as supply chain issues, crime in the area, or a bad customer service.

**Reasons for buying an existing business**

Established business	An established business should not take up too much time to set up as all requirements needed to run the business is already in place.
Established customer base	An established business should have an existing customer base.
Established name and reputation	When an entrepreneur buys an existing business, it may come with goodwill from an established good reputation on the market. People are creatures of habit – if they have shopped at the same hardware store for several years, they will likely continue to shop there – even when a new owner takes over. It is a good idea to state that the transfer of ownership includes the company's phone number, website and registered name.
Known market	The market research has already been done for an existing business, so the new owner can use that information to form any future plans.
Mentorship	Starting a business can be overwhelming. If you purchase an existing business, the owner may often be willing to stay on for an agreed amount of time to mentor and guide the incoming owner.
Cash flow	An existing business already has customers and continued cash flow. By comparison, a start-up can take a long time to attract new customers and become cash positive. Buying an existing business can offer greater security over working capital and help the new owner to improve cash flow sooner.
Financing	Many existing companies have three or more years of profitable financials that makes it easier to secure financing either from a traditional bank, government organisation, or venture capitalist.
Current staff	Only one in ten start-ups make it past the second year and many businesses fail during growth as the business tries to hire more staff. Having trained staff in place can ensure a smooth transfer and contribute to the success of the business.
Market position	When an entrepreneur buys an existing business, it can increase its market position. Similarly, it can increase its customer base, market share, and resources.

### Activity 7.1

#### Enrichment activity

Work on your own

**1.1** In the book, *The E-Myth*, the author Michael Gerber states that 40% of new businesses fail in the first year and about 80% percent fail within five years.

**1.1.1** Research a few more articles on the topic "why new businesses fail".

**1.1.2** Compile a short report to share with your class on this topic.

**1.2** Complete the mind map on the reasons for buying an existing business.



## 7.2 The meaning, advantages, disadvantages and contractual implications of franchising, outsourcing and leasing

In the previous unit, we explored why it may sometimes be easier for an entrepreneur to buy an existing business than to start a new one. If an entrepreneur has enough investment capital available, he/she could consider buying a business using one of the following options:

- franchising
- outsourcing
- leasing.

Let's look at the meaning, advantages, disadvantages and contractual implications for each one.



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## A New words

**franchisor** the person or company that owns the business model and related trademarks

## Franchising

Franchising is a licence to use the name, idea, and processes of an existing business in a specific geographic area. A franchise is an agreement between a franchisor and a franchisee. According to a franchise agreement, the franchisee obtains the right from the **franchisor** to use the name and trademark of the franchisor and to sell the franchisor's products.

A franchise serves as a marketing and distribution system for franchisors. Many restaurant chains in South Africa, such as Debonairs, KFC, Wimpy, Steers and McDonald's, are run as franchises.

## Advantages of franchising

- Forms of financing that are not available to the public are often available to franchisees.
- Purchasing a franchise could be cheaper than starting your own business.
- A business is based on a proven idea and the product and service are tried and tested.
- Reduced long-term financial risk.
- Management advice is often provided so it is not necessary to be a business expert. Franchises often offer entrepreneurial help.
- Established suppliers give bulk discounts as they form part of a larger group.
- Businesses are able to use a recognised brand name and registered trademark.
- The systems, operations and services are well established.
- Franchise agreements dictate how you run the business, so there may be little room for creativity.
- There are usually restrictions on where you operate, the products you sell and the suppliers you use.
- Franchises often have an established reputation and image, proven management and work practices, access to national advertising and ongoing support.
- Franchises offer the independence of a small business ownership supported by the benefits of a big business network.
- You do not necessarily need business experience to run a franchise. Franchisors usually provide the training you need to operate their business model.
- Franchises have a higher rate of success than start-up businesses.
- The marketing and advertising costs can be shared, so they are lower than for a non-franchised business.
- There is often access to group support from other franchisees and a network of communication and legal advice.
- An operational franchise is an established business so there is less financial risk.
- Franchisees and their staff receive training and support from the franchisor.
- Banks will more likely grant financial assistance to an established business.
- The product is already well known in the market, which guarantees sales and good return.
- Franchisees benefit from lower costs due to centralised buying by the franchisor.



## Disadvantages of franchising

- Acquiring a franchise can be an expensive initial layout.
- It is sometimes difficult to sell a franchise and or to terminate the contract.
- The high initial franchise cost can make it difficult to buy into the franchise agreement.
- There are often restrictions in the agreement in terms of how you can run the business.
- Some creative entrepreneurs feel limited as to how much they can grow and expand their ideas.
- The brand could get a bad reputation through other franchisees.
- A large portion of profit is paid in royalties and often the franchisors do not deliver on their promises.
- It is often difficult to sell a franchise or end a contract.
- Franchisees have to pay **royalties** or a share of the profit to franchisors.
- The start-up cost could be quite high.
- Too many outlets may flood a specific area.
- Running a franchise restricts creativity because all outlets need to carry the same branding.
- One poor-performing outlet may risk the reputation of the entire franchise.

### A New words

**royalties** payments made to the owner or the creator of an asset for its use. An example of royalties is the ongoing fee that a franchisee pays to a franchisor

## Contractual implications of franchising

The following conditions should be included in the franchise agreement:

- policies that govern the product and services
- royalties and the dates of payment
- the form of ownership that the franchise will use
- operation specifications like marketing strategy and pricing
- a termination clause that details the circumstances under which the parties may end the legal relationship.

### Activity 7.2

Read the scenario below and answer the questions that follow:

#### THE FISH & CHIPS CO.

The Fish & Chips Co. franchise is one of the fastest-growing and most popular fast-food businesses. Over the years, The Fish & Chips Co. has built a reputation for serving generous portions of fish and fresh-cut chips at affordable prices.



## Activity 7.2

cont.

The Fish & Chips Co. franchise offers one of the lowest set-up costs in its market as well as low fixed royalties and quick return on investment.

The franchisor will sign a franchise agreement that will stipulate the policies that govern the product and services. The agreement will also stipulate the royalties payable and the dates of payment. The franchise agreement will also list the operation specifications like marketing strategy and pricing.

- 1.1 Quote THREE contractual implications of franchising from the scenario above. (3)
- 1.2 Explain other TWO contractual implication of franchising. (4)
- 1.3 Elaborate on the meaning of franchising. (4)
- 1.4 Advise the Fish & Chips Co. on the impact of franchising as an avenue of acquiring a business. (8)

## Outsourcing

Outsourcing is the business practice of hiring a party outside a company to perform services that were traditionally performed in-house by the company's staff.

Companies use outsourcing to cut labour costs, and to reduce overhead expenses such as expenses for equipment and technology.

Businesses who wish to scale down and focus on the core aspects of the business, outsource the less critical operations to outside organisations.



Compensation structures of businesses and their employees, and businesses and companies they have outsourced some roles to, are usually different. This enables businesses to have work done for less money and to lower its labour costs.

## Advantages of outsourcing

- Will provide continuity during periods of high staff turnover.
- Allows businesses to focus on important business activities.
- Operations, where costs are running out of control, can benefit from outsourcing.
- Staffing flexibility is possible because the business can make use of seasonal **cyclical demands**, for example, when there are only certain times when extra labour is needed.
- On-site outsourcing will bring people with a certain skill set into the company, and existing employees can collaborate with them to gain new skills.
- A company is able to reduce costs as outsourcing can lead to a decrease in staff, remuneration, control and operating costs.
- The business can focus on its vision, goals and to apply its staff more effectively in its core business.

### A New words

**cyclical demand** the demand that changes in a regular way over time depending on the economic situation and the season

- Improved access to skilled people as the outsourced work will be done by highly skilled people, without the company having to employ them.
- A business has access to resources and equipment for a specific function.
- Fixed cost and overhead costs are lower for the business.

### Disadvantages of outsourcing

- The loss of management control over the task may affect the staff and can lead to frustration.
- There may be a lack of personal care and quality as the business is not personally involved in the execution of the function.
- There are often hidden costs in outsourcing.
- The business relies on the outsourced company to produce the goods and services and non-delivery by a supplier can lead to the loss of unsatisfied staff or customers, financial loss and frustration.
- Confidential issues could be at risk if the information is given to another company that performs the function that is outsourced.
- Control of the outsourced products can be more complex.
- The outsourcing company will dictate the terms of the contract, which could put you at a disadvantage – if you are in desperate need – when negotiations start.
- It could be risky to share information about payroll, medical records, or any other confidential information with the outsourcing company.
- An outsourcing company could go bankrupt, and this can seriously affect the business.
- If only part of the business operations are outsourced, current staff might feel threatened and staff morale may suffer.

### Contractual implications of outsourcing

There are several responsibilities and contractual implications relating to outsourcing agreements. It is the responsibility of the outsourcing business to pay the outsourced provider the fee, which they agreed upon. In return, it is the responsibility of the outsourced provider to deliver the service, which was agreed upon. Some details that should be addressed in an outsourcing agreement are:

- the responsibilities and rights of both parties
- the length or duration of the contract
- a confidentiality clause to protect privileged information.

#### Activity 7.3

- 1.1 Elaborate on the meaning of outsourcing. (4)
- 1.2 Discuss the impact of outsourcing for a business. (8)



#### QR CODE

Outsourcing Explained



<https://www.youtube.com/watch?v=7qeehDLYa8g>

## A New words

**lessee** a person who rents property or land from a lessor. The lessee is also known as the tenant

**lessor** someone who grants a lease to someone else. The lessor is the owner of an asset that is leased under an agreement to a lessee

## Leasing

A lease is a contract outlining the terms under which one party agrees to rent goods, such as equipment and technology, owned by another party. It allows the user (**lessee**) to make use of an asset, and guarantees the property owner or landlord (the **lessor**) regular payments for a specified period in exchange.

## Advantages of leasing

- There is no large financial outlay as the cost is spread over a number of months or years.
- The lessor normally covers the maintenance or replaces any damaged parts or equipment.
- The assets can be returned to the lessor when it is no longer needed.
- There are tax advantages, as rental payments are calculated as operating costs and therefore tax-deductible. It makes budgeting, planning and administration practices easier and provides better control over cash flow.
- It is easy to lease a better or newer version of the product without the capital outlay.
- Leasing costs are tax-deductible.
- It is easier to find finance for a lease agreement than for the purchasing of an expensive asset.
- The asset is used only until it is no longer needed or until the end of the lease term.
- The lessor is usually an expert in the field.
- Maintenance is conducted regularly and should be written into the contract.
- Technicians are always on standby to offer advice and training.
- The reputation of the company that leases the asset is at stake, so it will make sure that the lessee receives the best after-sales service.

## Disadvantages of leasing

- The lessee does not automatically become the owner of the asset.
- No added tax advantages can be derived from leasing expenses.
- Lease payments are treated as expenses and not as payments towards an asset.
- When paying lease payments towards a property, the business cannot benefit from any appreciation in the value of the property.
- Lease expenses reduce the net income of a business.
- It might be difficult for a business to raise or access further loans because leasing is treated as debt.
- A lease agreement is a complex process and requires thorough documentation and proper examination of an asset being leased.
- The lessee normally remains responsible for the maintenance and proper operation of the asset being leased.
- The lessee is bound by a contract.

## Contractual implications of leasing

There are several responsibilities and contractual implications relating to lease agreements. The main responsibilities and contractual rights of the lessee are:

- the right to occupy an asset, for example, a property
- the right to use the asset, for example, a delivery van
- the responsibility to keep the asset in good order or condition
- the responsibility of paying fees or rent on time

- not making any alterations or changes without the consent of the lessor
- where an asset needs to be insured, the lease agreement must stipulate it.

### Mind map: Topic 7 – Avenues of acquiring businesses

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.



#### QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

### Consolidation

#### Question 1 Short answer question

1.1 Read the scenario below and answer the questions that follow.

##### MAZELLA PROPERTIES (MP)

MAZELLA PROPERTIES (MP) owns properties around the country. Businesses contract with MP and pay them every month for the use of a property for a specified period of time.

- 1.1.1 Identify the business avenue used by MP. Motivate your answer by quoting from the scenario. (3)
- 1.1.2 Explain the advantages of the business avenue identified in QUESTION 1.1.1. (6)

1.2 Discuss the disadvantages of outsourcing as a business avenue. (6)

#### Question 2 Essay type question

Entrepreneurs who establish their own businesses sometimes fail to sustain these businesses. Some entrepreneurs prefer to purchase an existing business where they also sign contracts depending on the type of business avenue they prefer buying. Franchising and leasing are other opportunities available for entrepreneurs to consider. Prospective business owners should also be aware of the contractual implications of each business avenue.

Write an essay on the avenues of acquiring businesses in which you discuss the following aspects:

- Outline the advantages of franchising.
  - Explain FOUR reasons for purchasing an existing business.
  - Discuss the disadvantages of leasing.
  - Advise businesses on the contractual implications of leasing.
- (40)

#### Question 3 Enrichment activity

- 3.1 Conduct research on the viability and benefits of franchising, outsourcing and leasing.
- 3.2 Compile a short report on your research to share with your class.

## Case study

MARKS: 50

TIME: 2 HOURS

### INSTRUCTIONS AND INFORMATION

This paper consists of 2 pages

### INSTRUCTIONS TO THE LEARNER AND EDUCATOR:

- a) This assessment task must be completed during class time under **controlled conditions** within the given time indicated.
- b) Learners **may not** take this assessment task home to complete.
- c) Learners may use their textbooks and/or notes during the completion of this assessment task.
- d) Write only with a blue or black pen.
- e) Your writing should be neat and **LEGIBLE**.
- f) Ensure that the school name, learner name, grade, subject, type of assessment and date appear on the cover page of your assessment task.
- g) Be sure to answer all the questions on this assessment task.

#### 1.1 Read the case study below and answer the questions that follow:

Trendy Trading Manufacturers produces quality products. TTM has recently taken over Ostrich Leather Suppliers to enhance the production of high-quality products and renamed the business as Trendy Ostrich Manufacturers. Since TTM's takeover of OLS, the factory managers do not know how to train their employees on their new operations. The employees of TTM decided to report this matter to their trade union. Some employees decided not to perform their tasks without supervision.

The management of Trendy Ostrich Manufacturers designed strategic responses to their challenges by analysing all information and identified stakeholders involved. They also recorded information so that it is easily retrieved and used effectively. Trendy Ostrich Manufacturers lobbies to a supervisory body in order to influence prices and policies.

Tom, the factory manager at TTM requested Jane, one of his subordinates to have an intimate relationship with her, in return for a promotion. Some of TTM's employees cannot afford to support their families as they earn low salaries. While others cannot read and write. Trendy Ostrich Manufacturers wants to convert their business into a public company.

*MM Momberg 10 July 2021*

- 1.1.1** Identify TWO challenges of the micro environment experienced by Trendy Ostrich Manufacturers. Motivate your answer by quoting from the case study above.  
Use the table below as a GUIDE to answer QUESTION 1.1.1

CHALLENGES OF THE MICRO ENVIRONMENT	MOTIVATIONS
(a)	
(b)	

(6)

- 1.1.2** Explain how Trendy Ostrich Manufacturers can deal with the challenges identified in Question 1.1.1.  
Use the table below as a GUIDE to answer QUESTION 1.1.2

CHALLENGES OF THE MICRO ENVIRONMENT	RECOMMENDATIONS
(a)	
(b)	

(4)



**1.2** Discuss the role of trade unions. (6)

**1.3** Identify TWO ways in which Trendy Ostrich Manufacturers adapted to challenges of the business environment from the case study above.

Use the table below as a GUIDE to answer QUESTION 1.3

ADAPTING TO CHALLENGES OF THE BUSINESS ENVIRONMENT	MOTIVATIONS
(a)	
(b)	

(6)

**1.4** Discuss any TWO types of lobbying. (6)

**1.5** Name the type of ethical misconduct committed by Tom. (2)

**1.6** Discuss the negative impact of the type of ethical misconduct identified in QUESTION 1.5. (6)

**1.7** Identify TWO socio-economic issues affecting Trendy Ostrich Manufacturers. Motivate your answer by quoting from the case study above.

Use the table below as a GUIDE to answer QUESTION 1.7

SOCIO ECONOMIC ISSUES	MOTIVATIONS
(a)	
(b)	

(6)

**1.8** Advise the management of Trendy Ostrich Manufacturers on any FOUR characteristics of a public company. (8)

**[TOTAL = 50 MARKS]**

# Controlled Test

MARKS: 100

TIME: 1,5 HOURS

## Instructions and information

This paper consists of 5 pages

Read the following instructions carefully before answering the questions.

1. This question paper consists of THREE sections and covers TWO main topics.

SECTION A: COMPULSORY

SECTION B: Consists of THREE questions.

Answer any TWO of the three questions in this section.

SECTION C: Consists of TWO questions.

Answer any ONE of the two questions in this section.

2. Read the instructions for each question carefully and take note of what is required.
3. Number the answers according to the numbering system used in this question paper. No marks will be awarded for answers that are numbered incorrectly.
4. Except where other instructions are given, answers must be written in full sentences.
5. Use the mark allocation and nature of each question to determine the length and depth of an answer.
6. Use the table below as a guide for mark and time allocation when answering each question.

SECTION	QUESTION	MARKS	TIME
<b>A Objective-type questions COMPULSORY</b>	<b>1</b>	<b>20</b>	<b>20 minutes</b>
<b>B THREE direct/indirect type questions CHOICE (Answer any TWO.)</b>	<b>2</b>	<b>20</b>	
	<b>3</b>	<b>20</b>	
	<b>4</b>	<b>20</b>	<b>40 minutes</b>
<b>C TWO essay-type questions CHOICE (Answer any ONE.)</b>	<b>5</b>	<b>40</b>	<b>30 minutes</b>
	<b>6</b>	<b>40</b>	<b>30 minutes</b>
<b>TOTAL</b>		<b>100</b>	<b>90 minutes</b>

7. Begin the answer to EACH question on a NEW page, for example QUESTION 1 – new page, QUESTION 2 – new page, and so on.
8. You may use a non-programmable calculator.
9. Write neatly and legibly.

## SECTION A (COMPULSORY)

### QUESTION 1

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.5).

1.1.1 Industrial action is a challenge in the ... environment.

- A market
- B micro
- C macro
- D labour

- 1.1.2** Fikele's Beauty Salon operates in the ... sector.  
**A** micro  
**B** secondary  
**C** tertiary  
**D** primary
- 1.1.3** The majority of the shares in this form of ownership are owned by the government.  
**A** Papsi (Pty) Ltd  
**B** Ritsi SOC Ltd  
**C** Glass Ltd  
**D** Smith and Son
- 1.1.4** Seth's newly released architectural textbook cannot be copied without the author's permission. This is known as...  
**A** copyright  
**B** bootlegging  
**C** patent  
**D** counterfeiting
- 1.1.5** The aim of this form of ownership is to render a service not to make a profit.  
**A** Close Corporation  
**B** Non-profit Company  
**C** Cooperatives  
**D** Partnership (5 × 2) (10)

- 1.2.** Complete the following statements by using the word/s in the list below. Write only the word/s next to the question numbers (1.2.1 – 1.2.5).

<b>secondary</b>	<b>legalities</b>	<b>unlimited</b>	<b>acquisition</b>	<b>tax</b>	<b>capital</b>
<b>alliance</b>	<b>primary</b>	<b>copyright</b>	<b>patent</b>	<b>limited</b>	<b>royalties</b>

- 1.2.1** An ... takes place when a business is bought by another business.  
**1.2.2** Members of Bundi CC have ... liability for the debts of the business.  
**1.2.3** Property rights of Melco Ltd is protected through the payment of ...  
**1.2.4** The ... sector converts raw materials into new products.  
**1.2.5** Shareholders of companies do not pay ... in their personal capacity. (5 × 2) (10)

**TOTAL SECTION A**

**[20]**

## SECTION B

Answer ANY TWO questions in this section.

### QUESTION 2 BUSINESS ENVIRONMENTS

- 2.1** Name THREE components of the market environment. (3)  
**2.2** Read the scenario below and answer the questions that follow.

#### BAVI MANUFACTURERS (BM)

Bavi Manufacturers is known for producing quality products. The management of BM mentioned that the business is experiencing a decline in profit due to employees' high rate of absenteeism. Banks have increased the rate of interest making it difficult for BM to borrow loans. BM buys their raw materials from Van Wyk Suppliers who are late with their deliveries.

Use the table below as a GUIDE to answer QUESTIONS 2.2.1 to 2.2.3.

CHALLENGES 2.2.1	BUSINESS ENVIRONMENTS 2.2.2	EXTENT OF CONTROL 2.2.3
1.		
2.		
3.		

- 2.2.1** Quote THREE challenges for BM from the scenario above. (3)
- 2.2.2** Classify BM's challenges according to the THREE business environments. (3)
- 2.2.3** State the extent of control BM has over EACH business environment named in QUESTION 2.2.2. (3)
- 2.3** Explain the reasons why businesses lobby. (4)
- 2.4** Advise businesses on how strategic responses can be used to adapt to the challenges of business environments. (4)

**[20]**

### QUESTION 3 BUSINESS VENTURES

- 3.1** Name any THREE aspects that must be included in a prospectus. (3)
- 3.2** Outline the legal requirements of the name of a company. (4)
- 3.3** Read the scenario below and answer the questions that follow.

#### JASEM ATTORNEYS (JA)

Jane, Stacey and Emily are law graduates. They want to establish a law business where the members are jointly and severally liable for the debts of the business. The company will be named Jasem Attorneys.

- 3.3.1** Identify the form of ownership represented by JA. Motivate your answer by quoting from the scenario above. (3)
- 3.3.2** Explain the difference between the form of ownership identified in QUESTION 3.3.1 and the private company. (4)
- 3.4** Advise businesses on the characteristics of a partnership. (6)

**[20]**

### QUESTION 4 MISCELLANEOUS

#### BUSINESS ENVIRONMENTS

- 4.1** Define the meaning of trade unions. (2)
- 4.2** Identify the challenges of the macro environment affecting Jimmy Trading in each statement below:
- 4.2.1** Consumer spending has decreased due to salary cuts caused by the Covid-19 regulations. (2)
- 4.2.2** Customers are taking advantage of the Consumer Protection Act. (2)
- 4.3** Explain a function of a trade union. (2)

#### BUSINESS VENTURES

- 4.4** Identify the form of ownership represented in each statement below.
- 4.4.1** Melco Bakeries is personally responsible for all debts and losses of the business. (2)
- 4.4.2** Tido Limited raised additional capital by issuing a secondary offer to communities. (2)
- 4.5** Advise Tido Limited on the advantages of the form of ownership identified in QUESTION 4.4.2. (6)

**[20]**

#### TOTAL SECTION B

**[40]**

# SECTION C

## QUESTION 5 BUSINESS ENVIRONMENTS: Socio-economic issues

Socio-economic issues pose many challenges on businesses especially income and population growth and unavailability of natural resources. Ethical misconduct also poses challenges to businesses as they are committed by employees in the workplace. Businesses must find ways to deal with piracy as one of socio-economic issues.

Write an essay on socio-economic issues in which you include the following aspects:

- Elaborate on the meaning of socio-economic issues.
- Explain the negative impact of the following socio-economic issues
  - Income and population growth
  - Lack of skills
- Discuss THREE types of ethical misconduct.
- Advise businesses on the solutions to deal with piracy.

[40]

## QUESTION 6 BUSINESS VENTURES: Avenues acquiring a business

There are different avenues of acquiring a business that are available for new entrepreneurs. Some may decide to purchase an existing business. Others may prefer to lease business assets and equipment. Existing businesses prefer to outsource some services that are not frequently offered. Franchise businesses are an alternative to outsourcing if people want to own a business.

Write an essay on avenues acquiring a business in which you include the following aspects:

- Outline the reasons why entrepreneurs purchase existing businesses.
- Explain the advantages and disadvantages of leasing.
- Discuss the contractual implications of outsourcing.
- Advise businesses on the advantages of franchising.

[40]

TOTAL SECTION C

[40]

GRAND TOTAL

[100]

## TERM 2

## 8

## Creative thinking and problem solving



## TOPIC OVERVIEW

- Unit 8.1 Creative thinking to address business problems
- Unit 8.2 Problem-solving techniques
- Unit 8.3 Solutions to a business problem



## Learning objectives

At the end of this topic you should be able to:

- ❖ recap: define/elaborate on the meaning of creative thinking
- ❖ differentiate/distinguish between routine versus creative thinking
- ❖ differentiate/distinguish between conventional versus non-conventional solutions
- ❖ recap: recommend ways in which businesses can create an environment that stimulates creative thinking in the workplace
- ❖ explain the benefits/advantages of creative thinking in the workplace
- ❖ define/elaborate on the meaning of problem-solving
- ❖ recap: explain the meaning of a Delphi Technique and Force Field Analysis
- ❖ apply a Delphi Technique and Force Field Analysis from given scenarios/case studies
- ❖ explain the advantage of working with others to solve problems
- ❖ interview a business and find out about the following aspects:
  - ❖ creating solutions to solve business problems
  - ❖ assessing solutions against the reality of the business.



## Key concepts

- **Creative thinking:** the ability to think of original, diverse, or new ideas that can be applied to situations requiring solutions.
- **Routine thinking:** a series of steps of doing things in the same way.
- **Business practice:** any strategy or activity used by a business to manage and reach its operational objectives.
- **Problem-solving skills:** skills and abilities that individuals use to solve problems within a given time frame.





### Key concepts

- **Force Field Analysis:** a framework based on the assumption that there are forces for and against that influence a situation.
- **Generation of ideas:** a creative process that involves the thinking and development of new ideas.
- **Conventional solutions:** expected solutions in response to situations. For example, adding a restaurant to a wine farm that offers wine tasting.
- **Non-conventional solutions:** solutions obtained through using creative thinking.



### New words

**generation of ideas** a process when different creative skills such as brainstorming or mind mapping are applied to develop new ideas

## Introduction

In Grade 10 we learned about several problem-solving techniques, which can be used to generate solutions for business problems and improve business practice.

In Grade 11 the focus will be on the application of the Force Field Analysis and the Delphi Technique. These techniques can be applied to come up with solutions for business problems.

## 8.1 Creative thinking to address business problems

### Creative thinking

#### The meaning of creative thinking

Creative thinking is when people are able to think of new and original approaches and ideas to find solutions to challenges.

Creative thinking is being resourceful by applying artistic and clever ideas to create something original or new.



### QR CODE

Creative thinking and problem solving introduction



<https://m.youtube.com/watch?v=7pekU6Knu24>



### QR CODE

Creative Thinking: How to Increase the Dots to Connect



<https://www.youtube.com/watch?v=cYhgIlTy4yY>



## QR CODE

Routine thinking versus creative thinking



<https://www.youtube.com/watch?v=vqD3jpVas8g>



## New words

**innovative** an idea that has been turned into an everyday reality.

## Routine thinking versus creative thinking

### Routine thinking

- Is associated with a LEFT brain function where the focus is on logical thought and a methodical way of doing things.
- It is where consistent, normal thinking is applied to a specific situation.
- Doing things in the same way will lead to the same results because past decisions are used to solve current problems.
- No new ideas or thought patterns are generated.

### Creative thinking

- Is associated with a RIGHT brain function where new ideas are generated.
- The focus is on being creative, using one's imagination, insight, art, and music awareness to find solutions to unique challenges.
- This process is used to come up with new ideas to solve problems in a way that is unusual and different from how things had been done before.
- This results in exploring **innovative** ideas and different ways of doing things in order to obtain better results.

## Conventional solutions versus non-conventional solutions

### Conventional solutions

- These are solutions that are believed and followed by everyone.
- These solutions are what most people expect and they appear to be normal.
- They focus on being relevant to a situation.
- Usually, there is only one solution to each problem or challenge.

### Non-conventional solutions

- Non-conventional solutions are solutions that are not created as part of the norm, and which do not follow what is generally done or believed in.
- These solutions are creative and unique and are usually a result of creative thinking.
- They are often interrupted or changed by better ideas.
- Diverse solutions may be applied to problems or challenges.

## Ways in which businesses can create an environment that stimulates creative thinking in the workplace

- Businesses must emphasise the importance of creative thinking to ensure that all staff know that their ideas will be heard.
- Inspire staff to come up with new ideas.
- Plan regular workshops so that brainstorming sessions can be held to generate new ideas.
- Ensure that communication channels remain open by placing suggestion boxes around the workplace.
- Train staff members to think creatively, to solve problems, use mind mapping and lateral thinking.

- Encourage job exchanges within the organisation and other businesses to improve creativity in the workplace.
- Encourage alternative ways of working and doing things.
- Accommodate employees' ideas and try not to let anyone feel less important in the workplace.

## The advantages of creative thinking in the workplace

- Creative thinking will lead to improved participation of staff members, which will ensure the generation of new ideas.
- The business will have competitive advantage over other businesses because of the unique strategies that are introduced.
- Businesses will be able to solve complex problems.
- As management and employees introduce and create many ideas, saving time and money for the business, productivity will increase.
- Managers and employees will demonstrate more confidence as they perform their duties.
- Managers will be inspired to lead their teams more efficiently.
- Managers and employees will apply their knowledge in a **collaborative** manner when performing their duties.
- The morale among staff members will be improved.
- Leads to a more positive attitude as managers and employees feel that they have contributed towards problem-solving.
- Creative thinking will ensure that managers and employees stay abreast of the latest developments in technology.
- Managers and employees will be more creative as they are challenged to work outside of their comfort zones.
- Creativity may lead to new inventions, which will improve the general standard of living.
- Managers and employees will feel that they have contributed towards problem-solving.

### **A** New words

**collaborative** refers to how different people work together to complete a task

### **Activity 8.1**

- 1.1** Define the meaning of creative thinking. (2)
- 1.2** Outline the differences between creative thinking and routine thinking. (4)

- 2.1** Read the scenario below and answer the questions that follow:

#### **LEWIS DESIGNS (LD)**

The employees of Lewis Designs want to use creative thinking when designing their products. LD ensures that there is a high morale among their employees. They also encourage their staff to solve complex problems. Management does not know how to create an environment that would stimulate creative thinking.

- 2.1.1** Quote TWO advantages of creative thinking in the workplace from the scenario above. (2)
- 2.1.2** Explain other advantages of creative thinking in the workplace. (6)
- 2.1.3** Recommend ways in which businesses can create an environment that stimulates creative thinking in the workplace. (8)



## 8.2 Problem-solving techniques

Businesses use problem-solving as an instrument to determine if there are aspects within the business environment that needs to be changed. This is done so that there is better control over the business environment, and to ensure that if there is anything that needs to be corrected, the solutions are found and implemented as quickly as possible.

The Delphi Technique and Force Field Analysis are two techniques that can be used by businesses to solve complex business problems.



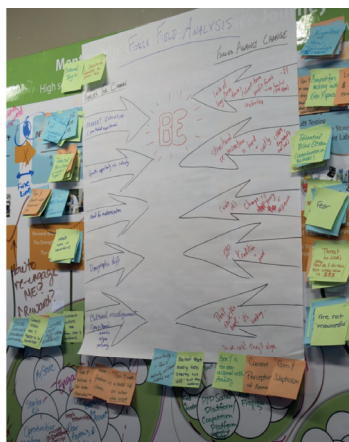
### Take note

This is a RECAP of the work we did in Grade 10: Explain the meaning of a Delphi Technique and Force Field analysis



### New words

**change management** is a process used by organisations to facilitate and implement change through internal and external processes



### New words

**experts** these are people that are very knowledgeable and skillful in a specific area

**questionnaires** refers to an instrument with a series of questions and answers used for research purposes

## The meaning of problem-solving

- Problem-solving is the process of studying a situation to find ways to bring about change.
- It involves collecting facts that include problem finding and problem shaping.
- Creative and logical skills need to be applied to find solutions to the identified problems.
- Alternative solutions should also be generated and evaluated in response to problems.
- Problems can be solved by an individual, a group, or a team member.

## Problem-solving techniques

### Delphi Technique

The Delphi Technique is used to solve new and complex problems. A panel of experts who never meet each other face-to-face, comes up with creative solutions to problems without having to sit through long, drawn-out group meetings.

### Force Field Analysis

Force Field Analysis is used for decision-making, especially when implementing **change management**. The analysis involves identifying the advantages and disadvantages of a decision for change.

## The application of the Delphi Technique and Force Field Analysis

### The application of the Delphi Technique

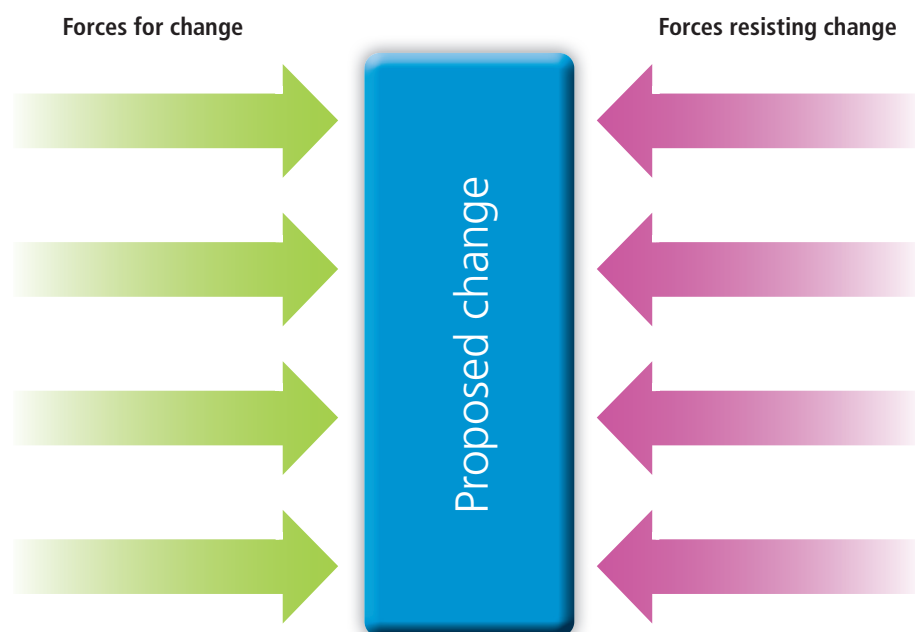
- Businesses should invite a panel of **experts** to study the complaints from customers.
- Experts do not have to be in the same place and will be contacted individually.
- A **questionnaire** consisting of questions on how to improve the quality of products or services must be designed and distributed to the panel members and experts.
- The panel should respond to the questionnaire individually to suggest improvements to the products and then return them to businesses.
- The responses from the experts must be summarised in a feedback report.

- The feedback report and a second set of questions or questionnaires based on the feedback report must be sent to the panel members.
- The panel members are requested to provide further input or ideas on how to improve the quality of products or services after they have studied the results and documentation.
- A third questionnaire based on previous feedback from the second round is distributed to panel members and experts.
- A final summary or feedback report with all the methods to improve the quality of products or services is prepared.
- After consensus has been reached, the best solution is chosen.



### The application of Force Field Analysis

- The current situation or problem and the desired situation or solution are described.
- Identify what is going to happen if there is no action taken.
- All the driving forces and restraining forces that will support and resist change must be listed.
- The key restraining forces and their strengths should be discussed.
- The key driving forces and their strengths should be discussed.
- A score is allocated to each force using a numerical scale, where 1 is weak and 5 is strong.
- The positives and negatives are evaluated before deciding if the project is viable.
- Choose the force with the highest score as the solution to the problem.
- The restraining forces should be analysed to determine the best way of moving forward with them.
- Identify priorities and develop an action plan.



#### Activity 8.2

1.1 Read the scenario below and answer the questions that follow:

##### MPHO CARPETS (MC)

Mpho Carpets wants to improve the quality of their carpets. They requested a panel of experts to complete questionnaires on how to improve the quality of their carpets.

- 1.1.1 Name the problem-solving technique used by MC. (2)
- 1.1.2 Advise businesses on how to apply the problem-solving technique identified in QUESTION 1.1.1 above. (6)



## Activity 8.2

Complete the word search activity below.

### WORD SEARCH ACTIVITY

N	S	J	I	E	N	Q	I	Z	F	G	G	P	G	V	K	L	S	R	E	N	B	C	J
Z	C	N	A	V	M	Q	C	W	O	U	P	J	R	X	O	A	Y	I	P	N	F	A	X
Q	N	E	O	D	T	K	I	D	Q	M	R	H	V	Q	A	A	W	N	S	G	H	U	O
L	R	F	P	I	P	F	H	X	H	V	T	G	T	N	Z	N	H	H	L	L	R	K	W
G	G	C	O	K	T	U	W	Y	P	L	C	C	N	B	M	M	O	X	L	O	B	D	U
K	R	D	A	R	W	U	H	S	F	V	B	H	V	H	U	R	Z	E	U	I	H	B	G
U	Z	P	Q	Y	C	R	L	Y	J	V	R	E	O	P	M	C	I	T	V	I	H	Y	M
C	W	X	A	N	K	E	F	O	Z	A	A	C	L	V	R	E	I	Y	T	E	X	L	O
I	S	B	P	C	Z	Y	F	N	S	D	B	S	B	E	V	N	W	I	D	Z	Y	V	K
E	Q	V	V	R	O	W	V	I	T	L	Q	Q	A	O	E	S	Y	V	I	Y	B	U	W
F	U	X	C	A	O	B	B	S	E	G	A	T	L	T	W	G	S	M	L	F	X	P	M
F	H	Q	N	U	Y	B	Y	W	R	L	I	N	H	K	N	G	G	S	H	Z	S	Y	I
M	O	F	I	E	G	Y	L	Y	V	V	D	I	O	M	B	H	V	F	A	D	S	T	A
P	M	F	S	N	F	V	I	E	E	K	N	A	Q	I	M	W	G	I	M	G	Q	F	N
N	A	G	D	P	H	H	G	T	M	K	L	S	N	V	T	E	V	J	X	D	W	J	K
W	K	F	U	Y	X	C	H	Q	I	S	D	W	Y	A	T	N	G	I	D	C	D	R	X
Q	V	W	H	I	G	I	E	N	N	W	O	P	X	Q	L	K	E	L	A	R	F	D	T
M	Y	X	E	R	N	Y	G	T	D	Y	T	L	M	G	O	Y	S	V	F	U	P	W	F
U	I	U	O	K	A	H	Z	F	I	D	Y	J	V	F	O	S	S	U	N	B	A	S	P
Y	V	T	I	E	Z	B	Q	E	C	H	E	I	X	I	T	C	N	I	F	O	L	X	S
Y	N	N	K	Q	D	P	T	Z	P	D	P	S	W	Z	N	N	P	G	S	M	C	C	U
Y	G	C	E	X	R	H	I	V	A	A	M	L	D	A	W	G	Y	S	L	B	D	Z	S
T	Q	Z	K	R	I	E	P	O	J	I	W	D	E	W	I	E	E	X	R	C	L	H	M
B	H	W	Y	U	A	J	R	H	D	X	F	B	J	D	M	R	Y	N	M	X	W	H	W

Force field Analysis

Delphi Technique

Problem solving

Conventional solutions

Routine thinking

Creative thinking

2.1 Circle the following words in the word block above.

(6)

2.2 Explain the meaning of the following terms:

Creative Thinking; Problem-Solving; Conventional Solutions; Delphi Technique; Force Field Analysis

(10)

## 8.3 Solutions to a business problem

In the business environment, employees need to work with each other collaboratively to be successful in finding solutions to business problems.

Employees working with one another to solve business problems build positive employee morale, which leads to buy-in when implementing the solutions.



### Advantages of working with others to solve problems

- There are different perspectives to be considered because it could be difficult to be creative and innovative on your own.
- Access to a broader base of skills, knowledge, and experiences helps if you can get the opinion of others on a matter.
- More ideas can be **triggered** from other employees' ideas which can help the problem-solving process.
- It facilitates learning from one another when colleagues are able to teach or explain things to one another, especially when working in groups.
- Working together is encouraged to produce greater results.
- The workload decreases because everyone shares the problem and their experiences.

#### A New words

**triggered** a response caused by a particular action, response or event when people work together

### Activity 8.3

Read the preamble below and answer the essay question that follows:

Businesses should allow their employees to think creatively and work with one another when solving business problems. The Delphi Technique and Force Field Analysis are problem-solving techniques that can be used by businesses.

Write an essay on creative thinking and problem-solving in which you include the following aspects:

- Elaborate on the meaning of creative thinking.
- Discuss the benefits of creative thinking in the workplace.
- Explain how businesses can apply the Delphi Technique and Force Field Analysis to solve problems within the business.
- Advise businesses on the advantages of working with others to solve problems. [40]

### Mind map: Topic 8 – Creative thinking and problem-solving

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.



### Take note

The mind map summarises all the content for this topic. It will help you to remember all the aspects of the work that you should study in detail. Be sure to study all the relevant content for each section.

Consolidation

QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A-D) next to the question number, for example, 1.1.6 D.

1.1.1 Solutions that are creative and unique and are not normal or expected are known as...

- A. conventional solutions
- B. routine thinking
- C. non-conventional solutions
- D. creative thinking

1.1.2 Creative thinking in the workplace means ... to solve business problems.

- A. using old ways
- B. generating innovative ideas
- C. using routine thinking
- D. allowing one employee

1.1.3 This problem-solving technique weighs up the driving and restraining forces that will support and resist change:

- A. Delphi Technique
- B. Brainstorming
- C. Force Field Analysis
- D. Forced combination

1.1.4 Kwela Solutions made use of the ... when an expert panel who never met face-to-face to find solutions to complex business problems was used.

- A. Problem-solving
- B. Delphi Technique
- C. Force Field analysis
- D. Creative thinking

1.1.5 The process of studying a situation and finding strategies in response to bring about change.

- A. Non-conventional solution
- B. Problem-solving
- C. Routine thinking
- D. Force Field Analysis

5 × 2 (10)

QUESTION 2

2.1 Outline the differences between conventional and non-conventional solutions.

(8)

2.2 Read the scenario below and answer the questions that follow:

**CARLO'S BAKERY (CB)**

The management of Carlo's Bakery is concerned about the decline in the sales of their cakes. CB encouraged their bakers to come up with new recipes for their cakes. They also came up with different ideas on how to bring their customers back. CB encouraged all their staff to work together to solve problems in the bakery.

## Consolidation

**2.2.1** Quote TWO ways in which Carlo's Bakery encouraged their staff to work together to solve problems in the bakery. (2)

**2.2.2** Explain the advantages of working with others to solve problems in the workplace. (6)

**2.3** Discuss the advantages of creative thinking in the workplace. (6)

## QUESTION 3

Read the preamble below and answer the essay question that follows:

Many businesses need to use creative thinking and problem-solving techniques such as the Force Field Analysis to respond to complaints from their customers. Some solutions require the use of routine thinking. Sometimes new and innovative solutions are required.

## Tip

This is an example of an essay question to show the different ways in which the content may be assessed

Write an essay on creative thinking in which you include the following aspects:

- Elaborate on the meaning of problem-solving.
- Differentiate between routine thinking and creative thinking.
- Explain the benefits of creative thinking in the workplace.
- Suggest ways in which businesses can apply the Force Field Analysis.

(40)



## QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## TERM 2

## 9

## Stress, crisis and change management



## TOPIC OVERVIEW

- Unit 9.1 Stress
- Unit 9.2 Crisis in the workplace
- Unit 9.3 Change management



## Learning objectives

**At the end of this topic you should be able to:**

- ❖ define/elaborate on the meaning of stress
- ❖ outline/state/explain the causes of stress in the business environment, for example, work overload, long working hours, time pressures and deadlines, or incompetent managers
- ❖ outline/explain/discuss the importance of stress management in the workplace
- ❖ ways in which employees can manage stress in the workplace
- ❖ define the term crisis and give typical examples of crisis in the workplace
- ❖ recommend/suggest ways businesses can deal with crisis in the workplace
- ❖ outline/mention internal/external causes of change
- ❖ elaborate on John P Kotter's 8 steps of leading change
- ❖ identify the causes of change from given scenarios or case studies
- ❖ discuss/explain/describe major changes that people and businesses deal with, for example, unemployment, retrenchment, globalisation and affirmative action
- ❖ suggest strategies businesses can use to deal with globalisation and affirmative action
- ❖ recommend ways businesses can deal with/manage change in the workplace.





### Key concepts

- **Stress:** defined as a state of mental or emotional strain or tension resulting from adverse or demanding circumstances.
- **Management of stress:** techniques or therapies used to help individuals cope with their stress in order to lead productive lives.
- **Crisis management:** the process that a business uses to deal with an emergency.
- **Change management:** the process that a business uses to deal with change and development within the business.
- **Business related crisis:** the processes that businesses use to manage unplanned situations that occur in its day-to-day operations.
- **Theories of change management:** concepts, theories, and methodologies that provide an in-depth approach to organisational change.

## Introduction

In Grade 10 we learned about self-management and focused on ways in which an individual can manage **stress** and adapt to change. In Grade 11 we will focus on how the business manages stress, crisis, and change in the workplace.

### A New words

**crisis management** the way in which an individual or organisation deals with an emergency event or situation

**stress** a state of mental or emotional strain or tension resulting from a situation or event

## 9.1 Stress

There are many factors over which managers and employees have little or no control in businesses today. These factors vary and differ in the way it affects employees. This often affects or compromises how employees feel and cope in the workplace. It may leave them feeling overwhelmed. Businesses should create an environment in which employees are able to find a balance between work and their daily lives, so that they can continue to be productive workers.

### The meaning of stress in the workplace

- Stress can be defined as a mental state or emotional strain or tension resulting from negative or demanding circumstances.
- The strain that an individual is placed under can affect their ability to remember information and can affect their attention span and overall efficiency in the workplace.
- Stress is the response of a person's body to anything that requires more action or work from an individual than normal.
- An employee is generally referred to as being stressed when they are not able to sufficiently balance the demands of getting work done versus the amount of work that they must do.
- An individual's physical and emotional response to stress may be **debilitating**, which could result in lower productivity levels at work.
- The strain that individuals experience to meet the daily demands of the business may cause them to be stressed and may cause high levels of absenteeism from work.
- Stress may also result in low self-esteem and **morale** for employees.

### A New words

**debilitating** something that is exhausting/draining/tiring

**morale** the confidence, enthusiasm, and discipline of a person or group at a particular time

## A New words

**deadlines** the latest time one has to submit completed work

## Causes of stress in the business environment

The main causes of stress in the workplace are the following:

- a heavy workload, unrealistic targets, and **deadlines** aggravated by time pressure
- working long hours without adequate breaks
- shift systems not properly designed and coordinated
- changes in job description, management or in technology
- working at home to complete tasks not done at the office
- staying abreast of the latest technology
- attending many meetings that take time and do not allow employees to complete their work tasks during working hours
- work demands that affect an employee's family and personal life
- inadequate training given to employees
- managers who are not competent and efficient
- job insecurity, bullying and harassment
- conflict with those in the business who have different beliefs and values
- the nature of interpersonal relationships with colleagues
- the frequency of work-related travel
- lack of accountability of employees and managers
- lack of participation in decision-making
- insufficient funds and vacant posts not filled
- unconducive working conditions
- a lack of power and influence
- lack of teamwork and conflict situations amongst employees.

## QR CODE

The Workplace Stress Solution



<https://www.youtube.com/watch?v=6OzKD1YWHRI>

## The importance of stress management in the workplace

- If stress is not managed effectively, it can result in absenteeism, poor performance of staff, conflict, grievances and complaints, amongst other things in the workplace.
- Stressed employees are more likely to miss work because they cannot cope, or because of serious health problems.
- Managing workplace stress will minimise absenteeism and maintain productivity in the workplace.
- Workers who suffer from stress often make poor decisions and errors of judgement in times of crisis, and this could result in unforeseen emergencies.
- Grievances or complaints that lead to staff turnover can be addressed if stress is well-managed.
- Conflict and interpersonal problems can be avoided if stress is managed at the workplace.
- Having stressed and tired employees serving the public may lead to poor service and unhappy customers and can be avoided through good stress management.
- Stressed employees are more likely to cling to the old ways of doing things by resisting change, but this can be managed through proper management of stress.
- Constant stress can cause many problems for a business since it can become an unhealthy working environment.
- Too much stress can become a barrier to success and lower the performance of employees.

## Ways employees manage stress in the workplace

Stress in the workplace is a common phenomenon – especially amongst employees. Even though they have no control over the stressors, employees need to realise that stress can be managed.



Few ways employees can manage stress in the workplace:

- Be aware of what they require in order to complete their daily tasks at work.
- Self-awareness will assist employees to minimise stress.
- Consult their work schedule to identify potential stressful situations and make changes to the schedule where possible.
- Ensure that effective time management strategies are practiced.
- Try to avoid conflict situations with co-workers.
- It is important to get enough sleep and rest to perform work tasks efficiently.
- Take regular breaks to relax and recharge.
- Follow a balanced lifestyle by eating healthily, exercising and participating in activities that promote relaxation.

### Activity 9.1

#### QUESTION 1

1.1 Read the scenario below and answer the questions that follow.

##### DUFF BAKERY (DB)

Una, an employee at Duff Bakery was tasked with baking three unique wedding cakes for an important client within three hours. She works two shifts a day without resting. The factory space also caught fire while the stoves were on.

- 1.1.1 Identify TWO causes of stress from the scenario. Motivate your answer by quoting from the scenario above.  
Use the table below as a guide to answer QUESTION 1.1.1

CAUSES OF STRESS	MOTIVATIONS
1.	
2.	

- 1.1.2 Elaborate on the meaning of stress in the workplace. (6)  
1.1.3 Explain the importance of managing stress in the workplace. (4)  
1.1.4 Recommend ways employees can manage stress in the workplace. (8)



#### QR CODE

10 Ways to managing stress at work



<https://www.youtube.com/watch?v=SL0lv10SIgc>

**A New words**

**contingency** a provision for a possible event or circumstance

## 9.2 Crisis in the workplace

Businesses and individuals all face different crisis or emergency situations daily. It is important to ensure that **contingency** and risk management plans are in place to cope with such situations. It is important that all employees are aware of these plans and know what to do in case of such emergencies or crises.

### The meaning of crisis

- A crisis is an unforeseen event that can cause major changes in an organisation.
- It refers to a sudden or potentially disastrous series of events that may occur.
- A crisis may be a time of intense difficulty, trouble or danger that the business may face.
- It may also be any situation that threatens people at home or at work.
- The crisis or unforeseen event can cause major changes in the business organisation.

### Examples of crises in the workplace

- Loss of property due to fire
- Theft of assets, equipment and stock
- Breakdown of machinery
- Power outages
- An accident
- Serious illnesses of employees without replacements
- Conflict amongst employees
- Supply shortages
- A sudden increase in production costs
- Unforeseen drop in revenue
- Lawsuits or legal action against the business
- Tight deadline
- Natural disasters, for example, earthquakes, floods, etc.

### Ways businesses deal with crises in the workplace

Businesses should respond appropriately and quickly to reduce the effects of the crisis.



They should consider doing the following:

- Assess and evaluate the nature of the crisis.
- When a crisis happens the affected department or persons should respond to the situation in a calm manner and determine what the nature and cause of the crisis is in order to plan an appropriate response.
- If necessary, seek advice from experts.
- Manage the seriousness of the situation by responding to the situation immediately.
- Ensure that accurate and correct information is provided when managing the situation or crisis.
- Provide training and support to staff members affected by the situation.
- Contain the situation as effectively as possible to minimise any potential damage to the business.
- Communicate with all stakeholders to ensure that they are properly briefed about the events, its impact and the actions that should be taken.
- The management team of the business should appoint a spokesperson to manage all the media briefings.
- Debriefing sessions should be arranged for all those directly involved in the crisis.
- Implement and evaluate the efficacy of the emergency plan during the crisis.
- If necessary, revise and amend the emergency plan after the crisis.

### Activity 9.2

**1.1** Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.5), for example, 1.1.6 D.

**1.1.1** The manager of Troy Supermarket has many tasks to do in a short space of time. This causes ...

- A. crisis.
- B. stress.
- C. change.
- D. change management.

**1.1.2** The fire that destroyed schools in the local area caused a ... for the department as many learners are at home.

- A. change
- B. stress
- C. natural event
- D. crisis

**1.1.3** Managing employee stress in the workplace means to ...

- A. not lead a balanced and healthy lifestyle.
- B. stay calm at the onset of a crisis.
- C. practice effective time management strategies.
- D. create conflict situations with co-workers.

**1.1.4** One of the causes of stress in the workplace is ...

- A. debriefing session.
- B. consulting experts.
- C. evaluating the emergency plan of the business.
- D. job insecurity.

**1.1.5** One way in which a business may respond to a crisis in the workplace is by ...

- A. avoiding conflict with co-workers.
- B. consulting work schedule.
- C. managing a situation immediately in a calm manner.
- D. getting enough sleep and rest.

**A New words**

**change management** refers to models or concepts to assist organisations with change processes

## 9.3 Change management

Change is a process that takes people, employees and organisations from the present to a desired future through **change management** processes. It is referred to as a new way of getting things done. In order to stay abreast of the latest trends to meet customer requirements and remain competitive internationally, businesses need to continuously improve their technological advances. Therefore, change within the business environment is inevitable.

### Internal and external causes of change

#### Internal causes of change

Internal changes are changes that can influence the internal business or organisation environment. These changes are:

- new business objectives or goals
- high employee turnover where many employees must join the business
- new policies and procedures implemented in the business
- new management
- restructuring
- retrenchment
- new equipment.

#### External causes of change

External changes cannot be controlled by the business. These changes influence the way in which the business operates. Such changes are:

- political factors, for example, changes in government policy and international relations
- social factors, for example, poverty/unemployment/HIV/AIDS, and so on.
- legal factors, for example, the passing of new laws
- economic factors, for example, an increase in the interest rate
- technological factors, for example, advances in production techniques and the information and communication technology (ICT) revolution
- market factors, for example, new firms entering the market and introducing new products.

### John P Kotter's eight steps of leading change

The intention of the model developed by John P Kotter is to assist businesses and their staff to manage and deal with the change process of a business or organisation.

The steps are outlined below:

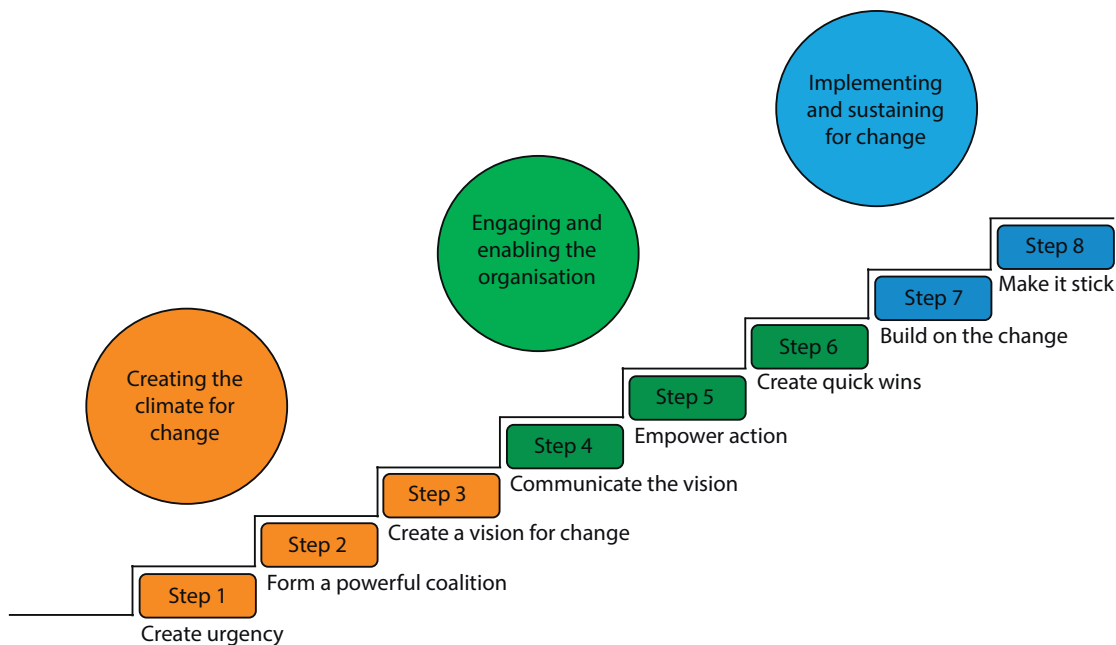
1. Establish a sense of urgency by motivating employees.
2. Form a powerful coalition by bringing together a team of influential people who will convince everyone else that change is needed.
3. Develop a vision and a strategy to decide what values are central to the required change in the business or organisation.



4. Communicate the vision frequently and demonstrate the kind of behaviour that they want from their employees.
5. Empower broad based action by identifying employees who are resisting change and help them see the need for change.
6. Generate a short-term victory and make sure their businesses taste success early in the change management process.
7. Build on change by analysing what went right and what needs to be improved after each winning situation.
8. Anchor the changes in corporate culture and this must become part of the core mechanism of their business.

### Enrichment

The Kotter's 8 Step Change Model is one of the models that businesses can use when they embark on a change management process in their organisations.



## Major changes that businesses and people deal with

### Unemployment

- This occurs when employees lose their jobs due to resignation for a better position, being fired, or choosing to stop working.
- Changes that take place in the business may lead to unemployment due to retrenchment or when businesses close down.
- Many people who are unemployed struggle to cope and this may lead to illness and depression.

### Retrenchment

- Retrenchment occurs when a business reduces the number of workers in the business or organisation to reduce the cost of the salaries and wages bill.

- Essentially this is a process that is used by the employer to evaluate the business' needs in order to increase profits whilst reducing its employees.
- Restructuring and economic changes may lead to many people being retrenched from their jobs.

## Globalisation

- Due to the narrowing of global markets, businesses can trade in different countries.
- This requires flexibility in order to adapt to changes brought about by globalisation.
- With improved ongoing technological processes, new technology must be combined and used to make processes more efficient.
- The business should ensure that their product or service is of a high standard and quality, which will result in competition amongst businesses.

## Affirmative Action

- It is a legal requirement for businesses to ensure that they offer equal opportunities to people from previously disadvantaged or designated groups in the workplace.
- The aim of the policy is to ensure representation of women, people with disabilities and black South Africans affected in business.
- This may lead to resentment towards persons appointed according to this policy.

## Strategies businesses use to deal with globalisation and affirmative action

### Globalisation

- Businesses should be attentive of changes and trends in their related industry.
- They should stay up-to-date with new technology, processes and developments to ensure that they have a competitive edge.
- Overseas markets for the businesses' products should be explored.
- Businesses should ensure that their products meet international standards of quality.
- Products that are made available to different markets should be useful, eye-catching and unique.
- Source overseas manufacturers/materials/suppliers etc, to ensure the business stays competitive.
- Build a strategy for connecting with governments around the world.
- Comply with international trade laws to make it easy to trade internationally.
- Upgrade the enterprise's information technology (IT) network to enable online purchasing.



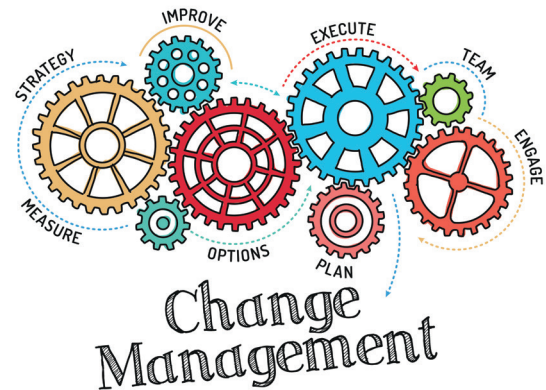
### Affirmative Action

- Businesses should ensure that they are compliant with affirmative action procedures and that all employees are aware that these are being implemented within the business.
- Employees should research new ideas and opportunities to keep track of the latest trends and to improve their workplace practices.

- All staff should work together and practice mindfulness about their job.
- Skill levels should be improved so that eligible staff can apply for future positions and promotion within the business.
- Differences amongst staff members should be acknowledged and respected, and emphasis should be placed on achieving the goals and objectives of the business.
- Self-employment opportunities should be explored.

## Ways businesses can manage change in the workplace

- Businesses should recognise the differences that manifest when change processes are started and set out to achieve the goals and/or objectives of the process for change.
- Businesses should recognise that change creates stress and disequilibrium for employees.
- It is important for businesses to capacitate the employees with stress and change management solutions to cope with different situations.
- Employers should engage employees in the process of change to build trust.
- By consulting and communicating with employees, management shows that they are transparent and are keeping all staff informed of the expected changes.
- Management should adhere to the plan and not move away from it.
- All employees should be participative in the transformation process.
- Change can be implemented easily if employees have good interpersonal relationships demonstrating trust, respect and support for each other.
- To ensure that employees have a competitive advantage for promotion purposes, they should practice lifelong learning to ensure that they have the expected skills and knowledge base.



### QR CODE

Change in the Workplace  
(Overcoming Resistance to  
Organizational Change)



<https://www.youtube.com/watch?v=ibNMeXQwZp0>

### Activity 9.3

#### QUESTION 1

Read the preamble below and answer the essay question that follows:

Successful businesses identify the causes of stress in the business environment. They are also aware that managing stress can maintain productivity in the workplace. Therefore, employees must be encouraged to find ways to manage their own stress levels daily. Businesses must be knowledgeable on how to avoid and deal with crises in the workplace.

Write an essay on stress and crisis in which you include the following aspects:

- Outline the causes of stress in the business environment.
- Explain the importance of stress management in the workplace.
- Discuss ways in which employees can manage stress in the workplace.
- Recommend ways in which businesses can deal with crises in the workplace. [40]

### Mind map: Topic 9 – Stress, crisis and change management

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.

The mind map summarizes all the content for this section that has been addressed. This mind map will help you to remember all the aspects of the work that you should study in detail. Be sure to study all the relevant content for each section.



## Consolidation

## QUESTION 1

- 1.1 State any THREE causes of stress in the business environment. (3)
- 1.2 Outline the importance of stress management in the workplace. (6)
- 1.3 Read the scenario below and answer the questions that follow:

**Daimo Clothing (DC)**

Daimo Clothing (DC) manufactures different types of clothing. DC has specific due dates to deliver sports clothing for a sports team. One of their machines unexpectedly stopped working. The area in which DC is situated has electricity challenges. DC employees do not want to work as a team.

- 1.3.1 Identify THREE examples of crises from the scenario. Motivate your answer by quoting from the scenario above. Use the table below as a guide to answer QUESTION 1.3.1 (9)

EXAMPLES OF CRISES	MOTIVATIONS
1.	
2.	
3.	

- 1.3.2 Advise DC on ways to deal with crises in the workplace. (6)
- 1.4 Explain the following major changes that people, and businesses deal with: (4)
- 1.4.1 Retrenchment (4)
- 1.4.2 Affirmative action. (4)
- 1.5 Suggest strategies that businesses can use to deal with globalisation. (6)

## QUESTION 2

Read the preamble below and answer the essay question that follows:

The changing business environments in which businesses operate are increasingly stressful. Businesses can experience unexpected crises and they need to find ways to deal with these emergencies.

Write an essay on stress, crisis and change management in which you include the following aspects:

- Elaborate on the meaning of stress and crisis.
- Explain the importance of stress management in the workplace.
- Discuss FOUR major changes that businesses and people can deal with.
- Recommend ways businesses can deal with crises in the workplace. (40)

**Take note**

This is an example of an essay question to show the different ways in which the content may be assessed.

**QR CODE**

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## TERM 2

## 10

## The marketing function



## TOPIC OVERVIEW

- Unit 10.1 Marketing
- Unit 10.2 The product development policy
- Unit 10.3 The pricing policy
- Unit 10.4 The distribution policy
- Unit 10.5 The communication policy
- Unit 10.6 Marketing in the informal sector
- Unit 10.7 Electronic marketing
- Unit 10.8 Foreign marketing



## Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ define/elaborate on the meaning of marketing
- ❖ explain the role of the marketing function
- ❖ outline/state/discuss/explain the following marketing activities: standardisation and grading; storage; transport; financing; risk-bearing; and buying and selling
- ❖ identify the above-mentioned marketing activities from given scenarios/case studies/statements
- ❖ outline/mention/explain/discuss the product policy with specific reference to types of products, product development, trademarks, and packaging
- ❖ outline/mention/discuss categories of consumer goods/products
- ❖ explain/discuss the importance of product development
- ❖ outline/mention/discuss/explain the steps/stages of product design
- ❖ mention/explain/discuss the purpose of packaging
- ❖ outline/mention/discuss/describe/classify types/kinds of packaging
- ❖ elaborate on the meaning of trademarks
- ❖ discuss/explain/describe the importance of trademarks to businesses and consumers
- ❖ outline/mention/explain the requirements of a good trademark
- ❖ elaborate/explain the meaning of price
- ❖ discuss/explain the importance of pricing





## Learning objectives

- ❖ outline/mention/explain/discuss the following pricing techniques, for example, cost-based/orientated pricing; mark-up pricing; customer/target-based pricing; competition based/orientation pricing; promotional pricing; penetration pricing; psychological pricing; bait pricing; and skimming prices
- ❖ identify the above-mentioned pricing techniques from given scenarios/statements
- ❖ outline/explain/discuss factors that influence pricing
- ❖ identify these factors from given scenarios/statements
- ❖ define/explain the meaning of distribution
- ❖ outline/discuss/explain the channels of distribution
- ❖ differentiate/distinguish between the direct and indirect channel of distribution
- ❖ explain the meaning of intermediaries
- ❖ outline different types of intermediaries
- ❖ explain the role of intermediaries in the distribution process
- ❖ draw the channel of distribution
- ❖ briefly explain the reasons why manufacturers may prefer to use direct or indirect distribution methods
- ❖ define/explain the meaning of a marketing communication policy
- ❖ outline/mention/explain/discuss/describe the following components of the marketing communication policy: sales promotion; advertising; publicity; and personal selling
- ❖ explain the purpose of sales promotion and give practical examples
- ❖ explain the purpose of advertising and give examples of advertising media
- ❖ elaborate on the meaning of publicity
- ❖ explain the role of public relations in publicity
- ❖ give examples of publicity, for example, press releases to the media
- ❖ explain the meaning of personal selling
- ❖ discuss the effectiveness of personal selling in promoting a business product.



## Key concepts

- **Marketing:** activities a company undertakes to promote the buying or selling of a product or service.
- **Product policy:** the first component of the marketing mix. It explains how a business is going to develop a new product design and package.
- **Distribution:** how the business gets its product to its customers.
- **Marketing communication:** involves how the product or service is communicated to the target market.
- **Technology for marketing:** has changed the way businesses convey their messages to potential customers. Internet advertising and social media advertising increased the ability to promote products nationally and internationally at relatively low costs.
- **Foreign marketing:** imports and exports have increased recently which increased the scope of potential buyers for businesses to include international buyers. Businesses must put in place processes and systems to align with international regulations to market their products to foreign buyers.



### Key concepts

- **Brand name:** a name given by a producer to a product.
- **Target market:** a particular group of consumers at which a product or service is aimed at.
- **Pricing policy:** refers to how a business sets the prices of its products based on cost, demand, and competition.
- **Costs:** an amount that must be paid or spent to buy or obtain something.
- **Mark-up:** the amount added to the cost price of goods to cover overheads and profit.
- **Substitutes:** a person or an object acting in place of another.
- **Websites:** a set of related web pages located under a single domain name.
- **Profit margin:** the portion of the selling price that is not allocated to input costs/overheads and contributes to the gross profit margin of the business.
- **Penetration:** the selling of a company's products in a particular market or area.
- **Bait:** sales tactic that lures customers in with specific claims about quality or low prices.
- **Skimming:** a firm charges the highest initial price that customers will pay and then lowers it over time.
- **Monopolistic:** in monopolistic competition, a firm takes the prices charged by its rivals.
- **Oligopoly:** a state of limited competition in which a market is shared by a small number of producers or sellers.
- **Monopoly:** a market structure characterised by a single seller, selling a unique product in the market.

## Introduction

The marketing function was taught in grade 10 as one of the eight business functions within an organisation. In grade 11, a detailed analysis of marketing in terms of the four components of the marketing mix, which are product, price, distribution and communication will be done.

Businesses use marketing campaigns to promote their products and to influence consumer behaviour. Businesses must also understand the dynamics of marketing, which will assist them to gain market share and attract loyal customers who will buy their products and services.

## Unit 10.1 Marketing

### The meaning of marketing

Marketing refers to activities a company undertakes to promote the buying or selling of a product or service. Marketing includes advertising, selling, and delivering products to consumers or other businesses. At its core, marketing seeks to take a product or service, identify its ideal customers, and draw the customers' attention to the product or service available.

*[Source: <https://www.investopedia.com/terms/m/marketing.asp>; Date accessed; 30 April 2021; Author: Alexandra Twin]*

## The role of the marketing function

In order for a business to achieve its goal of adding value to the investors' investment, an important function of a business is to locate customers and to retain their loyalty. The marketing function assists businesses to achieve this goal. It creates value for businesses by connecting potential customers with the products/services of the organisation.

Here are the roles of the marketing function:

- Identify the needs of customers and determine the value they place on getting those needs satisfied.
- Share information gathered from customers with the production function to ensure that the products/services offered meet the customers' expectations.
- Promote the products/services that the business offers to potential clients/customers.
- Provide feedback from customers about the business' products/services and identify areas of improvement.
- Shape the experience customers have after the products/services are delivered to them.



## Marketing activities

Marketing activities refer to processes that a business implements to increase their market share and to enhance their brand and image. Marketing activities play an important role in the success of businesses. Efficient marketing activities ensure that the brand and the image of the business remains in the customer's thoughts.



### Tip

You should be able to Identify marketing activities from given scenarios/case studies/statements.

## Did you know

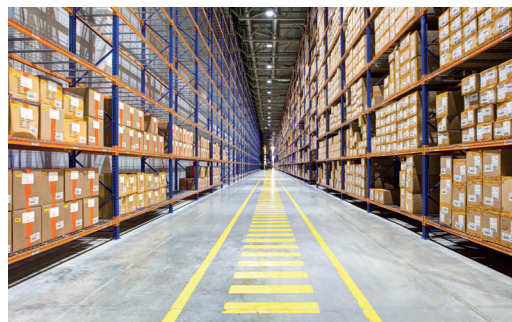
Grading is done for services as well. The Tourism Grading Council of South Africa (TGCSA) evaluates accommodation establishments, and grade them with 1 to 5 stars – dependent on the type of accommodation and the level of comfort and quality offered.

## Standardisation and grading

- Standardisation refers to the process of ensuring that goods are produced to the same standards in terms of size/weight/colour.
- There should be no differentiation in terms of the products.
- The quality of the final products can be measured against pre-determined standards, for example, all 55 inch TVs will look the same.
- Products that cannot be manufactured according to pre-determined standards are graded according to the quality of the product.
- These are products that are harvested from nature and made available to consumers, for example, fruits, vegetables, eggs, or corn.

## Storage

- The large-scale production of products requires the storage of such products.
- Storage refers to the act of keeping the products at a facility for safekeeping/preservation after the manufacturing thereof.
- Storage ensures that sufficient products will be available to meet the demand for the products.
- It ensures that products are preserved to meet future demands.
- It also bridges the gap between production and consumption.
- The storage facility will be influenced by the type of goods that must be stored.



■ A storage facility

## Transport

- Refers to the movement of products from one place to another.
- The large-scale production of products requires them to be transported to markets all over the country.
- Transport also makes it possible for certain products to be exported to other countries.
- It ensures that the final products reach the consumer when it is required.
- Different modes of transport are available to manufacturers. These include road, sea, air, pipelines, and rail.



■ Various modes of transport

## Financing

- Refers to the act of obtaining funds to ensure that businesses can operate effectively in pursuit of the organisations' objectives.
- The business acquires funding from financial institutions/investors to expand/maintain operations.
- Loan financing is available from financial institutions and must be repaid with interest over a certain period.
- Equity funding is available from private investors in return for a percentage of ownership of the business.

- Personal debt funding refers to the ability of an individual to finance business activities through credit card facilities/retirement funds/home loans.

### Risk bearing

- Investments in business opportunities are subject to constant risks, despite the prediction of positive results.
- The first risk bearer of a business venture is the entrepreneur and shareholders in a business.
- Risk bearing provides businesses with the opportunity to reduce losses incurred should a business venture not succeed by sharing the risk with another party.
- The first risk bearer of a business venture is the entrepreneur and shareholders in a business.
- Insurance companies are prepared to share certain risks with the entrepreneur and shareholders.

### Buying and selling

- Buying and selling refer to the process of exchanging goods/services for money.
- It is an integral part of any business activity.
- Manufacturers would buy raw materials, convert them into finished products and sell the products to consumers.
- Consumers buy the finished products for consumption.



■ Consumers are an integral part of the buying process.

#### Activity 10.1

##### QUESTION 1

1.1 Read the scenario below and answer the questions that follow.

##### SHAKES PRE-OWNED DEALERS (SPD)

Shakes Pre-owned Dealers (SPD) buys pre-owned cars from all over South Africa. SPD uses their trucks to deliver the cars to their premises. The cars are marketed using various marketing strategies.

- 1.1.1 Identify the marketing activity performed by SPD. Motivate your answer by quoting from the scenario above. (3)
- 1.1.2 Explain THREE other marketing activities. (9)
- 1.1.3 Advise businesses on the role of the marketing activities. (6)

**Total question 1: [18]**

## Unit 10.2 The product development policy

Product development is an important function of every business – it is a continuous and dynamic process. A successful business needs to improve on its current products and develop new products to remain competitive in the market environment. Most large businesses have an assortment of products in the market and are constantly engaged in designing and developing new products. A new business needs to find the fastest and most effective way to design and develop new products. These products need to be designed to suit the needs of the target market and customers.

## Meaning of the product policy

The product policy is the first component of the marketing function. The product is the main component of the marketing mix, for example, when there is no product, there is no business. This policy explains how a business is going to develop a new product, design and package. The product policy deals with the features, appearance and the benefits of the product itself.

## Types of products

Products can be divided into two categories namely:

### Industrial goods

Industrial goods are used in the manufacturing process to produce other goods, for example, spare parts, equipment and machinery etc.

### Consumer goods

Consumer goods are goods that satisfy the needs of consumers.

### Categories of consumer goods/products

#### Convenience goods

- Consumers are not willing to spend much effort on buying convenience goods because they differ very little in terms of price, quality and the satisfaction it provides to consumers.
- These are low priced goods purchased by consumers without much thought.
- Example of convenience goods: bread, milk, soft drink, etc.

#### TYPES OF CONSUMER GOODS/PRODUCTS

##### 1 Convenience Goods



##### 2 Shopping Products



##### 3 Speciality Goods



##### 4 Unsought goods



#### Shopping goods

- These goods are more expensive than convenience goods.
- Consumers do not buy them regularly.
- They are prepared to spend a considerable amount of time and energy going to various shops until they are sure that they are getting the best value for their money.
- Examples of shopping goods: television, motor vehicles, clothing, etc.

#### Speciality goods

- These goods usually have specific brand names.
- Consumers know exactly what they want and are willing to search until they find exactly what they are looking for.
- Examples of speciality goods: jewellery, branded clothing, etc.

#### Services

- Services are not tangible.
- Services are rendered by service providers to consumers.
- Example of services: garden service, etc.

#### Unsought goods

- Goods that consumers do not think of until the need for such products arise.
- Examples are: funeral services, encyclopedias, fire extinguishers and reference books.
- Purchases of unsought goods may arise due to danger or fear of danger.



## Product development

### Importance of product development

- Product design is a process used to design goods that suit the needs of customers.
- If the product design does not suit the target market, there will be very little demand for the product.
- Businesses need to develop new products in order to replace older products when the sale of goods decline.
- Businesses are able to remain competitive because they are always on a lookout for ways to improve their products.
- Products become different from those of the competitors.

### Product design

Product design starts with the development of new and innovative ideas. The process of designing a product begins with an idea and follows through to the evaluating of the idea once it has been designed. Product design is normally the first step in the product life cycle, but sometimes it needs to be adapted when sales start to decline at the end of the product life cycle.

### Steps of product design

Product development helps businesses to produce products of good quality, which can provide maximum possible satisfaction to the consumers. Product development helps to expand the markets for the products, and it can increase the profit earnings of the business.



Different steps of product design.

## Steps business would follow in the product design process

### Generating a new idea

A business should aim to identify opportunities that competitors have not done yet. Ideas for new products can come from:

- a need that was identified
- the results of conducting a SWOT analysis
- using creative thinking techniques
- solving a problem
- researching the market
- analysing market trends
- competitor research
- staff and consumers.

### Screen and evaluate the idea

Screening means that the newly generated idea is critically evaluated to see if there is a need in the market, and whether it could be workable and profitable for the business. The business needs to decide whether the product can be developed at the right price with suitable profit margins – an innovative idea should lead to a profitable product.

### Testing and developing the concept

Part of this stage is deciding whether producing the chosen product would be profitable within a reasonable period. The product life cycle of some products is very short, so new products must be profitable within a relatively short time.

The market will also be tested in this stage. Businesses must determine how the product will best provide the necessary benefits, and how best to produce the product in the most cost-effective way. Possible costs, revenue, and profit need to be analysed. Consumers' reaction to the product must also be measured.

### Business analysis

Business analysis of a new product should include a system of metrics to evaluate the success of the product. The profitability, breakeven point, sales volume, and final selling price are determined in this step.

### Market testing

The actual sample product is tested in the market, and the responses from the market testing are used to make the necessary adjustments to the product.

### Technical implementation

During this stage, systems and processes are put into the production planning and control process. Planning, scheduling, monitoring, and quality control are worked out and put into place for production.

The technical implementation includes:

- Analysing the product ideas in detail through a process of research and development.
- Converting product ideas into drawings and designs. These drawings and designs are usually done with the aid of computers because computers enable designers to create multi-dimensional drawings and designs of what the actual product will look like.
- Quality control.

## Commercialisation

During commercialisation the product is launched, and marketing and advertising campaigns are implemented. Marketing of the product should initially focus on informing consumers about the product because it is still in its introductory phase. Later, as the product becomes better known, marketing efforts could become more aggressive to persuade consumers to keep on buying the product.

Commercialising includes:

- Production of the product.
- Packaging of the product.
- Distribution to stores.

This stage requires a lot of capital.

## Product review and price adjustment

During this stage, the new product development cycle should be reviewed for efficiency, and the business should check if there is anything that can be improved. Pricing and forecasts should also be reviewed where necessary.

## Product packaging

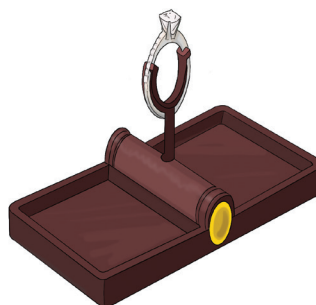
### The purpose of packaging

Most products need some type of packaging, which can vary from a box to a label. The type of product will determine the type of packaging that is needed. Products need to be contained in the packaging – some products need to be protected from germs, breakage, moisture, and damage. For example, eggs are packaged in containers that are designed to ensure little or no breakage during handling. Other products are packaged to attract attention, and this packaging can then be used as a marketing tool.

The packaging should have information about the product, which includes any harmful warnings or dosage requirements. The packaging can also show the brand and trademark of the product. It is a SABS requirement in South Africa for all food items to have their ingredients listed on the packaging.

The packaging for designer clothing, perfume, and jewellery is carefully designed as part of the marketing of the product. Some small products are packaged in larger containers to create the perception that they are bigger. For example, a sim card for a cell phone is small but is packaged in a much larger container. Packaging is usually designed to make the transportation of fragile items easier or safer.

After a product has been designed and developed, the business must decide on the best way to package it.



■ Different packages may be designed to best fit the product

The purpose of packaging of a product can be used to:

- physically protect the product from any harm
- promote the marketing of a product
- prevent a product from getting spoilt
- prevent tampering or theft of a product
- improve convenience in the use or storage of a product
- identify products
- differentiate the product from other competing goods
- contribute to the profitability of the business through sales and use of resources
- attract attention to show the value of the product as a marketing tool
- link the product to the promotion strategy used to promote the product.

### Types/Kinds of packaging

#### Packaging for immediate use/Unit packaging

- Packaging needs to be cheap, because once the product is consumed, the packaging is thrown away.
- For example: packet of chips/chocolate bar wrapper

#### Packaging for double use

- Packaging can be re-used for purposes other than storing the original contents.
- Consumers will thus be reminded of the particular brand after the original contents have been consumed.
- The container can be used for something else once the content is finished.
- For example: ice-cream tub

#### Packaging for resale

- Retailers buy products in bulk from wholesalers or suppliers.
- They unpack the products to sell them separately in smaller quantities.
- For example: big box containing many boxes of washing powder.

#### Kaleidoscopic/Frequently changing packaging

- Some details of the packaging change to advertise an important sporting event/competition.
- The container or wrapper are continually changing.
- For example: the advertisement of a sporting event.

#### Speciality packaging

- Packaging must suit the product.
- For example: packaging for an expensive phone.

#### Combination packaging

- Various complementary products are packaged together because such products are usually purchased together.
- For example: Soap and a face cloth/shower gel and sponge/matching perfume and hand cream.

## Meaning of trademarks

A trademark is the name/logo/symbol used by a manufacturer/business to differentiate its products/business from competitors. A trademark is officially registered and protected from unauthorised use by law. It is a registered mark that a manufacturer puts on its products to distinguish its products from other manufacturers. Once a trademark has been registered, it may only be used by the person/business that registered the trademark.

## The importance of trademarks to businesses and consumers

### Importance of trademarks to businesses

- A trademark establishes an identity/reputation for products.
- A registered trademark protects businesses against competitors who sell similar products.
- A well-known trademark helps to make a brand instantly recognisable.
- Offers a degree of protection because branded products can be traced back to the manufacturer.
- Businesses can use trademarks to market/advertise their products.

### Importance of trademarks to customers

- A trademark creates a sense of security and consistency for customers.
- It promotes loyalty towards a specific trademark and creates consistency for customers.
- Consumers are more likely to accept new products that are marketed under a well-known brand/trademark.
- Trademarks represents a certain standard of quality and price to the consumer.

## The requirements of a good trademark

- A trademark must be attractive for the consumer.
- It is important that it suits the product.
- The trademark must be suitably designed for the target market.
- It must be different from its competitors.
- It must also promote the image of the enterprise.
- Enterprises use it for display and therefore it must be suitable for display purpose.
- It must be possible to link the product to its promotion strategy.
- It must indicate the name and contact details of the manufacturer.

### Activity 10.2

#### QUESTION 1

- 1.1 Name any FIVE steps in the product development process. (5)
- 1.2 Discuss THREE categories of consumer goods. (9)
- 1.3 Identify the type of packaging in EACH of the following statements.
  - 1.3.1 A manufacturer of cereal changes the packaging to accommodate a sports event.
  - 1.3.2 A jeweller uses a dark blue velvet packaging for their diamond rings.
  - 1.3.3 The manufacturer puts different water fun toys in one of their packagings for a summer special.
  - 1.3.4 A manufacturer of biscuits uses a beautiful glass jar for packaging. (8)
- 1.4 Advise businesses on the requirements of a good trademark. (8)

### Activity 10.2

**2.1** Product development enables businesses to stay relevant to their target market. Businesses need to implement the product design process and also provide the relevant packaging for their products to fulfil the needs of their customers. The trademark of the business will also be put on the product.

Write an essay on the product policy in which you include the following aspects:

- Outline the importance of product development.
- Explain FOUR steps that businesses would follow in the product design process.
- Discuss the purpose of packaging.
- Advise businesses on the importance of trademarks.

[40]

## Unit 10.3 The pricing policy

Pricing policy is set after considering the competitive situation in the market environment. We need to know whether the business is facing perfect or imperfect competition. In perfect competition, the producers have no control over the price. So, the pricing policy only has significance under imperfect competition.

### The meaning of price

Pricing is the easiest of all marketing variables to influence but it is amongst the most complex decisions to make. The determination of the selling price of a product considers the cost of production. The price needs to be affordable for the customers but also allow businesses to cover costs and to make a profit.

#### A New words

**territory** an area of land under the jurisdiction of a ruler or state

**perceive** become aware of something, come to realise or understand

### The importance of pricing

- It defines the value of the product in terms of production costs and customer use.
- It is a tangible price point that lets customers know whether the product will be worth their time and investment.
- The pricing process needs to consider flexibility/discount/**territory**/life cycle status/allowance.
- The price of a product can influence the consumers' attitude towards the product or the brand.
- Pricing too high may have a negative impact/decrease in sales.
- If the price is too low, consumers may **perceive** the product as being of poor quality.
- The price of a product must make provision for transport costs.
- The price of a product should take the VAT into account.



## Pricing techniques

There are various pricing techniques to determine the prices of products. A pricing strategy considers segments, ability to pay, market conditions, competitor actions, trade margins, and input costs, and so on. It is targeted at defined customers and against competitors.

Let's look at the various pricing techniques, which businesses can use.

### Cost-based/orientated pricing

Cost-based pricing is the practice of setting prices based on the cost of the goods or services being sold. A profit percentage or fixed profit figure is added to the cost of an item, which determines the price at which it will be sold. The costs of production and supply are calculated, and a suitable **profit margin** is added to determine the selling price.

### Mark-up pricing

Mark-up pricing is calculated as a percentage. This percentage is calculated from the cost per unit. For example, a muffin-making business could calculate that the cost of producing a muffin is R15,00, then decide on a mark-up of 50%. This would set the selling price of the muffins at R22,50.

### Customer/target-based pricing

Customer/target-based pricing is when companies set certain targets to achieve, based on what the business believes customers are prepared to pay. This type of pricing depends on the perception of the product the business wants to create in their customers' minds.

### Competition-based/orientated pricing

Competition-based pricing is a pricing method that involves setting prices in relation to the prices of competitors. This approach is also called going rate pricing or **competitive pricing**. The more competition in the market, the lower prices are likely to be. If the price is set at a higher level than competitors, consumers may be convinced that the product is better in terms of quality and usefulness.

### Promotional pricing

Promotional pricing is a sales strategy in which a business temporarily reduces the price of a product or service to attract more customers. It is used when the price is lowered for a short period, for example, at certain times of the year, end-of-season ranges, or old stock is sold off at discount prices. Examples include special offers/discounts that are valid for a limited period/'Buy one, get one free' type promotions.

### Penetration pricing

Penetration pricing happens when products are sold at very low prices to attract consumers to products that are being introduced into the market. The aim is to convince customers to buy the product, and as soon as the introductory offer is over, the price is increased. It is often used for new products, and it is not a profitable long-term marketing strategy.

#### A New words

**profit margin** the amount by which revenue from sales exceeds costs in a business

**competitive pricing** is the process of selecting strategic price points to best take advantage of a product or service based market relative to competition



## Psychological pricing

Psychological pricing uses the customers' emotional response to encourage sales. The idea behind it is that customers will read the slightly lower price and consider it to be lower than the price is. For example, the avocados and apples are priced at R6,99 and R24,99 respectively, instead of R7,00 and R25,00. The customers mentally view the item as cheaper.



## Bait pricing

In bait pricing, prices are usually set lower than the item's cost price in order to attract customers. It is used to attract customers into a shop to buy the product and other items. Consumers are encouraged to buy another product if the advertised product is sold out.



### QR CODE

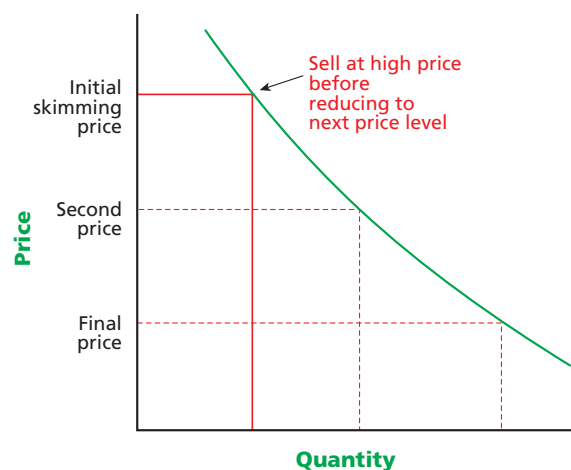
How to Price Products – 7 Competitive Pricing Strategies to Make a Profit



<https://www.youtube.com/watch?v=1zlp4gAvh5I>

## Skimming prices

This refers to the prices attached to a new innovative product that is considered unique and prestigious. It involves charging higher prices when the product is introduced in order to test demand. Some consumers are prepared to pay higher prices because such inventions have prestige value. As the product gains popularity, the price of the product is gradually reduced. Price skimming can be successful and profitable in the short term.



## Factors that influence pricing

### Input costs

The higher the input costs, the higher the final price. An increase in transport could increase the final price.

### Demand for the product

The higher the demand, the higher the production volume, the lower the input costs, the lower the final price.

### Target market

The income level of the target market could influence the price of a product.

### Type of product

Luxury products can be priced higher.

## The pricing technique is used to determine the price

Promotional pricing could be lower than demand-oriented pricing.

## Competitive and substitute products

If there are similar products that could replace a product, a high price may result in a loss of sales to the substitute. If the price and demand for complementary goods increase, the other product may increase at the same rate, for example, prices of computers and keyboards may increase at the same time.

## The economic climate and availability of goods and services

If there is a shortage of a certain product, people are prepared to pay more for it.

## Forms of markets

The following forms of markets will affect the pricing:

### Perfect competition

- The number of buyers and sellers is very large.
- Products are similar and there are many substitute products, for example, **shares** traded on the JSE.

### Monopolistic competition

- There are many suppliers/sellers.
- Each supplier has his/her brand of a particular product, for example, restaurants such as McDonalds/Burger King/Steers, and so on.

### Oligopoly

- Only a few suppliers/sellers control the prices of products.
- Products are homogenous/same, for example, MTN, Vodacom/Cell C.

### Monopoly

- Only one supplier/seller controls prices and products.
- Profit margins are usually higher because consumers do not have any alternatives, for example, Eskom.

### A New words

**shares** one of the equal parts into which a company's capital is divided, entitling the holder to a proportion of the profits

## Activity 10.3

### QUESTION 1

- 1.1 Define the meaning of price. (2)
- 1.2 Outline the importance of pricing. (6)
- 1.3 Read the scenario below and answer the questions that follow.

#### MIKE FURNITURE SUPPLIERS (MFS)

Mike Furniture Suppliers uses different pricing techniques to attract old and new customers. Mike, the owner of the business shared the following pricing techniques with the rest of his team in the business:

- He charged lower prices for the furniture when the shop was newly opened to attract customers.
- He priced the washing machine at R4 999,00 instead of R5 000,00.
- He offers sales and gives special offers.
- He sets prices based on what other furniture shops are charging customers.

Activity 10.3

**1.3.1** Identify the pricing techniques used by MFS. Motivate your answer by quoting from the scenario. (12)

Use the table below as a guide to answering QUESTION 1.3.1

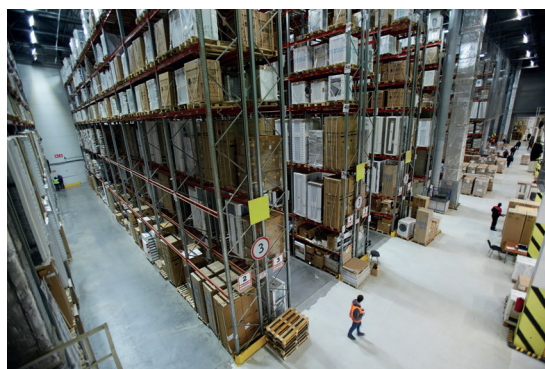
PRICING TECHNIQUES	MOTIVATIONS
1.	
2.	
3.	
4.	

**1.3.2** Explain TWO other pricing techniques that MFS can use to attract more customers. (6)

**1.4** Discuss TWO factors that influence pricing. (6)  
[32]

## Unit 10.4 The distribution policy

Once products have been developed, produced, and priced, they need to be made available to consumers at the right place and at the right time. Products need to be distributed to the target market in the best possible and convenient way. Intermediaries (middlemen) assist businesses to distribute and sell their goods or services.



■ Packages are stored and distributed from different warehouses

### Meaning of distribution

Distribution (place) is the fourth P of the marketing mix. Distribution is about how the business gets its goods/services to its customers. Products either get sold directly to customers, or intermediaries (middlemen) are used.

### Channels of distribution

The distribution channel is the path in which the product is moved from the producer to the consumer.

- The channel is the most effective and cost efficient for the product and reaches the target market.
- A distribution channel is made up of many businesses that help move the product from the producer to the final user/consumer.
- It starts with the producer and ends with the final consumer.
- The main aim of a distribution channel is to ensure that the right product is available at the right time.

There are three kinds of participants in a distribution channel:

- The service provider
- Intermediaries
- Customers

## Direct and indirect channels of distribution

When direct distribution channels are used, producers sell their goods directly to customers without using any intermediaries. The goods move from the manufacturer/producer to the consumer.

Where indirect distribution channels are used, the manufacturers/producers make use of intermediaries (middlemen) to distribute and sell their goods. The goods move through the hands of agents, wholesalers, and retailers before they get to the customers.

## The differences between direct and indirect channels of distribution

### Direct channel of distribution

- Manufacturers carry all the risks.
- This channel of distribution involves the producer and the consumer.
- The wholesaler and the retailer are cut from the process.
- This refers to the marketing and selling of products to the customers without involving the middleman.
- Manufacturers take full control over the product and marketing.
- It ensures a better end-user price as there are no intermediary costs.
- Direct channels provide immediate feedback.
- More specialised employees who are trained are required in this type of distribution.

Let's look at the different channels of distribution in more detail.



## Manufacturer – consumer

- This is known as the basic channel of distribution because the goods move directly from the manufacturer to the consumers.
- Manufacturers advertise and sell the products themselves without using any intermediaries, for example, a farmer may sell his/her fresh produce directly to the customers.

## Manufacturer – retailer – consumer

- This is a single distribution channel because the goods move from the manufacturer to the retailer, where they are sold to consumers.
- Retailers take responsibility for advertising and distribution of goods to the customers, for example, retailers such as Spar, Shoprite, and Pick 'n Pay buy their stock from the manufacturers and sell them to customers.

## Manufacturer – agent – retailer – consumer

- In this distribution channel, the goods move from the manufacturer to an agent, who then sells them to retailers.
- The retailer in turn sells the goods to the customers.
- The agent and the retailer are responsible for the advertising of the goods.
- This distribution channel is used by manufacturers of slimming products or dietary supplements.

### ? Did you know

Each participant in the distribution channel adds a small profit margin, this makes the final price of products expensive.

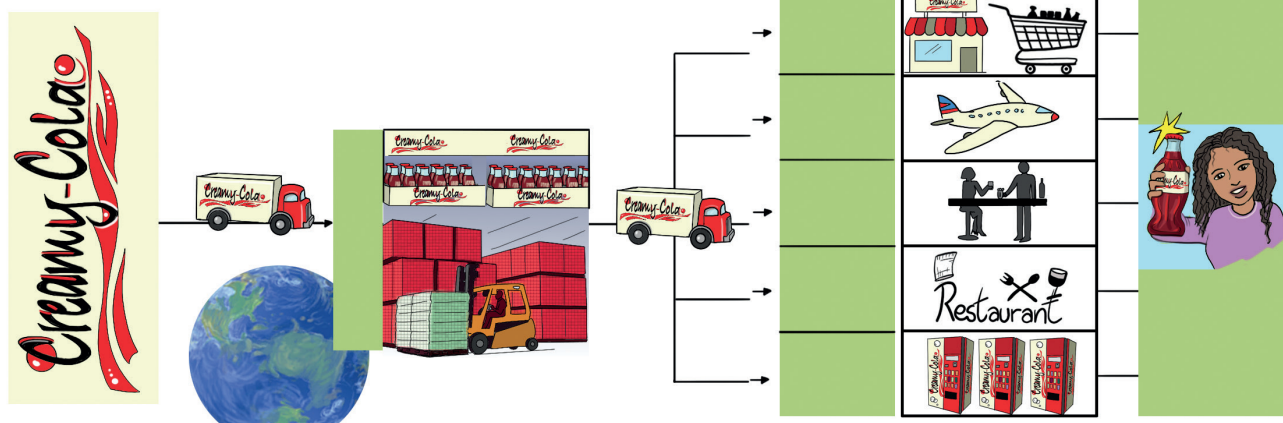
## Manufacturer – wholesaler – retailer – consumer

- This is known as the traditional channel of distribution.
- The goods move from the manufacturer to wholesalers before it is bought by retailers and finally by consumers.
- For example, wholesalers such as Makro buys goods in large quantities from manufacturers, and then sells them in bulk to retailers. Retailers then sell the bulk goods in units to their customers.

## Manufacturer – agent – wholesaler – retailer – consumer

- This is the most complicated channel of distribution.
- The goods move from the manufacturer to an agent then to a wholesaler. From there the goods move to the retailers and finally to consumers.

Look at the diagram below. It shows the channel of distribution for Coca-Cola.





## Reasons why manufacturers may prefer to make use of direct or indirect distribution methods

### Reasons why manufacturers may prefer to make use of the direct distribution method

- Manufacturers have control over the product and marketing.
- They achieve better end-user price as there are no intermediary costs.
- The business does not need to share its profit margin with intermediaries.
- Products become very expensive once all the intermediaries have added their own mark-ups.
- There is direct contact with the target market for feedback and improvements.
- Sales staff provide customer information for future market research.
- Selling through the internet allows smaller businesses to market their products all over the world.
- Businesses' websites can serve as both a distribution method and a promotion method.
- Well trained sales staff are able to promote products effectively and establish good relationships with customers.
- Suitable intermediaries may not be available/intermediaries may not be willing to sell the particular product on behalf of the manufacturer.

### Reasons why manufacturers may prefer to make use of the indirect distribution method

- The experienced **agents** deal with customers, which allow businesses to focus on core issues.
- Transportation and storage is taken care of by intermediaries.
- There is no need to hire specialised staff to do sales complaints.
- They do not have to deal with customer complaints.
- They enjoy the benefits of bulk orders from wholesalers.
- Better market coverage is achieved.
- Intermediaries understand how the market operates.
- Consumers are often spread across the country, distribution needs to be widespread as well.
- **Direct distribution** requires a large investment in advertising
- Intermediaries sometimes provide credit to consumers, which will help attract more consumers.

#### A New words

**agents** the people/businesses involved in a marketing process

**direct distribution** allow the manufacturer/service provider to deal directly with its end customer

## Meaning of intermediaries

- All the people that fall into the distribution process between the producer and the consumer.
- They are middlemen and act as negotiators and mediators between the producer and the consumer.
- Intermediaries can be wholesalers, retailers, agents and brokers.
- They are responsible for the transportation, storage and delivery of the goods and services.
- The organisations involved in the distribution channel are known as intermediaries.



## Different types of intermediaries

**Wholesalers:** They buy products in bulk from manufacturers, store them in warehouses, and then sell them in smaller quantities to retailers. Examples of wholesalers include Cash and Carry, Makro.

**Agents:** They act as representatives for manufacturers and wholesalers. They don't take ownership of products. They create a link between the manufacturers and the retailers. They earn commission on sales. For example, the sale of cars, property, or beauty products.

- **A buying agent:** Has the authority of a business to buy certain goods on the business' behalf.
- **A selling agent:** Brings buyers and sellers together and helps with the transactions, for example, selling houses. Sometimes selling agents take control of pricing, selling, and advertising.
- **Export or import agents:** They ensure that the export/import process runs smoothly.

**Retailers:** They buy goods in large quantities from manufacturers and wholesalers, and sell these goods to customers in smaller quantities, for example, Pick 'n Pay, Edgars, Shoprite, and so on.



**Brokers:** Are sales intermediaries who don't take ownership of the product. For example, Insurance brokers (sell insurance policies), wool brokers, stockbrokers, and so on. They have a short relationship with customers – the relationship ends once the transaction is concluded.

**Sales representatives/ reps:** Are often employees of a business. They act as sellers or buyers for the business. Some reps are independent contractors who market the products of one or more businesses.

## The role of intermediaries in the distribution process

- They are finding and locating buyers on behalf of the producer.
- They also help to promote the product.
- Intermediaries are specialists in selling, so the producer may be able to reach a wider audience.
- Manufacturers can achieve greater sales by using intermediaries.
- The producer may not have the expertise or resources necessary to sell directly to the public.
- The intermediary may be able to provide more efficient distribution logistics, e.g. transporting the product to various points of sale.
- Overall distribution costs may be lower using an intermediary than if the business undertook distribution itself, even when the intermediary's commission is taken into account.

Some of the reasons why manufacturers prefer to use indirect distribution methods include:

- Consumers are spread across the country and make the distribution process expensive.
- Direct distribution requires a large investment in advertising.
- Intermediaries have expert knowledge of the distribution.
- Manufacturers have no transport or storage facilities.
- The manufacturer does not want to deal with end-user clients and complaints.

Some businesses use both direct and indirect distribution methods to reach more customers in the market.

### Activity 10.4

**1.1** Define the meaning of distribution. (2)

**1.2** Read the scenario below and answer the questions that follow.

#### VAAL LTD (VL)

Vaal Ltd specialises in manufacturing computer keyboards. Dube Suppliers buys keyboards from VL in bulk and sells them in small quantities to customers.

**1.2.1** Identify the type of intermediary used by VL. Motivate your answer by quoting from the scenario above. (3)

**1.2.2** Discuss the reasons why VL may prefer to make use of indirect distribution methods. (8)

**1.3**

Businesses can use direct or indirect distribution to ensure that their products reach their customers. Intermediaries are available to businesses that do not want to use direct distribution for whatever reasons. Intermediaries play an important part in the distribution process and can assist businesses to widen their market.

Write an essay on the distribution policy in which you include the following aspects.

- Outline the reasons why manufacturers prefer to make use of direct distribution methods.
- Explain the differences between direct and indirect distribution channels.
- Discuss THREE types of distribution channels.
- Advise businesses on the role of intermediaries in the distribution process. [40]

## Unit 10.5 The communication policy

In Grade 10, we learned about the importance of different business functions and the interrelatedness between different business functions. We also discussed the importance of public relations, learned to distinguish between external and internal public relations, and identified and discussed the methods of carrying out public relations.



### The meaning of the marketing communication policy

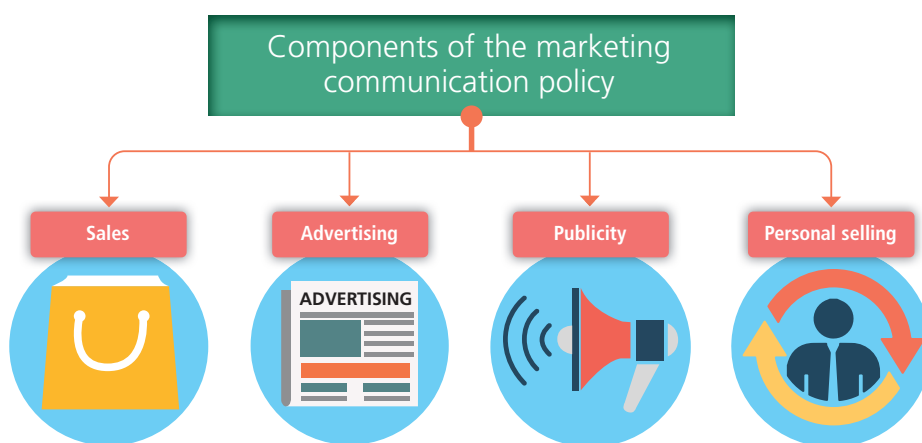
The marketing communication policy describes all the messages and media used by the business to effectively communicate with the customers. The main aim of marketing communication is to create and improve demand for the products and services of the business. The business spends large amounts of money on developing its marketing communication policy.

- The focus of the marketing communication policy is to increase sales and generate higher overall profitability for the business.
- An integral part of the marketing communication policy is the effective communication of the products and services of the business with existing and new potential customers.
- Effective marketing communication must take place with customers to maintain interest in the business as well as purchasing products and services.
- This is directed by information based on market research that speaks to the needs and wants of consumers.
- The business makes all efforts to deliver the appropriate marketing message to the right customer, through the right medium, at the right time to ultimately increase sales and profitability.
- The business must have sound knowledge of the demographics and psychographics of their target market to apply the correct marketing communication medium.
- The business uses its competitive advantage selling proposition to enhance its ability to increase sales.

- Consistent and regular communication with customers is a vital aspect of the marketing communication policy.
- The application of the correct marketing media will directly impact the degree to which the business may influence customers to purchase more products and services from the business.

## Components of the marketing communication policy

An effective marketing communication policy is made up of FOUR essential components. These are sales promotion, advertising, publicity, and personal selling, as shown in the illustration below.



## Sales promotion

### The meaning of sales promotion

- Sales promotion can be defined as various marketing methods that are aimed at improving consumer demand in particular products and services of the business.
- A marketing strategy used by the business to promote products and services of the business through short-term attractive initiatives to stimulate demand and increase sales.
- The different methods of the marketing are designed to increase sales by persuading existing and new customers/consumers to buy the product of the business.
- Sales promotion is used by the business to complement other/existing promotion methods.
- It refers to short-term customer-orientated strategies applied by the business to increase the sale of products and services.

### The purpose of sales promotion

- Increase and improve the number of products and services sold to customers and increase the sales of products of the business.
- Inform existing and new potential customers about the products and services of the business.

## A New words

### dormant customers

customers who have lost interest in the business/are detached from the business/are not interested in purchasing from the business

- Build long-lasting relationships with customers.
- Persuade immediate purchases with potential customers.
- Determine which sales promotion methods work the best at reaching the target market.
- Provide customers with products and services equal to the value promoted in marketing communication.
- Remind the target market about current and new products and the availability thereof.
- Reconnect with the existing target market.
- Improve overall brand awareness of the business with existing and new potential customers.
- Improve customer loyalty with existing and new potential consumers.
- Activate **dormant customers** to purchase products and services.

## Practical examples of sales promotion

Below is a list of popular sales promotion examples/methods used by businesses.



### Tip

You will be required to provide examples and identify examples of sales promotions from different scenarios.

<b>Buy one, get one free (BOGOF)</b>	<ul style="list-style-type: none"> <li>• A sales promotion method that persuades customers to buy one product and get another product free of charge.</li> <li>• BOGOF is one of the most common examples of sales promotions used by businesses because customers benefit from a free product as a result of the purchase.</li> </ul>
<b>Customer loyalty cards</b>	<ul style="list-style-type: none"> <li>• Customers are given customer loyalty cards by the business and they earn points for regular purchases that may be redeemed in the future.</li> <li>• The points redeemed by customers can take different forms, for example, discounts, reduced-prices, free items, bonus prizes, etc.</li> </ul>
<b>Free gifts</b>	<ul style="list-style-type: none"> <li>• The business provides free gifts to customers for purchasing certain products and services.</li> <li>• Free gifts are used to introduce customers to new products they might not have considered buying before.</li> </ul>



<b>Joint promotion</b>	<ul style="list-style-type: none"> <li>A sales promotion method in which the business promotes two or more products simultaneously, usually by associating related products and brands within the business or with other businesses.</li> <li>Occurs when the business partners with other businesses and promotes products and services together to enhance sales and benefit all concerned businesses.</li> </ul>
<b>Point of sale promotion</b>	<ul style="list-style-type: none"> <li>Certain products are placed strategically in the business near the till check-out points or at the corner of aisles to encourage customers to purchase products.</li> <li>Promotional posters are visible at strategic places within the store to prompt customers to purchase products.</li> </ul>
<b>Discounts/ Discount coupons</b>	<ul style="list-style-type: none"> <li>The business provides a cash discount coupon to customers.</li> <li>The customer is inclined to purchase the products and services of the business because of the discount coupon.</li> </ul>
<b>Free samples</b>	<ul style="list-style-type: none"> <li>Free samples of certain products are provided to consumers to increase brand awareness of the product.</li> <li>This is done to trigger the psychology of ownership, which means that the customer is likely to purchase the product if they liked the sample.</li> </ul>
<b>Bundle discounts</b>	<ul style="list-style-type: none"> <li>The business bundles various products together and the customer is offered a discount for purchasing the entire bundle.</li> <li>This is an effective technique used by the business to sell older or unsold trading stock.</li> </ul>
<b>Charity promotions</b>	<ul style="list-style-type: none"> <li>A sales promotion method in which the business promotes that a portion of the sale of products will be donated to a specific charitable cause.</li> <li>The consumer supports the business because of their particular interest in the charitable cause, and the business in turn increases sales.</li> </ul>
<b>Competitions</b>	<ul style="list-style-type: none"> <li>The business runs a competition with customers in which the winners will win a special prize.</li> <li>The prize is usually a grand promotional item, and the business earns more sales in the process of promoting the competition.</li> </ul>
<b>Bulk purchase deals</b>	<ul style="list-style-type: none"> <li>The business offers a specific discount aimed at customers who purchase goods in bulk.</li> <li>Customers are more likely to return to the business because of bulk purchase deals because customers perceive it as saving.</li> </ul>
<b>Social media contests</b>	<ul style="list-style-type: none"> <li>Specific competitions to improve sales of the business through various social media platforms.</li> <li>The aim is to gain new customers, enhance the interest of existing customers and gain more quality followers of the business on various social media platforms.</li> </ul>
<b>Cashback promotions</b>	<ul style="list-style-type: none"> <li>The business provides customers with cashback for purchasing certain products and services.</li> <li>Customers enjoy receiving cashback from the business and perceive that they are paying less for products and services.</li> </ul>
<b>Sustainable/ Green marketing</b>	<ul style="list-style-type: none"> <li>A special type of sales promotion in which the business promotes its various social and environmental initiatives, investments and causes.</li> <li>Like-minded consumers who have an interest in the social and environmental initiatives and causes would support the business.</li> </ul>

Activity 10.5

QUESTION 1

1.1 Read the scenario below and answer the questions that follow.

**GOPRO TECHNOLOGIES (GT)**

Gopro Technologies applies effective sales promotion techniques as part of the marketing communication policy. This is done to inform new potential customers of current products. GT also builds long-lasting relationships with existing customers.

- 1.1.1 Quote TWO purposes of sales promotion for GT from the scenario above. (2)
  - 1.1.2 Outline FOUR other purposes of sales promotion for GT. (8)
  - 1.1.3 Elaborate on the meaning of a marketing communication policy. (4)
- [14]

QUESTION 2

2.1 Read the scenario below and answer the questions that follow.

**VILAKAZI EXCLUSIVE STATIONERS (VES)**

Increased sales have occurred at various branches of Vilakazi Exclusive Stationers (VES) because of its active financial support to environmental causes. Regular customers redeem points for purchases that can be exchanged for a special stationery pack. Bulk discounts are offered to customers who buy in large quantities. Customers receive a discount for purchasing an entire bundle that is packaged together.

- 2.1.1 Identify FOUR examples of sales promotion applied by VES. Motivate your answer by quoting from the scenario above. Use the table below as a GUIDE to answer QUESTION 2.1.1.

EXAMPLES OF SALES PROMOTION	MOTIVATIONS
1.	
2.	
3.	
4.	

(12)

- 2.1.2 Explain FOUR other examples of sales promotion that could be applied by VES. (12)
- [24]

## Advertising

### The meaning of advertising

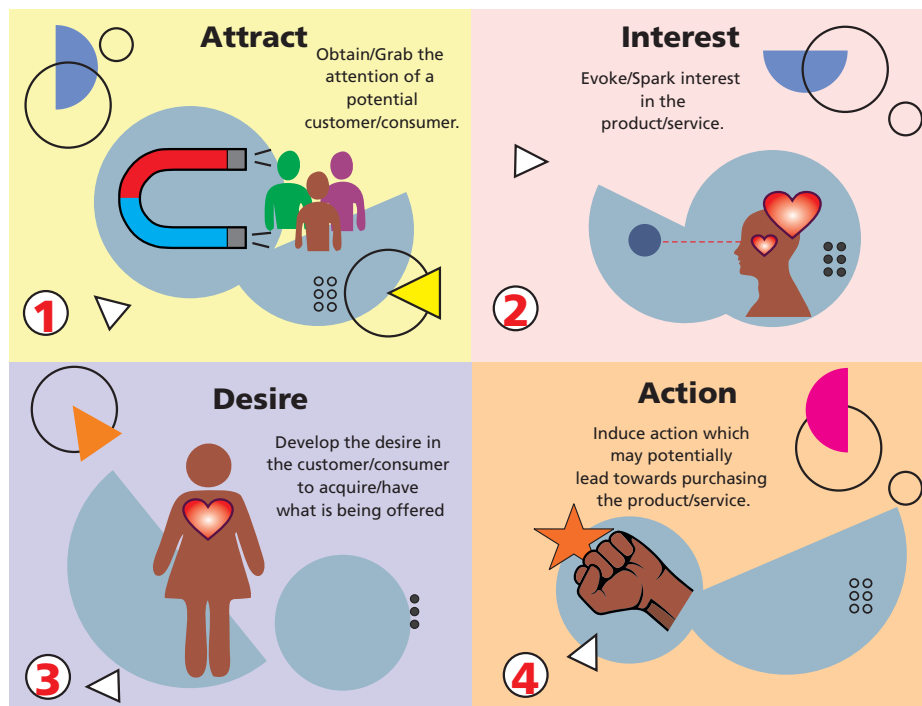
- Advertising refers to paid messages of communication from the business to members of the public and potential target market.
- It is a marketing communication activity in which the business pays for a space to promote its products and services.
- Advertising can be described as a paid form of non-personal marketing communication.
- It allows the business to communicate with many potential customers at the same time.
- Advertising is aimed at reaching potential customers who are most likely willing to purchase products and services from the business.
- It is used to influence buying behaviour of customers.
- Advertising creates awareness of the various products and services that are being offered by the business through creative positioning and using different advertising mediums.

### The purpose of advertising

The AIDA principles are used by business practitioners to explain the purpose of advertising. The AIDA principles consist of four key stages in the advertising process:

- obtain the attention of a potential customer or consumer
- spark interest in the product or service
- develop the desire in the customer to have what is being offered
- induce action which may potentially lead to purchasing the product or service.

### The AIDA Principles



#### QR CODE

The AIDA Model: What It Is and How to Use It



<https://www.youtube.com/watch?v=bvoxOtRq844>



## QR CODE

AIDA Marketing Strategies -  
How to Tell a Story that Sells



<https://www.youtube.com/watch?v=x5-Y7WfA3w>



## New words

**guerrilla marketing** an unconventional, low-cost form of marketing aimed at gaining maximum exposure for the products/services of the business

**call-to-action** a specific statement is used in marketing that prompts customers/consumers to purchase a product/service

Let's look at the different AIDA principles in more detail.

AIDA principles	Description
<b>Attract</b>	<ul style="list-style-type: none"> <li>An advertisement should immediately grab the attention of potential customers.</li> <li>Businesses often include advertisements as a disruption.</li> <li>The disruption is achieved by strategically placing advertisements in unexpected places and situations by using techniques such as <b>guerrilla marketing</b>.</li> <li>The business will use a personalised approach to attract the attention of more customers.</li> <li>The use of powerful words and eye-catching pictures is used to grab the attention of customers.</li> <li>The message used to attract the attention of potential customers should be highly creative.</li> </ul>
<b>Interest</b>	<ul style="list-style-type: none"> <li>The vital purpose of advertising is to create interest in the product or service.</li> <li>The advertisement must be original, punchy, informative, brief and result in a positive reaction by creating interest in the product or service.</li> <li>The interest of customers can be captured by intentionally personalising the advertisement.</li> <li>Capturing the interest of the customers is a challenging aspect because they easily lose interest if the advertisement is not relevant to them.</li> <li>The business captures the interest of potential customers by proving that their product or service adds value to the lives of the customers.</li> <li>The business must stay focused on the needs of customers by gaining their interest and not only grabbing their attention.</li> </ul>
<b>Desire</b>	<ul style="list-style-type: none"> <li>The business can nurture consumer desire after it has successfully grabbed consumer attention and maintained an interest in the product or service.</li> <li>Positive arguments are used to build up the desire for the product or service.</li> <li>Promoting desire can include adding additional features that customers already know about the product or service.</li> <li>Numerous benefits of the product and service are emphasised to maintain desire.</li> <li>Desire is achieved when the business can establish an emotional connection between the product and the customer.</li> <li>This stage is effective in providing the platform for the customer to make the final decision, which is to take action.</li> </ul>
<b>Action</b>	<ul style="list-style-type: none"> <li>Customers/Consumers are persuaded/compelled/moved to take action.</li> <li>Customers who have reached the action stage, have acquired a positive impression of the product that was advertised and would now like to make the purchase.</li> <li>The action stage is dependent on the successful implementation of strategies used in the previous three stages.</li> <li>Customers only take action once they believe that a benefit would be gained from the product or service.</li> <li>Advertisements that aim to initiate action in the customer usually have a specific <b>call-to-action</b>.</li> <li>Customers are compelled to take action because of low-friction, but often high-incentive calls-to-action.</li> <li>The financial sustainability of the business is dependent on the positive relations maintained with existing and potential customers.</li> </ul>

## Activity 10.6

## QUESTION 1

1.1 Read the scenario below and answer the questions that follow.

**KULSUM'S WARME KOEKSISTERS (KWK)**

The advertisement used by Kulsum's Warme Koeksisters (KWK) grabbed the attention of new potential customers. The new customers have acquired a positive impression of the products that were advertised and consequently have purchased them from KWK. KWK has experienced an increase in sales.

- 1.1.1 Identify TWO AIDA principles applied by KWK. Motivate your answer by quoting from the scenario above.  
Use the table below as a GUIDE to answer QUESTION 1.1.1.

AIDA PRINCIPLES	MOTIVATIONS
1.	
2.	

- 1.1.2 Discuss TWO other AIDA principles that could be applied by KWK. (6)  
[12]

**Note**

Activity 10.6 is provided as an enrichment activity to improve learners' understanding of the purpose of advertising with the aid of the AIDA principles.

**Examples of advertising media**

The examples of the various advertising media are classified into FOUR main categories, namely:

- printed media
- broadcast media
- direct mail
- web-based media.

Let's look at each of these advertising media in more detail.

**Printed media**

- A very common means of mass communication in the form of printed publications.
- Printed media is a very important part of the marketing mix as it helps the business to engage with their target market and potential target market.
- Examples of printed media include:
  - newspapers
  - magazines.

**Broadcast media**

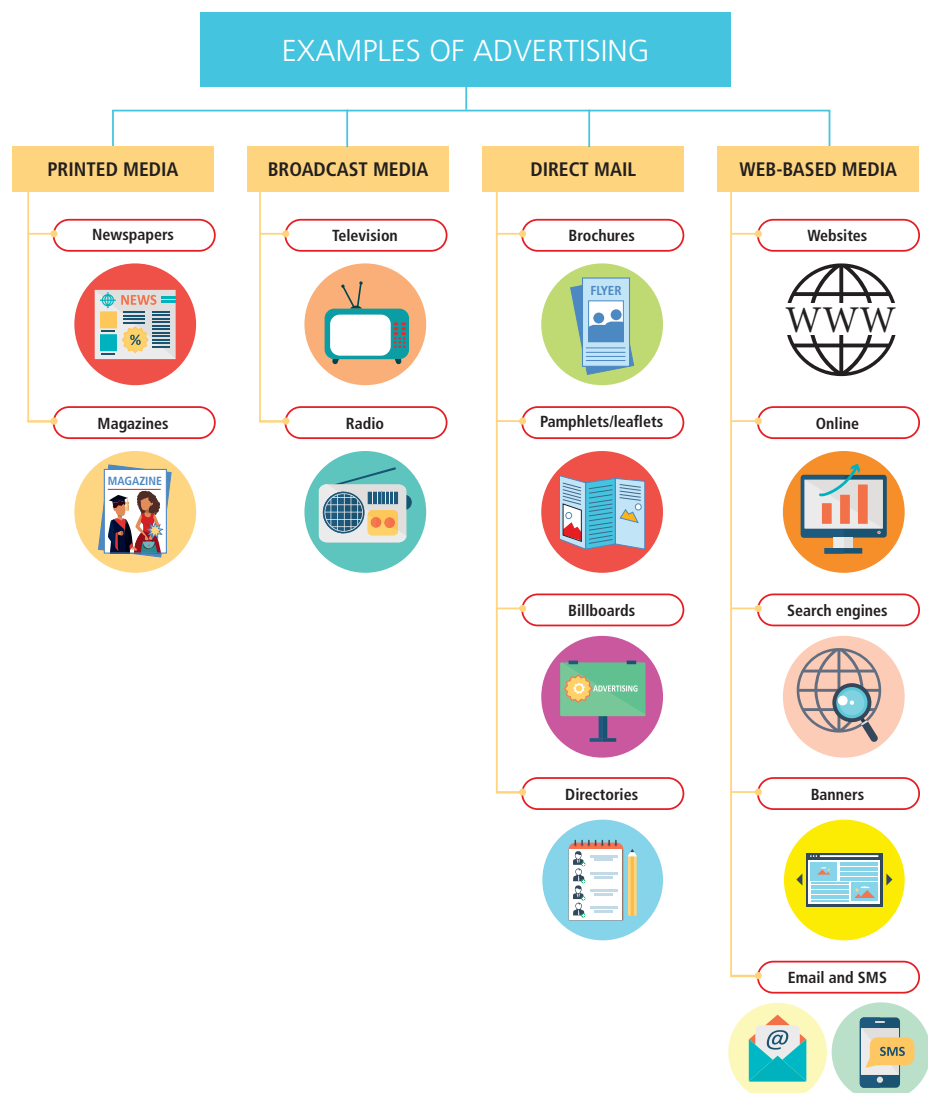
- Broadcast media is described as the distribution of audio and/or video content to a large audience via any electronic mass communications medium.
- This advertising medium is used to communicate a message or content, such as audio or video programming to numerous recipients at the same time using a communication network.
- Examples of broadcast media include:
  - television
  - radio.

## Direct mail

- Direct mail is an advertising medium that includes any physical forms of communication to existing and potential customers.
- Direct mail is a traditional form of advertising that uses strong calls-to-action to initiate interest in products and services in an interactive manner.
- Examples of direct mail include:
  - brochures
  - pamphlets/leaflets
  - billboards
  - directories.

## Web-based media

- Web-based media is a form of advertising and mass communication that uses the internet to advertise the product and services of the business.
- This advertising medium involves the process of advertising the business using various online platforms through the primary aid of the internet.
- Examples of web-based media include:
  - websites
  - online magazines
  - search engines
  - banners
  - email and SMS.





## Activity 10.7

### QUESTION 1

1.1 Read the scenario below and answer the questions that follow.

#### STRYDOM GRAPHIC DESIGNERS (SGD)

Strydom Graphic Designers (SGD) uses the internet to advertise the various services offered by the business. Physical forms of correspondence have been provided to the potential target market. Consumers have enquired about the services offered by SGD.

- 1.1.1 Identify TWO main categories of advertising media applied by SGD. Motivate your answer by quoting from the scenario above. Use the table below as a GUIDE to answer QUESTION 1.1.1.

ADVERTISING MEDIA	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2 Give FOUR examples of any ONE of the advertising media identified in QUESTION 1.1.1. (4)

- 1.1.3 Explain TWO main categories of advertising media, other than your answer in QUESTION 1.1.1. (6)

## Publicity

### The meaning of publicity

- Publicity can be described as a free form of non-personal communication that a business and its products and services can receive through various forms of mass media.
- Publicity creates public awareness of the business, its products and services through media coverage and other forms of communication.
- It refers to unpaid communication in the mass media about the business and its operations.
- Publicists help manage the publicity of the business to increase positive publicity and reduce the impact of negative publicity on the business.
- It is a form of mass communication that is not paid for by the business and involves gaining responses from customers through the placement of commercially significant news in the mass media.
- Publicity is not paid for by the business and comes from journalists and other members of the press.
- It is often considered to be part of the public relations of the business.
- Publicity places the business in front of the media outlets for the business to showcase its products and services.
- Publicity is important because it helps the business increase awareness while establishing a worthwhile business from which to purchase products and services.
- Publicity provides the authority of an independent voice, as the business cannot control the message provided about the business from members of the media.



### QR CODE

Why Publicity Is Important - Ep #1



<https://www.youtube.com/watch?v=FfJc9Ar7PAQ>



## The role of public relations in publicity

- Public relations aims to present a favourable image of the business and its products and services.
- Public relations strives for members of the external stakeholders to view the business in a positive light.
- There is a direct link between public relations and publicity.
- Public relations is concerned with strategic management of information to ensure that the business achieves specific communication goals.
- Public relations plays a critical role in developing positive publicity and minimising the effects of negative publicity on the business.
- The business can decide to manage its own public relations function or outsource public relations services from an outside vendor because of specialised knowledge.
- The public relations function develops sound relationships with members of the media.
- The public relations function provides regular information to the media about the business, its products, services and general business activities.
- The public relations function and marketing function are interconnected and aim to establish and build brand loyalty.

### Activity 10.8

#### QUESTION 1

1.1 Read the scenario below and answer the questions that follow.

##### KHOTOO MERCHANDISING (KM)

Khotoo Merchandising (KM) received public support from Zwonaka Mugovhani, a famous entrepreneur, which generated significant attention to the operations of the business. A statement was released by KM on current business practices to members of the media. KM gained publicity for providing funding for computer literacy skills in the local community.

- 1.1.1 Identify TWO examples of publicity applied by KM in the scenario above. Motivate your answer by quoting from the scenario. Use the table below as a GUIDE to answer QUESTION 1.1.1.

EXAMPLE OF PUBLICITY	MOTIVATIONS
1.	
2.	

(6)

- 1.1.2 Explain TWO other examples of publicity that could be applied by KM. (6)

- 1.1.3 Discuss the role of public relations in publicity for KM. (8)



## QR CODE

The concept of personal selling explain



<https://www.youtube.com/watch?v=KHXLahT1uFk>

## Personal selling

### The meaning of personal selling

- Personal selling is a form of face-to-face selling in which the salesperson tries to convince the customer to purchase a product or service.
- It is a component within the marketing policy in which the salesperson uses their ability to attempt to sell the product or service to a potential customer.
- In the process of conducting personal selling, the salesperson highlights the features of the product to convince the customer that the product would add value to their lives.
- The customer appreciates the personal touch and product knowledge of the salesperson and would be more likely to purchase it if an effective sales pitch is provided.
- Personal selling can also involve demonstrating the way the product, such as an appliance, and so on, works.
- The salesperson uses in-person interaction with potential customers to provide essential information on the product or service.
- Effective personal selling addresses the needs and preferences of the customer without making them feel pressured to buy the product or service.
- A well-trained salesperson will offer the customer advice, information, recommendations and assist them in the decision-making process.

### The effectiveness of personal selling in promoting a business product

- Improves customer relationships and customer loyalty because it is an effective marketing communication tool that can be a powerful source of customer feedback.
- Enhances flexibility because the salesperson can tailor their presentations to fit the needs and preferences of individual customers.
- Increases immediate sales as personal selling is directed at potential members of the target market.
- Involves multiple sales skills such as selling and collecting payments as well as providing marketing information.
- Encourages two-way communication between the salesperson and the customer and through this, the salesperson can provide immediate feedback to the customer.
- Provides detailed demonstrations of the usability of the product with the prospective customer.
- Increases customer confidence as the salesperson removes all doubts and misunderstandings of the prospective customer.
- Creates and improves brand awareness with existing and new customers.

### Activity 10.9

#### QUESTION 1

1.1 Read the scenario below and answer the questions that follow.

##### PILLAY APPLIANCE STORE (PAS)

Pillay Appliance Store sells a variety of quality appliances. Personal selling has improved customer confidence as the sales representative removed all misunderstandings with the prospective customer. The prospective customer was provided with a detailed demonstration of the usability of the product. PAS has contacted suppliers for more products.

- 1.1.1 Quote TWO ways in which the effectiveness of personal selling in promoting a business product is demonstrated by PAS. (2)
- 1.1.2 Describe other ways in which the effectiveness of personal selling in promoting a business product could be demonstrated by PAS. (8)

## Unit 10.6 Marketing in the informal sector



- Street vendors display their products for potential customers

### Definition of the informal sector

The informal sector is very different from the formal sector. The following will illustrate the informal sector.

- People in the informal sector do not own registered businesses and they are not registered for tax.
- They are not recorded by the Central Statistics Services.
- The informal sector is also known as the second economy.
- It is impossible to know to what extent the informal sector contributes towards the national income.
- The informal sector is mainly a cash industry.
- The operators in the informal sector perform in the primary, secondary and tertiary sector of the economy.

## Advantages of marketing in the informal sector

- It is easy and inexpensive to enter the informal sector.
- No education needed to enter the informal sector.
- It provides job opportunities for unemployed people.
- It gives people the opportunity to be entrepreneurs and learn about business.
- People who are unemployed in the informal sector gain working experience that enables them to qualify for job opportunities in the formal sector.
- There is a great deal of interaction between the formal and the informal sectors.
- There is little competition in the informal sector.
- Provides needed goods and services in proximity to the market.

## Reasons why the informal sector prefers to use direct distribution

- The seller has control over the product.
- There can be better end-user price as no intermediary costs are charged.
- Sellers in this sector have direct contact with customers for feedback and improvements.
- Well trained sales staff are able to promote products effectively and establish good relationships with customers.
- By cutting out the middleman, prices are lower.
- Sales staff provides customer information for future market research.

## Ways in which the informal sector uses indirect distribution

- Farmers may deliver their produce to the spaza shops.
- Spaza shops purchase their stock from wholesalers.
- Many informal businesses rely on agents to distribute information or carry out services.
- Retailers in the informal sector may purchase products from the wholesalers in order to sell them in the informal market.



■ A well-known way of direct marketing for the informal sector

## Differences between marketing in the formal and informal sectors.

The following are a few differences between the marketing mix of the formal and informal sectors.

- The formal sector make use of a logo or trademark while, the informal sector do not rely on logos or trademarks.
- The formal sector pays a lot for external marketing like advertising and promotions while the informal sector does its own advertising.
- Word of mouth and personal sales are two of the main forms of marketing for the informal sector. It is also important for the formal sector but they also use the other elements of the marketing mix.



## Unit 10.7 Electronic media

The use of technology is essential for businesses and it became an important part of distribution for businesses. Markets are global and businesses must use technology for information and communication.



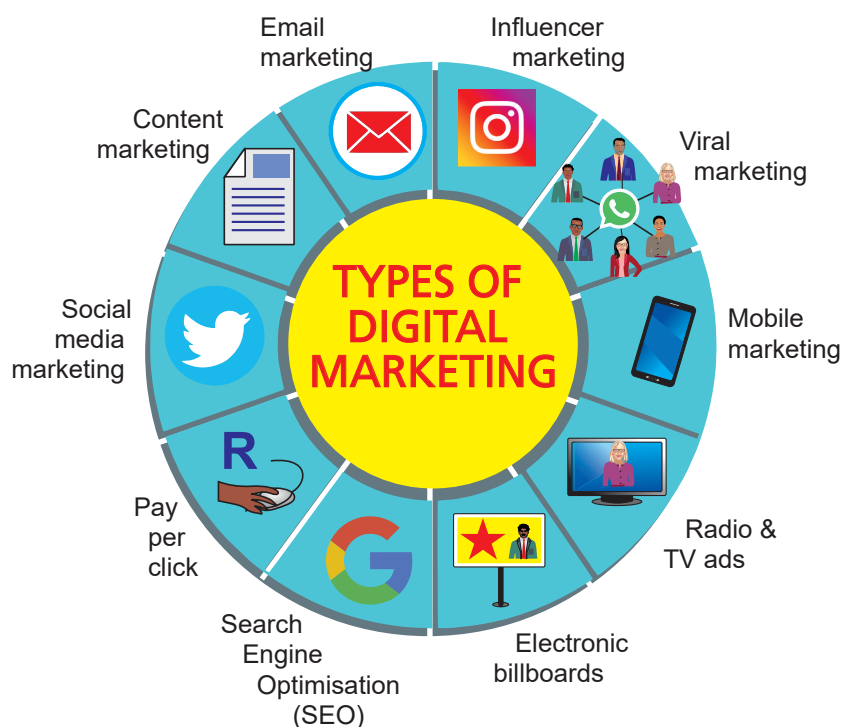
### Definition of electronic marketing

According to encyclopedia.com/finance, electronic media can be defined as follows:

E-marketing is a process of planning and executing the conception, distribution, promotion, and pricing of products and services in a computerized, networked environment, such as the Internet and the World Wide Web. This can be done to facilitate exchanges and satisfy customer demands. It has two distinct advantages over traditional marketing. E-marketing provides customers with more convenience and more competitive prices, and it enables businesses to reduce operational costs.

### Methods of electronic marketing

The following are examples of electronic marketing:



- **E-mail marketing**

Via e-mail marketing businesses carry out initial marketing information to the customer. E-mail marketing is fairly inexpensive and enables the producer to form relationships with the customers.

- **Websites**

Most businesses have websites where they provide information of their products and services, pricing, location and contact details. They also use this website to promote their product/service by placing testimonials of satisfied customers who are happy with their product/service.

- **Search engine marketing**

Search engines like Google can help customers to get access to information on websites that will list all information instantly. With search engines, businesses can rank themselves above other businesses by linking keywords to their websites.

- **Mobile marketing**

A large number of people have some form of access to cell phones. Therefore the use of cell phones for marketing purposes will reach a very large potential of buyers. Advertising via cell phone can be done via Bulk SMS's to distribute information to customers.



- **Banner marketing**

For banner marketing, the business makes use of a website advertising agent who will place the business' advertisement on someone else's website. With this advertisement the agent will link similar topics together for the best effect. The business will then pay for the advertisement according to the number of people that click on the advert.

- **Social networking/Facebook/Instagram/Twitter**

Facebook, Instagram and Twitter can connect businesses with thousands of potential customers, which makes it easy to advertise products or services. It is also an inexpensive medium to use.

- **Blogging**

Blogs are a way of sharing regular, up-to-date content with your existing and target audience. They give you an opportunity to create content which shows off what your company has been doing and promote the services you provide.



- **Content creating and sharing/YouTube**

Because YouTube allows you to speak directly to your audience, businesses can use videos to encourage viewers to take a specific action after watching the video, such as visit your website, “like” the video, subscribe to your YouTube channel, call a toll-free phone number, send someone an email or share the video’s link.

- **Viral marketing**

Viral marketing or viral advertising is a business strategy that uses existing social networks to promote a product mainly on various social media platforms. Its name refers to how consumers spread information about a product with other people, much in the same way that a virus spreads from one person to another.

- **SMS marketing**

SMS marketing is sending promotional campaigns or transactional messages for marketing purposes using text messages (SMS). These messages are mostly meant to communicate time-sensitive offers, updates, and alerts to people who have consented to receive these messages from your business.

## Impact of electronic media

Below are the advantages and disadvantages of electronic marketing.

### Advantages/Positives

- The cost is lower and there is a better return on investment.
- It is a quicker process to get messages from customers.
- Businesses will be able to use data from target markets.
- There will be more interaction with end-users.
- E-marketing will reduce costs of intermediaries.
- It is a fast and successful way of brand visibility.
- It will allow immediate feedback to the business on consumer views.

### Disadvantages/Negatives

- E-marketing depends on technology which can fail sometimes.
- The global market is very competitive and make high demands to the business.
- Technology and systems need consistent maintenance.
- The pricing structures are less flexible.
- One of the big problems is that security is not guaranteed due to phishing and fraud.
- Spam e-mail can irritate people and earn a bad reputation for the business.
- Negative opinions on Twitter and Hello Peter will bring bad publicity for the business.
- It can sometimes exclude some potential customers who do not have access to the internet.

## Unit 10.8 Foreign marketing

It is common practice today for businesses to diversify their operations and compete globally with their counterparts. Local businesses even team up with businesses in other countries to enter foreign markets.

### Definition of foreign marketing

Businesses who market their products across national borders are involved in foreign marketing. Local businesses can expand their local target market and take advantage of overseas prices and exchange rates. Businesses will also be able to export and import goods and services through e-marketing and advertising.

### Restrictions and regulations that control foreign marketing

Businesses must take into consideration that foreign marketing has some restrictions and regulations that can impact on how businesses implement their marketing. The following are some of the restrictions and regulations which businesses must adhere.

#### Trade agreements

Trade agreements are a contractual arrangement between states concerning their trade relationships. Trade agreements may be bilateral or multilateral—that is, between two states or more than two states. Trade agreements are one way to reduce barriers between countries and thereby opening all parties to the benefits of increased trade.

#### Tariffs

Custom tariffs or import duties are taxes placed on goods brought into South Africa or a foreign country. The import taxes are imposed on imports in order to control the amount of money leaving the country and for people to buy local goods.

#### Export subsidies

South Africa wants to encourage exports to foreign countries and therefore provides a subsidy on certain goods and services that are exported. Certain products that are exported may get reduced transport rates to encourage lower process and therefore increase international sales.

#### Protection policies

Governments put laws in place to protect local industries. Goods that fall under these protection policies will have additional taxes added to them, which make them more expensive than local ones. This is done to ensure that consumers buy local goods and that money stays in the country.

## Ways in which the production function can align its processes in order to meet global demand

The production function needs to be closely involved in this planning and decision-making of foreign marketing. It must keep the following aspects in mind to meet global demand.

- Products might need to be adapted, modified or redesigned to suit different customer needs.
- Production methods and quality management systems implemented by businesses can change as some countries have strict quality and safety requirements.
- All countries have different standards in terms of quality. Export products have to meet the international standards.
- Although exports bring money into the country, transportation and custom duties can add up and potentially make the goods or service very expensive.
- Processes should be as efficient as possible, and that the most appropriate process is used for the particular goods or service.
- The laws relating to trade vary from country to country and a South African business may experience difficulties unless research into safety, quality and packaging regulations are taken into account.
- New sources of raw materials/labour may mean that new production facilities can be developed in a foreign country, leading to globalisation of production as well as sales.

## Ways in which South African businesses can enter a foreign market

There are different ways in which businesses can enter into foreign markets. They can use one or more of the following ways.

### Direct exporting

- Businesses sell directly into the market it has chosen using in the first instance with their own resources.
- Once businesses have established a sales programme, they turn to agents and/or distributors to represent them further in that market.
- Agents and distributors work closely with businesses in representing the business' interests.
- Agents/distributors become the face of the company, and thus, the choice of agents/distributors must be handled in the same way used in hiring staff.

### Licencing

- Licencing is an arrangement where a firm transfers the rights to the use of a product or service to another firm.
- It is a useful strategy if the purchaser of the licence has a relatively large market share in the market they want to enter.
- Licences can be for marketing or production.

### Franchising

- Franchising works well for firms that have a reputable business model e.g. food outlets that can be easily transferred into other markets.
- When a business uses franchising, the business model should be unique or have a strong brand recognition that can be used internationally.

### Partnering

- Partnering is almost a necessity when entering foreign markets and in some parts of the world it may be required, for example, in Asia.
- It can take a variety of forms from a simple co-marketing arrangement to a sophisticated strategic alliance for manufacturing.
- Partnering is a useful strategy in those markets where the culture is different from that of the business as local partners bring local market knowledge, contacts and customers.

### Joint ventures

- Joint ventures are a particular form of partnership that involves the creation of a third independently managed company.
- Two companies agree to work together in a particular market, either geographic or product and create a third company to undertake this.
- Risks and profits are normally shared equally, for example, Sony/Ericsson.

### Buying a company

- Buying an existing local company may be the most appropriate entry strategy.
- It may be the most costly and determining the true value of a firm in a foreign market will require substantial due diligence.
- This entry strategy will immediately provide you the status of being a local company.
- The business will receive the benefits of local market knowledge, an established customer base and be treated by the government as a local firm.

### Piggybacking

- Piggybacking is a particularly unique way of entering the international arena.
- If a business has a unique product or service that they sell to large domestic firms that are currently involved in foreign markets, the business may want to approach them to see if their service or product can be included in their inventory for international markets.
- This reduces the business' risk costs because they are selling domestically, and the larger firm is marketing their product or service for them internationally.

### Turnkey projects

- Turnkey projects are particular to companies that provide services such as environmental consulting, architecture, construction and engineering.
- A turnkey project is where the facility is built from the ground up and turned over to the client, ready to go- turn the key and the plant is operational.
- This is a very good way to enter foreign markets as the client is normally a government, and often the project is being financed by an international financial agency such as the World Bank.
- The risk of not being paid is eliminated.



## Greenfield Investments

- Greenfield Investments require the greatest involvement in international business.
- A Greenfield investment is where you buy the land, build the facility and operate the business on an ongoing basis in a foreign market.
- It is the most costly and holds the highest risk but some markets may require the business to undertake the cost and risk due to government regulations, transportation costs, and the ability to access technology or skilled labour.

### Activity 10.10

#### QUESTION 1

1.1 Outline reasons why the informal sector prefers to use direct distribution. (6)

1.2 Read the following scenario and answer the questions that follow.

#### BENJA WELLNESS PRODUCTS (BWP)

The new marketing manager of Benja Enterprise Ltd suggested the following possible electronic marketing methods to the directors.

- Through their market research they discovered that a lot of their potential customers have access to some form of a cell phone.
- The CEO of BWP has a lot of followers due to his appearance on social media.
- A lot of their existing customers agree to complete a form with their personal information including their e-mail address.
- In an entry form for a competition, existing customers gave very good testimonial on the products of BWP.

1.2.1 Identify FOUR methods of electronic marketing from the scenario above. (8)

1.2.2 Advise BWP on the positive impact of the use of electronic marketing. (8)

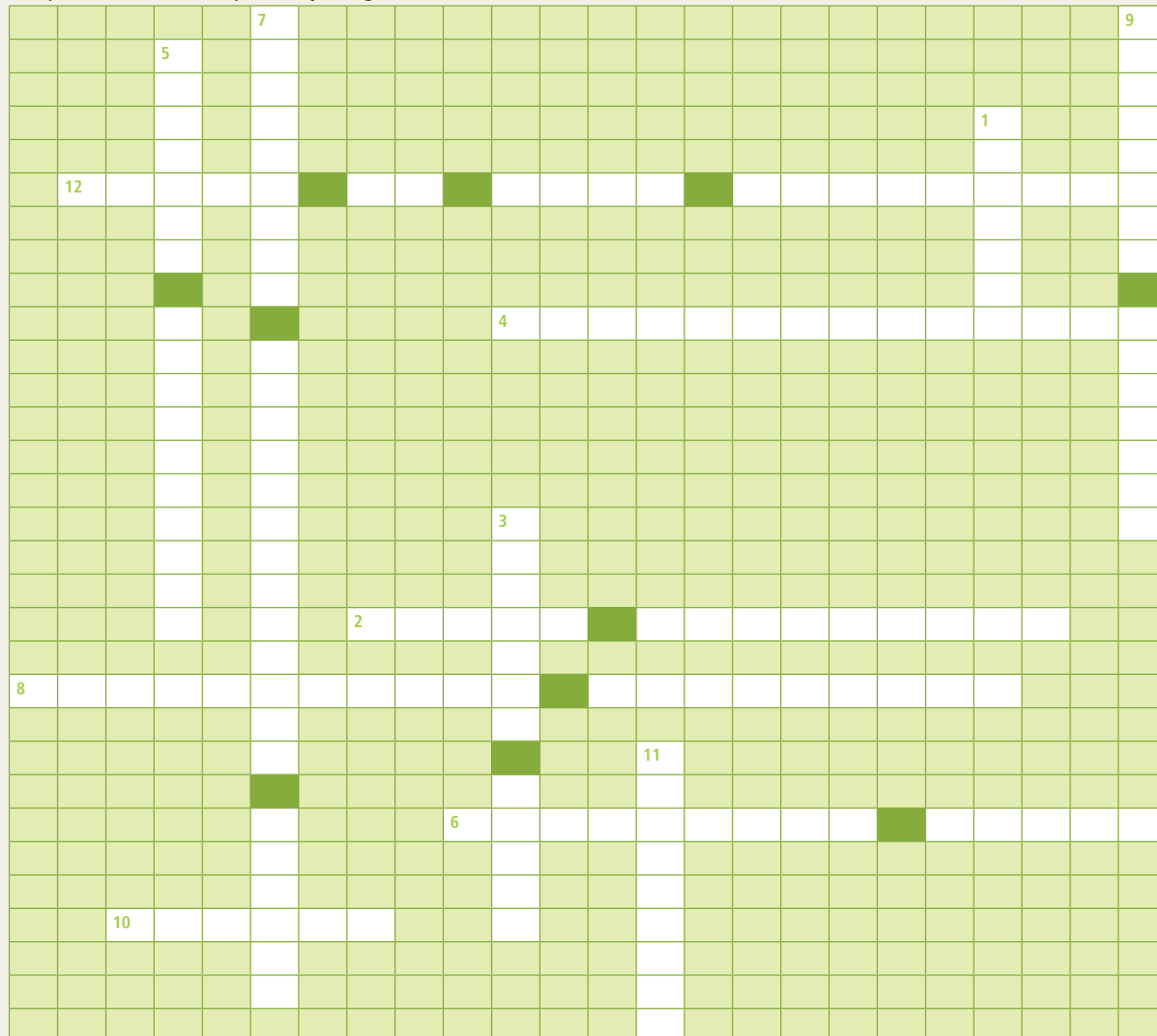
1.3 Explain restrictions and regulations that control foreign marketing. (8)

1.4 Suggest ways in which South African businesses can enter into a foreign market. (10)

Consolidation

QUESTION 1.1: Crossword puzzle 1

Complete the crossword puzzle by using the information below.



Down

- 1 This AIDA principle is executed when the business incorporates advertisements as a disruption.
- 3 A very common means of mass communication in the form of printed publications and includes newspapers and magazines.
- 5 A sales promotion method whereby the business promotes that a portion of the sale of products will be donated to a specific charitable cause.
- 7 This policy describes all the messages and media used by the business to effectively communicate with the market.
- 9 Face-to-face selling in which the salesperson tries to convince the customer to purchase the product/service.
- 11 Free forms of non-personal communication that the business receives through various forms of mass media.

Across

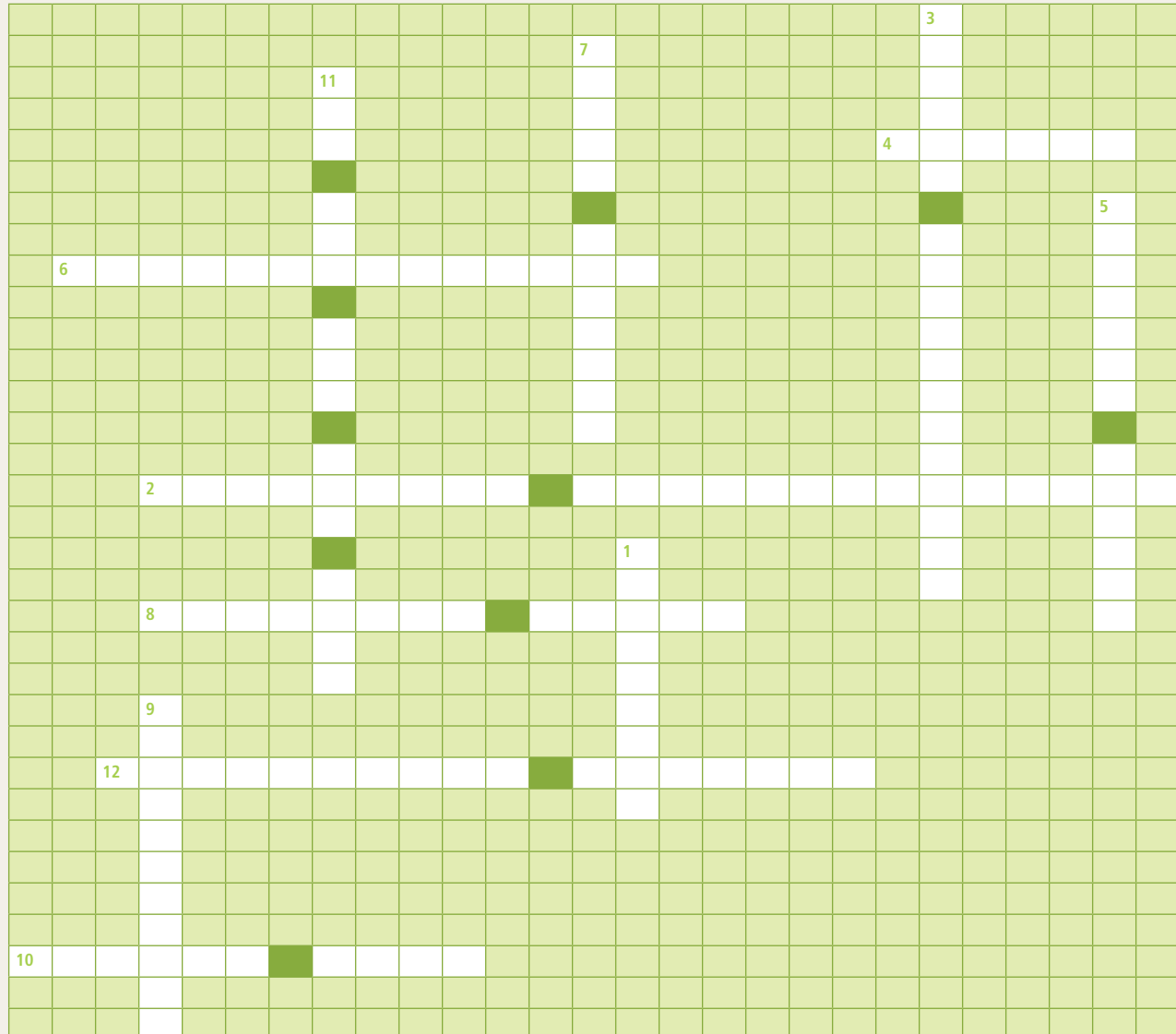
- 2 Occurs when the business partners with other businesses and promotes products/services together to enhance sales and benefit all concerned businesses.
- 4 A form of public support of the business by famous individuals, in which they achieve a high degree of recognition amongst members of the public.
- 6 A form of advertising and mass communication that uses the internet to advertise the business.
- 8 A special type of sales promotion whereby the business promotes its various social and environmental initiatives.
- 10 This stage of AIDA is effective in providing the platform for the customer to make the final decision before taking action.
- 12 Certain products are placed strategically in the business near the till check-out points and at the corner of aisles to encourage customers to purchase products.

[12 × 2 = 24]  
[24]

## Consolidation

**QUESTION 1.2: Crossword puzzle 2**

Complete the crossword puzzle by using the information below.

**Down**

- 1 This marketing activity focuses on the movement of products from one geographical area to another.
- 3 A situation whereby producers sell their products directly to consumers without using any intermediaries.
- 5 The policy applied by the business to set the prices of its products based on cost, demand and competition.
- 7 A form of publicity in which the business releases a statement of current activities to members of the media.
- 9 These intermediaries purchase products in bulk from manufacturers, store them in warehouses, and sell them to retailers.
- 11 A common sales promotion method where customers purchase one product and receive another one without paying for it.

**Across**

- 2 During this step of product design, systems and processes are put in place for production planning and control.
- 4 This purpose of advertising is achieved when the customers make the actual purchase of the product.
- 6 Wholesalers, retailers and agents that bridge the gap between consumers and producers.
- 8 During this stage of product development, demand for the product rises due to increased awareness and familiarity.
- 10 This advertising media includes physical forms of correspondence to potential customers in the form of brochures and pamphlets.
- 12 Setting prices based on the cost of the goods and services being sold.

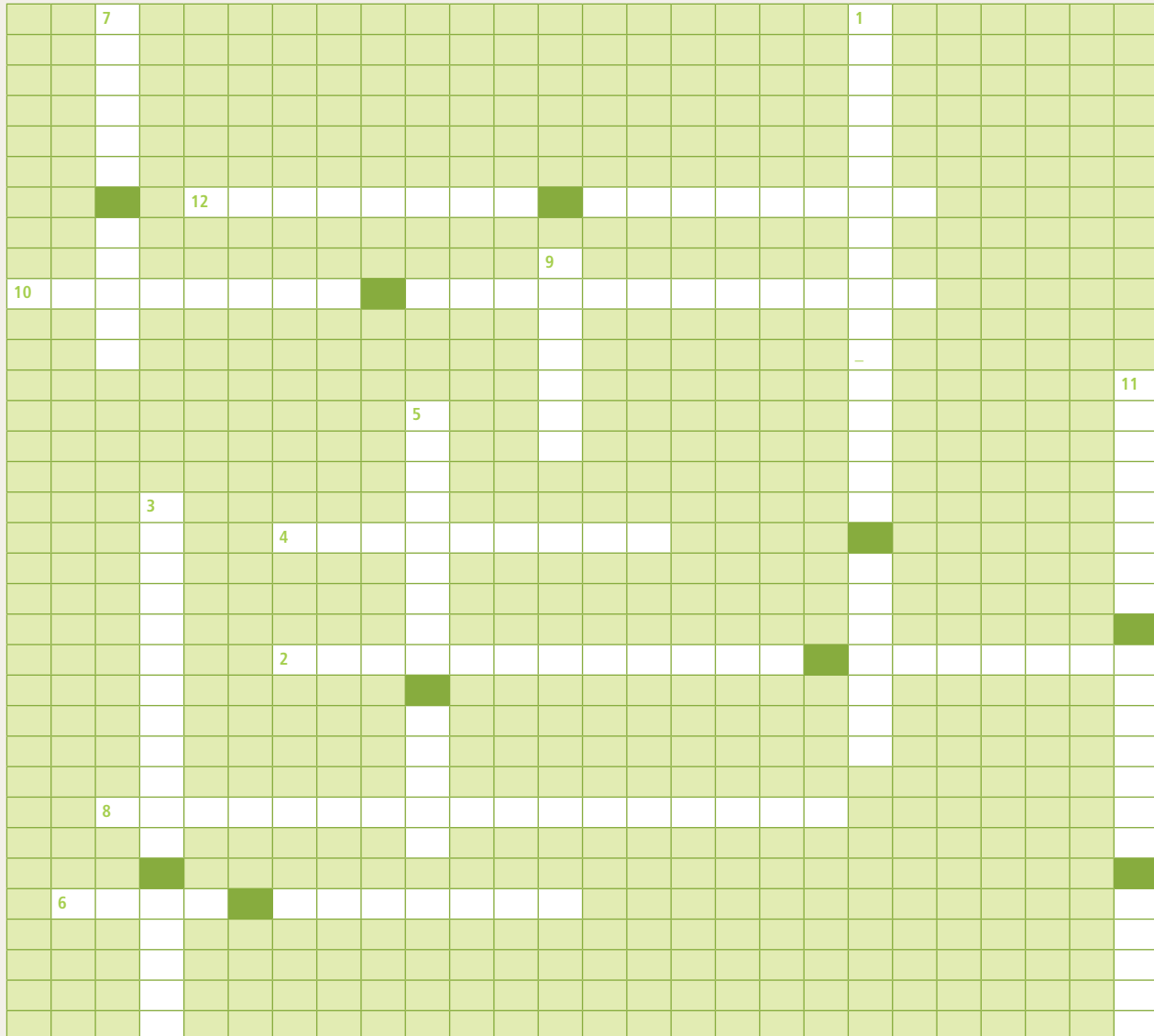
[12 × 2 = 24]

[24]

Consolidation

QUESTION 1.3: Crossword puzzle 3

Complete the crossword puzzle by using the information below.



Down

- 1 This pricing technique is applied by businesses when prices are set in relation to those of competitors.
- 3 During this stage of product development, demand is low as the product is still unknown.
- 5 This type of advertising media uses audio and video programming to convey a message to many consumers simultaneously over a communication network.
- 7 This form of publicity occurs when the business creates a profile on Facebook and Twitter and engages customers on these platforms.
- 9 This marketing activity refers to the act of keeping the products at the facility for safekeeping purposes after they have been manufactured.
- 11 Clients receive a card that earns points for regular purchases that are redeemed for a particular incentive according to this sales promotion method.

Across

- 2 The route which the goods or services go through to reach customers.
- 4 A word, phrase, symbol or design or a combination of words that distinguish products from others.
- 6 This marketing activity provides businesses with the opportunity to reduce losses incurred should the business venture not succeed.
- 8 Aggressive efforts to persuade consumers to keep on purchasing the product occur during this step of product design.
- 10 The manufacturer makes use of intermediaries to distribute their products.
- 12 The new product should include a system of metrics to evaluate the success of the product during this step of product design.

[12 × 2 = 24]

[24]

## Consolidation

## QUESTION 2

2.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (4.1.1 to 4.1.10), for example, 4.1.11 D.

- 2.1.1 Dzuva Dealers made use of...pricing by selling their product at extremely low prices when the product was introduced to the market and slowly increased the price over time.
- A penetration
  - B promotional
  - C psychological
  - D bait
- 2.1.2 The effectiveness of personal selling in promoting the products of Kamaludien Bakery Equipment is demonstrated by the...
- A decreases in productivity in the production function.
  - B increases in immediate sales as it is purposefully directed at potential members of the target market.
  - C increases in the staff attrition rates because of increases in demand.
  - D increases in customer complaints because of ineffective service provisioning.
- 2.1.3 The advertisement is considered successful because it resulted in...when the customer purchased the product.
- A attractiveness
  - B interest
  - C desire
  - D action
- 2.1.4 Trademarks are important to Romeo Fashion Emporium because it...
- A enables the business to remain uncompetitive in the industry.
  - B creates brand identity for the business and consumers.
  - C allows the business to decrease its market share.
  - D sustains brand identity for consumers at the expense of the business.
- 2.1.5 Susan Lombard Textiles applies the...policy to get the products to the target market in the most convenient way.
- A pricing
  - B product
  - C distribution
  - D communication
- 2.1.6 The role of public relations in publicity at Dippenaar Construction is important because public relations...
- A develops positive publicity and minimises the effects of negative publicity.
  - B is the most important factor that contributes towards the profitability of the business.
  - C decreases positive publicity and increases the effects of negative publicity.
  - D has limited knowledge of the press.
- 2.1.7 The radio and television can be classified as examples of...
- A printed media.
  - B broadcast media.
  - C direct mail.
  - D web-based media.
- 2.1.8 The marketing function of Rajesh Singh Networking...
- A conducts diversity training with all employees.
  - B identifies and addresses the needs of customers.
  - C applies efficient financial management.
  - D purchases all requirements for all other departments.

### Consolidation

**2.1.9** Businesses use...packaging when complementary products are packaged together.

- A speciality
- B frequently changing
- C resale
- D combination

**2.1.10** Hlonela Publishers made use of...as an example of publicity when it promoted the means to improve how customers are addressed.

- A sponsorships
- B endorsements
- C social media
- D internal publicity

[10 × 2 = 20]

### QUESTION 3

**3.1** Identify the correct STEP of product design applied by Chatsworth Furniture Distributors (CFD) in EACH statement below.

- 3.1.1** The reaction of consumers to the new product of CFD is measured at this step of product design. (10)
- 3.1.2** CFD applies creative thinking and conducts a SWOT Analysis to come up with ideas for new products. (4)
- 3.1.3** The new product is launched and CFD implements marketing and advertising campaigns.
- 3.1.4** CFD decides whether the new product can be developed at the right price for the target market.
- 3.1.5** The actual sample product is tested in the market and the necessary adjustments are made by CFD.

**3.2** Elaborate on the meaning of the *marketing communication policy*.

**3.3** Read the scenario below and answer the questions that follow.

#### IVIWE DLULANE MANUFACTURERS (IDM)

Iviwe Dlulane Manufacturers ensures that products are produced according to the same standards regarding appearance and size. IDM is required to obtain funds to ensure that business activities could operate effectively in pursuit of organisational objectives.

**3.3.1** Identify TWO marketing activities applied by IDM. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 3.3.1.

MARKETING ACTIVITIES	MOTIVATIONS
1.	
2.	

**3.3.2** Explain TWO other marketing activities that could be applied by IDM.

**3.4** Discuss TWO factors that influence pricing.

**3.5** Read the scenario below and answer the questions that follow.

#### LIAM ELIAS ENTERPRISES (LEE)

Liam Elias Enterprises (LEE) produces products that are correctly contained within the packaging to protect them from harm. LEE packages products to attract the attention of consumers.

**3.5.1** Quote TWO purposes of packaging demonstrated by LEE.

**3.5.2** Recommend THREE other purposes of packaging that LEE uses for their products.

## Consolidation

**QUESTION 4**

- 4.1 List THREE examples of advertising media. (3)
- 4.2 Elaborate on the meaning of sales promotion. (6)
- 4.3 Discuss the role of public relations in publicity. (6)
- 4.4 Read the scenario below and answer the questions that follow.

**CHUMALEMFUNDO ELECTRONICS (CE)**

Chumalemfundo Electronics (CE) is offering an additional television at no cost to customers for every television purchased. This sales promotion is being used during CE's twentieth birthday celebration.

- 4.4.1 Identify the example of sales promotion applied by CE. Motivate your answer by quoting from the scenario above. (3)
- 4.4.2 Name FOUR other examples of sales promotion that could be applied by CE. (4)
- 4.5 Evaluate the effectiveness of personal selling in promoting a business product. (6)

**QUESTION 5 (Essay: Marketing function)**

The distribution policy is an important aspect of the marketing function. Businesses can choose to use either direct or indirect channels of distribution. Intermediaries play a significant role in the distribution process. Manufacturers may prefer to use direct distribution methods.

Write an essay on the distribution policy in which you include the following aspects:

- Outline differences between direct and indirect channels of distribution.
- Explain FOUR different types of intermediaries.
- Discuss the role of intermediaries in the distribution process.
- Advise businesses on the reasons why manufacturers may prefer to make use of direct distribution methods.

[40]

**QUESTION 6 (Essay: Marketing function)**

Businesses must ensure the effective application of the components of the marketing communication policy. Sales promotions often encourage sales whereas the AIDA principles provide requirements to determine the success of advertising. Businesses can use personal selling to promote a business product and businesses must also have a good relationship with the public to remain successful.

Write an essay, in which you discuss the following on the marketing communication policy:

- Outline sales promotion as a component of the marketing communications policy.
- Explain the FOUR principles of advertising.
- Discuss the effectiveness of personal selling in promoting a business product.
- Advise businesses on the role of public relations in publicity.

[40]

**QUESTION 7 (Marketing in informal sector; electronic marketing and foreign marketing)**

- 7.1 Define electronic marketing. (2)
- 7.2 List FIVE examples of electronic marketing. (5)
- 7.3 Outline advantages of marketing in the informal sector. (8)
- 7.4 Explain ways in which the informal sector uses indirect distribution. (6)
- 7.5 Discuss how the production function can align its processes in order to meet the global demand. (8)

[29]





**QR CODE**

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## Mind map: Topic 10 – The marketing function

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.

### Marketing activities:

- Standardisation and grading
- Storage
- Transport
- Financing
- Risk bearing
- Buying and selling

### Product policy

#### Type of products

Industrial goods

Consumer goods:

- Convenience goods
- Shopping goods
- Speciality goods
- Services
- Unsought goods

#### Product design – steps

- Generate idea
- Evaluate ideas
- Test prototype
- Business analysis
- Market testing
- Technical implementation
- Commercialization

#### Purpose of packaging

- Protect products
- Promote marketing
- Improve convenience
- Differentiate with other products
- Attract attention

#### Kinds of packaging

- Unit
- Double use
- Resale
- Kaleidoscopic
- Specialty
- Combination

#### Trademarks – requirements

- Attractive
- Suit the product
- Differentiate from other
- Promote image
- Use for display

### Price policy

#### Importance

- Define product
- Consider flexibility
- Influence consumers
- Include transport
- Consider VAT

#### Pricing techniques

- Cost-based
- Mark-up pricing
- Customer-based
- Competition-based
- Promotional
- Penetration
- Psychological
- Bait
- Skimming

#### Factors influencing pricing

- Input costs
- Demand
- Target market
- Type of product
- Pricing technique
- Substitutes
- Economic climate

#### Forms of markets

- Perfect competition
- Monopolistic competition
- Oligopoly
- Monopoly

**Distribution policy****Channels of distribution**

- M – C
- M- R – C
- M-A-R-C
- M- W – R -C
- M- A- W – R -C

**Reasons for direct distribution**

- Control
- Reaches end-user
- Profit
- Lower prices
- Information

**Reasons for indirect distribution**

- Experienced agents
- Transportation and storage
- Less customer complaints
- Market coverage
- Amount of investment

**Types of intermediaries**

- Wholesalers
- Agents
  - Buying
  - Selling
  - Export/Import
- Retailers

**Role of intermediaries**

- Locating buyers
- Promote product
- Reach a wider audience
- Better transporting
- Lower distribution costs

**Communication policy****Components**

- Sales
- Advertising
- Publicity
- Personal sales

**Advertising media**

- Printed
- Broadcasting
- Direct mail
- Web-based

**AIDA – principle**

- Attract
- Interest
- Desire
- Action

**Publicity – types**

- Internal
- Competitions
- Press releases
- Endorsements
- Free gifts/samples
- Donations
- Social media

**Personal selling- effectiveness**

- Improve relationships
- Enhances flexibility
- Increases sales
- Give information to customers
- Two-way communication

**Marketing in informal sector****Advantages**

- Easy and inexpensive
- No education needed
- Opportunities to entrepreneurs
- More interaction with customers
- Provide goods and services

**Reasons for direct distribution**

- Control
- No intermediary costs
- Direct contact with customers
- Lower prices
- Get info from customers

**Electronic media****Types of digital marketing**

- E-mail
- Websites
- Search engines
- Mobile marketing
- Banners
- Social networking
- Blogging
- You Tube
- Viral marketing
- SMS marketing

**Advantages**

- Lower costs
- Quicker
- Get data from customers
- More interaction
- Brand visibility

**Disadvantages**

- Technological failure
- Competitive markets
- Consistent maintenance
- Less flexible pricing
- No internet access for some

**Foreign marketing****Restrictions of foreign marketing**

- Trade agreements
- Tariffs
- Export subsidies
- Protection policies

**Ways to enter foreign marketing**

- Direct exporting
- Licensing
- Franchising
- Partnering
- Joint ventures
- Buying a company
- Piggybacking
- Turnkey projects
- Greenfield investments

## TERM 2

## 11

## The production function



## TOPIC OVERVIEW

- Unit 11.1 Understanding production systems
- Unit 11.2 Defining production planning
- Unit 11.3 Explaining safety management
- Unit 11.4 Defining quality control
- Unit 11.5 Evaluating production costs



## Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ define mass, batch, and job production
- ❖ explain/discuss the characteristics of mass, batch and job production
- ❖ identify mass, batch and job production from given scenarios
- ❖ define production planning
- ❖ outline/explain/discuss aspects that must be considered during production planning
- ❖ explain/discuss the advantages of production planning
- ❖ explain the meaning of production control
- ❖ outline/explain/discuss aspects that must be considered during production control
- ❖ explain/discuss the requirements for a safe environment
- ❖ explain/discuss the reasons why businesses must manage safety in the workplace
- ❖ explain/discuss/recommend precautionary measures that businesses should take when handling machinery
- ❖ explain the purpose of the Occupational Health and Safety Act (No. 85 of 1993)
- ❖ recommend/suggest ways in which businesses can comply with the Occupational Health and Safety Act (No. 85 of 1993)
- ❖ explain the purpose of a workplace safety policy
- ❖ outline/mention/explain/discuss aspects that must be included in the workplace safety policy
- ❖ evaluate a workplace safety policy and make recommendations for improvement
- ❖ define quality control
- ❖ outline quality control bodies



### Learning objectives

- ❖ explain total quality management (TQM) as part of the quality management system
- ❖ explain the meaning of production costs
- ❖ outline/discuss/explain the components of production costs
- ❖ give examples of primary and overhead costs
- ❖ explain the meaning of total and fixed costs
- ❖ calculate the total, fixed and variable costs
- ❖ calculate unit costs, selling price and profit
- ❖ explain the meaning of the break-even point
- ❖ calculate the break-even point.

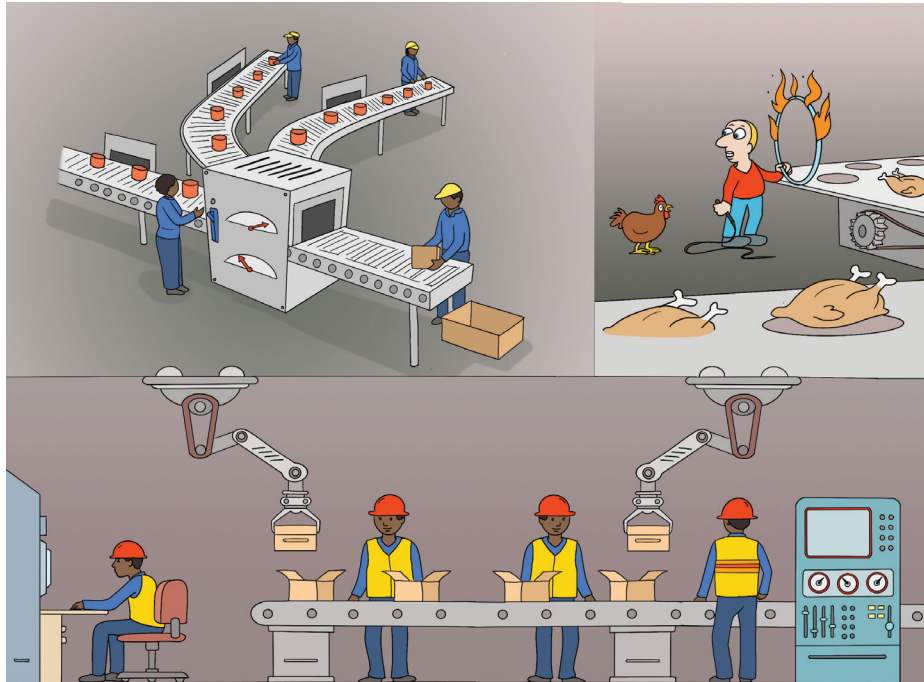


### Key concepts

- **Systems:** an orderly arrangement of parts to achieve a specific outcome.
- **Production planning:** the plan that is used in the production process that will decrease cost and time and increase output.
- **Production control:** the managing of each individual task and action in the production process to ensure the best result.
- **Routing:** the process to determine the best and cheapest sequence of operations.
- **Scheduling:** the process to work out the time required to perform each production task.
- **Loading:** the process to assign work to workers and machines.
- **Dispatching:** converts the planning into action with instructions for the movement of material, tools, and equipment, checking of time and flow of work, and supervising the process.
- **Following-up:** the process whereby the business makes sure the scheduling and production systems are running according to plan.
- **Inspection:** involves checking the quality of the process and the final product.
- **Corrective action:** involves any adjustments to the planning process.
- **Safety management:** includes all the safety precautions that are essential to ensure safety in the workplace.
- **Occupational Health and Safety Act:** outlines the health and safety roles and responsibilities of all the stakeholders involved.
- **Quality control:** includes the inspection of the final product to ensure that it meets the required standards.
- **Quality management systems:** a framework that businesses use to manage all key processes, and to ensure that they meet the correct standards.
- **SABS:** the South African Bureau of Standards, a body that promotes and maintains standards in South Africa.

## Introduction

In Grade 10, you were introduced to the production function as part of the other business functions. You also learned about quality and quality indicators for the production function. In Grade 11, we will elaborate on production and will cover production systems, production planning, safety management, quality control, and production costs.



## Unit 11.1 Understanding production systems

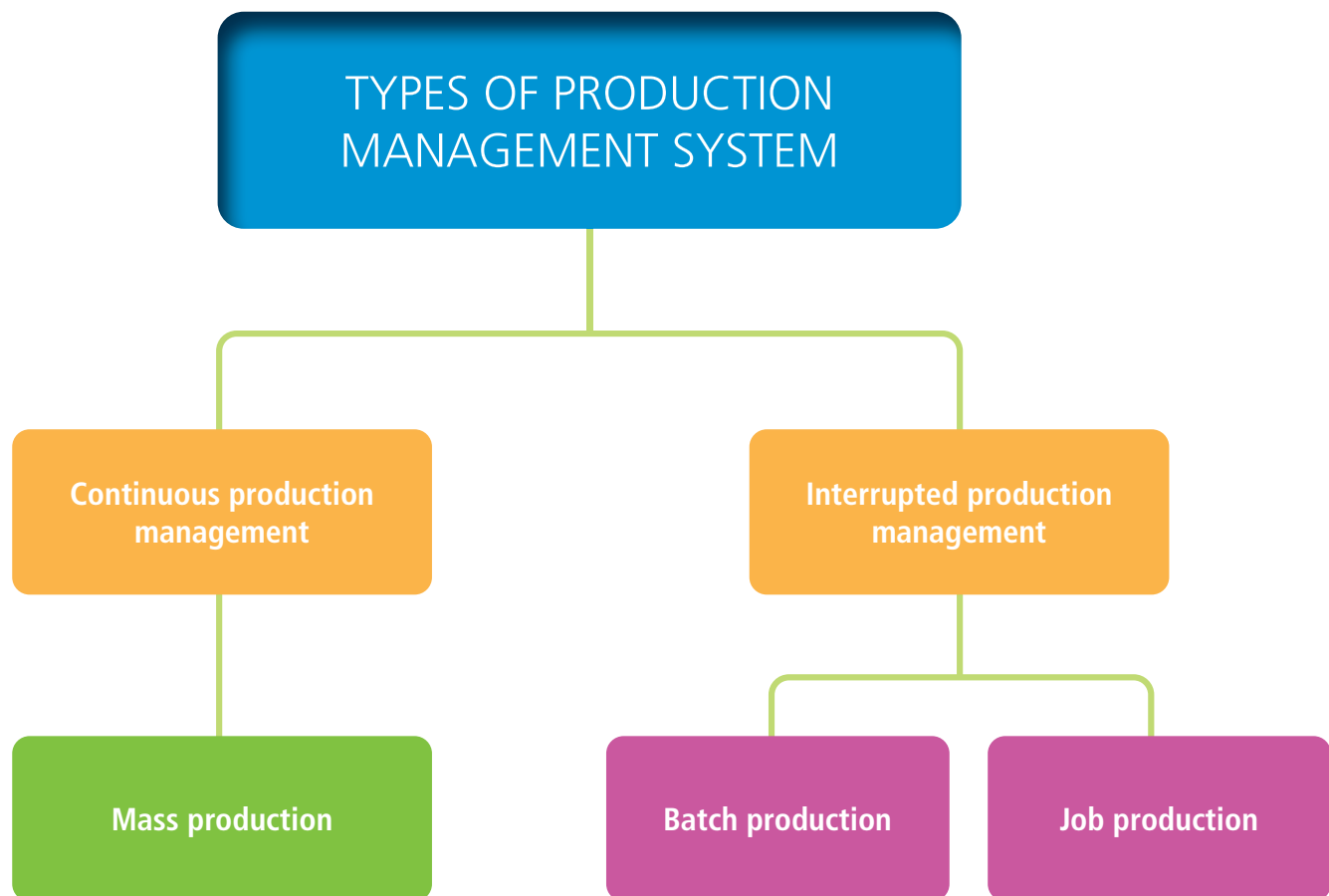
### The role of the production function

The production function involves the process by which raw materials are transformed into finished goods of high quality to meet the demands of customers. To ensure that this process is efficient and effective, businesses need a good production management system.

A system is an orderly arrangement of parts to achieve a specific outcome, therefore businesses must decide which production system will best suit their needs. To choose the best system they must consider three criteria, namely:

- the product variety
- the volume of products that must be produced
- the machinery and equipment that they will use.

There are two main types of production management systems – continuous/flow production, and interrupted production. These are illustrated below.



■ The two possible production management systems

Businesses need to choose which system they will use. Let's look at each one in more detail.

## Mass production

### Definition

Mass production is also known as flow production or continuous production. It is the production of large amounts of standardised products in a constant flow. Examples include things such as pencils, car manufacturing and bottled water.

### Characteristics

The following are the main characteristics of the mass production system:

- Large amounts of standardised products will flow through the system.
- Products are identical and go through the same process.
- Products move on an assembly line or production line to the next station.
- Each worker is trained to do a specific job and specialises in that job.
- The equipment and machinery that are used are highly specialised and expensive.
- Mass production speeds up the production process and reduces the cost of production.



- The unit cost of the products is cheaper.
- The mass production process is inflexible and can't accommodate new products.
- The quality of products is the same and quality control can be planned and carefully executed.

### Advantages of mass production

- The production process is quicker, which will make the turnaround time faster.
- The unit cost of products is cheaper and therefore the final price of products can be reduced.
- The quality of products is standardised, and it is easier to do quality control.
- Workers will specialise in a specific job, and it is easier to train them for the job.
- Work can be done continuously if using different shifts and operators.

### Disadvantages of mass production

- It is very expensive to set up a factory and buy specialised machinery.
- The mass production process is inflexible and does not allow for unique products.
- If one piece of machinery breaks the whole production process is stopped.
- Workers can get bored because the process is very repetitive.
- The equipment often requires specialised operators who will earn higher salaries.



## Batch production

### Definition

With batch production, products go through a process in groups and are completed from beginning to the end before a new batch is started. Examples of batch production are printing flyers and posters for different clients, baking cakes and other delicacies in a bakery and making uniforms for a specific sports team.

### Characteristics

The following are the main characteristics of the batch production system:

- Products are not produced continuously, but rather in batches.
- There can be flexibility and a variety of different products.
- The machinery used is not as expensive as those used in mass production.
- Workers can specialise in a certain part of the process, which will increase their productivity.
- The quantity of the batches can be changed easily and will reduce wastage.
- New products can easily be included in the production process.
- The cost can be higher than mass production, but not too high because large batches of similar products can be produced.
- Larger quantities of raw material and final goods need to be stored and kept to accommodate different products and clients.
- There can be time delays in waiting for one batch to finish before the new batch is started.

### Advantages of batch production

- The set-up cost is lower because machinery is not as expensive as with mass production.
- Quantities of batches can be controlled which will reduce wastage.



- There is more flexibility in this process, and it is easier to change to new products.
- Cost is lower because large batches of similar products can be produced at one time.
- Businesses can take advantage of buying raw material in bulk.

### Disadvantages of batch production

- It is not always easy to control the quality of each product and do not always meet the requirements of the customers.
- Time can be wasted while waiting for one batch to finish before the next one can get started.
- More storage space is needed to store final goods.
- Batch production often requires a lot of different machinery which can be more costly for the business.
- Some workers get demotivated if they specialise in one task.

## Job production

### Definition

With job production, each order for a job is unique and needs specialised workers, creative ideas and different techniques. Examples of job production are wedding dresses, tailor-made sailboats and specific oil paintings.

### Characteristics

The following are the main characteristics of job production:

- Each client will give his/her unique ideas, which must be included in the final product.
- The machines used tend to be for general purposes and can be used for different products.
- The cost of items will be higher because products are customised.
- The quality of each product is excellent because it is made to a customer's specifications.
- Workers are skilled and the cost of the work will be higher.
- The process takes longer because each item is unique.
- Raw material cannot be bought in bulk and will cost more.

### Advantages of job production

- Employees will not get bored because every job is different.
- The demand for unique products is often higher.
- The quality of each individual product is high and quality control will be applied through the whole process.
- The set-up cost is not so high because standardised machinery will often be used.
- The business can charge higher prices because products are made to specific specifications.

### Disadvantages of job production

- Labour cost will be high because workers must be highly skilled.
- Raw materials are costly as they cannot be bought in bulk.
- The process takes more time because each item is made to certain specifications.
- The cost per item is normally higher.
- It is not possible to automate the process.



## Activity 11.1 Production systems

**1.1** Read the following scenario and answer the questions that follow:

### LAZY CHAIR ENTERPRISES (LCE)

Lazy Chair Enterprises is a company that specialises in making handmade, comfortable garden furniture to each customer's specifications. The demand for their product increased dramatically during the last two months. They decided to employ seven more workers and add more products to their range. With the new system, a number of products will be completed before another set is produced.

**1.1.1** Identify TWO production systems applicable to LCE. Motivate your answer by quoting from the scenario.

Use the table below as a GUIDE to answer QUESTION 1.1.1

PRODUCTION SYSTEMS	MOTIVATIONS
a)	
b)	

(6)

**1.1.2** Explain the characteristics of ONE of the production systems identified in QUESTION 1.1.1.

(8)

**1.2** Discuss the characteristics of mass production.

(8)



## Unit 11.2 Defining production planning

### The meaning of production planning

After a business has decided on the production management system they will use, they then need to plan the production process.

Production planning involves several aspects. These are:

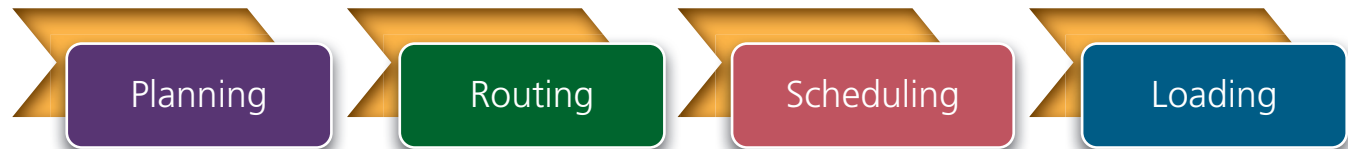
- Setting the goals for the production department, and developing the policies and programmes to achieve these goals.
- Organising resources to maximise workplace efficiency, to decrease cost and time, and to increase output.
- Planning the individual roles of staff, ordering of stock, and so on. Everything – up to the final delivery of products – must be planned.
- There will always be changes in the manufacturing process, and that is why planning must be done accurately and carefully.

Production planning must include the following aspects:

- actual production
- inventory/stock
- factory layout
- production costs.

## Aspects to consider during production planning

Production planning will include the following steps:



- The production planning process

### Planning

Production planning is planning each aspect of the whole process. The following aspects are part of the planning process:

- This process will include the layout of the factory to suit the production system.
- It will determine the flow of materials to optimise the process.
- It must include decisions on the purchasing of the materials, machinery, and equipment.
- The process must include budgets, machines, and the calculation of how many workers will be required to achieve the expected output.

### Routing

Routing involves the planning of the sequence in which the operation will take place. Management must determine what the best and cheapest way to sequence the production process will be.

Routing will look at the following questions:

- What quality and type of raw materials will be used?
- In what sequence will the manufacturing process take place?
- What are the specifications, for example, the size of the final product?
- What is the cost analysis of the whole process?

### Scheduling

Scheduling involves the timing of the production process. It will also prioritise certain jobs and determine which jobs need to be completed before the next one can start.

Scheduling will consider the following aspects:

- The routing and loading of both labour and machinery.
- Calculation of time required to perform each activity in the manufacturing process.
- Determination of when each activity should start, and then calculating the time required to complete the whole process.
- Determination of the time needed for the preparation of raw material, up to the time needed to produce the final product.
- Determination of the time for delivering raw materials, and delivering final products, and so on.

Scheduling is affected by several factors, such as the capacity and size of the business, the availability of staff, machinery, and materials. A more detailed schedule will ensure better use of resources and effective control over the process.

## Loading

Loading involves the allocation of every person to a specific task and/or machine. It is linked to the output required to fulfil orders, and the prevention of overloading employees and machines.

The following aspects will be considered during loading:

- It involves planning who will be responsible for each activity identified during the routing process.
- It allocates every person to his/her task and machine.
- Loading calculates the amount of time each machine will need to operate during a day.
- It also indicates which machines are not being used to their full capacity.
- Loading is linked to the output required to fulfil orders and prevent the overloading of employees and machines.

## The advantages of production planning

The following are the advantages when production planning is well executed:

- Planning allows businesses to ensure that every machine and worker is used to their full capacity and not left with nothing to do.
- A business can ensure that it has the correct amount of supplies and stock at a given time.
- Planning reduces wastage and unnecessary storage costs.
- Planning will prevent time from being wasted and will increase the number of final products.
- The planning process involves quality checks, ensures that the correct quality is reached, and that production time is decreased.

## The meaning of production control

Production control will control each individual task and action during the production process. It will also establish the starting and finishing of each task.

## Aspects to consider during production control

The following steps will be considered during the production control process:



■ The production control process

### Dispatching

This stage of the process involves issuing production orders to start production. It converts planning into action.

Dispatch will provide orders for:

- the movement of materials, tools and equipment to the necessary locations
- checking the time and costs involved in the process
- checking the flow of work according to the routing
- supervising the whole process.

Therefore dispatch is the process of identifying the person who will do the work and supplying him/her with specifications and a materials list.

## Inspection

Inspection involves checking the quality of the process and the final product. It can be done at regular intervals during the production process, and at the end. Inspection methods include the following:

- random selection and testing of products
- viewing of products
- sampling and testing of products.

During the control process, the legal and regulatory processes are also checked to ensure that the necessary standards are met.

## Follow-up

During the follow-up process, the business makes sure the scheduling and production systems are running according to plan.

The follow-up process will evaluate the following aspects:

- unplanned issues or problems
- any misunderstandings in terms of job process requirements
- indicating whether the activities are happening as planned.

Following up on the progress is essential and helps to prevent bottlenecks and misunderstandings.

## Corrective action

Corrective action must involve any adjustments to the planning process.

Corrective actions can include activities like:

- service and repairing of machines
- adjustments on routing, scheduling and loading
- training of workers and sorting out other staff issues
- transferring workers to other departments.

### Activity 11.2 Production planning and control

- 1.1** Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question number in your answer book.

**corrective action; inspection; follow-up; routing; scheduling; planning; dispatching; loading**

- 1.1.1** The process of converting plans into action is known as ...  
**1.1.2** Bell Bakery uses ... to determine the best and cheapest sequence of operations.  
**1.1.3** Luna Cement Manufacturers must check the quality of their final product through ...  
**1.1.4** Businesses use ... to work out the time needed for performing of each task in their jobbing system. (8)  
**2.1** Name FOUR aspects to consider during production planning. (4)  
**2.2** Explain any THREE aspects that must be considered during production control. (9)

**? Did you know**

Different colours used on signs indicate different meanings, for example, red is for danger, green is safety-related but no danger present, and blue provides information.

## Unit 11.3 Explaining safety management

Every business and factory needs to have safety precautions in the workplace. Even more so if the factory is handling/working with dangerous chemicals, dangerous machinery, and harmful substances. Businesses are compelled by law to have the necessary safety policies and precautions in place.



### Reasons for businesses to manage safety in the workplace

The three main reasons for safety in the workplace are legal (to abide by laws), moral (to care for workers), and financial (not to be sued or fined).

The following are some of the reasons why businesses need to manage safety in the workplace:

- Workplace accidents can result in injuries and deaths, and can result in possible financial trouble for the business.
- The publicity of workplace accidents will negatively impact a business' image.
- Regular or serious workplace accidents may even cause investors to withdraw their money and invest it in another company.
- Employees may lose confidence in the business and leave it to join safer companies.
- Potential employees may decide not to accept a job offer at a business where many accidents have occurred.

### Requirements for a safe environment

For a business to be safe it needs the following:

- a safety policy
- visible warning signs
- first aid kits
- safe working environment
- precautionary measures when handling machinery.



### Safety policy

- Businesses should draw up their safety policy and enforce necessary control measures.

### Visible warning signs

- The necessary safety warnings and signs should be visible in the workplace.
- The business should inform employees of any dangers in the workplace.

### First aid kits

- Businesses are required to have an up-to-date first aid kit in an easily accessible place.
- According to law, at least one employee should be trained in first aid, and he/ she should be available on site.

### Safe working environment

- There should be no hazardous substances that can cause damage, disease, or injury to employees or visitors.
- Information, instructions, and training should be provided to all employees.
- Workers should be informed of the potential safety and health hazards.

## Workplace safety policy

### Purpose of a workplace safety policy

To maintain a safety culture within a business, it is important for businesses to set up a safety policy. The safety policy should outline how safety is managed, by whom it is managed, and how it is measured. The safety policy should be endorsed by the leader of the business, which makes them accountable for the ongoing success of the safety system.

This document outlines the 'when' and 'how', and should consist of the three core parts:

- A statement of intent (or what the company intends to do): A written policy statement that shows workers and any interested parties the business' commitment to safety.
- Company details (or who will be involved): Those who have responsibility for health and safety matters in the business.
- Arrangements (or how to implement the policy): An explanation of how businesses will control the main hazards identified during the risk assessment.



### Aspects that must be included in the workplace safety policy

The following aspects must be included in a safety policy:

- It must acknowledge the right of each employee to work in a safe and healthy environment.
- It must be visible and displayed for all workers to see.
- It must recognise the need to comply with the minimum standards of the OHSA.
- It must recognise the priority and safety in relation to other organisational goals and policies.
- There must be a starting date and a date when the policy will be reviewed.
- The policy must include the signature of the CEO.
- It must stipulate the responsibility of management for occupational health and safety programmes.

### Evaluating a workplace safety policy and making recommendations for improvement

The Health and Safety Executive (HSE) requires businesses to **review** their safety policy every year. However, businesses may decide to review them every twelve months, once every six months, or even more frequently, if workplaces are rapidly changing.

Businesses can use different indicators such as **safety audits** to measure activities to prevent or reduce the severity of an incident in the present or future.

Some employers make use of the four **SAFE steps** for risk assessment.

**S:** spot the hazard

**A:** assess the risk

**F:** fix the problem

**E:** evaluate the results.

[Source: Adapted from <https://www.chas.co.uk/insights/>]

### Precautionary measure when handling machinery

Any machinery, large or small can cause serious injuries. Businesses should take the following precautionary measures and see to it that it is executed by the employees:

- Every employee must be familiar with the safety procedures of the business.
- Management must strive to develop a culture of safety in the workplace.
- The business must ensure that all machinery and equipment are correctly installed and safe to use.
- All the workers must be properly trained on how to use machinery, and must be informed about the risks when using the machinery.
- Regular safety checks must be carried out, and machinery should be maintained and serviced regularly.
- Workers need to wear protective clothing and gear. This includes items like overalls, safety helmets, masks, heavy-duty safety boots, and welding goggles when working with machinery and equipment.
- Hard hats should always be worn on construction sites by all persons on the site.

## The purpose of the Occupational Health and Safety Act (OHSA) (No. 85 of 1993)

The main aims of the Occupational Health and Safety Act (OHSA) (No. 85 of 1993) are to protect the health, safety, and welfare of employees, and to safeguard others, principally the public, who may be exposed to risks from work activity.

Purpose of OHSA:

- Protect the health and safety and welfare of employees.
- Outlines the roles and responsibilities of employers, employees, manufacturers and suppliers regarding health and safety in the workplace.

The following outlines the requirements of the OHSA:

- Businesses must establish and maintain a safe working environment without risking the health of the workers.
- Businesses must frequently review the efficiency of health and safety measures.
- The roles and responsibilities of employers, employees, manufacturers, designers, importers, suppliers, and sellers must be outlined for all to know.
- Businesses must clarify the roles and duties of the health and safety representative and committee.
- All main dangers and potential incidents of the workplace must be identified and eliminated and communicated to all workers.
- Businesses must examine the causes of accidents by any employee relating to the employee's health and safety at work.
- It must encourage employees to co-operate and follow the necessary instructions and to report any unsafe situations.
- The business must make presentations concerning general health and safety issues at the workplace.

## Ways in which businesses can comply with the OHSA

According to the Act "All employers or owners of companies have a legal duty of ensuring the health and safety of all their employees in their workplace. Therefore, employers must ensure that their workplaces are compliant with the Occupational Health and Safety Act requirements."

Ways in which businesses can comply with OHSA:

- Provide workers with protective gear to protect themselves against potentially dangerous situations.
- Ensure that first aid boxes are readily available at the workplace and in the factory.
- Make fire extinguishers available at the workplace or in the factory. These fire extinguishers need to be serviced regularly.
- Machinery must be maintained at regular intervals and repaired promptly.

### Activity 11.3 Safety management

Read the scenario below and answer the questions that follow.

#### DAVID CONSTRUCTION (DC)

David Construction familiarises its employees with the safety procedures at work. They also train employees on how to use the machinery correctly. DC developed a workplace safety policy but still struggle to comply with the Occupational Health and Safety Act (No. 85 of 1993).

- 1.1 Quote TWO precautionary measures that DC took for handling machinery. (2)
- 1.2 Outline other precautionary measures that DC should take when handling machinery. (8)
- 1.3 Explain the purpose of a workplace safety policy. (6)
- 1.4 Discuss aspects that must be included in the workplace safety policy. (8)
- 1.5 Suggest ways in which DC can comply with the OHSA. (6)

## Unit 11.4 Defining quality control

### The definition of quality control

Businesses must ensure that their products meet the correct standards, and that their products are always of the same standard. To meet the required standards, businesses must conduct quality checks before, during, and at the end of the production process.

Quality must be part of the culture of any business. Quality control is, therefore:

- the process of ensuring that goods or services are made to consistently high standards
- the inspecting of final products to ensure that it meets the required standards.

### Total Quality Management (TQM) as part of a quality management system

Total Quality Management (TQM) is an integrated system or methodology applied throughout the organisation. It helps to design, produce, provide quality products and services to customers.

It is a system developed by the Japanese in which the entire business is operated to focus on customer satisfaction in all business activities. TQM enables businesses to continuously improve on the delivery of products and services to satisfy the needs of customers.

The following aspects display TQM as part of a quality management system:

- TQM involves every part of the business, and quality is everyone's – including every department and employee – responsibility.
- The main aim of TQM is to improve the quality of products and services to satisfy the needs of customers beyond their expectations.

- Continuous improvement is the foundation of TQM. This means that all techniques, systems, and machinery used must be subjected to continuous improvement.
- It is the responsibility of each employee to take care of his/her quality.
- Machines and equipment are checked regularly.
- All inputs (including raw materials) are checked thoroughly and discussions are held on how to improve quality.
- Management ensures that each employee is responsible for the quality of his/her work/actions.

## Roles of quality bodies in setting quality standards

Various quality control bodies take part in the setting and control of standards for quality in the different industries. In this section, we will learn about three quality bodies.

### South African Bureau of Standards (SABS)

The SABS is a national standardisation authority established by the government to ensure that South African businesses meet a range of standards. The SABS is responsible for developing, maintaining and publishing standards for products and services. They have a database of more than 6 500 national standards and their headquarters is in Pretoria.

The SABS carries out different tasks to ensure quality in South Africa:

- Sets and publishes national standards.
- Provides training regarding all aspects of standardisation.
- Provides information on international and national standards
- Tests and certifies products and services against the standards.
- Monitors and enforces legal regulations.
- Promotes design excellence.

Business products will earn a SABS mark after their products were tested thoroughly to ensure that they meet the necessary standards. This SABS mark assures that the product complies with safety requirements, and therefore products need to be tested frequently.



■ The SABS logo for general items

### International Organisation for Standardisation (ISO)

The ISO certification certifies that a management system, manufacturing process, service, or documentation procedure has all the requirements for standardisation and quality assurance. ISO standards are in place to ensure international consistency. It sets out procedures a business should follow to ensure that its final product meets its promises and its customers' expectations.

Below is information on the functioning of the ISO:

- ISO9000 is a set of internationally recognised standards set for different industries.
- ISO standards are used in many countries all over the world.
- Industries can measure their quality management system against these international standards.
- Accreditation with ISO acts as a signal to customers that the business takes its quality commitments seriously and continually strives to improve its operations.



■ The ISO logo

## Quality Circles

A quality circle or quality control circle is a group of workers who do the same or similar work, and who meet regularly to identify, analyse and solve work-related problems. It consists of a minimum of three and a maximum of twelve members.

The roles of quality circles are defined below:

- Quality circles are groups of employees who work in different departments, for example, production, marketing, purchasing, and financial, but who deal directly or indirectly with the same product or service.
- They meet regularly to discuss how quality, efficiency, and productivity could be improved.
- They analyse problems with the production process and brainstorm solutions.
- Employees are often best placed to know how to improve quality.
- Typical topics discussed by quality circles include improving safety, improving product design, and manufacturing processes.
- The ideal size of a quality circle is three to twelve members.
- Quality circles form part of TQM in the business.



### Activity 11.4 Quality control

- |   |     |
|---|-----|
| <b>1.1</b> Name TWO quality control bodies relevant for all businesses in South Africa. | (2) |
| <b>1.2</b> Elaborate on the meaning of quality control.                                 | (4) |
| <b>1.3</b> Explain Total Quality Management (TQM) as part of quality management system. | (8) |

## Unit 11.5 Evaluating production costs

### The meaning of production costs

The main aim of a business is to make money. To do this they have to ensure that costs decrease and profits increase. It is, therefore, important that businesses are able to precisely calculate the cost of production.

The total price paid for the resources such as raw materials, labour, and others, which are used to manufacture a product or create a service is called the production cost.

- The meaning of Total Costs:  
These costs include all the costs incurred by the business. It includes the raw materials, the marketing, and the production of goods and services.
- The meaning of Fixed Costs:  
These costs do not vary according to the number of units produced. Fixed costs are calculated over a week or a month.

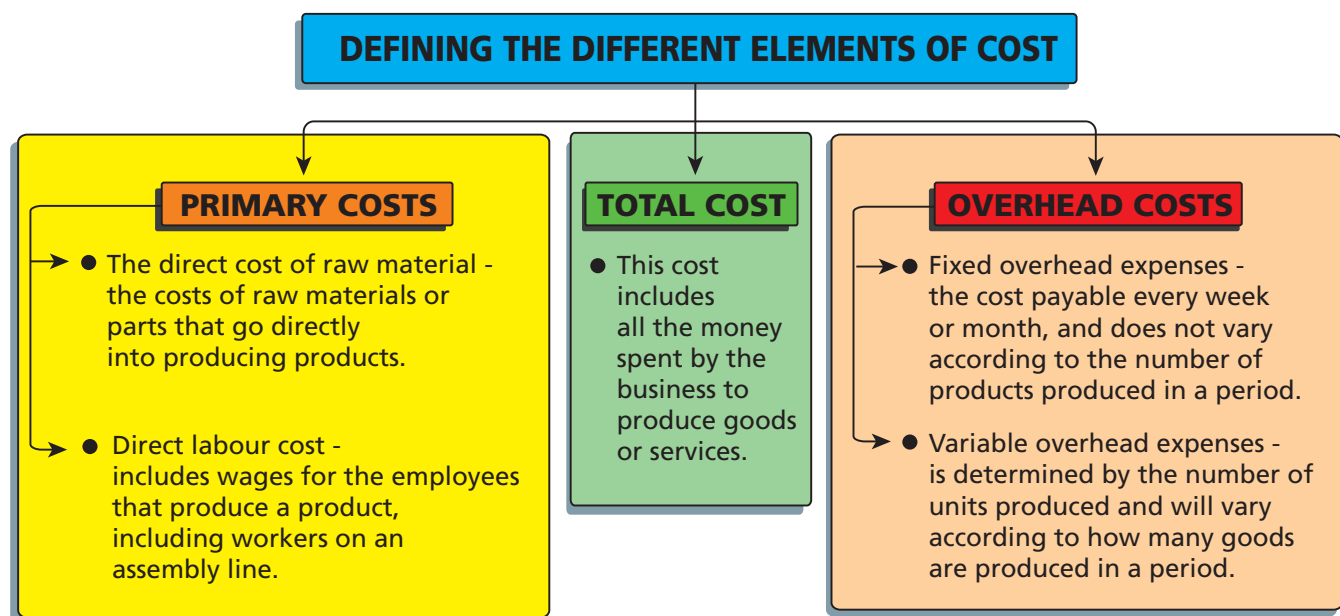
## Components of production costs

There are two general categories of costs included in manufacturing processes. These are the primary costs and the overhead costs.

Primary costs include the direct cost of raw material + direct labour costs

Overhead costs (expenses) can be split into fixed costs + variable costs

Total costs = Primary cost + overhead costs (expenses)



The following examples will outline the different elements of costs.

### The direct cost of raw material

- Raw materials are the physical components and during manufacturing, they might include metals, plastics, hardware, fabric, and paint.
- The types of raw materials vary depending on the nature of the business. For example, for a furniture manufacturer, the raw materials might be timber (wood), hardware and paint.

### Direct labour cost

- Direct labour includes wages paid to workers, for example the workers working in the production line, who directly contribute to the formation, assembling, or the creation of a product.

### Fixed overhead expenses

- Examples of fixed overhead costs that are specific to a production area and which are usually allocated to manufactured goods are:
  - factory rent
  - utilities
  - production/supervisory salaries, for example, for the manager, secretary, cleaner, and so on.
  - depreciation on production equipment
  - insurance
  - vehicle instalments.

## Variable overhead expenses

Variable costs vary with the level of production output. Examples can include:

- electricity
- telephone
- indirect raw material like glue and screws bought in bulk
- indirect labour like wages on a commission base.

## The calculation of total, fixed and variable costs

We can use the following template to calculate production costs:



### Take note

This calculation can be split into different questions, for example, calculate the primary cost or calculate total production cost. Check carefully for what you are being asked to calculate.

#### PRODUCTION COST

PRIMARY COST (PC)

Direct cost of material

Plus: Direct labour cost

OVERHEAD EXPENSES (OE)

Fixed costs

Plus: Variable costs

TOTAL PRODUCTION COST (PC + OE)

#### UNIT COST

Total production cost divide by number of units produced

## The calculation of unit cost, selling price and profit

Businesses must be able to calculate how much profit they are going to make, but first they must know how much money they spent (cost) and how much money they received (income).



### Take note

Remember the formulae to calculate the unit cost.

$$\text{Unit cost} = \frac{\text{Total production cost}}{\text{Number of units produced}}$$

To determine the profit they need to have the following information:

- What was the total cost?
- How many units were sold?
- What was the selling price per unit?
- What was the total revenue?

The business will use the following formula:

**Total cost** = Primary cost + overhead expenses

**Selling price** = cost price + % profit on the cost price

**Total revenue** = selling price × number of units sold

**Profit** = total revenue – total costs



### New words

**selling price** the price that the customers pay for goods and services

**total revenue** the amount of money that a business receives from the sale of products or services.



## Understanding break-even point

To ensure the success and/or sustainability of a business, management needs to know and understand when the business will break even. This means that the same amount of money that was flowing out of the business is flowing into the business.

### The meaning of break-even points

The break-even point refers to the amount of revenue necessary to cover the total fixed and variable expenses of a company within a specified period. It means that the company breaks even where its total cost = total income. Only after the break-even point, profits start to accumulate.

### Calculating the break-even point

To calculate the break-even point, we need to consider three factors: fixed cost, selling price, and variable cost per unit.

Formulas that will be used to calculate the break-even point

Contribution margin = selling price – variable cost per unit

Break-even point =  $\frac{\text{fixed costs}}{\text{contribution margin}}$

#### A New words

**contribution margin** the indication of how much each unit is contributing to the fixed costs

Let's look at an example of the calculation of a break-even point.

In a mobile candy shop, they sold 12 units for the month. The variable cost was R25. The fixed cost of the business was R2 500 per month. The unit price was R5 per unit. The unit selling price is R60 (R5 × 12). Calculate the break-even point.

#### Calculation

1. Calculate the contribution margin.

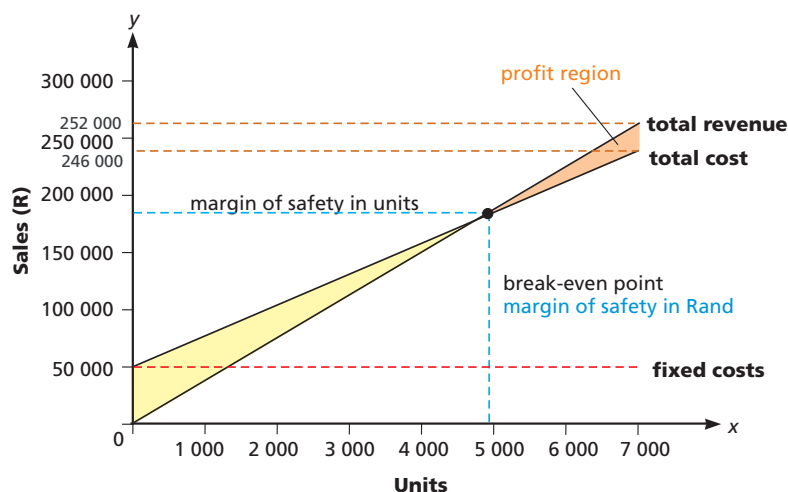
$$\begin{aligned}\text{Contribution margin} &= \text{selling price} - \text{variable costs} \\ &= (R5 \times 12) - R25 \\ &= R60 - R25 \\ &= R35\end{aligned}$$

2. Calculate the break-even point.

$$\begin{aligned}\text{Break-even point} &= \frac{\text{fixed costs}}{\text{contributing margin}} \\ &= \frac{2500}{35} \\ &= 71,4 \text{ units}\end{aligned}$$

**Note:** The candy shop has to sell 71,4 units to cover its costs. If it sells more than 71,4 units it will start to make a profit.

## Graph of the break-even point



### Note:

1. Two graphs were drawn, one for total revenue and one for the total cost.
2. The break-even analysis in the graph above shows that the business has to sell 5 000 units to break even with its costs.
3. Only if the business sells more than 5 000 units it will start to make a profit.

## Activity 11.5 Production costs and break-even point

- 1.1 Identify the production cost component of Lunar Ltd in EACH of the following statements:
  - 1.1.1 This cost for the rent of the factory payable every month.
  - 1.1.2 Costs that include wages for employees working on the assembly line.
  - 1.1.3 The amount of indirect raw materials such as the screws for the desks.
  - 1.1.4 Total production cost divided by the number of units. (8)
- 1.2 Explain the meaning of the break-even point. (4)

- 2.1 Look at the information provided and answer the questions that follow:

### PRODUCTION COST OF ELVIS PETERS MANUFACTURERS (EPM) FOR MAY 2021

Raw material	R140 000
The labour cost of fabric workers	R185 000
Insurance	R8 000
Rent	R10 000
Salary of manager	R30 000
Electricity	R7 000
Glue and screws – buy in bulk	R3 000
Vehicle instalment	R8 000

EPM produced 30 000 units of toys for the month.

- 2.1.1 Calculate the variable costs for EPM for May 2021 (4)
- 2.1.2 Calculate the fixed cost for EPM for May 2021 (5)
- 2.1.3 Calculate the total production cost of EPM for May 2021. (4)
- 2.1.4 Calculate the unit cost of one toy. (4)



### QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## Mind map: Topic 11 – The production function

Use the mind map as a guide to consolidate the content covered in this topic.  
Be sure to study the content relevant to each heading.



Consolidation

QUESTION 1

1.1 Choose a description from COLUMN B that matches the term in COLUMN A. Write the letter (A – E) next to the question numbers 1.1.1 – 1.1.5, for example 1.1.6K.

COLUMN A	COLUMN B
1.1.1 Corrective action	A. A group of workers who meet to solve work-related problems.
1.1.2 Routing	B. An international standardisation authority.
1.1.3 SABS	C. The process to work out the time required to perform each production task.
1.1.4 Quality circle	D. Consists of fixed and variable costs.
1.1.5 Primary costs	E. Involves the checking of the quality of the process and the final product.
	F. A group of workers who meet to invent new products.
	G. National standardisation authority.
	H. Consists of direct raw material and direct labour cost.
	I. The process to determine the best and cheapest sequence of operations.
	J. Involves any adjustments to the planning process.

1.2 Name any THREE aspects to consider during the production control process.

(10)

1.3 Read the following scenario and answer the questions that follow

(3)

**SANDRA'S CAKE FACTORY (SCF)**

Sandra's Cake Factory (SCF) bakes different types of cakes using machinery at their factory. Sandra is the owner and she does not know the Occupational Health and Safety Act. Her friend told her that businesses must strive to develop a culture of safety in the workplace. She also said that all workers must be trained on how to use machinery and equipment correctly. SCF must carry out regular safety checks.

1.3.1 Quote TWO precautionary measures that SCF must adhere to from the scenario above.

(2)

1.3.2 Explain to SCF other precautionary measures that they must adhere to.

(6)

1.4 Recommend ways in which SCF can comply with the Occupational Health and Safety Act.

(6)

QUESTION 2

Businesses have to choose the most appropriate system for their factory. If they decide to use the mass production system, they must also implement proper production planning. However, they must not neglect the safety in their factories and must ensure that all safety regulations are included in their workplace safety policy and followed strictly. Businesses must abide by the regulations of the Occupational Health and Safety act (No. 85 of 1993).

Write an essay on the production function in which you include the following aspects.

- Outline the purpose of the Occupational and Safety Act.
- Explain the characteristics of mass production.
- Discuss THREE aspects that must be considered during production planning.
- Advise businesses on the aspects that must be included in the workplace safety policy.

(40)

## TERM 2

## 12

## Professionalism and ethics



## TOPIC OVERVIEW

- Unit 12.1 Professionalism and ethics
- Unit 12.2 Theories of ethics
- Unit 12.3 Professional, responsible, ethical business practice



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ define ethical and professional behaviour
- ❖ differentiate/distinguish between **professionalism** and ethics
- ❖ outline/state/explain the principles of professionalism and ethics
- ❖ briefly explain the following theories of ethics that apply to the workplace:
  - ❖ consequential theory
  - ❖ the common good approach
  - ❖ the rights approach
- ❖ differentiate/distinguish between good and bad decisions and give examples of each
- ❖ suggest/recommend ways in which professional, responsible, ethical, and effective business practice should be conducted, for example, payment of fair wages, providing quality goods and services, not starting a business venture at someone else's expense, and so on
- ❖ explain/discuss the advantages/benefits of ethical business ventures
- ❖ give examples of ethical business practices
- ❖ evaluate a code of ethics for any business and make recommendations for improvement
- ❖ discuss the different perspectives on ethics.



## New words

**professionalism** the specialised knowledge and skills used to practice a specific job or task



## Key concepts

- **Ethics:** Refers to moral principles that govern a person's behaviour, or the moral principles when conducting an activity.
- **Professionalism:** When people with specific skills and abilities use their knowledge in a specific job or profession.



### Key concepts

- **Ethical and effective business practice:** Creating a culture where employees consider all role players – while taking into account their ethical and legal obligations – to make decisions and act in ways that build sustainable businesses.
- **Ethical business venture:** A business' culture determines the difference between good and bad decision-making, while ethics is about the business knowing the difference between right and wrong, and choosing to do what is right.

## Introduction

Professionalism refers to people using specific skills, abilities and knowledge to perform a job/profession. Ethics is about doing what is right and making decisions in the interest of the public and society. When combined, professionalism and ethics for a business provides the basis for employees to combine their knowledge, skills, and ability together with their conduct to act in their own best interest, and in the best interest of the business.

## Unit 12.1 Professionalism and ethics

### Meaning of professional behaviour



- Professionalism is when a person acquires specialised knowledge and skills to become competent to practice a specific job/profession. For example, becoming a doctor, accountant, or a teacher.
- Professional behaviour means that you take pride in your work and always adhere to the required standards of your profession.
- Demonstrating professional behaviour in the workplace requires that you show respect towards your clients and colleagues by treating them with dignity.

## Meaning of ethical behaviour

Ethical behaviour:

- is guided by principles of what is right, wrong, and acceptable behaviour, following what society and individuals regard as good values.
- in the workplace it is expected from every employee to perform in accordance with a **code of conduct**. For example, doctors, nurses, lawyers, accountants, and teachers all have regulatory bodies that uphold a code of conduct for those professions.
- means upholding the highest legal and moral standards when dealing with stakeholders.



## The differences between professionalism and ethics

PROFESSIONALISM	ETHICS
Refers to when a person acquires knowledge and skills to practice a specific job or profession.	Refers to the principles of right and wrong and what is acceptable in society.
Set of standards of expected behaviour.	Conforms to a set of values that are morally acceptable within a business or organisation.
Applies a code of conduct of a profession or business.	Forms part of a code of conduct to guide employees to conduct themselves ethically.
Focuses on upholding the reputation of a business or profession.	Focuses on developing a <b>moral compass</b> for decision-making.
Includes guidelines for the appearance, conduct, communication, attitude, roles and responsibilities of employees within the business or organisation.	Involves following the principles of right and wrong in business practices.

### A New words

**code of conduct** a set of rules and responsibilities of an organisation or business that employees need to comply with

**moral compass** a person's ability to judge what is right and wrong and act accordingly

## The principles of professionalism and ethics

### Competency



- Is when employees use their knowledge, skills, and ability in their area of expertise for the good of the organisation, society and the environment.
- An example of competence is when a pianist plays the piano very well.

### Integrity



- Integrity means to perform all your work-related duties in the correct manner even when you are not being monitored.
- This means that all employees work and conduct themselves with integrity, honesty, and according to accepted standards of professional conduct and the law.



## Respect



- Respect is the behaviour, performance, and the way in which employees conduct themselves in the workplace.
- Employees who work in a respectful environment will have a positive attitude and are motivated to work at their best.

## Objectivity



- Employees should remain objective and act in a fair manner to all without any bias or favour.

## Confidentiality



- Refers to non-disclosure of any confidential client or business information without permission.

## Transparency



- Businesses should pay attention to **transparency** and ensure that full disclosure is made when required.

## Conflict of interest



- Employees should avoid conflict of interest situations within the business environment.
- a situation in which the concerns or aims of two different parties are incompatible.
- a situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

## Commitment



- Employees are to respect the dignity and rights of others in the workplace, as well as the image of the profession or business within which they work.

## Caring



- Businesses or large organisations should practice social responsibility to ensure that they give back to poor communities.

## Environmental responsibility



- Businesses should operate in a manner that ensures that the environment is taken care of in a sustainable manner for the benefit of future generations.



## QR CODE

Ethics in the Workplace



<https://www.youtube.com/watch?v=0mUxMpMTT28>

## Unit 12.2 Theories of ethics

The following theories of ethics are based on the ethical principles of integrity, objectivity, caring, and transparency. These theories guide individuals and businesses when they need to make morally correct decisions.

## Theories of ethics that apply to the workplace

## Consequential theory

- The **consequentialist theory** suggest that an action is good or bad depending on its outcome. It tries to answer the ethical questions about right or wrong and how we arrive at this answer.
- It determines whether to do or not do something based on the expected result of the action.
- If the expected result is good then, it's ethically right to do; if the expected result is bad, then it is ethically wrong to do.



## New words

**consequential theory**  
a theory that judges the rightness or wrongness of an action based on the consequences that action has

## A New words

**common good approach** refers to actions that are taken or policies that are put in place to not only benefit a certain group of individuals but the society

**rights approach** this approach holds that our dignity is based on our ability to choose freely how we live our lives and that we have a moral right to respect our choices as free, equal, and rational people, and a moral duty to respect others in the same way

## The common good approach

- The **common good approach** ensures that business values and ethical principles are in line with the society in which the business operates.
- It recognises that ethics and values vary from area to area, and from country to country.

## The rights approach

- The focus of the **rights approach** is on individual rights – where people are treated with respect and dignity.
- Business should not impose its mission or products on people.
- Employees working within a business should not be ill treated for any reason.

## Good and bad decisions (with examples)

Type of decision	Explanation	Example
<b>Good decisions</b> 	<ul style="list-style-type: none"> <li>• Good business decisions are usually taken after giving a situation a lot of thought and considering ethical principles attached to it.</li> <li>• These decisions are ones that businesses will not regret as it will impact positively on their operations.</li> <li>• It is in the best interest of individuals and businesses to follow their instincts once they have all the facts when making these decisions.</li> </ul>	<p>An example of a good decision is when an up-and-coming business (after careful thought and planning) decides to expand its premises to accommodate additional operational activities. In the long term, the decision taken will increase the value and profits of the business.</p>
<b>Bad decisions</b> 	<ul style="list-style-type: none"> <li>• Bad business decisions are made on the spur of the moment without critical analysing or consulting due process.</li> <li>• The inputs of all business role players may not be considered when making these decisions.</li> <li>• As businesses may not have taken all the correct information into account, these decisions could be regretted.</li> </ul>	<p>An example of such a decision is when businesses employ staff in a position when they do not have adequate job experience. This may result in losses for the business as the employee/s may not be able to perform their work at the expected level.</p>

### Activity 12.1

- 1.1 Elaborate on the meaning of professional behaviour. (2)
- 1.2 Read the scenario below and answer the questions that follow:

#### SALLY ACCOUNTANTS (SA)

Sally Accountants (SA) focuses on ensuring that their business values and ethical principles are in line with the society in which their business operates. They also expect their employees to be professional at all times.

- 1.2.1 Identify the theory of ethics applied by SA. Motivate your answer by quoting from the scenario above. (3)
- 1.2.2 Explain two other theories of ethics that are applicable in the workplace. (6)
- 1.2.3 Differentiate between good and bad decisions and give examples of each. (8)

## Unit 12.3 Professional, responsible, ethical business practice

Decision-making at all levels of management within the workplace should be based on professional and ethical values. This emphasises the **responsibility** that businesses have towards their clients and staff. It also ensures that businesses operate using a framework of ethical values for their day-to-day operations.



### A New words

**responsibility** the legal and moral obligation of the business in relation to the economic, social, and natural environment within which it operates

## Ways in which professional, responsible, ethical and effective business practice should be conducted

- Businesses should treat all their employees equally, regardless of their race, colour, age, gender, disability, and so on.
- The Mission Statement of a business should include the values of equality and respect.
- The workplace should be a safe, fair environment where employees can do their work and not be embarrassed or exposed.

Here are some of the ways in which professional, responsible, ethical, and effective business practice should be conducted:

- The business should ensure that they pay employees fair wages and salaries which corresponds to the requirements of the BCEA.
- Employees should be paid for working overtime and on public holidays.
- The business should respect employees and treat them with dignity by recognising the value of their human capital for work well done.

- All goods and services produced should be done according to the required standards and ethical requirements.
- New businesses should avoid using business names and ideas that are copyrighted, trademarked, and protected by law when starting a business.
- New business owners must plan effectively and ensure that they put preventative measures in place to protect their business.
- To foster employee confidence and loyalty, it is important to ensure that all staff has equal access to opportunities, positions, and resources.

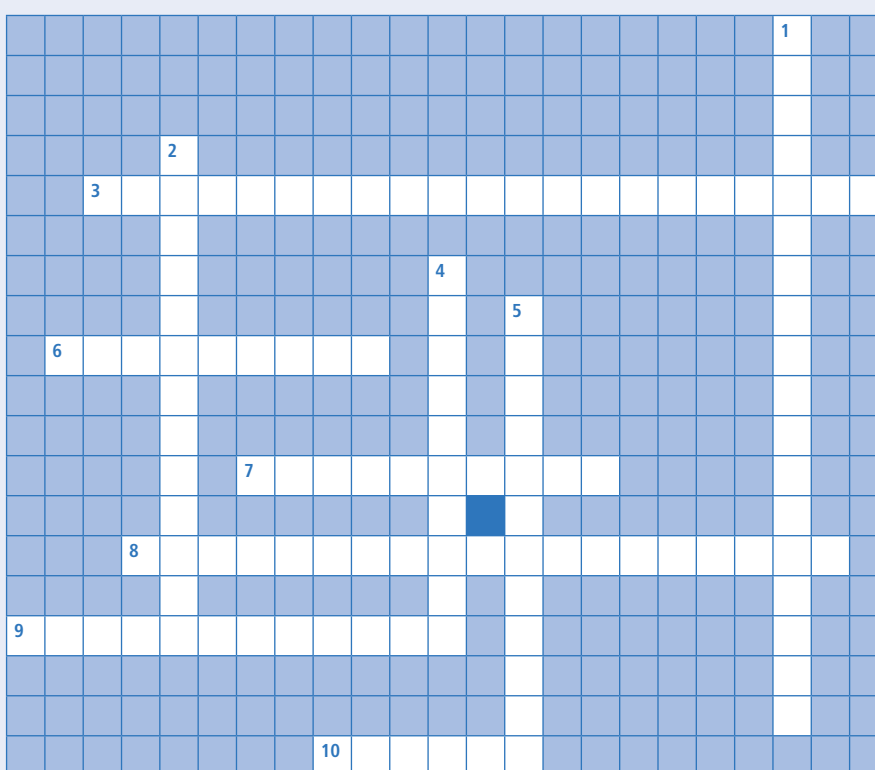
## Advantages/benefits of ethical business ventures

### A New words

**nurtured** to encourage or look after a specific or intended relationship

- Businesses can build a good reputation and attract more investors, thus increasing profitability.
- Customer loyalty is created and **nurtured**, and a positive business image will be created.
- Staff morale can be built and maintained by paying employees fairly.
- Staff who are hard-working and productive will be loyal and dedicated to the business.
- Positive relationships will develop between co-workers, which will result in improved productivity.
- Businesses that become compliant with environmental regulations will avoid unnecessary fees or sanctions.

### Activity 12.2 Crossword Puzzle





## Activity 12.2

## Crossword Puzzle

cont.

## Across

3. Taking pride in your work and always adhering to the required standards of your profession.
6. Correctly perform all your work-related duties even when you are not being monitored.
7. Respect the dignity and rights of others and the image of the business.
8. This theory determines whether to do or not do something based on the expected result of the action.
9. Implementing ethics effectively within the business.
10. Principles that guide what is right, wrong, or acceptable behaviour.

## Down

1. This ethical theory ensures that business values and ethical principles are in line with the society in which it operates.
2. Decisions that are given thought and which consider ethical principles.
4. Using ones' knowledge, skills, and ability in an area of expertise for the good of the organisation.
5. Decisions that are made on the spur of the moment without any ethical considerations.

## Examples of ethical business practices

Generally, businesses strive to be more and more ethical by making use of the following ethical business practices.

Businesses strive:

- have joined Business Unity South Africa (BUSA) and the Ethics Institute of South Africa to ensure that they comply with all required ethical standards and principles.
- avoid illegal business practice through compliance with the business code of conduct.
- establish corporate social responsibility initiatives as part of the business' vision and mission.
- make use of fair advertising practices.
- put policies and procedures in place to maintain the confidentiality.
- conduct transparent and honest business deals.
- and companies pay their employees fair wages and salaries.



### A New words

**corporate governance** the structure of rules, practices, and processes used to direct and manage a company

**accountability** holding directors and officials responsible to stakeholders for their decisions and actions

**ethical perspectives** an individual's ability to approach an ethical dilemma using their frame of reference and moral compass to find an appropriate solution

## A code of ethics for a business

- **Corporate governance** is the framework of rules and practices by which a Board of Directors ensures **accountability**, fairness, and transparency in all company relationships.
- below find an example of a businesses code of ethics.



### QR CODE

Ethical Perspectives



<https://www.youtube.com/watch?v=3nWcVOh9f34>

## Different perspectives on ethics

An **ethical perspective** is the frame of reference an individual or business uses to interpret a problem, and to find a relevant solution to it.

- Ethics are practised universally by businesses. All people have an inherent moral compass that guides them to know the difference between what is right, wrong, or acceptable decisions or behaviour to demonstrate in business and society.
- The way in which an employee views ethical perspectives is determined by their culture, religion, education and background.
- The employees background will influence the way in which he/she will respond to ethical dilemmas within the business.
- In ethics there is no absolute right or wrong. Businesses will manage ethical dilemmas according to what is deemed acceptable or not according to their code of ethics or business code of conduct.
- Businesses are entitled to decide the kinds of behaviour that it demands from its employees and customers.



### Activity 12.3 Essay Question

Read the preamble below and answer the essay question that follows:

Businesses should promote ethical and professional behaviour in the workplace guided by theories of ethics applicable in the workplace. They must also ensure that they conduct their operations professionally and ethically to remain competitive and sustainable.

Write an essay on professionalism and ethics in which you include the following aspects:

- Elaborate on the meaning of professional and ethical behaviour.
- Differentiate between professionalism and ethics.
- Discuss any three theories of ethics that is applicable to the workplace.
- Recommend ways in which professional, responsible, ethical and effective business practice should be conducted.

[40]

### QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8nOzQCEkpoS-JuohXHcDHDsxpXbniaM6>

### Consolidation

#### QUESTION 1

- 1.1 Name THREE theories of ethics applicable in the workplace. (3)
- 1.2 Identify the principles of ethics and professionalism applied by the employees of Bella Nova Enterprises in each statement below:
  - 1.2.1 The employees do not share their customer's details with others.
  - 1.2.2 They regularly attend workshops to improve their skills. (4)
- 1.3 Explain the different perspectives on ethics. (6)
- 1.4 Read the scenario below and answer the questions that follow.

#### SUNSET MARKETING AGENCY (SMA)

Sunset Marketing Agency offers advertising packages to small businesses. SMA promotes a positive image for their business by paying employees fair wages. They also treat all employees equally.

- 1.4.1 Quote TWO ways in which SMA has effectively conducted their business practices in a professional, responsible, ethical manner from the scenario above. (2)
- 1.4.2 Explain the advantages of an ethical business venture. (6)
- 1.5 Recommend ways in which professional, responsible, ethical and effective business practices should be conducted. (6)

#### QUESTION 2

Businesses should have a clear understanding of the distinction between professionalism and ethics. They must also be able to explain the principles of professionalism and the benefits of an ethical business venture. There are various ways in which professional, ethical and effective business practices should be conducted by businesses.

#### Tip

This is an example of an essay question to show the different ways in which the content may be assessed.

Write an essay on ethics and professionalism in which you include the following aspects:

- Distinguish between professionalism and ethics.
- Explain THREE principles of professionalism.
- Discuss the benefits of ethical business ventures.
- Recommend ways in which professional, responsible, ethical, and effective business practices should be conducted. (40)

## Mind map: Topic 12 – Professionalism and ethics

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.



### Code of ethics

- Corporate governance
- Accountability

### Professionalism and ethics

- Set of standards of expected behaviour of employees
- Ethics
- Principles of right and wrong and acceptable in society

### Theories of ethics

- Consequential
- Common goods approach
- Rights approach

### Principles of professionalism and ethics

- Competency
- Integrity
- Respect
- Objectivity
- Confidentiality
- Transparency
- Commitment

### Ethical and effective business practice

- Equality
- Fair wages
- Respectful treatment
- Good quality products/ services
- Fair competition

### Instructions and information

1. You are requested to complete this task to indicate your understanding of the following topics:
  - Creative thinking and problem-solving
  - Stress, crisis and change management.
  - Marketing activities
  - Production function
2. The presentation consists of two parts: the theory and the oral part.
3. Read the instructions of each question and respond appropriately.
4. Collect **FIVE** resources relevant to each activity below to support your presentation
5. You must adhere to the submission date to avoid unnecessary penalties
6. The rubric must be attached to the task as it will be used to mark the task
7. You will be required to present the completed task to your classmates and you will be awarded marks for that.

### QUESTION 1

1. Conduct research on stress in the workplace and use the information to answer questions 1.1 and 1.2:
  - 1.1 Name any FIVE causes of stress in the workplace.
  - 1.2 Recommend FIVE ways in which employees can manage stress in the workplace.
  - 1.3 Read the scenario below and answer the questions that follow.

#### MONDE CREATIVES (MC)

Monde Creatives specialises in styling and Art direction in the advertising industry. The management of MC wants to change the structure of the business in order to introduce additional services. Some employees are resisting change as they feel that it is not necessary to change the business structure.

- 1.3.1 Name the problem-solving technique that MC could apply in order to change the structure of the business.
- 1.3.2 Advise MC on how they could apply the problem-solving technique mentioned in QUESTION 1.3.1.
- 1.3.3 Outline any FIVE John P Kotter's 8 steps of leading change that could be applied by MC in the workplace.
- 1.4 Suppose you want to develop a new product. Answer the following questions about your new product:
  - 1.4.1 Explain how you would apply the steps in product design when developing this product.
  - 1.4.2 Discuss the purpose of packaging.
- 1.5 Justify the effectiveness of personal selling as the best method of promoting a business product.
- 1.6 Suggest to a production manager FIVE safety regulations he/she must apply in the factory.

## PART 1: Rubric to assess the grade 11 presentation

ASSESSMENT CRITERIA	Level 0	Level 1	Level 2	Level 3	Level 4	Level 5	TOTAL
Causes of stress in the workplace	Learner did not mention the causes of stress	Learner only mentioned ONE cause of stress in the workplace.	Learner only mentioned TWO causes of stress in the workplace	Learner only mentioned THREE causes of stress in the workplace	Learner only mentioned FOUR causes of stress in the workplace	Learner mentioned FIVE causes of stress in the workplace	5
Stress management in the workplace	Learner did not recommend ways in which employees can manage stress in the workplace	Learner made ONE recommendation on ways in which employees can manage stress in the workplace	Learner made TWO recommendations on ways in which employees can manage stress in the workplace	Learner made THREE recommendations on ways in which employees can manage stress in the workplace	Learner made FOUR recommendations on ways in which employees can manage stress in the workplace	Learner made FIVE recommendations on ways in which employees can manage stress in the workplace	5
Identification & application of the problem-solving technique	Learner did not correctly identify a force field analysis & did not explain the application of this technique in the workplace.	Learner identified a force field analysis but did not explain the application of this technique in the workplace OR learner did not identify a force field analysis but provided ONE fact on how this technique could be applied in the workplace.	Learner identified a force field analysis and provided ONE fact on how this technique could be applied in the workplace. OR learner did not identify a force field analysis but provided TWO facts on how this technique could be applied in the workplace.	Learner identified a force field analysis and provided TWO facts on how this technique could be applied in the workplace. OR learner did not identify a force field analysis but provided THREE facts on how this technique could be applied in the workplace.	Learner identified a force field analysis and provided THREE facts on how this technique could be applied in the workplace. OR learner did not identify a force field analysis but provided FOUR facts on how this technique could be applied in the workplace.	Learner identified a force field analysis and provided FOUR facts on how this technique could be applied in the workplace.	
John P Kotter's 8 steps of leading change	Learner did not outline any five steps of John P Kotter's steps of leading change	Learner only outlined ONE step of John P Kotter's steps of leading change	Learner only outlined TWO steps of John P Kotter's steps of leading change	Learner only outlined THREE steps of John P Kotter's steps of leading change	Learner only outlined FOUR steps of John P Kotter's steps of leading change	Learner outlined any FIVE steps of John P Kotter's steps of leading change	5
Application of the steps in product design	Learner did not explain the steps in product design	Learner only explained ONE step in product design	Learner only explained TWO steps in product design	Learner only explained THREE steps in product design	Learner only explained FOUR steps in product design	Learner explained FIVE steps in product design	5
Purpose of packaging	Learner did not discuss the purpose of packaging	Learner only provided ONE fact on the purpose of packaging	Learner only provided TWO facts on the purpose of packaging	Learner only provided THREE facts on the purpose of packaging	Learner only provided FOUR facts on the purpose of packaging	Learner provided FIVE facts on the purpose of packaging	5

ASSESSMENT CRITERIA	Level 0	Level 1	Level 2	Level 3	Level 4	Level 5	TOTAL
Effectiveness of personal selling	Learner did not justify the effectiveness of personal selling	Learner only provided ONE fact on the effectiveness of personal selling	Learner only provided TWO facts on the effectiveness of personal selling	Learner only provided THREE facts on the effectiveness of personal selling	Learner only provided FOUR facts on the effectiveness of personal selling	Learner provided FIVE facts on the effectiveness of personal selling	5
The safety regulations the production manager must apply in the factory	Learner did not provide any safety regulations the production manager must apply in the factory	Learner only provided ONE safety regulation the production manager must apply in the factory	Learner only provided TWO safety regulations the production manager must apply in the factory	Learner only provided THREE safety regulations the production manager must apply in the factory	Learner only provided FOUR safety regulations the production manager must apply in the factory	Learner provided FIVE safety regulations the production manager must apply in the factory	5
TOTAL FOR THE PRESENTATION PART 1							40

### PART 2: Rubric to assess the grade 11 oral part of the presentation

CRITERIA	Level 0	Level 1	Level 2	Level 3	Level 4	Level 5	TOTAL
Range of FIVE relevant resources used to complete the presentation	No relevant resources were used to complete the task.	Learner only submitted ONE relevant resource to complete the task.	Learner submitted TWO relevant resources to complete the task.	Learner submitted THREE relevant resources to complete the task.	Learner submitted FOUR relevant resources to complete the task.	Learner submitted FIVE relevant resources to complete the task.	5
Presentation skills	No effort made.	Can only maintain eye contact and finds it difficult to handle feedback.	Can maintain good eye contact but finds it difficult to handle feedback.	Can maintain good eye contact but dominates the discussion. (No feedback)	Maintains good eye contact, highlights important aspect of the topic but does not handle feedback effectively.	Can maintain good eye contact, highlights important aspects of the topic, handles questions in a professional manner and does not dominate the discussion.	5
TOTAL FOR THE PRESENTATION PART 2							10

GRAND TOTAL	
Part 1	40
Part 2	10
<b>Total</b>	<b>50</b>

# JUNE PAPER 1

MARKS: 150

TIME: 2 HOURS

## Instructions and information

This paper consists of 9 pages

Read the following instructions carefully before answering the questions.

1. This question paper consists of THREE sections and covers TWO main topics.

SECTION A: COMPULSORY

SECTION B: Consists of THREE questions.

Answer any TWO of the three questions in this section..

SECTION C: Consists of TWO questions.

Answer any ONE of the two questions in this section..

2. Read the instructions for each question carefully and take note of what is required.  
NOTE that ONLY the first TWO questions in SECTION B and the FIRST question in SECTION C will be marked.
3. Number the answers correctly according to the numbering system used in this question paper. No marks will be awarded for answers that are numbered incorrectly.
4. Except where other instructions are given, answers must be in full sentences.
5. Use the mark allocation and nature of each question to determine the length and depth of an answer.
6. Use the table below as a guide for mark and time allocation when answering each question.

SECTION	QUESTION	MARKS	TIME
<b>A Objective-type questions COMPULSORY</b>	<b>1</b>	<b>30</b>	<b>20 minutes</b>
<b>B THREE direct/indirect type questions CHOICE (Answer any TWO.)</b>	<b>2</b>	<b>40</b>	<b>35 minutes</b>
	<b>3</b>	<b>40</b>	<b>35 minutes</b>
	<b>4</b>	<b>40</b>	<b>35 minutes</b>
<b>C TWO essay-type questions CHOICE (Answer any ONE.)</b>	<b>5</b>	<b>40</b>	<b>30 minutes</b>
	<b>6</b>	<b>40</b>	<b>30 minutes</b>
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

7. Begin the answer to EACH question on a NEW page, for example QUESTION 1 – new page, QUESTION 2 – new page, et cetera.
8. You may use a non-programmable calculator.
9. Write neatly and legibly.

## SECTION A (COMPULSORY)

### SECTION A (COMPULSORY)

#### QUESTION 1

- 1.1** Various options are provided as possible answer to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK, for example 1.1.6 D.
- 1.1.1** A business that experiences lower levels of productivity due to high employee absenteeism is affected by the ... environment.  
**A.** micro  
**B.** market  
**C.** macro  
**D.** external
- 1.1.2** The South African government provides ... by funding local businesses to sell their products in other countries.  
**A.** protectionism  
**B.** tariffs  
**C.** trade agreements  
**D.** export subsidies
- 1.1.3** Pinky Girls conducts an on-going research to investigate the general behavioural patterns. This is the example of dealing with ...  
**A.** shortage of supply  
**B.** socio-cultural factors  
**C.** change in consumer behaviour  
**D.** competition
- 1.1.4** Direct raw material costs are costs that ...  
**A.** change as the number of units produced changed  
**B.** the cost of the natural resources used in the production of the actual product  
**C.** varies with production, for example depreciation and rent  
**D.** the cost of labour used to manufacture the actual product
- 1.1.5** SABC broadcast is an example of a business in the ... sector.  
**A.** primary  
**B.** secondary  
**C.** tertiary  
**D.** informal (5 × 2) (10)
- 1.2.** Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

copyright	strike	partnering	wholesaler	oligopoly
patent	monopoly	go slow	joint ventures	broker

- 1.2.1** Eskom is the only supplier of electricity and controls its prices. This form of the market is known as ...
- 1.2.2** Modem Connect and Phindi Fibre decided to establish a new company that will install residential telephones. This is an example of ...
- 1.2.3** Sandy works as a/an ... that sells goods for other businesses.
- 1.2.4** TDK employees decided to embark on a ... to avoid losing their salaries.
- 1.2.5** GG Manufactures prevented Hemmer Manufactures from producing automatic leather seats as they obtained a ... right for their products. (5 × 2) (10)



- 1.3.** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question number (1.3.1 – 1.3.5) in the ANSWER BOOK, e.g. 1.3.6 K.

COLUMN A		COLUMN B	
1.3.1	Power relationships	A	costs that must be paid no matter how many units are manufactured.
		B	can be formed when the business has hundred employees or more.
		C	can be re-used for purpose other than storing the original contents.
1.3.2	Variable overhead costs	D	occurs when an employer makes sure that employees cannot enter the premises.
		E	can be formed when the business has fifty employees.
1.3.3	Workplace forums	F	directors have the ability to persuade investors to buy shares in the company.
		G	costs change as the number of units produced change.
1.3.4	Kaleidoscopic packaging	H	employer prevents striking employees from entering business premises.
		I	businesses can influence their employees and the behaviour of other businesses.
1.3.5	Lockout	J	an advertisement of a sport event which continuously change.

(5 × 2) (10)

**TOTAL SECTION A**

**[30]**

## SECTION B

Answer ANY TWO questions in this section.

### QUESTION 2: BUSINESS ENVIRONMENT

- 2.1** Name any FOUR examples of contemporary legislation that may affect businesses. (4)
- 2.2** Outline the advantages of businesses that are involved in the macro environment. (6)
- 2.3** Read the scenario below and answer the questions that follow:

#### SIBUSISO INCORPORATIONS (SI)

Sibusiso Incorporation lacks direction and meaningful guidance to employees. Some employees have a negative attitude towards their colleagues.

- 2.3.1** Identify TWO challenges of the micro-environment faced by SI. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 2.3.1.

CHALLENGES OF THE MICRO-ENVIRONMENT	MOTIVATIONS
1.	
2.	

(6)

- 2.3.2** Suggest ONE strategy to deal with EACH challenge of the micro-environment identified in QUESTION 2.3.1. (2)

- 2.4** Describe the following types of ethical misconduct:

**2.4.1.** Mismanagement of funds

**2.4.2.** Sexual harassment

(4)

- 2.5** Explain the negative impact of piracy on businesses. (6)

- 2.6** Discuss ways in which businesses can be involved in the macro-environment. (6)

- 2.7** Advise businesses on the relationship between the primary, secondary and tertiary sectors. (6)

**[40]**

### QUESTION 3: BUSINESS ROLES

- 3.1** Outline any THREE characteristics of mass production. (6)

- 3.2** Identify the production systems used by Acer Africa in EACH statement below:

- 3.2.1** Employees were instructed to first finish producing a certain group of products before producing another group. (2)
- 3.2.2** Some products are produced according to customer specification. (2)
- 3.3** Explain any TWO aspects that must be considered during production control. (6)
- 3.4** Elaborate on the meaning of total quality management (TQM) as part of a quality management system. (6)
- 3.5** Read the scenario below and answer the questions that follow:

#### **PETROCHEMICALS INDUSTRY (PI)**

Mr Soga is a newly appointed CEO at Petrochemical Industry. He requested knowledgeable employees from different departments to advise him on how to improve the quality of their products. He also ensured that his products are tested for quality by an approved South African institution. The management of PT ensures that they adhere to safety requirements.

- 3.5.1** Identify TWO quality control bodies used by PI. Motivate your answer by quoting from the scenario. Use the table below as a GUIDE to answer QUESTION 3.5.1. (6)

QUALITY CONTROL BODIES	MOTIVATIONS
1.	
2.	

- 3.5.2** Explain to the management of PI the requirements for a safe environment in the workplace. (6)
- 3.6** Recommend precautionary measure that businesses should take when handling machinery. (6)

**[40]**

#### **QUESTION 4: MISCELLANEOUS TOPICS**

##### **BUSINESS ENVIRONMENTS**

- 4.1** Outline TWO functions of trade unions. (4)
- 4.2** Describe the purpose of the Labour Relations Act. (4)
- 4.3** Read the scenario below and answer the questions that follow:

#### **BRENNA BEST T-SHIRTS (BBTS)**

Brenna Best T-Shirts sells fast foods for young people. Some BBTS customers take their food to Blue Cinema so that they can eat while watching movies. The management of BBTS and Blue Cinema decided to form a new business named BTB. The new business became successful such that they bought shares from Jerry Cinema against his will.

- 4.3.1** Identify TWO ways in which BBTS adapted to challenges of the macro environment. Motivate your answer by quoting from the scenario above. Use the table below as a GUIDE to answer QUESTION 4.3.1. (6)

ADAPTATION TO THE MACRO ENVIRONMENT	MOTIVATIONS
1.	
2.	

- 4.4** Suggest ways in which businesses can have a direct influence on the environment. (6)

##### **BUSINESS ROLES**

- 4.5** Elaborate on the meaning of distribution. (6)
- 4.6** Read the scenario below and answer questions that follow:

#### **NDILEKA MANUFACTURER (NM)**

The management of Ndileka Manufacturer mentioned that they have adjusted their prices due to an increase in transport and labour costs. They further stated that their prices also depend on the income levels of their buyers.

- 4.6.1** Identify TWO factors that influence NM pricing. Motivate your answer by quoting from the scenario above.

Use the table below as a guide to answer QUESTION 4.6.1.

FACTORS INFLUENCING PRICING	MOTIVATIONS
1.	
2.	

(6)

- 4.7** Read the scenario below and answer the questions that follow:

#### RASHID MANUFACTURERS (RM)

The management of Rashid Manufactures wants to calculate the cost of producing one door. He needs to consider the following costs for his calculations:

- Fixed costs per month amount to R11 200
- Variable costs per month amount to R10.625
- 50 doors are produced per month

- 4.7.1** Define the meaning of production costs.

(2)

- 4.7.2** Calculate the unit costs of one door. Show all calculations.

(6)

**[40]**

#### TOTAL SECTION B

**[80]**

## SECTION C

Answer ONE question in this section.

**NOTE:** Clearly indicate the QUESTION NUMBER of each question. EACH question must start on a NEW page, e.g. QUESTION 5 on a NEW page, QUESTION 6 on a NEW page.

#### QUESTION 5: BUSINESS ENVIRONMENTS

Businesses that interact with other stakeholders find it easy to address challenges posed by business environments. The market and macro business environments can only be influenced by different types of lobbying. Some businesses undertake social responsibility projects for their own benefit.

Write an essay on lobbying and social responsibility in which you include following aspects:

- Elaborate on the meaning of lobbying.
- Explain THREE types of lobbying.
- Discuss the advantages of networking.
- Advise businesses on projects that can be undertaken as part of social responsibility.

**[40]**

#### QUESTION 6: BUSINESS OPERATIONS

Businesses realise the importance of producing a quality product in order to increase their market share. Publicity plays an important role in achieving their business objectives. Some businesses prefer to brand their products and promote them using personal selling.

Write an essay on business functions in which you include the following aspects:

- Elaborate on the meaning of publicity.
- Explain the importance of product development.
- Discuss the importance of trademarks to businesses and consumers
- Advise businesses on the effectiveness of personal selling as the best communication policy.

**[40]**

#### TOTAL SECTION C

**[40]**

#### GRAND TOTAL

**[150]**

# JUNE PAPER 2

MARKS: 150

TIME: 2 HOURS

## Instructions and information

This paper consists of 8 pages

Read the following instructions carefully before answering the questions.

1. This question paper consists of THREE sections and covers TWO main topics.

SECTION A: COMPULSORY

SECTION B: Consists of THREE questions.

Answer any TWO of the five questions in this section.

SECTION C: Consists of TWO questions.

Answer any ONE of the four questions in this section.

2. Read the instructions for each question carefully and take particular note of what is required.
3. Number the answers correctly according to the numbering system used in this question paper. No marks will be awarded for answers that are numbered incorrectly.
4. Except where other instructions are given, answers must be written in full sentences.
5. Use the mark allocation and nature of each question to determine the length and depth of an answer.
6. Use the table below as guide for mark and time allocation when answering each question.

SECTION	QUESTION	MARKS	TIME
<b>A Objective-type questions COMPULSORY</b>	<b>1</b>	<b>30</b>	<b>20 minutes</b>
<b>B THREE direct/indirect type questions CHOICE (Answer any TWO.)</b>	<b>2</b>	<b>40</b>	<b>35 minutes</b>
	<b>3</b>	<b>40</b>	<b>35 minutes</b>
	<b>4</b>	<b>40</b>	<b>35 minutes</b>
<b>C TWO essay-type questions CHOICE (Answer any ONE.)</b>	<b>5</b>	<b>40</b>	<b>30 minutes</b>
	<b>6</b>	<b>40</b>	<b>30 minutes</b>
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

7. Begin the answer to EACH question on a NEW page, for example QUESTION 1 – new page, QUESTION 2 – new page, et cetera.
8. You may use a non-programmable calculator.
9. Write neatly and legibly.

## SECTION A (COMPULSORY)

### QUESTION 1

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK, for example 1.1.6 E.

- 1.1.1 The ... company provides essential services such as water and electricity at reasonable prices.

- A personal liability
- B State-owned
- C public
- D private

- 1.1.2** The shareholders of Heber Properties Ltd offered securities to the public for the first time. This is an example of a ... offering.
- A** primary
  - B** tertiary
  - C** formal
  - D** secondary
- 1.1.3** New business policies and procedures can be regarded as an example of ... cause of change.
- A** market
  - B** macro
  - C** internal
  - D** external
- 1.1.4** The employees of Florah Tiling apply the principle of ... by responding quickly to customers' requests.
- A** professionalism
  - B** ethics
  - C** customer care
  - D** professionalism and ethics
- 1.1.5** This problem-solving technique is applied when businesses want to change their structures.
- A** Brainstorming
  - B** Empty Chair
  - C** Nominal Group
  - D** Force field analysis

(5 × 2) (10)

- 1.2.** Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question number (1.2.1 – 1.2.5) in your ANSWER BOOK.

partnership	conduct	internal	good	ethics
sole trader	bad	private	personal liability	external

- 1.2.1** Rudzani Trading applied a code of ... when they employed suitable people to fill a vacant position.
- 1.2.2** Tumi Buy and Braai is a ... as the business has unlimited liability.
- 1.2.3** Ntombi Manufacturers discard some of their waste material in the river. This is an example of a ... decision.
- 1.2.4** A ... company requires directors to be liable for the debts of the business.
- 1.2.5** Sound ethical practices are part of ... decisions in business.

(5 × 2) (10)

- 1.3** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A–J) next to the question number (1.3.1 – 1.3.5) in the ANSWER BOOK, e.g. 1.3.6 K.

COLUMN A		COLUMN B	
1.3.1	Principle of ethics	A	shareholders will lose their private assets and the amount of money invested in the business.
1.3.2	Creative thinking	B	includes the number of directors of the company.
1.3.3	Limited liability	C	respecting the image of the business.
1.3.4	PDCA cycle	D	includes the number of shareholders of the company.
1.3.5	Notice of incorporation	E	using routine method to solve problems.
		F	using non-routine methods to solve problems.
		G	used to solve business problems.
		H	used to stimulate creative thinking in the workplace.
		I	shareholders will only lose the amount of money invested in the business.
		J	initiating CSI projects for communities

(5 × 2) (10)

**TOTAL SECTION A**

**[30]**

## SECTION B

Answer ANY TWO questions in this section.

### QUESTION 2: BUSINESS VENTURES

- 2.1** Name any THREE aspects that must be included in the prospectus. (3)
- 2.2** Identify avenues of acquiring a business applicable to Tshepo Trading (TD) in EACH statement below:
- 2.2.1** TD was given the right to offer the same products as Zahid Trading for a percentage of his gross monthly sales and a royalty fee. (2)
- 2.2.2** The management of TD requested Marie Consulting to train their new employees. (2)
- 2.3** Outline any THREE contractual implications of ONE of the avenues of acquiring a business identified in QUESTION 2.2 1 and 2.2.2. (6)
- 2.4** Explain any TWO advantages of establishing a company over other forms of ownership. (6)
- 2.5** Read the scenario below and answer the questions that follow:

#### BRAAM LOGISTICS (BL)

Braam Logistics consists of a minimum of one and a maximum of ten members. BL is registered with the Registrar of Companies.

- 2.5.1** Identify the form of ownership represented by Braam Logistics. Motivate your answer by quoting from the scenario above. (3)
- 2.5.2** Describe the impact of the form of ownership identified in QUESTION 2.5.1 on businesses. (6)
- 2.6** Discuss the characteristics of cooperatives. (6)
- 2.7** Advise businesses on the reasons why entrepreneurs may decide to purchase an existing business. (6)

**[40]**

### QUESTION 3: BUSINESS ROLES

- 3.1** Give FIVE examples of crisis in the workplace. (5)
- 3.2** Identify the theories of ethics applied by Gigi Designers Ltd in EACH statement below.:
- 3.2.1** Employees are treated with respect and dignity as one of the human rights in the workplace. (6)
- 3.2.2** Good actions are viewed as ethical since they have a positive effect on their employees. (6)
- 3.3.3** The business' values and ethical principles are in line with society in which it operates. (6)
- 3.3** Define the term *problem-solving*. (2)
- 3.4** Explain the differences between *conventional and non-conventional solutions*. (8)
- 3.5** Read the scenario below and answer the questions that follow:

#### MARIS MANUFACTURERS (MM)

Maris Manufacturers has been experiencing a decline in sales due to poor quality products. MM requested a group of experts to suggest solutions on how to improve the quality of their products.

- 3.5.1** Identify the problem-solving technique applied by MM. Motivate your answer by quoting from the scenario above. (3)
- 3.5.2** Advise the management of MM on other ways in which they can apply the problem-solving technique identified in QUESTION 3.5.1 in the workplace (4)
- 3.6** Discuss the requirements for a good code of ethics. (6)
- 3.7** Advise businesses on the advantages of working with others to solve problems. (6)

**[40]**

### QUESTION 4: MISCELLANEOUS TOPICS

#### BUSINESS VENTURES

- 4.1** State FOUR aspects that must be included in the Memorandum of Incorporation. (4)
- 4.2** Explain the challenges of establishing a company over other forms of ownership. (6)
- 4.3** Read the scenario below and answer the questions that follow:

#### NICKY FISH & CHIPS (NFS)

Nicky is the owner of Nicky Fish & Chips franchise. NFS has many outlets in the Gauteng Province. Adrian requested Nicky to allow him the right to trade using the name of her business franchise.

- 4.3.1** Identify the franchisor and franchisee in the scenario above. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 4.3.1.

NAMES	FRANCHISOR & FRANCHISEE	MOTIVATIONS
Nicky		
Adrian		

(4)

- 4.3.2** Explain to Adrian the disadvantages of franchising. (6)

#### BUSINESS ROLES

- 4.4** Distinguish between *professionalism* and *ethics*. (6)
- 4.5** Explain ways in which professional, responsible, ethical and effective business practise should be conducted. (4)
- 4.6** Discuss the advantages of creative thinking in the workplace. (4)
- 4.7** Recommend ways businesses can deal with crisis in the workplace. (6)

**[40]**

#### TOTAL SECTION B

**[80]**



## SECTION C

Answer ANY ONE (1) question in this section

### QUESTION 5: BUSINESS VENTURES (Forms of ownership)

Many entrepreneurs prefer to establish a public company for expansion and growth. While some prefer a private company to avoid the registration of a prospectus. Entrepreneurs need to follow the correct procedure for the registration of a company.

Write an essay on the forms of ownership in which you include the following aspects:

- Elaborate on the meaning of a prospectus.
- Explain the differences between the private company and public company.
- Discuss the procedure for the formation of companies.
- Advise entrepreneurs on the legal requirements of the name of the company.

[40]

### QUESTION 6: BUSINESS ROLES (Stress and change management)

Businesses are mostly affected by changes in the external environment that require new ways of doing things. Some employees cannot cope with change in the workplace resulting to a high level of stress. Many businesses prefer to apply the John P Kotter's 8 steps of leading change in the workplace.

Write an essay on stress and change management in which you include the following aspects:

- Outline the importance of stress management in the workplace.
- Explain any THREE external causes of change.
- Discuss the John P Kotter's 8 steps of leading change in the workplace.
- Recommend strategies to businesses on how to deal with the following issues:
  - Globalisation
  - Affirmative action

[40]

**TOTAL SECTION C**

[80]

**GRAND TOTAL**

[150]

## TERM 3

## 13

# Assessment of entrepreneurial qualities in business



## TOPIC OVERVIEW

- Unit 13.1 Qualities of an entrepreneur
- Unit 13.2 Assessment of a business against the qualities of an entrepreneur



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ outline/explain the qualities of an entrepreneur
- ❖ identify the qualities of an entrepreneur from given scenarios/ case studies/statements, and so on, and assess a business against these qualities
- ❖ identify/state/name key success factors, such as sustainability/ profitability/customer base, and so on
- ❖ recommend/suggest areas for improvement from given scenarios/ case studies/statements
- ❖ suggest strategies that businesses can use to ensure that they remain profitable and sustainable, for example, thorough planning, sound financial management, effective management of scarce resources and employees, maintaining a solid customer base, behaving ethically, and being socially responsible.



## Key concepts

- **Entrepreneur:** someone who converts a business idea into a business venture.
- **Sustainability:** the business must be able to continue without doing damage to the environment and the community in which it works.
- **Customer base:** successful businesses have a loyal customer base who always buy their goods/services.
- **Good governance:** those processes and institutions that produce results to meet the needs of society while making the best use of the resources at their disposal.
- **Stable workforce:** the degree to which workers remain employed.

## Introduction

In this topic, we will revise these entrepreneurial qualities as they were taught in detail in grade 10. We will then assess an existing business to determine whether it incorporates these qualities.

Entrepreneurs have certain qualities that contribute to their chances of being successful in running their own businesses.

## Unit 13.1 Qualities of an entrepreneur

An entrepreneur is someone who converts a business idea into a business venture. Entrepreneurs are self-employed and create their own income. They always look for ideas to improve their business in order to gain a competitive advantage.

An entrepreneur is also passionate about their business and an expert in the field.

### Desire for responsibility

- Entrepreneurs like to prove themselves as being innovative, hardworking, and responsible for creating their own income.
- Successful entrepreneurs are not afraid to take responsibility for their decisions and actions in their business.
- Entrepreneurs find it hard to work for other people or to take instructions from managers as they like being in control.
- They prefer to be the creators of their own future.

### Taking calculated risks

- An entrepreneur is willing to take a well thought off risk because risks involve a degree of uncertainty.
- Most entrepreneurs risk financial security when they start a business venture.
- Entrepreneurs take calculated risks as they weigh up what they might lose before deciding.
- They risk their own money when they start their business as they envisage to make a profit.
- They are flexible should they turn out to make wrong decisions.

### Good management and leadership skills

- An entrepreneur has good management skills such as planning, motivating, and controlling.
- Entrepreneurs must be capable of inspiring other people to believe in their vision.
- They are good leaders who can motivate and inspire others to do their best.
- They are good communicators, skilled at resolving conflict and generating enthusiasm in others.
- Entrepreneurs know what they are not good at and get others to complement their strengths.

### High levels of energy

- High energy levels and good health are essential.
- Entrepreneurs should show enthusiasm to achieve the best solution.
- Starting and running a business requires considerable energy and the ability to focus on business objectives.

### A New words

**profitability** producing a benefit or monetary gain

**confidence** entrepreneurs believe in themselves and believe that they can achieve their goals

**passion** strongly believe something and show enthusiasm to achieve the best outcome

**opportunity** gaps in the market where an entrepreneur can make money

**creativity** coming up with something new or doing things in a new way

**customer focus** developing products and services with the consumer in mind

**perseverance** when an entrepreneur does not give up despite challenges and problems

**embrace** to accept a belief, theory, or change willingly and enthusiastically

**risks** classified as unforeseen events that can impact negatively on a decision

- Their physical energy and commitment enable them to work hard for long hours with demanding customers.
- Successful entrepreneurs are not afraid to deal with the stress involved in running one's own business and making difficult decisions.

## Dreams with a clear vision

- An entrepreneur has a vision of where they are heading and what they want to achieve in future.
- They have a clear vision and able to achieve long-term goals.
- An entrepreneur can convert a dream into a business plan and can explain their vision to others.

## Confidence in one's ability to succeed

- An entrepreneur must have confidence, believe in themselves and believe they can achieve their goals.
- They are positive and focus on things that could go right instead of focusing on things that could go wrong.
- They have a healthy opinion of themselves and a strong/assertive personality.
- They are focused and determined to achieve their goals.

## Flexibility

- The business environment is constantly changing, and entrepreneurs must be flexible to adapt to these changes.
- Entrepreneurs are able to adapt to different circumstances.
- They are willing to listen to other ideas and be able to admit when they are wrong.
- Entrepreneurs change with the times by improving their skills and knowledge on the latest technology or market trends.

## Willpower to overcome obstacles

- Entrepreneurs face many obstacles, for example, new competitors.
- They understand that they will encounter different types of challenges.
- An entrepreneur must have the willpower to overcome obstacles and not give up easily.

## Recognising opportunities

- A successful entrepreneur can recognise opportunities and has the drive to convert them into business opportunities.
- Successful entrepreneurs can identify gaps in the market and make money.
- They are able to identify viable opportunities that are not always easy to spot.

## Showing perseverance

- An entrepreneur shows perseverance by continuing to try until they have reached a goal.
- Successful entrepreneurs have a positive attitude towards failure and see difficulties as opportunities.
- Most successful entrepreneurs only became successful after failing several times.

## Organisational skills

- Entrepreneurs need to have excellent organisational skills.
- Examples of organisational skills are time management, planning and leadership.
- Entrepreneurs must also have the skills to manage their own businesses.

## Passion

- An entrepreneur is passionate and enthusiastic about their product and business.
- Passion for the business will keep the entrepreneur motivated when things go wrong.
- Passion can be illustrated when an entrepreneur finds it difficult to simply walk away from failure and setbacks.

## A high degree of commitment

- Entrepreneurs must be committed to see something through despite difficulties.
- They are not afraid to make sacrifices to realise their dreams.
- Great entrepreneurs have high standards and cannot tolerate mediocrity.
- They are committed to their business idea and work hard to achieve their goals.
- These are people who have a combination of strong foresightedness and orientation.

## Product and customer focus

- Developing products or services that make people's lives easier is a characteristic of entrepreneurship.
- An entrepreneur with a product and customer focus is one that clearly understands the needs and wants of their customers.

## Being creative

- An entrepreneur uses creative thinking skills to turn threats into business opportunities in order to be competitive.
- Creativity requires imagination to produce the most obscure ideas.
- This allows entrepreneurs to think beyond the traditional solutions.
- Entrepreneurs come up with something new and yet have success potential.

### Activity 13.1

1.1 Read the article and answer the question that follows.

#### ELSABE HEALTH PRODUCTS (EHP)

Betty, the manager of Elsabe Health Products (EHP) found a gap in the sports supplements market. She started mixing and creating formulae from a small home in Brakpan.

Betty is enthusiastic about fitness. She admits that she really focused on selling the product, and on excellent customer service instead of only profit. She grew the business with little prospects of achieving the small goals that she had set for herself.

She says that people must start small, learn from it, even if they fail until they get it right, then scale it up, and repeat!. She was optimistic about her sports supplements, and she expanded her sales team.

She offered her sales team a high commission without a basic salary, engaged in a one-hour meeting every morning, five days a week to get feedback from the market, inspire the sales team and to discuss new product ideas. Betty said that her staff should dream big in order to have multiple brands and compete globally.

## Activity 13.1

cont.

- 1.1.1** Identify Eight entrepreneurial qualities that Betty, the manager of EHP displayed in the scenario. Motivate your answer by quoting from the scenario above.

Use the table below as a guide to answer QUESTION 1.1.1

ENTREPRENEURIAL QUALITIES	MOTIVATIONS
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

(24)

## Unit 13.2 Assessment of a business against the qualities of an entrepreneur

The personal qualities displayed by entrepreneurs make them successful. When their businesses expand, entrepreneurs need to employ staff who reflect their passion and drive. A successful business incorporates entrepreneurial qualities in the way of doing business.

### Tip

First look at the entrepreneurial qualities displayed by the owner of the hairdresser. Then look at the entrepreneurial qualities not displayed by the owner of the hairdresser.

## Activity 13.2

- Visit any successful entrepreneur in your area and interview him/her against SEVEN of the qualities of a successful entrepreneur that are outlined in SECTION 13.1
- Develop an interview schedule that will be used to assess this business against the qualities of an entrepreneur.
- Questions must be structured in such a way that an entrepreneur will be able to respond to EACH entrepreneurial quality.
- Use the example below to expand on your interview questions.
- Share your findings with the rest of the class.

QUALITIES OF AN ENTREPRENEUR	RESPONSES FROM AN ENTREPRENEUR
Flexibility	What will you do to stay relevant in your industry when technology keeps changing?
Perseverance	How will you deal with failure to achieve some of your goals?

## Key success factors in a business

There are several key success factors that contribute to the success of a business. Some of these key success factors are:

Key success factors in a business	
<b>Strategic focus</b>	<ul style="list-style-type: none"> <li>Strategic focus includes leadership, management, and planning.</li> </ul>
<b>Profitability</b>	<ul style="list-style-type: none"> <li>Successful businesses effectively manage financial matters to ensure a return on investment.</li> <li>A profitable business attracts more investors that can lead to the business expanding.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Successful businesses are sustainable.</li> <li>The business must be able to continue without doing damage to the environment and the community in which it works.</li> <li>Businesses continue to exist despite all the challenges and threats it is confronted with.</li> <li>Manages and reports on triple bottom line e.g. profits, people and planet.</li> <li>These businesses attract and retain employees more easily as they are well known.</li> <li>Analyse the environmental and social impacts of the products and services the business uses and produces.</li> <li>These businesses reveal exactly what they do and what they stand for.</li> </ul>
<b>Market knowledge</b>	<ul style="list-style-type: none"> <li>Having market knowledge is knowing about the various aspects that could possibly impact on the business. It includes a detailed study of activities that a company can include in its core activities so that value can be delivered to the market.</li> </ul>
<b>Strong customer base</b>	<ul style="list-style-type: none"> <li>Successful businesses have a strong customer base and keep looking for ways to expand their customer base.</li> <li>This can only happen when they meet the needs of customers consistently and supply excellent service.</li> </ul>
<b>Good leadership</b>	<ul style="list-style-type: none"> <li>A good leader is a source of inspiration, and a motivator.</li> <li>Good leaders also bring energy, enthusiasm, and urgency to the workplace, which filters through the business and motivates staff.</li> </ul>
<b>Ethics, controls, and good governance</b>	<ul style="list-style-type: none"> <li>Business ethics is the application of moral norms to business.</li> <li>An unethical, corrupt business is not sustainable. Staff and customers get to know a business' reputation and will not continue to support a business with poor governance.</li> </ul>
<b>Stable workforce</b>	<ul style="list-style-type: none"> <li>A stable workforce that are experts in their fields is productive.</li> <li>A motivated, happy, well-trained staff supports a successful business.</li> <li>Constantly recruiting and training new staff to replace staff who left is expensive.</li> </ul>
<b>Unique product or service</b>	<ul style="list-style-type: none"> <li>A successful business offers unique products.</li> <li>Goods and services must fulfil the needs and desires of the consumers.</li> <li>There must be something special or different about a business to ensure success where others fail. The product or service does not have to be unique, but something about what the business offers has to make customers notice it and talk about it.</li> <li>Word-of-mouth marketing is the most effective.</li> </ul>

### Did you know

The term ethics has its origin from the Greek word 'ethos', which means character



## Areas for improvement

Businesses may lack some of the key success factors to ensure that businesses run efficiently. These are the areas that businesses need to improve based on their assessment. They first need to identify these, then come up with strategies to improve the identified areas. A business that wants to improve should consider certain aspects when identifying areas of improvement.

- Regularly evaluate the price of every product.
- Operate from a plan based on its vision to avoid deviation.
- Make sure the money comes in quickly.
- Keep business expenses to a minimum.
- Set goals with reasonable milestones and timelines.
- Evaluate the benefit of increased sales against the cost of marketing.
- Identify and implement the technology needed to support their operation and growth.
- Identify the target customer and what they do for them.
- Research and categorise competition noting their strengths and weaknesses.
- Differentiate the business against competitors and communicate this in sales and marketing programmes.
- Look after its best customers.
- Know the needs of customers e.g. ask for customers feedback through surveys and direct interaction with them.
- Regular review sessions where they review their structure, vision, delivery methods etc.

## Strategies businesses can use to ensure that they remain profitable and sustainable

Below are a few strategies businesses can use to improve problem areas, which they have identified.

### Thorough planning

- Planning is important when it comes to being efficient. Time is money and it is best to plan for effective resource management.

### Sound financial management

- Sound financial management and good accounting practices are the best ways in which a business can remain profitable.

### Effective management of scarce resources and employees

- Many projects fail because a business invests in too many or too few resources.

### Maintaining a solid customer base

- Customer retention is an important part of a business, as this can ensure that they remain profitable and sustainable. A business needs to offer a great customer experience and build solid customer relationships.

### Being ethical

- An ethical business behaves in a socially responsible way and does what is right even if it is not necessary by law.

## Being socially responsible

- Surveys show that consumers like to support a business that supports the community in which it operates. Examples include coffee and chocolate brands that support fair trade.

### Activity 13.3 Success factors and improvement areas

Read the scenario and answer the questions that follow:



Lush is a successful international business with more than 750 stores. The entrepreneur, Mark Constantine, started Lush in his kitchen in the UK in 1995.

Constantine believes you must understand the factors that influence the success of your business. Lush avoids harming the environment and uses as little packaging as possible. Lush uses eco-friendly packaging to protect the products during transportation.

Lush holds a 'Mafia Meeting' once a year where they discard one-third of their products that are not doing well which costs them a lot of money. This encouraged employees to share new and innovative ideas and to keep them ahead of their competitors.

Lush prefers naturally friendly staff members who will be happy to chat with customers and not rush them to make a purchase. This is how Lush ensures that customers pay much more for basic hygiene products. Lush does not have information on customers' shopping experience.

- 1.1 Identify FOUR success factors from the case study. Motivate your answer by quoting from the case study above.

Use the table below as a guide to answer QUESTION 1.1.1

SUCCESS FACTORS	MOTIVATIONS
1.	
2.	
3.	
4.	

(12)

- 1.2 Suggest to Lush areas which they need to improve based on the case study. (4)

#### Tip

This is for enrichment (not for examination purposes)

**Activity 13.4****Analyse a successful business Enrichment Activity**

- 1.1 Select a successful business that you know, or have read about or can find information on the internet.
- 1.2 Write a paragraph about the history of the business and how it was started and has grown.
- 1.3 List and explain all the factors that make this business successful.
- 1.4 Suggest a few ways that you think the business could improve. Give reasons for your suggestions.
- 1.5 Report your findings to your class.

**Consolidation****QUESTION 1**

- 1.1 State THREE key success factors for a business venture. (3)
- 1.2 Read the scenario below and answer the questions that follow.

**NDODA'S HOMEWORK CENTRE (NHC)**

Ms. Ndoda worked as a teacher for many years and realised that many children struggled to complete their homework. She left her teaching post amid uncertainty and opened her homework centre to assist parents and children to complete their homework daily. Ms. Ndoda came up with exciting new ways to ensure children enjoyed writing their work.

- 1.2.1 Identify TWO entrepreneurial qualities that Ms. Ndoda used in the scenario. Motivate your answer by quoting from the scenario above.

Use the table below as a GUIDE to answer QUESTION 1.2.1

ENTREPRENEURIAL QUALITIES	MOTIVATIONS
1.	
2.	

- 1.2.2 Explain THREE other qualities of an entrepreneur. (6)
- 1.3 Describe FOUR strategies that businesses can use to ensure that they remain profitable and sustainable. (9)

## Mind map: Topic 13 – Assessment of entrepreneurial qualities in business

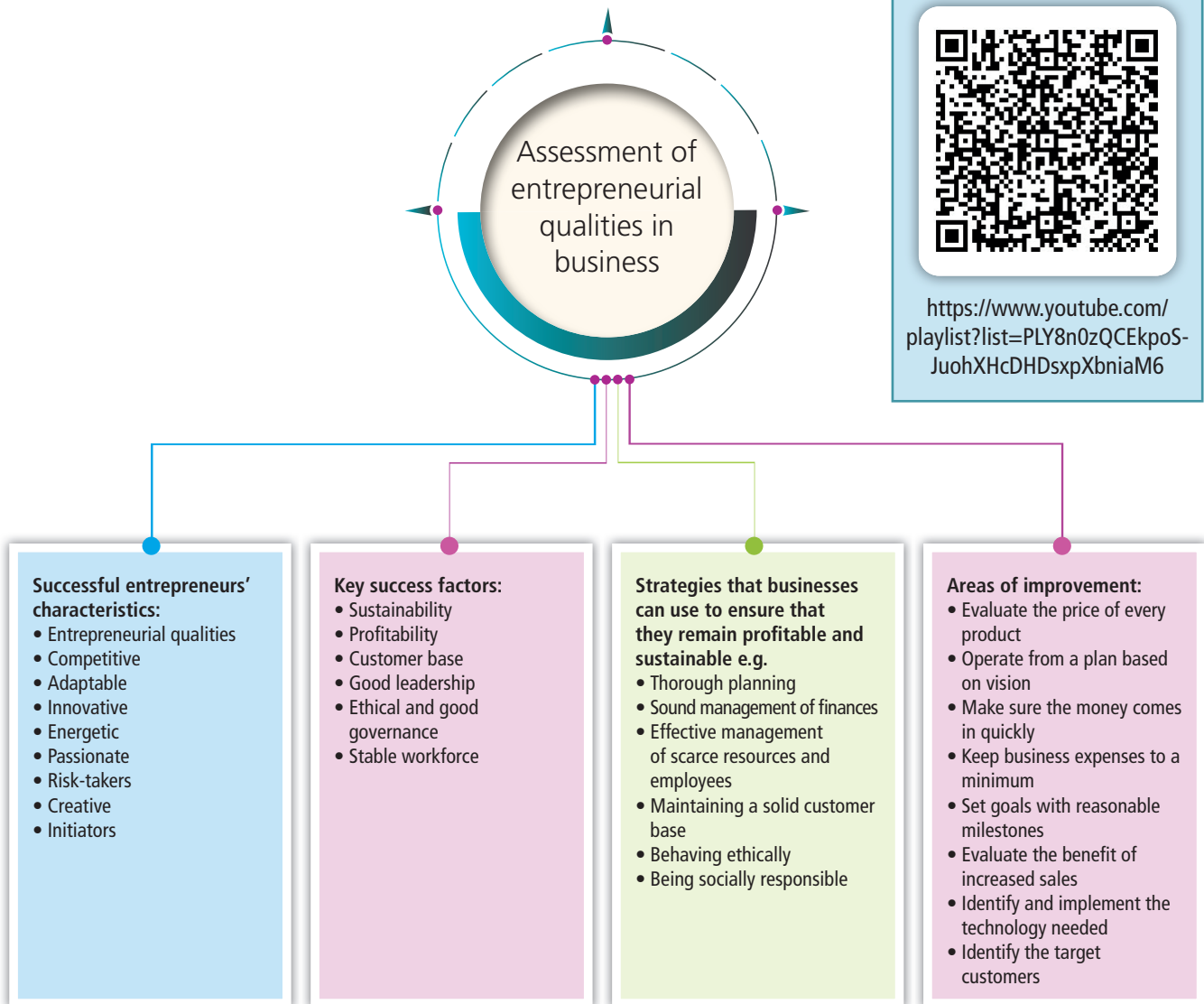
Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.



Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8nOzQCEkpoS-JuohXHcDHDsxpXbniaM6>



## 14

# Citizenship and responsibilities



## TOPIC OVERVIEW

- Unit 14.1 The role of citizens
- Unit 14.2 Concepts of business communities
- Unit 14.3 Roles that individuals and institutions can play in the social and economic development of their communities



## Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ explain/discuss reasons why businesses have to become involved in social programmes, for example, compliance with the BBEE, the lack of qualified workers, the effect of HIV/AIDS, and so on
- ❖ define the term citizenship
- ❖ outline the rights and responsibilities of citizens, for example, the right to education, safety, owning a property
- ❖ outline the roles of citizens and explain how businesses can contribute to the social and economic development of their communities
- ❖ identify initiatives taken by businesses to address social and economic development from given scenarios/case studies, and so on
- ❖ recommend other roles businesses can play in contributing to the social and economic development of communities
- ❖ suggest/recommend roles that the following individuals and institutions can play in the social and economic development of communities:
  - ❖ individual business practitioners
  - ❖ civil society
  - ❖ non-governmental organisations
  - ❖ community-based organisations.



## Key concepts

- **Citizenship:** the status of a person of being a part of a country with all its rights, privileges, and duties.
- **Rights:** the privileges of someone according to moral or legal entitlement to have or do something.
- **Responsibilities:** the duty one has to answer to some obligations or to behave correctly in certain situations.
- **Civil society:** the collective name given to organisations and associations that are not part of the government.
- **Non-governmental organisations (NGOs):** people grouping themselves in an organisation to fulfil duties in society that the government is not meeting.
- **Community-based organisations (CBOs):** people forming volunteer-based groups to provide services at a local level.

## Introduction

In grade 10, we learned about the meaning of social responsibility and Corporate Social Responsibility (CSR). We also learned about initiatives taken by businesses to address some socio-economic issues.

This year we will elaborate on this knowledge and include the responsibilities of other stakeholders, such as private citizens, NGOs and CBOs in taking care of the wellbeing of others. They are also expected to address some of the socio-economic issues that pose major challenges to businesses and communities.



### Take note

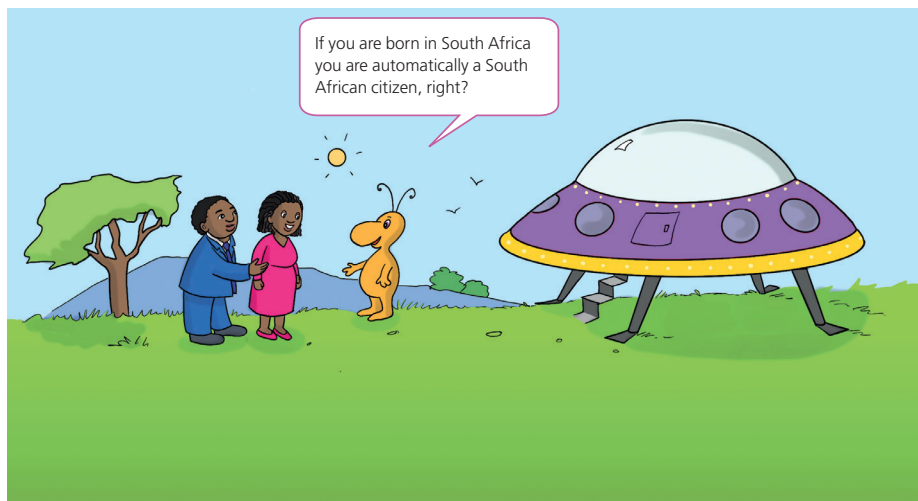
The meaning of NGO's and CBO's will be explained in full later in the topic.

## Unit 14.1 The role of citizens

### The meaning of citizenship

Citizenship can be defined as a legal status and relationship between an individual and a country whereby each one is entitled to specific legal rights and duties.

Citizenship is gained by meeting the legal requirements of a national, state or local government. A nation grants certain rights and privileges to its citizens.



### A New words

**Rights** are the rules that help make everyone equal.

### QR CODE

Introducing Civics Academy



[https://www.youtube.com/watch?v=DB\\_aDiTQww8&t=4s](https://www.youtube.com/watch?v=DB_aDiTQww8&t=4s)

### A New words

**Responsibilities** These are the things that government expect us to do.



## The rights of citizens

The Bill of Rights applies to every citizen of South Africa. These include the right to:

- property
- privacy
- respect/dignity
- equity
- freedom of speech and expression
- information that concerns you
- freedom of association
- free choice of a trade/occupation
- freedom of thought and religion
- freedom of movement
- healthcare/food/water and social assistance
- fair labour practices
- education and training/universal right to basic education
- safety/security and protection/life
- access to labour court/institutions
- freedom from slavery, servitude or forced labour
- the right to vote
- freedom to choose your own language/participate in your own cultural life.

## Responsibilities of citizens

The South African citizens are required to exercise their rights in a responsible manner. Every right comes with responsibility. Responsible people know what their rights are and respect the rights of others. Being responsible means, you care about other people's rights.

The following are some of the rights and responsibilities of citizens:

RIGHTS	RESPONSIBILITIES
<ul style="list-style-type: none"> <li>• Freedom of speech and expression</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid hate speech , spreading lies and insulting others</li> </ul>
<ul style="list-style-type: none"> <li>• Equality</li> </ul>	<ul style="list-style-type: none"> <li>• Treat every person equally and fairly.</li> </ul>
<ul style="list-style-type: none"> <li>• Respect/dignity</li> </ul>	<ul style="list-style-type: none"> <li>• Treat people with respect and dignity including greeting them warmly and speaking to them courteously.</li> </ul>
<ul style="list-style-type: none"> <li>• Education</li> </ul>	<ul style="list-style-type: none"> <li>• Attend school regularly, to learn, and to work hard.</li> </ul>
<ul style="list-style-type: none"> <li>• Safety/security and protection of life</li> </ul>	<ul style="list-style-type: none"> <li>• Not hurting/bullying/intimidating others.</li> <li>• Solving any conflict in a peaceful manner.</li> </ul>
<ul style="list-style-type: none"> <li>• Own property</li> </ul>	<ul style="list-style-type: none"> <li>• Respect the property of others, protect both private and public property.</li> </ul>
<ul style="list-style-type: none"> <li>• Freedom of thought and religion</li> </ul>	<ul style="list-style-type: none"> <li>• Respect the beliefs and opinions of others, and their right to express these</li> <li>• Even when you may strongly disagree with these beliefs and opinions.</li> </ul>



## The role of citizens

Every individual is important and equally liable for some roles and responsibilities when living in a cultured society. Individuals play a role as a neighbour, an owner of the house, or a tenant, and so on.

The basic responsibilities of an individual are respect, cooperation, and participation. Here are some roles individuals can assume as responsible citizens:

### Professionals:

- Healthcare practitioners like doctors, nurses, occupational therapists, physiotherapists, vets, and so on, have to do compulsory community service for a year before they can register with their professional council.
- Some professionals like lawyers do **pro-bono** work where they offer their services for free to the people who are unemployed.

### A New words

**Pro Bono** means to do something for the benefit of the public

### Individuals:

- donate their time, for example, the young students who helped to rescue the books from the libraries after the devastating fires at the University of Cape Town.
- do random acts of kindness for a person in need, such as doing shopping for an elderly person.
- participate in fundraisers and charity events, such as 'Sisters with Blisters'.
- take care of the environment by recycling plastic at a local Recycling Centre.

### Activity 14.1 Roles and responsibilities of citizens

1.1 Elaborate on the meaning of citizenship. (4)

1.2 Identify the rights of citizens represented by EACH statement below:

1.2.1 Thembi respects the opinion and beliefs of others even though she does not agree with them. (2)

1.2.2 Jacky, the manager at Sikzo Juice ensures that conflict in the workplace is solved in a peaceful manner. (2)

1.3 Name any other THREE rights and responsibilities of citizens. (6)  
Use the table below as a GUIDE to answer QUESTION 1.3.

RIGHTS	RESPONSIBILITIES
1.	
2.	
3.	

(6)

## Unit 14.2 Concepts of business communities

### The meaning of business citizenship

Business citizenship is usually referred to as Corporate which means that all business companies need to be responsible and make meaningful contributions to the society.

The goal is to produce higher standards of living and quality of life for the communities that surround them and still maintain profitability for stakeholders.

Successful businesses establish a strong foundation of corporate citizenship by showing a commitment to act ethically, creating a balance between the needs of shareholders and the community and environment. These practices help bring in consumers and establish brand and company loyalty.

### Reasons why businesses become involved in social programmes

There are various reasons why businesses can become involved in social programmes. Some of the reasons are as follow:

- Businesses want to attract investors and customers.
- Businesses must comply with Acts, such as the BBBEE Act (No. 53 of 2003).
- International demands and influences.
- Programmes that can uplift communities will alleviate socio-economic issues.
- The establishment of social networks in communities will increase social integration.
- Businesses can promote the well-being of communities and employees.
- The image of the business will improve through their involvement in social programmes.
- Sometimes there is a lack of qualified workers.
- They want to address the socio-economic issue of HIV/Aids.

### Contributions of businesses to the social and economic development of their communities

Businesses can contribute to society in many ways. Let us look at some of the ways in which businesses can contribute to the social and economic development of their communities:

- They can create job opportunities for members of the community.
- By educating and training their employees, they will increase their productivity.
- Businesses can spend money on uplifting the community through their CSR programmes.
- Businesses can become involved in HIV/AIDS projects for their workers or the community.
- Pay regular tax to maintain the country's infrastructure and provide essential goods and services.
- Provide additional methods of strengthening economic development for the country as a whole.
- Decrease the poverty levels by training people to become entrepreneurs.
- Offering donations to worthy social causes.



■ Social and economic development of communities

### Activity 14.2 Involvement of businesses in community development

1.1 Read the following scenario and answer the questions that follow:

#### BONJALO BANK LTD (BBL)

Bonjalo Bank Limited BBL used their surplus profit to sponsor the school bus transporting children from the village to school. BBL also offers entrepreneurial courses for the unemployed youth in the community in which they operate. They also work together with the local municipality in offering HIV/Aids behavioural change programmes and campaigns.

- 1.1.1 Quote THREE initiatives undertaken by BBL to contribute to social and economic development of their communities from the scenario above. (3)
- 1.1.2 Advise the management of BBL on other initiatives they can take to social and economic development of their communities. (6)

## Unit 14.3 Roles that individuals and institutions can play in the social and economic development of their communities

Individuals and institutions must also contribute to the social and economic development of their communities. In this unit, we will look at the role of the following individuals and institutions in contributing to the social and economic development of their communities:

- individual business practitioners
- civil society
- non-governmental organisations (NGOs)
- community-based organisation (CBOs)

### The role of individual business practitioners

Businesses play a vital role in the economic development and wealth of a country. Success in business translates to the economic well-being of a company and its residents through job creation and offering improved quality of life for the country's citizens.

Some examples of business contributions to the socio-economic development of communities are:

- the development programmes especially for Black Designated Groups
- HIV/AIDS and healthcare support
- support to schools and educational assistance through bursaries
- skills development for the unemployed.

## The role of civil society

Civil society can be defined as a collective name given to organisations and associations that are not part of the government. Civil society includes different groups like professionals, interest groups, cultural groups, religious bodies, and voluntary organisations.

The role of civil society can be explained as follows:

- Render some essential services on behalf of the government.
- Monitor government policies and actions and hold government accountable.
- Take care of the needy, helpless, and marginalised people with development, education, projects, and so on.
- Combat socio-economic issues such as HIV/AIDS, poverty, unemployment, corruption, etc.



### QR CODE

South African NGO helps girls get ahead



<https://m.youtube.com/watch?v=eb075ISlghA>

## Non-governmental organisations

A non-governmental organisation is completely different from governmental authorities. An NGO will constitute a legal memorandum and an adequate structure of members, but it is structured by a group of people who practice the social cause on a large spectrum. Their work is bound to more guideline, principles and strategies. NGO's will do their work on a large scale.

Non-governmental organisations (NGOs) play a significant role in today's society. They have to address the government's deficits in services and social protection for citizens.

NGOs are funded from different sources like the government, the local lottery, businesses, and other organisations. Some examples of NGOs in South Africa include:

- Childline
- Family Life Centre (FAMSA)
- Cancer Association of South Africa (CANSA)
- SPCA
- Meals on Wheels
- Save the rhino.

A non-profit organisation operates independently of any government. The purpose of an NGO is to address a social and political issue. They also provide accommodation for displaced people and refugees.

NGOs need assistance from citizens, businesses, and governments to sustain and keep up their projects.



■ Some NGOs in South Africa

## Community based organisations (CBOs)

Community-based organisations (CBOs) are local non-profit organisations that aims at making improvements in communities in which they operate. CBOs are often volunteer-based and get very little funding or support from the government.

CBOs are formed by an informal group of people who exercise good actions such as organising rehabilitation centres for their communities.

There are many examples, some of them listed below:

- Blind SA
- Guardian Angels
- Inkanyezi HIV/AIDS programmes
- Day-care centres
- Neighbourhood old age homes.



- An example of a poster used by a CBO asking for donations of the public.

## Differences between NGO's and CBO's

Non-governmental organisations (NGOs)	Community-based organisations (CBOs)
<ul style="list-style-type: none"> <li>An NGO will constitute a legal memorandum and adequate structure of members</li> </ul>	<ul style="list-style-type: none"> <li>A CBO are not legalised by any custom, duty, or memorandum.</li> </ul>
<ul style="list-style-type: none"> <li>NGO's work legally on a large scale</li> </ul>	<ul style="list-style-type: none"> <li>CBO's work informally on small margins</li> </ul>
<ul style="list-style-type: none"> <li>The work of an NGO is allocated to a wider area.</li> </ul>	<ul style="list-style-type: none"> <li>CBO's work for a specific area, only on small levels.</li> </ul>

## Some of the similarities between NGO's and CBO's are:

- The work that is done by an NGO and CBO is completely different from governmental authorities.
- They are not chosen by people for development.
- These organisations volunteer for good causes to help with the improvement of people.
- They are provided funds by elite people of society, celebrities, individual people, and corporations.



### QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>



### Activity 14.3

### Role of different stakeholders in community development

All citizens of the country have rights and responsibilities that must be observed and respected. They also need to perform certain roles in their communities. Businesses also have the responsibility to contribute towards economic and social development of their communities. The civil society must also promote the social development of their communities.

Write an essay on citizenship and responsibilities in which you include the following aspects:

- Outline the role of citizens in contributing to the social and economic development of their communities
- Explain the responsibilities of citizens in conjunction with their rights
- Discuss the role that civil society can play to contribute to social and economic development of their communities
- Suggest initiatives businesses can take to contribute to social and economic development of their communities

(40)

## Consolidation

### QUESTION 1

1.1 Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question number.

Citizenship; CANSA; Government Black Book;  
Bill of Rights; NGOs; neighbourhood old age homes;  
CBOs; Business citizenship



### Consolidation

cont.

1.1.1 The status of a person being part of a country with all its rights, privileges and duties, is known as ...

1.1.2 The rights of citizens in South Africa can be found in the ...

1.1.3 An example of an NGO is ...

1.1.4 Local non-profit groups that work to generate improvements within a community on the local level, is known as ...

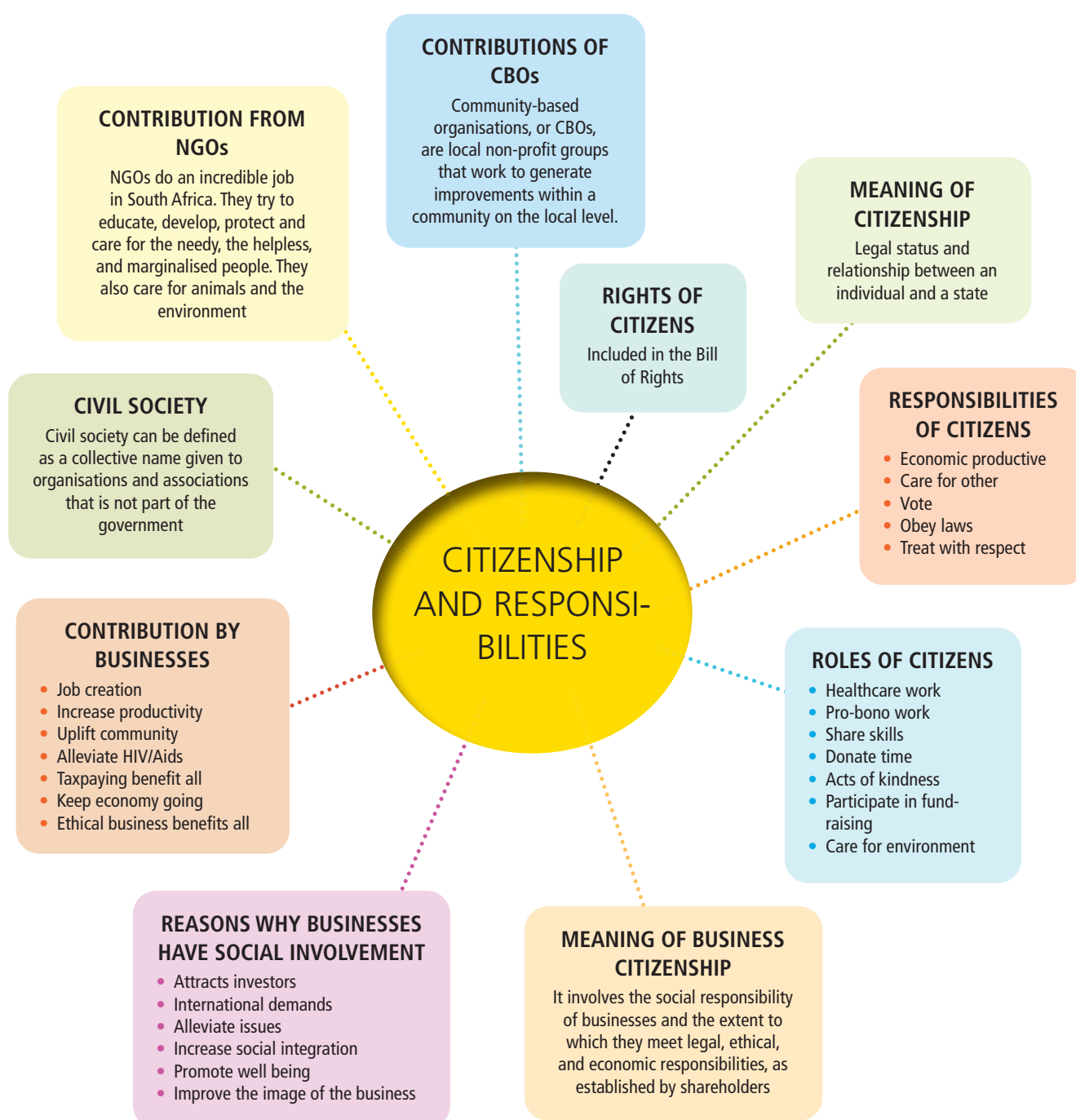
(8)

1.2 Explain the roles of Community based organisations in community development.

(6)

## Mind map: Topic 14 – Citizenship and responsibilities

Use the mind map as a guide to consolidate the content covered in this topic.  
Be sure to study the content relevant to each heading.





## 15

# Transformation of a business plan into an action plan



## TOPIC OVERVIEW

- Unit 15.1 Understanding the purpose of a business plan
- Unit 15.2 Planning tools



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ explain/discuss the purpose of a business plan
- ❖ define/elaborate on the meaning of an action plan
- ❖ discuss/explain/describe the importance of an action plan
- ❖ outline/name the stages of action plan/steps to follow when drawing up an action plan
- ❖ outline/explain/discuss the project planning steps
- ❖ define the following planning tools:
  - ❖ Gantt charts or Work Breakdown Structure (WBS)
  - ❖ timelines
  - ❖ project planning
- ❖ outline/explain/discuss the importance of timelines and Gantt charts/WBS
- ❖ draw up a Gantt chart using the information given in scenarios/case studies
- ❖ transform a business plan into an action plan using the Grade 10 business plan.



## Key concepts

- **Business plan:** a formal written document describing the goals of a business and the methods of how to achieve those goals.
- **Action plan:** a checklist of the steps or tasks you need to complete to achieve the goals you have set.
- **Gantt chart:** a bar chart that provides a visual timeline of how the tasks are scheduled.
- **Timelines:** a sequence of related events arranged in chronological order and displayed along a line to keep track of the activities.
- **Work breakdown structure (WBS):** divides the business plan into smaller project stages and shows exactly what must be done.

## Introduction

This chapter will focus on transforming a business plan that you developed in Grade 10 into an action plan. We also provide a detailed description of planning tools that provide guidelines on how to transform a business plan into an action plan.

## Unit 15.1 Understanding the purpose of a business plan

Napoleon Hill stated, 'Plan your work and work your plan.' This is applicable when starting a business. A business plan is a formal written document containing the goals of a business.

The business plan also includes the timeframe for achieving the set goals, and it serves as a roadmap that provides direction to the business.



### ? Did you know

A one-page business plan is popular in the business world. It is also known as 'The Pitch', 'executive summary' or the 'business model'.

## The business plan deals with the following aspects of a business:

The purpose of a business plan is to:

- Gain insight in the market and competition
- Obtain funding from investors
- Set realistic goals and objectives
- Identify the right talent for moving the business vision forward
- Make correct decisions and manage the business
- Communicate the business plan to various stakeholders.

## The meaning of an action plan

An action plan is a detailed plan that outlines the actions that need to be executed (done) in order to reach the business goals. An action plan shows the activities that must be completed. We need an action plan to implement the business plan and show how activities will be organised to achieve the goals of the business plan.

It outlines what resources are required to achieve objectives and meet the set timeline.

## The importance of an action plan

Effective action plans break long-term goals into small, manageable steps so that businesses continually act towards their goals. Creating an action plan helps to maintain focus.

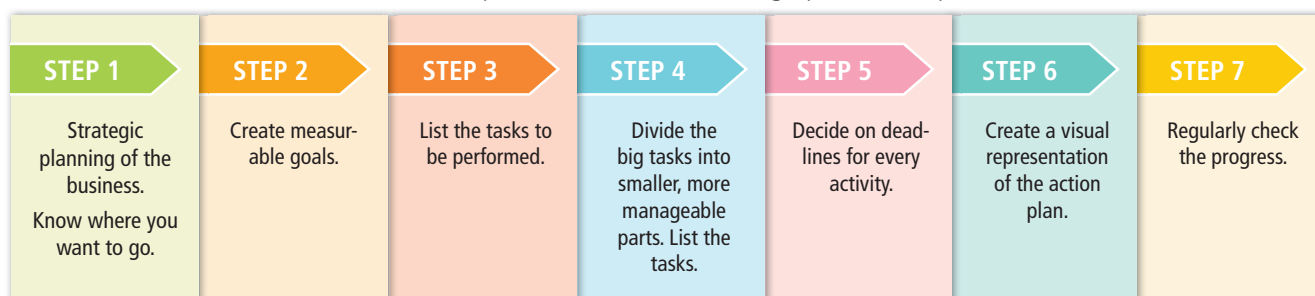
Without an action plan, the business may engage in activities that are not aligned with the goals. The action plan ensures that the actions and decisions are in line with achieving the business goals.

An action plan is important because of the following reasons:

- enables projects to be achieved within a specified time
- businesses are able to prioritise activities by their importance
- can help the person responsible to be more organised
- helps employees to focus on their activities
- can be used as a control measure against which standards and performance can be measured

## Steps to follow when drawing up an action plan

The steps to follow when drawing up an action plan are outlined below:



Questions to ask when drawing up an action plan

The first stage of drawing up an action plan is based on the following questions:



Let’s look at an example.

EXAMPLE

Your business is expanding and you have developed a new product to add to your product catalogue. You want to launch this new product and want to find out if your current customer base will like and buy this product.

Look at steps to follow to draw up the action plan.

Steps	
1	Suggest a suitable design for the new product.
2	Choose an advertising agency to prepare three sets of designs.
3	Engage graphic designers to do the work.
4	Print copies of the designs.
5	Finalise the research questionnaire, target market for surveys, and the team.
6	Assign staff to the survey.
7	Allocate dates and times.
8	Conduct the survey.
9	Collect questionnaires and process the information.
10	Present the findings at the management level, together with recommendations.

**EXAMPLE**

**cont.**

Using two of the tasks from the above checklist and giving deadlines for each, the steps in your action plan would look as follows:

WHAT must be done?	WHO will be responsible?	BY WHEN must it be completed	EVIDENCE/ Deliverables
Engage artists to prepare design and text.	Ms Guga	21 August	3 designs produced
Finalise venues, staff, dates, and times.	Ms Ariston	3 September	List of venues with dates, times, and staff members finalised

A project is a series of tasks that need to be completed to reach a specific outcome. Business projects are usually done by a team of employees.

## Project planning steps



The following project planning steps will ensure that projects are completed successfully.

- Define the scope of the plan to be done, for example, define what the purpose, first and last activities will be.
- Identify project supporters.
- Break the project down into activities.
- Set time frames and determine how much time you will need to allocate to each activity.
- Set milestones/targets, for example, determine what the main completion point is.
- Determine accountabilities and the person responsible for the decision/s made.
- Calculate the financial, human, and technical resources that need to be allocated.
- Plot the activity schedule into a Gantt chart.
- Execute the project plan.
- Monitor progress.
- Communicate and review project progress.
- Keep records of all activities.

### Activity 15.1 Project planning steps

Work on your own.

#### MADDY CONSTRUCTION (MC)

Maddy Construction won a tender to build a bridge across the Orange River.

1.1 Outline the project planning steps that MC should follow. (8)

1.2 Draw up an action plan that MC will follow.

Use the table below as a guide to answering QUESTION 1.2.

Action steps (What will be done?)	Responsibilities (Who will do it?)	Timeline (By when?)
1.		
2.		
3.		
4.		
5.		

(15)

## Unit 15.2 Planning tools

### Project planning

Planning tools enable entrepreneurs to transform their business plan into an action plan. The following planning tools will be discussed in detail:

- Gantt charts or Work Breakdown Structure (WBS)
- Timelines
- Project planning

A good project manager will (Enrichment):

- analyse each main activity by breaking it down into smaller activities.
- identify the resources, such as the people, budget, and time, that will be needed.
- prepare a schedule showing the main activities of the plan.
- work backward to prepare timeframes.
- decide who will make each activity happen and by when.
- allocate a budget for each part of the action plan.
- create a projected income statement from the business plan to provide financial information.
- develop control methods to highlight problems.
- identify risks and plan for unforeseen events.
- monitor the plan regularly.



### QR CODE

Project Management in Under 5: What is a Gantt Chart?



<https://www.youtube.com/watch?v=fB0wsdm-V3Sw&t=114s>

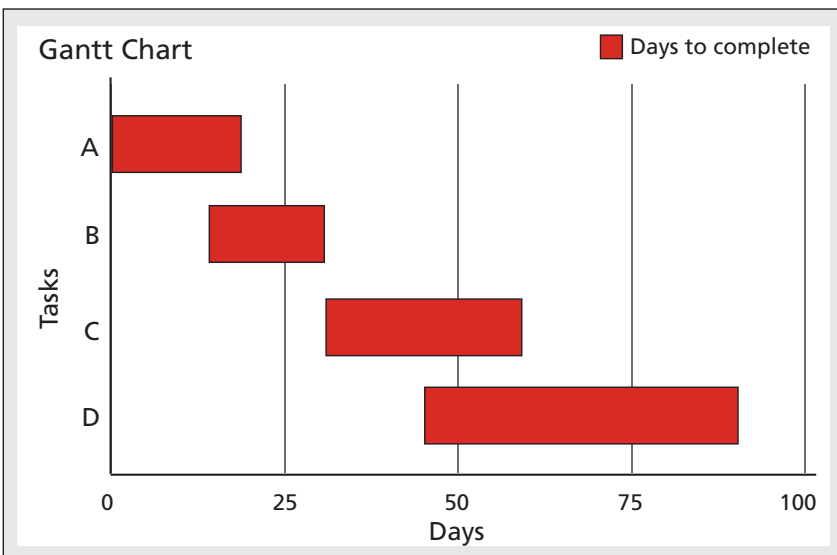
## Understanding Gantt charts and Work Breakdown Structures (WBS)

### A Gantt chart

- is a type of bar chart that visually illustrates the start and finish dates of elements/job tasks in a project.
- It is used to schedule the timelines for a project, and to list which tasks/elements need to happen when and in what order.
- It shows what needs to be done by breaking a project down into smaller parts.
- Illustrates the start and finish dates of the tasks/elements of a project, and depicts the activities against dates.
- Shows the duration of the tasks/elements.
- Show the dependency relationships between tasks/elements.

Here is an example of a Gantt Chart:

Task	Start date	End Date
A	01/01/2015	20/01/2015
B	15/01/2015	01/02/2015
C	01/02/2015	01/03/2015
D	15/02/2015	01/04/2015
Task		Days to complete
A		19
B		17
C		28
D		45



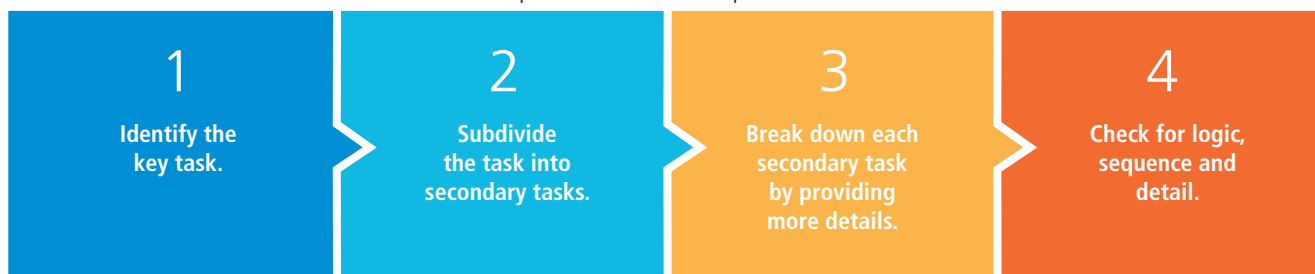
### Take note

A Gantt chart shows the current completion status of activities to inform managers whether everything is going according to plan.

### The WBS of a project:

- These elements make up the WBS of the project and can be completed as individual tasks or as part of a group of tasks.
- shows all the tasks that need to be done.
- is divided into levels, with each level supplying more detail.
- also forms the basis for stages of the action plan. The elements must be linked logically, and all the key details must be included.

A WBS requires four main steps:





Understanding timelines

A timeline arranges both past and expected future events of a project and what needs to be achieved within a specific time.

Timelines:

- are a visual representation of chronological information. It is a simple tool that lists all the activities that need to be done and the date order in which they will be completed.
- help team members to know what milestones need to be achieved and by when.
- shows the dates and events labelled on points.
- have a title and use a series of dates on a linear scale to show the due date or date of completion for each of the short-term objectives and tasks. They normally show projected dates rather than actual ones.
- do not show the duration of a project, but instead shows a passage of time. It is divided into equal spaces that are either days, weeks or months, and the entries need to be correct and well-organised.
- should be visually appealing, clean, and neat.

Here is an example of a timeline.



Activity 15.2

Definition of planning tools

Work on your own

Read the scenario below and answer the question that follows.

TJ ICE-CREAM (TJI)

TJ Ice-cream (TJI) will be doing the following activities during February. Tom will register the business in the first week. During the second week, Jerry will organise a building for rental. In the third week, Tom will recruit an accountant for the business.

### Activity 15.2 Definition of planning tools

cont.

Draw up a Gantt chart using the information given in the scenario above. Use the table below as a guide to answering this question.

ACTIVITY	WEEK			PERSON RESPONSIBLE

### The importance of Gantt charts, WBS and timelines

- These tools help the project staff to project dates and set up plans to achieve set goals in advance.
- They are vital to project managers as businesses try to meet and exceed client expectations.
- Project managers use them as tools to get their jobs done, many of which are specific to a single company or product.
- Timelines serve as a planning tool that helps to indicate the due date/date of completion for each of the short-term objectives and tasks.
- Timelines keep information in a sequential order and dates on which an activity must be done.

### Activity 15.3 Essay question

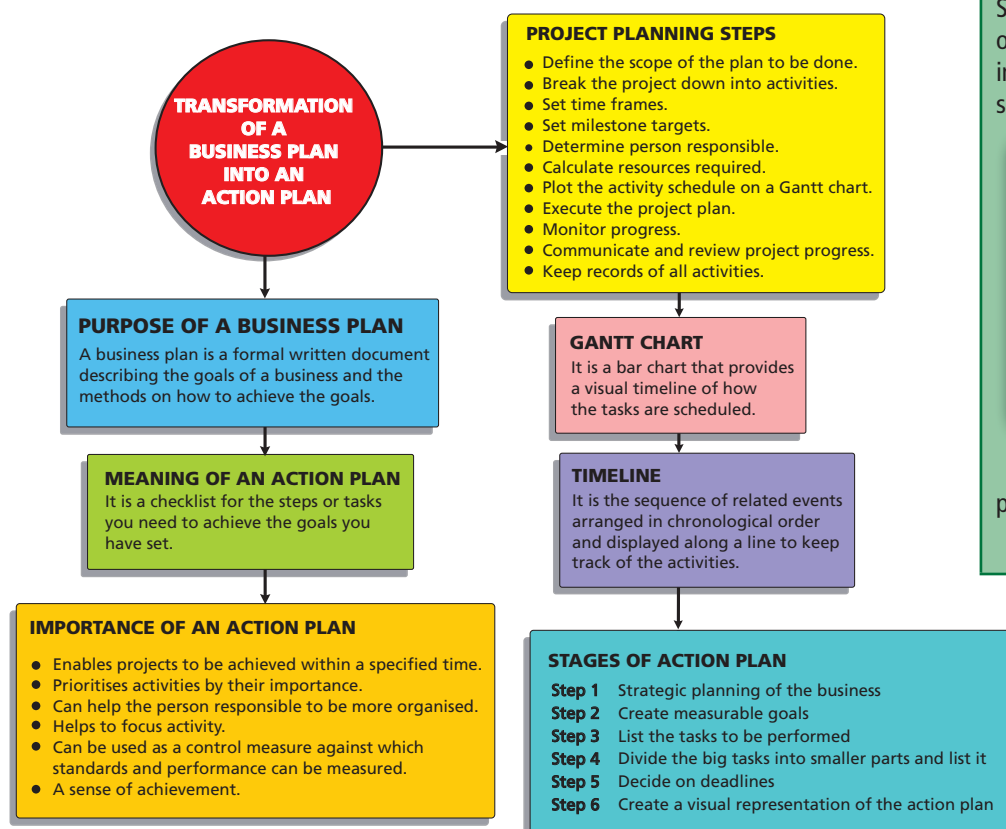
Entrepreneurs realise the importance of drawing up an action plan to achieve business goals and objectives. They also need to know the importance of an action plan and project planning steps. Many businesses are not well conversant with Gantt charts.

- Outline the steps to follow when drawing up an action plan.
- Explain the importance of an action plan.
- Discuss the project planning steps.
- Advise businesses on the importance of Gantt charts.

(40)

## Mind map: Topic 15 – Transforming a business plan into an action plan

Use the mind map as a guide to consolidate the content covered in this topic.  
Be sure to study the content relevant to each heading.



### QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## Consolidation

### QUESTION 1

- 1.1 Define the meaning of an action plan. (2)
- 1.2 Outline any THREE project planning steps. (6)
- 1.3 Explain the purpose of a business plan. (4)

### QUESTION 2

- 2.1 Identify the type of planning tools used by Sive Construction in EACH statement below:
  - 2.1.1 Jack, the project manager, indicates the dates of completion for each of the short-term objectives and tasks on a linear scale. (4)
  - 2.1.2 Gugu, the project engineer, used a bar graph to show the duration of each task against the progression of time. (4)

### QUESTION 3

- 3.1 Read the scenario below and answer the questions that follow.

#### POLKA'S ENTERPRISE (PE)

Polka developed a business plan that gives a comprehensive overview of her proposed business. She wants to transform it into an action plan using a timeline as her planning tool.

- 3.1.1 State the steps that Polka should follow to draw up an action plan for her business. (6)
- 3.1.2 Advise Polka on the importance of timelines. (6)

## 16

## Start a business venture based on an action plan



## TOPIC OVERVIEW

- Unit 16.1 Considerations for starting up a business venture
- Unit 16.2 Understanding business funding



## Learning objectives

At the end of this topic, learners should be able to:

- ❖ outline/explain/discuss factors that must be considered before start-up, for example, culture of the organisation, environmental changes, customer services, business growth, cost-saving, and so on
- ❖ outline/explain/discuss aspects that must be considered when initiating a business, for example, strategy, operations, productivity, size of a business, and so on
- ❖ analyse the above-mentioned factors from scenarios/case studies and make recommendations for improvement
- ❖ explain/discuss reasons why businesses need funding
- ❖ outline/explain sources of funding
- ❖ explain/discuss/describe factors that influence the choice of funding, for example, the nature of finance, the amount of capital needed, risk, the cost of finance, and so on.



## Key concepts

- **Strategy:** a long-term plan of action to achieve a goal.
- **Operations:** the different activities businesses use to achieve their goals in order to be successful.
- **Productivity:** the effectiveness of production in terms of the rate of output per unit of input.
- **Cost-saving:** the plans made by the business to cut on the cost/expenses of the business.
- **Business growth:** the expansion of the size of the business.
- **Risk:** a credit provider will always consider how safe their investment will be by looking at factors that will endanger the recovery of the debt.

## Introduction

In grade 10, you were introduced to the importance of a business plan. In topic 15, you learnt how to transform a business plan into an action plan. This topic focuses on factors that must be considered when starting a business plan based on an action plan. It is important to note that entrepreneurs will not be able to start a business venture without a well-structured business plan and an action plan.



## Unit 16.1 Considerations for starting up a business venture

### Factors that must be considered before start up

Entrepreneurs need to consider the following factors before starting up any business:

- the culture of the organisation
- environmental changes
- customer services
- business growth
- cost-savings.

Let's look at each of the above mentioned factors in more detail.

### The culture of the organisation

The culture of an organisation is the personality of a company. The company's culture is a combination of its vision, values, work environment, and internal behaviour.

- Entrepreneurs must decide what the culture of their business will be before starting up.
- They must train the staff to know the culture of the business, for example, they must know what the dress code/customer service etc.
- They must ensure that staff knows the culture of the business and that their behaviour does not damage the business image.



## Environmental changes

Businesses operate in a dynamic and unpredictable environment as it always changes and pose many challenges to businesses. Environmental change requires businesses to always adapt and review their original plan.

Let us look at some of the reasons for environmental changes:

- The economy fluctuates up or down daily, resulting to businesses having to change some of their operations.
- New competitors enter the market and driving existing businesses out of the market.
- New technology force businesses change some of their original plans.

## Customer services

A good customer service requires entrepreneurs to:

- identify their potential customers before start up.
- establish a good relationship with their customers.
- change the market plan to accommodate customer needs.

## Business growth

The entrepreneur must:

- Determine the size and the growth of the business before they start up their business.
- Devise a suitable strategy to manage and control a larger group of employees.
- The size and growth of the business will determine the most appropriate form of ownership for the business.
- Many businesses want to grow too quickly, which can cause problems such as lack of infrastructure and funding.
- The long-term vision of the size of the business must also be reflected in the organogram of the business.

## Cost-saving

- Businesses could do a joint advertising campaign with other businesses that sell complementary products to reduce the advertisement cost.
- Businesses could save on office costs by using recycled printer cartridges and buying good quality used equipment.
- Hire temporary employees or use independent contractors to save costs.
- Business could save costs by considering other aspects such as insurance, credit, online transactions, etc.

## Aspects that must be considered when initiating a business

Entrepreneurs need to consider the following aspects before initiating a business:

- strategy
- operations
- productivity
- size of the business

### Strategy

- A strategy is a plan of action that must be carried out by an entrepreneur.
- Systems and processes should be in place for the business to achieve its goals.
- Businesses must ensure that strategies such as marketing/management/public relations are implemented and continuously reviewed.

### Operations

- Businesses must implement the activities that are outlined in the action plan.
- Operations need to be implemented, staff must be employed and trained.
- Resources must be acquired and managed continuously.
- Constant monitoring and evaluation need to be done to ensure that resources are used effectively.

### Productivity

- Productivity is the effectiveness of production in terms of the rate of output per unit of input.
- Businesses must ensure that there is a high rate of productivity in all aspects of its operations.
- Ensure that costs are decreased, and outputs are increased to maximise profits.

### Size of a business

- Businesses must decide on the most appropriate size for successful operations.
- The bigger the business, the more difficult it is to manage.
- The success of the business is often dependant on the management and the staff.
- It may be difficult to keep control of the quality of work and productivity levels of employees.



## Activity 16.1 Considerations before start up

1.1 Read the scenario below and answer the questions that follow:

### TASTY PANCAKES (TP)

Tasty Pancakes is a newly established business that specialises in selling pancakes. Peter, the owner of TP conducted research to identify his target market. He also changed some of his original business plans, due to new technology. Peter devised a suitable strategy to manage a large group of employees.

- 1.1.1 Identify THREE factors Peter should consider before starting up his business.  
Motivate your answer by quoting from the scenario.  
Use the table below as a GUIDE to answer QUESTION 1.1.1.

FACTORS	MOTIVATONS
a)	
b)	
c)	

(9)

- 1.2 Discuss THREE other aspects that Peter should consider when starting up a business.

(9)

### Tip

You will not get marks for motivation if you identified the incorrect factor.

## Unit 16.2 Understanding business funding

### Reasons why businesses need funding

There are many reasons why a business may need finance. In this unit, we will look at some of the common reasons.



■ You need money to make money

Reasons why businesses need funding may include the following:

- Cover the start-up cost of buying premises/machinery/raw material, etc.
- Run the business and have enough money to pay employees/suppliers of raw material, etc.
- Pay for cost of input such as wages, telephone and other expences.
- Expand the business as the orders/sales increase and bigger premises need to be established.

## Sources of funding

Businesses must have knowledge of the different sources to finance a particular need of the business. The following sources are available for funding:

- **Bank loans**
    - Businesses may apply to borrow money from the bank.
    - The bank will check their credit worthiness before approving the loan.
    - The bank will specify the amount and the duration of the loan.
    - The period can be fixed for the time of the loan or variable in line with the current interest rate.
  - **Bank overdraft**
    - Businesses with a current check account organise a bank overdraft with the bank.
    - With this type of funding, the bank will allow the business to withdraw more than what is deposited in their bank account.
    - The bank will set a limit on the amount that can be withdrawn from the account.
    - The business pays interest on the amount of money they withdraw and for the period they have overdrawn.
  - **Trade credit**
    - Trade credit is an agreement between a supplier and the business.
    - Suppliers normally allow businesses between one to three months to settle their debts.
    - Businesses can sell or develop new products to be able to pay off their debt during the trade agreement period.
  - **Equity capital**
    - The capital that is contributed by the owner of a business is known as owner's interest.
    - When the owner puts in additional funds in the business his/her equity increases.
    - The higher the owner's interest in the business, the higher the potential of profit and this will encourage greater commitment from the owner.
  - **Debt capital**
    - If a business needs to borrow funds, it is known as debt capital.
    - The business must show the ratio between equity capital and debt capital in its business plan.
    - The solvency of the business is determined by the ratio of equity capital and debt capital.
    - It is very important that businesses must be solvent at all times.
- 



- **Leasing and hire purchase**
  - Businesses can lease certain assets such as equipment and technology, which is owned by the other party.
  - Businesses may prefer to lease certain items instead of buying them.
  - In the contract the fixed amount of monthly premium must be specified.
  - Businesses can use leasing because it is easier to find finance for a lease agreement than for the purchasing of an expensive asset.
- **Grants**
  - Under some circumstances a business may qualify for government support to get started.
  - A grant means that the business will get funding from the government.
  - Grants are normally cheaper funding than other sources.
- **Venture capital**
  - The credit provider of this funding will give money for the start-up of the business in exchange for a share in the business.
  - Sometimes the venture capitalist also request a portion in the management of the company or a position on the board of directors.
- **Angel funding**
  - Sometimes a wealthy entrepreneur offer financial help in exchange for a share in the business.
  - This type of funding carries a high risk for the investor.

## Activity 16.2

**1.1** Various options are provided as possible answers to the following questions.

Choose the answer and write only the letter (A – D) next to the question number.

- 1.1.1** The bank allows PL Ltd to withdraw more money than what is available in their bank account, known as...
- A trade credit
  - B bank loan
  - C bank overdraft
  - D grant
- 1.1.2** Jason Traders qualified for a ... when the government provided him with funding to set up his stationery shop.
- A trade credit
  - B bank loan
  - C bank overdraft
  - D grant
- 1.1.3** Samira contributed ... as the owner of Samira Consultants.
- A venture capital
  - B angel funding
  - C debt capital
  - D equity capital
- 1.1.4** Mr Strauss, a wealthy entrepreneur, provided ... in exchange for a share in Majid Enterprises.
- A venture capital
  - B angel funding
  - C debt capital
  - D equity capital

(8)

**1.2** Discuss the reasons why businesses need funding.

(8)

## Factors that influence the choice of funding

Businesses must consider several aspects before they get funding. These include things such as the amount of money, the cost of the funding, and the purpose of the funding.

### The nature of finance

Some types of financing like shares and debentures are not available to certain forms of ownership like sole traders and partnerships. Shares and debentures can only be issued by companies. Sole traders and partnerships should make use of other forms of funding.

### The amount of capital needed

The larger the amount of capital needed, the fewer options will be available. Larger amounts must be obtained from banks, or the owner must use his/her own funds. The government or NGOs will only give grants for smaller amounts.

■ Money doesn't grow on trees or fall from the sky.



### Risk

The bank/venture capitalist will always consider how safe their investment will be by looking at factors that will endanger the recovery of the debt. It is always more difficult for a new business to obtain funding/extra funding than an existing business who already has a good credit record.

### Cost of finance

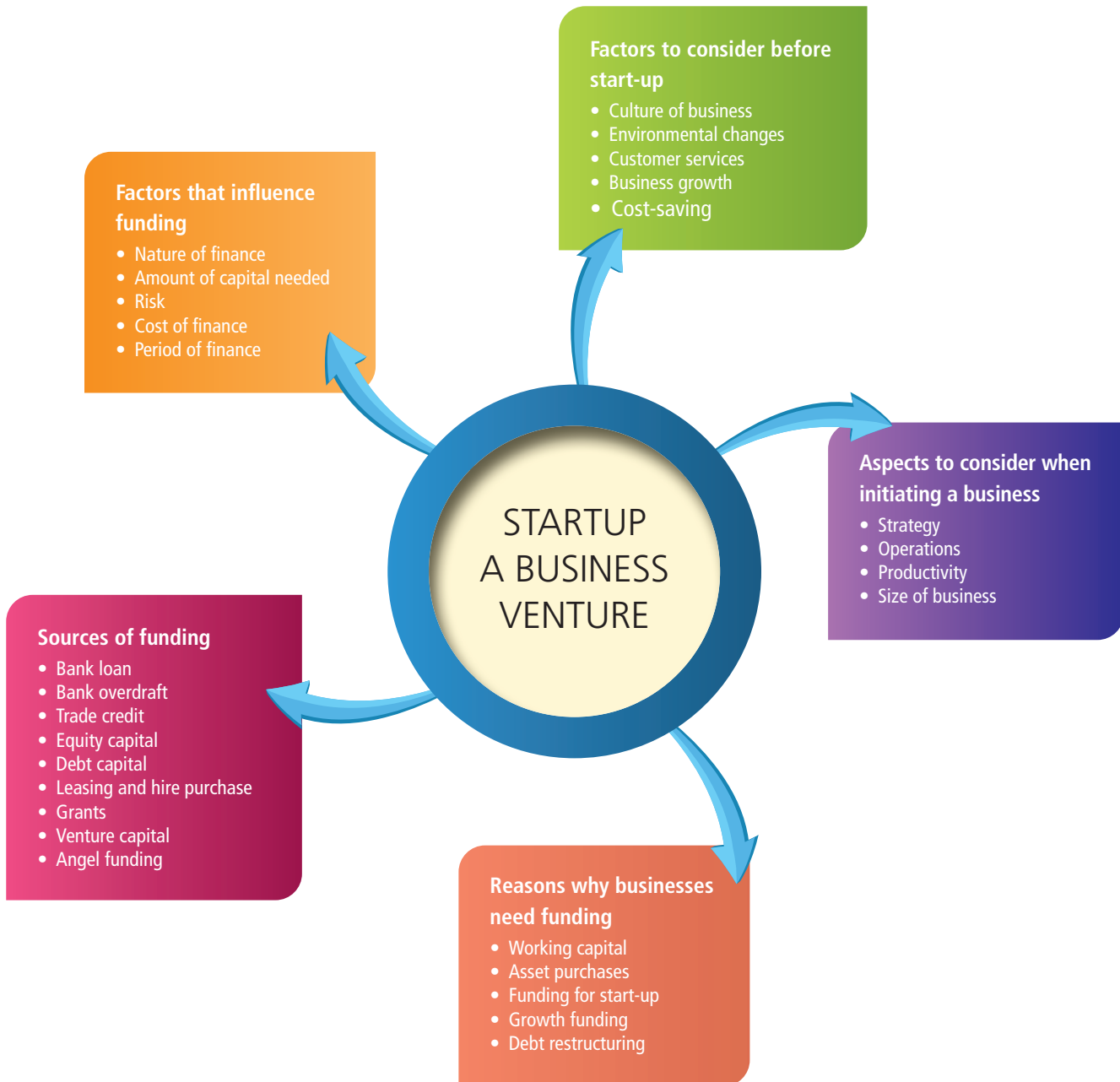
The cost of the funding is normally measured in the interest that must be paid for the funding. Businesses must weigh all the options before choosing the most affordable option of funding.

### Period of finance

For short-term financing like the payment of creditors, buying stock, and so on, businesses could make use of a bank overdraft. However, if a business must buy an asset, such as equipment, a bank loan would suit this purpose better.

## Mind map: Topic 16 – Startup a business venture

Use the mind map as a guide to consolidate the content covered in this topic.  
Be sure to study the content relevant to each heading.



## Consolidation

## QUESTION 1

1.1 Complete the following statements by using the word(s) in the list below.

Write only the word(s) next to the question number.

equity capital; trade credit; tax considerations  
angel funding; venture capital; cost of finance

- 1.1.1 Suppliers give businesses ... when they allow them to pay for material at a later stage.  
1.1.2 Tammy Traders will consider the ... of the loan by calculating the interest that they would have to pay.  
1.1.3 The amount of money invested in the business by the owner is known as .... (6)

## QUESTION 2

2.1 Identify factors that influence the choice of funding that LLFA considered in EACH statement below:

- 2.1.1 Few options are available to finance businesses that require large capital.  
2.1.2 It is difficult for new businesses to obtain extra funding than an existing business.  
2.1.3 They need money to buy equipment. (6)

## QUESTION 3

New businesses need additional capital to run their operations successfully. They need to consider certain aspects when initiating a business. They should also be well conversant with various sources of funding. Some businesses do not know factors that influence the choice of funding:

Write an essay on starting a business venture based on an action plan in which you include the following aspects:

- Outline the reasons why businesses need funding
- Explain any FOUR aspects that must be considered when initiating a business
- Discuss the following sources of funding:
  - » Bank overdraft
  - » Lease and hire purchase
- Advise businesses on the following factors that influence the choice of funding:
  - » The nature of finance
  - » Period of finance

[40]



## QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

## 17

# The presentation of business information



## TOPIC OVERVIEW

- Unit 17.1 Presenting business information
- Unit 17.2 Factors to consider when preparing a presentation
- Unit 17.3 Steps in report writing



## Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ outline/explain the importance of presenting business information
- ❖ differentiate/distinguish between verbal and non-verbal presentations and give examples of each
- ❖ outline/state/explain/discuss types of visual aids
- ❖ identify the above mentioned visual aids from given scenarios/case studies/statements
- ❖ explain/discuss how a presenter must prepare the following visual aids:
  - transparencies/slides
  - posters
  - handouts
- ❖ discuss/explain/recommend factors that a presenter must consider when preparing a presentation
- ❖ explain the reasons why business presentations must be in a written format
- ❖ outline/state/explain types of written information
- ❖ outline/state/explain/recommend steps in report writing
- ❖ critically analyse a business report and recommend areas for improvement
- ❖ outline/state/explain factors that must be considered when composing a flyer
- ❖ explain how to respond to questions about work and presentations/handle feedback after a presentation in a non-aggressive and professional manner.





### Key concepts

- **Verbal presentation:** the use of speech by a presenter to convey a message to stakeholders/audiences.
- **Non-verbal presentation:** the presentation of information to an audience without using spoken words.
- **Visual aids:** are charts/pictures/images that help to clarify a point/enhance a presentation.
- **Flipchart:** a large pad of paper, bound so that each page can be turned over at the top to reveal the next page, used on a stand.
- **Graphs:** diagrams that show the relationship between two or more sets of numbers.
- **Tables:** a set of facts and figures arranged in columns and rows.
- **Diagrams:** illustration of information using visualisation techniques.
- **Posters:** a large sheet of paper/cardboard promoting certain products or events that can be displayed on public street poles/walls.
- **Handouts:** printed information provided to the audience to accompany a presentation.
- **Transparencies/slides:** a visual presentation of data/audio/video on a screen.
- **Business reports:** formal written documents outlining factual information to stakeholders of a business.
- **Flyer:** a thin sheet of paper on which businesses advertise their products or services.

## Introduction

In Grade 10, you were introduced to the topic; Presentation of Business Information which included various types of visual aids, and guidelines on how to write a business report. We will provide a detailed analysis of this topic in Grade 11 and 12.

Entrepreneurs need to present their business plans to various stakeholders and potential investors. Entrepreneurs should know how to present business information in a professional manner and protect the business image/brand.

## Unit 17.1 Presenting business information

Successful businesses always find new ways of presenting business information to avoid using the same presentation style. They continuously update their information and consider various types of audience when preparing for a presentation.

### The importance of presenting business information

- Business information provides management with information/data regarding important markets.
- Enables businesses to identify opportunities and threats in the market.
- Allows management to develop new **strategies** in order to overcome competition in the market.



### A New words

**strategies** plan of action to achieve goals

### A New words

**enables** makes it possible for people to do something

- **Enables** businesses to share their financial performance with internal and external stakeholders.
- Attracts and retains investors and improves the image of the business.
- Employees are informed about the business operations and the required performance.
- Increases sales and profitability.

## Types of presentation

There are two types of presentation, namely: verbal and non-verbal presentation. Business information can be presented verbally or non-verbally depending on the type of information that must be presented and the intended audience.

### Differences between verbal and non-verbal presentation

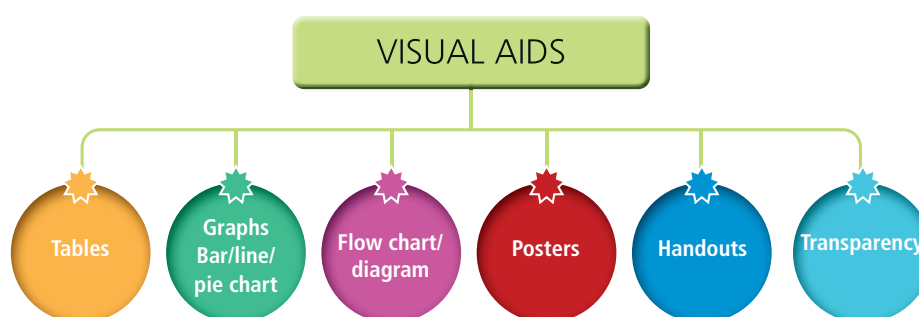
#### Tip

You must know the examples of each verbal and non-verbal presentation so that you are able to identify the types of presentation from given statements/scenarios/case study.

Verbal presentation	Non-verbal presentation
<ul style="list-style-type: none"> <li>• A verbal presentation refers to the use of speech by the presenter to convey a message to stakeholders.</li> <li>• Examples:                             <ul style="list-style-type: none"> <li>» Oral presentation</li> <li>» Recorded presentation</li> <li>» Question and answer session</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• A non-verbal presentation refers to the use of written words to convey a message to stakeholders.</li> <li>• Examples:                             <ul style="list-style-type: none"> <li>» Business reports</li> <li>» Questionnaires</li> <li>» Financial Reports</li> <li>» Brochures</li> <li>» Handouts</li> </ul> </li> </ul>

## Types of visual aids

Visual aids refer to support materials such as tables, graphs, pie charts, posters used in addition to spoken information. Visual aids help presenters to provide detailed information about the topic that is presented. They make the presentation more interesting for the audience.



## Types of visual aids

## Tables

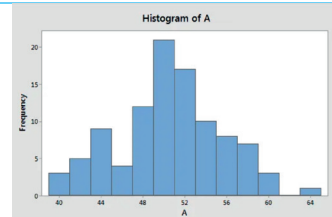
- A table is a set of facts and figures arranged in columns and rows.
- The information in a table is used to compare or **contrast** data.

Pos	Team	Pld	W	D	L	GF	GA	GAvg	Pts
1	Team A	2	1	0	1	3	1	3.000	3
2	Team B	2	1	0	1	6	3	2.000	3
3	Team C	2	1	0	1	1	6	0.167	3

Pos	Team	Pld	W	D	L	GF	GA	GD	Pts
1	Team B	2	1	0	1	6	3	+3	3
2	Team A	2	1	0	1	3	1	+2	3
3	Team C	2	1	0	1	1	6	-5	3

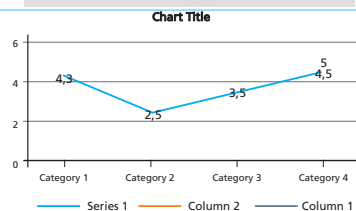
## Bar graph

- A bar graph is a diagram showing how two or more sets of data are related.
- They are useful when one wants to compare data over a period of time.



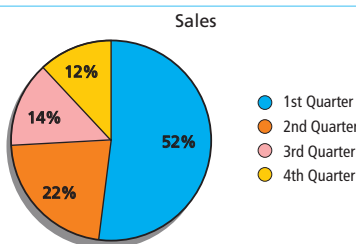
## Line graph

- A line graph is a diagram, usually a line or curve, that shows how two or more sets of numbers or measurements are related.
- It gives an indication of how trends have changed over some time.



## Pie chart

- A pie chart is a circle divided into segments, which are represented with percentages.
- It is used to graphically illustrate sets of data in proportion to each other.



## Flow chart/Diagram

- A flow chart is a symbolic representation of information using visualisation techniques.
- It is used to illustrate processes/relationships.



## Poster

- Posters are often a large sheet of paper/cardboard used to promote certain products or events.
- They are usually pasted on public street poles/walls.



## Handouts

- Handouts are copies of a presentation where the content of multiple slides is displayed on a single/multiple pages.



## Transparency

- A transparency is a thin sheet of transparent flexible material.
- They are plastic sheets that a presenter can use to write the information on.



## A New words

**contrast** something being different from something else

## Tip

You should be able to identify these visual aids from given scenarios/case studies/statements.

## QR CODE

Consolidation Questions



<https://forms.gle/XjFy9t7ZxAbN8q3N6>

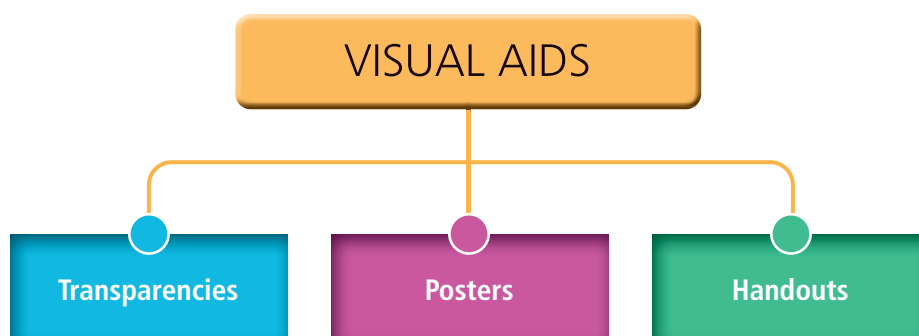
## Preparing visual aids

Using appropriate visual aids to enhance the quality of a presentation requires presenters to prepare visual aids before doing a presentation. The selection of any type of visual aids depends on the purpose of the presentation and the type of information that will be presented.



### A New words

**refrain** stop yourself from doing something



Guidelines on how to prepare transparencies, posters and handouts.

### Guidelines on how to prepare transparencies

- Summarise the text that will be included in the transparency.
- Keep the information on the transparency short and simple.
- **Refrain** from using full sentences, include only key concepts.
- Choose a font and size that will be easy to read.
- Choose contrasting colours for the transparency.
- Ensure that the transparency includes sufficient white space.

### Guidelines on how to prepare posters

- Use the title on the poster to draw the attention of the reader.
- The poster must be designed to be attractive and eye-catching.
- People must find the poster easy and quick to read.
- Keep the poster simple and free of unnecessary information.
- Include a few words on the poster.
- Use a font that is big and bold.
- Include graphics that are large and visible from a distance.
- Use contrasting colours on the poster.



■ An example of an eye catching poster

### Guidelines on how to prepare handouts

- The handouts must complement the presentation using summarised notes.
- Prepare a cover page with the title and details of the presenter.
- Include an index page with different levels of information.
- The handout must include information like definitions/tables/illustrations.
- Limit the content of the handout to 2 – 4 pages.
- Acknowledges sources that were accessed to compile the handout.
- Ensure that sufficient copies of the handouts are printed for distribution.



- Handouts provides detailed information of the presentation

### Activity 17.1 Business information and visual aids

- 1.1** Identify each type of visual aid used by Lee during his business presentation to the board of directors from EACH statement below:
- 1.1.1** Lee used a symbolic representation of information using visualisation techniques to illustrate the processes his department followed.
  - 1.1.2** A set of facts and figures arranged in columns and rows to compare the sales of the last three years.
  - 1.1.3** Lee provided printed information to the boards of directors to accompany his presentation.
  - 1.1.4** Lee used a two-dimensional drawing showing how trends have changed over a period of ten years.

(8)



### QR CODE

Preparing handouts



[https://www.youtube.com/watch?v=Eusutde2HNU&ab\\_channel=GreggU](https://www.youtube.com/watch?v=Eusutde2HNU&ab_channel=GreggU)

## Unit 17.2 Factors to consider when preparing a presentation

The success of any presentation requires presenters to prepare for a presentation beforehand. Presenters need to consider several factors that will enable them to make a meaningful presentation. They are also able to identify and deal with challenges that may occur during the presentation.

Presenters should consider the following factors when preparing for a presentation:

- Be clear about the purpose of the presentation.
- Write down an outline of the important information that needs to be shared with your audience.
- Ensure that the main aim of the presentation is captured in your opening statement.
- Familiarise yourself with the content of the presentation to ensure a smooth flow of the presentation.
- Be familiar with the background of your audience, so that your presentation speaks to their area of interest.
- Include simple language in your presentation.
- Formulate a rough draft of your presentation. It should include a logical flow of information, starting from the introduction to the body, and finally the conclusion.
- Summarise the main facts of the body in your conclusion and link your conclusion to the initial purpose of the presentation.
- Include visual aids that will enhance your presentation.

- Practice the delivery of your presentation to ensure that the allocated time is not exceeded.
- Prepare yourself for possible clarity questions that your audience may ask after the presentation.

## Business presentations

Businesses need to present written reports on their financial status, sales and profitability. These reports must be presented to various stakeholders such as shareholders/customers/employees/suppliers/creditors/government/community, etc.



## Reasons why business presentations must be in a written format

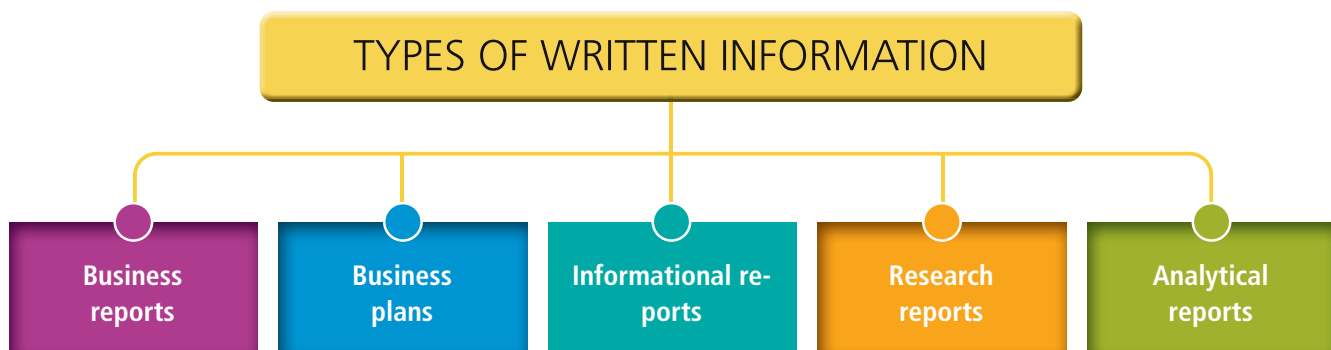
### A New words

**image** general impression that a person, organisation, or product presents to the public.

- Written business presentations provide the organisation with an opportunity to promote the corporate **image** of the organisation.
- The content of a written business presentation is adaptable and could easily be amended.
- New/recent information could easily be added to the presentation.
- Written presentations make it easier for the presenter to interact with the audience/stakeholders.
- Stakeholders/audience can also interact with the business presentation after the presentation.

## Types of written information

In this section we will learn about the different types of written business presentations. These include the following:





**Business reports**

- A formal written report issued to business stakeholders consisting of a detailed overview of the status of the organisation.
- Business reports are intended to give stakeholders information about the company's activities and financial reports.

**Business plans**

- A business plan is a formal written document containing the goals of a business, the methods for attaining those goals, and the timeframe for the achievement of the goals.
- Business plans may be internally or externally focused.
- Externally-focused plans draft goals that are important to outside stakeholders.
- Internally-focused business plans target intermediate goals required to reach the external goals.

**Informational reports**

- Informational reports provide stakeholders with data/information relating to certain events, and does not include any additional inputs.
- The focus of the report is to provide stakeholders with feedback on certain activities/matters.

**Research reports**

- Research reports are documents that outline the processes, data, and findings of a **systematic** investigation.
- It serves as a first-hand account of the research process and is considered an objective and accurate source of information.

**Analytical reports**

- Analytical reports help management to evaluate business decisions based on data/information collected.
- The reports also provide management with recommendations based on the data/information.

**A New words**

**systematic** to do something in a planned manner



### Activity 17.2

- 1.1 List any THREE types of visual aids. (3)  
 1.2 Read the scenario below and answer the questions that follow

#### GLOBAL MOBILE SPECIALIST (GMS)

Global Mobile Specialist experienced a sharp decline in sales due to the negative impact of the Covid-19 pandemic. The directors of GMS included a report with recommendations on how to improve the business sales.

- 1.2.1 Identify the type of written information used by the directors of GMS. Motivate your answer by quoting from the scenario above. (3)  
 1.2.2 Explain TWO other types of written information. (6)  
 1.3 Advise businesses on the reasons why business presentations must be in a written format. (6)

### A New words

**cohesive** working together in a unified manner

## Unit 17.3 Steps in report writing

Stakeholders rely on business reports to keep them updated regarding the risks associated with their investments, and the expected return on their investments. The reports must be **cohesive** documents based on reliable data and information. Creating a report that meets the requirements of the stakeholders is a skill that can be acquired through practice.

Guidelines on the steps in report writing:

Step 1	Decide on terms of reference	<ul style="list-style-type: none"> <li>Setting the terms of reference helps both the writer and their readers to understand why the report is important and what it hopes to accomplish.</li> <li>Setting concrete terms early on will help you create the report's outline and keep your discussions on track throughout the writing process.</li> </ul>
Step 2	Conduct research	<ul style="list-style-type: none"> <li>Most reports will require the collection of data that directly relates to the topic.</li> <li>Interpreting data and formatting it in a way that the readers will understand is an important part of writing a report.</li> </ul>
Step 3	Write an outline	<ul style="list-style-type: none"> <li>The next step is to construct your report's outline.</li> <li>The most important thing to do when writing the outline is to include all the necessary sections and eliminate anything that does not directly contribute to the report's purpose.</li> </ul>
Step 4	Write the first draft	<ul style="list-style-type: none"> <li>Writing the first draft is one of the most important stages of constructing a successful report.</li> <li>The purpose of the first draft is to get all the main elements of the information onto the page.</li> <li>The primary goal is to organise the data and analysis into a rough draft that will eventually become a final product.</li> </ul>

<b>Step 5</b>	Analyse data and record findings	<ul style="list-style-type: none"> <li>The focus of every report is the findings section/ presentation of the interpretation of the data.</li> <li>The findings section of the report should always provide valuable information related to the topic/issue that is being addressed, even if the results are less than ideal.</li> </ul>
<b>Step 6</b>	Recommend a course of action	<ul style="list-style-type: none"> <li>The final section of the report's body is the recommendation/s.</li> <li>After examining the data and analysing any outcomes, the report must present an idea as to what actions should be taken in response to the findings.</li> </ul>
<b>Step 7</b>	Edit and distribute	<ul style="list-style-type: none"> <li>The final stage of writing a report is editing it thoroughly and distributing it to the stakeholders/ audience.</li> <li>Edit for grammar mistakes, spelling errors, and typos.</li> <li>Ask someone else to proofread it/give you their opinion on the readability of the content.</li> </ul>

[Source: Adapted from <https://www.indeed.com/career-advice/career-development/how-to-write-a-report>, Date accessed: 25 April 2021, Publisher: Indeed Editorial Team]

## Business reports and areas for improvement

After the distribution of any business report, the author will need to reflect on its effectiveness. He/she needs to determine if the report achieved its desired objectives. An honest/truthful reflection will provide the author with the necessary information to improve his/her next business report.

Consider the following areas for improvement of a business report:

- Determine whether the correct terms of reference were included in the report.
- Amend the terms of reference to align with the objectives of the business report.
- Ensure that the business report includes the most recent data and information.
- Ensure that the outline of the business report includes all the sections of the business report.
- Determine whether the first draft correctly organised the data and analysis for the rough draft of the business report.
- Consider whether the findings adequately addressed the issues identified in the business report.
- Consider whether the recommendations were aligned with the findings.
- Infuse feedback from the audience/stakeholders in the next business report.

## Responding to questions/handle feedback after a presentation in a non-aggressive and professional manner

After a presentation, a presenter should be prepared to answer questions from their audience/the stakeholders. The audience/stakeholders must be allowed to ask clarity questions from the presenter. The presenter must be prepared to answer such questions, **cordially**. The answers provided must fill the gaps left out during the presentation.

### Tip

Do not confuse responding to feedback after a presentation with the factors the presenter must consider before the presentation.

### A New words

**cordial** in a friendly way



## QR CODE

How to handle questions



[https://www.youtube.com/watch?v=ha1efqW-4h0&ab\\_channel=Howcast](https://www.youtube.com/watch?v=ha1efqW-4h0&ab_channel=Howcast)

Consider the following factors when responding to questions after a presentation:

- Listen to each question carefully and ensure that you interpret the question correctly.
- Restate the question for your understanding if you are uncertain about the question.
- Respond only to questions when you are certain about the question that was asked.
- When answering a question, it is important to address the question and not the person asking the question.
- Be prepared to acknowledge good questions by emphasising the value of the question to the presentation
- Don't attempt to answer questions that you do not know the answer to and acknowledge this to your audience.
- Don't be afraid to admit mistakes made during the presentation if such mistakes are mentioned by your audience
- Remain polite/courteous/professional when responding to questions.
- Refrain from becoming involved in a debate/argument with the person/s posing the questions.

## Factors that must be considered when composing a flyer

A flyer is a thin sheet of paper on which businesses advertise their products or services. The main purpose of developing flyers is to promote the business' products or services. These flyers are usually distributed in large quantities in public places. The cost of creating and distributing the flyers is relatively low when compared to other forms of advertising.

The following factors must be considered when composing flyers:

- Decide on the main theme of the flyer.
- Make the central theme eye-catching/appealing to the reader.
- The flyer should consist of both graphics and words.
- Limit the number of words on the flyer.
- Use colour and large fonts for the most important information.
- Ensure that the layout of the flyer is attractive and appealing.
- Provide information about products/services.
- Insert contact details of the business.
- Proofread the flyer before printing it.



■ Flyers promote products/services

### Activity 17.3 Essay question on presentation of information

Businesses are expected to present their financial statements to various stakeholders. Business information could be presented verbally or non-verbally. Presenters can use visual aids to enhance the quality of their presentations. They should also consider various factors when preparing a presentation before presenting.

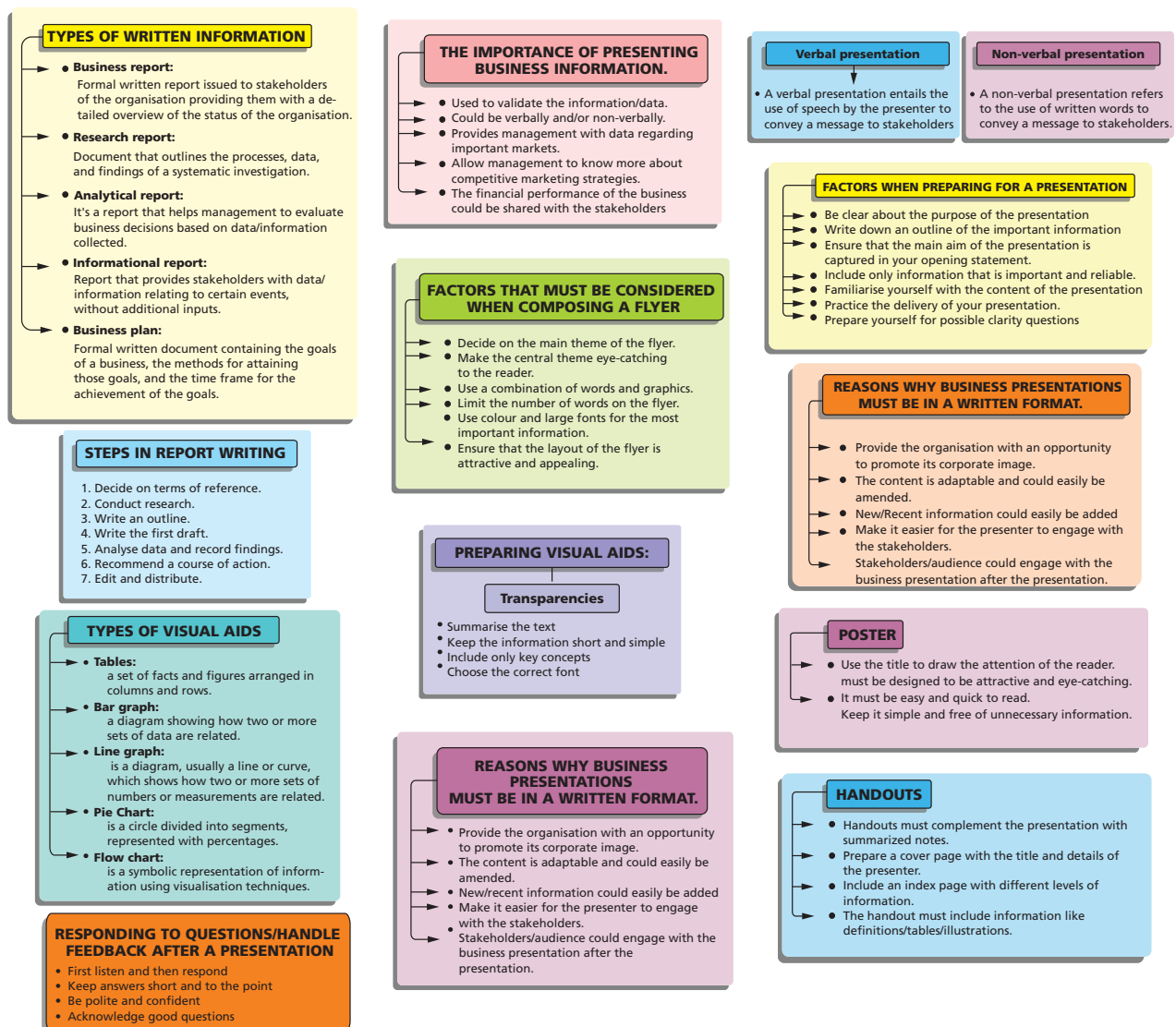
Write an essay on the presentation of information in which you include the following:

- Outline the importance of presenting business information.
- Distinguish between verbal and non-verbal presentation and give examples of each.
- Explain how a presenter must prepare the following visual aids:
  - posters
  - handouts.
- Advise businesses on the factors that must be considered before a presentation.

[40]

### Mind map: Topic 17 – The presentation of business information

Use the mind map as a guide to consolidate the content covered in this topic. Be sure to study the content relevant to each heading.



## Consolidation

## QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1 – 1.5).

1.1.1 A ... presentation refers to the use of speech by the presenter to convey a message to stakeholders.

- A. dormant
- B. vibrant
- C. verbal
- D. non-verbal

1.1.2 Thandi used a ... graph to show how fashion trends have changed over the past five years.

- A. line
- B. bar
- C. analytical
- D. informational

1.1.3 Donovan used ... to complement his presentation with summarised notes.

- A. posters
- B. flow charts
- C. pie charts
- D. handouts

1.1.4 Presentation of business information allows management to know more about competitive ... strategies.

- A. production
- B. marketing
- C. analytical
- D. supportive

1.1.5 Gail forwarded the flyer she created to her colleague to ... before printing it.

- A. design
- B. proofread
- C. scan
- D. email

(5 × 2) (10)

## QUESTION 2

2.1 State FOUR types of written information.

(4)

2.2 Read the scenario below and answer the questions that follow.

## CALEB SOFTWARE SOLUTIONS (CSS)

Caleb Software Solutions developed a new app to update the processing of data. The software developer used a symbolic representation of processes involved in the app to present to the management of CSS.

2.2.1 Identify the type of visual aid used by CSS. Motivate your answer by quoting from the scenario above.

(3)

2.2.2 Explain any TWO other types of visual aids.

(6)

2.3 Discuss how the presenter must prepare the following visual aids:

- slides
- posters.

(4)

(4)

2.4 Advise businesses on the reasons why business presentations must be in a written format.

(6)

## Consolidation

## QUESTION 3

Many factors must be considered when preparing for a business presentation. Sometimes business information is presented in a written report to stakeholders. An important part of a presentation is the feedback session after the presentation to ensure presenters can improve on their next presentation.

Write an essay on the presentation of information in which you include the following:

- Outline factors that the presenter must consider when preparing a presentation.
- Explain the steps in report writing.
- Discuss ways in which the presenter can handle feedback in a non-aggressive and professional manner.
- Recommend areas of improvement of a business report to presenters.

[40]



## QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

**EXEMPLAR**  
**BUSINESS STUDIES**  
**GRADE 11**  
**TERM 3**  
**SBA TASK**  
**PROJECT**

**BUSINESS STUDIES**

Grade 11

Term 3

School: \_\_\_\_\_

Task: 04

**PROJECT**

Marks: 50

Issue Date: \_\_\_\_\_ Submission Date: \_\_\_\_\_

Surname of Learner: \_\_\_\_\_

Name of Learner: \_\_\_\_\_

**BUSINESS VENTURES:**

- Entrepreneurial qualities and success factors
- Transformation of a business plan into an action plan
- Setting up/starting a business
- Presentation of business information

**FINAL MARK: 50**



## INSTRUCTIONS TO LEARNERS

1. This project will assess the following topics:
  - Entrepreneurial qualities and success factors
  - Transformation of a business plan into an action plan
  - Setting up/starting a business
  - Presentation of business information
2. This project should be done by learners as individuals.
3. Read the instructions of each question and respond appropriately.
4. You are required to submit your completed project to your teacher for assessment.
5. You will lose marks for plagiarism.
6. You must adhere to the submission date to avoid unnecessary penalties.

### QUESTION 1

- 1.1 Visit the local entrepreneur and request him/her to respond to the following questions on entrepreneurial qualities and success factors.
  - 1.1.1 Outline your entrepreneurial qualities and explain how these qualities have contributed towards the success of your business. (5)
  - 1.1.2 State any THREE areas of weaknesses and explain how you will improve them. (5)
- 1.2 Analyse his/her action plan and explain the steps that he/she must follow when drawing an action plan. (5)
- 1.3 Advise him/her on steps that must be considered when planning a project. (5)
- 1.4 Explain aspects that he/she must consider when initiating or setting up a business venture. (5)
- 1.5 Name the sources of capital used by the entrepreneur when setting up his/her business. Suggest other sources. (5)
- 1.6 Describe factors that influence the choice of funding. (5)
- 1.7 Discuss reasons why he/she needs funding. (5)
- 1.8 The presentation of business- related information must be accurate and concise.it also important for to presenter to respond professionally to questions and feedback after the presentation.
  - 1.8.1 Explain factors that the presenter must consider when preparing a presentation. (5)
  - 1.8.2 Discuss any FIVE types of visual aid that the presenter must consider for the presentation. (5)

**[50]**

## Rubric to assess the grade 11 project

ASSESSMENT CRITERIA	Level 0	Level 1	Level 2	Level 3	Level 4	Level 5	Total
Entrepreneurial qualities and success factors	Learner responses are irrelevant to the question	Learner outlined ONE entrepreneurial quality and explained how it has contributed towards ONE key success factor of the business.	Learner outlined TWO entrepreneurial qualities and explained how these qualities have contributed towards the key TWO success factors of the business.	Learner outlined THREE entrepreneurial qualities and explained how these qualities have contributed towards the key THREE success factors of the business.	Learner outlined FOUR entrepreneurial qualities and explained how these qualities have contributed towards the key FOUR success factors of the business.	Learner outlined FIVE entrepreneurial qualities and explained how these qualities have contributed towards the key FIVE success factors of the business.	5
Areas of improvement	Learner did not state areas of weaknesses	Learner stated ONE area of weaknesses and did not explain how to improve on it.	Learner did not state areas of weaknesses and ONLY focused on how to improve on them.	Learner stated ONE area of weakness and explained how to improve on it.	Learner stated TWO areas of weaknesses and explained how to improve on them.	Learner stated THREE areas of weaknesses and explained how to improve on them.	5
Analysis of an action plan and steps to follow when drawing up an action plan	Learner did not analyse an action and explain steps to be followed when drawing up an action plan	Learner analysed the action plan and explained ONE step that must followed when drawing up an action plan.	Learner analysed the action plan and explained TWO steps that must followed when drawing up an action plan.	Learner analysed the action plan and explained THREE steps that must followed when drawing up an action plan.	Learner analysed the action plan and explained FOUR steps that must followed when drawing up an action plan.	Learner analysed the action plan and explained FIVE steps that must followed when drawing up an action plan.	5
Steps that must be considered planning a project	Learner did not outline steps in project planning	Learner outlined ONE step to be considered when planning a project	Learner outlined TWO steps that must be considered when planning a project	Learner outlined THREE steps that must be considered when planning a project	Learner outlined FOUR steps that must be considered when planning a project	Learner outlined FIVE steps that must be considered when planning a project	5

ASSESSMENT CRITERIA	Level 0	Level 1	Level 2	Level 3	Level 4	Level 5	Total
Aspects that must be considered when initiating or setting up a business venture.	Learner did not aspects that must be considered when setting up a business venture.	Learner explained ONE aspect that must be considered when setting up a business venture	Learner explained TWO aspects that must be considered when setting up a business venture	Learner explained THREE aspects that must be considered when setting up a business venture	Learner explained FOUR aspects that must be considered when setting up a business venture	Learner explained FIVE aspects that must be considered when setting up a business venture	5
Sources of funding	Learner did not list any sources of funding	Learner listed ONE source of funding	Learner listed ONE source of funding and suggested ONE other source.	Learner listed ONE source of capital and suggested TWO other sources.	Learner listed TWO sources of funding and suggested TWO other sources.	Learner listed THREE sources of funding and suggested TWO other sources.	5
Factors that influence the choice of funding	Learner did not describe factors that influence the choice of funding	Learner described ONE factor that influence the choice of funding	Learner described TWO factors that influence the choice of funding	Learner described THREE factors that influence the choice of funding	Learner described FOUR factors that influence the choice of funding	Learner described FIVE factors that influence the choice of funding	5
Reasons why businesses need funding	Learner did not discuss reasons why businesses need funding.	Learner discussed ONE reason why businesses need funding	Learner discussed TWO reasons why businesses need funding	Learner discussed THREE reasons why businesses need funding	Learner discussed FOUR reasons why businesses need funding	Learner discussed FIVE reasons why businesses need funding	5
Factors that must be considered when preparing/designing a presentation	Learner did not outline any factors that must be considered when preparing a presentation	Learner only provided ONE fact on factors that must be considered when preparing a presentation	Learner only provided TWO facts on factors that must be considered when preparing a presentation	Learner only provided THREE facts on factors that must be considered when preparing a presentation	Learner only provided FOUR facts on factors that must be considered when preparing a presentation	Learner provided FIVE facts on factors that must be considered when preparing a presentation	5
Types of visual aids	Learner did not discuss any types of visual aids	Learner only discussed ONE type of visual aids	Learner only discussed TWO types of visual aids	Learner only discussed THREE types of visual aids	Learner only discussed FOUR types of visual aids	Learner only discussed FIVE types of visual aids	5
<b>TOTAL MARKS:</b>							<b>50</b>

# Controlled Test

MARKS: 100

TIME: 1,5 HOURS

## Instructions and information

This paper consists of 5 pages

Read the following instructions carefully before answering the questions.

1. This question paper consists of THREE sections and covers TWO main topics.

SECTION A: COMPULSORY

SECTION B: Consists of THREE questions.

Answer any TWO of the three questions in this section.

SECTION C: Consists of TWO questions.

Answer any ONE of the two questions in this section.

2. Read the instructions for each question carefully and take note of what is required.
3. Number the answers according to the numbering system used in this question paper. No marks will be awarded for answers that are numbered incorrectly.
4. Except where other instructions are given, answers must be written in full sentences.
5. Use the mark allocation and nature of each question to determine the length and depth of an answer.
6. Use the table below as a guide for mark and time allocation when answering each question.

SECTION	QUESTION	MARKS	TIME
<b>A Objective-type questions COMPULSORY</b>	<b>1</b>	<b>20</b>	<b>20 minutes</b>
<b>B THREE direct/indirect type questions CHOICE (Answer any TWO.)</b>	<b>2</b>	<b>20</b>	
	<b>3</b>	<b>20</b>	
	<b>4</b>	<b>20</b>	<b>40 minutes</b>
<b>C TWO essay-type questions CHOICE (Answer any ONE.)</b>	<b>5</b>	<b>40</b>	<b>30 minutes</b>
	<b>6</b>	<b>40</b>	<b>30 minutes</b>
<b>TOTAL</b>		<b>100</b>	<b>90 minutes</b>

7. Begin the answer to EACH question on a NEW page, for example QUESTION 1 – new page, QUESTION 2 – new page, and so on.
8. You may use a non-programmable calculator.
9. Write neatly and legibly.

## SECTION A (COMPULSORY)

### QUESTION 1

**1.1** Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.5).

**1.1.1** An/A...is a person who starts and manages his/her own business.

- A** director
- B** entrepreneur
- C** executive manager
- D** venture capitalist

**1.1.2** The main aim of a Non-governmental organisation is to address...

- A** government's deficits
- B** business practitioners
- C** community leaders
- D** community-based organisations

**1.1.3** A ... is a set of facts and figures arranged in columns and rows.

- A** bar graph
- B** report
- C** survey
- D** table

**1.1.4** Presenters use a big and bold font when preparing...

- A** posters
- B** handouts
- C** transparencies
- D** business plans.

**1.1.5** Plastic sheet that the presenter can use to write information on is called ...

- A** Handouts
- B** Power-point slides
- C** Broucher
- D** Transparency

(5 × 2) (10)

**1.2.** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question number (1.3.1 – 1.3.5) in the ANSWER BOOK, for example, 1.3.6 I.

planning	non-verbal	Community-based organisation	presentations	verbal
business plan	productivity	controlling	Community-driven organisation	action plan

**1.2.1** The ... serves as a roadmap that provides direction to business.

**1.2.2** Sanele must consider ... when initiating the business, he would like to establish.

**1.2.3** Gail used a ... presentation when she used speech to report on the financial results of the business.

**1.2.4** Businesses can ensure that they remain profitable and sustainable through proper ...

**1.2.5** Institutions like ... can play an important role in the social and economic development of communities:

(5 × 2) (10)

**TOTAL SECTION A**

**[20]**

## SECTION B

### QUESTION 2 BUSINESS VENTURES

- 2.1** Name FIVE key success factors related to entrepreneurship. (5)
- 2.2** Read the scenario below and answer the questions that follow:

#### JONAS SOLAR SPECIALIST (JSS)

Jonas Solar Specialist is a business that installs solar panels. JSS has suffered a financial loss during the stage five hard lockdown period in 2020 but he did not give up on his business.

- 2.2.1** Identify the quality of an entrepreneur applicable to the scenario above. Motivate your answer by quoting from the scenario. (3)
- 2.2.2** Explain TWO other qualities of an entrepreneur. (6)
- 2.3** Describe THREE strategies that businesses can use to ensure that they remain profitable and sustainable. (6)
- [20]**

### QUESTION 3 BUSINESS VENTURES

- 3.1** List TWO sources of funding. (2)
- 3.2** Identify the factors that Geely considered before starting her business in the statements below:
- 3.2.1** She developed a long term vision for her business. (2)
- 3.2.2** Did a joint advertising campaign with another business. (2)
- 3.2.3** Established good relationship with clients. (2)
- (3 × 2) (6)
- 3.3** Discuss the importance of an action plan. (6)
- 3.4** Advise businesses on the reasons why business presentations must be in a written format. (6)
- [20]**

### QUESTION 4 BUSINESS VENTURES

- 4.1** Name THREE factors that influence the choice of funding. (3)
- 4.2** Elaborate on the meaning of an action plan. (4)
- 4.3** Read the scenario below and answer the questions below:

#### WAVECREST CONSTRUCTION ENGINEERS (WCE)

Wavecrest Construction Engineers was awarded a tender to build 1 000 houses. The management team met with the employees and provided them with a tool that listed all the activities that needed to be done and the date order on which they should be completed.

- 4.3.1** Identify the planning tool applicable in the scenario above. Motivate your answer by quoting from the scenario. (3)
- 4.3.2** Discuss TWO other planning tools that businesses could use. (6)
- 4.4** Advise businesses on the factors that must be considered when composing a flyer. (4)
- [20]**

**TOTAL SECTION B** **[20]**

## SECTION C

### QUESTION 5 BUSINESS VENTURES (PRESENTATION OF INFORMATION )

Businesses are required to write reports on their performance. Some businesses follow the correct steps report writing to ensure that accurate information is presented to stakeholders. Managers must also know all the factors they must consider when preparing a presentation. Many businesses advise their presenter to handle feedback from the audience in a non-aggressive and professional manner.

Write an essay on the presentation of information in which you include the following aspects:

- Outline the importance of presenting business information.
- Explain the steps in report writing.
- Discuss the factors that the presenter must consider when preparing a presentation.
- Advise presenters on how they should handle feedback in a non-aggressive and professional manner after a presentation.

[40]

### QUESTION 6 BUSINESS ROLES (CITIZENSHIP ROLES AND RESPONSIBILITIES)

Every citizen in a country has certain rights and responsibilities. Circumstances in communities require businesses to be involved in social programmes. Businesses contribute to the social and economic development of communities in a variety of ways. Institutions also contribute towards social and economic development of communities.

Write an essay on citizenship roles and responsibilities in which you include the following aspects:

- Outline the responsibilities of the South African citizens.
- Explain how businesses can contribute to the social and economic development of their communities.
- Describe THREE reasons why businesses become involved in social programmes.
- Suggest roles that the following institutions can play in the social and economic development of communities:
  - Civil society
  - Non-governmental organisations.

[40]

**TOTAL SECTION C**

**[40]**

**GRAND TOTAL**

**[100]**



## TERM 4

## 18

## Introduction to the human resources function



## TOPIC OVERVIEW

- Unit 18.1 Recruitment and selection
- Unit 18.2 Induction and placement
- Unit 18.3 Salary determination methods
- Unit 18.4 Implications of legislation on the human resources function



## Learning objectives

**At the end of this topic, learners should be able to:**

- ❖ explain the role of the human resources function
- ❖ define/elaborate on the meaning of recruitment
- ❖ outline/explain/discuss the recruitment procedure
- ❖ discuss/explain the components of job analysis
- ❖ differentiate/distinguish between a job description and job specification as components of job analysis
- ❖ explain/discuss the internal and external methods of recruitment
- ❖ outline/explain/discuss the selection procedure
- ❖ outline/explain/discuss the purpose of an interview
- ❖ outline/explain/discuss the role of the interviewer during the interview
- ❖ name/outline aspects or the content of the employment contract
- ❖ outline/explain/discuss the legalities/legal requirements of an employment contract
- ❖ analyse an employment contract from given scenarios and make recommendations for improvement
- ❖ define/elaborate on the meaning of induction
- ❖ outline/explain/discuss the purpose of induction
- ❖ elaborate on the meaning of placement
- ❖ outline/explain/discuss the placement procedure
- ❖ outline/explain/discuss different systems of salary determination methods, for example, piecemeal and time-related
- ❖ distinguish between piecemeal and time-related salary determination methods
- ❖ outline/mention/explain employee benefits



## Learning objectives

- ❖ outline/explain/discuss the implications of the following acts on the human resources function:
  - ❖ Labour Relations Act (LRA) No. 66 of 1995
  - ❖ Basic Conditions of Employment Act (BCEA) No. 75 of 1997
  - ❖ Employment Equity Act (EEA) No. 55 of 1998
  - ❖ Compensation for Occupational Injuries and Diseases Act (COIDA) No. 61 of 1997
- ❖ identify the above-mentioned acts from scenarios and recommend ways in which the human resources function can comply with these acts.



## Tip

Study this chapter well as it forms the foundation for the Grade 12 HR content.



## Key concepts

- **Recruitment:** refers to finding an applicant with the skills necessary for the job.
- **Selection:** means verifying the candidate's qualifications and training, credit history and criminal record, and contacting references.
- **Contracts:** refers to a formal, legal and binding agreement between two people or between an employer and employee.
- **Induction:** the process in which successful candidates are introduced to their new workplace and colleagues.
- **Placement:** the successful applicant is contacted by the HR department, offered a job, and a contract is drawn up.
- **Salaries:** a fixed monthly payment is made by an employer to an employee in exchange for work done.
- **Benefits:** paid to employees by employers and are additional amounts of money.
- **Internal recruitment:** the process of recruiting suitable candidates inside an organisation to fill positions.
- **External recruitment:** the process of recruiting suitable candidates outside an organisation to fill positions.
- **Interviewer:** the individual that holds the interview conversation with a prospective employee.
- **Employment contract:** the contract of employment signed between the employer and employee when the candidate is appointed to a position.
- **Gross salary:** refers to an employee's salary before any deductions are made and paid into their bank accounts.
- **Net salary:** refers to an employee's take-home salary after all deductions are made.
- **Piecemeal related salary:** monies that workers are paid according to the number of items or units produced.
- **Time-related salary:** monies that workers are paid for their time spent at work.
- **BCEA:** Basic Conditions of Employment Act No. 75 of 1997
- **EEA:** Employment Equity Act No. 55 of 1998
- **COIDA:** Compensation for Injuries and Disease Act No. 61 of 1997

## Introduction

In Grade 10, we learned about the human resources function as part of the eight business functions and the activities of the business.

This year we will provide a detailed analysis of the human resources activities, such as recruitment, selection, induction, placement, salary determination and employee benefits. This function ensures that vacant positions within the business are filled with suitably qualified candidates.

The human resources function is required to comply with legislation when making appointments and managing the employees in the workplace. We will provide a detailed description of the implications of recent legislation on the human resources function.

You must ensure that you understand this topic very well as it is also covered in Grade 12.



## Unit 18.1 Recruitment and selection

### The meaning of recruitment

- This is the process that is used by businesses to identify vacant positions within the business.
- The aim is to attract candidates with the prerequisite qualifications, knowledge, and experience so that they may be appointed in the vacant position(s).

#### Tip

Study and understand this section of work well as it is important information for Grade 12.

### Recruitment procedure

- The recruitment procedures commence with the preparation of a job analysis, which includes specifying a job description and job specification.
- The job description is prepared by the human resources manager (HRM) to identify the recruitment needs of the business.
- In order to attract suitable applicants to the business, the HRM specifies the requirements and key performance areas of the vacancy in the job specification.
- The HRM then decides on the method of recruitment that will be used by the business to ensure that the most suitable candidate is found for the vacant position.
- Either internal or external recruitment may be selected.
- Should the business not find a suitable candidate through internal recruitment, the HRM will prepare to recruit a suitable incumbent through external recruitment.
- The appropriate recruitment source will be determined for external recruitment and the HRM will prepare the advertisement for employment, which will be placed in the selected media to ensure that suitable candidates apply for the vacancy.

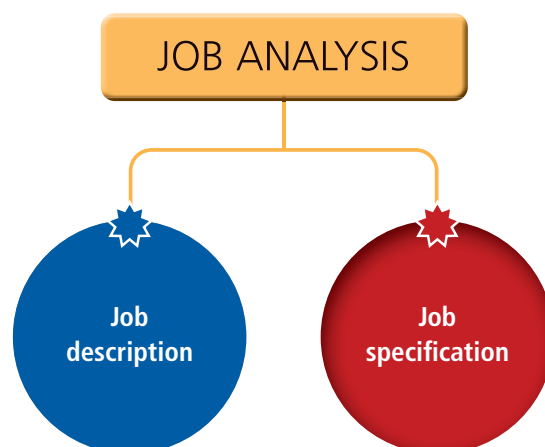
### Components of Job analysis

#### The meaning of Job analysis

- Job analysis refers to the process used to accumulate information about the duties, responsibilities, necessary skills, outcomes, and work environment of a job.
- Job analysis consists of the job description and job specification.

#### Tip

It is important to know the difference between Job description and Job specification.



Job Description	Job Specification
A documented description of the position and the work or duties to be performed.	A documented description of the prerequisite skills, qualifications, and experience needed for the position.
This is described as the nature, type of duties, and responsibilities associated with a specific position.	This is described as the personal qualities, skills, and qualifications required for a specific position.
Key performance areas and duties for a certain position, such as the job title and working conditions are stipulated in the job description.	Key aspects such as qualifications required, unusual work requests (like working over the Christmas period), and willingness to travel, are stipulated in the job specification.

### Tip

This section can assist you to obtain easy marks. You need to study it well and:

- know the difference between internal and external recruitment.
- Be able to list at least four examples of each type of recruitment.



## Methods of recruitment

- To ensure that the most suitable employees are appointed into available positions in a business, businesses use two methods of recruitment.
- These methods of recruitment are internal recruitment and external recruitment.

Internal recruitment	External recruitment
This is the process used by businesses to advertise vacant positions in the business internally.	This is the process used by businesses to advertise vacant positions in the business externally.
<p>Following are the sources of internal recruitment that may be used by a business:</p> <ul style="list-style-type: none"> <li>• Internal e-mails, intranet, websites to staff</li> <li>• Word of mouth</li> <li>• Business newsletter, circulars</li> <li>• Internal recommendations or referrals from management</li> <li>• Notice board of the business</li> <li>• Internal bulletins</li> <li>• Recommendations of current employees</li> <li>• Headhunting within the business or organisational database</li> </ul>	<p>Following are the sources of external recruitment that may be used by a business:</p> <ul style="list-style-type: none"> <li>• Recruitment agencies</li> <li>• Billboards</li> <li>• Printed media, for example, newspapers, flyers</li> <li>• Electronic media, for example, radio, TV</li> <li>• Social media, social networks, internet, business websites</li> <li>• Headhunting</li> <li>• Professional associations</li> <li>• Networking</li> <li>• Educational/Training institutions</li> <li>• Posters</li> </ul>

## Selection

Selecting a suitable candidate to fill a vacant position in a business is equal to the recruitment process in importance. The most suitable candidate to fill the vacant position is identified, shortlisted, and given the opportunity to attend an interview.

## Selection procedure

The selection procedure involves the following steps:

<b>Step 1</b>	Application forms/curriculum vitae and certified copies of personal documents/IDs/proof of qualifications are received.
<b>Step 2</b>	Screen/determine which applications meet the minimum job requirements and separate these from the rest.
<b>Step 3</b>	Preliminary interviews are conducted if many suitable applications were received.
<b>Step 4</b>	Reference checking takes place to verify the information on the CV.
<b>Step 5</b>	Compile a shortlist of potential candidates identified.
<b>Step 6</b>	Shortlisted candidates may be subjected to various types of selection tests e.g. skills tests.
<b>Step 7</b>	Invite shortlisted candidates for an interview.
<b>Step 8</b>	A written offer of employment is made to the candidate selected after the <b>interview process</b> .

### Tip

This section can help you to score a few marks if you know this procedure well. Be sure to study it and keep your study notes for Grade 12 as well.



### QR CODE

Recruitment and selection



<https://www.youtube.com/watch?v=r-VcHu-wZxE>



### New words

**interview process** the process takes place between the employer and a prospective candidate before employment to determine the candidate's suitability for the vacant position

## Interviews

### The meaning of interviews

- An interview is a purposeful conversation that takes place between the interviewer/interview panel and an interviewee or applicant.
- The main reason for an interview is to determine a candidate's suitability for a specific job position in an organisation or business.
- Interviews may be held for other purposes such as performance appraisals or employees who are exiting the organisation.

### The purpose of an interview

- Assess the general character, strengths and weaknesses of the candidate.
- Determine the candidate's suitability for the position based on his/her skill, experience and qualifications.
- Assist the employer in selecting the most suitable candidate.
- Ensure that the information supplied by the candidate is matched to the requirements of the position.
- Provides the employer with the opportunity for information sharing between the business and the candidate.
- Assess the suitability of a candidate for the vacant position by evaluating his/her temperament.





### QR CODE

Interviewer technique – getting it right



<https://www.youtube.com/watch?v=guUOmFq303s>

## The role of the interviewer during the interview

- Ensure that each candidate should be allocated the same amount of time for their interviews.
- Ensure that members of the interviewing panel should be introduced to the interviewee at the commencement of the interview.
- Make the interviewee feel at ease.
- Explain the purpose of the interview to the interviewee and interview panel.
- Pose the same questions to all interviewees.
- Record the interview responses of the interviewees for future reference or if disputes occur.
- Ensure that the interviewee should not be misled or be misinformed deliberately.
- Provide an opportunity for the interviewee to ask questions.
- Conclude the interview by thanking the interviewee for attending the interview.

### Tip

This question is frequently asked in exams. Remember to study this section well. Read the question carefully and write only answers relevant to this section.

## Employment contracts

### The meaning of an employment contract

An employment contract is a legal and binding agreement between the employer and employee.



### Tip

If you know this content well, you can score marks on your tests and exams.

### Content of the employment contract

An employment contract should stipulate the following aspects:

- The employers' details such as name, address, contact numbers, and so on.
- Personal details relating to the employee's remuneration, such as weekly or monthly payment.
- Employee deductions (compulsory, non-compulsory).
- Leave, for example, sick, maternity, annual, adoption leave.
- Fringe benefits, perks, **allowances**.
- Job title and job position
- Job description, for example, duties, working conditions
- Job specification, for example, formal qualifications, willingness to travel.
- Period of contract, details of termination, date of employment, the commencement of employment.
- Probation period (if applicable) and for how long.
- Working hours, for example, normal time, overtime.
- Place where the employee will spend most of his/her working time.
- Signatures of the employer and employee.
- List of documents that forms part of the contract, for example, letter of appointment, code of conduct.



### New words

**allowances** special benefits allocated to employees by employers such as cell phone, car or travel allowances



## Legal requirements of an employment contract

- Both the employer and employee should agree to any changes to the contract.
- During the employment term, aspects of the contract can be renegotiated if necessary.
- No changes may be made to the employment contract by any of the parties.
- The contract must be signed by both the employer and employee.
- A code of conduct and ethics should be included in the employment contract.
- The terms and conditions of the contract must be explained to the employee.
- The contract may not contain any requirements that conflict with the Basic Conditions of Employment Act (BCEA), No. 75 of 1997.

### Activity 18.1 Recruitment and Selection

**1.1** Choose the correct answer and write only the letter (A – D) next to the question number, for example, 1.1.6 D.

- 1.1.1** The procedure where all CVs received are evaluated against pre-determined criteria:
- training
  - selection
  - placement
  - recruitment
- 1.1.2** Sloane Sweets listed the qualifications and experience required in their job advertisement; this is known as ...
- job analysis.
  - job description.
  - job specification.
  - selection.
- 1.1.3** The role of the interviewer during the interview is to ...
- mislead the interviewee deliberately.
  - explain how he/she has dealt with past mistakes.
  - introduce members of the interviewing panel to the interviewee.
  - know his/her strengths and weaknesses and be prepared to discuss them.
- 1.1.4** The filling of vacancies in a business with existing employees is known as ...
- advertising.
  - internal recruitment.
  - external recruitment.
  - job specification.
- 1.1.5** Sparks Furniture Store makes use of external recruitment by advertising vacant job positions in ...
- internal emails.
  - Sunday newspapers.
  - intranet.
  - company newsletters.

### Tip

Consider the following when answering Multiple Choice Questions:

- Read through the statement and all the options.
- The FOUR options from which you must select the correct answer has the following elements:
  - » TWO obviously incorrect answers
  - » ONE distractor/that is very close to the correct answer
  - » ONE correct answer.
- Underline the key words in the statement.
- Cross out the TWO obviously incorrect answers.
- Read through the statement and remaining options again.
- Choose the correct answer from the remaining options
- Do not leave any answers blank.

## Unit 18.2 Induction and placement

Welcoming new employees into the business or organisation is a process that ensures that new staff settle into their new work environment quickly and function effectively as soon as possible.

New environments can be stressful for employees and the human resources department must ensure that the new incumbents are supported and know who to turn to for assistance.



### The meaning of induction

- New employees are familiarised with their new physical work environment, organisational culture, products and services.
- New employees are informed about the processes or procedures of the business.
- Ensure that the employee has the basic knowledge of what is to be expected from him/her in the job, and that they understand their roles and responsibilities in the new job.

### The purpose of induction

- New employees are introduced to management and colleagues so that workplace relationships may be established at different levels.
- New employees are welcomed by introducing them to their physical workspace.
- A tour, layout of the building maps, and other general information should be given to new employees on arrival.
- Ensure that new employees are aware of and familiar with the organisational structure and who they report to.
- Allowances should be made for questions from new employees so that they may be put at ease and their anxiety levels may be reduced.
- To ensure that the employees settle into their work environment and become industrious as soon as possible.

## Placement

### The meaning of placement

- Candidates who are successfully selected are placed in the vacant position where they will be effective and add the most value to the business.
- The selected candidate is allocated to a specific position.
- The prerequisite qualifications, skills, and personality of the selected candidate are matched to the requirements of the job.

### Placement procedure

- The employer should stipulate the responsibilities and expectations of the new position for the employee.
- The employer will determine through psychometric testing the strengths, weaknesses, skills and interests of the new employee.
- Matching the expectation of the position and the competency and ability of the employee needs to be done by the employer.

#### Activity 18.2 Induction and Placement

1.1 Read the scenario below and answer the questions that follow:

#### **BUBBLES FURNITURE STORE (BFS)**

Sive is the newly appointed operations manager at Bubbles Furniture Store. The human resource manager introduced Sive to his fellow colleagues and gave him a tour of the business premises.

1.1.1 Identify the human resource activity applicable in the scenario above. (2)

1.1.2 Quote TWO purposes of the human resource activity identified in QUESTION 1.1.1. (2)

1.1.3 Explain other purposes of the human resources activity identified in QUESTION 1.1.1. (6)

1.2 Discuss the management of BFS on the placement procedure. (6)



#### Tips

Note the different cognitive verbs and how marks will be awarded for your responses:

- Elaborate – write your answer in full sentences – you will be awarded two marks at the end of the sentence.
- Differentiate – you may write your answer in tabular or table form – you will be awarded split marks.
- Explain – write full sentences – you will be awarded split marks for your answer.
- Advise – write full sentences as best you can – you will receive two marks at the end of the sentence.

## Unit 18.3 Salary determination methods

Businesses use different methods such as piecemeal and time-related salary determination to pay full-time and part-time employees. These methods should be in line with the Basic Conditions of Employment Act/(BCEA) which will be dealt with later in this chapter.

### A description of salary determination methods

- Not all employees who work receive a salary. Some employees receive wages.
- Businesses make use of different systems to pay employees.
- Two salary determination methods are used by businesses, namely the piecemeal method and time-related method.

**Tip**

**PIECEMEAL**

With this salary determination method, workers are paid according to the the number of items or units produced , for example, a worker will be paid for how many pairs of takkies they have produced for the day.



**TIME-RELATED**

With reference to the time-related method, workers are paid for the time that they spend at work or on a task.



## The difference between piecemeal and time-related salary determination methods

PIECEMEAL	TIME-RELATED
Workers are paid according to the number of items/ units produced /action performed.	Workers are paid for time they spend at work or working on a task.
Workers are not paid for the amount of hours worked, irrespective of how long it takes them to make the items.	Workers with the same qualifications and experience are remunerated using salary scales regardless of the quantity of work done.
This system is used in factories particularly, in the textile or technology industries.	The private and public-sector businesses make use of this payment method.

## Employee benefits



Employee benefits are paid to employees by employers that are additional benefits and are not included in their salary or wages. These benefits come in different forms and are important to the remuneration package offered to employees.

## Description of employee benefits

There are two types of employee benefits namely, compulsory and non-compulsory benefits. It is compulsory for all businesses to contribute towards the employees' Unemployment Insurance Fund/(UIF). Non-compulsory benefits are benefits that employees receive but do not form part of the employees' primary remuneration package. This is known as fringe benefits or perks.

- Examples of fringe benefits are:
  - allowances, for example, car/travel/housing/cell phone/clothing
  - **funeral benefits**
  - **performance-based incentives**
  - issuing of bonus shares
  - **staff discounts**/free or low-cost meal/canteen facilities
  - **pension/provident fund**
  - medical aid
  - Unemployment Insurance Fund
  - housing allowance /subsidies.

### Activity 18.3

Businesses follow the recruitment procedure to fill vacant positions in the workplace. Some businesses prefer to use internal recruitment, while others external recruitment. The interviewer should be well conversant with his/her role as an interviewer. Businesses should also induct new employees.

Write an essay on recruitment, interview and induction in which you include the following aspects:

- Outline the recruitment procedure as a human resources activity .
- Explain the differences between internal and external recruitment.
- Discuss the role of the interviewer during the interview.
- Advise businesses on the purpose of induction.

[40]

### A New words

**pension fund** a fund that is funded by employer and employee contributions that pay employees a pension when they retire

**funeral benefits** special benefits such as a cash payment provided to employees by the employer in the event of the death of an employee

**performance-based incentives** this is paid to employees when they have surpassed their expected work performance within one year's cycle

**staff discount** a benefit is allocated to employees as an additional extra as part of their remuneration package

## Difference between gross and net salary

Gross salary is what a company pays to an employee before deductions.

Netto salary is what an employee receives after deductions.

## Unit 18.4 Implications of legislation on the human resources function

Businesses need to be fully compliant with the laws relating to the human resources function when dealing with employees. The human resources function must comply with the following legislation:

- Labour Relations Act (LRA) No. 66 of 1995
- Basic Conditions of Employment Act (BCEA) No. 75 of 1997
- Employment Equity Act (EEA) No. 55 of 1998
- Compensation for Occupational Injuries and Diseases Act (COIDA) No. 61 of 1997.

### The implications of the LRA on the human resources function

- The human resources function should follow due processes such as the Commission for Conciliation, Mediation and Arbitration/(CCMA) and Labour Appeals Court before dismissing employees.
- Workers should be allowed to form workplace forums that serve the interests of all employees.
- The HRM should ensure that negotiation and employee participation in decision-making takes place within the workplace.
- Employee rights as stipulated in the constitution should be protected so that social justice, economic development and labour peace are enabled.



### The implications of BCEA on the human resources function

- Employees should only work 9 hours per day in a 5-day work week or 8 hours per day in a 6-day workweek.
- Overtime should not exceed 10 hours per week.
- Employees must have a break of 60 minutes after 5 hours of work.
- Employees can take up to six weeks of paid sick leave during a 36-month cycle.
- The human resources function should not employ children under the age of 16.
- Workers must receive double pay if they work during public holidays or on Sundays.

[Source: WCED CORE notes Gr 11\_2020]

## The implications of EEA on the human resources function



### EMPLOYEE EQUITY & DIVERSITY

- The human resources manager should ensure that equal opportunities are encouraged and promoted in the workplace.
- The human resources function should try to promote workplace diversity through affirmative action.
- The human resources function should compile employment equity plans indicating how affirmative action will be implemented in the workplace.
- To ensure that the employment equity plan will be implemented and monitored regularly, a manager should be appointed by the business.
- The human resources manager should report to the Department of Labour on the progress of the implementation of the equity plan.



#### Tip

Know this section of work well. Study the implications of each act relating to the human resources function.

## The implications of the COIDA on the human resources function

- All managers working in the business must be aware of and be compliant with this act.
- The HRM should ensure that all managers are sent on regular legislation update briefs.
- COIDA deals with accidents in the workplace and has significance for the HR function that focuses on managing human resources.
- If a workplace accident occurs, it will be the responsibility of the HR function to communicate with the injured employee and Compensation Fund.
- Calculating and paying the business' monthly contribution to the Compensation Fund is the responsibility of the HR function.

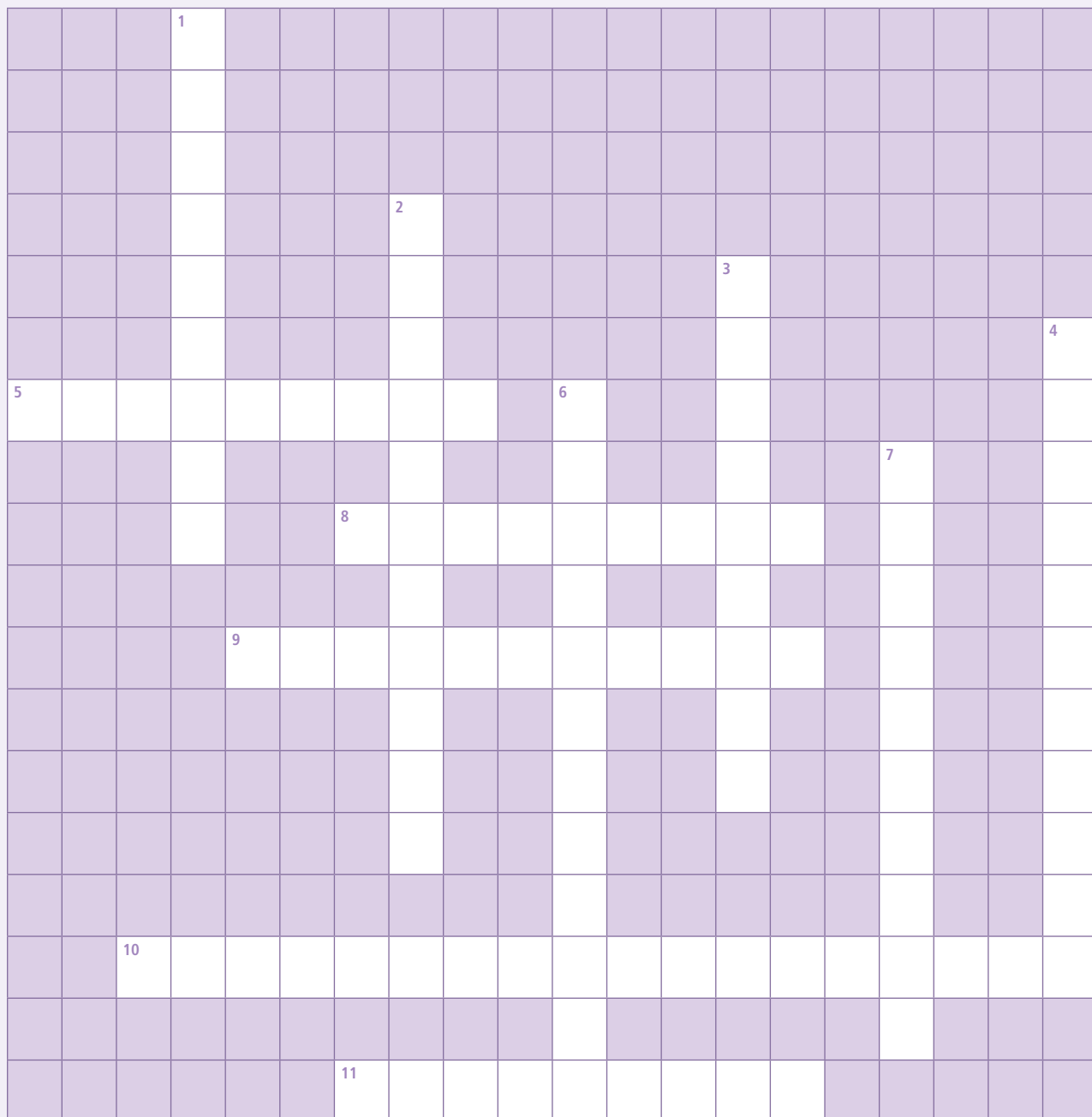






Activity 18.4

The human resources function



Across

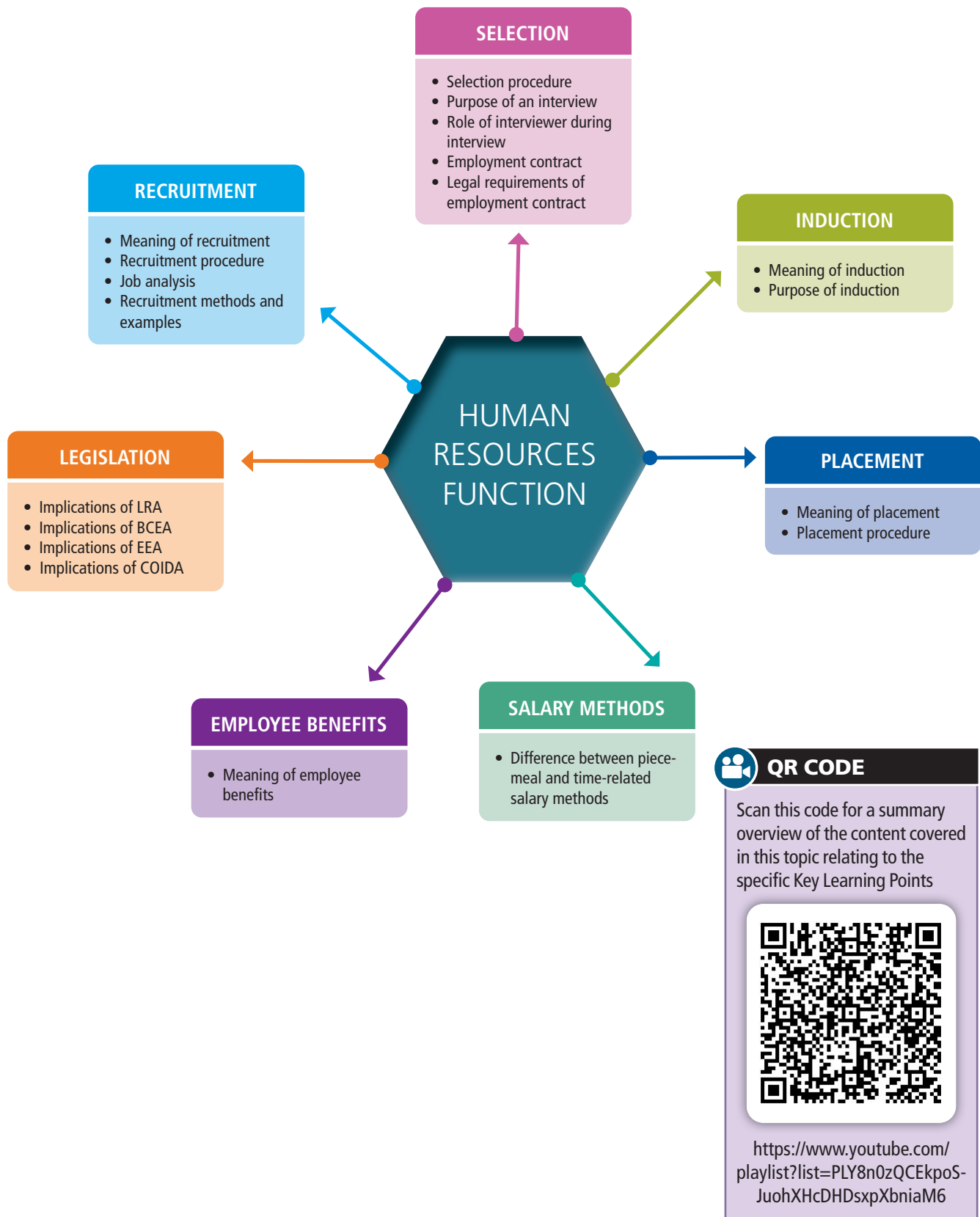
5. A process that takes place between an interviewer and interviewee.
8. These checks are used to verify the contents of a candidate's CV.
9. The process used to collect information about the duties, responsibilities, necessary skills, outcomes, and work environment of a job. (3;8)
10. A legal and binding agreement between employer and employee. (10;8)
11. Selected candidates are placed where they will add value to the business

Down

1. Staff are paid according to the number of units they produce. (4;7)
2. Staff are paid for the amount of time they spend at work. (4;7)
3. The process whereby new employees are familiarised with their new work environment.
4. The process that is used by businesses to identify vacant positions within the business.
6. An example of a fringe benefit.
7. An external source is used to advertise vacancies outside of the business.

### Mind map: Topic 18 – Introduction to the human resources function

The mind map summarises all the content for this section that has been addressed. This mind map will help you to remember all the aspects of the work that you should study in detail. Be sure to study all the relevant content for each bullet.



Consolidation

QUESTION 1

1.1 Match the term/concept in column A with the explanation in column B. Write only the letter next to the number in your book.

Column A	Column B
1.1.1 Recruitment	A type of external recruitment method
1.1.2 Job description	B selected candidate is allocated to a specific position
1.1.3 Piece-meal	C the process of introducing new employees to the business and its related aspects
1.1.4 Headhunting	D written description of the qualifications and experience needed for the job
1.1.5 Placement	E employee salary paid after deductions
	F paying workers for the number of hours they work
	G written description of the job and its requirements
	H the process used to fill vacant positions within a business
	I type of internal recruitment method
	J paying workers for the number of items they produce

5 × 2 (10)

QUESTION 2

2.1 Read the scenario below and answer the questions that follow:

**MKG STEEL CONSTRUCTION (MSC)**

MKG Steel Construction pays their employees according to the number of gates they produce. They also offer fringe benefits to motivate and retain their employees. MSC offered Tido, an experienced welder an employment contract.

- 2.1.1 Identify the type of salary determination method used by MSC. Motivate your answer by quoting from the scenario above. (3)
- 2.1.2 Explain the difference between compulsory and non-compulsory employee benefits and give ONE example of each. (6)
- 2.1.3 Explain how MSC should comply with the legal requirements of an employment contract. (6)
- 2.2 Advise the human resources manager on the implications of the Labour Relation Act on his/her department. (6)

QUESTION 3

Human resources managers follow the selection procedure to avoid appointing unsuitable candidates. They ensure that they are well conversant with the purpose of an interview. The correct placement procedure will enable new employees to perform their duties as required. Human resources managers must also comply with the Basic Conditions of Employment Act/BCEA.

Write an essay on the human resources function in which you include the following aspects:

- Outline the selection procedure as a human resources activity.
- Explain the purpose of an interview.
- Discuss the placement procedure as a human resources activity.
- Advise the human resources manager on the implications of the Basic Conditions of Employment Act on his/her department.

(40)

## TERM 4

## 19

## Team dynamics and conflict management



## TOPIC OVERVIEW

- Unit 19.1 Understanding team work
- Unit 19.2 Defining conflict management



## Learning objectives

- ❖ explain/discuss the importance of teamwork
- ❖ outline/mention/name/explain the stages of team development, for example,
  - forming
  - storming
  - norming
  - performing
  - mourning/adjourning
- ❖ identify the stages of team development from given scenarios/statements/case studies
- ❖ briefly explain/discuss the reasons why businesses use team dynamic theories
- ❖ describe/explain/discuss the following team dynamic theories:
  - Belbin Role Theory
  - Insights based on Jungian Theory
  - MTR-I approach
  - Margerison-McCann Profiles
  - group consensus
- ❖ identify the above-mentioned theories from given scenarios/statements
- ❖ compare the nature of the above-mentioned theories
- ❖ define the term conflict
- ❖ identify and discuss causes of conflict from given scenarios/case studies
- ❖ discuss the following conflict management theories:
  - traditional theory
  - contemporary theory
- ❖ select one of the above-mentioned conflict management theories and justify the reason why businesses should use it to solve business problems



### Learning objectives

- ❖ outline/mention/explain/discuss the function of workplace forums
- ❖ explain the differences between trade unions and workplace forums.



### Key concepts

- **Team:** a group of people organised to work together.
- **Teamwork:** the joint action by a group of people in which each person strives to work towards a common goal.
- **Team dynamics:** forces that influence how a team behaves, performs, or responds.
- **Forming stage:** the first stage of team development. It begins when the team first meets each other.
- **Norming stage:** the third stage of team development. A team will move into the norming stage when they begin to work more effectively together as a team.
- **Performing stage:** the fourth stage of team development. The team is functioning at a high level in terms of performance and growth.
- **Mourning or adjourning stage:** the fifth stage of team development. The adjourning stage occurs at the end of the project when the team is moving on in different directions.
- **Conflict:** the difference or disagreement or disharmony or clash between persons.
- **Conflict management:** the plans we make to prevent or resolve conflict.
- **Consensus:** the process used by a group to agree by discussing the facts and making the best decision for the group.
- **Grievance:** a concern or a complaint at work, for example, discrimination or workload.
- **Contemporary theory:** conflict is unavoidable and a natural result of the change. It can be beneficial to a business if managed correctly.

## Introduction

In Grade 10, we learned about relationships and team performance in the workplace. We also learned that some teams work together well, while others are less effective. We also learnt about factors that can influence team relationships and criteria and the criteria for successful team performance. In this topic, we will look at the stages of team development and the theories of team dynamics. We will also look at conflict management theories and conflict resolution techniques.

# Unit 19.1 Understanding team work

## The importance of teamwork

Teamwork is a sense of unity that enable team members to share common interests and responsibilities. It reduces stress and enable them to work together towards achieving a common goal. Some of the benefits of teamwork are increased productivity and job satisfaction, employee empowerment, improved quality, and organisational effectiveness.

## The stages of team development

Teams go through different stages of development before they reach consensus and perform optimally. Team leaders who understand the stages of team development are able to lead and manage their team members effectively. There are five stages of development-which will also be dealt with in Grade 12. The theory around stages of team development was created by Bruce Tuckman in 1965. According to this theory, there are five main stages in building a successful team, and a team will only perform at its peak if it moves through the five stages.

<b>Stage 1 Forming</b>	<ul style="list-style-type: none"> <li>• The first stage is when team members get to know each other.</li> <li>• Team members are aware of themselves.</li> <li>• Team members show good behaviour as they are new to the group.</li> <li>• Team members plan their work and new roles.</li> </ul>
<b>Stage 2 Storming</b>	<ul style="list-style-type: none"> <li>• The storming phase is often characterised by conflict.</li> <li>• Team members actively engage in the tasks at hand.</li> <li>• Team members open up to each other and confront each other's ideas.</li> <li>• There may be power struggles for the position of team leader.</li> </ul>
<b>Stage 3 Norming / settling/ reconciliation</b>	<ul style="list-style-type: none"> <li>• Team members come to an agreement and reach a consensus.</li> <li>• Roles and responsibilities are clear and accepted.</li> <li>• Team members have the ambition to work for the success of the team.</li> <li>• Team members are motivated and take pride in their work.</li> </ul>
<b>Stage 4 Performing/ working as a team towards a goal</b>	<ul style="list-style-type: none"> <li>• Team members are aware of strategies and aims of the team.</li> <li>• They have direction without interference from the leader.</li> <li>• Leaders delegate and oversee the processes and procedures.</li> <li>• All members can handle the decision-making process without supervision.</li> </ul>
<b>Stage 5 Mourning or adjournment</b>	<p>Use the following facts:</p> <ul style="list-style-type: none"> <li>• The focus is on the completion of the task/ending the project.</li> <li>• Breaking up the team may be traumatic as team members may find it difficult to perform as individuals once again.</li> <li>• All tasks need to be completed before the team finally dissolves.</li> </ul>

## Team dynamic theories

Team dynamics are the behavioural and emotional forces that influence a team's performance and direction. Team dynamic theories provide guidelines on how employees working together as a team should be managed in the workplace. Successful businesses use the team dynamics theory to allocate tasks and responsibilities to different team members.

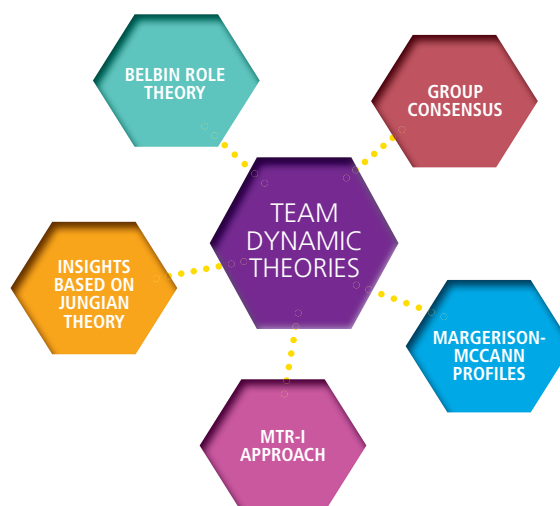
## Reasons why businesses use team dynamic theories

Team dynamic theories are used to:

- explain how people function in a team as a result of their personality type.
- select the right people to create a team.
- allocate tasks according to the roles of team members.
- maximise performance as tasks are allocated according to abilities and skills of business.
- minimise conflict between team members.

## Team dynamic theories

We will look at five types of team dynamic theories:



## Belbin Role Theory

According to the Belbin Role Theory, team members tend to take on different roles when they interact in a team. Belbin found nine key roles which exist in a balanced team. Belbin categorised the nine roles into three groups. This is explained in the table:

Category	Belbin roles	Description
Action orientated role	Implementer	<ul style="list-style-type: none"> <li>• Implementers are disciplined, dependable, and get things done.</li> <li>• Implementers are well-organised and can take an idea and make it work in practice.</li> </ul>
	Shaper	<ul style="list-style-type: none"> <li>• Shapers are energetic and challenge the team to improve and to move forward.</li> </ul>
	Completer-finisher	<ul style="list-style-type: none"> <li>• Completer-finishers are reliable and perfectionists who are deadline-driven.</li> </ul>
Cerebral orientated role	Planter	<ul style="list-style-type: none"> <li>• Planters are creative innovators and good problem-solvers.</li> </ul>
	Monitor-evaluator	<ul style="list-style-type: none"> <li>• Monitor-evaluators are analytical, see the big picture, strategic, and unemotional.</li> </ul>
	Specialist	<ul style="list-style-type: none"> <li>• Specialists have expert knowledge and skills to solve problems.</li> </ul>



Category	Belbin roles	Description
People orientated role	Co-ordinator	<ul style="list-style-type: none"> <li>Co-ordinators are team leaders and encourage team members to focus on the tasks.</li> </ul>
	Team worker	<ul style="list-style-type: none"> <li>Team workers are supportive, diplomatic, cares for individuals, and have good listening skills.</li> </ul>
	Resource-investigator	<ul style="list-style-type: none"> <li>Resource-investigators are good at exploring new ideas and good at networking.</li> </ul>

Belbin's Role Theory can be used in a business to create a balanced team before a project starts. It can also be used to manage interpersonal differences within an existing team.

### Insights based on Jungian Theory

Carl Jung, a psychologist, published a book in 1921, which said that certain personality types follow certain behavioural patterns. Most people adopt one of the two behavioural patterns. We can apply the Jungian Theory to understand what drives the actions of a team member, and this can improve the productivity of a team.

### ? Did you know

Jung's Theory is like our left and right hand. We use both hands, but one hand is our natural preference. Jung believed that we were born with a certain preference for a certain behavioural pattern, but our preferences can be influenced by our environment.

### Extrovert or introvert personality types



#### Extrovert personality types

- Extroverts focus their energy on the outer world of people and events.
- Enjoy meeting new people.
- Are friendly and verbally skilled.
- Are motivated by outside factors.
- Comfortable in unfamiliar situations.
- Energetic and enthusiastic.

#### Introvert personality types

- Introverts focus their energy inward on their thoughts and reflections.
- Prefer to interact with people they know.
- Not comfortable being among strangers.
- Lack of self-confidence in unfamiliar situations.
- Introverts are often quiet in meetings.

Jung said that each person has a natural orientation towards one of the four functions. That is intuition, thinking, sensing and feeling, and then the opposite function would be compensated. The Jungian Theory has been successfully applied in the building of effective teams.

Jung developed a framework of four functional types as two pairs of opposites.

	<b>Thinking</b> Evaluate situations and logically decides causes and effects.	
<b>Intuition</b> Involves using facts to see the bigger picture. Explores new ideas and new opportunities.	OR	<b>Sensing</b> Uses senses to clarify information and to make decisions.
	<b>Feeling</b> Involves feelings to make judgements based on own opinions and beliefs. Values harmony and team spirit.	



#### Take note

Team roles can differ from one situation to another, depending on the pressures of a work environment.

### The MTR-I (Management Team Role Indicator) approach

Myers developed the MTR-I approach in 1990 and based it on Jung's theory of personality. The MTR-I approach investigates the roles played by each team member.

The MTR-I instrument identifies eight roles within a team, which describes what each person does at a particular time:

Eight roles of the MTR-I instrument	
<b>Coach</b>	<ul style="list-style-type: none"> <li>• Create harmony and agreement in the team.</li> <li>• Build relationships and create a positive atmosphere.</li> <li>• Look after the welfare of team members.</li> </ul>
<b>Conductor</b>	<ul style="list-style-type: none"> <li>• Are good at organising.</li> <li>• Are good at planning.</li> <li>• Like to work in a well-structured environment.</li> </ul>
<b>Crusader</b>	<ul style="list-style-type: none"> <li>• Give importance to ideas, thoughts, and beliefs.</li> <li>• Are values-driven and try to focus the attention of other team members on issues that they regard as important.</li> </ul>
<b>Curator</b>	<ul style="list-style-type: none"> <li>• Are good at gathering information.</li> <li>• Bring clarity of ideas and information.</li> <li>• Are good at creating a clear picture of a particular situation.</li> </ul>
<b>Explorer</b>	<ul style="list-style-type: none"> <li>• Aim to find new and better ways of doing things.</li> <li>• Are good at uncovering and opening up new opportunities by looking beyond the obvious solution.</li> </ul>
<b>Innovator</b>	<ul style="list-style-type: none"> <li>• Are imaginative and creative.</li> </ul>

### Eight roles of the MTR-I instrument

<b>Scientist</b>	<ul style="list-style-type: none"> <li>• Are good at supplying explanations of how and why things happen.</li> <li>• Collect and analyse information to obtain facts and to supply clear explanations of particular situations.</li> </ul>
<b>Sculptor</b>	<ul style="list-style-type: none"> <li>• Get things done and get them done quickly.</li> <li>• Are action-oriented and goal-driven.</li> <li>• Often motivate group members to start working.</li> </ul>

### Margerison-McCann Team Management Systems Profiles

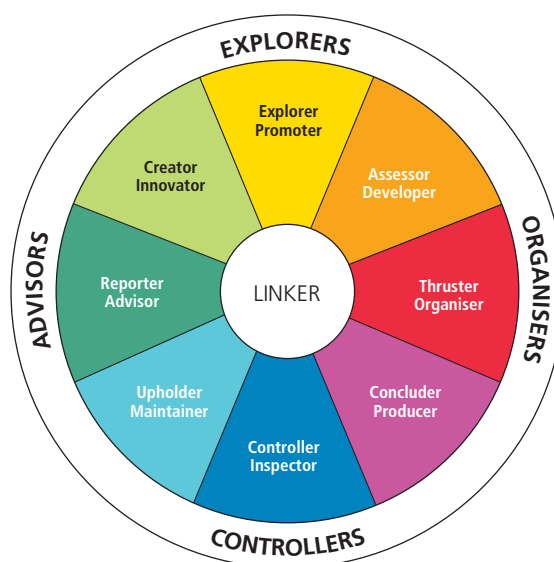
In 1984 the doctors Margerison and McCann researched the question, 'Why do some teams perform while other teams fail?'. They noted that it was easy to include team members with knowledge and experience.

According to this theory, people do better at the things they enjoy doing. A team will be successful if one can create a team where the preferences of team members have the right skills, and the team members complement and balance one another.

Margerison and McCann identified role preferences within a team as follows:

### Margerison and McCann roles within a team

<b>Reporter-Adviser</b>	<ul style="list-style-type: none"> <li>• Enjoys giving and gathering information.</li> <li>• A person is supportive, tolerant, and knowledgeable.</li> </ul>
<b>Creator-Innovator</b>	<ul style="list-style-type: none"> <li>• Likes new ideas and different ways of approaching tasks.</li> <li>• A person is imaginative and creative.</li> </ul>
<b>Explorer-Promoter</b>	<ul style="list-style-type: none"> <li>• Enjoys exploring new opportunities.</li> <li>• A person is persuasive and outgoing.</li> </ul>
<b>Assessor-Developer</b>	<ul style="list-style-type: none"> <li>• Prefers working with alternative ideas.</li> <li>• A person is analytical and objective.</li> </ul>
<b>Thruster-Organiser</b>	<ul style="list-style-type: none"> <li>• Likes to push forward and get results.</li> <li>• A person is results-oriented, able to make quick decisions.</li> </ul>
<b>Concluder-Producer</b>	<ul style="list-style-type: none"> <li>• Prefers working systematically.</li> <li>• A person is practical, efficient, and likes to plan.</li> </ul>
<b>Controller-Inspector</b>	<ul style="list-style-type: none"> <li>• A person is detail-oriented and meticulous.</li> <li>• Does not like interacting with people.</li> </ul>
<b>Upholder-Maintainer</b>	<ul style="list-style-type: none"> <li>• Likes to uphold standards and values.</li> <li>• A person is loyal and has a strong sense of right and wrong.</li> </ul>
<b>Linker</b>	<ul style="list-style-type: none"> <li>• Coordinating and integrating the work of others.</li> </ul>



## Group consensus

Consensus is a method where all group members strive to reach an agreement. The input of all members is gathered to make a decision that is acceptable to all. Group consensus guides groups on how to make decisions through this decision-making and reach consensus.

The steps in the group consensus process are as follows:

Steps in the group consensus process	
<b>Step 1</b>	<ul style="list-style-type: none"> <li>Group members discuss the issue with each other and define the problem.</li> <li>Group members raise their feelings and ideas about the issue during this stage.</li> </ul>
<b>Step 2</b>	<ul style="list-style-type: none"> <li>Discussion and consideration of each proposal involve all members.</li> <li>All members set priorities.</li> <li>Group evaluates and tests the proposed plan.</li> <li>A proposal is made based on the group's discussion.</li> </ul>
<b>Step 3</b>	<ul style="list-style-type: none"> <li>The group's facilitator calls for consensus.</li> <li>This means that the facilitator asks the group if they are willing to accept the proposal.</li> </ul>
<b>Step 4</b>	<ul style="list-style-type: none"> <li>If the group agrees to accept the proposal, a consensus has been reached.</li> <li>The group makes a decision.</li> </ul>
<b>Step 5</b>	<ul style="list-style-type: none"> <li>Test whether all agree, and if not, discuss again.</li> <li>If the group is not willing to accept a proposal, concerns are raised and discussed.</li> </ul>
<b>Step 6</b>	<ul style="list-style-type: none"> <li>Group members suggest a new proposal.</li> </ul>
<b>Step 7</b>	<ul style="list-style-type: none"> <li>The facilitator calls for consensus again.</li> <li>If the group accepts the proposal, consensus is reached.</li> <li>If the group rejects the proposal, it needs to be changed again until the group reaches a point where all group members can accept the proposal.</li> </ul>



### Take note

#### Consensus versus voting

Voting is a way to decide a result of majority support. Voting excludes the input from the minority. When reaching consensus, each member's input is valued as part of the solution and no ideas are lost.

### Activity 19.1

- 1.1 Outline the reasons why businesses use team dynamic theories. (6)  
 1.2 Read the scenario below and answer the questions that follow.

#### CHIKA CONSULTANTS (CC)

Chika Consultants is known for providing quality services to various clients.

The management of CC focuses on individual development by maximising their personal potential to effectively contribute to a team..

- 1.2.1 Identify the team dynamic theory used by CC in the above scenario. Motivate your answer from the scenario. (3)  
 1.2.2 Explain THREE other team dynamic theories. (9)

### Activity 19.2 Enrichment Activity (not for Examination purposes)

- 1.1 Read the scenario below and answer the questions that follow.

#### PRELOVED SECOND-HAND MOTORCARS (PSHM)

At PSHM the turnover is driven by a successful sales team with an established customer base. The manager knows from his many years of experience in the industry that a good salesperson is important to achieve the business goals.

The manager is also aware that the sales team does not work together as a group and that they lack group cohesiveness. Salespeople are competitive and territorial. The manager wants to build a strong team, who can work together, take on different roles and responsibilities, and drive the turnover with commitment.



**FOR SALE**

Select any of the four team dynamic theories and advise the management of PSHM on how they use the selected theory as a guideline on how they could make the sales team work together as a group.

## Unit 19.2 Defining conflict management

### The definition of conflict

Conflict is defined as a disagreement between individuals. It can vary from a mild difference in opinion to a full-scale win-or-lose, emotionally-charged confrontational disagreement.



Conflict can create stress and can lead to gossip, avoidance, and hostility. Conflict distracts employees from their work and needs to be resolved. Conflict can be viewed as a negative situation, however, if the conflict is managed correctly it can lead to better team performance.

### Causes of conflict in a business

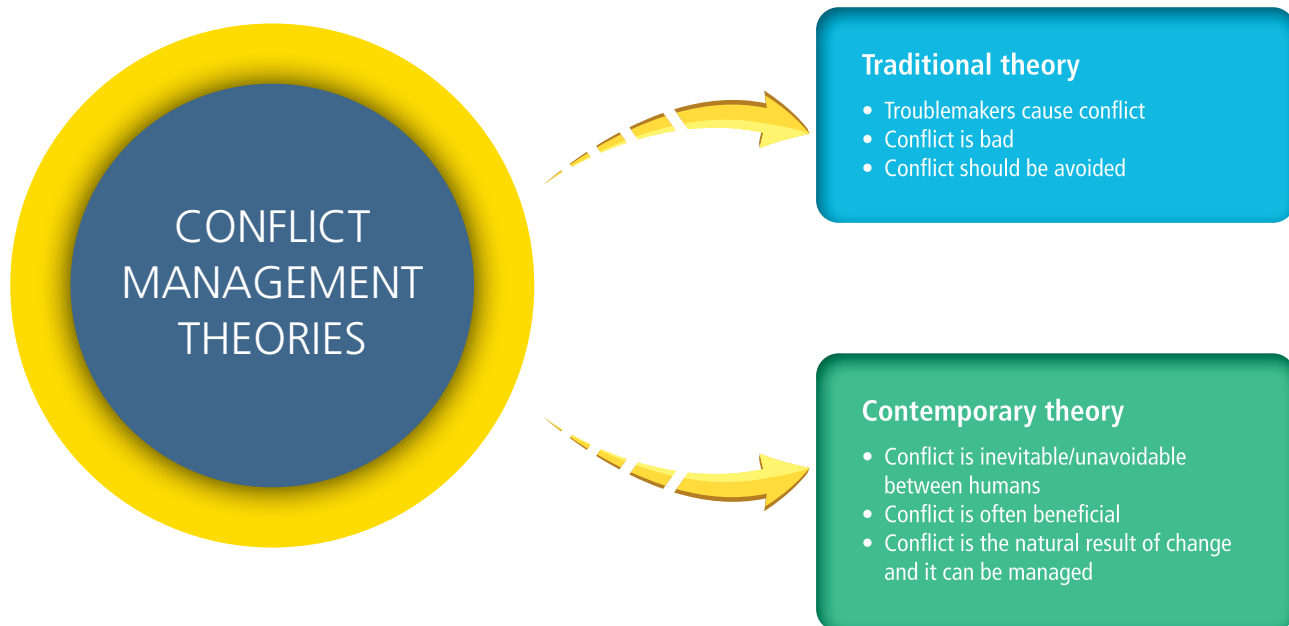
- Lack of proper communication between leaders and members.
- Differences in backgrounds, cultures, values, beliefs, and language.
- Limited business resources.
- Different goals, objectives for groups and individuals.
- Unfair workload among the employees.
- Personality differences between groups and individuals.
- Different opinions and priorities between the employees.
- Unmanaged stress can cause unhappiness and lead to more stress.
- Poor organisation, leadership, and administrative procedures and systems.
- Confusion about scheduling and deadlines.
- Ignoring rules and procedures.
- Misconduct and unacceptable behaviour.
- Competitiveness and unrealistic expectations.
- Lack of clarity in roles and responsibilities.
- Constant changes in the workplace.
- Unfair treatment of workers or favouritism by management.
- Lack of trust among workers.
- Different attitudes, values, or beliefs.
- Disagreements about needs, goals, priorities, and interests.
- Inconsistency in leadership decisions.
- Lack of information needed to do jobs properly.
- Stereotyping and prejudging.
- Lack of teamwork between the employees.

### The definition of conflict management

Conflict can be defined as a clash of opinions/ideas/viewpoints in the workplace. It can only be defined as a disagreement between two or more parties in the workplace.

## Conflict management theories

Conflict management theories are based on two theories. These are the traditional theory and the contemporary theory. The traditional theory assumes that conflict is bad, caused by troublemakers, and should be avoided. The contemporary theory recognises that conflict between humans is unavoidable.



## Reasons why businesses should use the conflict management theories to solve problems

### Traditional theory

Businesses apply the traditional theory when:

- quick decisions need to be made and individuals/workers do not have the necessary knowledge.
- dealing with serious issues, for example, criminal activities.

This theory could lead to a win-lose situation.

### Contemporary theory

Businesses apply the contemporary theory when:

- other people's views can lead to a positive outcome.
- Encouraging creative thinking in the workplace by putting two opposing ideas forward instead of choosing one idea over the other.
- thinking takes place/exploring options together.

This theory could lead to a win-win situation.



## The function of workplace forums

A workplace forum is an elected organisation consisting of employees in a particular workplace. Workplace forums can be formed when there are more than 100 employees. If employees decide to set up such a forum, it must be representative of all the employees of the workplace. This group of representatives is known as a workplace forum.

The function of the forum is to represent the employees in that workplace and to consult and negotiate with management about matters concerning employees. The purpose of workplace forums is to prevent or reduce one-sided decision-making by employers that will affect employees.

Workplace forums aim to encourage worker participation in decision-making in the workplace. They play an active role in resolving the conflict that may occur between employees and the employer. They aim to resolve conflict before it leads to more serious problems in the workplace.

Workplace forums:

- prevent unilateral decisions made by employers on issues affecting the employees.
- encourages workers' participation in decision-making.
- have the right to be consulted by an employer on:
  - restructuring of work methods
  - restructuring of job functions
  - retrenching of workers
  - mergers and transfer of ownership
  - job grading
  - criteria for merits and bonuses
  - health and safety measures
  - measures to establish an affirmative action programme
  - partial or total closure of the business.
- promote the interests of all employees in the workplace.
- enhance efficiency in the workplace through co-operation.
- are consulted by an employer and reach consensus about working conditions.

Unless otherwise agreed to in a collective agreement, an employer must consult the workplace forum before changing the:

- disciplinary codes and procedures
- workplace rules of conduct
- measures to monitor unfair discrimination
- rules of social benefit schemes.

## The difference between trade unions and workplace forums

- A trade union negotiates salaries and wages, whereas a workplace forum does not deal with remuneration.
- A trade union can organise a strike under certain circumstances, whereas a workplace forum cannot.
- A trade union is a legal entity that can sue or be sued in its name.
- Non-union members can belong to a workplace forum.

### Activity 19.3 Conflict management

- 1.1 Define the term conflict (2)
- 1.2 Read the following scenario and answer the questions that follow.

#### CHEEKY CHOCOLATES (CC)

Cheeky Chocolates employs 200 people. The employees are not happy about the shortage of resources. There is also a lack of communication between management and staff. Management suggested that they use a workplace forum to resolve the conflict in the workplace.



- 1.2.1 Quote TWO causes of conflict from the above scenario. (2)
- 1.2.2 Explain other causes of conflict at the workplace. (8)
- 1.2.3 Discuss the functions of workplace forums. (4)

## Mind map: Topic 19 – Team dynamics and conflict management

Use the mind map as a guide to consolidate the content covered in this topic.  
Be sure to study the content relevant to each heading.



## Consolidation

## QUESTION 1

- 1.1 List any THREE team dynamic theories. (3)
- 1.2 Outline the reasons why businesses use team dynamic theories. (6)

## QUESTION 2

- 2.1 Read the scenario below and answer the questions that follow:

**RETHINK & REUSE (RR)**

Lesedi, Siya, and Kobe started a recycling project known as Rethink & Reuse. Lesedi always questioned the other members' ideas as he wanted to be the manager. The team members eventually reached an agreement and consensus on the way forward.

- 2.1.1 Identify the TWO stages of team development that were experienced by RR. Motivate your answer by quoting from the scenario above.  
Use the table below as a guide to answering QUESTION 2.1.1

STAGES OF TEAM DEVELOPMENT	MOTIVATIONS
1.	
2.	

- 2.1.2 Explain TWO other stages of team development. (6)

## QUESTION 3

- 3.1 Discuss the following conflict management theories: (4)
- 3.1.1 traditional theory (4)
- 3.1.2 contemporary theory (4)
- 3.2 Explain the differences between trade unions and workplace forums. (6)



## QR CODE

Scan this code for a summary overview of the content covered in this topic relating to the specific Key Learning Points



<https://www.youtube.com/playlist?list=PLY8n0zQCEkpoS-JuohXHcDHDsxpXbniaM6>

# NOVEMBER EXAM PAPER 1

MARKS: 150

TIME: 2 HOURS

## Instructions and information

This FAT consists of 9 pages

Read the following instructions carefully before answering the questions.

1. This question paper consists of THREE sections and covers TWO main topics.

SECTION A: COMPULSORY

SECTION B: Consists of THREE questions.

Answer any TWO of the three questions in this section.

SECTION C: Consists of TWO questions.

Answer any ONE of the two questions in this section.

2. Read the instructions for each question carefully and take note of what is required.
3. Number the answers according to the numbering system used in this question paper. No marks will be awarded for answers that are numbered incorrectly.
4. Except where other instructions are given, answers must be written in full sentences.
5. Use the mark allocation and nature of each question to determine the length and depth of an answer.
6. Use the table below as a guide for mark and time allocation when answering each question.

SECTION	QUESTION	MARKS	TIME
<b>A Objective-type questions COMPULSORY</b>	<b>1</b>	<b>30</b>	<b>30 minutes</b>
<b>B THREE direct/indirect type questions CHOICE (Answer any TWO.)</b>	<b>2</b>	<b>40</b>	<b>30 minutes</b>
	<b>3</b>	<b>40</b>	<b>30 minutes</b>
	<b>4</b>	<b>40</b>	<b>30 minutes</b>
<b>C TWO essay-type questions CHOICE (Answer any ONE.)</b>	<b>5</b>	<b>40</b>	<b>30 minutes</b>
	<b>6</b>	<b>40</b>	<b>30 minutes</b>
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

7. Begin the answer to EACH question on a NEW page, for example QUESTION 1 – new page, QUESTION 2 – new page, and so on.
8. You may use a non-programmable calculator.
9. Write neatly and legibly.

## SECTION A (COMPULSORY)

### SECTION A (COMPULSORY)

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.5).

- 1.1.1 One of the components of the market environment.

- A mission
- B political
- C social
- D competitors

- 1.1.2 Maxi's Furniture and Maxwell Chairs have agreed to work together to achieve their business objectives of a ...

- A** merger
  - B** acquisition
  - C** alliance
  - D** takeover
- 1.1.3** A person's intellectual property is protected by ... legislation.
- A** copyright
  - B** patent
  - C** trademark
  - D** piracy
- 1.1.4** Intermediaries operate in the ... sector of the economy.
- A** market
  - B** primary
  - C** secondary
  - D** tertiary
- 1.1.5** Businesses have ... control over the market environment.
- A** Full
  - B** Limited
  - C** No
  - D** Complete
- (5 × 2) (10)

- 1.2** Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question numbers (1.2.1 – 1.2.5).

<b>public</b>	<b>standardisation</b>	<b>control</b>	<b>promotional</b>	<b>natural</b>	<b>production</b>
<b>penetration</b>	<b>psychographics</b>	<b>demographics</b>	<b>overhead</b>	<b>variable</b>	

- 1.2.1** Exhaustion of ... resources is forcing the closure of Woza Mines.
- 1.2.2** Bondi Phones pays monthly rental as part of their ... costs.
- 1.2.3** Tammy Takkies uses ... pricing when they host end-of-range sales.
- 1.2.4** The inspection of the final product to ensure that it meets the required standards is known as quality ...
- 1.2.5** The attitudes and tastes of Wushi Stores target market was studied and is an example of ...
- (5 × 2) (10)

- 1.3** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question numbers (1.3.1 to 1.3.5), for example, 1.3.6 K.

<b>COLUMN A</b>	<b>COLUMN B</b>
<b>1.3.1</b> Inflation	<b>A</b> Offered by businesses to retain skilled employees.
<b>1.3.2</b> Quality circles	<b>B</b> An organised association of workers formed to protect their rights and interest of employees.
<b>1.3.3</b> Fringe benefits	<b>C</b> General increase in the population of the country.
<b>1.3.4</b> Scheduling	<b>D</b> The way materials need to move from one point to the next until the final product is completed.
<b>1.3.5</b> Workplace forum	<b>E</b> General increase in the prices of goods and services in the country.
	<b>F</b> Meet regularly to discuss how quality and productivity could be improved.
	<b>G</b> Works out the time required to perform each activity and by when the process needs to be completed.
	<b>H</b> Offered by businesses as part of performance appraisals.
	<b>I</b> Representative of employees who are delegated to act on behalf of employees within the business.
	<b>J</b> A group of internal experts requested to solve the quality of products.

(5 × 2) (10)

**TOTAL SECTION A:**

**[30]**

## SECTION B

### QUESTION 2 BUSINESS ENVIRONMENTS

- 2.1** Give any TWO examples of contemporary legislation which impact on businesses. (2)
- 2.2** Identify the challenges of the micro environment faced by Sebenza Enterprises in EACH statement below:
- 2.2.1** Employees of Sebenza Enterprises are always complaining about lack of information on business operations.
- 2.2.2** The CEO of Sebenza Enterprises does not have a clear strategy of where the business is going.
- 2.2.3** Some employees do not want to comply with the requirements of the business. (6)
- 2.3** Explain any TWO types of lobbying except hedging against inflation. (6)
- 2.4** Explain ways in which businesses can form power relationships by focusing on:
- 2.4.1** Strategic alliance agreements (4)
- 2.4.2** Company representatives influence (4)
- 2.5** Discuss how businesses can use hedging to fight inflation. (6)
- 2.6** Discuss the advantages of networking. (4)
- 2.7** Advise businesses on ways to overcome competition in the market environment. (8)

**[40]**

### QUESTION 3: BUSINESS OPERATIONS

- 3.1** Elaborate on the meaning of advertising. (4)
- 3.2** Outline THREE requirements of a good trademark. (6)
- 3.3** Read the scenario below and answer the questions that follow:

#### HEALTHY BARS (HB)

Healthy Bars specialises in the production of health bars for local health stores. HB ensure that identical products that are produced in large quantities go through the same process. HB also produces face cloths to cater for the needs of other customers. They ensure that one group of face cloths is finished before the next one is produced. The employees of HB are expected to take precautionary measures when handling machinery.

- 3.3.1** Identify TWO types of production systems used by HB. Motivate your answer by quoting from the scenario above. (6)
- 3.3.2** Explain precautionary measure that HB's employees should take when handling machinery. (6)
- 3.4** Explain the purpose of induction as an activity of the human resource function. (6)
- 3.5** Discuss the reasons why manufacturers may prefer to make use of the indirect distribution method. (6)
- 3.6** Read the scenario below and answer the questions that follow:

#### SOSO TRADING (ST)

Soso trading hired Greg as a supervisor in the sales department. Greig was subjected to various psychometric tests to determine his strengths, weaknesses and skills.

- 3.6.1** Name the human resources activity applied by ST in the scenario above. (2)
- 3.6.2** Advise the management of ST on the steps of the human resources activity identified in question 3.6.1. (4)

**[40]**



## QUESTION 4: MISCELLANEOUS TOPICS

### BUSINESS ENVIRONMENTS

**4.1** Name any TWO projects that can be undertaken by businesses as part of social responsibility. (2)

**4.2** Read the scenario below and answer the questions that follow.

#### BRIGHT (BT)

Bright Trading is known for producing quality products. BT cannot find suitable people to occupy vacant positions as many of them cannot read and write. Some of their products enter South Africa from other countries at a price that is cheaper than the normal value of the goods.

**4.2.1** Identify TWO socio-economic issues posing challenges to BT. Motivate your answer by quoting from the scenario above. (6)

Redraw the table below in the ANSWER BOOK and then answer this question.

SOCIO ECONOMIC ISSUE	MOTIVATIONS

**4.4.2** Discuss the negative impact of ONE of the socio-economic issues identified in question 4.2.1. (6)

**4.3** Evaluate the reasons why businesses lobby. (6)

### BUSINESS OPERATIONS

**4.4** Elaborate on the meaning of publicity. (4)

**4.5** Outline the purpose of sales promotion. (6)

**4.6** Read the scenario below and answer the questions that follow:

#### DREAM JEWELLERS (DJ)

Josh and Danny are employees of Dream Jewellers. Josh is remunerated according to the number of hours spent at work and Danny according to the number of rings produced. DJ ensures that production planning is done before the actual production takes place.

**4.6.1** Identify TWO salary determination methods applied by DJ. Motivate your answer by quoting from the scenario above. (6)

Redraw the table below in the ANSWER BOOK and then answer this question.

SALARY DETERMINATION METHODS	MOTIVATIONS
Josh	
Danny	

**4.6.2** Advise the management of DJ on the advantages of production planning. (4)  
[40]

**TOTAL SECTION B:** [80]

## SECTION C

### QUESTION 5: BUSINESS ENVIRONMENTS

Employers and employees are guided by the Labour Relations Act to ensure peace and harmony in the workplace. The trade unions and employer organisations should take precautionary measures that are aimed at preventing unnecessary strikes in the workplace. Businesses must be well conversant with the types of industrial actions.

Write an essay on the Labour Relations Act in which you include the following aspects:

- Outline the purpose of the Labour relations Act.
- Explain TWO types of industrial actions except strikes.
- Discuss the negative impact of strikes on businesses.
- Advise businesses on the functions of trade unions.

[40]

OR

### QUESTION 6: BUSINESS OPERATIONS

Successful businesses use the external recruitment method to find suitable employees. They follow the correct selection procedure and ensure that their interviewer know their roles during the interview. The human resources function should comply with the Employment Equity Act (EEA) when making appointments.

Write an essay on the human resources function, in which you include the following aspects:

- Outline the recruitment procedure.
- Explain the selection procedure as a human resources activity.
- Discuss the role of the interviewer during the interview.
- Advise the human resources function on the implications of the Employment equity Act when making appointments.

[40]

**TOTAL SECTION C**

[40]

**GRAND TOTAL**

[150]

# NOVEMBER EXAM PAPER 2

MARKS: 150

TIME: 2 HOURS

## Instructions and information

This paper consists of 9 pages

Read the following instructions carefully before answering the questions.

1. This question paper consists of THREE sections and covers TWO main topics.

SECTION A: COMPULSORY

SECTION B: Consists of THREE questions.

Answer any TWO of the three questions in this section.

SECTION C: Consists of TWO questions.

Answer any ONE of the two questions in this section.

2. Read the instructions for each question carefully and take note of what is required.
3. Number the answers according to the numbering system used in this question paper. No marks will be awarded for answers that are numbered incorrectly.
4. Except where other instructions are given, answers must be written in full sentences.
5. Use the mark allocation and nature of each question to determine the length and depth of an answer.
6. Use the table below as a guide for mark and time allocation when answering each question.

SECTION	QUESTION	MARKS	TIME
<b>A Objective-type questions COMPULSORY</b>	<b>1</b>	<b>30</b>	<b>30 minutes</b>
<b>B THREE direct/indirect type questions CHOICE (Answer any TWO.)</b>	<b>2</b>	<b>40</b>	<b>30 minutes</b>
	<b>3</b>	<b>40</b>	<b>30 minutes</b>
	<b>4</b>	<b>40</b>	<b>30 minutes</b>
<b>C TWO essay-type questions CHOICE (Answer any ONE.)</b>	<b>5</b>	<b>40</b>	<b>30 minutes</b>
	<b>6</b>	<b>40</b>	<b>30 minutes</b>
<b>TOTAL</b>		<b>150</b>	<b>120 minutes</b>

7. Begin the answer to EACH question on a NEW page, for example QUESTION 1 – new page, QUESTION 2 – new page, and so on.
8. You may use a non-programmable calculator.
9. Write neatly and legibly.

## SECTION A (COMPULSORY)

### QUESTION 1

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.5).

- 1.1.1 Businesses can promote creative thinking in the workplace by ...

- A increasing employees' salaries
- B using the services of experts
- C encouraging team work
- D placing suggestion boxes around the workplace

- 1.1.2** Forms of ownership where the owner or owners pay tax in their personal capacity.
- A** Private and public company
  - B** Close corporation and partnership
  - C** Partnership and private company
  - D** Sole trader and partnership
- 1.1.3** An eight-step system for managing change was designed by ...
- A** Meredith Belbin.
  - B** John P. Kotter.
  - C** Kurt Lewin.
  - D** Margerison-McCann.
- 1.1.4** Which ONE of the following can be considered unethical in advertising?
- A** Advertising only in the Sunday newspaper
  - B** Advertising only on television
  - C** Giving goods deceptive names
  - D** Advertising your product as the best on the market
- 1.1.5** The ... team dynamic theory defines team roles in terms of the contribution each member makes to the team.
- A** Jungian
  - B** Margerison-McCann
  - C** MTR-I approach
  - D** Belbin's role

(5 × 2) (10)

- 1.2** Complete the following statements by using the word(s) in the list below. Write only the word(s) next to the question numbers (1.2.1 – 1.2.5).

**creative thinking ; problem solving ; organisation culture ; business growth poster ; flyer ; initial ; secondary**

- 1.2.1** A process of finding the correct strategy to respond to a business challenge is known as ....
- 1.2.2** Jonny Trading considered the ... when as they are planning to provide ongoing training to ensure that the staff remain skilled before they start up.
- 1.2.3** The on-going fee paid to the owner of an asset by using its name and trademark is known as ...
- 1.2.4** Using text boxes if space allows should be considered when designing a ....
- 1.2.5** Mbezi Hardware Limited issues a ...offer when they invited the public to buy additional shares.

(5 × 2) (10)

- 1.3** Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A – J) next to the question numbers (1.3.1 to 1.3.5), for example, 1.3.6 K.

COLUMN A	COLUMN B
<b>1.3.1</b> The Rights approach	<b>A</b> The business practice of hiring a third party to perform services.
<b>1.3.2</b> Routine Thinking	<b>B</b> A formal written compliant to a senior manager.
<b>1.3.3</b> Outsourcing	<b>C</b> Bar chart that illustrates the start and finish dates of tasks in a project..
<b>1.3.4</b> Timelines	<b>D</b> A disagreement between two parties.
<b>1.3.5</b> Conflict	<b>E</b> Using past decisions to guide their decision-making.
	<b>F</b> Arranges both past and expected future events of a project.
	<b>G</b> A license to use the name and idea of an existing business.
	<b>H</b> Exploring new ideas to do things better.
	<b>I</b> Treating all customers and employees with respect and dignity.
	<b>J</b> Business values and ethical principles are in line with the society.

(5 × 2) (10)

**TOTAL SECTION A**

**[30]**

## SECTION B

### QUESTION 2: BUSINESS VENTURES

- 2.1** State FIVE aspects that must be included in the prospectus. (5)
- 2.2** Outline the contractual implications of leasing as one of the business avenues. (6)
- 2.3** Read the scenario below and answer the questions that follow.

#### KASIVE SHUTTLE SERVICES (KSS)

Kaley and Sive have just established a new business which is known as Kasive Shuttle Services. Kaley and Sive drew up an action plan for their business. They listed the tasks to be performed. They also decided on the deadline for each activity. Kaley and Sive always check the progress made regularly.

- 2.3.1** Quote THREE steps used by KSS when drawing up an action plan. (3)
- 2.3.2** Explain the steps KSS should follow when drawing up an action plan. (4)
- 2.4** Explain reasons why entrepreneurs decide to purchase existing businesses. (6)
- 2.5** Read the scenario below and answer the questions that follow. (6)

#### KASIVE SHUTTLE SERVICES (KSS)

Kaya and Sive ensured that different activities are running to achieve their goals. They decreased costs and increase outputs to maximise profits. They also want to present their business information to various stakeholders.

- 2.5.1** Identify TWO aspects that KSS considered when initiating a business. Motivate your answer by quoting from the scenario above. (6)
- Use the table below as a GUIDE to answer QUESTION 2.5.1

ASPECT OF INITIATING A BUSINESS	MOTIVATIONS
1.	
2.	

- 2.5.2** Advise KSS on the importance of presenting the business information (4)
- 2.6** Discuss any TWO benefits of establishing a company versus other forms of ownership (6)
- [40]**

### QUESTION 3: BUSINESS ROLES

- 3.1** Define the meaning of creative thinking. (2)
- 3.2** Identify the problem-solving technique presented in EACH of the following statements:
- 3.2.1** Paper Enterprise has listed the advantages and disadvantages of changing their business structure. (4)
- 3.2.2** They requested experts to complete a questionnaire on how to solve their complex business problems. (4)
- 3.3** Outline other ways in which Paper Enterprise can apply ONE of the problem-solving techniques identified in QUESTION 3.2. (6)
- 3.4** Discuss the advantage of creative thinking in the workplace. (6)
- 3.5** Read the scenario below and answer the questions that follow:

#### NZAMO EVENTS (NE)

Carmine, one of Nzamo Events employees is suffering from work related stress. She works long hours with taking breaks. Carmine always take work home as she does not complete her daily targets. She is does not get along with some of her colleagues with different beliefs and values. Charmaine's boss is incompetent as she cannot handle conflict in the workplace. The management of NE wants to apply the John Kotter's eight step of leading change in the workplace.

- 3.5.1** Quote THREE causes of stress in the workplace for Carmine. (3)
- 3.5.2** Elaborate on the meaning of stress. (4)
- 3.5.3** Explain the importance of stress management in the workplace. (6)

- 3.6** Describe any TWO stages of team development. (6)  
**[40]**

#### QUESTION 4: MISCELLANEOUS TOPICS

##### BUSINESS VENTURES

- 4.1** Elaborate on the meaning of the Memorandum of incorporation. (4)  
**4.2** Identify the form of ownership from the statements below:  
**4.2.1** Mabuse Ltd manufactures exclusive furniture.  
**4.2.2** Roses' Beauty Salon specialises in manicures and pedicures.  
**4.2.3** Petersen and Delaware Attorneys offer their clients legal representation for civil matters. (6)  
**4.3** Explain the advantages of the form of ownership identified in QUESTION 4.2.1. (4)  
**4.4** Discuss any TWO sources of funding. (6)

##### BUSINESS ROLES

- 4.5** Name FOUR causes of conflict in the workplace. (4)  
**4.6** Identify the theory of ethics applied by Musa Consulting in Each statement below:  
**4.6.1** Musa Consulting determines whether or not do something based on the expected result of the action.  
**4.6.2** They treat their employees with respect and integrity. (4)  
**4.7** Read the statement below and answer the questions that follow. (6)

The South African citizens have the right to freedom of speech and expression. They also have the right to respect and dignity. Many South African citizens exercise their right to freedom of thought and religion.

- 4.7.1** Explain the responsibilities of the rights of the South African citizen mentioned in the scenario above. (6)  
Use the table below as a GUIDE to answer QUESTION 4.7.1.

RIGHTS OF CITIZENS	RESPONSIBILITIES
1. Freedom of speech and expression	
2. Right to respect and dignity	
3. Freedom of thought and religion	

- 4.8** Advise businesses on the functions of trade unions (6)  
**[40]**

**TOTAL SECTION B:** **[80]**

## SECTION C

### QUESTION 5: BUSINESS VENTURES

Presentation of business information ensures that business information is shared with all stakeholders. An effective presentation is preceded by taking certain factors into consideration for the presentation. Visual aids can be used to enhance the presentation to stakeholders. After a presentation, dealing with feedback appropriately is important.

Write an essay on the presentation of business information in which you include the following aspects:

- Elaborate on the differences between a verbal and non-verbal presentation.
- Explain factors that a presenter should consider when preparing for a presentation.
- Discuss the following visual aids to enhance the presentation:
  - Transparencies
  - Handouts
- Advise the presenter on how to handle feedback after a presentation in a non-aggressive and professional manner.

[40]

OR

### QUESTION 6: BUSINESS ROLES

Ethical and professional behaviour in the workplace is encouraged. Businesses expect employees to be guided by their moral compass when decisions are made. Businesses should ensure that day to day operations take place in an ethical and professional manner to ensure the sustainability of the business.

Write an essay on professionalism and ethics in which you include the following aspects:

- Outline the differences between professionalism and ethics.
- Explain any FOUR principles of professionalism and ethics.
- Discuss the benefits of running an ethical business venture.
- Recommend ways in which professional, responsible, ethical and effective business practice should be conducted.

[40]

**TOTAL SECTION C**

[40]

**GRAND TOTAL**

[150]



# GLOSSARY

## A

**accessibility** easily reached

**accountability** holding directors and officials responsible to stakeholders for their decisions and actions

**accreditation** the action or process of officially recognising someone as having a particular status or being qualified to perform a particular activity

**acronym** an abbreviation formed from the initial letters of other words and pronounced as a word, for example, LOL

**advocacy** public support for or recommendation of a particular cause or policy

**aggressive advertising campaigns** a strategy that uses provocative tactics to generate a response from an audience

**AIDS** Acquired Immune Deficiency Syndrome

**alliance** two or more businesses that work together in a joint venture

**allowances** special benefits allocated to employees by employers such as cell phone, car or travel allowances

**auditing** an independent examination of data, statements, records, operations and performances of an enterprise for a stated purpose

**autonomy** independent in one's thoughts and actions

## B

**bankruptcy** an actual court order that depicts how an insolvent person or business will pay off their creditors

**beliefs** what a business feels is true

**bounce ideas off others** to talk about your ideas with others in order to get their opinion

**brand awareness** the extent to which consumers are familiar with the qualities or image of a particular brand of goods or services

**bribe** money paid to a person to influence him or her

**budget** an estimate of income and expenditure for a set period of time

**bulk** buying in large quantities

## C

**call-to-action** a specific statement is used in marketing that prompts customers/ consumers to purchase a product/ service

**capital** wealth in the form of money/other assets owned by a person/organisation/available for a purpose such as starting a company or investing

**change management** is a process used by organisations to facilitate and implement change through internal and external processes

**change management** change management models or concepts to assist organisations with change processes

**charisma** charm that can inspire devotion in others

**CIPC** Companies and Intellectual Property Commission

**code of conduct** a set of rules and responsibilities of an organisation or business that employees need to comply with

**cohesive** working together in a unified manner

**collaborative** refers to how different people work together to complete a task

**common good approach** refers to actions that are taken or policies that are put in place to not only benefit a certain group of individuals but the society

**competitive pricing** is the process of selecting strategic price points to best take advantage of a product or service based market relative to competition

**complement** to make something more complete

**confidence** entrepreneurs believe in themselves and believe that they can achieve their goals

**consequential theory** a theory that judges the rightness or wrongness of an action based on the consequences that action has

**consult** to seek information or input from other departments

**contingency** a provision for a possible event or circumstance

**contingency plan** a plan designed to take account of a possible future event or circumstance

**contrast** something being different from something else

**contribution margin** the indication of how much each unit is contributing to the fixed costs

**coordinates** to bring the different functions into efficient relationship/work together

**copyrights** the exclusive and assignable legal right given to the original owner for a fixed number of year, to print/publish

**cordial** in a friendly way

**corporate governance** the structure of rules, practices, and processes used to direct and manage a company

**Corporate Social Investment (CSI)** a strategy companies use to improve the social, environmental and economic well-being of the community in which they operate, or society at large

**corporate social responsibility (CSR)** relates to businesses that take responsibility for its impact on society and the environment

**cost accounting** the recording of all the costs incurred in a business in a way that can be used to improve its management

**creativity** coming up with something new or doing things in a new way

**credit facility** a product offered by a bank or other financial institution to a government or business to use when they (the customer) needs funds

**credit providers** companies that offer a range of financial solutions to consumers. These solutions include loans

**crisis management** the way in which an individual or organisation deals with an emergency event or situation

**culture** refers to the beliefs, values, norms and ideologies of a group of people or a society

**customer base** the group of customers a business has in the market

**customer focus** developing products and services with the consumer in mind

## D

**data** facts and statistics collected together for reference or analysis

**deadlines** the latest time one has to submit completed work

**debilitating** something that is exhausting/draining/tiring

**debt counselling** the activity of giving people financial help and advice about managing debt, for example, helping them on a new repayment plan

**debts** a sum of money that is owed or due

**deficiency** a lack or shortage

**democratic structure** a co-operative, owned by members who each have an equal say in how the co-operative is run

**demotivated** less eager to work

**devising** plan or come up with procedure or systems

**director** a person who is in charge of an activity, department or organisation

**directors' remuneration** fees paid to directors for services rendered by them to or on behalf of a company

**discrimination** the unfair treatment of someone because of their race, gender or religion

**discrimination** the unjust or prejudicial treatment of different categories of people, especially on the basis of race, age or disability

**disparity** a difference in the income levels between rich and poor people

**dispassionate** not influenced by strong emotions

**disposable income** income left over after the deduction of taxes and services

**disputes** a disagreement or argument

**distress** extreme anxiety, sorrow, or pain

**diversity** means having a range of people with various racial, ethnic, socioeconomic, and cultural backgrounds and various lifestyles, experience, and interests.

**dormant customers** customers who have lost interest in the business/are detached from the business/are not interested in purchasing from the business

**double taxation** a tax principle referring to income taxes paid twice on the same source of income

## E

**effective** producing a result that is wanted

**efficient** achieving maximum productivity with minimum wasted effort or expense

**efficient** capable of producing desired results without wasting materials, time, or energy

**embrace** to accept a belief, theory, or change willingly and enthusiastically

**enforceable** a written or oral agreement that can be imposed in a court of law

**enhanced** improve the quality of the presentation

**entrepreneur** a person who starts a business, taking on financial risks to make a profit

**entrepreneurship** the activity of setting up a business/es, taking on financial risks in the hope of making a profit

**ethical perspectives** an individual's ability to approach an ethical dilemma using their frame of reference and moral compass to find an appropriate solution

**ethics** moral principles that govern a person's behaviour or the conducting of an activity

**exchange rate** the value of one currency for conversion to another

**experts** these are people that are very knowledgeable and skillful in a specific area

**exploit** use a situation in a way considered unfair

**exploit** the action or fact of treating someone unfairly in order to benefit from their work

## F

**financial assets** non-physical asset whose value is derived from a contractual claim, such as bank deposits, bonds, shares, and so on

**foreign funding** type of fund that invests in companies that are based internationally, or outside the investor's country of residence

**fringe benefits** extra benefits supplementing an employee's money wage or salary, for example, a company car, private healthcare

**funeral benefits** special benefits such as a cash payment provided to employees by the employer in the event of the death of an employee

## G

**Generally Accepted Accounting Principles (GAAP)** a set of rules that encompass the details, complexities and legalities of business and corporate accounting

**generation of ideas** a process when different creative skills such as brainstorming or mind mapping are applied to develop new ideas

**goods** things that are produced, bought or sold, then finally consumed

**gross domestic product (GDP)** a measurement that captures a country's economic output

**guerrilla marketing** an unconventional, low-cost form of marketing aimed at gaining maximum exposure for the products/services of the business

**hazardous products** substances that could harm human health or the environment

## H

**HIV** Human Immune Deficiency Virus

## I

**imitation** when a product is replicated for sale

**impact** the effect or influence of a decision or activity on the business/community/employees

**implement** putting a plan into effect

**incessantly** without interruption or continuously

**incumbent** necessary for (someone) as a duty or responsibility

**industry** refers to a specific group of businesses that produce a particular kind of good or service in a particular field

**ineffective employees** constant complaining suggests the employee is a generally unhappy person who does not want to be there

**inevitable** certain to happen/unavoidable

**inflation** a general increase in prices and a fall in the purchasing value of money

**inhumane** without compassion for suffering

**innovative** an idea that has been turned into an everyday reality

**inspire** motivate someone to do something

**instinctive** done without conscious thought

**integrity** the quality of being honest and having strong moral principles

**intellectual property** is any product of the human intellect that the law protects from unauthorised use by others

**interaction** communication or direct involvement with someone or business

**interdependent** dependent on each other

**interest** money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt "the monthly rate of interest"

**interest** things that we enjoy doing

**intermediaries** businesses that distribute and sell the goods or services of other businesses. They buy from producers and sell to consumers or customers

**internal affairs** all the activities that are carried out within the business

**interrelated** relate or connect to one another

**interrelated** there is a connection or relationship between the components

**interview process** the process takes place between the employer and a prospective candidate before employment to determine the candidate's suitability for the vacant position

**investor/s** a person or organisation that puts money into financial schemes, property, and so on, with the expectation of achieving a profit

**investors** person/persons or business that puts money into financial schemes, property, and so on, with the expectation of achieving a profit

## J

**jobbing** involves producing custom work, such as a one-off product for a specific customer

## K

**King Code** a code that explains what ethical and effective leadership entails

## L

**legislation** laws which have been enacted/passed by the government, for example, the Employment Equity Act (No. 55 of 1998)

**lessee** the person who pays to use the asset

**lessor** the owner of the asset

**liability** the state of being legally responsible for something

**loan** a sum of money that is expected to be paid back with interest

**long-term contracts** a long-term agreement that has been signed

**long-term loans** money that is borrowed and repayable over a year. For example, bonds, debentures, and so on

## M

**market research** the action or activity of gathering information about customers' needs and preferences

**market trends** a perceived tendency of financial markets to move in a particular direction over time

**medical aid** a fund that is funded by the employer and employees' contributions that enable employees to access healthcare from various medical practitioners

**mediocrity** the quality of something that is not very good

**mixed economy** consists of both private and state-owned companies that share control of owning, making, selling, and exchanging goods in the country

**moral compass** a person's ability to judge what is right and wrong and act accordingly

**morale** the confidence, enthusiasm, and discipline of a person or group at a particular time

**multinational corporation** usually a large corporation incorporated in one country, which produces or sells goods or services in various countries

## N

**norms** rules or expectations that are enforced by a business

**nurtured** to encourage or look after a specific or intended relationship

## O

**obligations** a court may instruct a person/business to carry out its responsibility

**obstacles** a thing that blocks one's way or prevents/hinders progress

**opportunity** gaps in the market where an entrepreneur can make money

**overdraft** when a bank allows a person with a cheque account to redraw more than he/she has in the account and charges interest on the extra amount used

**overseeing** to watch or organise a job or an activity to make certain that it is being done correctly

## P

**parastatal** is a state-owned company / enterprise (SOCs/SOEs)

**partnership agreement** a contract between two or more individuals who would like to manage and operate a business together in order to make a profit

**passion** strongly believe something and show enthusiasm to achieve the best outcome

**patents** an exclusive right granted for an invention, which is a product or a process that provides a new way of doing something

**pension fund** a fund that is funded by employer and employee contributions that pay employees a pension when they retire

**people-oriented** the individual is respected, valued and empowered. Focusing more on the people rather than the tasks

**perceive** become aware of something, come to realise or understand

**performance-based incentives** this is paid to employees when they have surpassed their expected work performance within a one years' cycle

**perseverance** when an entrepreneur does not give up despite challenges and problems

**poverty alleviation** is a set of measures, both economic and humanitarian, that are intended to permanently lift people out of poverty

**precedes** immediately before something

**pricing strategies** methods businesses use to price their products or services

**pricing techniques** refer to methods companies use to price their products or services

**privatisation** refers to the sale of state-owned businesses and assets to the private sector

**productivity** the rate at which goods are produced or services provided

**productivity** is defined as the rate at which work is done

**professionalism** the specialised knowledge and skills used to practice a specific job or task

**profit margin** the amount by which revenue from sales exceeds costs in a business

**profitability** producing a benefit or monetary gain

**provident fund** an investment fund contributed to by employees, employers, and (sometimes) the state, out of which a lump sum is provided to each employee on retirement

**public relations** the professional maintenance of a favourable public image by a company or other organisation, or a famous person

**public-private-partnership (PPP)** is a contract between a public-sector institution and private sector, where the private sector performs a function that is usually provided by the public-sector and/or uses state property in terms of the PPP agreement

**questionnaires** refers to an instrument with a series of questions and answers used for research purposes

## R

- raw materials** the basic material from which a product is made
- raw materials** materials that have not been processed
- reckless** the consequences of one's actions
- recruitment policy** a statement of principles describing how an organisation should conduct its recruitment process
- refrain** stop yourself from doing something
- registered businesses** in South Africa, businesses must register with the South Africa Revenue Service (SARS) for purposes of tax
- reliable** something that can be trusted or that you can depend on; or something that is consistently good in quality or performance
- remunerate** payment that a worker receives for performing a job for the business
- remuneration** the pay or other financial compensation provided in exchange for an employee's services performed
- reputable supplier** the supplier who is meeting current regulatory requirements and industry standards
- requisition** an official order laying claim to the use of property or materials
- research protocol** the procedure that must be followed before research is conducted
- respondent** people who take part in research
- responsibility** the legal and moral obligation of the business in relation to the economic, social, and natural environment within which it operates
- reverse engineering** is a process in which products are deconstructed (taken apart) to extract design information from them by putting them back together again
- rights approach** this approach holds that our dignity is based on our ability to choose freely how we live our lives and that we have a moral right to respect our choices as free, equal, and rational people, and a moral duty to respect others in the same way
- risks** classified as unforeseen events that can impact negatively on a decision

## S

- segregate** means the separation or isolation of a race, class, or ethnic group by discriminatory means
- self-employed** refers to people working for themselves
- selling price** the price that the customers pay for goods and services
- services** activities that assist businesses, for example, information technology is a business service
- shared learning** the process of working as a team to achieve a common goal

- shares** one of the equal parts into which a company's capital is divided, entitling the holder to a proportion of the profits
- short-term loans** money that is borrowed and repayable within a period less than a year. For example, bank overdraft, credit cards, and so on
- skewed** distorted in a way that is regarded as inaccurate, unfair, or misleading
- software product keys** is a specific software-based key for a computer program. It certifies that the copy of the program is original
- staff discount** a benefit is allocated to employees as an additional extra as part of their remuneration package
- stakeholder** any party that has an interest in a company and either affect or be affected by the business. For example, employees, customers, shareholders, suppliers, trade union, and so on
- stand-alone e-commerce sites** is a website built by you, where only your products and services are available
- standards** a level of quality or attainment. Sometimes used as a measure in the business
- state-owned companies/enterprises (SOCs/SOEs)** refers to a business that is owned and controlled by the government
- statistical considerations** need to be followed by a researcher so that only the truth is reported and there is no misrepresentation of the data
- statistics** the practice or science of collecting and analysing numerical data in large quantities
- strategic** relating to the gaining of overall or long-term advantage
- stress** a state of mental or emotional strain or tension resulting from a situation or event
- subordinate** a person under the authority or control of another within an organisation
- subordinates** a person who is under the control or authority of another person within an organisation
- supply shortage** a situation whereby businesses find it difficult to identify suppliers who offer raw material in the right quality, right quantities and in the right place
- sustainability** the ability of a business to keep doing business over a long period/sustainable economic growth/sustainability of mineral resources
- synergy** the additional effectiveness when two or more people combine and work together
- systematic** to do something in a planned manner

## T

- tactical** constituting actions carefully planned to achieve desired objectives



**tax exempt** refers to income or transactions that are free from tax at national or local government level

**territory** an area of land under the jurisdiction of a ruler or state

**total revenue** the amount of money that a business receives from the sale of products or services

**trading licences** the authorisation issued by the local government to start a business

**transparency** operating in a manner that is easy for stakeholders to understand

**triple bottom line** an accounting framework with three parts: social, environmental and financial

## U

**unemployment** the situation that individuals find themselves in when they are willing and able to work but are not able to find work

**unlimited liability** refers to the full legal responsibility that business owners and partners assume for all business debts

## V

**validate** confirm that the information presented is accurate

**values** the morals that are shared by the employees in an organisation

**versatile** can be adapted

**viability** the ability of a business to survive for a long time

**vulnerability** the quality or state of being exposed to the possibility of being being attacked or harmed, either physically or emotionally

## W

**watermark** is a faint design made in some paper during manufacture or digital information that is visible when held against the light and typically identifies the maker

**white collar crime** crimes of ethical misconduct such as fraud and mismanagement of business funds that are committed in businesses

**withdrawal** to stop participating in a team

